

Is Your Land Lease Profitable?
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Approximately one-half of all grain producing acreage in the dry land production area of eastern Washington is leased under some sort of landowner-lessee agreement. Crop-share leases tend to be the more popular type of lease, however, cash leases are becoming more and more common.

Most landowners and lessees want a lease agreement that is economically sound and equitable to both parties. Consequently, a desirable lease is designed with two objectives in mind: (1) obtaining optimum economic efficiency in the use of resources, and (2) equity in allocating returns between the landowner and lessee.

Generally, there is a mutual desire by the landowner and lessee to do what is fair in negotiating a land lease agreement. Often this means determining what is customary for the surrounding area. However, customary rental practices may not accurately reflect the contributions of resources made by the landowner and lessee. This follows from the considerable variation often found between farms in land productivity, land value, production technology, and labor, management, and operating capital contributions by the landowner and thus, even though both parties may want a fair lease, use of customary rates may result in an unconscious transfer of income from one party to the other. The best way to resolve this potential problem is for the landowner and lessee to periodically review their lease Agreement as to respective contributions and adjust the lease agreement accordingly.

One tool developed for reviewing lease agreements from both the landowner's and lessee's perspective is the Land Lease Analyzer Workbook. The Land Lease Analyzer computerized Workbook is an Excel spreadsheet and can be downloaded from the WSU Farm Management web site free of charge at <http://farm.mngt.wsu.edu/> . Click on "Workshops Offered." The land lease material is presented as shown below.

Workshop Material

1. Are Your Land Leases Profitable?
 - [Land Lease Analyzer 3-](#) Excel spreadsheet (read only) [-LL A3 Wheat](#) - Excel spreadsheet
 - [-LL A3 Wheat-Lentils](#) - Excel spreadsheet [-LL A3 SFWW](#) - Excel spreadsheet

[Handout for Land Lease Analysis](#) contains an introduction, general instructions and a series of examples. By clicking on this file, the handout will appear where it may be read from the screen or printed to a hard copy. To download the [Land_Lease_Analyzer3](#) workbook, click on the respective Excel file. Let the workbook come up and save this workbook in a specified file on your hard drive. Do the same to download the other Excel

are downloaded, you can go to the folder in which you stored these files on your

hard drive and use them. It is recommended, however, that you make the Land_Lease_Analyzer 3 workbook a read only files by right-clicking on the Land_Lease_Aalyzer3 Excel workbook file name, then left-click on "Properties," "General," "Read-only," and "Ok." Making the file a "read-only file" will preserve the workbook in its original form. If you want to save new data loaded into this workbook, simply save it under another name. Within the spreadsheets, yellow boxes are numbers you provide and the turquoise boxes are calculations that are protected and read only. It is best to Once these Excel workbooks save the Excel spreadsheet as you make changes and to remember the results of these calculations are only as good and accurate as the numbers you have inputted.

Operating Expenses on Leased Land:

Crop :	Wheat		
	Total Expense	Landowner Share	Lessee Share
Hired Labor:	1,545.00		1,545.00
Operator Labor:	2,400.00		2,400.00
Fertilizer:	5,283.00	1,761.00	3,522.00
Seed:	2,350.00		2,350.00
Fuel and Lubricants:	1,402.00		1,402.00
Herbicides and Pesticides:	6,654.00		6,654.00
Crop Insurance:	1,188.00	396.00	792.00
Machine Work:	3,330.00		3,330.00
Custom Aerial:			
Overhead:	1,110.35		1,110.35
Interest on Operating Capital:	1,110.03		1,110.03
Total Operating Expenses:	26,272.38	2,157.00	24,115.38

Summary of Results:

	Landowner Share	Lessee Share
Total Gross Receipts:	56,250.00	37,501.88
Total Gross Expenses:	38,706.38	35,343.38
Net Receipts:	17,543.62	2,152.50
Total Acres:	200.00	
Value of Land:	300,000.00	
\$ Return to Land:	15,391.13	
% Return to Land:	5.13%	
\$ Return to Management:	2,152.50	
% of Gross Receipts:	3.83%	

If you have problems downloading or using the Land_Lease_Analyzer file contact Herb Hinman at email address hinman@wsu.edu or phone number 509-335-2855, or contact Aaron Esser at email address aarons@wsu.edu or phone number 509-659-3210.