

# FARMLAND AGREEMENTS

A guide to  
sustainable  
land rental in  
Ontario

## ***Drive it like a Rental -***

It is a catchy phrase on a bumper sticker, but carefree is not how farmland should be treated. Farmers who rent land want to know they will be able to see the benefits of investments in soil health and fertility with good management practices, and landowners often have questions and concerns about how their land is managed. As the percentage of farming done on rented land increases, the importance of establishing a good farmer-landowner relationship has never been greater.



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## ***Drive it like a Rental -***

It is a catchy phrase on a bumper sticker, evoking images of driving carefree in a rented car with little or no concern about what's going on under the hood, but carefree is not how farmland should be treated.

Farmland is an increasingly precious resource in Ontario. Each year, more farmland is lost to urban encroachment and infrastructure; therefore, we must maintain soil productivity on the remaining acres.

Farmers are, by nature, invested in the long haul. This includes all aspects of a farm business except rented land, as most rental agreements are only for a single year. Thus, there needs to be more economic incentives for long-term improvements in soil health. Ongoing research at the University of Guelph shows that investing in practices to build organic matter, like cover crops and diverse crop rotations, is less likely to occur on rented land. With 35 percent of Ontario's farmland on the rental market (and the trend increasing), this is a hot topic within agriculture.

By increasing the length and stability of farmland rental agreements, we can improve the long-term economic returns for the farmer and the landowner while building healthier soils that can be better farmed.

Sustainable farmland agreements are vital to maintaining soil health and protecting the future of farming in Ontario.

## **What is soil health? Why is it important?**

Agriculture and Agri-Food Canada (AAFC) defines soil health as its ability to support crop growth without becoming degraded or otherwise harming the environment. Chemical, physical and biological properties and interactions determine soil health. Healthy soils, rich in organic matter, have improved water drainage and moisture retention, require fewer nutrient amendments and provide higher yields than soils depleted of organic matter. Healthy soil is the foundation of sustainable farm operations, our agri-food sector, and our environment. Soil is undervalued at times, and when soil conservation is not a priority, the result can be wind or water erosion, nutrient depletion, loss of soil organic matter, declining biodiversity and other issues.



## How do I know if my soil is healthy?

Healthy soils are rich in visible and invisible life; signs of animal and plant activity, from earthworms to fungi, should be evident. A healthy fraction of plant and animal residues at various stages of decomposition and the cells and tissues of microorganisms contribute to soil health. It is important to understand that soil organic matter is a depreciating asset as it represents a healthy cycle of decay and oxidation and must be replenished with new organic materials from plants that feed the rest of the soil's life. Soil testing is essential every three years to monitor nutrient levels and organic matter.

## How can I Improve soil health?

While soil can be degraded, the good news is that Best Management Practices (BMPs) that limit soil disturbance and subsurface compaction and reduce nutrient loss can build organic matter and safeguard soil health. BMPs, including diversified crop rotations, adding manure or other organic amendments, and utilizing cover crops, feed the soil biology and support natural fertility year-round.



### **One farmer's experience.**

Larry Davis is a farmer in Brant County, where he grows corn, soybeans, and hay on his own and rented land. He mentioned that farming rented land can be pretty challenging. Larry shared an instance where he lost the bidding on land he had been farming for many years. The new renter farmed the land for only three or four seasons, leading to soil deterioration due to poor management.

After the landlord couldn't find a new renter, they paid Larry to farm the land for two years. Larry took steps to rehabilitate the land, including planting a perennial forage crop to limit further erosion. He emphasized the importance of a long-term agreement, stating that it would provide security for his practices to build soil health, benefiting himself and the landowner. He highlighted that farming would only be possible with soil.

From Larry's experience, it is clear that both landowners and farmers need to understand and prioritize soil health for long-term crop growth, environmental preservation, and lasting relationships.

## **Build longevity and security into farmland rental agreements.**

A longer-term lease can strengthen and stabilize a rental relationship. It is a win-win for both the landlord and renter and the environment because the renter is more likely to allocate time and money to building and maintaining healthy soils. For a landowner, choosing a farmer who values land stewardship rather than just the highest bidder means finding one who will treat the land as theirs. Farmers see soil conservation as an investment in their property but as an additional cost in rental property; however, a long-term lease helps the farmer see a return on their investment.



When both parties clearly define their values, concerns, and intentions related to soil conservation in preliminary discussions, the result will be a more successful rental agreement that lasts years for both the landlord and renter.

### **A sustainable lease could consider the following:**

**Length of term** - The longer a farmer expects to rent a property, the more investment they will make in soil conservation. Consider building an agreement with a minimum three-year term.

**Flexible rental rate formula** - Sustainability means fair rent rates, where the risks and the rewards of farming are shared. There are many options for the landowner, with different tax implications: rent in cash vs. crop sharing arrangements. Some formulas have a lower base rent, and then, in prosperous years, the farmer splits the profits with the landlord equally. Some crop sharing divides a percentage of the crop value between parties, which factors in commodity prices and yield. An agreeable price formula results in a fairer arrangement as crop prices fluctuate.

**Land management considerations** - Consider the Land Lease Discussion Checklist (attached) in the conversation.

**Capital improvements** - Improving driveways and culverts, planting cover crops, tile installation, grass waterways or pasture development, fencing for grazing or transition to organic production are examples of ways a renter may invest in the property, often with capital not quickly recouped in one year. These contributions should be valued within the lease by making provisions for reimbursement in the case of unforeseen early termination.

## Questions to Consider



If we enter into a long term agreement, what type of farming is the land suitable for, row crops, vegetables or pasture?

What would the crop rotation look like? What type of tillage will you use on the land?

1. What practices can we improve on to benefit soil and the environment?
  - Crop rotation
  - Crop inputs – timing, rate, placement
  - Cover crops
  - Minimizing tillage, strip tillage or no-till
  - Minimizing compaction
  - Manure application to add organic matter
2. Are driveways and field laneways suitable for farm equipment?
3. Are there areas or natural features (erodible slopes, wet areas, etc.) that should be removed from cultivation?
4. How might a multi-year agreement deal with farm sale or death of either party?

Resources are available at: FarmFoodCare.org – Farmland Agreements or <https://www.farmfoodcareon.org/farming-and-the-environment/soil-3/>  
Link to:

- Soil Health Glossary
- Land Lease Agreements Discussion Checklist
- Backgrounder on What is Soil Health
- Sample funding formulas for Crop land Rental Rates
- And - *Farms At Work* Land Rental Page to post or look for rental land across Ontario FindFarmland.ca





# Land Rental Agreement Discussion Checklist

<https://www.farmfoodcareon.org/farming-and-the-environment/soil-3/>

Property: \_\_\_\_\_ Acreage: \_\_\_\_\_ Year: \_\_\_\_\_ Renter FBR #: \_\_\_\_\_

### CROPPING\*

Tillage	<input type="checkbox"/> No-till	<input type="checkbox"/> Strip-till	<input type="checkbox"/> Min-till	<input type="checkbox"/> Plough
Crop rotation	<input type="checkbox"/> 1-2 crops	<input type="checkbox"/> three crops	<input type="checkbox"/> Other	
Cover crop	<input type="checkbox"/> After crop	<input type="checkbox"/> Into crop	<input type="checkbox"/> None	
Species:				
Spring residue cover	<input type="checkbox"/> < 30%	<input type="checkbox"/> 30 - 50%	<input type="checkbox"/> > 50%	
Erosion risks	<input type="checkbox"/> Steep slopes	<input type="checkbox"/> Soil type	<input type="checkbox"/> Floodplain	<input type="checkbox"/> Other

### INPUTS\*

On the advice of a Professional?	<input type="checkbox"/> CCA	<input type="checkbox"/> P. Ag	<input type="checkbox"/> Other	
Fertilizer	Source	<input type="checkbox"/> Commercial	<input type="checkbox"/> Manure	<input type="checkbox"/> Biosolids
	Rates	<input type="checkbox"/> Based on soil test results		<input type="checkbox"/> Based on crop removal
	Placement	<input type="checkbox"/> Broadcast	<input type="checkbox"/> Banded	<input type="checkbox"/> Top-dressed
	Timing	<input type="checkbox"/> Spring	<input type="checkbox"/> Summer	<input type="checkbox"/> Fall
Manure	Placement	<input type="checkbox"/> Injected	<input type="checkbox"/> Incorporated	<input type="checkbox"/> Top-dressed
	Timing	<input type="checkbox"/> Spring	<input type="checkbox"/> Summer	<input type="checkbox"/> Fall
				<input type="checkbox"/> Never on frozen or snow-covered ground
Pesticides	<input type="checkbox"/> Renter is a licensed pesticide applicator		<input type="checkbox"/> Hire a licensed pesticide applicator	

### STRUCTURES

Tile drainage	<input type="checkbox"/> Needed	<input type="checkbox"/> Needs Maintenance	<input type="checkbox"/> N/A
Windbreak	<input type="checkbox"/> Needed	<input type="checkbox"/> Needs Maintenance	<input type="checkbox"/> N/A
Grass waterway	<input type="checkbox"/> Needed	<input type="checkbox"/> Needs Maintenance	<input type="checkbox"/> N/A
Erosion control berm	<input type="checkbox"/> Needed	<input type="checkbox"/> Needs Maintenance	<input type="checkbox"/> N/A
Irrigation pond/wetland	<input type="checkbox"/> Needed	<input type="checkbox"/> Needs Maintenance	<input type="checkbox"/> N/A
Responsible for Implementation?	<input type="checkbox"/> Landowner	<input type="checkbox"/> Renter	
Who pays for the investment?	<input type="checkbox"/> Landowner	<input type="checkbox"/> Renter (include compensation clause in agreement?)	
Environmental Farm Plan	<input type="checkbox"/> Landowner	<input type="checkbox"/> Renter	

### MEASURING SUCCESS

Soil sampling	<input type="checkbox"/> < every 3 years	<input type="checkbox"/> > every 3 years	
Resolution	<input type="checkbox"/> > 25 acres	<input type="checkbox"/> < 25 acres	<input type="checkbox"/> Grid sampling
Sharing Information	<input type="checkbox"/> Soil test results	<input type="checkbox"/> Yield map	<input type="checkbox"/> Other testing
Species:			

### OTHER ENVIRONMENTAL CONSIDERATIONS

- Fragile land or steep slopes for special consideration or removal from production?
- Sensitive areas or wells/source water areas to avoid?
- Fencerows, woodlots, waterways or infrastructure to be maintained?
- Soil pH or other issues to be addressed?

### NOTES:

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