

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:

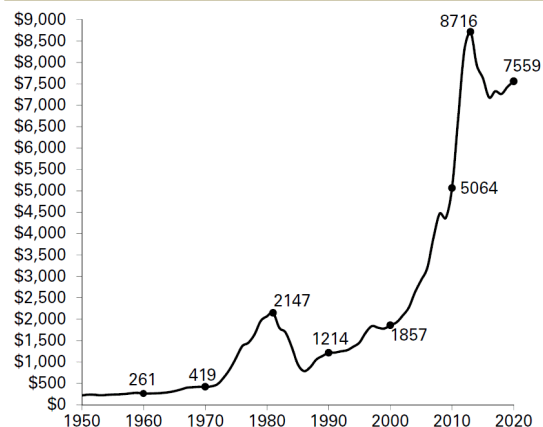
- **State average = \$1,511,800 (\$7,559/acre)**
- Low value = \$717,200 (\$3,586/acre in Decatur Co.)
- High value = \$2,131,200 (\$10,656/acre in O'Brien Co.)

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

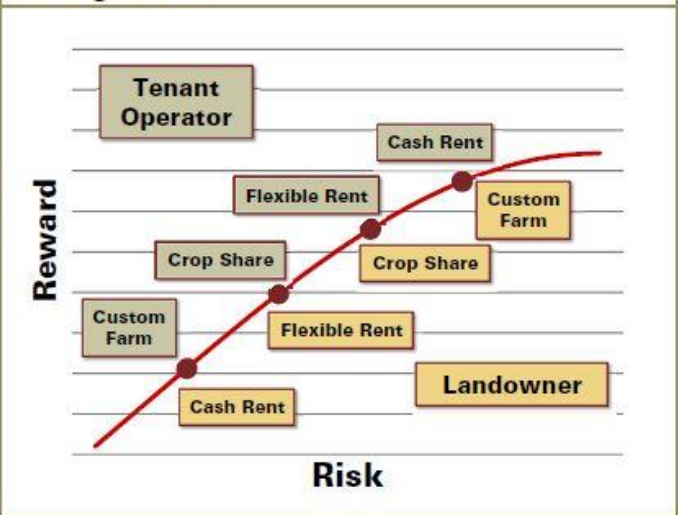
NOLs:

- 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
- Trees Forever: www.treesforever.org
- Iowa State University STRIPS Research Project: www.nrem.iastate.edu/research/STRIPs
- Iowa DNR Forestry Bureau Services: 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
 - 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
- Sustainable Iowa Land Trust: www.silt.org
- Iowa Natural Heritage Foundation: www.inhf.org
- Farmland Information Center: 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>