

Iowa Farmer Today – Flex leases have benefits in volatile markets

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By Gene Lucht

Iowa Farmer Today

Where some people see challenges, Mike Downey sees an opportunity for farmers and landlords to work together this winter.

Downey, one of the partners in Next Gen Ag Advocates, is a believer in flex leases for farmland. His company works with landlords and tenants on a number of items, including leases, and he says today's difficult economic situation for farmers offers an incentive for tenants and landlords to change their lease arrangement to one that may work better for both in the long run.

"I think it is a legitimate opportunity," Downey says.

What happens too often, Downey says, is that both sides agree to continue the relationship in August, before any legal

deadlines. Then they sit down in January or February to discuss rates. Most farmland is leased in cash rent arrangements.

There has been a clear long-term trend away from cost-share leases and toward cash leases. But Downey says there are some tax advantages to a cost-share lease, especially if renting to a beginning farmer. And he says flex leases may offer a better partnership that could benefit both sides by reducing the risk to the tenant, and yet allowing the landlord to share in the profits if commodity prices rise.

That could be especially important this winter because there is generally a lag between changes in commodity prices and changes in cash rental rates. Some farmers are going to have trouble coping with that lag in the year ahead.

And in a volatile market, flex leases allow for more of a partnership between the landlord



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and tenant, he adds.

Of course, a flex lease may not be for everyone. And there are many different types of flex leases. What works best for any one landlord or tenant will vary.

Most flex leases will feature some kind of base rental rate and then will include some type of additional payment if prices rise. There are multiple ways to determine the flex. Some

are based on prices at a local delivery point at certain dates through the year.

Downey says one example is a flex on corn acres that includes a \$225 base rent per acre and a bonus percentage of roughly 30 percent on additional revenues over a certain level. For soybeans, the idea is similar but the percentage is 40 percent.

His company works with land-

owners and renters, charging a flat fee in exchange for crafting lease agreements that work for both sides. It also operates a match program to connect landlords to producers.

The bottom line is to find arrangements which work for both sides, allowing the landowner to make a profit and the renter to make money and stay in business.

We would like to thank the Iowa Farmer Today for asking us to contribute to this story about flexible cash rent lease arrangements. Our leasing program that is mentioned in this article is quite simple. It is a flat fee of \$10 per acre that can be paid by the landowner, the producer, or this fee can be shared by both. No fee is due until we have helped you structure a suitable lease arrangement. We feel this approach makes the lease discussion more about the relationship versus who is representing who or who may be coming out ahead one year versus another. Our value as a 3rd party comes from the knowledge and track record we can bring to the discussion from an unbiased perspective.

Read the full article here.