

Balancing Act

Negotiating Farmland Rents for 2025 in Illinois



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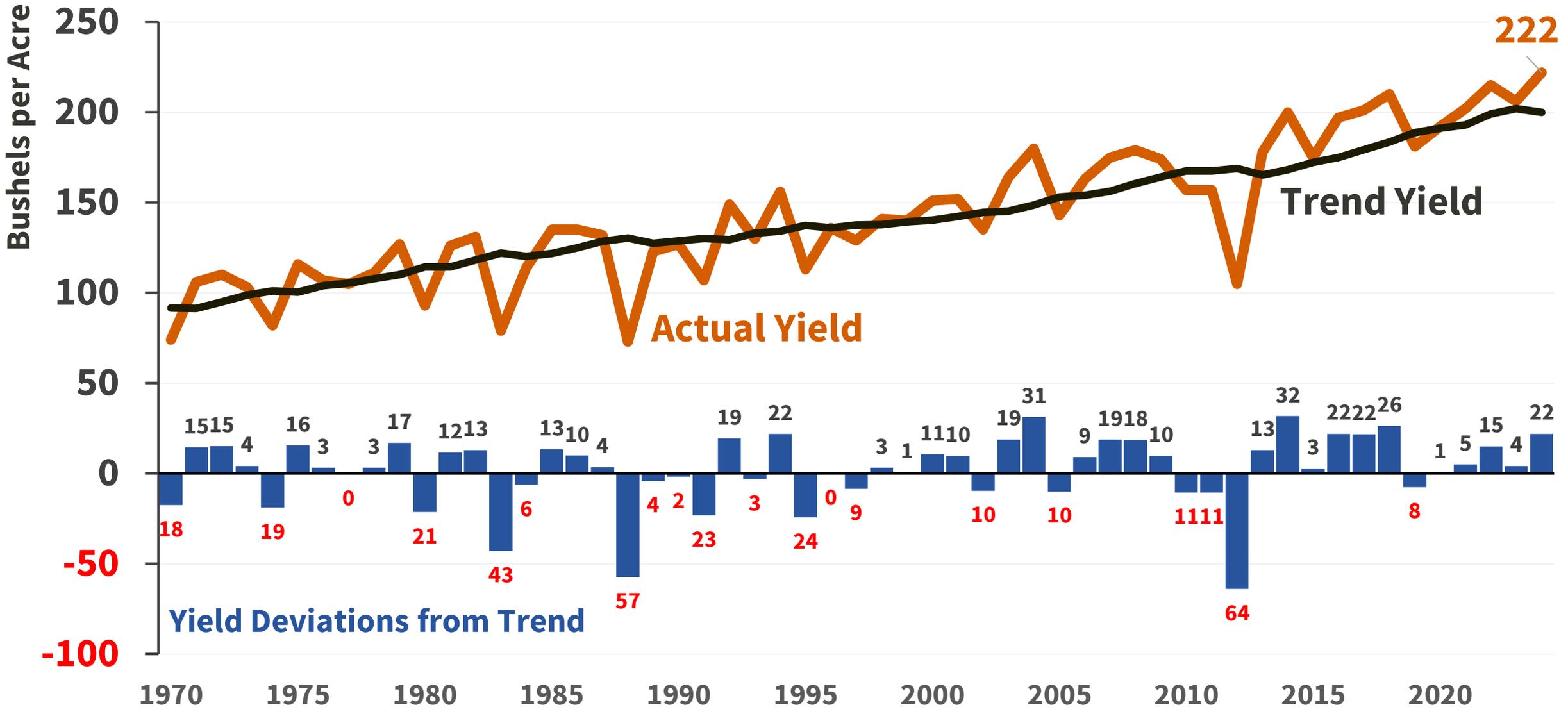
Gary Schnitkey

Topics

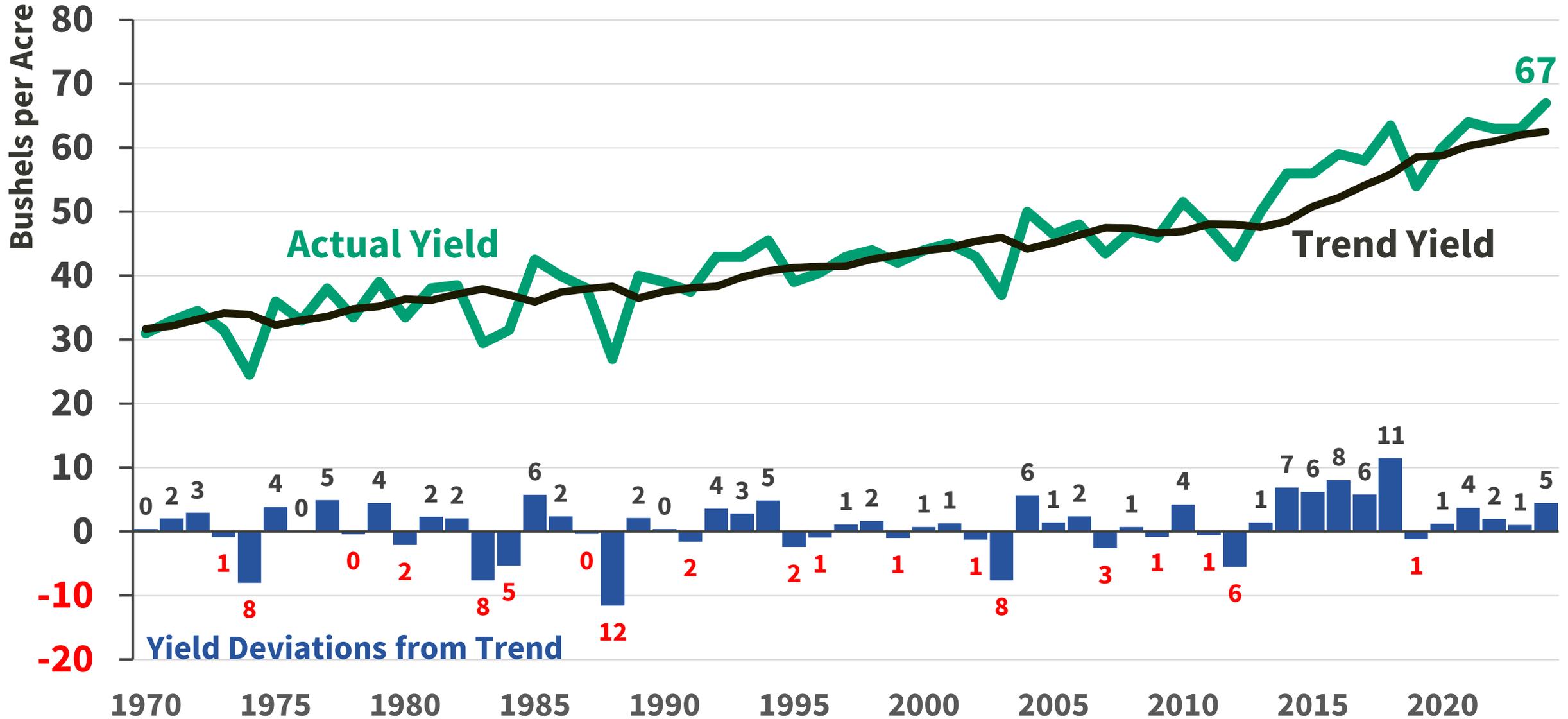
- Return Outlook (for Context)
- Farmland Rents
- Farmland Prices



Illinois Corn Yields, 1970 to 2024P

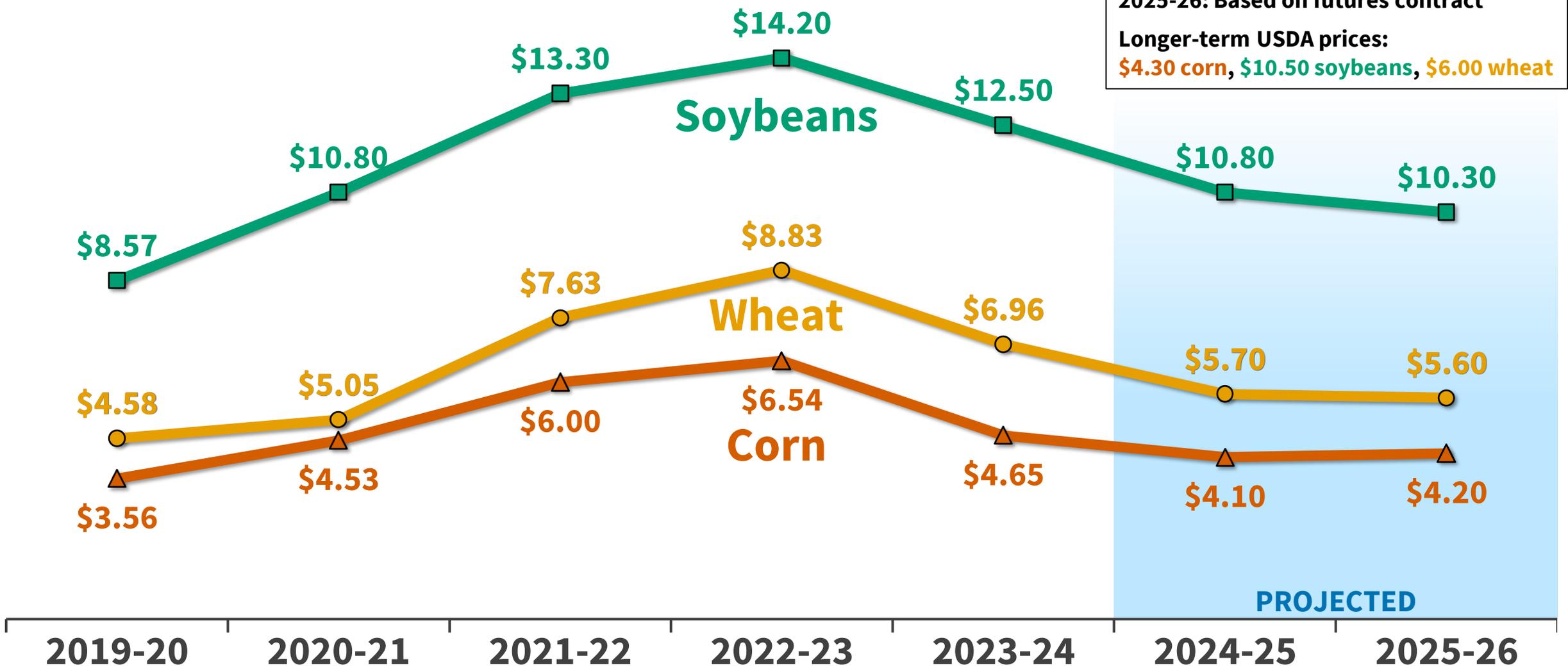


Illinois Soybean Yields, 1970 to 2024P



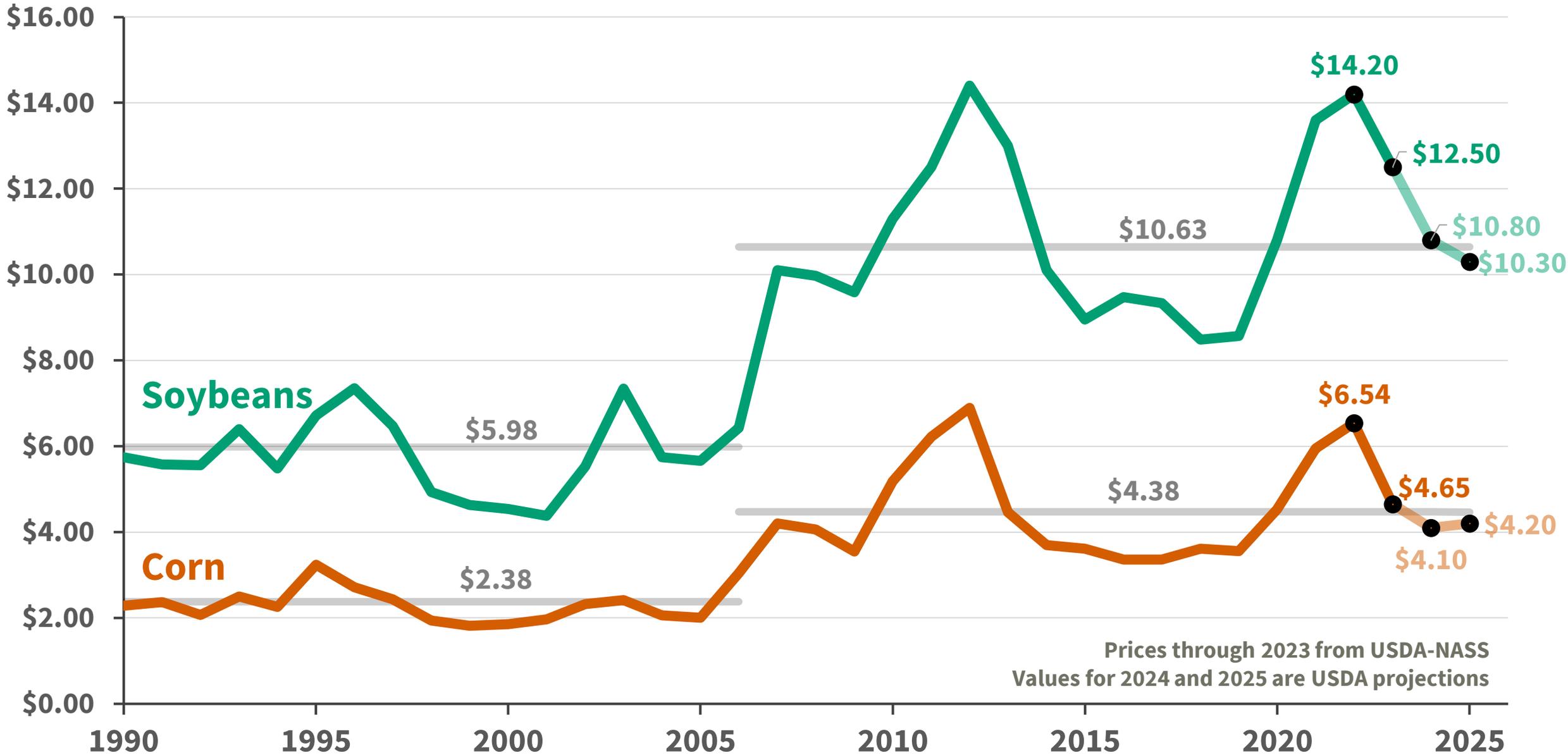
U.S. Prices by Marketing Year

USDA price forecasts
2024-25: USDA estimates in Sept WASDE
2025-26: Based on futures contract
Longer-term USDA prices:
\$4.30 corn, \$10.50 soybeans, \$6.00 wheat



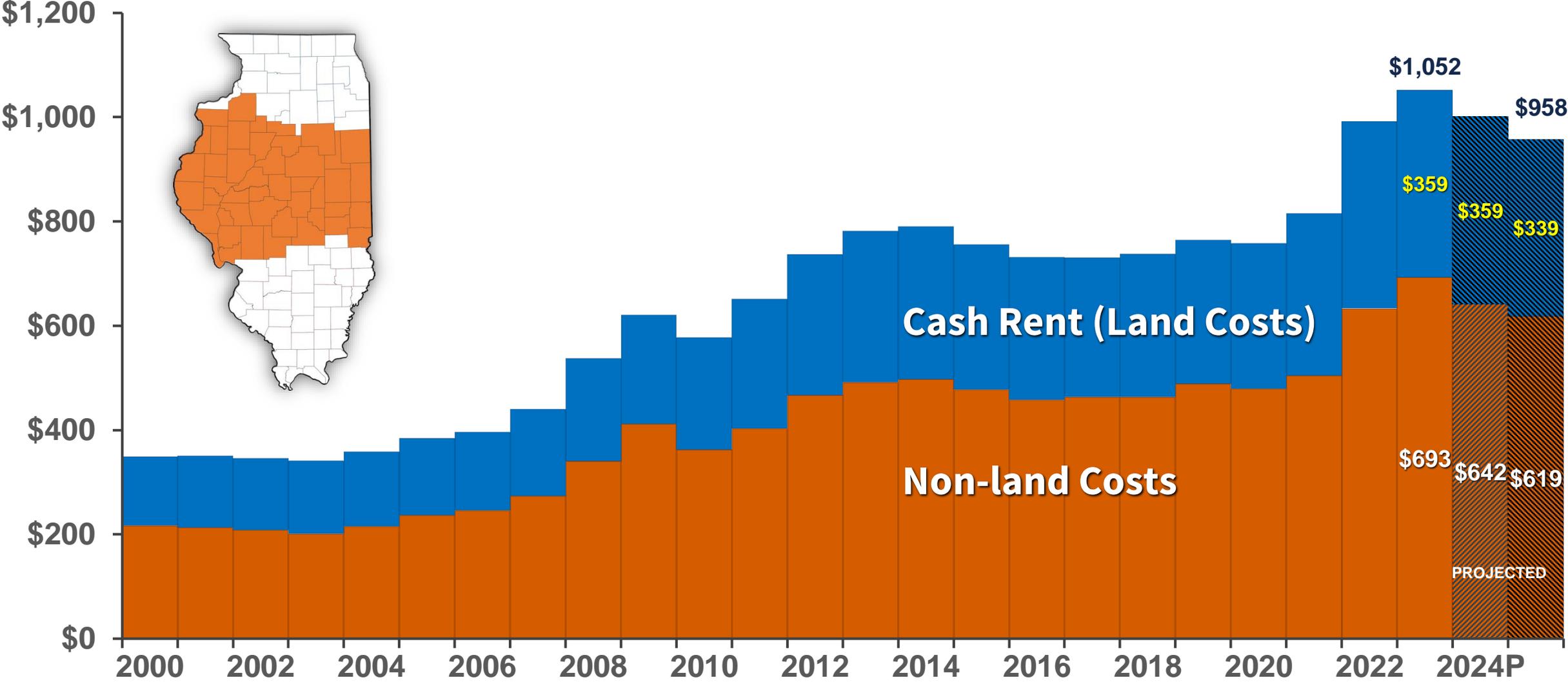
National Market Year Average (MYA) price by year
September to August for corn and soybeans
June to May for wheat

U.S. Market Year Average Prices for Corn and Soybeans 1960 to 2025P



Production Costs for **Central Illinois** in \$ per acre

50-50 Corn-Soy Rotation, 2000 to 2025P



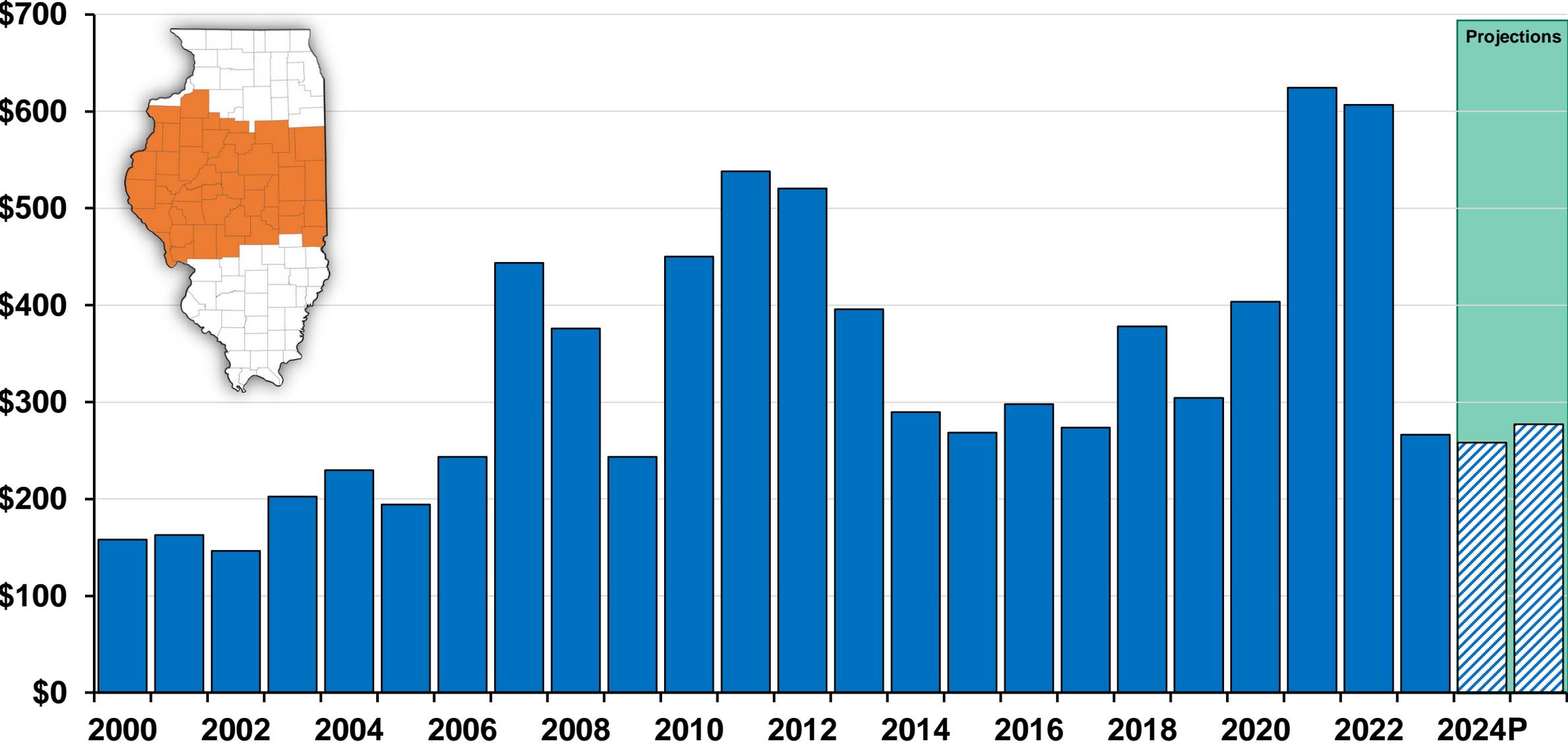
Cash Rent (Land Costs)

Non-land Costs

PROJECTED

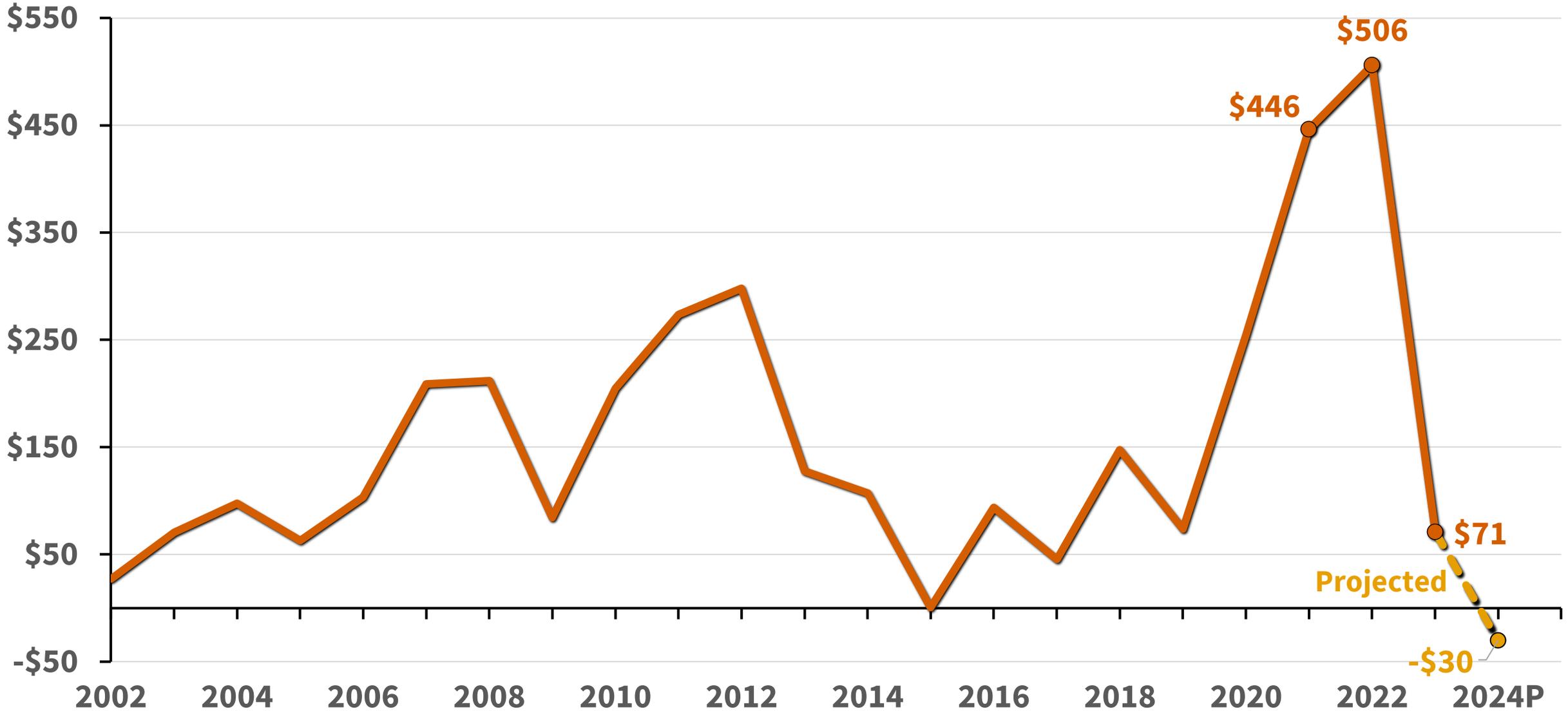
Operator and Land Return (\$/acre), 2000 to 2025P

Central Illinois, 50-50 Corn-Soy Rotation



Net Farm Income on Grain Farms (in \$1,000)

Enrolled in Illinois Farm Business Farm Management



Federal Actions

1. Passing or extending a farm bill

Will not impact payments
this or next year.

2. Ad hoc economic aid

Taken up after election



Farmland Rents



Farmland Leasing and Rental Forms on farmdoc

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Agricultural Law

<https://farmdoc.illinois.edu/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](#)

Illinois Cash Farm Lease Form – PDF
October 8, 2019

The lease form represents a basic model for an agricultural lease. The parties to the lease or their legal counsel...

[Read more](#)

Livestock Share Lease Form – PDF
February 8, 2005

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](#)

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](#)

Fixed Cash Rent Lease Form – Short 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](#)

Nutrient Management 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](#)

Pasture Lease Form – PDF
February 8, 2005

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](#)

Soil Health and Conservation 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](#)

October 31 is "Notice"

Amendments and Extensions to the Lease
(Must be completed manually/cannot be completed on-line)

Amendments, alterations, and extensions to this lease may be made in writing in the space below at any time by mutual agreement. The written amendments should be noted on both the Landlord's and Tenant's copies of the lease (complete and sign two identical copies). If the parties fail to agree on a proposed alteration, the existing provisions of the lease shall control operations.

A. Improvements made by the Tenant at the Tenant's own expense. When the Lessor and Tenant agree that the Tenant may make improvements on the leased premises, the Lessor and Tenant shall agree in writing on the nature and extent of such improvements and the method of payment therefor.

Section 6. Default, Possession, Landlord's Lien, Right of Entry, Mineral Rights, Liability, Extent of Agreement

The Lessor and Tenant agree to the following provisions. (Strike out any not desired.)

A. Termination upon default. If either party fails to carry out substantially the terms of this lease in due and proper time, the lease may be terminated by the other party by serving a written notice citing the instance(s) of default and specifying a termination date of _____.

B. Landowner's right of entry. The Lessor reserves the right personally or by agents, employees, or assigns to enter upon the premises at any reasonable time to view them, to work or make repairs or improvements thereon, to care for and dispose of the _____.

C. Management participation. Within the general framework of the cost-sharing agreed to in Section 3, and the limits on land-use in Clause A above, Lessor and Tenant elect to share the general management and operating decisions as specified in Option _____ below. All unspecified decision-making, including the day-to-day implementation and execution of mutually agreed upon operating and maintenance plans, shall be the Tenant's responsibility.

D. Financial and production records. The Tenant agrees to keep financial and production records of the farm business and to furnish an annual report to the Lessor, on such forms as the Lessor may provide, on or before _____. The Lessor agrees to cooperate in such record-keeping by providing information on his or her side of the farm business and by contributing _____ (dollars or percent) to the _____.

Option J. The Lessor is hereby authorized to materially _____.

Section 4. Tenant's Duties in Operating Farm

The Tenant further agrees to perform and carry out the stipulations below. (Strike out any not desired.)

A. Activities required:

- To cultivate the farm faithfully and in a timely, thorough, and businesslike manner.
- To prevent noxious weeds from going to seed on said premises and to destroy the same and keep the weeds and grass cut.
- To haul and spread all manure on appropriate fields at times _____.
- No chemicals will be stored on the property for more than one year. When chemicals or petroleum products are stored on the farm, they will be only those planned to be used on the farm and they will be in closed, tight containers above ground and clearly marked. No chemicals or chemical containers will be disposed of on the property.
- To generally follow Natural Resource Conservation Service and Farm Service Agency recommendations and to maintain _____.

C. Cash Rent and Installments: The Tenant agrees to pay to the Landlord's Agent, in addition to the share of crops in Clause A, cash rent for each year of this lease in the amount determined by the following.

Cash Rent		Total	
Per acre	Total		
Rotation hay and pasture	_____	XXXXXX	_____
Permanent pasture	_____		_____
Farmstead	XXXXXX		_____
Buildings	XXXXXX		_____
Crop for silage	_____		_____
Supplemental cash rent (if any)	_____		_____
Total Cash Rent	_____		_____

The Tenant agrees to pay any cash rent in installments as follows:

_____ on or before _____;

_____ on or before _____;

_____ on or before _____.

Illinois Crop-Share Cash Farm Lease

To use this lease form: Complete two identical copies—one for the Lessor (Landowner) and one for the Lessee (Tenant). Cross out any provisions that are not to become a part of the contract and add any additional provisions that are desired. If preparing the lease manually, use ink or typewriter; however, the web-based lease form can be filled in on-line before printing. This lease form is available on the farmdoc website at <http://www.farmdoc.illinois.edu/legal/farm_lease_forms_ahs.html>. Additional leasing information can be found in the Leasing Fact Sheets prepared by University of Illinois Farm Business Management Educators located at <http://www.farmdoc.illinois.edu/manage/leasing_fact_sheets.html>. Note: A lease creates and alters legal rights. Landowners and Tenants may want to discuss specific lease provisions with their respective legal advisors.

Date and names of parties. This lease is entered into on _____, 20____, between:

Lessor(s) (Insert Landowner's exact name): _____,
whose mailing address is _____ and _____.

Lessee(s) (Insert Tenant's exact name): _____,
whose mailing address is _____ and _____,
and whose Social Security Number or Employer Identification Number is _____.

The parties to this lease agree to the following provisions.

Section 1. Description of Rented Land and Length of Tenure

A. Description of Land. The Landowner (Lessor) rents and leases to the Tenant (Lessee), to occupy and to use for agricultural purposes only, the following real estate located in the County of _____ and the State of _____, and described as follows: _____.

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

Rare to have a lease over 2 or 3 years

Lease types

Cash rent

Farmer pays landowner for right to farmland, **farmer receives all revenue and pays all expenses**, except land costs (property tax)

Share rent

Share in revenue (crop revenue and government programs) **and direct costs** (seed, fertilizer, pesticides, drying, storage, crop insurance)

Variable cash rent

Cash rent **varies with crop revenue**

Custom farming

Landowner pays for field operations, bears all costs, receives all revenue

Farmland Leased in Illinois

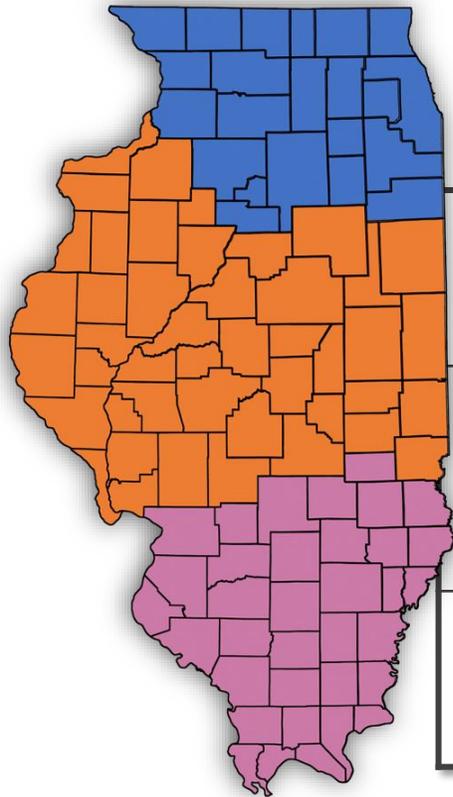
In Illinois,
**50% of farmland
 is rented**

ERS, 2016

Illinois has
 largest rented
 percent in U.S.

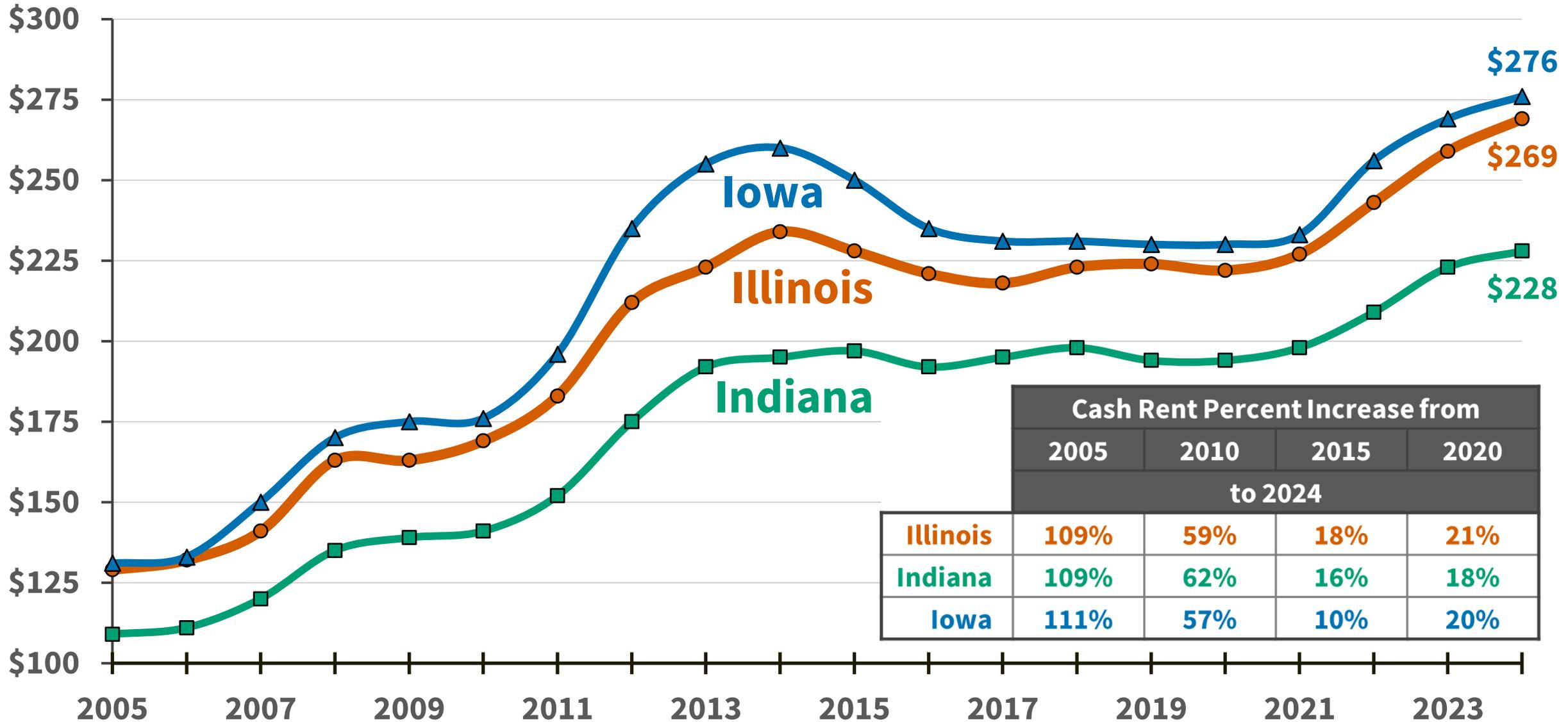
- Indiana, 45%
- Iowa, 41%
- Ohio, 37%

Larger grain farms tend to rent more
 Tenure on grain farms in FBFM, 2022



	Northern	Central Low	Central High	Southern
Owned	18%	19%	15%	26%
Share-rent	18%	33%	39%	34%
Cash-rent	64%	48%	46%	40%

Average Cash Rents in Illinois, Indiana, and Iowa



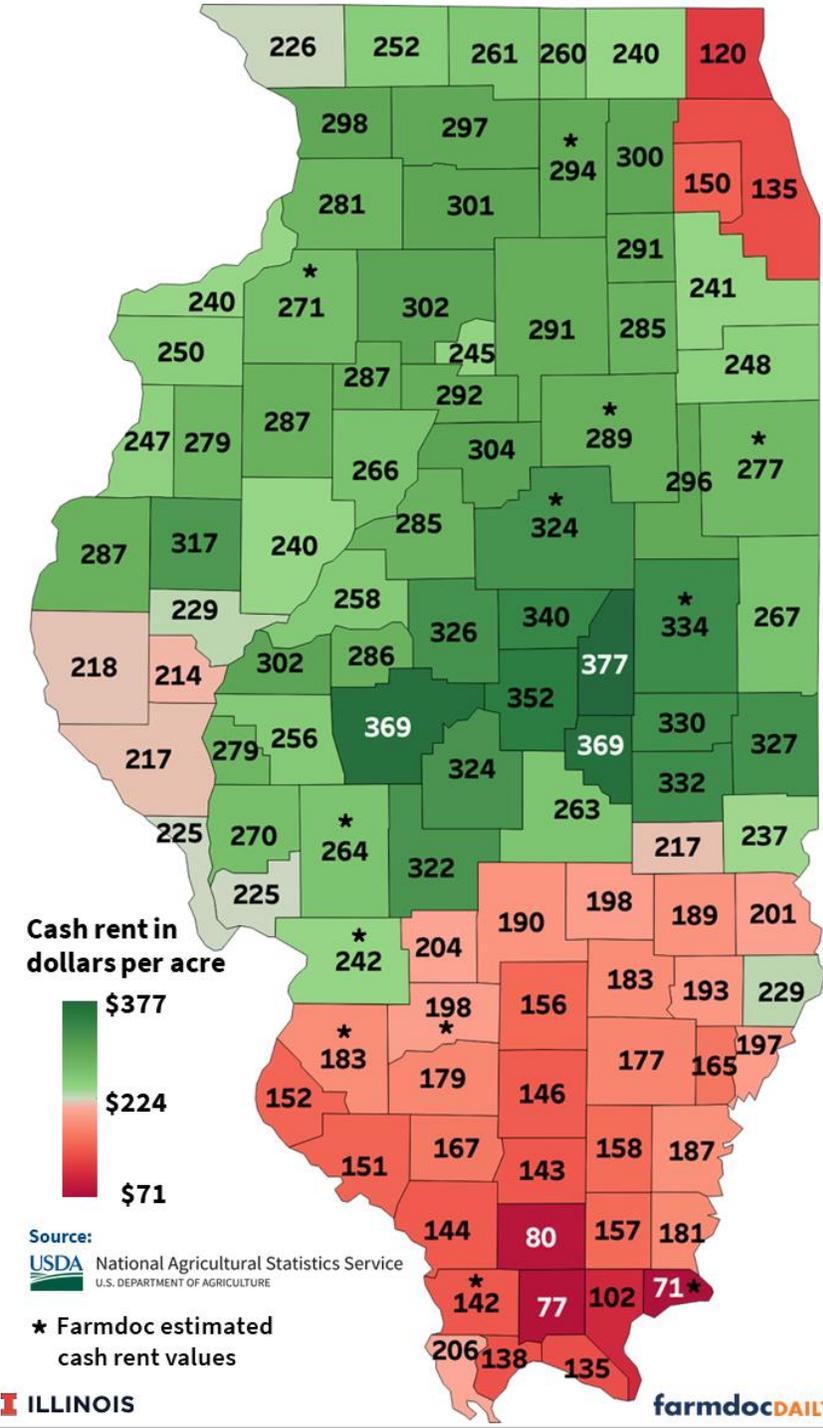
2024 County Cash Rents

Released by



National Agricultural Statistics Service
U.S. DEPARTMENT OF AGRICULTURE

Moderate increases in most counties
Some counties saw small declines



Cash Rents and Soil Productivity Index (SPI) in Illinois

Land Class	Soil Potential Index	Average Corn Yield	Average Rent		ISPFMRA Rents		
			2022	2023	2022	2023	2024
Excellent	133-147	213	\$314	\$332	\$369	\$412	\$400
Good	117-132	206	\$263	\$285	\$322	\$353	\$340
Average	100-116	192	\$211	\$225	\$275	\$285	\$275
Fair	<100	174	\$146	\$153	\$215	\$223	\$225

ISPFMRA Rents tend to:

- Be higher than USDA and FBFM Averages
- Represent recently negotiated rents
- Adjust more quickly to changing returns



Illinois Society
of Professional Farm Managers & Rural Appraisers

Cash Rents on Professional Managed Farmland in Illinois

Mid-year survey (Aug 2024): Expect cash rents to decline by an average of \$25/acre for 2025



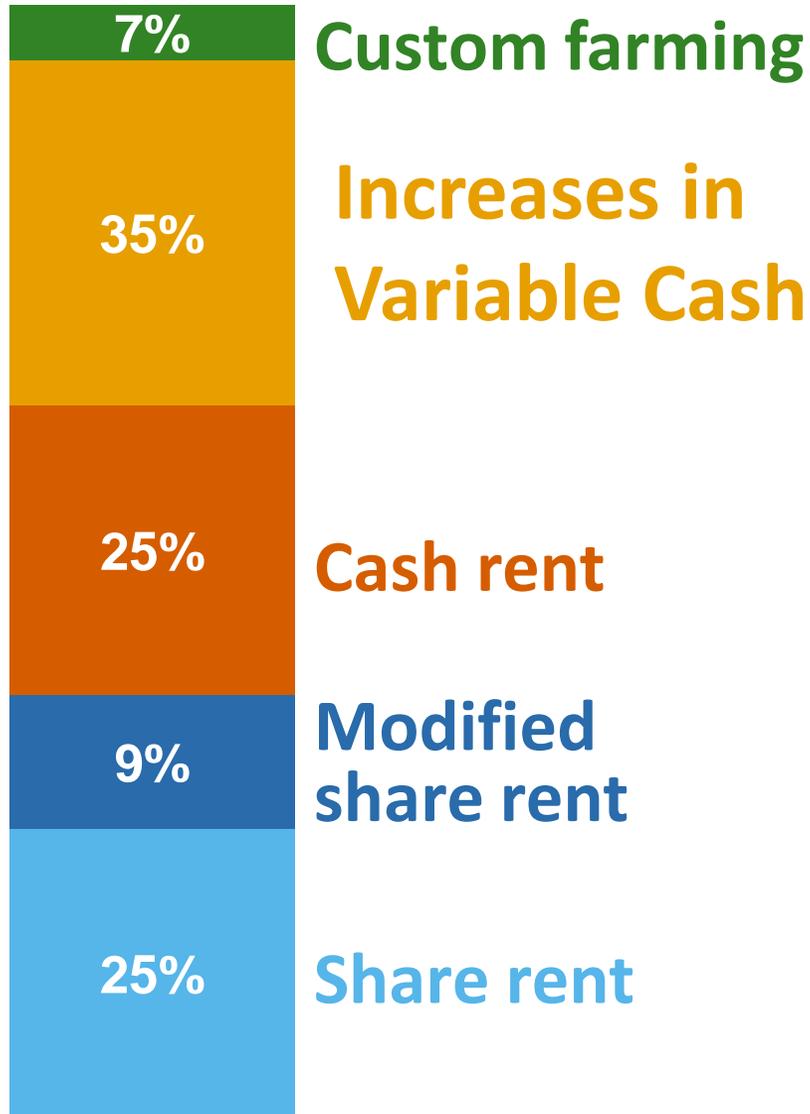
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Excellent	\$375	\$350	\$325	\$300	\$298	\$303	\$305	\$309	\$369	\$412	\$400
Good	\$323	\$295	\$283	\$260	\$260	\$263	\$270	\$265	\$322	\$353	\$340
Average	\$277	\$250	\$247	\$225	\$225	\$215	\$224	\$225	\$275	\$285	\$275
Fair	\$219	\$200	\$190	\$175	\$186	\$169	\$173	\$166	\$215	\$223	\$225

Mid-Year Survey (August 2024)

- Participants expect 2025 cash rents to go down by an average of \$25 per acre
- Expect prices for 2024 crop of:
 - \$3.80 per bushel for corn
 - \$10.00 per bushel for soybeans



Lease types used by professional farm managers



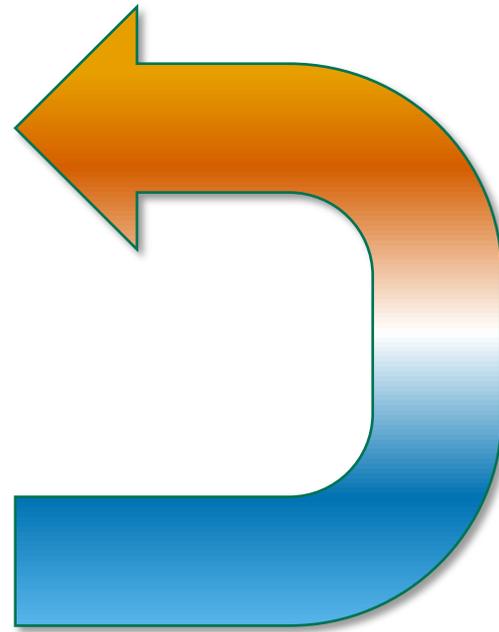
Custom farming

Increases in
Variable Cash Rent

Cash rent

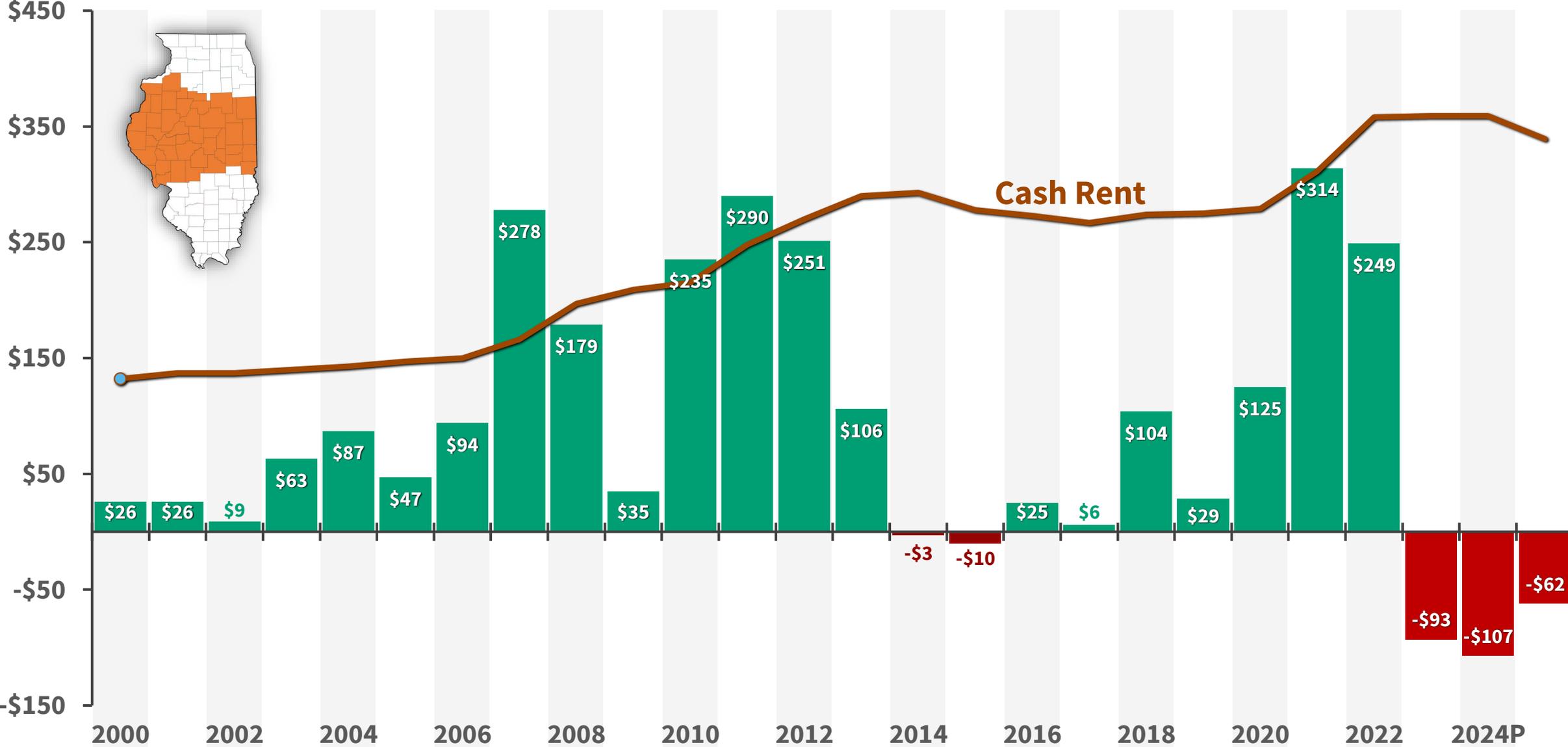
Modified
share rent

Share rent



Shifts away
from **share rents**
to **cash rents** and
variable cash rents

Returns to a 50% Corn – 50% Soybean Rotation in \$ per acre on Central Illinois, Cash Rented Farmland



Variable Cash Rental Arrangements

Table 1. Expected 2025 Yields, Average 2023 Cash Rents, and Equivalent Variable Cash Rent Factors by Region of Illinois

Region	Expected 2025 Yields		2023 Average Cash Rent	Equivalent Rent Factors ¹	
	Corn	Soybeans		Corn	Soybeans
North	228	69	315	30%	41%
Central - High	236	75	358	31%	41%
Central - Low	222	68	287	29%	39%
South	195	61	202	23%	30%

¹ Application of this rent factor to crop revenue causes a variable cash rent to equal the average cash rent from 2000 to 2023.

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Commonly Negotiated Terms

Minimum and **Maximum** cash rent

Rent is a percent of crop revenue:
rent factor times **crop revenue**

Crop revenue

= **farm yield** X **market price**

Market price is an average of quotes of an agreed upon delivery point

Example: Quote every Wednesday from XYZ elevator from March to October

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Weekly Farm Economics

Revisiting the Merits of Variable Cash Leases for 2025

Nick Paulson and Gary Schnitkey

Department of Agricultural and Consumer Economics
University of Illinois

Carl Zulauf

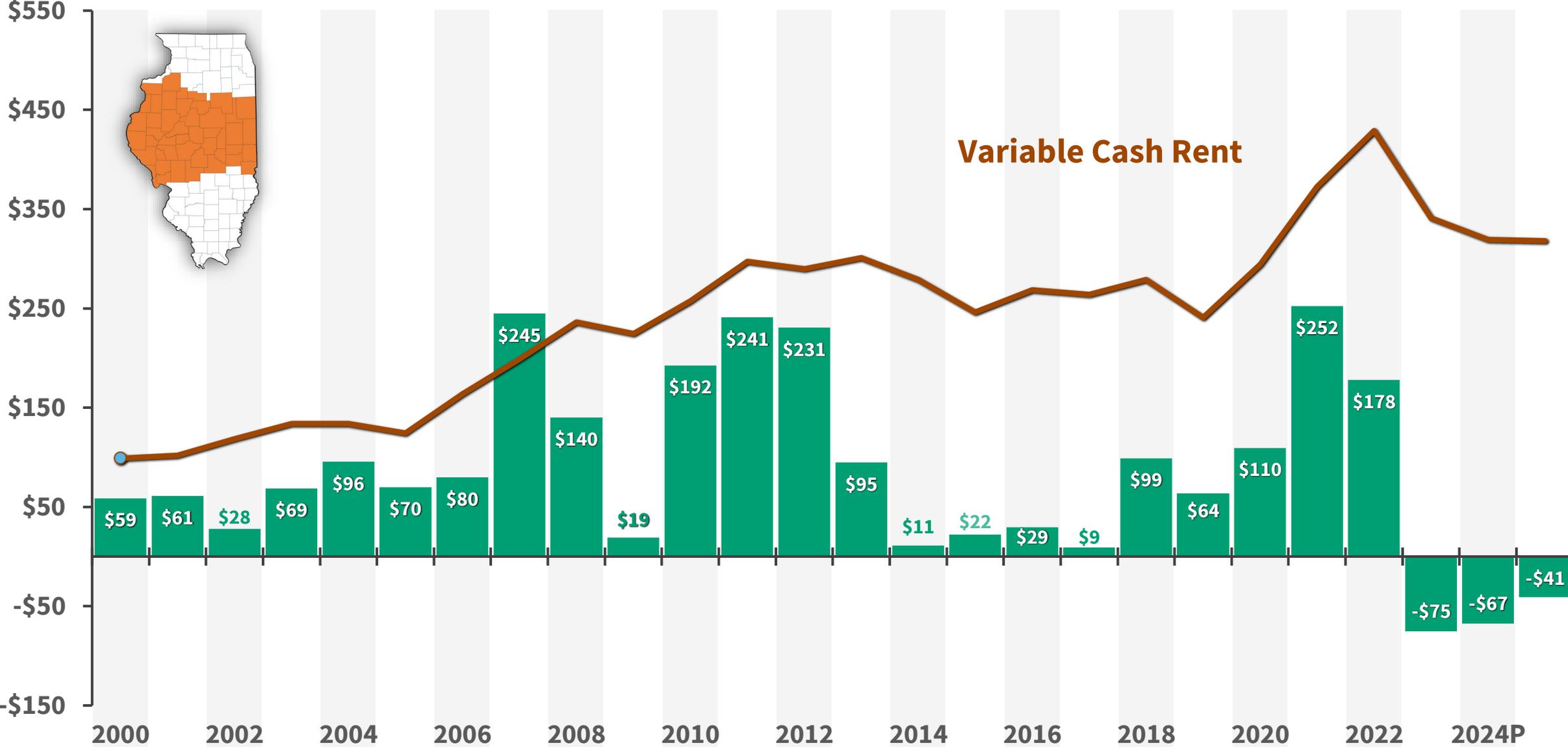
Department of Agricultural, Environmental and Development Economics
Ohio State University

October 15, 2024

farmdoc daily (14):188

<https://farmdocdaily.illinois.edu/2024/10/revisiting-the-merits-of-variable-cash-leases-for-2025.html>

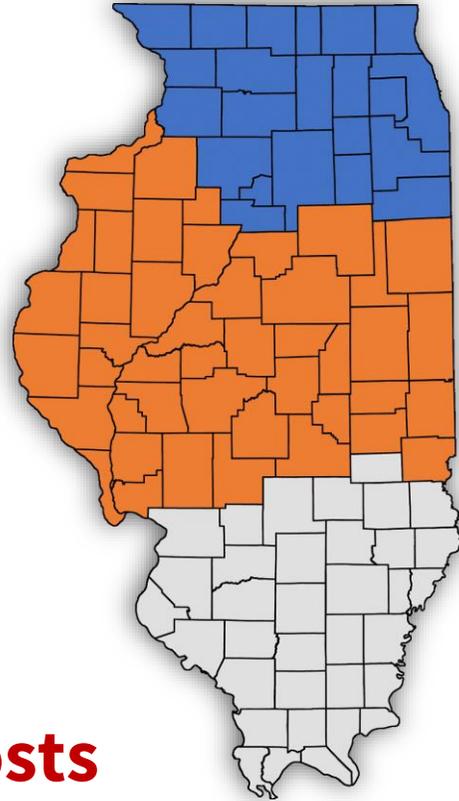
Returns to a 50% Corn – 50% Soybean Rotation in \$ per acre on Central Illinois, Variable Cash Rented Farmland



Share Rent Lease

Northern and Central Illinois

50/50 common,
landowner gets
50% of the grain
and
pays 50% of crop costs

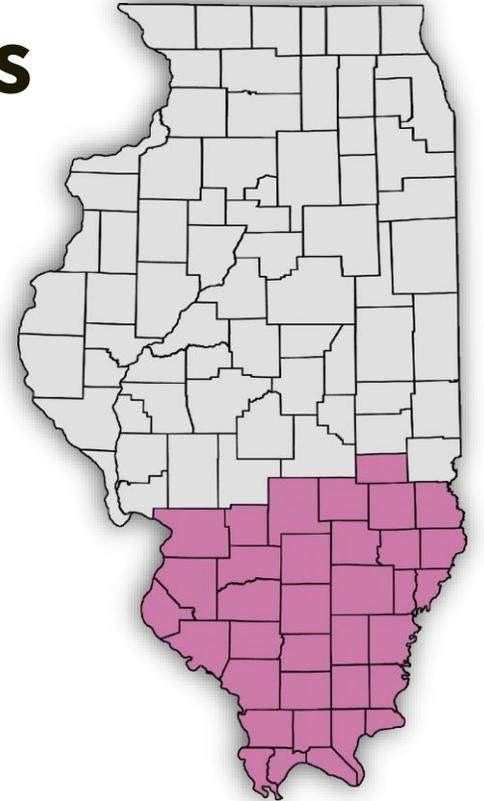


Southern Illinois More variable terms

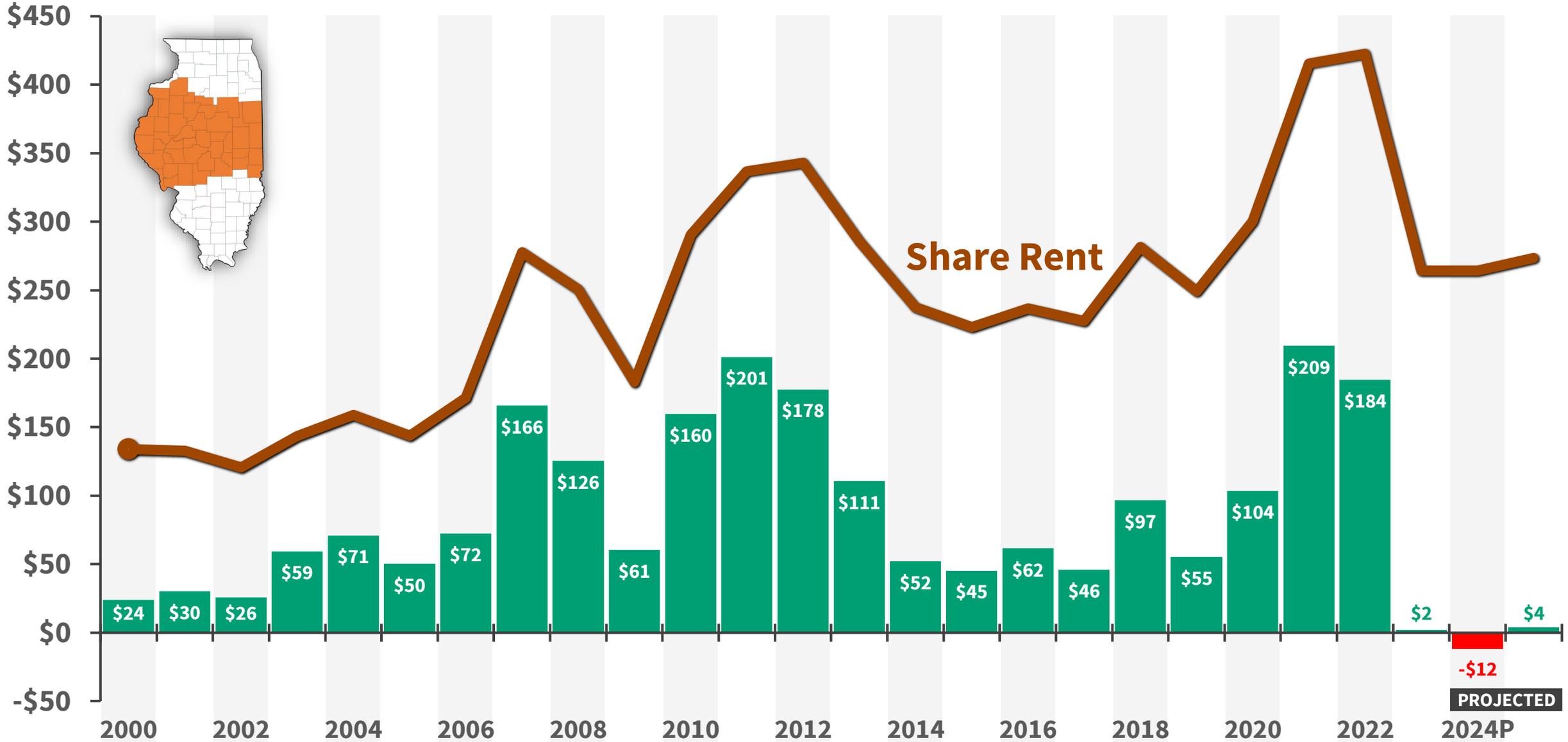
50/50
50% farmer
50% landowner

60/40
60% farmer
40% landowner

2/3 to farmer,
1/3 to landowner,
farmer pays all seed costs



Returns to a 50% Corn – 50% Soybean Rotation in \$ per acre on **Central Illinois**, Share Rented Farmland



Summary Thoughts on Farmland Leases for 2025

Low return projects

- Negative for cash rented and variable cash rented farmland
- Close to break-even on share rented land

Large rent adjustments would be needed to get closer to break-even returns

- Consider one-time adjustments for 2025 depending on prices
- Shift to variable designs likely to continue
- Owned land can continue to subsidize rented land
- Need to keep in mind the landowner's perspective

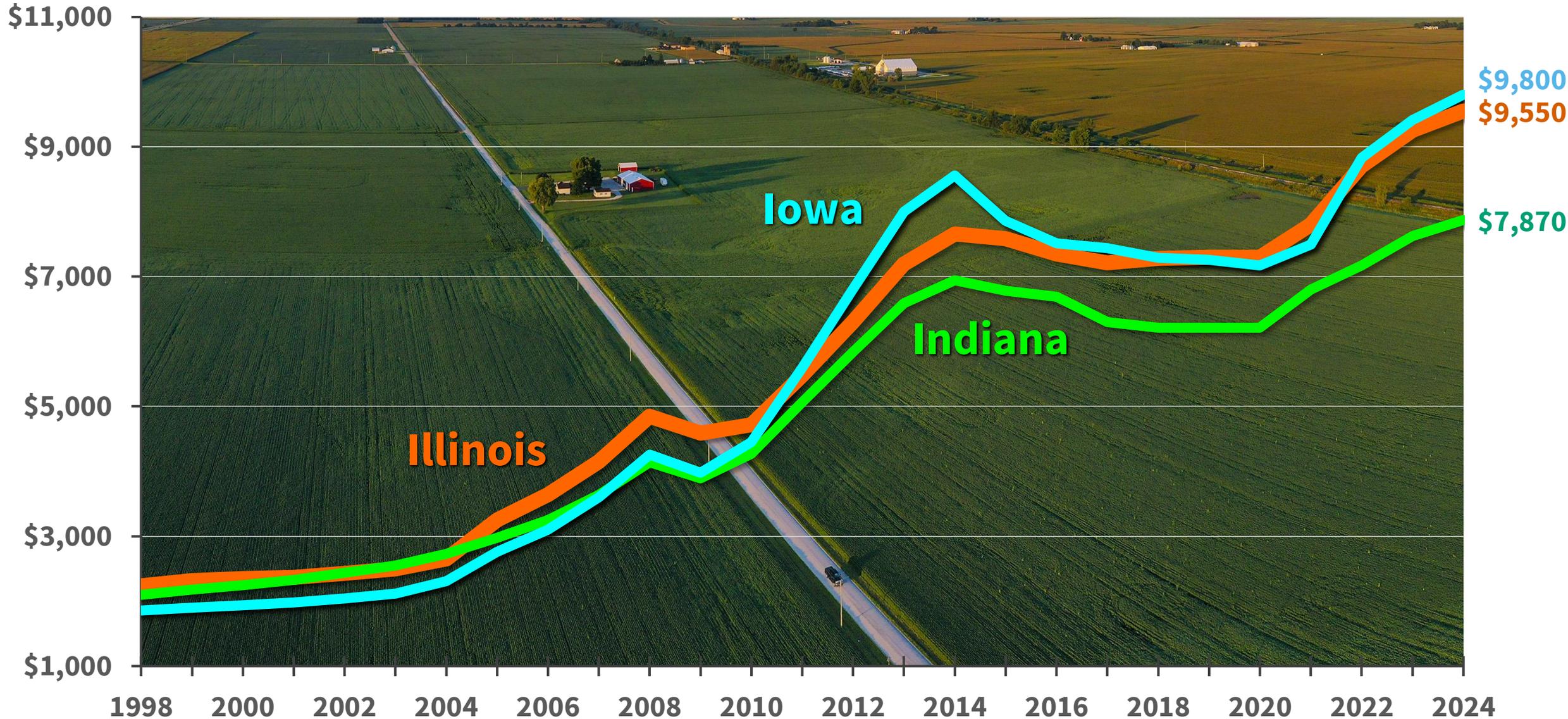
Ad hoc support looking more likely for 2024/25

- Helpful in short term but will reduce downward pressures on costs and rents

Farmland Prices



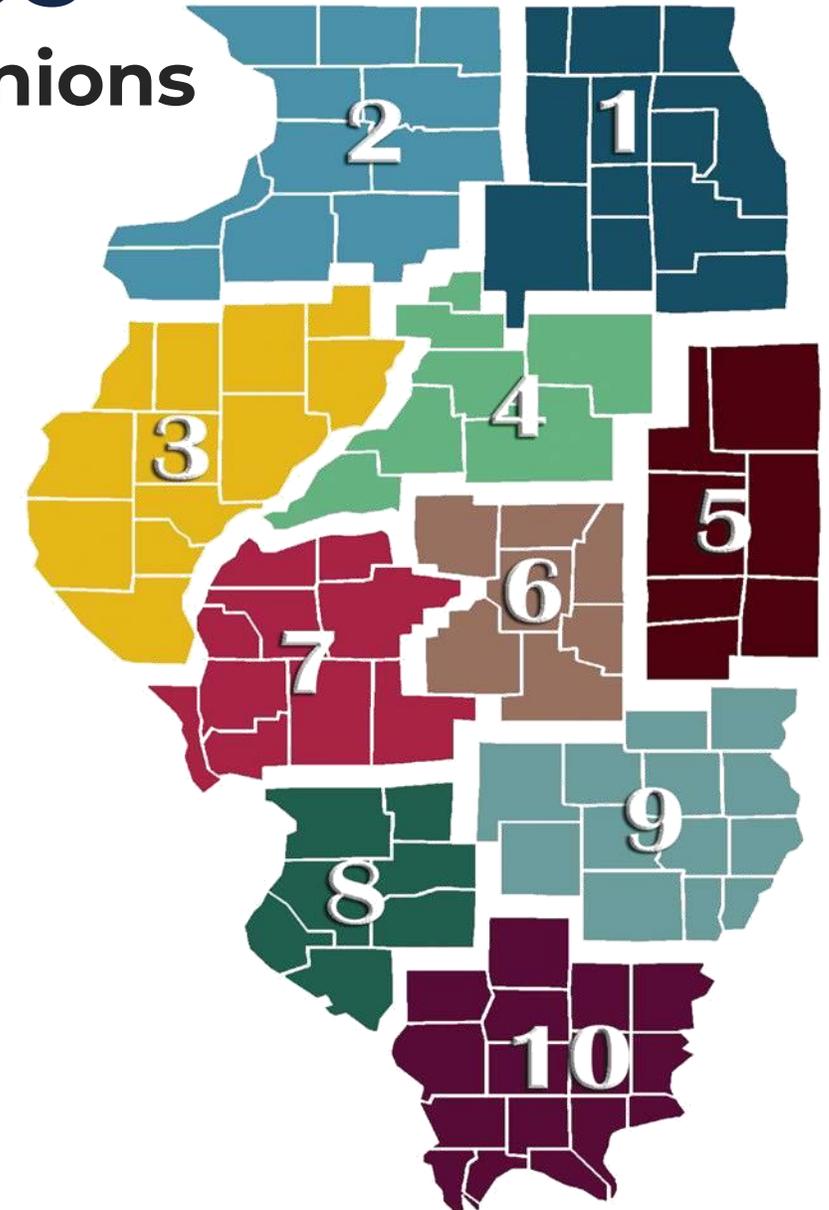
Farmland Values in the I-States



2023 – Results at a Glance

From Our Data Collection Groups' Opinions

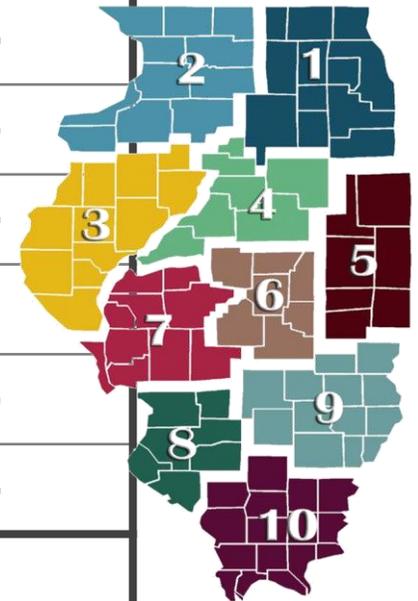
Land Category	Avg. of all Completed Sales	2023 Change (from 2020)
Excellent	\$16,906	Up 6% (55%)
Good	\$12,726	Up 7% (51%)
Average	\$9,544	Up 14% (49%)
Fair	\$7,478	Up 15% (40%)
Recreational	\$5,313	Up 7% (44%)



All Categories of Farmland **The Great State of Illinois - 2023**

The change in rate of land turnover across all classifications and regions

	Excellent	Good	Average	Fair	Recreational	Transitional
Region 1	Steady	Up	Up	--	Steady	Steady
Region 2	Steady	Steady	Steady	Steady	Steady	--
Region 3	Steady	Steady	Steady	Steady	Steady	--
Region 4	Down*	Down*	Down*	Down	Steady	Steady
Region 5	Down*	Down*	Down*	--	Up	--
Region 6	Steady	Steady	Steady	Steady	Steady	--
Region 7	Down*	Down*	Down*	Down*	Steady	--
Region 8	Down*	Down*	Down*	Up	Up	--
Region 9	----	Steady	Steady	Steady	Steady	--
Region 10	----	Down	Down	Down	Down	--



* Denotes a change of 15% or higher

Mid Year Survey Results

- During the first half of 2024, respondents report a decline of 5% change in farmland prices for excellent and good-quality farmland
- Most survey respondents expect declines for the remainder of 2024
- 53% of survey respondents expect farmland prices to be lower in two years

The Long View on Land Values

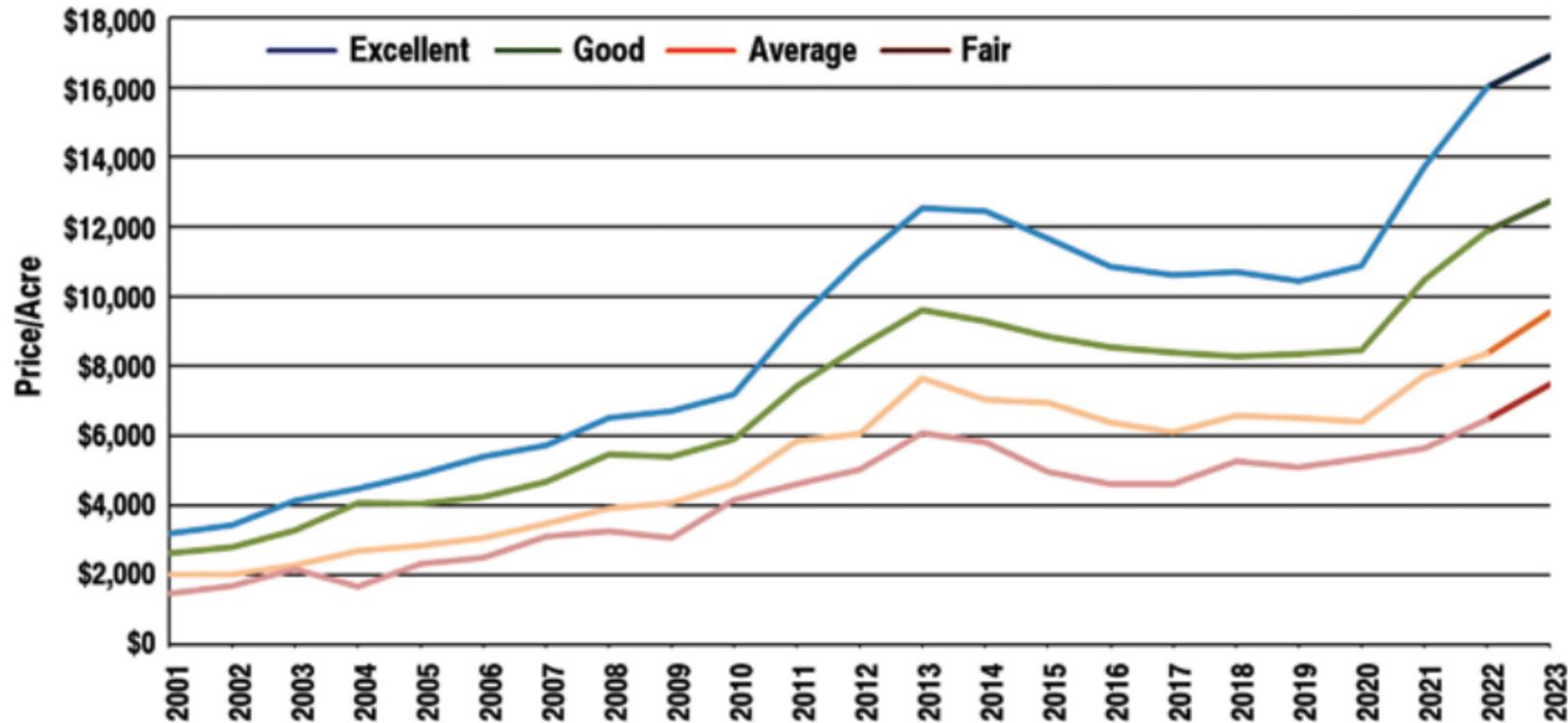
We continue to chart the value of each category of land over time in a Region and look at continual compounded annual growth rates using the data provided for several years.



Regional Data Group
Bruce Sherrick, Ph.D

University of Illinois
College of ACES
1301 W. Gregory Drive
Urbana, IL 61801
(217) 244-2637

All Regions: Illinois Land Values by Soil Productivity Class

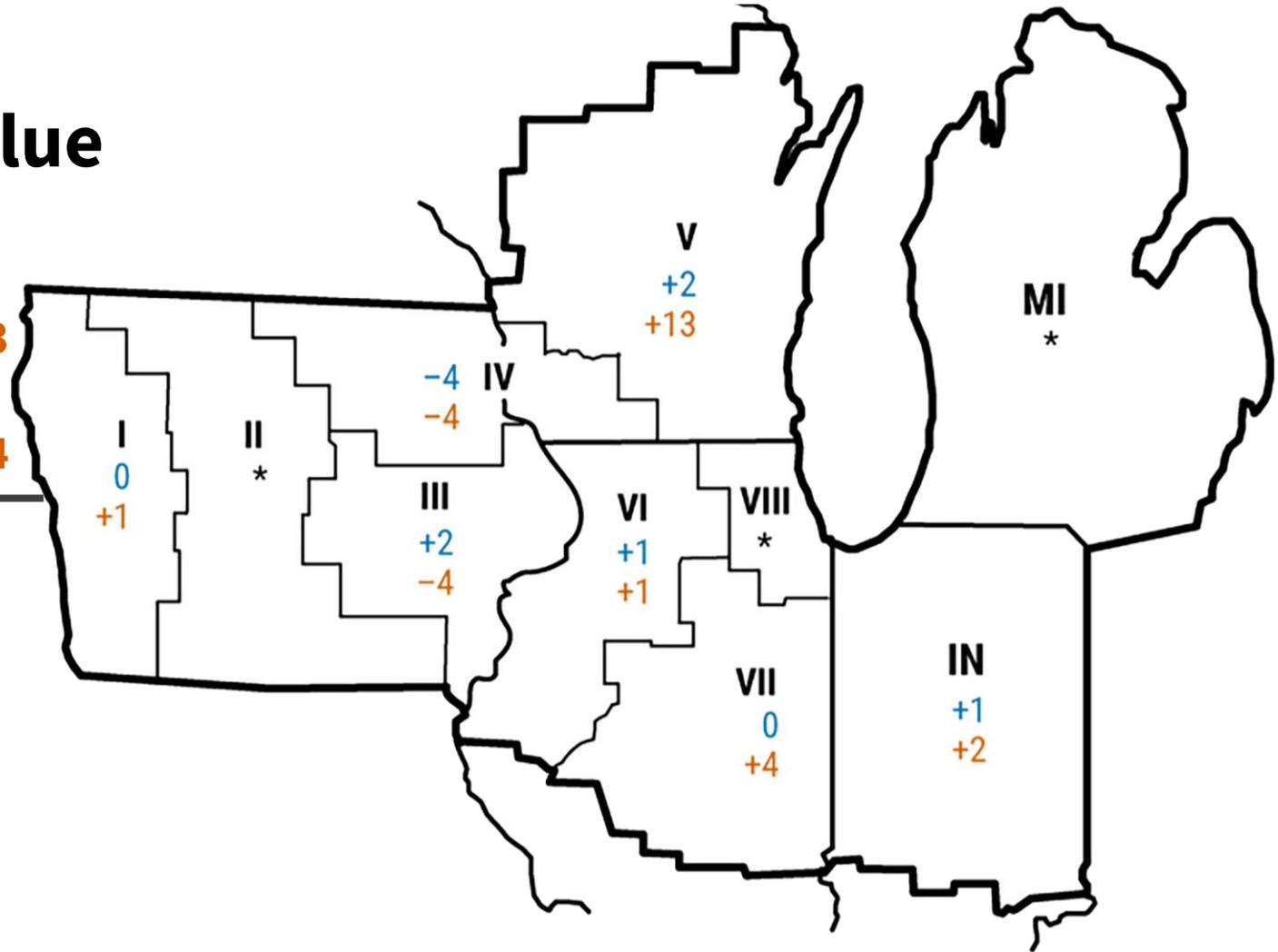


Federal Reserve Bank of Chicago, AgLetter: August 2024

David Oppedahl

Percent change in dollar value of “good” farmland

	April 1, 2024 to July 1, 2024	July 1, 2023 to July 1, 2024
Illinois	0	3
Indiana	1	2
Iowa	-1	-3
Michigan	*	*
Wisconsin	2	12
7 th District	0	2



Top: April 1, 2024 to July 1, 2024

Bottom: July 1, 2023 to July 1, 2024

*Insufficient response

Farm Credit Illinois statistically stable



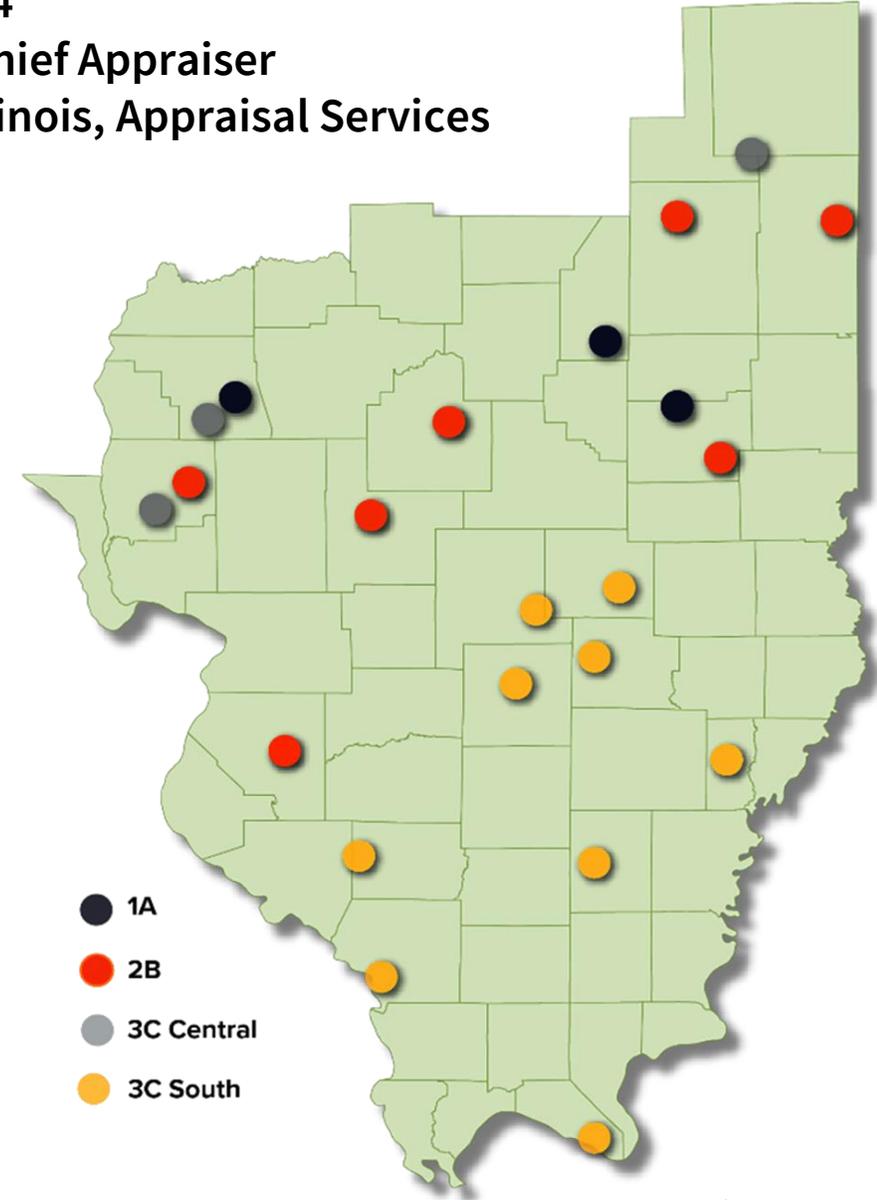
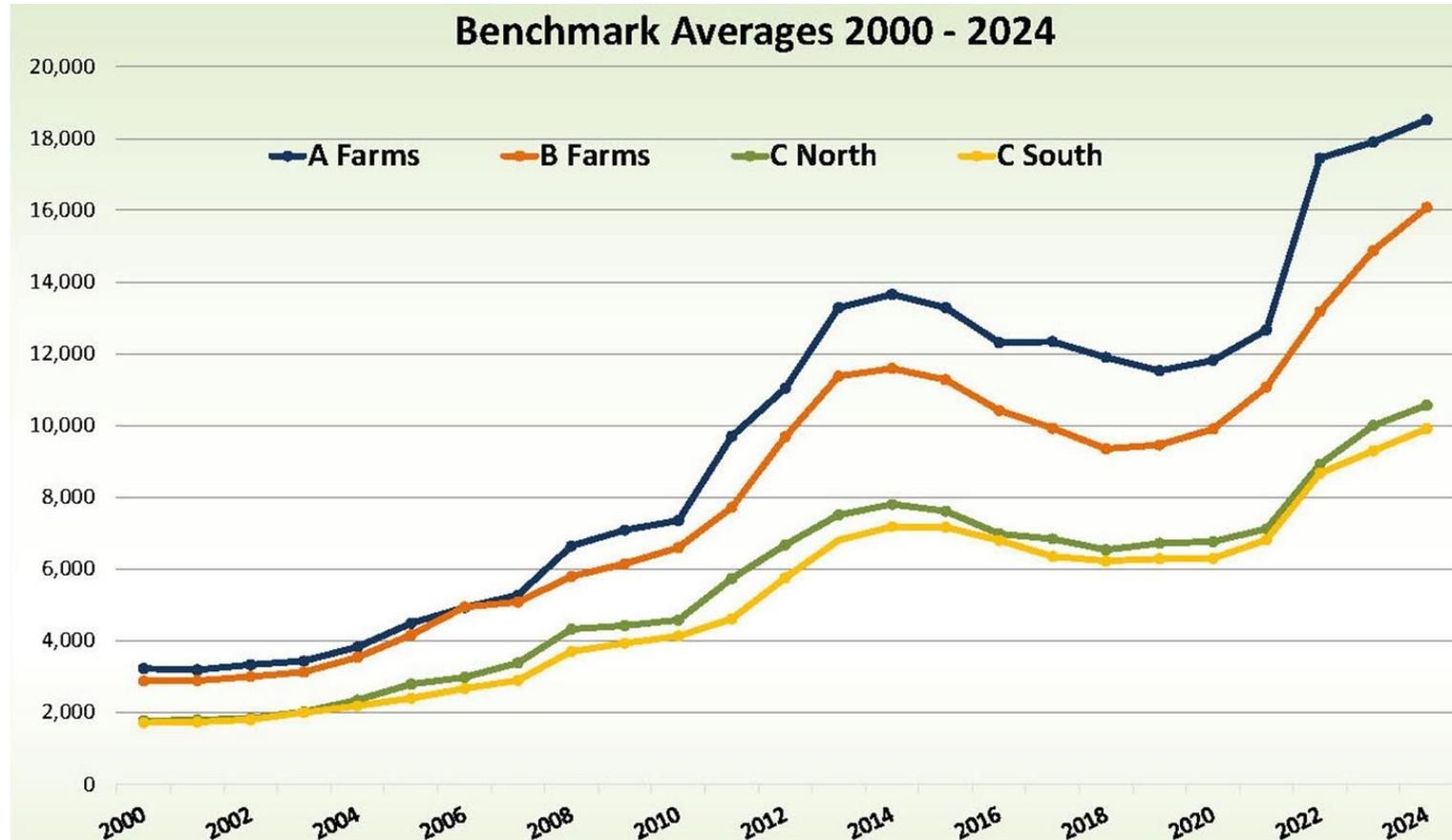
Continued Strength in Farmland Market

August 20, 2024

By Kent Reid Chief Appraiser
Farm Credit Illinois, Appraisal Services

FCI's average benchmark study results by land class on July 1, 2000-2024.

Source: FCI 2024 farmland value benchmark study



Where to from here?

It Depends!!



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