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Cooperative Extension Service

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Clint Hardy
Daviess County Extension Office

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Landowners – Expect Even Less Income this Year

By now, it should be no surprise to anyone that corn and soybean cash and futures prices are as low as they have been in 16 years. The price outlook for 2026 is not much better. To increase the challenge, it is anticipated that local corn and soybean yields will be below our trend yield because a large percentage of corn and soybeans were late-planted due to flooding in March and April, followed by a very dry July and August.

I anticipate many discussions again this winter between farm owners and their farmers about land rental arrangements. Even the highest corn yields are not profitable for the renting farmer if prices remain less than $4 and the landowner is receiving a cash payment agreed upon when prices were higher or receiving a crop share percentage above 25%. Farmers with a large amount of owned land may use those profits to subsidize corn grown on rented farms at the same rent for a while, but we're eventually going to trend to a two-year soybean/one-year corn rotation. Or farmers will be speaking with landowners about how to negotiate rents so that annual crop rotation can continue.

Cash rent is typically the easiest and most straightforward rental type. The landlord has a set number of acres to rent. An agreement is made with the renting farmer to pay a set amount per acre for use of that land. Determining the cash rental rate is a science in and of itself.

Rental rates are dependent upon the soil productivity level, size of the tract of land being rented, location, competition among potential renters, and many other factors.

Crop share rent can be equally as popular as cash rent. One of the attractive qualities of crop share is that it helps to spread the risk and reward between the landlord and the renter. Again, crop share agreements vary among areas, producers, and individual land tracts. Crop share agreements can also vary based on the crop planted. A crop share rent works just like it sounds. This percentage can be anything, but is typically somewhere between 20% and 50% of the crop revenue. Sometimes the landlord receives a percentage of the crop "clear of expenses," meaning that the landlord pays none of the production expenses. Other times, the landlord may receive a higher percentage of the crop in exchange for paying a portion of the expenses. Under a crop share agreement, the landlord owns a portion of the crop. This requires an agreement on how and when the landlord will be paid for their crop.

Under a crop share agreement, the landlord bears part of the revenue risk associated with crop production and market prices. Likewise, the landlord may have the opportunity to experience the upside of revenue increases due to crop production and market rallies.

In recent years, a hybrid rental agreement has gained popularity. This is referred to as a Flex Lease. The flex lease combines some attributes from the cash rent and crop share agreements. Like all rental agreements, the flex lease can vary widely. Typically, a flex lease sets a minimum cash rent per acre. This cash rent might be lower than a traditional cash rent, helping protect the renter in the case of decreased revenues, but locks in a minimum for the landlord. A flex lease also has a component to allow the landlord to gain in the case of increased revenues. This might be through a percentage of the crop when revenue hits or exceeds a predetermined threshold. Flex leases require more communication and knowledge of both the landowner and the land renter. Many details must be worked out to determine the parameters that trigger increased rental payments. One of the most difficult parameters is what price to use and where and when to obtain that price to calculate revenue. Both parties must have a full understanding of the agreements and how increased payments are triggered and calculated.

One of the most important points around rental agreements is that all parties fully understand what has been agreed upon. While many rental agreements are made verbally and over a handshake, it is highly recommended that any rental agreement be put in writing.