

Consider Using A Flexible Cash Lease

URBANA, ILL.

Crop prices certainly look different today in the first part of July than they did one year ago. Cash corn today is about half what it was then, and soybeans are about \$5 per bushel lower. It sure made potential incomes look much better a year ago than they look today. The good news is that we have seen fertilizer expenses lowered. The big question is will cash rents and seed follow suit? No doubt, using prices from today, expenses will be tight for this upcoming year. However we do not yet know what the scenario will look like in another six months.

Mike Roegge, Extension Crops Educator, Adams-Brown, says the reason for this discussion this now is because income swings can vary greatly in farming today. For those who cash rent, this uncertainty is reason enough to consider using a flexible cash lease. The flexible cash rent is a more fair rent to both the tenant and the landlord. Depending upon how the

lease is written, both can share in the increased income from higher yields and/or prices, yet the landlord can have a base rent guaranteed.

The advantage of a flexible lease is that it takes the risk away from the tenant and shares it with both parties. In most flexible leases, you assign a base rent. Then, depending upon the lease, you can also determine a base yield and a base price. A partial payment is made early in the year, as you would normally do. At the end of the season, yield and price is determined, and the final payment is made.

Again, there are several types of flexible leases. Some are based upon gross revenue, some are based on rent plus a bonus, some are based upon yield only and yet others are based upon yield and price. It is up to both parties to determine just how the flex will be used.

Last year in Iowa, nearly 12 percent of all leases were flex leases. They are catching on in Illinois as well. Take some time to investigate their uses for your operation. Δ



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