CRP

Lease Alternatives For CRP Land

SUMMARY

Landowners and farm operators have options for leasing their CRP land.

This bulletin is part of a series to help CRP contract holders assess the land-use options available to them when the contracts expire. Other bulletins in the series and additional information are available at county ISU Extension offices.

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Land owners and neighborhood farm operators have several alternatives in lease selection. Options include the crop share lease, livestock share lease, cash lease, or flexible lease.

Crop Share Lease

With the crop share lease, the owner receives a share of the crop for contributing use of the land. The division of crops is normally only for grain crops such as corn, soybeans, or oats. The owner generally receives one-half of the production. Sometimes the owner takes a share of the hay crop in lieu of cash payment.

The owner furnishes the land and buildings and pays half of certain expenses such as fertilizer, seed, and herbicides. The tenant provides the labor, fuel, and machinery. Application charges for fertilizers and chemicals are usually borne by the farm operator and considered a substitute for furnishing machinery and labor. The owner does not participate in livestock enterprises.

Livestock Share Lease

The owner furnishes the buildings and facilities and the farm operator furnishes the labor in a livestock share lease. The livestock is owned jointly and receipts from the livestock sales are divided half-and-half between tenant and owner. Most operating expenses are shared equally such as feed, veterinary and health care, and livestock purchases. Part or all of the livestock equipment may be owned jointly.

Livestock share leases often are used in combination with a crop share lease. The landowner pays for half of the seed, fertilizer, and other crop expenses.

There are many variations in livestock share lease arrangements. Variations occur because different livestock enterprises require different contributions of labor and capital by each party.

Cash Lease

With a cash lease, the tenant pays a specific amount of money each year for the use of the farm. Rent is calculated by multiplying a rental rate per acre by each quality of land. Row-crop land typically offers the greatest profit and commands the greater amount of rent per acre. Hay land typically rents for two-thirds to three-fourths of modest yielding row-crop land, historically.

Permanent pasture rates typically are for a fixed rate per acre. Rental on an animal unit day basis reduces the tendency for overgrazing, particularly important with improved expensive seedings that are especially sensitive to overgrazing.

Flexible Lease

Flexible leases have become popular with parties wishing to share price and yield variability with tenants while maintaining some of the simplicity of the cash lease. For example, rents tend to be equal to 30 to 35 percent of the gross value of the corn crop including an equivalent share of the price deficiency payment, 35 to 40 percent of the value of the soybean crop, and so on.

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