

Risk management: What does it really mean?, continued from page 4

Human risk

The area of human risk is often overlooked in agriculture. How would the operation be impacted if you were injured or disabled? How would the labor and management of the operation be handled? Is the rest of the family knowledgeable about the operation? Do you use hired help? Do you provide training and help in learning new skills? Are you complying with all of the legal requirements? Planning ahead can make dealing with an illness or injury much easier on the individuals and the business that is affected.

I have touched on just a few of the many issues related to risk management. Many of these are tied together. Hopefully you will spend some time thinking about how these risks impact your business. If you would like more in-depth information visit the following web sites. The Ag Risk Library <http://www.agrisk.umn.edu/Library/Topics.asp?CMD=Count&LIB=Main> at the University of Minnesota has hundreds of articles on these topics. The Agricultural Marketing Resource Center <http://www.agmrc.org/> also has a lot of information on business risk management.



New short form cash rent lease available

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Recent Iowa State University data reveals what we know we have been seeing for years...leasing relationships are changing. Leasing agreements are moving from crop-share arrangements between the tenant and landowner to cash rent agreements. There are many reasons for the change which include both advantages and disadvantages for the tenant and the landowner. The move to cash rents has been gradual over the years but at an increased rate recently. To help accommodate this change, Iowa State University Extension has created a new "short form" cash rent lease form that it hopes will encourage leasing participants to have a written lease. Iowa State University Survey data suggests that only 56% of leases in Iowa are committed to writing and less than that are reviewed every year. Leasing property is a legal relationship that often involves large sums of money changing hands. Written leases that are updated yearly are a good way to make sure that the agreements are business-like and up to date. The agreements should be stored and labeled in such a manner that relatives or business partners can find them if the need develops. The new form is ISU Publication Number FM 1874 and can be obtained at any ISU Extension Office

or an interactive form is available on the AgDM web site at <http://www.extension.iastate.edu/agdm/wholefarm/pdf/c2-16.pdf>.

The following discussion touches on some of the advantages and disadvantages to landowners and tenants when using a cash rent rather than a crop share lease.

Tenant advantages to cash rent leases:

- The tenant does not need to keep production from each landlord separate and can commingle the grain from various landowners into one storage bin.
- The tenant does not need to check with every landowner when making production related decisions including FSA programs. This reduces the time it takes to make decisions and act.

Tenant disadvantages to cash rent leases:

- The tenant has more risk exposure than with a crop share lease situation.
- Operating cash needs are increased.

New short form cash rent lease available, continued from page 5

Landowner advantages to cash rent leases:

- Less risk exposure to weather conditions and prices.
- The guaranteed payment rate allows land owners to budget income for the year.
- There is less of a management requirement for the owner so it is easier to handle the leasing transaction from a distance.
- There is less of a need for the landowner to keep up to date on changes occurring in agriculture. The trend is for landowners to know less and less about farming.

Landowner disadvantages to cash rent leases:

- The tenant might not pay the rent and collecting it may be problematic.
- The land may not be treated the way the land owner would like and they may not even know this is happening.

Updates, continued from page 1

Handbook updates

For those of you subscribing to the handbook, the following updates are included.

Estimated Costs for Livestock Fencing – B1-75 (4 pages)

Cattle Price Changes by Two-Week Periods – B2-20 (1 page)

Please add these files to your handbook and remove the out-of-date material.

Internet updates

The following update has been added to www.extension.iastate.edu/agdm.

Weather-Related Sales of Livestock–C4-28 (3 pages)

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