Flexible Lease Arrangements
With Examples for 2009

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Flexible Lease Arrangements Examples: 160 bushels corn & 45 bushels soybean with
$3.50 corn price and $8.50 soybean price for 2009 Harvest
Government payments of $25 for corn and $18 for soybeans
Assumes a 50-50 split in crops grown between corn and soybeans

Flexible Rents based on gross revenue:

1. Rent is determined with a base cash rent or 1/3 value of crop on December 15th, whichever is greater.

   Example: Have a $100 base guaranteed and paid in spring and final payment would be determine by formula 160 bushels*.333*$3.50=$186.65 corn and 45*.333*$8.50=$127.37 or $157.01 average rent paid to landlord with a $57.01 per acre flex payment after harvest.

2. Rent is determined by yearly base rent or 35% of gross revenue, plus government payments with grain prices averaged from prices on April 1, July 1, and November 1.

   Example assumes yields of 160 and 45 bushels with prices averaging $3.50 and $8.50 respectively for corn and soybeans. 160 bushels*$3.50*.35+$25= $221 for corn and 45*$8.50*.35+$18=$151.88 for beans or $186.43 per acre average rental payment.

3. Rent is determined by yield x price established at local elevator Dec 1 multiplied by 35%, with $125 minimum guaranteed, plus government payment.

   Example assumes yields of 160 and 45 bushels with prices averaging $3.50 and $8.50 respectively for corn and soybeans. 160 bushels *3.50*.35 +$25= $221 for corn 45*8.50*.35+$18=$151.86 for beans or $186.43 average rental payment per acre.

4. Rent is determined from gross revenue or 33% of gross for corn, 40% of gross for beans. Price is the average over last 12 months determined by the price on the 1st of each month at determined elevator.

   Example assumes yields of 160 and 45 bushels with prices averaging $3.50 and $8.50 respectively for corn and soybeans. 160 bushels *$3.50*.33=$184.80 for corn 45*$8.50*.40=153.00 beans
   or $168.90 average rental payment per acre.

Base rents plus a bonus:

Base rent should be determined by rents in your area. I will use $150 as starting point in Southern Minnesota

1. Base rent equals 40 percent of the typical yield (APH) Actual Production History of farm plus bonus of 33% multiplied by actual yield above the typical yield (APH), multiplied by harvest price.

   Example assumes (APH) yields of 160 and 45 bushels with harvest prices at $3.50 and $8.50 respectively for corn and soybeans. .40*160 bushels = 64 bushels *$3.50= $224 base rent plus a bonus with actual yield of 170 bushels. The bonus would be .33*10 (170-160) bushels*$3.50=$11.55 bonus added to base of $224 or Rent per acre would be $235.55 or 67.33 bushels of corn would be given to landlord.

   Soybeans .40*45 bushels = 18 bushels*$8.50=$153 base rent plus a bonus with actual yield of 50 bushels. The bonus would be .33*5 (50-45) bushels*$8.50=$42.50 bonus added to base of $153 or Rent per acre would be $195.50 or 19.65 bushels of soybeans would be given to landlord.

2. Base rent and bonus is determine from actually production for corn is would include everything over $450 per acre gross multiplied by 35% not to exceed $250/acre total rent. With beans it would include everything over $350 per acre gross *45%, not to exceed $250 per acre. Price used could be determined on a date or average of dates at local elevator.

   Example assumes yields of 160 and 45 bushels with prices averaging $3.50 and $8.50 respectively for corn and soybeans. (160 bushels *$3.50-450)*.35=$38.50 Corn bonus, (45*$8.50-350)*.45=$14.63 Bean bonus or and average rent of ($38.50 + $14.63)/2+$150 or $175.56 average rent.

3. Base rent plus a bonus is determined by taking gross revenue minus $325/acre, then dividing by 3.

   Example assumes yields of 160 and 45 bushels with prices averaging $3.50 and $8.50 respectively for corn and soybeans. (((160 bushels*$3.50)+(45*$8.50))/2-$325)/3=$48.75 bonus
   Final rent would be base rent of $150 plus bonus of $48.75 or $198.75 per acre.

4. Have a higher base rent $175 per acre plus one-third of corn bushels over 175 bushels/acre or 1/3 soybeans over 52 bushels/acre, priced at local elevator on December 1.

   Example assumes Minnesota average yields are typically less than 175 bushels per so no bonus would be paid in this example in normal years, only the base payment of $175 per acre.

Flexible rent based on yield only:

Base rent should be determined by rents in your area we will use $150 as starting point in Southern Minnesota

1. Base rent plus so much per bushel over a pre-determined yield. The base rent at $150 per acre and then pay a bonus of $1.25 per bushel for corn over 150 bushels and $3.00 per bushel for soybeans over 45 bushels on top of $150.

   Example assumes yields of 160 and 45 bushels so bonus would be $1.25 * 10 bushels for corn or $12.50 per acre and no bonus on soybeans so actual rents paid would be $150 base plus $6.25 bonus or $156.25 per acre total rent paid on corn acres planted and $150 per acre on soybean acres planted or and average of $153.13 per acre.

2. Flexible rent with a base rent plus a bonus, if corn yield is above 180 bushels per acre a bonus of $10 would be added to base. With beans a yield above 56 bushels per acre would add $10 per acre to base.

   Example assumes yields of 160 and 45 bushels so bonus would be zero in the example and rent would be $150 base rent.

3. Flexible rent with a base rent plus a bonus pay for corn if yields are 165 bushels per acre add $5.00 per acre bonus; 170 bushels per acre would be a $10.00 bonus; 175 bushels per acres would be a $15.00 bonus; 180 bushel average would be a $20 bonus; 185 bushels would be $25 bonus; 190 bushels would be a $30 bonus; 195 bushels would be $35 bonus; 200 bushels per acre would be a $40 bonus per acre or total rent of $190 per acre ($150 base plus $40 bonus).

4. Flexible rent with a base rent plus a bonus pay for soybeans if yields are 50 bushels per acre add $5.00 per acre bonus; 52.5 bushels per acre would be a $10.00 bonus; 55 bushels per acres would be a $15.00 bonus; 57.5 bushel average would be a $20 bonus; 60 bushels would be $25 bonus; 62.5 bushels would be a $30 bonus; 65 bushels would be $35 bonus; 67.5 bushels per acre would be a $40 bonus per acre with 67.5 bushel yield total rent would be $190 per acre ($150 base plus $40 bonus).

Flexible rent based on price only:

1. Flexible rental agreement where the final rent is determined by using cash prices on Nov. 1 multiplied by 60 bushels of corn and 23 bushels of beans.

   Example assumes yields of 160 and 45 bushels with prices averaging $3.50 and $8.50 respectively for corn and soybeans. Corn would use $3.50*60 bushels=$210 per acre for corn and soybeans would be $8.50*23 bushels=$195.50 or $202.75 per acre average for corn and soybeans. Still could pay and base rent with final rent determined by the above formula.

2. Flexible rental agreement with a base minimum rent and a cap, in between we use an average of 60 bushels of corn and 23 bushels for beans multiplied by November 1 local cash price. Could have $150 minimum and a $200 maximum.

   Example formula for corn would use $3.50*60 bushels=$210 per acre for corn and soybeans would be $8.50*23 bushels=$195.50 or $202.75 per acre average for corn and soybeans. Because this is above maximum the rent would be $200 per acre. Still could pay and base rent with final rent determined by the above formula.

3. Rent is based on 35 percent of set amount of bushel per acre multiplied by a determined price per acre. In this example we will use 160 bushels yield per acre multiplied by the average price for month of December.

   Example formula uses .35*160 bushels *$3.50=$196 per acre rent

4. A flexible rental agreement with a base rental rate and then increasing rate depending on the price of corn during the year.

Example formula uses $150 base rent with a $2.50 or less cash price at the elevator on December 1. If the price is $2.75 rent would increase to $165 per acre; if the December 1st price is above $3.00 rent would increase to $180 per acre; if December 1st price is $3.25 rent would be $195 per acre and if the December 1st price is $3.50 or higher rent would be $210. The price component can be determined monthly, quarterly or for a certain monthly average or a certain day.

Profit sharing flexible rent agreements:

1. The flexible rental agreement would be based off the traditional 50/50 crop share **except** tenant pays all expenses, sells all grain and landlord receives 50% based off the net income.

   Example assumes yields of 160 and 45 bushels with prices averaging $3.50 and $8.50 respectively for corn and soybeans. If crops input costs were $400 per acre for corn and $270 for soybeans, net income would be (160 bushels * $3.50-$400)+(45 bushels * $8.50-$270)/2=$136.25 per acre rent.

2. The rental payment would be determined by actual bushels multiplied by the fall average price, minus crop inputs costs, divided by two would equal the final rent.

   Example assumes yields of 160 and 45 bushels with prices averaging $3.50 and $8.50 respectively for corn and soybeans. If crops input costs were $400 per acre for corn and $270 for soybeans, net income would be (160 bushels * $3.50-$400)+(45 bushels * $8.50-$270)/2=$136.25 per acre rent.

3. A flexible rental agreement that utilizes published county yields for crops grown and statewide published average price for crops grown to determine gross revenue. Gross revenue minus the cost of production and base rent cost equals net revenue, then share the net 35% landlord, 65% tenant.

   Example assumes county yields of 160 and 45 bushels with published prices averaging $3.50 and $8.50 respectively for corn and soybeans. Assume base land cost of $100 base rent. If crops input costs were $400 per acre for corn and $270 for soybeans, net income would be (160 bushels * $3.50-$400-$150)+(45 bushels * $8.50-$270-$150)/2=$41.25 $41.25*.35= $14.44 additional payment per acre to the landlord. Total rent payment would be $164.44.

4. Flexible rental agreement where rent is determined after expenses then paying landlord bonus payment on about 10 percent of extra profits. You could figure corn costs at $400 and beans at $270 per acre).

   Example assumes county yields of 160 and 45 bushels with published prices averaging $3.50 and $8.50 respectively for corn and soybeans. Assume base land cost of $150 base rent. If yield is 160 bushels * $3.50 = $560 gross. $560-$400=$160*.1= $16.00 per acre bonus payment or total rent of $166.00. Soybeans 45*$8.50=$382.50 gross. $382.50-$270=$112.50*.1=$11.25 bonus total rent would be $161.25 or and average of $163.63 for corn and soybeans.

There are many forms and types of flexible rental agreements that can be agreed upon between the landlord and the tenant. This is just a partial list of the possibilities of agreements and to begin the process of sharing some of the yield and price risks with the landlord.