

## Farmland Ownership Overview

	# in U.S.*	% in U.S.*	# in Iowa	% in Iowa
Farmland Acres	911 Million	100%	30.6 Million	100%
Rented Farm Acres	353.8 Million	39%	16.3 Million	53%
NOL Owned Acres**	283.4 Million	31%	12.6 Million	41%
# of Rental Landlords	2.1 Million	100%	105,194	100%
# of NOLs	1.9 Million	87%	84,741	81%
# of Principal NOLs	1.4 Million	67%	65,396	62%
# of Female Principal NOLs	534,728	25%	27,205	26%
Rent \$'s Paid to NOLs			\$2.8 Billion	75%

\*Lower contiguous 48 States

\*\*Non-Operator Landowners

## Farm Non-Operator Landowners (NOLs) Profile

NOL Principal Landowners in Iowa are:

- Seniors: Average age = 68.5 years
- Senior Principal NOLs own 70% of land rented
- College educated
- Male = 58%; Female = 42%
- Farm Experience:
  - Never farmed = 40%
  - Retired from farming = 45%
  - Not retired from farming = 15%

## Farmland Value Highlights

**Farmland is a valuable asset: In 2020, a 200 acre Iowa farm was worth:**

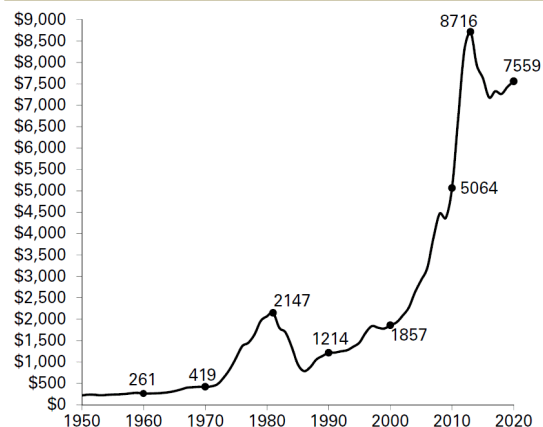
- **State average = \$1,511,800 (\$7,559/acre)**
- Low value = \$717,200 (\$3,586/acre in Decatur Co.)
- High value = \$2,131,200 (\$10,656/acre in O'Brien Co.)

Like a Million-dollar home or a Million-dollar rental building, this Iowa farmland requires maintenance investment to retain its optimal condition and value.

**Unlike buildings where leaky plumbing and peeling paint are readily visible, it's harder to see maintenance needs on farmland:**

- Erosion – probably the most visible
- Soil health/biota – microscopic, traditional soil testing can miss soil health deficiencies
- Wildlife diversity
- Water quality/nutrient runoff of farm and effect on entire watershed

Figure 1. Average value per acre of Iowa farmland



Source: Iowa State University Land Value Survey

## Understanding Barriers and Opportunities for Adoption of Conservation Practices on Rented Farmland in the U.S.

- Research study conducted by Purdue University Department of Forestry and Natural Resources
- Funded by The Nature Conservancy
- 40 in-depth, one-on-one interviews conducted March-May, 2017, in Iowa, Illinois and Indiana
- Interviewed: 21 NOLs, 8 Operators, 6 Farm Managers and 5 University Extension Personnel
- Very little research previously done on this topic – a topic of growing importance
- States represented in study have:
  - highest proportion of rented farmland
  - highest levels of nitrogen loss in the Mississippi River Basin

### Identified Five Key Barriers to Adopting Conservation on Rented Land:

- Rent Lease Terms
  - Majority of leases are annual, fixed cash rent = low NOL risk, high Operator risk
  - Shorter leases = less likelihood of Operators being willing to incorporate conservation practices onto the land
  - Expectation of high rental rates by NOLs = reduced Operator focus on conservation
  - Lease negotiation often not far enough in advance for conservation practices to be incorporated into the next year's plans/rental agreement
- Rental Market Dynamics
  - Short supply of available rental land + high demand for cash rent lease agreements
  - NOLs are accustomed to high rents due to recent high commodity prices; hard for NOLs to accept lower rent rates and invest in conservation practices
  - Tight margins = less investment in long-term improvements and conservation
- Information Deficits/Knowledge Differences
  - NOLs overall feel they are unaware and/or lack knowledge of agronomy, conservation practices/options, farm performance data, market conditions, available resources and rights/obligations.
  - Therefore, they perceive an uneven playing field for discussions with Operators.
  - Operators are generally independent, entrepreneurial and prefer doing the work versus discussing plans and educating NOLs.
- Cognitive/Interpersonal Issues
  - NOLs and Operators often have differing priorities, e.g., NOLs may place higher value in aesthetics of farm appearance versus what works best (clean, tilled land versus no-till)
  - Risk aversion and status quo are strong factors in not pursuing conservation practices and other farm improvements.
  - Perceived differences in education/knowledge. Non-college educated Operators may be intimidated by college-educated NOLs. NOLs defer to Operators' hands-on knowledge.
  - Lack of attachment by NOLs who inherited but never lived on the land. Generational differences with NOLs generally being a decade older than most Operators.
- NOL financial motivation
  - Short-term financial gain mindset
  - Dependency on farm income since older, living on a fixed income

## How to Incorporate Conservation into a Farm Lease

- Secure tenure: longer-term lease, e.g., 5 years (Iowa max = 20 years)
- Cost-sharing
- Risk-sharing
- Share the cost of conservation investments
- Reimburse tenant for unused value of conservation improvements
- Clearly defined roles/responsibilities:
  - NOL pays cost of seeding cover crop
  - Operator pays cost of termination and equipment adjustments to plant into cover crop

## Guiding Principles for Successful NOL/Operator Relationship

Both Parties:

- Shared values/goals
- Long-term view
- Share the risk & reward
- Open, candid and regular communication
- Mutual respect
- Advanced planning
- Flexibility/willingness to adapt, test & improve
- Clearly defined & written roles/responsibilities
- Document mid-lease changes and/or additions, e.g., 2018 USDA Market Facilitation Program Payment to compensate for impact of tariffs on commodity prices
- Partnership of co-equals with a view that both parties bring complementary knowledge, skills and contributions to the enterprise

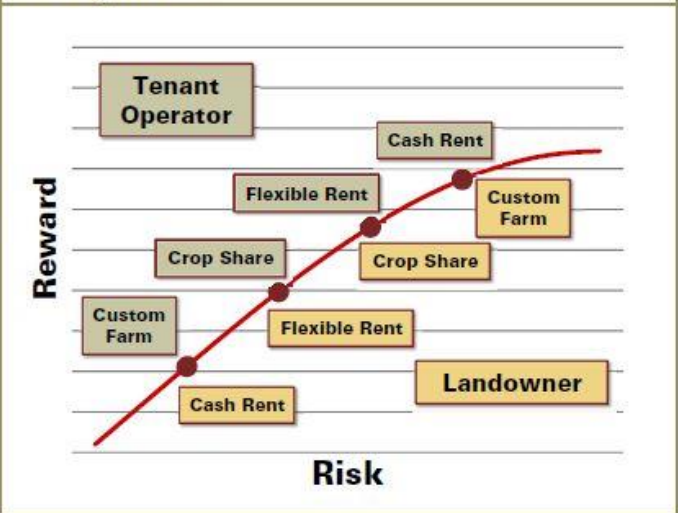
NOLs:

- Be interested – Interact with Operator regularly
- Be knowledgeable – Read ag publications, join ag organizations, attend seminars & conferences, take webinar courses
- Be present (at least 2 times/year) – Walk the land, note problems/opportunities, flag areas
- Be reasonable – Invest in improvements, respect current operation type/equipment compatibility

Operators:

- Be upfront – Let NOL know what is/isn't working, discuss challenges earlier than later
- Be positive steward of land – Don't just plant & harvest

**Figure 1. Share of risk by type of lease arrangement**



## Conservation & Ag Management Resources

- Practical Farmers of Iowa: [www.practicalfarmers.org](http://www.practicalfarmers.org)
- Trees Forever: [www.treesforever.org](http://www.treesforever.org)
- Iowa State University STRIPS Research Project: [www.nrem.iastate.edu/research/STRIPs](http://www.nrem.iastate.edu/research/STRIPs)
- Iowa DNR Forestry Bureau Services: [www.iowadnr.gov/Conservation/Forestry](http://www.iowadnr.gov/Conservation/Forestry)
- USDA Farm Services Agency (FSA) Conservation Programs: Search
  - USDA Conservation Programs: Complete list of FSA Conservation Programs
  - USDA CRP Practices Library: Complete list of CRP Practices
- National Sustainable Agriculture Coalition: <http://sustainableagriculture.net/>
- UNI Tall Grass Prairie Center: <https://tallgrassprairiecenter.org/>
- Iowa Pheasants Forever Native Seed Program: <http://iowapf.net/NativeGrassProgram.aspx>

## Ag Lease & Legal Resources

- Iowa State University Extension-Ag Decision Maker: [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm)
  - Lease Supplement for Obtaining Conservation Practices and Controlling Soil Loss
  - Conservation Practices for Landlords
  - Iowa Farmland Rental Rates & Cash Rental Rates for Iowa Surveys
  - Various Iowa Farm Lease Forms
- The Drake Agricultural Law Center: The Landowners Guide to Sustainable Farm Leasing: [www.law.drake.edu/agLaw](http://www.law.drake.edu/agLaw)
- Sustainable Iowa Land Trust: [www.silt.org](http://www.silt.org)
- Iowa Natural Heritage Foundation: [www.inhf.org](http://www.inhf.org)
- Farmland Information Center: [www.farmlandinfo.org](http://www.farmlandinfo.org)
- Land for Good: <http://landforgood.org/resources/toolbox/toolbox-landowners/>
- Orsborn Mitchell Goedken & Larson, PC - Ed Cox, Ag Law blog: <https://www.southiowalaw.com/addressing-conservation-in-a-farm-lease/>
- Women Food & Ag Network: <https://wfan.org/news/information-on-conservation-in-leases-and-setting-rent>
- National Ag Law Center – look under Agricultural Leases, Publications: <https://nationalaglawcenter.org/research-by-topic/ag-leases/>
- Delta Institute – No specific sample leases but filled with forward-thinking conservation information: <https://delta-institute.org/wp-content/uploads/2020/04/Land-Tenure-and-Conservation-in-Agriculture-2019.pdf>