

Cash Rental Rates in Walworth County: Considerations when negotiating an equitable rental rate

With the rising values of agricultural land in the Midwest over the past couple of years, coupled with the relatively high prices farmers receive for cash grain, the most common question received by the Extension office is about the rental rates for ag land. Determining a rate that is fair to both the land owner and the farmer renting the land is not easy. The landowner must contend with increasing taxes that reflect higher land values while the risk and return from fluctuating prices, yields, and costs are all the responsibility of the renting tenant. As land prices increase and the prices that farmers receive for their crops go up, cash rents likely increase. But, should the opposite occur, it is very unlikely that rental rates will go down once they are set at higher values. Rates generally reflect the conditions of the past few years instead of the coming one. There are a number of ways to go about determining a fair and equitable rental rate for farmland including:

- What are others paying/charging for rent
- The average yields/productivity of the land
- Share of gross value of crop
- Return on investment (the estimated current market value of the land times an expected rate of return)
- Crop Share equivalent
- Renter's residual (how much income the renter has available for rent after subtracting the COP)

What others are paying is not an acceptable way of determining rent rates for several reasons. The rumor mill about cash rental rates may often reflect the exception instead of the typical rate paid. All farms and all fields are not equal as far as yield potential and fertility management. If you are looking at the productivity of a farm to determine rate, look at the yields over a period of years, not just for one good or exceptional year or conversely one very poor year. Different soil types and management regimens affect the yield of fields to a large degree. Textural differences can affect yield in extremely dry or wet years, and fertility inputs affect yield and long-term tilth of the soil. Gross crop value is the average yield times the average price from October through December. As the value goes up, so does the rental rate. Cash rents in recent years have averaged about 3-4% of current land values. The average sale price of ag land in Walworth County last year ranged from \$4000 to \$9100. At a 3% return, cash rental rates would fall in the range of \$120 to \$273 an acre. If you calculate cash rental rate by comparing the rate to the return that would be received from a 50-50 crop-share lease, so by subtracting half of the expenses from half of the income (including and USDA payments) received from crops, a rental rate can be derived.

There are a number of cropland cash rent worksheets available to help determine what rental rates should be. These take production costs into account as well as the expected gross income based on yield and expected selling price.

Based on some of these estimates as well as a survey to determine what rental rates are actually being paid by farmers in the county, the next table gives rental rates based on the type of soil that is being farmed. Since many areas of Walworth County have soils deposited by glaciers, they are extremely variable and any one field may be composed of more than one soil type. Look at the predominant soil type or take averages if one soil type does not predominant. Also, be aware that pockets of soils that are highly eroded or on slopes may not be tillable and their presence may affect rental rates. A Walworth County Soil Survey or the Web Soil Survey online (<http://weboilsurvey.nrcs.usda.gov>) can provide

information on the soil types and their characteristics. These are not hard and fast rates! There are a number of mitigating variables that may come into play.

Small or odd-shaped fields that contain creeks, ditches, or large rocks affect the time it takes for planting, tillage, and harvesting. Tree lines or old fence lines with overhanging limbs affect how close large machinery can work to the edge of fields. Difficult or restricted access to the fields or excessive distance from the “home farm” to drive large machinery on public roads can also be a factor to consider. The longevity of the lease can affect the fertility management of a field. If only a short term lease is available, the tenant may be reluctant to invest in long-term soil amendments like lime. Tillage management may also be affected by the longevity of a lease. In Wisconsin a lease for agricultural land may not exceed 15 years. Fertility levels may affect rental rates if the soil requires high levels of nutrients to be applied for a higher yield potential. If the land is under contract for growing seed or specialty grains or for manure spreading, rates may be affected since the tenant will be subject to some limitations on management.

Enrollment in USDA programs or other agency programs may also affect rental rates. Other services provided by the tenant, for example snow removal on roadways and drives, hunting or snowmobile access rights can also be taken into consideration when negotiating rental rates. These variables should normally be spelled out in a written lease.

LAND RENTAL RATES

Capability Codes:

e– Risk of erosion s – Shallow droughty or stony w – Water may limit

SOIL TYPE	NAME	CAPABILITY CLASS	RENTAL RATE
Ac	Adrian muck	IVw	\$173
Am	Alluvial land	IIIw	153
AzA	Aztalan loam, 1 to 3 percent slopes	IIw	238
BpB	Boyer complex, 2 to 6 percent slopes	IVs	153
BpC2	Boyer complex, 6 to 12 percent slopes, eroded	VIe	101
CeB2	Casco Loam, 2 to 6 percent slopes, eroded	IIIe	153
CeC2	Casco Loam, 6 to 12 percent slopes, eroded	IVe	101
CeD2	Casco Loam, 12 to 20 percent slopes, eroded	VIe	86
CfC3	Casco soils, 6 to 12 percent slopes, severely eroded	VIe	101
CfD3	Casco soils 12 to 20 percent slopes, severely eroded	VIIe	86
CkD2	Casco-Fox loams, 12 to 20 percent slopes, eroded	VIe	86
CIC2	Casco-Fox silt loams, 6 to 12 percent slopes, eroded	IVe	101
CrD2	Casco-Rodman complex, 12 to 20 percent slopes, eroded	VIe	86
CrE2	Casco-Rodman complex, 20 to 30 percent slopes, eroded	VIIe	86
CtB	Chelsea fine sand, 1 to 6 percent slopes	IVs	101
CtE	Chelsea fine sand, 6 to 30 percent slopes	VIe	86
Cw	Colwood silt loam	IIIw	194
CyA	Conover silt loam, 1 to 3 percent slopes	IIw	194

SOIL TYPE	NAME	CAPABILITY CLASS	RENTAL RATE
DdA	Dodge silt loam, 0 to 2 percent slopes	I-1	238
DdB	Dodge silt loam, 2 to 6 percent slopes	II-e	194
Dt	Drummer silt loam, gravelly substratum	IIw	238
EbA	Elbum silt loam, 1 to 3 percent slopes	IIw	283
EgA	Elburn silt loam, gravelly substratum, 1 to 3 percent slopes	IIw	283
FgA	Flagg silt loam, 0 to 2 percent slopes	I-1	260
FgB	Flagg silt loam, 2 to 6 percent slopes	IIe	238
FlA	Flagg silt loam, mottled subsoil variant, 0 to 3 percent slopes	IIw	260
FmB	Fox sandy loam, 1 to 6 percent slopes	III _s	173
FmC2	Fox sandy loam, 6 to 12 percent slopes eroded	III _e	153
FoB	Fox loam, 2 to 6 percent slopes	IIe	173
FoC2	Fox loam, 6 to 12 percent slopes, eroded	III _e	153
FsA	Fox silt loam, 0 to 2 percent slopes	II _s	173
FsB	Fox silt loam, 2 to 6 percent slopes	IIe	173
FsC2	Fox silt loam, 6 to 12 percent slopes, eroded	III _e	153
GsB	Griswold loam, 2 to 6 percent slopes	IIe	194
GsC2	Griswold loam, 6 to 12 percent slopes, eroded	III _e	173
GsD2	Griswold loam, 12 to 20 percent slopes, eroded	IV _e	153
GwA	Griswold silt loam, mottled subsoil variant, 0 to 3 percent slopes	IIw	238
HeB	Hebron loam, 1 to 6 percent slopes	IIe	194
HfE	Hennepin-Miami loams, sandy loam substratum, 20 to 35 percent slopes	VII _s	86
Ht	Houghton muck	III _w	194
JuA	Juneau silt loam, 1 to 3 percent slopes	I-1	260
KlA	Kendall silt loam, 1 to 3 percent slopes	IIw	260
KwB	Knowles silt loam, 1 to 6 percent slopes	IIe	173
KyA	Knowles silt loam, mottled subsoil variant, 0 to 2 percent slopes	III _w	173
LyB	Lorenzo loam, 2 to 6 percent slopes	III _e	153
LyC2	Lorenzo loam, 6 to 12 percent slopes, eroded	IV _e	101
LzD2	Lorenzo-Rodman complex, 12 to 20 percent slopes, eroded	VI _e	86
Mf	Marsh	VIII _e	101
MgA	Martinton silt loam, 1 to 3 percent slopes	IIw	238
MmA	Matherton silt loam, 1 to 3 percent slopes	IIw	173
MpB	McHenry silt loam, 2 to 6 percent slopes	IIe	194
MpB2	McHenry silt loam, 2 to 6 percent slopes, eroded	IIe	194
MpC	McHenry silt loam, 6 to 12 percent slopes	III _e	173
MpC2	McHenry silt loam, 6 to 12 percent slopes, eroded	III _e	173
MuA	Metea loamy fine sand, 0 to 2 percent slopes	III _s	153

SOIL TYPE	NAME	CAPABILITY CLASS	RENTAL RATE
MuB	Metea loamy fine sand, 2 to 6 percent slopes	III _s	153
MvB	Miami sandy loam, sandy loam substratum, 2 to 6 percent slopes	III _e	194
MwC2	Miami loam, 6 to 12 percent slopes, eroded	III _e	173
MwD2	Miami loam, 12 to 20 percent slopes, eroded	IV _e	153
MxB	Miami loam, sandy loam substratum, 2 to 6 percent slopes	II _e	194
MxC2	Miami loam, sandy loam substratum, 6 to 12 percent slopes, eroded	III _e	173
MxD2	Miami loam, sandy loam substratum, 12 to 20 percent slopes, eroded	IV _e	153
MxE2	Miami loam, sandy loam substratum, 20 to 35 percent slopes, eroded	VI _e	86
MyA	Miami silt loam, 0 to 2 percent slopes	I-1	238
MyB	Miami silt loam, 2 to 6 percent slopes	II _e	194
MyC	Miami silt loam, 6 to 12 percent slopes	III _e	173
MyC2	Miami silt loam, 6 to 12 percent slopes, eroded	III _e	173
Mzfa	Mundelein silt loam, 1 to 3 percent slopes	III _w	238
Na	Navan silt loam	II _w	238
Pa	Palms muck	III _w	173
PeA	Pecatonica silt loam, 0 to 2 percent slopes	I-1	238
PeB	Pecatonica silt loam, 2 to 6 percent slopes	II _e	194
Ph	Pella silt loam	II _w	260
PsA	Plano silt loam, 0 to 2 percent slopes	I-1	283
PsB	Plano silt loam, 2 to 6 percent slopes	II _e	283
PsC	Plano silt loam, 6 to 12 percent slopes	III _e	194
PtA	Plano silt loam, gravelly substratum, 0 to 2 percent slopes	I-1	283
PtB	Plano silt loam, gravelly substratum, 2 to 6 percent slopes	II _e	283
PtC2	Plano silt loam, gravelly substratum, 6 to 12 percent slopes, eroded	III _e	194
RaA	Radford silt loam, 0 to 3 percent slopes	II _w	260
RsF	Rodman-Casco complex, 30 to 45 percent slopes	VII _s	260
Ru	Rollin muck deep	IV _w	153
Rv	Rollin muck shallow	V _w	153
ScA	St. Charles silt loam, 0 to 2 percent slopes	I-1	260
ScB	St. Charles silt loam, 2 to 6 percent slopes	II _e	260
SeA	St. Charles silt loam, gravelly substratum, 0 to 2 percent slopes	I-1	260
SeB	St. Charles silt loam, gravelly substratum, 2 to 6 percent slopes	II _e	260
ShA	Saylesville silt loam, 0 to 2 percent slopes	II _s	194

SOIL TYPE	NAME	CAPABILITY CLASS	RENTAL RATE
ShB	Saylesville silt loam, 2 to 6 percent slopes	Iie	194
Sm	Sebewa silt loam	IIw	194
TxA	Troxel silt loam, 0 to 3 percent slopes	I-l	283
Wa	Wallkill silt loam	IIw	173
WeA	Warsaw loam, 0 to 2 percent slopes	IIs	173
WhA	Warsaw silt loam, 0 to 2 percent slopes	IIs	173
WhB	Warsaw silt loam, 2 to 6 percent slopes	Iie	173
WhC2	Warsaw silt loam, 6 to 12 percent slopes, eroded	IIIe	153
WvB2	Westville silt loam, 2 to 6 percent slopes, eroded	Iie	173
WvC2	Westville silt loam, 6 to 12 percent slopes, eroded	IIIe	153
Ww	Wet alluvial land	Vw	194
BP			86
GP			86
LDF			86