Farmland Lease Arrangements

Nationally, approximately 39 percent of all land is under some type of lease arrangement (Figure 1). According to the USDA National Agricultural Statistics Service (NASS), in Mississippi, the number is closer to 57 percent with more than 60 percent of the cropland in the Mississippi Delta under a lease arrangement (Figure 2). Leasing allows producers who do not own any land or enough land to scale their operations to a size that fits their equipment needs and/or to a size that allows producers to earn a living. Leasing also provides young and beginning farmers the opportunity to participate in a farming operation while they are building their financial base to a level that supports land ownership. The three predominate types of agricultural crop leases in Mississippi are cash rent, share rent, and a flexible/variable cash/share lease. Each of these three options are discussed below.

Cash Rent

A cash rent land lease is the most straightforward of the three types of farmland leases. The landowner and tenant agree on a price before the lease arrangement and that is the rental expense paid to the landowner by the tenant for that year. Cash rent leases are the most common for both pastureland and cropland in Mississippi. Typically, under a cash rental agreement the landowner receives only the value of the cash rent agreement and does not pay any crop production expense nor receive any generated crop revenue or other types of supplemental payments. However, the landowner would still be responsible for property taxes.

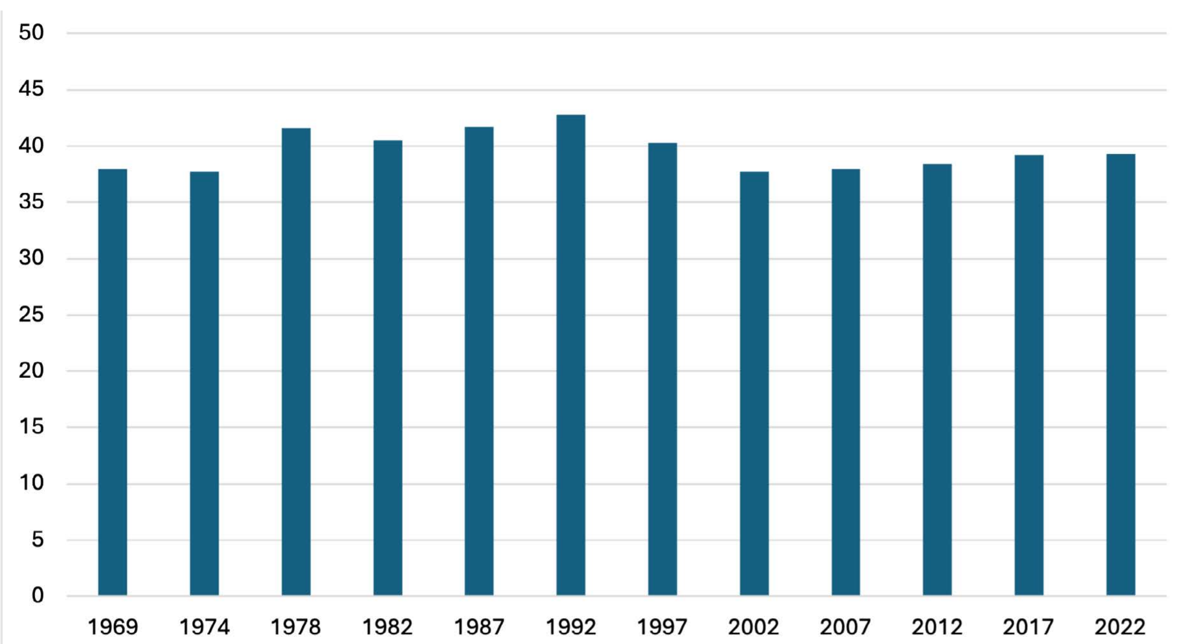

Figure 1 data.

Year	Percentage
1969	38
1974	37.7
1978	41.6
1982	40.5
1987	41.7
1992	42.8
1997	40.3
2002	37.7
2007	38
2012	38.4
2017	39.2
2022	39.3

Figure 1. U.S. farmland rented, 1969–2022.

Source: United States Department of Agriculture (USDA). Economic Research Service using data from USDA, National Agricultural Statistics Service (NASS), Census of Agriculture, various years.

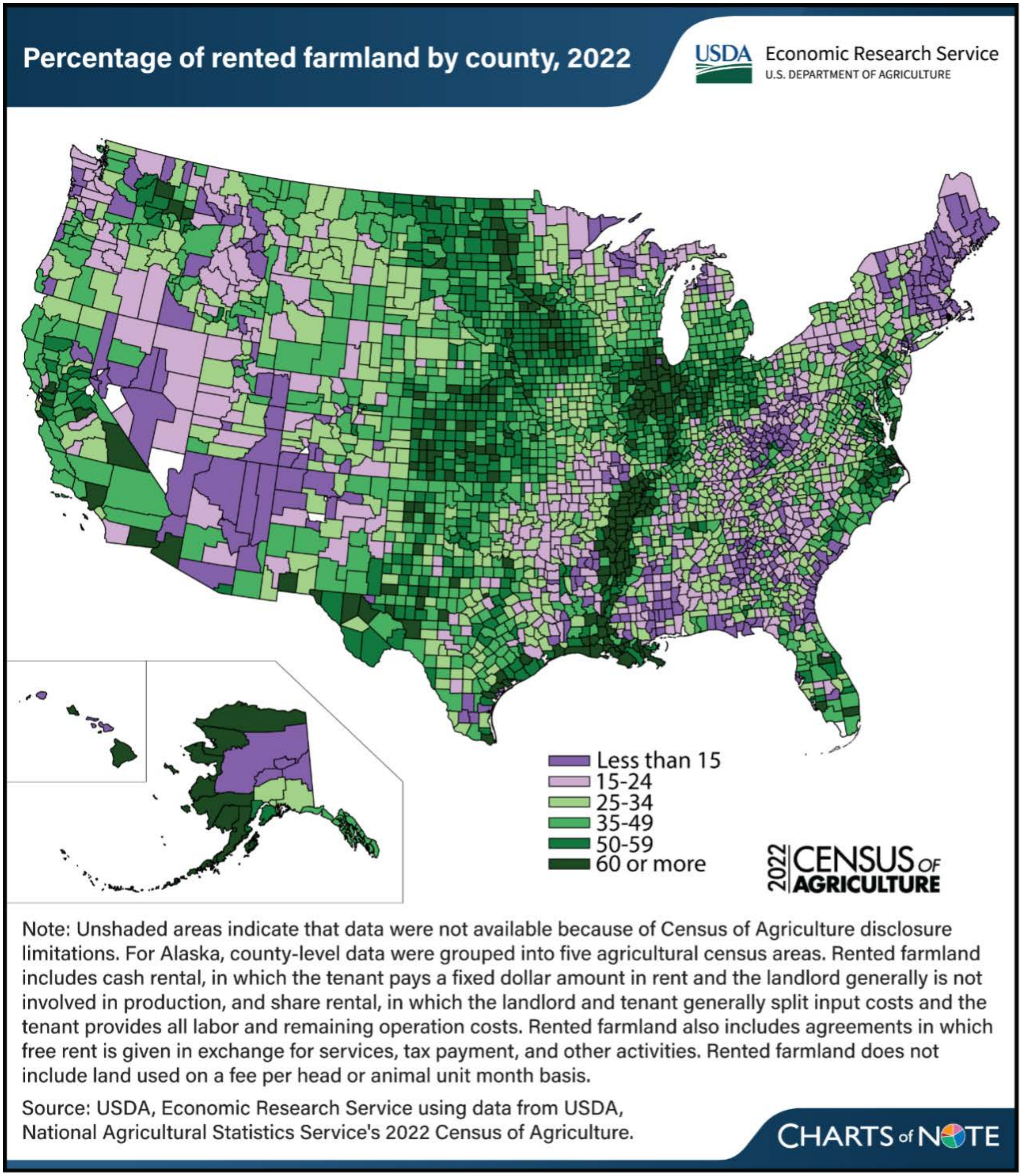

Figure 2. Percentage of rented farmland by county, 2022.

Note: For detailed information, refer to [2022 Census of Agriculture: Share of Farmland Rented Holds Steady at 39 percent](#).

Land improvements are often negotiated before the lease contract and can paid by the landowner and subsequently captured in the lease price or may be paid by the tenant with considerations in the reduced lease price.

Cash rental agreements are often considered the most stress-free type of lease for landowners and tenants (compared to the other lease types discussed below). Often, cash rent leases are preferred by absentee landowners due to the lower "management requirements" for the landowner. The rental price and payment date are both determined upfront.

Cash rental agreements are sometimes year-to-year (annual lease) and do not require much documentation especially if payment is made before the planting season. Often tenants will prefer a multi-year lease (3 to 5 years) so that longer term farming decisions can be made (land preparation, crop rotations, lime, etc.). They will also have some certainty that the land will be available for farming for some period. When lease arrangements are multi-year, it is suggested to have some type of written contract so that both the landowner and tenant know the specifics of the agreement in case either party needs to refer to the agreement.

One of the most difficult parts of a cash rental agreement is setting the price. Cash rental rates for similar land in the same area is typically available for comparison. As cash rent information is often surveyed by different institutions, including NASS, it can be used as a benchmark. These surveys provide county-level estimates for irrigated cropland, non-irrigated cropland, and pastureland, as well as changes in average cash rent per acre at the state level (Figure 3).

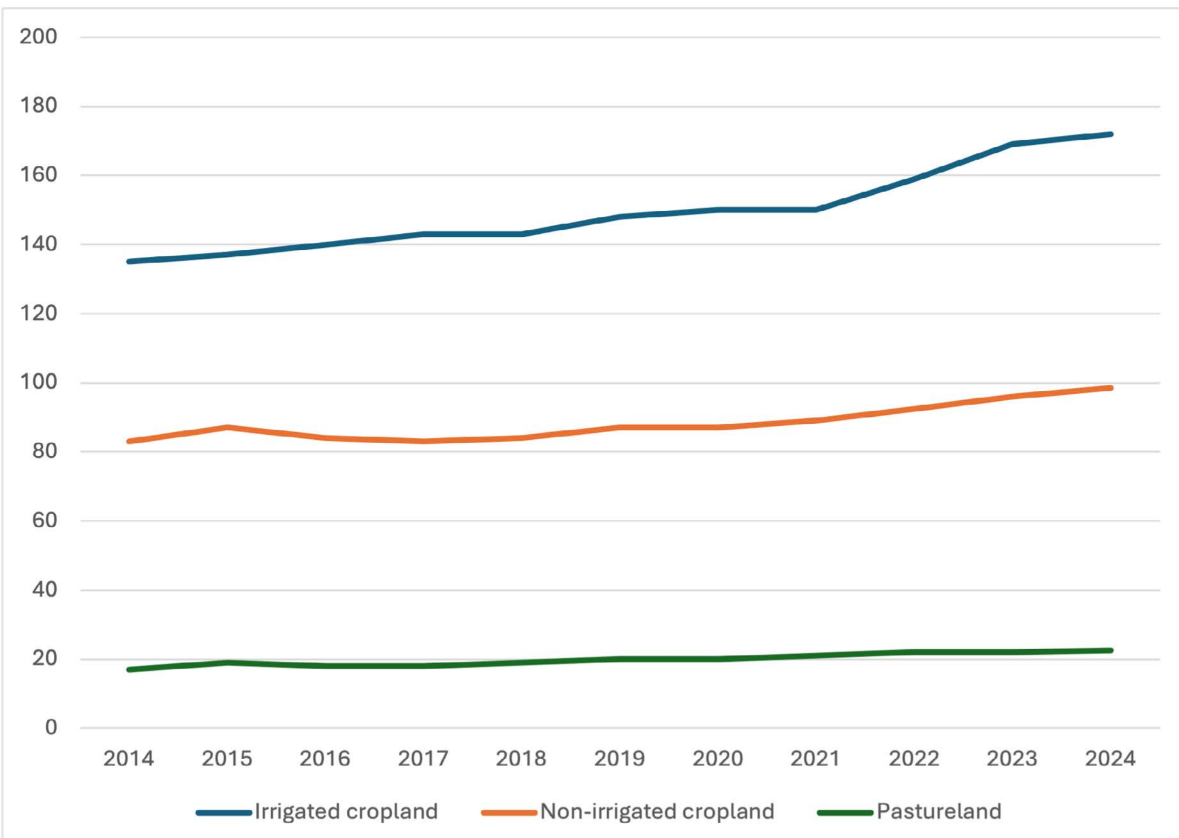

Figure 3. Historical average cash rent per acre in Mississippi, 2014–2024.

Source: USDA NASS.

Figure 3 data.

Land Type	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Irrigated cropland	135	137	140	143	143	148	150	150	159	169	172
Non-irrigated cropland	83	87	84	83	84	87	87	89	92.5	96	98.5
Pastureland	17	19	18	18	19	20	20	21	22	22	22.5

They could be used as a proxy for cash rent agreement, but considerations must be made for land-specific characteristics. Another way to determine a fair cash rent is to compare the rate to the value of a share rental agreement as discussed in the next section.

Share Rent

Crop share leases have advantages and disadvantages. Advantages for tenants include no required upfront payment for the land lease, reduced cost outlays during the growing season, and shared risk of potentially low commodity prices or yields with the landowner. Disadvantages for the tenant could include the transaction costs of maintaining accurate records to document expenses and revenue and the risk of not capturing all potential revenue during years of good prices and yields.

Advantages of crop share leases for landowners include the opportunity to participate in all the revenue and yield potential of the crop (i.e., when things are good, share rent will likely exceed cash rent). Disadvantages include the risk associated with bad price and yield years and increased management requirements of obtaining and keeping records of all expenses and revenue sources.

Share rent leases usually allow both the tenant and landowner to share the cost of producing the crop and the returns received from the crop. These arrangements can take on several variations, but a typical agreement might be a 25 percent share lease. Under a 25 percent crop share rental agreement, the landowner pays 25 percent of production expenses and receives 25 percent of the crop revenue. Typical production expenses include all variable costs associated with growing the crop (seed, chemicals, fertilizers, crop insurance premiums, etc.). The landowner then receives 25 percent of crop-related revenue (crop sales, insurance indemnities, farm program payments, etc.).

Some crop share leases in Mississippi and around the country allow the landowner to receive 20 percent of crop revenue and to pay none of the expenses. In some areas, the percent share could be higher. This is the case in the Midwest where the share rent is 50 percent; the tenant and landowner pay equal shares of the variable expenses and share 50 percent of crop revenue. As the percentage of crop revenue received by the landowner increases, shared production expenses are typically incurred.

In general, share rent is more complicated from a management standpoint. The tenant must produce documentation of expenses and collect the agreed percentage from the landowner during the growing year. This could be as expenses are incurred or a rent payment reduction once crop returns have been collected. Timing of expenses should be addressed at the time of making the agreement. To verify crop revenue returns, a method of documenting crop sales is needed. Examples are elevator receipts, gin tickets, or other means. As a tenant, it is often difficult to manage because partial loads of the commodity may need to be delivered to the elevator or gin to separate different landowner fields. Determining crop expenses may also be difficult as a ton of fertilizer or a load of chemicals may need to be spread across different landowners.

Another detail that may be unclear to landowners who are new to crop share leases is that often crop revenue may not be received until months after the crop is harvested. In general, the producer markets the crop, so the crops may be stored in cotton warehouses or grain elevators for sale in the coming months. Typically, sales are made before harvesting the next year's crop. Therefore, unlike a cash lease, landowners may not receive timely rent payments. Also, the tenant is usually responsible for farm program signups and crop insurance. However, the landowner may have to sign as well. If any farm program payments are triggered, those payments could be made more than 12 months after harvest.

Flexible/Variable Cash Rent

Flexible/variable cash rental arrangements combine some aspects of both cash rental agreements and share rental agreements. Typically, flexible/variable cash rental agreements will have some type of cash rent base level. This could be anywhere from 50 percent to 90 percent of what a typical cash rental agreement would cost. The cash portion of the rental agreement could be a considered a "floor," so a landowner could expect to receive no less than this amount for their land. The flexible/variable part of the rental agreement would come into play if crop revenue exceeded a certain level. Then, a percentage of the crop revenue above the set agreed level would be paid to the landowner in addition to the cash rent "floor." There are many different options for the flexible/variable part of the lease such as percentages of the crop yield above a certain level, gross revenue above a certain level, net revenue above a certain level, etc.

Flexible/variable cash rental agreements allow the tenant to pay a reduced upfront price (like a cash rental agreement), while also avoiding large payments during years of good prices and yields (like a share rental agreement). This type of agreement allows the landowner to know a minimum that they will receive for their land ahead of time and share in any opportunities if crop revenues are good.

A flexible/variable lease will be more detailed for both the tenant and landowner as it will require negotiations and thought processes similar to cash rental and share rental agreements. Additionally, because of the need to document crop revenue and expenses, management requirements throughout the year are like those discussed in the share rental agreement section.

Flexible/variable cash rental agreements have a place in that a landowner is guaranteed a base level of funding and could potentially receive that payment before the growing season. Tenants are not strapped with as many expenses early in the growing season, and they are not liable for as large of an expense if crop revenue is lower due to low commodity prices or yields. Landowners can reap benefits in good years without the same level of risk in bad years as with a share rental agreement.

Summary

Each type of farmland rental agreement has its advantages and disadvantages. Cash rental agreements are the easiest to implement and require the least amount of management. However, most of the risk is placed on the tenant in terms of making a profit at the agreed upon rental rate. Share rental leases allow the tenant and landowner to share the risk at the agreed upon share percentage and if that agreement is a 50 percent share, then both the tenant and landowner bear similar levels of risk. Flexible/variable cash rental agreements combine components of both cash and share rental agreements. It also allows some degrees of certainty for the landowner and limited expense to the tenant. There can be many variations of the flexible/variable cash rent agreement that both the tenant and landowner should thoroughly explore before entering into an agreement.

Regardless of the type of lease agreement, having a written agreement provides both the tenant and landowner with clarity. A written contract is recommended for a more complex lease agreement and a longer term lease agreement. Tenants and landowners are encouraged to discuss these options with each other, as well as seek the help of professionals who are skilled at writing lease agreements.

This publication highlights some of the possibilities of farm leasing arrangements and is by no means all-inclusive. Tenants and landowners are encouraged to explore all options available before entering into an agreement.

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Notes

Publication 4091 (POD-03-25)

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Produced by Agricultural Communications.

Extension Service of Mississippi State University, cooperating with U.S. Department of Agriculture. Published in furtherance of Acts of Congress, May 8 and June 30, 1914. ANGUS L. CATCHOT JR., Director