



Rental Agreements in the USA and in Illinois

Todd Kuethe and Jennifer Ifft

Economic Research Service (ERS/USDA)
United States Department of Agriculture

January 24, 2013

farmdoc daily (3):13

Recommended citation format: Kuethe, T. and J. Ifft. "[Rental Agreements in the USA and in Illinois.](#)" *farmdoc daily* (3):13, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, January 24, 2013.

Permalink: <http://farmdocdaily.illinois.edu/2013/01/rental-agreements-in-the-usa-and-illinois.html>

The USDA collects a large amount of information directly from farmers and ranchers across the United States. Farmers and ranchers own the majority of the land dedicated to the production of agricultural products, yet a significant portion of our nation's farmland is rented or leased from non-operating landlords. In 2010, the USDA collected detailed information on land tenure, ownership patterns, and rental agreements through supplemental questions in the Agricultural Resource Management Survey. The goal was to provide more detailed information on land rental agreements and address important questions about landlord characteristics.

USDA's Agricultural Resource Management Survey

The annual Agricultural Resource and Management Survey (ARMS) is the USDA's primary source of information on the status of farm finances, production practices, and resource use, as well as the wellbeing of America's farm households. The survey is sponsored jointly by the Economic Research Service (ERS) and the National Agricultural Statistics Service (NASS). It is the only national survey that annually provides observations of field-level farm practices, the economics of the farm operating the field, and the characteristics of farm operators and their households. Farm operations are the primary sampling unit and include all establishments that sold, or normally would have sold, at least \$1,000 of agricultural products during the year. More information on the survey is available [here](#).

The number of rental agreements varies by farm type.

In 2010, the average farm in the United States had approximately three rental agreements: including fixed or flexible cash, share, and free rental agreements. In contrast, the average Illinois farm has just over one rental agreement.

As shown below, farm-level average number of rental agreements increases with farm size. The Economic Research Service (ERS) Combined Farm Typology classifies farm operations in three groups by the primary occupation of the principle operator and farm sales.

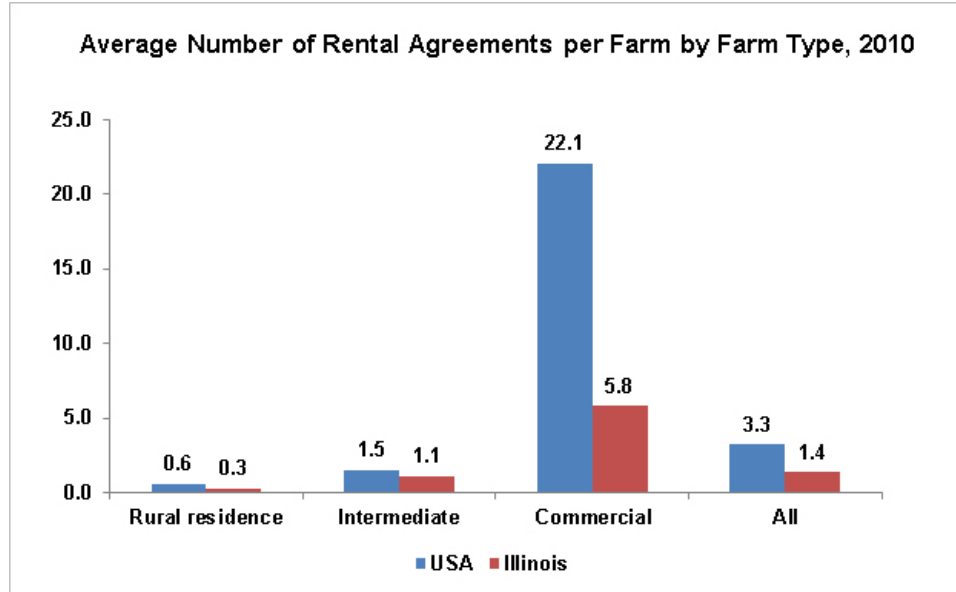
1. Rural residence: Farms whose operators report they are retired or they had a major occupation other than farming.
2. Intermediate: Farms with sales less than \$250,000 whose operators report farming as their major

We request all readers, electronic media and others follow our citation guidelines when re-posting articles from *farmdoc daily*. Guidelines are available [here](#). The *farmdoc daily* website falls under University of Illinois copyright and intellectual property rights. For a detailed statement, please see the University of Illinois Copyright Information and Policies [here](#).

occupation.

3. **Commercial:** Farms with sales greater than \$250,000 and farms organized as nonfamily corporations or cooperatives.

As shown below, the number of rental agreements increases with farm size. The average commercial farm in the US has over 20 rental agreements, and in Illinois, the number is just under 6. In contrast, only three out of five rural residence farms in the US have a lease agreement and three out of ten in Illinois.



How formal are rental agreements?

Although a large portion of US farmland is operated by tenants and the average commercial farm has multiple rental agreements, it is believed that the rental market is still dominated by informal agreements. One measure of the degree of formality is whether a lease is written.

Only 12% of farm leases in the US are written, yet in Illinois, almost half (45%) of farm leases are written. There appears to be little relationship between written leases and farm type at the national level, although in Illinois commercial farms have a greater share of written leases.

