

What is a Fair Cropland Rent?
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It is a legitimate question and many people do not always like my first response, depends. I ask questions; was the rent paid last year? Where are you located in the county? What is the demand for cropland in your area? Are you happy with your current renter? Is your renter a good steward of your cropland? Who will pay for lime, if needed? How many years is the rental agreement? Remember, after I get off the phone the next call usually is the potential cropland renter with the same questions. Therefore, my story is generally the same and I have not mentioned a rental price.

National Agriculture Statistics Service (NASS) gather cropland rental rates and this is a good source to begin a conversation. Now, there will be an on the street rental rate and it may or may not be accurate and what is in that cropland rental rate? Another method is to know your market and then set a price. If you are happy with the relationship with your current renter, is it worth increasing or decreasing rent to continue working with this renter? Can the landowner and/or cropland renter think in a different manner? The landowner has an investment in land and that land has a monetary value. If you had money to invest in a low risk investment, what would you like for a minimum return on your investment? Now, look at the cropland as the landowner's investment and the cropland renter as the financial company paying on that investment.

From NASS; located at:

https://www.nass.usda.gov/Statistics_by_State/Wisconsin/Publications/Annual_Statistical_Bulletin/2019AgStats- .

This provides a value for cropland. Both parties can use the sale price as a range for negotiations for a rental price. If both parties agree that cropland is worth \$3,000.00 (or a price that is current from land sales in the county) and a current desired rate of return is between 2% - 5%, this would give a range of \$60.00 - \$150.00 per acre rent. Remember there may be other considerations (lime, conservation practices, USDA payments, etc.) These numbers would provide a guideline in which both parties can negotiate a cropland rent price. Understand every situation will be different. So, who pays to apply lime to correct pH? If the landowner is paying for lime, then the rental price may be greater versus the cropland renter paying for the lime. This may result in a longer-term contract at a lower rate allowing the renter some reward for their purchased inputs.

Next, many only want a verbal agreement. Understand verbal agreements are only enforceable for one growing season. It is wise to write things down, even if it is just the renter and landowner writing down their thoughts, dating, and then signing a hand written notebook paper. Once written it eliminates any he/she said situations. To summarize, rental details must be written down, dated, and signed. Verbal agreements are enforceable for one growing season, and many times people forgot what was verbally agreed upon a year later. Rental rates are negotiations; there is no one price fits all. To determine rental rates knowing current land values is beneficial.

If you have questions on renting cropland please call 715-743-5121 or email richard.halopka@wisc.edu