

Farmland

IN PERSPECTIVE

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MANAGEMENT • REAL ESTATE • CONSULTING
INVESTMENTS • LAND AUCTIONS

Lease Dates to Remember

As landowners review a lease with their tenant(s), they will want to be aware of important lease dates. In many states, the tenant's lease is reinstated automatically "as is" unless the tenant is notified by a certain date. This date should be specified in a written lease. If a verbal lease exists, the accompanying traditional dates may apply. Consult your farm manager or attorney.

State	Traditional Verbal Lease Year*	Traditional Verbal Notification Date*
Arkansas	Jan. 1 – Dec. 1	July 1
Illinois	Mar. 1 – Feb. 28	Oct. 31
Indiana	Mar. 1 – Feb. 28	Nov. 30
Iowa	Mar. 1 – Feb. 28	Sept. 1
Minnesota	Not well defined. Consult your farm manager.	Not well defined. Consult your farm manager.
Nebraska	Mar. 1 – Feb. 28	Sept. 1
Wisconsin	Mar. 1 – Feb. 28	Dec. 1 90 days advance notice is required to terminate a verbal lease.

* Traditional lease year and notification date for verbal leases. In some states, the lease continues unless notified by a specified notification date. Lease years and notification dates may vary based on the terms of a written lease. Consult your farm manager or attorney for confirmation.

The 2014 Farm Bill Introduces Important Changes and Decisions

By Nicholas D. Paulson, Associate Professor, University of Illinois

The 2014 Farm Bill introduced large changes to farm commodity programs after more than two years of debate in Congress. The direct and countercyclical payment (DCP) programs were eliminated due to the need to reduce spending to assist with deficit reduction. They were replaced by new programs with a strong focus on risk management. Landowners were given the option to make changes to the program yields and base acres on their farms. Farmers were given the choice of three different farm programs to help them manage risk.

Landowner Decisions

Landowners had the option of updating the program yields on their Farm Service Agency (FSA) farms. All farms which had been enrolled in farm programs in the past had existing program yields assigned to them based on historical production. These yields were used to determine the size of countercyclical program payments when prices were low.

In the new farm bill, landowners had the ability to update those yields to 90% of the average yield level over the 2008 through 2012 crop years. This decision was relatively straightforward. If landowners could increase their program yields, they most likely decided to update.

Landowners were also given the option of reallocating the base acres on their FSA farms. Base acres were also established based on historical production, and have been used to determine the total farm program payment level received by the farmer for a farm each year.

The total number of base acres on the farm did not change if the landowner chose to reallocate. This is why the decision was referred to as a reallocation rather than as a base acre update. The number of acres in each program crop could change to reflect what crops were actually planted on the farm from 2009 through 2012. The new programs will continue to use base acres to determine payment levels.

For both landowner decisions – yield updating and base acre reallocation – one option was not to make any changes and keep yield levels and base acres the same. Since farm program payments will be impacted by program yields and base acres, landowners should make sure they understand any changes that were made and confirm them with their tenants and county FSA offices.

Continued on page 2

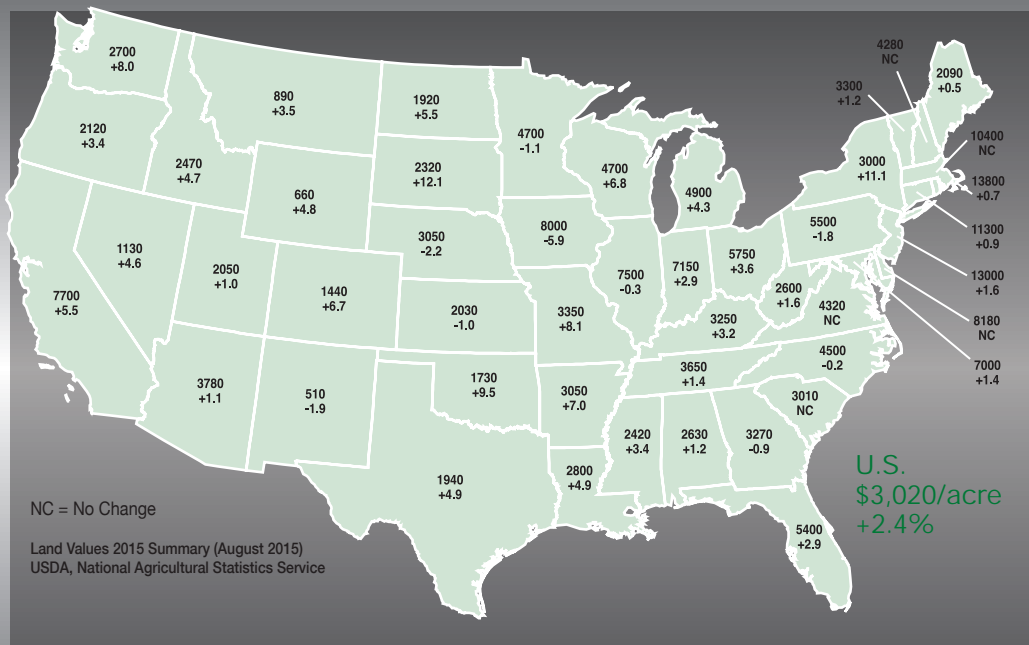
2015 Agricultural Land Values

Dollars per acre and percent change from 2014

Discussion and Impacts

Even though farm program payments are received by the current farm operators, any changes that were made will also impact landowners. This applies not only for landowners who are actively engaged on their farms, but also absentee landlords in cash rent and variable lease situations. All three of the decisions will remain with the farm at least until the end of this farm bill. This means that farms will remain enrolled in the program that was chosen by the current farmer through at least the 2018 crop year. This is true even if there are changes to the tenant or structure of any farmland lease or if the farm changes ownership during this time period.

While there is no clear evidence that the decisions made in this farm bill will have any major impacts on farmland values or rental rates, owners and tenants will want to be aware of the payment yields, base acres, and farm program associated with a given farm. These will all affect any farm program payments for that farm in future years when prices or revenues are low.



The United States farm real estate value, a measurement of the value of all land and buildings on farms, averaged \$3,020 per acre for 2015, up 2.4% from 2014 values, according to the National Agricultural Statistics Service of the U.S. Department of Agriculture. Regional changes in the average value of farm real estate ranged from a 6.1% increase in the Southern Plains region to a 0.3% decrease in the Corn Belt region. The highest average farm real estate value was in the Corn Belt region which averaged \$6,350 per acre. The Mountain region had the lowest average farm real estate value with an average of \$1,100 per acre.

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1. Were the program yields on your farm(s) updated?
2. Were the base acres on your farm(s) reallocated?
3. Which of the new farm program(s) were elected on your farm(s)?



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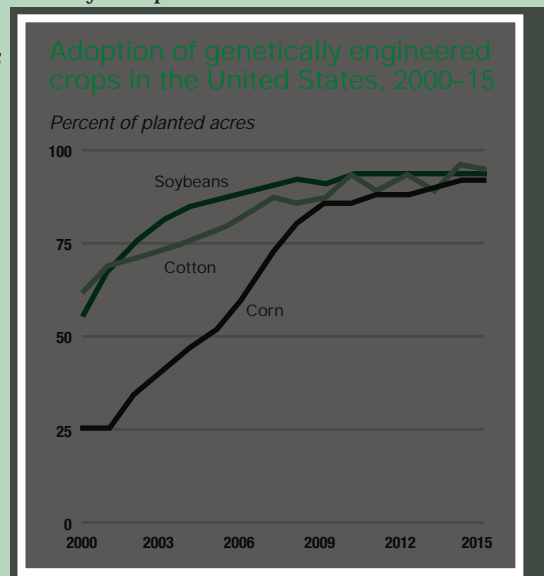
and risk management, crop insurance, decision making under uncertainty, agricultural policy and biofuels. He has some 15 peer-reviewed publications and has contributed to numerous materials, papers and presentations. Paulson earned a bachelor's of science in agricultural systems technology, a master's of science in economics, and a Ph.D. in economics, all from Iowa State University. (217) 333-1812. npaulson@illinois.edu.

Genetically engineered seeds planted on 90+% U.S. corn, cotton, & soybean acres, 2015

U.S. farmers have adopted genetically engineered (GE) seeds in the 20 years since their commercial introduction, despite their typically higher prices, according to the U.S. Department of Agriculture.

- U Herbicide-tolerant (HT) crops, developed to survive the application of specific herbicides that previously would have destroyed the crop along with the targeted weeds, provide farmers with a broader variety of options for weed control.
- U Insect-resistant crops (Bt) contain a gene from the soil bacterium *Bacillus thuringiensis* that produces a protein toxic to specific insects, protecting the plant over its entire life.
- U "Stacked" seed varieties carry both HT and Bt traits, and now account for a large majority of GE corn and cotton seeds.

In 2015, adoption of GE varieties, including those with herbicide tolerance, insect resistance, or stacked traits, accounted for 94% of cotton acreage, 94% of soybean acreage (soybeans have only HT varieties), and 92% of corn acreage planted in the United States.



Data for each crop include varieties with herbicide tolerance (HT), insect resistance (Bt), or both ("stacked") traits. Data are for calendar year plantings. Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service, June Agricultural Survey.

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Government policy and programs can impact farm economics and farmland investments. Policy of open trade helps agriculture while export bans can have a devastating impact on agriculture. Government programs such as commodity programs, bio fuel programs, disaster programs, and conservation programs can also impact farm economics and farmland investments. Part of Glaub Farm Management's service is to review government policy and programs to consider the optimal choice for a landowner's investment.



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