



## Finding the Right Farm Leasing Option

Are you aware of the full range of farm leasing options available to you and which option will be best for you?

There are several kinds of leasing arrangements. The exact terms of a lease will vary depending upon market conditions and your individual situations, and the return and risk of each kind of lease are important considerations.

### Lease options include:

**50/50 Crop Share Lease.** This option involves equal contributions from you and the operator. The operator provides labor and machinery; you provide the land. Crop income and expenses are divided equally between you and the farm operator.

**50/50 Crop and Livestock Lease.** In addition to sharing the crop income and expenses, you participate in livestock production with the farm operator. The specific lease terms depend on the kind of livestock and facilities.

**Modified Crop Share Lease.** Besides the land, you provide all the seed, chemicals and fertilizer. The operator provides the machinery, fuel and labor. You and the operator are responsible for drying and storing equal shares of the crop. You receive from 65 to 80 percent of the crop, depending on the quality of the land. This arrangement normally will bring you a higher return than the 50/50 crop share lease.

**Cash Rent.** The operator pays a set amount of cash, and you do not participate in crop production. It is important to evaluate the credit-worthiness of the proposed operator and to evaluate the herbicides, fertilizer and method of farming to protect your land investment. It is equally important to execute a UCC 1 financing statement to ensure rent collection.

**Custom Operation.** You receive the entire crop and government payments and pay for all the cropping expenses. A farmer in the local community is paid to till, plant and harvest the crops. Most progressive and timely operators have a more than adequate line of equipment to farm their current operation and are interested in custom farming to have a guaranteed cash flow. As they already have their equipment and labor, their only cost is fuel and repairs. The custom operation will generate a higher net income on above-average land, particularly with favorable yields and commodity prices.

**Percentage Lease.** This option gives you a specified percentage of corn or soybeans delivered to an agreed-upon grain terminal or location and a percentage of the government payment. The operator pays all expenses, giving you some inflation protection and the ability to increase your return through effective grain marketing. It is important to evaluate the credit-worthiness of the operator and evaluate the herbicide, fertilizer and method of farming to protect your land investment. Improper application rates and farming methods can reduce the production potential of the farm. Generally, your percentage will vary from 35 to 45 percent, depending on the quality of the land and the crop.

Hertz Farm Management and your Hertz Farmland Professional understand that your farmland holds not only financial but also personal value. Because they recognize the importance of your relationship with your land, they are in a unique position to offer the objective guidance you need to make the best decisions for you and your family.

Our Farmland Professionals combine a personal approach with exceptional expertise and have become trusted advisors to our clients since 1946. We invite you to become another satisfied Hertz client. Visit our Web site or call us today to learn how we can assist you.