Financials of Farmland Leasing

Landowner Perspective

Estimated benefit to landowner from land stewardship
• After 3-5 years of not farming = $1,500/acre or more in cost to return the land to farming
• Benefit to landowner is $300-500/acre a year

What is the land worth?
• Depends on the variables of the property for lease - length of lease, location, quality of soil, infrastructure (irrigation, storage, etc.)
• Market demands for the area
• Suitability of soils, location in the state

http://newfarms.extension.uconn.edu/
### Financials of Farmland Leasing

*Rates are calculated per acre, per year*

<table>
<thead>
<tr>
<th>Hay/Pasture short term lease</th>
<th>Good hayland &amp; land in silage</th>
<th>Vegetable Production in best soils (75-80% prime farmland soils/grain corn)</th>
<th>Vegetable production outside of River Valley</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-$50/acre (more for alfalfa hay with long-term lease)</td>
<td>$0-$70/acre</td>
<td>$0-$500/acre (top price includes long-term lease and irrigation)</td>
<td>$0-$250/acre</td>
</tr>
</tbody>
</table>

*As the ranges above attest, there are many variables to consider!*
Leasing
Tenant Perspective

**Half of U.S. farmers rent some or all of their land**

- Advantages
  - Flexibility; can test
  - Less debt
  - Your only option!

- Other uses of capital
- *Greater financial return to family living

Why Lease Farmland?

- Cost of purchasing land
- Opportunity to save money for purchase
- Opportunity to invest in equipment
- May be less responsibility, costs
- Allows participation in state and federal programs
- Helps with risk management of crops, infrastructure, business
- Financial, Economic, and Quality of Life
Lease Options

1. Short term lease
   • Signed contract; usually year-to-year or only a couple of years
2. Rolling lease
   • Signed contract; short term lease with renewal provision built in
3. Long term lease
   • Signed contract; often at least 10 year term
4. Ground lease
   • Signed contract; lessee owns structure and ground under specified buildings
5. Lease-to-own
   • Signed contract; arrangement to eventually purchase property
6. License
   • Signed contract; allows rights to farmer to use land for specified purpose
Customize Your Lease

• Negotiation: both parties discuss goals
• What is needed? What is offered?
• Open communication with both parties
• Leases can be flexible to fit needs of everyone
• Handshake agreements not acceptable anymore
Where to Look

• No MLS or Zillow!
• Farm Link services
  – NewEnglandFarmlandFinder.org
  – CT farm link website
    http://www.ctfarmlink.org/
  – New Entry Sustainable Farming Project
  – New England Land Link (www.smallfarm.org)
• Your network: other farmers, suppliers, consultants, neighbors
Where to Look

• Ag Commissions, Conservation Comm’s
• Public (town, state) land: depts. of ag.
• Farmer & farm support organizations
• Farm service orgs: USDA, Extension, Conservation Districts, Farm Credit
• Land trusts
• Real estate agents (buyer vs. seller)
Resources

• Land For Good’s Toolboxes [www.landforgood.org]
  – Landowners
  – Farm Seekers
  – Farm Transfer Planning

• Farm Rental Assessment Checklist, [http://www.uvm.edu/newfarmer/land/checklist.pdf]
  – Thanks to Ben Waterman, UVM

• Equity Trust on ground leases [www.equitytrust.org]

• Holding Ground: A Guide to Northeast Farmland Tenure and Stewardship, [www.smallfarm.org]

• A Landowner’s Guide to Leasing Farmland [www.landforgood.org]

• Coming soon... LFG Leasing Tool
Any Questions?

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