



WANT TO MAKE MONEY ON A SMALL FARM? PARTNER WITH THE RIGHT PERSON

Corbett Kull | September 9, 2019



To make money on a small farm, you need to make sure you have a strong partnership.

In a cash rental agreement, whether you're the farmer or the farmland owner, it's important you're on the same page to ensure that you both will meet your goals for the growing season.

You may be wondering what we consider to be a "small farm." Typically, this could refer to farmland held by an individual landowner, and their acreage could range from 35-40 acres or 300-350 acres. While this is a wide range, the advice below applies broadly to anyone who is working a small amount of land or anyone who owns a small amount of land.

Here's what you need to know about what makes a great landlord and a great farmland tenant for those looking to make money off of a small farm.

What makes a great landlord for a small farm?

A great landlord cares about the health of the land and maintaining it in the long-term. Their investment goes beyond money—they care about the big picture of the land's management while keeping an eye on their balance sheet. A great farmland owner should ...

- 1. Pay attention.** This means getting data from their farmer in a timely manner, keeping an eye on the calendar for contract renegotiations, and having a pulse on the farm seasonally.
- 2. Do research.** Great landlords will enter annual farmland cash lease negotiations having done their research. This is someone who doesn't just follow national agricultural trends. They know how farms in the county have performed historically, their farmland's yields from the past several years, and they're prepared to have a real conversation based on data when it's time to renegotiate the lease.
- 3. Have a plan for the future.** They plan for the future of the farm. They want to get a competitive rent because they plan on setting some of it aside for improvements.
- 4. Understand the value of investing in farmland improvements.** And they are someone who invests in improvements. This might be a tiling project, landscaping to address erosion issues or a nutrient application. Farmland owners who are great landlords set aside some of their rental income to make these changes happen, or they're prepared to work with their farmer and document that cooperative improvement process.
- 5. Be a strong communicator.** Farmland owners who are explicit with their expectations and proactive when it's time to negotiate the lease are reliable and fantastic to work with.

A great landlord cares about yields, but they also care about fairness and stewardship of the land in the long-term. Their investment is in the land and its well-being, as well as the health of their relationship with their farmland tenant.

How to be a good farmland tenant on a small farm

There are many measures on which a farmer might rank as a good tenant, but there are a few major markers that distinguish the good farmers our eyes. A great farmer should ...

- **Farm full-time.** It's wonderful to be able to balance another full-time job while farming a small number of acres on the side, but great farmers farm year-round and spend the off months learning. Farmers who dedicate their full year to improving the land and staying current on agricultural trends make the best tenants for farmland. And their dedication shows in their yields.
- **Use high-quality equipment.** There are certain efficiencies that just make a farmer a better steward of the land, and having old or run-down equipment can slow a farmer down. This lag time can spell trouble if you're trying to get your fields planted before a week of undesirable weather conditions (or whatever obstacle is on the horizon). Having up-to-date equipment also makes it more likely a farmer can take advantage of precision agriculture tools and software that support data-driven farming decisions.
- **Take care of the land.** This may sound nebulous, but it just isn't. A farmer who tills your no-till acres is a bad farmer. It's important to find a farmer who is as committed to sustainable practices as their landlord, and it's critical that this is spelled out in writing in the farmland lease agreement. Fertilizer and nutrient applications can be expensive and can represent a big part of the budget even on a small farm. It's important for farmers and landlords to be on the same page regarding expectations for maintaining soil health.

- **Provide data and reports on improvements.** Great farmers establish relationships on a foundation of transparency and data. Not only do they provide their application maps, but they also send them along on time. If they've made agreed-upon improvements, they give their landlord a formal report that includes receipts and details. This commitment to providing additional data, over and above the minimum requirements of yield reporting, shows that a farmer is savvy about how documentation improves not only the quality but the monetary value, of the farm.

Great farmers act like a partner in the investment. They won't hesitate to show what's happened in the past season and how they've done on the acres.

These professionals demonstrate that they care about the long-term health of a farm will see opportunities to continue their relationship with their landlord, which may come with an invitation to plant cover crops right after harvest or renegotiate the lease agreement before it's time to harvest (if that's favorable).

Put data first in your relationship

In order to operate a small farm on small margins, farmers and landlords need to have a complete picture of the land's health, condition, and production. The best way to share this information is in data and receipts.

To ensure that farmers and landlords are on the same page before they sign their next cash rent lease, both should make sure they're satisfied with the data-sharing conditions included in the lease.

Having data on hand will empower farmers and landlords to have a productive conversation that will allow both parties to make money from what may be relatively small acreage. Farmers and farmland owners need each other to succeed; to help everyone see the returns they're hoping for. The most important quality both parties can bring to the relationship year-round is transparency.

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