

Conservation, Incomes, and Farmland Leasing

Sponsored by



**Illinois
Corn
Growers
Association**



CBMP

Illinois Council on Best
Management Practices



Jonathan Coppess



Megan Dwyer, CCA



Gary Schnitkey

IL CORN GROWERS ASSOCIATION



Megan Dwyer, CCA
Nutrient Loss Reduction Manager



OUR PRIORITIES



Ethanol



Waterways/Locks and Dams



Water Quality, Soil Health, Climate Change



Legislation



Exports



Education & Communication

CONSERVATION STEWARDSHIP

PCM – Precision Conservation Management

Focused on financial impacts of conservation

Nitrate water testing program

Test strips mailed to all IL Corn members

Fall Covers for Spring Savings Program

\$5/A crop insurance premium reduction
from IL Dept of Ag for using cover crops

Various Cover Crop Programs

Reduced cost for first time cover crop user program
Cover Crop Coupon Program

Farmland Conservation Lease Addendums

Conservation Habitat, Soil Health, Nutrient Management

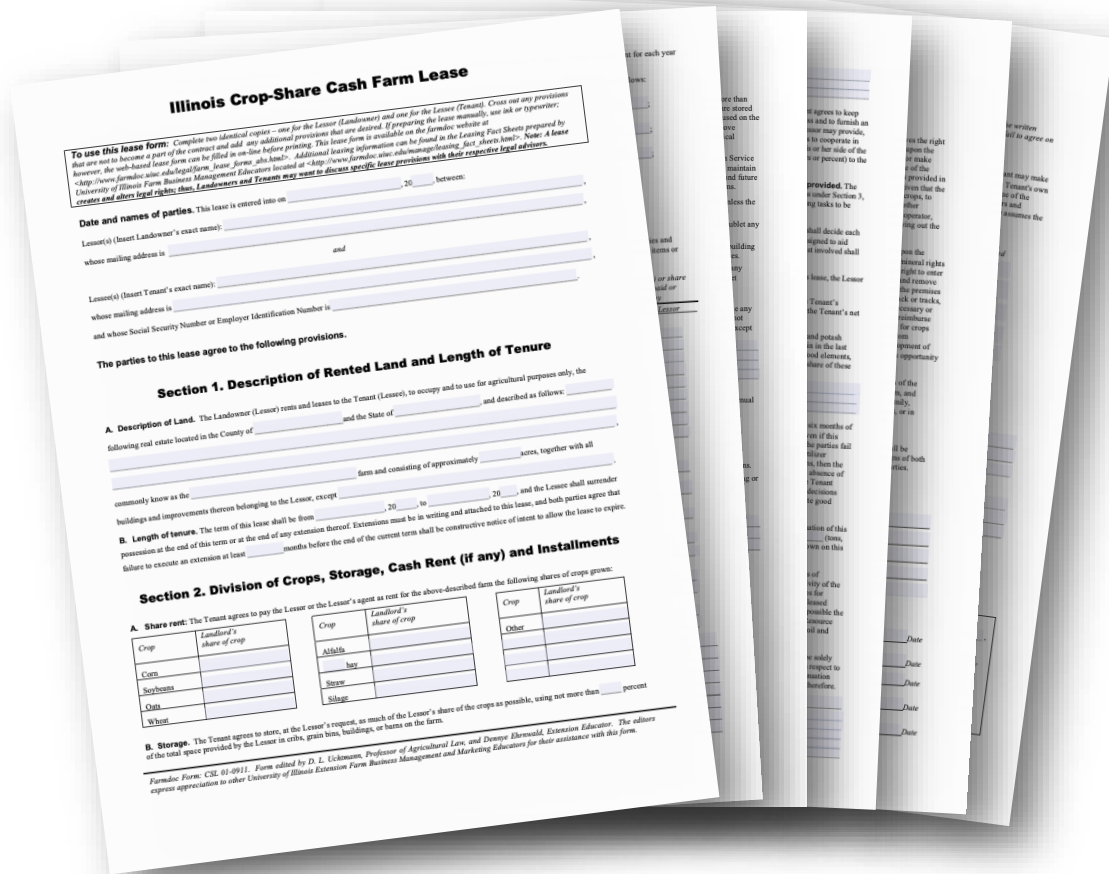
IL Nutrient

Loss Reduction Strategy:

Overall reduction of losses
from phosphorus and nitrogen
by **45%**

Interim Goal of
reduction of losses of
25% from phosphorus and
15% from nitrate-nitrogen
by 2025

Outline



Part 1

Overview of farmland leasing in Illinois



Part 2

Conservation addendums

Farmland Leased in Illinois

In Illinois, **50%** of farmland is rented (ERS, 2016)

Illinois has largest rented percent in U.S.

- Indiana, 45%
- Iowa, 41%
- Ohio, 37%

Larger grain farms tend to rent more

Tenure on grain farms in FBFM, 2019

	Northern	Central	Southern
Owned	19%	14%	22%
Share-rent	21%	42%	36%
Cash-rent	60%	44%	42%

Leasing Basics

Written lease is **best** (although many leases are not)

If not a written lease and landowner wants to terminate lease, must provide notice by **October 31**, specification in written lease will supersede the October 31 deadline

Most leases are one-year leases, or year-to-year leases, do not have many leases that are of longer term.

Rare to have a lease over 2 or 3 years.

Lease types

- 1. Cash rent:** farmer pays landowner for right to farmland, farmer receives all revenue and pays all expenses, except land costs (property tax)
- 2. Share rent:** share in revenue (crop revenue and government programs) and direct costs (seed, fertilizer, pesticides, drying, storage, crop insurance)
- 3. Variable cash rent:** cash rent varies with crop revenue
- 4. Custom farming:** landowner pays for field operations, bears all costs, receives all revenue

Cash rent
42%

Share rent
23%

Variable Cash Rent
19%

Share rent (with modifications)
10%

Custom farming, 6%

Share rent arrangements

In northern and central Illinois, 50-50 prevail

Sometimes have a supplemental rent of \$20 to \$30 per acre paid by farmer to landowner

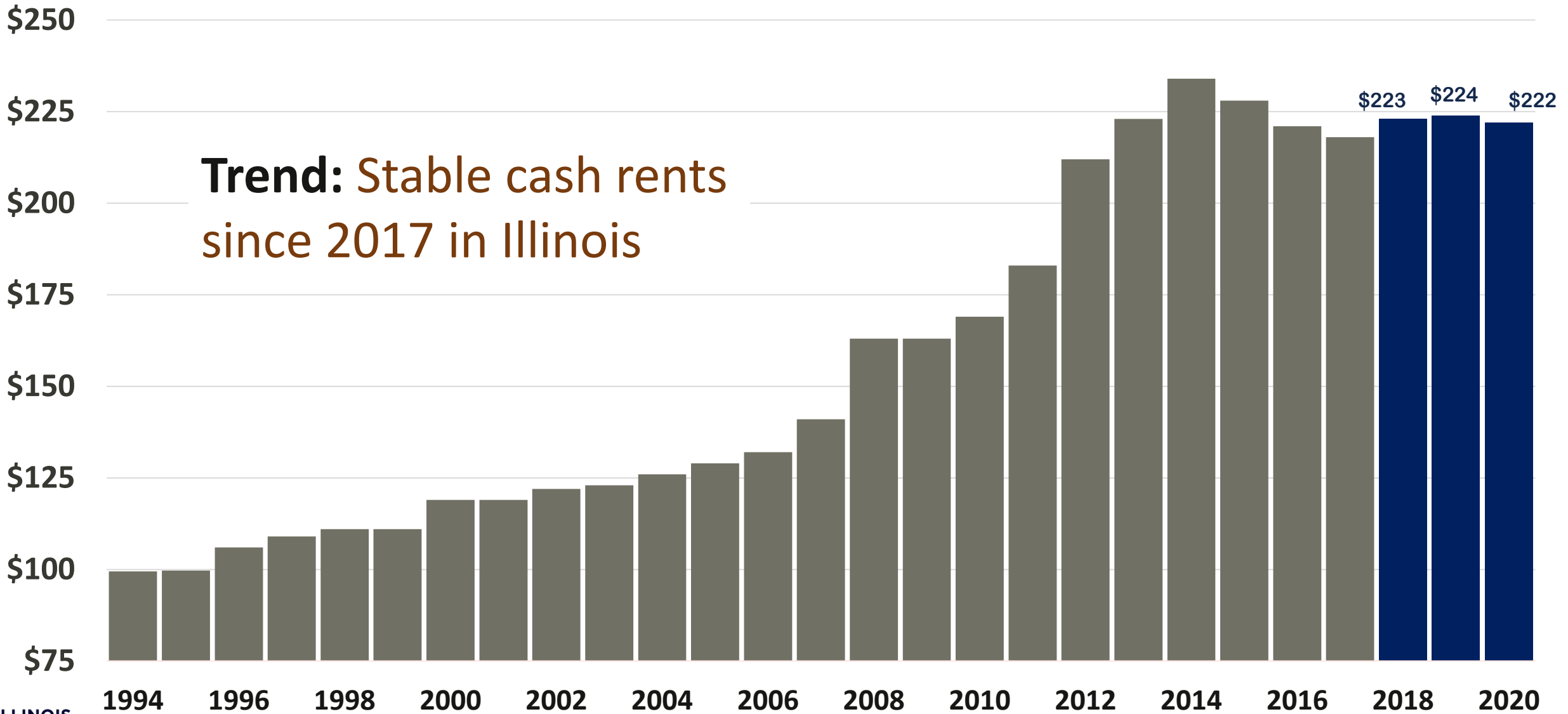
Farmer bears all the labor and machinery expenses

Land Owned and Rented, Grain Farms in Illinois

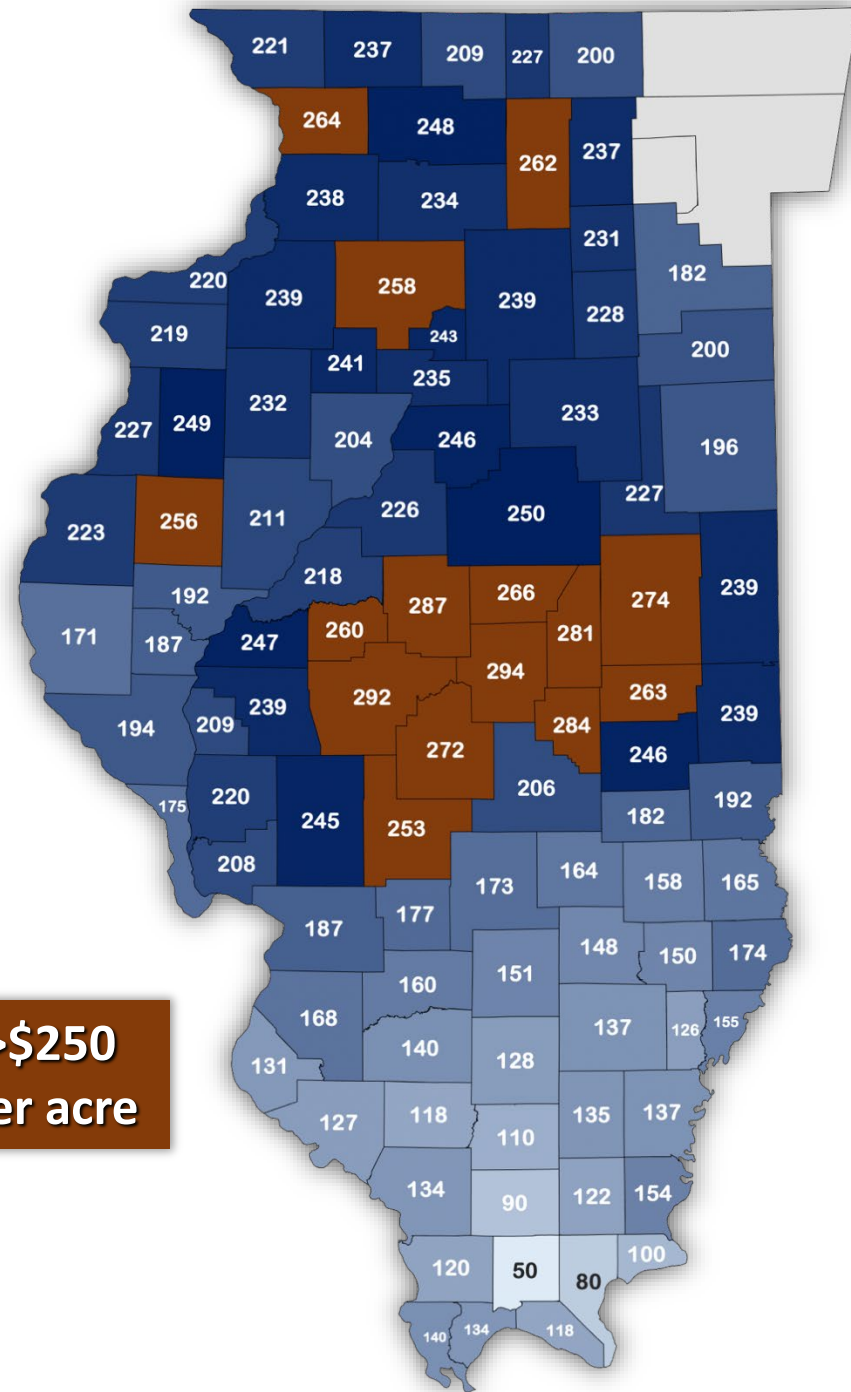
FBFM, 2019

	Northern	Central	Southern
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Cash-rent	60%	44%	42%

Illinois Cash Rents



2020 Average Cash Rents in Illinois from NASS

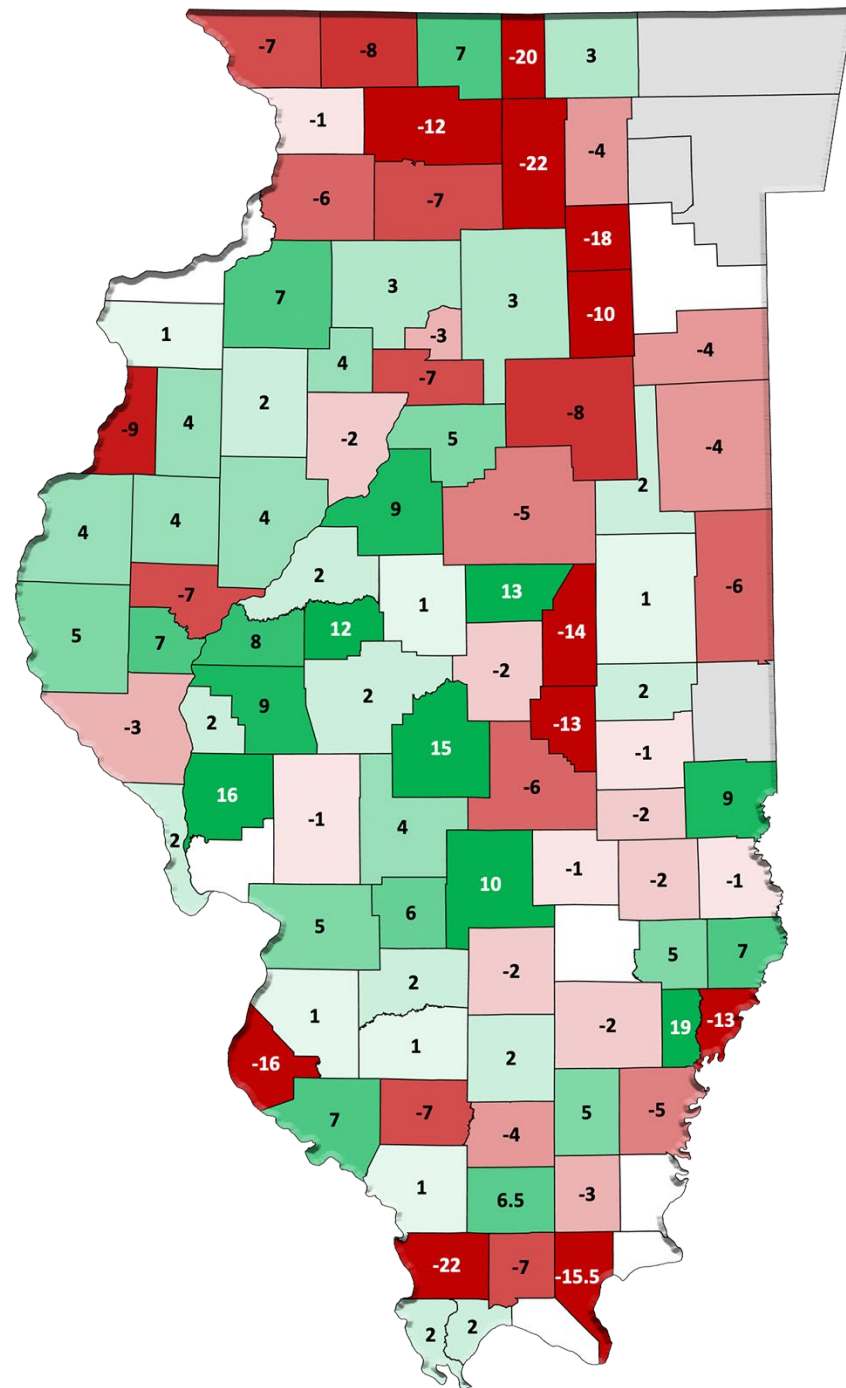


>\$250
per acre

Change in Cash Rents in Illinois from NASS

2020 Minus 2019 Cash Rents

We have not seen a lot of movement in cash rents in recent years



Illinois Society of Professional Farm Managers and Rural Appraisers indicate very slight decreases in 2020 cash rents

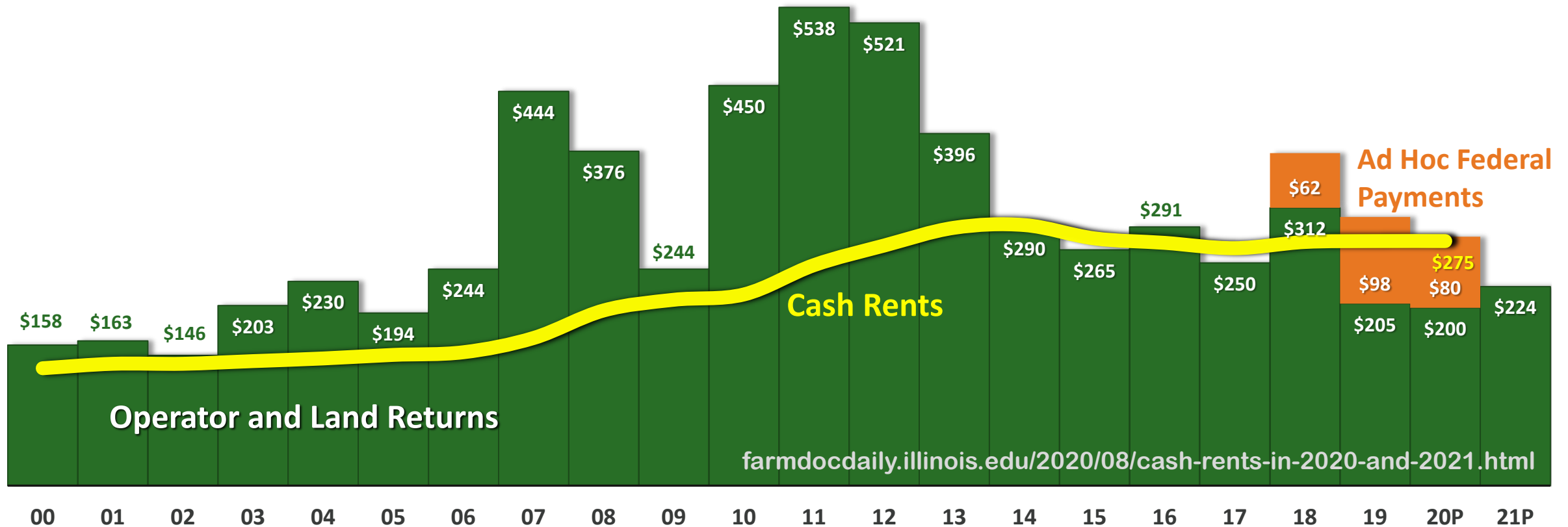
Land Productivity	Rent in \$/acre	
	Actual 2019 Rent	Expected 2020 Rent
Excellent	302	298
Good	261	254
Average	212	205
Fair	170	167

Values represent rents on professionally managed farmland

Agricultural returns suggests lower cash rents, but cash rents are sticky

Operator and Land Returns and Cash Rents, High-Productivity Farmland in Central Illinois, 2000 to 2021P.

Ad hoc payments helped to achieve break-even returns in 2019 and 2020***
 Flat rents and other costs



farmdocdaily.illinois.edu/2020/08/cash-rents-in-2020-and-2021.html

Corn and Soybeans, Central Illinois, High-Productivity

	Corn			Soybeans		
	2018	2019	2020P	2018	2019	2020P
Yield per acre	237	208	230	75	64	72
Price per bu	\$3.60	\$3.65	\$3.55	\$9.36	\$8.60	\$9.30
Crop revenue	853	759	817	702	550	670
ARC/PLC	0	15	15	0	15	15
MFP	1	82	0	122	82	0
CFAP		31	30	0	14	16
Crop insurance	2	14	2	2	10	2
Gross revenue	856	901	864	826	671	703
Total non-land costs	574	606	571	353	372	359
Operator and land return	282	295	293	473	299	344
Cash rent	274	275	275	274	275	275
Farmer return	8	20	18	199	24	69
50% Corn and 50% Soybean Rotation						
Farmer return	104	22	44	(with <i>ad hoc</i> Federal payments)		
	42	-83	21	(without <i>ad hoc</i> Federal payments)		

- 2020 yields are very good
- Built into budgets is \$50 for CFAP in 2020. Those are in addition to those whose sign up is going on now. **Those are not for certain.**
- **Yellowed items are ad hoc disaster assistance payments**

Farm Lease: Contract

ILLINOIS

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Agricultural Law

Illinois Farmland Leasing and Rental Forms

Crop Share Lease Form – PDF

May 19, 2006

The lease form represents a basic model for an agricultural lease. The parties to the lease or their legal counsel may wish to consider modifications to better meet the needs of the particular landowner or tenant. Form is fillable PDF format.

[read more](#)

Livestock Share Lease Form – PDF

February 8, 2005

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Fixed Cash Rent Lease Form – Short Form – PDF

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Conservation Habitat Addendum – PDF

September 26, 2019

This addendum can be used for either the Illinois Fixed Cash Lease Form or Illinois Crop-Share Farm Lease, or any other lease.

[read more](#)

Nutrient Management Addendum – PDF

September 26, 2019

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Soil Health and Conservation Addendum – PDF

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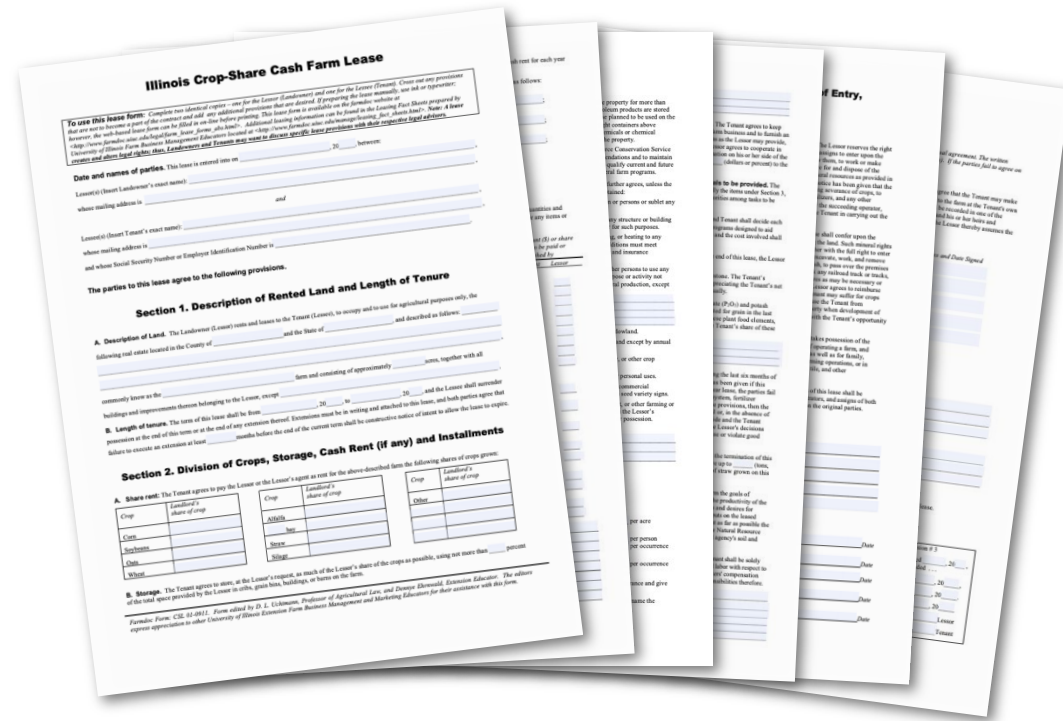
October 31 is “Notice” Deadline for Many Farm Leases

June 1, 2006

This short article discusses Illinois law regarding the termination of year to year tenancies of farmland, including the notice content, timing, and delivery methods described in the Illinois Compiled Statutes.

[read more](#)

farmdoc.illinois.edu/agricultural-law



General fillable pdf; also template for discussion and negotiation between landlord and tenant.

If an addendum is to be added, suggest adding to lease (section 7): “Incorporation by Reference: All exhibits and addenda attached hereto are hereby incorporated into this Lease and a part hereof. If there is any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.”

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Part 4: Conservation Addendums

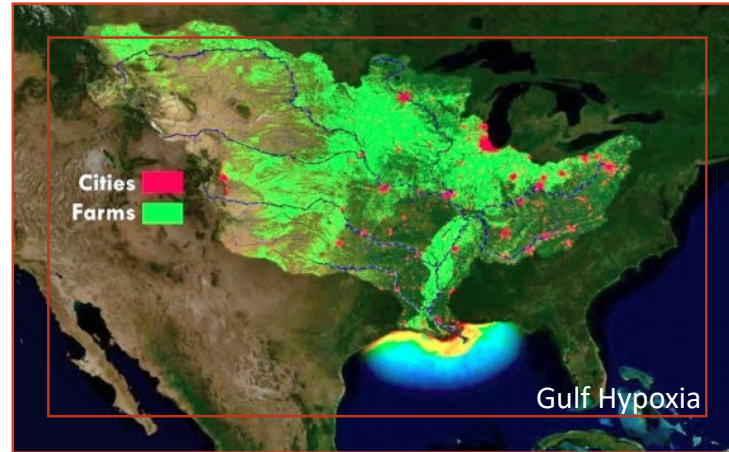
Options for Leasing

Conservation Pressures on Farming

✓ Consumer & food chain demands for sustainable production & sourcing



Algal Blooms



Sustainable production



Stewardship



Drainage



Nutrient & Soil Loss

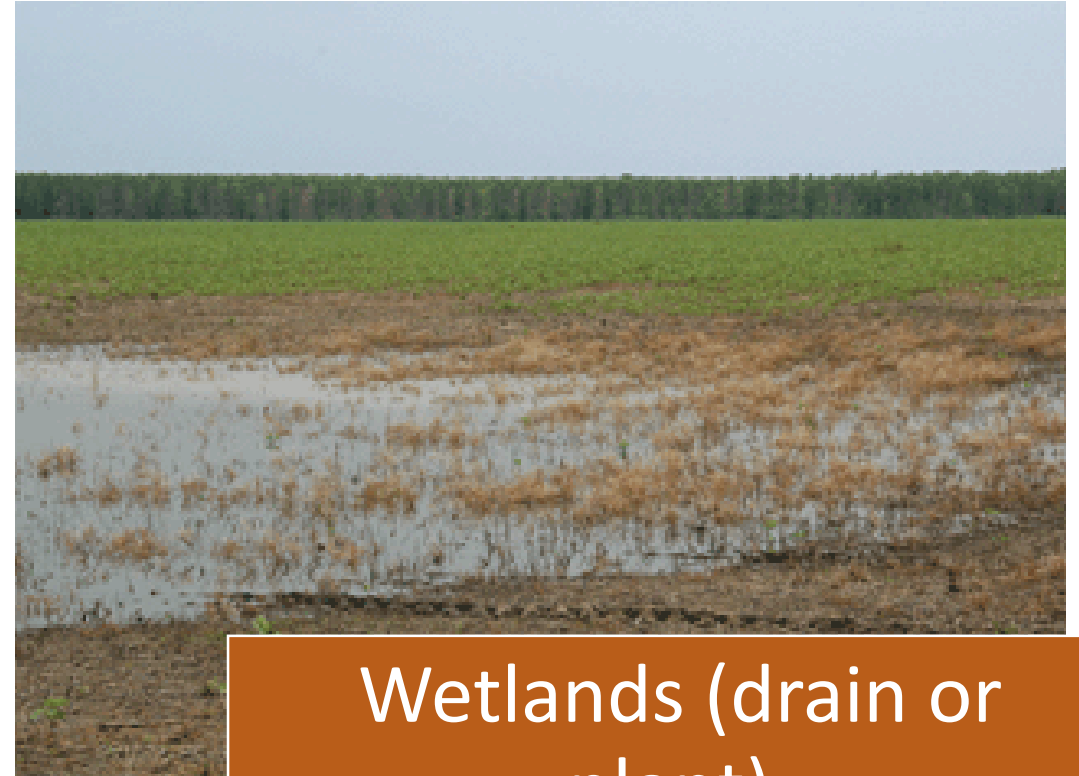
- ✓ Impacts on water quality (local to the Gulf);
- ✓ Impacts on soil health, land stewardship.

Note on Conservation Policy: **Compliance**



Highly Erodible Lands
(plan for control).

1985 Farm Bill creates;
crop insurance eligibility included.



Wetlands (drain or
plant).

Compliance for crop insurance eligibility removed
in 1996 Farm Bill; 2014 Farm Bill reattaches to
premium subsidy on forward-looking basis.

ECOSYSTEM SERVICES MARKET CONSORTIUM

Ecosystem Markets. Built for Producers. Backed by Science.

MISSION: To advance ecosystem service markets that incentivize farmers and ranchers to improve soil health systems that benefit society.

<https://ecosystems-services-market.org/>

Issue with a Cover Crop

Cover crops

- Environmental benefit: Reduce nitrogen in drainage tiles
- Build up of organic matter, over time, with potential yield advantages in the future
- Farmers need to build experience

Payoffs are **long-run** or not accruing to farm,
leasing contracts are **short-term**

Agricultural Law

farmdoc.illinois.edu/agricultural-law

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[read more](#)**Nutrient Management Addendum – PDF**

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[read more](#)**Soil Health and Conservation Addendum – PDF**

September 26, 2019

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[read more](#)**Addendum to normal leases**

Nutrient Management Addendum

Addresses issues with how the farmer/tenant applies fertilizer to the leased farm fields and manages soil fertility.

Maximum Return to Nitrogen (MRTN); scientific tool recommendations for corn nitrogen application; application rate, timing and method can impact crop uptake and nutrient loss (especially tile-drained fields).

Efforts to reduce or avoid fall application; push for split application and timing closer to planting (post or pre); crop growth; reduce losses and better timed for plant needs.

NUTRIENT MANAGEMENT ADDENDUM: ILLINOIS FARM LEASE

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***Incorporation by Reference.** All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. If there is any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.*

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THIS ADDENDUM FOR NUTRIENT MANAGEMENT ("Addendum") is entered into on this date, _____, by and between _____ ("Lessor-Owner") and _____ ("Lessee-Tenant") and _____ ("Lessor-Owner") to be incorporated by reference to the lease for farmland dated _____ by and between the same parties.

A. Recitals:

1. Lessee-Tenant and Lessor-Owner have entered into a certain lease for farmland;
2. The parties hereby agree to the additional terms contained in this Addendum for the purposes of nutrient management on the farmland; and
3. For due and valuable consideration as set forth in this Addendum, the receipt of which is hereby acknowledged by the parties.

B. Lessee-Tenant agrees:

1. That nutrient management is critical to conserving water quality and reducing nutrient losses from farmland;
2. That Lessee-Tenant is responsible for compliance with all laws, regulations, and policies related to the application of fertilizers and nutrients;
3. To adopt the following nutrient management practices for the term of the lease:

Specific Nutrient Management Practices (optional, select only those agreed-to):

NOTE: by checking a practice or practices, the Lessee-Tenant is agreeing to adopt, continue or maintain the practice(s) for the life of the lease.

All nutrient application on the farmland subject to the lease will not exceed []% of the Maximum Return to Nitrogen (MRTN) as determined by the Corn Nitrogen Rate Calculator available at the following website: <http://cnrc.agron.iastate.edu/>.

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Specific Nutrient Management Practices (optional, select only those agreed-to):

NOTE: by checking a practice or practices, the Lessee-Tenant is agreeing to adopt, continue or maintain the practice(s) for the life of the lease.

All nutrient application on the farmland subject to the lease will not exceed [__]% of the Maximum Return to Nitrogen (MRTN) as determined by the Corn Nitrogen Rate Calculator available at the following website: <http://cnrc.agron.iastate.edu/>.

At least [____]% of nitrogen fertilizer will be applied after planting.

Adopt split nitrogen application, such that not more than [____]% will be applied in the fall, [____]% applied before planting and [____]% applied after planting.

Include the amount of nitrogen applied in the application of diammonium phosphate (DAP) or monoammonium phosphate (MAP) as part of the nitrogen plan, as follows [_____].

Soil Health Addendum

Farm practices such as tillage (reduced, conservation or no-till) and cover cropping can build soil health.

No-till and cover crops can add carbon, prevent erosion, improve water holding capacity, and increase soil organic matter; cover crops scavenge nitrogen, reduce losses.

Addendum provides numerous options to discuss and potentially include in the lease: tillage systems; cover crops (winter kill or over-winter; termination); how to adjust rent or deal with assistance payments.

SOIL HEALTH AND CONSERVATION ADDENDUM: ILLINOIS FARM LEASE

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THIS ADDENDUM FOR SOIL HEALTH CONSERVATION ("Addendum") is entered into on this date, _____, by and between _____ ("Lessee-Tenant") and _____ ("Lessor-Owner") to be incorporated by reference to the lease for farmland dated _____ by and between the same parties.

A. Recitals:

1. Lessee-Tenant and Lessor-Owner have entered into a certain lease for farmland;
2. The parties hereby agree to the additional terms contained in this Addendum for the purposes of conservation and soil health on the farmland; and
3. For due and valuable consideration as set forth in this Addendum, the receipt of which is hereby acknowledged by the parties.

B. Lessee-Tenant agrees:

1. That the Lessor-Owner has communicated an interest in conserving and/or improving the soil health on the farmland subject to the lease;
2. To generally farm in a manner that is expected to conserve or improve the soil health of the farmland subject to the lease, including

Soil Health and Conservation Generally (select the provisions agreed-to):

<input type="checkbox"/>	Compliance with pollution control and environmental requirements as required by local, state and federal agencies.
<input type="checkbox"/>	Implement water conservation and soil erosion practices to comply with the soil loss standards mandated by local, state, and federal agencies.

SOIL HEALTH AND CONSERVATION ADDENDUM: ILLINOIS FARM LEASE

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NOTE: A lease and any addendum to a lease creates and alters legal relationships between the lessor and the tenant/lessee. Tenant/lessee should strongly consider discussing lease provisions with an attorney.

1. General Soil Health
2. Tillage
3. Cover Crop
4. Other
 - Maintain waterways
 - Maintain terraces
 - Maintain vegetative buffers
 - Maintain bioreactors
 - Maintain conservation structures

THIS ADDENDUM FOR SOIL HEALTH CONSERVATION (“Addendum”), by and between _____ (“Lessor-Owner”) to be incorporated into _____ farmland dated _____ by and between the same parties.

Soil Health and Conservation Generally (select the provisions agreed-to):

Compliance with pollution control and environmental requirements as required by local, state and federal agencies.

Implement water conservation and soil erosion practices to comply with the soil loss standards mandated by local, state, and federal agencies.

To generally follow Natural Resource Conservation Service (NRCS) recommendations and guidelines for soil health, erosion control and water conservation.

To adhere to the requirements contained in any conservation plan for the farmland subject to the lease that has been approved by the Natural Resource Conservation Service (NRCS). The conservation plan is incorporated by reference herein.

Specific Soil Health Conservation Practices (optional, select only those agreed-to):

NOTE: by checking a practice or practices, the Lessee-Tenant is agreeing to adopt, continue or maintain the practice(s) for the life of the lease.

<input type="checkbox"/>	Adopt practices expected to result in [_____] % of [or sufficient] crop residue remaining on the farmland subject to the lease at the time of planting.
<input type="checkbox"/>	Adopt a one tillage pass system for the farmland subject to the lease.
<input type="checkbox"/>	Adopt no-tillage practice system for the farmland subject to the lease.
<input type="checkbox"/>	That there will be no fall tillage after harvesting soybeans from the farmland subject to the lease, except for in cases of damage due to harvest where a minimum level of tillage may be used to address such damage at the discretion of the Lessee-Tenant.
<input type="checkbox"/>	Attempt in good faith to establish and manage cover crops on the farmland subject to the lease in such manner as the Lessee-Tenant reasonably expects to benefit soil health on the farmland subject to the lease.

Cover Crop Practices (select only those agreed-to):

Attempt in good faith to establish one or more cover crop species in the fall that is expected to survive the winter and continue growing in the spring until terminated.

Attempt in good faith to establish one or more cover crop species in the fall that is not expected to survive winter.

Attempt in good faith to participate in a local, state, or federal program for cover crop practices and if the Lessee-Tenant receives funding, s/he is entitled to all funding received.

If payments from a local, state or federal source, or combination thereof, do not cover the full cost of the cover crop practice, the Lessee-Tenant is responsible for all costs in excess of such assistance.

Cover Crops: Lessons for New Adopters (PCM)

CORN, High SPR 2015-19 AVG VALUES	OVERWINTERING	WINTER TERMINAL	NO CC
# fields	107	49	1960
Yield per acre	215	217	220
Soil Productivity Rating	139	140	140
GROSS REVENUE	\$766	\$780	\$791
COVER CROP SEED	\$0-\$40	\$0-\$40	\$0
TOTAL DIRECT COSTS*	\$391	\$365	\$390
COVER CROP PLANTING	\$0-40	*	*
TOTAL POWER COSTS	\$125	\$121	\$109
OVERHEAD COSTS	\$37	\$37	\$37
TOTAL NON-LAND COSTS	\$553	\$522	\$536
OPERATOR & LAND RETURN	\$182-232	\$231-281	\$255

SOYBEAN, High SPR 2015-19 AVG VALUES	OVERWINTERING	WINTER TERMINAL	NO CC
# fields	253	15	1780
Yield per acre	68	68	69
Soil Productivity Rating	139	139	140
GROSS REVENUE	\$624	\$625	\$635
COVER CROP SEED	\$5-\$40	\$5-\$40	\$0
TOTAL DIRECT COSTS*	\$151	\$143	\$143
COVER CROP PLANTING	\$0-15	\$0-15	\$0
TOTAL POWER COSTS	\$98	\$81	\$83
OVERHEAD COSTS	\$30	\$30	\$30
TOTAL NON-LAND COSTS	\$280	\$254	\$257
OPERATOR & LAND RETURN	\$302-352	\$334-384	\$378

Conservation Habitat Addendum

- If the leased farm includes (or adds) wildlife or other habitat areas.
- Issues for discussion and inclusion: establishment, maintenance, Integrated Pest Management, etc.
- Adjustments to rent; addressing repairs or replacement issues.

CONSERVATION HABITAT ADDENDUM: ILLINOIS FARM LEASE

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THIS ADDENDUM FOR CONSERVATION HABITAT ("Addendum") is entered into on this date, _____, by and between _____ ("Lessee-Tenant") and _____ ("Lessor-Owner") to be incorporated by reference to the lease for farmland dated _____ by and between the same parties.

A. Recitals:

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2. The parties hereby agree to the additional terms contained in this Addendum for the purposes of habitat conservation on the farmland; and
3. For due and valuable consideration as set forth in this Addendum, the receipt of which is hereby acknowledged by the parties.

B. Lessee-Tenant agrees:

1. That the farmland subject to the lease contains one or more areas critical for wildlife habitat ("Critical Area") established by the Lessor-Owner or their representative;
2. That the following generally describes the Critical Area sufficient for the purposes of this Addendum

General description of the Critical Area:

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***Incorporation by Reference.** All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. If there is any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.*

NOTE: A lease and any addendum to a lease creates and alters legal rights; thus, owner/lessor and tenant/lessee should strongly consider discussing lease provisions with their respective legal advisors.

THIS ADDENDUM FOR CONSERVATION HABITAT (“Addendum”) is entered into on this date, _____, by and between _____ (“Lessee-Tenant”) and _____ (“Lessor-Owner”) to be incorporated by reference to the lease for farmland dated _____ by and between the same parties.

Optional (check all that apply):

Mowing and related maintenance for ditches and field edges in accordance with NRCS standards for nesting season or other critical times for habitat conservation purposes.

Seeding and other maintenance measures for pollinator habitats and pursuant to NRCS standards or guidelines.

Implementation of and adherence to Integrated Pest Management Practices in accordance with NRCS standards or guidelines.

Other:

C. Lessor-Owner agrees:

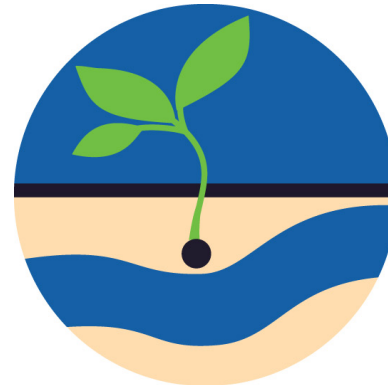
1. That the General Description of the Critical Area in B is sufficient;
2. To be responsible for the costs of all fencing and maintenance of fencing needed to protect the Critical Area;
3. To notify Lessee-Tenant in writing annually of any intention to visibly observe the Critical Area pursuant to B.3.; and
4. That the rent for the farmland be reduced for the Critical Area in proportion to its impact on Lessee-Tenant's ability to farm the leased farmland, and for any of the options selected, as follows:

Adjusted Cash Rent or Proportional Reduction in Cash Rent:

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