

Landowners should consider facts before making decisions

BY Kenny E. Perry, Extension Agent for Agriculture and Natural Resources

Many farmers and landowners have already begun to negotiate contracts for the 2012 crop year and beyond. To say that competition among producers for available land resources is fierce would be a significant understatement. Rumors are running rampant about how much cash rent so and so is getting, and landowners are concerned that they're getting the short end of the stick. But before jumping to conclusions and creating friction, landowners and producers alike should make sure they have all of their facts straight.

First, all land is not created equal. When landowners discuss the amount of rent they received from their respective tenants, there's often a temptation to think that they're comparing apples to apples. However, it's very seldom that simple. There are numerous soil types in Graves County. Some are similar, but others are quite different. One type may consistently produce 125 bushel corn per acre, while the other produces 175 bushels per acre. Should these two soil types rent for the same amount? No way.

The type of lease agreement can also make a huge difference in the amount of money that a landowner receives. Some landlords like a cash rental agreement where they receive a fixed amount of money each year from the tenant. Because this increases the risk of the farmer, it generally results in a lower payment to the landlord. But it's a fixed, guaranteed amount that the landowner can count on receiving every year.

Other landowners like a share crop lease. There are a couple of different types that are common in Graves County. With a share crop lease, the amount of risk for the landowner is greater than in a cash rental agreement because it's dependent upon what the crop makes. If drought hits and decreases the yield, then the landowner's share reflects that reduction. In a year with high yields or, like 2011 with high commodity prices, landowners that had share crop leases received higher than normal payments. But they shouldn't expect that to be the situation for ever. One final thought on share crop leases; Landowners who do not like to take risks or must have a specific amount of income from their farm should not use a share crop agreement.

The type of crop being grown on the farm can also result in different payment rates to the landowner when using a share crop lease. A landowner that had corn on their property this year probably received a higher payment than the ones that had soybeans. If you had soybeans on your property this year, it's very likely that your tenant will plant corn on your fields next year. Recently, the trend has been for corn to result in higher payments, but that's not always the case. So it's usually best for a farmer to maintain a fixed crop rotation.

There are numerous factors that determine the fair rental amount for a field or property. Landowners should educate themselves about those factors and use common sense as rumors spread about unrealistic rental rates. Most of the time, those are disproven or are due to extreme circumstances like we've experienced in 2011.

For more information about rental agreements, contact the Graves County Extension Office at 247-2334.

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