News Release

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University of Illinois announces 2012 farm lease plans Ten farm properties will be competitively bid under new formula

URBANA, Ill. — The University of Illinois has started the process of competitively bidding 10 of its endowment farm properties for 2012 and subsequent crop seasons.

The competitive process for leasing the 10 endowment farms – agricultural properties that were gifted to the University to produce income for scholarships, fellowships, research activities, loan funds and 4-H programs – will be announced through classified advertisements in newspapers that are local to each farm.

Since the University last put farm properties out for bid in 2010, changes have been made to the operating agreement and to the cash rent formula. The changes are intended to improve the sustainability of the University's farm leasing program.

While a 2006 University policy still requires a competitive bid process for leasing the farm, it has been determined that the previous three-year lease agreements are too short. The new plan is to utilize a five-year annually adjustable lease with the option of five additional annual renewals. The new agreements make it possible for each farmer to retain control of the property for as long as a decade before a re-bid occurs. Less frequent bidding will allow staff to address critical farm management issues, such as soil fertility, drainage improvements and wind energy proposals, more efficiently.

In order to protect farmers if crop prices fall dramatically, a flexible, annually-adjusting cash rent formula has been put into place to reset the amount due after the first crop year. The winning bidder will pay the amount bid in the first year, followed by use of a formula to annually reset the rent amount owed for years two through the end of the lease.

The formula is linked to the U.S. Department of Agriculture's Risk Management Agency estimate of gross farm revenue by county, which is released annually on March 1. The new process is designed so that the University and farm operator equitably share the risk of fluctuating farm revenues. The template for the formula is explained in a University of Illinois Extension article, "Flexible Cash Leases Based on Crop Insurance Parameters"

(http://www.farmdoc.illinois.edu/manage/newsletters/fefo07_13/fefo07_13.html).

In addition to the cash rent bid, the University will consider a farmer's experience, practices, location and financial viability when choosing an operator to run each farm property. The University currently owns 30 endowment farm properties, totaling approximately 11,000 acres.

The decision to competitively bid the farms was made with the goal of providing a fair and open process for awarding operation of the properties. The plan does not reflect dissatisfaction with the University's current farm operators.

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The University of Illinois is a world leader in research and discovery, the largest educational institution in the state with more than 76,000 students, 24,000 faculty and staff, and campuses in Urbana-Champaign, Chicago and Springfield. The U of I awards more than 19,000 undergraduate, graduate and professional degrees annually.