PRICING RENTAL FARMLAND IN NEW YORK

It can be difficult to find the “right price” for your rented farmland: rents can vary depending on dozens of factors related to the agricultural potential of the land, the expectations of the owner, and the needs of potential renters. However, there are a few simple approaches and resources that can help in setting a fair rental rate.

Market rate: The market rate is set by supply and demand: how much land is available, how many farmers are competing for farmland, and the potential profitability of the land. As a landowner, it is useful to know rents charged for nearby parcels of farmland.

To determine the market rental rate in your area, ask a neighbor, check rental listings online or in agricultural newspapers, or contact your local cooperative extension office. The USDA also tracks average county cropland and pasture rental rates (http://bit.ly/coCashRents).

Rule of thumb: Many farmland owners charge 2-3% of the land’s value each year. Not sure of your land value? Check the appraisal from your original purchase, arrange an independent appraisal, review records of your and comparable land at your county clerk’s office (many counties provide this information online as well), or look up county-level farmland sales prices and other statistics at: http://www.farmland.dyson.cornell.edu. USDA estimates of average county farm real estate values, published every 5 years, may be useful as well: http://bit.ly/nyAgLand.

Covering ownership costs: Many farmland owners’ primary interest is that rental payments cover all costs (or a substantial portion) of land ownership. Landownership costs include:

- **Property taxes** on land and some buildings. Note that an agricultural assessment (http://bit.ly/agassess) can also lower your property taxes.
- **Insurance expenses**
- **Mortgage interest**

Non-financial objectives: If you wish to support a beginning farmer, consider how much the tenant can afford to pay in the first years of his/her operation. If the farmer is just starting out, they may still be paying off one-time "startup" costs. Depending on the commodity, it may also take several seasons for farms to reach their production potential.

If you have a vision of how the land should look and how it should be farmed, make sure to discuss your vision with your prospective tenant and incorporate key requirements in the lease. Consider that such restrictions may impose substantial costs or time constraints on your tenant and adjust rental rates accordingly.

Factors that cause rental rates to vary include:

- Potential **productivity** of the land, influenced by:
  - *Soil type and quality*, including fertility, pH, and organic matter level,
  - *Field conditions*, including weeds, pests, protection from erosion, and drainage,
  - Field *size, shape, and slope,*
  - Length of *growing season*,
  - Hours of *normal sunlight*;

- **Location** relative to potential tenants, markets, farm resources, other agricultural infrastructure, and services;
- Organic or other **certifications**;
- **Infrastructure** such as barns, irrigation, or fencing (also consider who will bear responsibility for infrastructure improvements);
- **Surroundings**: will production practices of nearby farmers affect the tenant? Is your land affected by local ordinances on farmers' rights and responsibilities?

Make it official: After you and your tenant have agreed on the price and terms, finalize the rental with a written lease agreement. A formal lease ensures that both parties understand their obligations, and protects you from unforeseen events.

If you would like to draw up the lease yourself, several organizations provide sample farmland lease templates online (http://bit.ly/sampleLease) that can be used after being modified for your situation. Have a lawyer review the agreement before you sign it. Once you and the tenant have signed, register the lease with your county clerk.

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