

AGRICULTURAL GUIDE

Published by the University of Missouri-Columbia Extension Division

R
Farm Management

NOV 2 3 1987

1987 Cash rental rates in Missouri

Myron Bennett, Department of Agricultural Economics
College of Agriculture

Cash rent reported in this guide is the result of a statewide survey conducted in August 1987. Farm operators and landowners provided data in response to the following statement: "Base your answers on the actual rent you paid or received during the calendar year 1987." Compared to 1986, survey results show that average cash rent for grain crop land dropped slightly. Pasture and hay land remained about the same. However, the most common (frequent) rental rates remained essentially unchanged.

The results of this survey are reported in Tables 1 and 2. The purpose of this guide is to report cash rent paid and received within the state. Cash rent reported should not be used as a basis for establishing rent for an individual farm.

Cash Rental Contract

The cash lease contract is usually simple. The tenant pays the landowner a cash rent per acre or a lump sum for the use of the resources--land and improvements. It's exactly like paying the banker interest (rent) for the use of the capital (resource).

A written cash lease usually describes the terms of the agreement. Landowners' terms usually include restrictions on the use of the land such as certain crops which can or cannot be grown on specific fields, and the degree of productivity which must be maintained. It also states the amount, time, and method of paying rent. Other than these, the tenant has a free rein in planning crop and livestock production on the farm.

Advantages of Cash Renting

Landowner:

- Can normally receive cash rent without affecting social security payments.
- Is assured of a specific level of income.
- Can shift almost all risk to the tenant.
- Is not required to "tie up" cash dollars in the production process.
- Doesn't have to worry about sharing and marketing crops.

Tenant:

- Is relatively free to make management decisions.

- Is free to plan and develop a business unit.
- Receives all profit resulting from higher crop yields and/or higher commodity prices. This adds an incentive for higher production.

Some Concerns of Cash Renting

Landowner:

- Finds it difficult to arrive at a reasonable cash rent.
- Receives less income during good years than he would on a crop share basis.
- Is afraid the renter will "let the place run down."
- Has very little chance to do income tax management.

Tenant:

- Has increased risk. Rent is a fixed cost regardless of production.
- Can have his rent increased for doing a good job of farming. As average yields are raised, landowner sees an opportunity to negotiate a higher rent.

Summary

The cash lease can be attractive to both parties. Tenants like to make independent management decisions and have more incentive to do a better job. Some landowners prefer not to have to worry about dividing and marketing their crops and like the idea of a stable income without risk.

The acres of land (supply) available for cash and the number of tenants wanting to cash rent (demand) affect the rate of cash rent paid. Due to demand for land, cash rent paid continued to increase until 1982. Cash rent paid for corn, soybean, and wheat land stabilized in 1982. High rents are being paid in some areas, which increases the tenant's risk. A variable or flexible cash rent based on yields and prices can help distribute risk. The variable lease provides a basis for a higher rent in good years and a lower rent in adverse years.

See your Area Farm Management Specialist at the local University of Missouri Extension Center for the details of a variable cash lease.

Table 1. ANNUAL CASH RENT PAID PER ACRE FOR DIFFERENT VALUES OF FARMLAND

Range in land values	Most common rate	Average rate	Range in rates Low - High	Number reporting
\$ 200 - 400	\$ 20	\$16.99	\$ 5 - 35	71
400 - 600	40	35.89	10 - 75	140
600 - 800	50	44.63	9 - 75	93
800 - 1000	55	49.00	25 - 80	27
1000 - 1200	60	60.00	50 - 70	12
1200 - 1400	75	75.00	-- - --	1
1400 - 2400	100	87.14	65 - 100	7

Table 2. ANNUAL CASH RENT PAID PER ACRE TO GROW CROPS

Crop		Most common rate	Average rate	Range in rates Low - High	Number reporting
CROPLAND, DRYLAND FARMING					
Corn:	Rent	\$ 50	\$ 49	\$ 20 - 80	72
	Value of land	600	609	300 - 1500	
	Average yield (bu.)	90	96	55 - 150	
Soybeans:	Rent	50	46	17 - 75	78
	Value of land	500	611	300 - 1750	
	Average yield (bu.)	35	33	20 - 50	
Wheat:	Rent	50	43	18 - 68	37
	Value of land	500	606	300 - 1100	
	Average yield (bu.)	50	48	20 - 80	
Milo:	Rent	40	42	10 - 70	36
	Value of land	500	592	250 - 1000	
	Average yield (lbs.)	4480	4965	2500 - 7280	
Alfalfa hay:	Rent	25	38	20 - 70	11
	Value of land	400	604	400 - 1000	
	Average yield (tons)	4.0	3.7	3 - 5	
Other hay:	Rent	20	22	10 - 35	19
	Value of land	400	464	300 - 750	
	Average yield (tons)	2.0	2.2	1.0 - 4.0	
PASTURE AND GRAZING LAND:					
Improved pasture:	Rent	20	19	9 - 35	49
	Value of land	400	402	100 - 750	
Unimproved pasture:	Rent	15	15	4 - 30	40
	Value of land	300	309	125 - 500	
Timber pasture:	Rent	10	9	1 - 25	9
	Value of land	200	222	100 - 400	
Stalk fields, corn:	Rent per acre	5	4	1 - 5	6
Pasture, per cow-calf per mo.:	Rent	5	6	3 - 7	25
Pasture, per yearling per mo.:	Rent	5	4	3 - 8	28
Rent of total farm per acre		20	37	13 - 90	44

■ Issued in furtherance of Cooperative Extension Work Acts of May 8 and June 30, 1914 in cooperation with the United States Department of Agriculture. John W. Oren, Director, Cooperative Extension Service, University of Missouri and Lincoln University, Columbia, Missouri 65211. ■ An equal opportunity institution.