

Understanding Cash Rent for Farmland

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Cash rental agreements play a vital role for many Indiana farmers. For landowners who don't actively farm, leasing land to tenant farmers offers a steady source of income. Meanwhile, for farmers, renting land can be a cost-effective way to expand operations without the significant investment of purchasing property.

However, cash rent values are influenced by more than just number of acres. According to the 2025 *Purdue Agricultural Economics Report (PAER)*, average cash rents for tillable land in northeast Indiana vary widely based on land quality. The authors recommend using an average of the past 3 years to determine average regional cash rents due to thinner and varying response rates.

Northeast Indiana tillable land

- High productivity land: ~\$306 per acre
- Average productivity land: ~\$253 per acre
- Low productivity land: ~\$201 per acre

These rental rate estimates are based on survey data collected from across Indiana. However, due to low response rates in recent years, the survey has not reported hay and pasture land rental rates since 2021. Purdue has put out an article and developed a spreadsheet to help determine grass hay and pasture lease rates (see links at end of article). According to the 2021 *PAER*, grass hay land rental rates across Indiana ranged from \$67 to \$132 per acre.

North & Northeast Indiana

- Alfalfa hay land: ~\$161
- Grass hay land: ~\$129

Another source for cash rent estimates is the USDA, which has historically reported lower values than those published in the *PAER*. For example, the USDA's 2020 Indiana Cash Rent County Estimates listed the average rent for non-irrigated cropland in northeast Indiana at \$170 per acre, compared to the *PAER* 2020 range of \$174 to \$242 per acre for the same region. In 2020, USDA reported Noble County's average rent at \$156 per acre—among the lowest in our region.

Why Does Cash Rent Vary?

Cash rent values fluctuate based on a variety of factors, including commodity prices, input costs, regional land demand, and local market conditions. It's also important to note that most reported rent values are averages, and actual agreements often differ based on field-specific and relationship-based variables.

Here are some common factors contributing to cash rent variation:

- **Yield Potential.** Fields with well-drained soils, high fertility, and a history of strong yields typically earn higher rents. Conversely, poorly drained or low-performing ground often rents for less. Proximity to natural areas—where deer, groundhogs, raccoons, and other pests are common—can affect yields and therefore decrease rent value. Additionally, irrigated fields typically command higher rents due to their productivity potential (see *PAER* report for irrigated land data).
- **Field Size and Shape.** Smaller or irregular-shaped parcels are less efficient to farm with modern equipment. The extra time and effort required to maneuver large machinery can reduce a field's appeal, lowering its rental value.

- **Crop Type.** Fields best suited for high-value crops like specialty vegetables or seed corn may command higher rent, especially if the tenant has a strong track record with those crops.
- **Landowner Expectations.** If a landowner requests specific conservation practices (e.g., no-till, cover crops, or buffer strips), or wants to retain certain features like old fence lines or natural areas, these preferences may influence rent agreements.
- **Extra Services.** Tenants who offer additional services—like snow removal, equipment help, or checking in on elderly landowners are not easily quantified, but build strong, long-term relationships.
- **Investments.** Tenants who invest in improving soil or infrastructure (e.g., liming, fertilizer, drainage) may negotiate lower rent or longer leases to recoup their costs.
- **Location and Proximity.** Fields located closer to a farmer's home base or other farmed land may carry a premium. Shorter travel distances reduce fuel and time costs and simplify logistics, making those fields more desirable.

What Landowners Should Look for in a Tenant Farmer

Renting farmland is more than finding the highest bidder. The long-term value of your land depends on management. Here are some considerations:

- **Soil Health Practices.** Farmers using cover crops, reduced tillage, and nutrient management strategies protect and enhance soil fertility.
- **Crop Rotation.** Rotating crops improves soil structure and reduces pest pressure.
- **Neighbor Relations.** A good farmer respects property lines, avoids spray drift, and maintains clean fence rows and field edges.
- **Reliability.** Timely rent payments, open communication, and a willingness to put agreements in writing are signs of a trustworthy tenant.

While many cash rent agreements are still made on a handshake, a written lease protects both parties. It should include length of the lease (annual or multi-year), payment terms and deadlines, allowed uses of the land, maintenance responsibilities, and termination clauses.

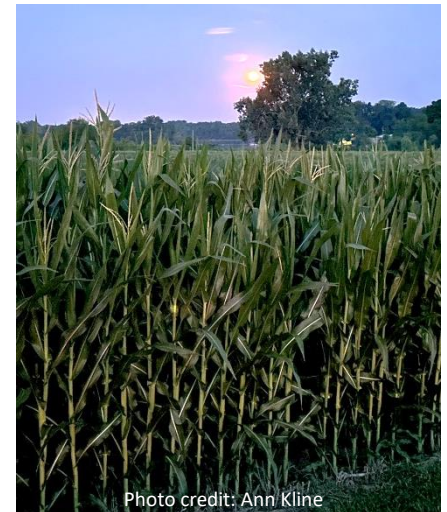


Photo credit: Ann Kline

Whether you're a landowner or a farmer, successful lease agreements go beyond average rates. Each parcel is unique, and strong agreements are built on trust, clear communication, and good land stewardship.

Resources

- Purdue Agricultural Economics Reports (PAER): ag.purdue.edu/commercialag/home/wp-content/uploads/2025/08/PAER_202508-Farmland-Values-1.pdf
- Indiana Cash Rent County Estimates 2020: www.nass.usda.gov/Statistics_by_State/Indiana/Publications/County_Estimates/2020/in_2020_rent.pdf
- Leasing Pasture and Hay Ground: ag.purdue.edu/commercialag/home/resource/2025/07/leasing-pasture-and-hay-ground/
- Grass Hay and Pasture spreadsheet tool: ag.purdue.edu/commercialag/home/resource/2025/07/pasture-grass-hay-lease-spreadsheet-tool/?utm_source=delivra&utm_medium=email&utm_campaign=Newsletter_20250815&utm_id=48069002
- Indiana Cash Farm Lease: ag.purdue.edu/departement/agecon/docs/extension-resources/indiana-cash-farm-lease.pdf