

# DON'T LET THE THREAT OF UNEXPECTED COSTS SNEAK UP ON YOU



ISSUE: JANUARY 2017

## FIGURING YOUR CASH RENT?

SOMETIMES YOU JUST NEED THE RIGHT TOOL...

**Welcome to 2017!** March 1st is fast approaching and as you plan for the upcoming year, cash rents are a hot topic. We receive many calls regarding cash rents and our common answer is, "it depends".

One tool in determining the cash rent ranges by land type in our region is to access the Nebraska Farm Real Estate Market Highlights from UNL.

**Table 10** shows the average, high, low, and percent change for the Northeast Region, comprised of 13 counties. This annual report is published early spring.

THIS TABLE AND THE LATEST REPORT CAN BE ACCESSED AT:

<http://agecon.unl.edu/documents/2016-nebraska-farm-real-estate-report.pdf>

KEEP UP WITH OUR NEWS & ARTICLES



THIS ARTICLE CAN BE FOUND AT:  
[www.mysecbank.com/bank-news.htm](http://www.mysecbank.com/bank-news.htm)

**Table 10.** Reported Cash Rental Rates for Various Types of Nebraska Farmland and Pasture : 2016 Averages, Percent Change from 2015, and Quality Ranges by Agricultural Statistics District\*

Type of Land	Agricultural Statistics District							
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast
----- Dollars Per Acre -----								
<b>Dryland Cropland:</b>								
Average .....	32	60	225	96	200	42	80	165
% Change .....	-9	-8	-4	-8	-2	-7	-6	-3
High .....	45	70	290	125	250	57	110	225
Low .....	23	43	180	75	160	29	64	125
<b>Gravity Irrigated Cropland:</b>								
Average .....	125	175	275	230	285	180	215	250
% Change .....	-7	-10	-4	-2	-5	-3	-2	-2
High .....	175	195	325	265	340	220	260	305
Low .....	100	135	260	195	245	145	180	220
<b>Center Pivot Irrigated Cropland<sup>b</sup></b>								
Average .....	170	220	345	240	320	225	240	290
% Change .....	-3	-6	-5	-2	-3	-10	-6	-3
High .....	250	260	405	290	375	255	280	355
Low .....	145	195	275	205	270	210	195	255
<b>Pasture:</b>								
Average .....	12	26	75	36	61	24	37	54
% Change .....	-11	-13	-17	-10	-5	-4	-8	-2
High .....	21	38	98	52	76	34	48	69
Low .....	9	20	48	32	45	21	27	37

Source: <sup>a</sup> Panel members reported estimated cash rental rates (both averages and ranges) from the UNL Nebraska Farm Real Estate Market Survey, 2016.

While the UNL report is a great tool, it may not provide insight for the coming year. Fortunately, there are more tools available!

**STEP 1: FIGURING COST**

The first step in determining an affordable level of rent is to estimate costs. The obvious costs are seed, chemical, fertilizer, insurance, and of course knowing what the rent currently is. Other costs can be figured either from using custom rates for all field operations and trucking, or those costs can be figured from estimates for the year such as fuel, labor, repairs, and replacement costs. Finally, use accurate yield projections using the APH from your crop insurance, or some other basis. All of the costs mentioned would be considered variable costs because they vary directly with production of the crop.

Sometimes the less obvious costs can sneak up on a producer. As a producer, ask yourself the following questions:

- *What are my equipment payments per acre?*
- *On owned land, what is my payment per acre plus real estate taxes?*
- *What percent of my family living costs need to be paid by the operation? What does that equate to per acre?*
- *What is my profit objective per acre for this year? Is that or any profit objective realistic?*

These questions represent fixed costs because they, in total, do not change in the operation regardless of number of acres farmed.

**STEP 2: FIGURING YOUR BREAKEVEN**

When one has arrived at this point, decisions can be made as to what changes should occur to arrive at a realistic per bushel breakeven figure.

Once a producer has finished these steps, they know what the cash rent needs to be in order to be profitable or break even. From the process being described, one can “back into” the number for cash rent, and then use the result as a negotiation tool. Our Security Bank lending team has such a tool available. If you would like to employ this tool in your operation, call one of our ag lenders at any of our five locations, and they will be happy to visit with you about it more!

You can find a lender in your area by going to our website: [www.mysecbank.com/meet-our-team.htm](http://www.mysecbank.com/meet-our-team.htm).

Our lenders’ schedules tend to fill up fast this time of year, so set up a time soon!

Best Regards,



*Keith Knudsen*

**KEITH KNUDSEN**  
PRESIDENT/CEO | SECURITY BANK

**“This is worth \$15,000 an hour to me.”**

- Bill Huss | Hartington, NE  
Agri-business Customer

Curious about what our Award Winning Ag Banking Practices can do for you? Want to see what local producers have to say about it? Watch the links to the right to learn more!



**WHAT KIND OF AN IMPACT CAN A DETAILED BREAKEVEN ANALYSIS MAKE ON YOUR BOTTOM LINE?**

Go to the link below to watch the video:  
[https://www.mysecbank.com/loans-agri-business.htm#BillHuss\\_Breakeven](https://www.mysecbank.com/loans-agri-business.htm#BillHuss_Breakeven)



**WHAT ARE YOU DOING TO POSITION YOURSELF SUCCESSFULLY & LOWER YOUR COST OF PRODUCTION?**

Go to the link below to watch the video:  
[https://www.mysecbank.com/loans-agri-business.htm#2016AgConference\\_DrGloy](https://www.mysecbank.com/loans-agri-business.htm#2016AgConference_DrGloy)

**QUESTIONS?**

Our lenders are here for you!

**Laurel**  
402.256.3247

**Osmond**  
402.748.3321

**Allen**  
402.635.2424

**Hartington**  
402.254.2455

**Coleridge**  
402.283.4251