UNIVERSITY OF DELAWARE
COOPERATIVE EXTENSION

Considerations for Renting Farmland

Nate Bruce – Farm Business Management Specialist

July 2026

Imagine the ideal farm with optimal soil conditions and irrigation that is in close proximity to the home farm finally becomes available for rent. Most producers would jump on an opportunity to pick up a piece of property such as this and add it to the operation. However, there are factors that need to be considered before any rented farmland is added to the operation. This fact sheet will go through those factors, and an accompanying Excel tool will allow producers to evaluate the profitability of potential farmland.

Type of Lease

At a minimum, farm leases must contain the following information: legal description of the term, terms of the lease, and the amount of rent to pay or how rent will be computed such as a crop share or flexible lease terms. Signatures of all negotiating parties (renter and owner) need to be included on the lease in addition to procedures for termination and notification of renewal. There are several different types of farmland leases such as cash leases, crop share leases, or flexible leases. Each lease has different payment terms and different impacts on producer profitability.

A cash farm lease is the most common type of farmland lease agreement on the Delmarva Peninsula. In a cash farm lease, the renter pays the landowner a fixed cash rent for a contractual set term limit. Cash farm lease payment terms are simple compared to crop share or flexible lease terms.

In a crop share lease, the renter and landowner agree to divide the production costs and crop yields according to a contractually agreed predetermined percentage. Unlike a cash rental agreement, a crop share allows both the landowner and producer to share part of the production risk. Typically, a landowner contributes to inputs and provides the land while the producer manages the day-to-day operations and labor of production. Revenue in a crop share lease is typically based on the agreed upon percentage is often the same proportion used for production expenses. Crop share lease agreements require considerable record-keeping to determine shared expenses and revenue as compared to a cash lease agreement.

A flexible lease agreement allows the producer and landowner to share the risk in production, similar to crop share leases, but with different lease payment terms. Final rent is not determined until the crop is harvested in a flexible lease agreement. Flexible lease agreements account for uncertainty in yields, input costs, and market fluctuation. Payment terms in a flexible lease can be a shared percentage of gross revenue or base rent plus performance bonus. Flexible lease agreements are used on the Delmarva Peninsula, but are not common.

Longevity of Lease Agreement

In addition to choosing the lease type and payment terms, longevity of the lease needs to be determined. Will the lease be renewed annually or will it be a multi-year farm lease. Most farmland leases are typically on an annual basis. However, there are instances where a cropland lease for multiple years is desirable. One such example that is common on the Delmarva Peninsula is a three-year lease where watermelons are grown one of the three years. In this instance, the agreed upon rental rate is different compared to the other two years of the multi-year lease agreement. Payment terms need to be considered for each year in a multi-year farm lease.

Fit Within Operation

There are fiscal considerations that need to be made before picking up additional ground. Total farm expenses will increase as a new piece of property is added to the operation. The current equipment inventory will also need to be evaluated on whether or not it will be sufficient for increased production after the new ground is added to the operation's total output. Time and labor are also factors that need to be considered, particularly if the farm is located far away from the base of operations. If the location is considerably distant from the base of operations, fuel costs and equipment depreciation can be substantial.

Calculating Profitability of Rented Farmland

This fact sheet has an associated excel tool that can be used to evaluate the profitability of rented farmland. The tool is made primarily for cash rental agreements but can be altered by the user for crop share and flexible lease agreements. The tool is designed to be user friendly with only highlighted cells that need to be changed. Net returns prior to land rent and after land rent is given at both the acre and farm level. The tool includes a sensitivity analysis on the bottom of each potential crop that is to be grown on the rented farmland. Operating expense ratio, which is the proportion of how each dollar goes to operating costs is included in the sensitivity analysis. Net farm income ratio is also given and this measures the percentage of every dollar is profit from the rented ground. Lastly, a user can evaluate net returns under percentage changes in yield and price. The farmland rent calculator can be found at the University of Delaware Farm Business Management webpage under the farm management tools tab.

Summary

Before picking up new farmland to add to an operation, careful consideration needs to be made to determine the lease type and how the new ground will financially fit into the operation. There are many different factors that need to be considered such as lease type, financial resources, labor, and time. It is important to know what the potential returns are on any piece of farmland before bidding on a lease agreement.

References

Leasing Land Fundamentals (Perdue University, 2019) https://ag.purdue.edu/commercialag/home/resource/2019/09/leasing/

What to Consider When Renting Out Your Farm (University of Kentucky, 2023) https://agecon.mgcafe.uky.edu/what-consider-when-renting-out-your-farm

Farm Land Cash Lease Agreement (Kansas State) https://www.coffey.k-state.edu/farm-management/19_SimpleLandLeaseForm.pdf

Farm Lease Templates (University of Wisconsin – Madison) https://farms.extension.wisc.edu/topics/pricing-and-contracts/land-lease-and-rental/farm-lease-templates/

An Economic Comparison of Crop Share vs. Cash Rent on a Southeast Nebraska Farm (University of Nebraska Lincoln, 2025)

https://cap.unl.edu/news/economic-comparison-crop-share-vs-cash-rent-southeast-nebraska-farm/

Flexible Farm Lease Agreements (Iowa State)

https://www.extension.iastate.edu/agdm/wholefarm/pdf/c2-21.pdf

Farmland Rent Considerations (Michigan State University, 2023)

https://www.canr.msu.edu/farm_management/uploads/files/Farmland%20Rent%20Considerations%20Factsheetv3.pdf

Agricultural Leasing and Farmland Purchases in Delaware (University of Delaware, 2024)

https://www.udel.edu/academics/colleges/canr/cooperative-extension/fact-sheets/agricultural-leasing-and-farmland-purchases/

Leases and Renting Farmland (North Carolina State University, 2026)

https://ncfarmlink.ces.ncsu.edu/leases-renting/

Comparing Returns to Owned vs Cash Rented Farmland (University of Illinois, 2025)

https://farmdocdaily.illinois.edu/2025/08/comparing-returns-to-owned-vs-cash-rented-farmland.html

Calculating ROI on Leasing vs Buying Farmland (Farnland Intel, 2025)