THE MANY LAND TENURE OPTIONS

Most of the focus in this toolkit is on leasing arrangements, and this is reflected in the case studies we have included. This is because, as small-scale farmers, you are more likely to enter a leasing arrangement, however, there are alternative land tenure models to consider. This section will examine the options, to assist in making a fully informed decision about what is best for you.

Purchasing Land

There are lots of benefits to owning land. Long-term security is an obvious advantage. It allows greater autonomy over farm design and how the land is farmed, and provides the likelihood of living on the farm and ensures you have a say in succession planning.

However, land ownership is not always the best option. The cost of land continues to rise and farming rarely pays well, so purchasing land to farm does not always offer a good return on investment. There is a significant likelihood that off-farm jobs will be needed to meet mortgage obligations, and this can reduce the amount of time you have to farm.

If and when you decide to look at land ownership, many of the recommendations in Steps 1 and 3 of this toolkit will still apply. Understanding your readiness, having a business plan, and utilising decision making frameworks are crucial.

Despite the risks, for many farmers, the ultimate goal is land ownership. In our case study with Five Tales Farm, Mike Densham described how several lease farming experiences led them to realise that ownership was the best option for them. But leasing first had provided them with a 'proof of concept', the benefit of which can't be overstated.

Lease Farming

Leasing is not only a practical alternative to owning land, but it can also be a strategic one. Farmers often consider leasing land as an attractive option because it offers the flexibility and financial accessibility that ownership may not. Leasing allows farmers to adjust the scale of their operations without the heavy financial burden or long-term commitment of owning land. This flexibility is particularly beneficial to new entrants, where leasing is often the only practical way to access farmland. By leasing, you can focus on growing your business and meeting your objectives without being tied down by the complexities and costs of land ownership.

A lease is essentially a contract between the landowners and the farmer, outlining the rights, responsibilities, and limits for both parties. It is increasingly advisable to formalise any lease in writing. Written leases provide clarity, security, and are often required by financial institutions or government agencies for funding projects. Leases can vary in type and duration, from short-term agreements to long-term or rolling terms, which can include provisions for equity building and affordability. Building strong, communicative relationships with landlords is paramount in achieving a successful leasing arrangement.

LEASING LAND TO ENABLE GROWTH

Leasing land is not just for new entrants. You can find our case study here with livestock farmer, Jake Wolki, who has successfully used leasing as a way of growing his agribusiness. Leasing land means scaling is possible, as it gives access to land farmers could never afford.

VIEW THE LEASE FARMING CONTRACT TEMPLATE

Lease with Option to Buy
A lease with an option to buy offers a flexible path to land ownership that allows the farmer to lease, with the option to purchase at a later date, typically within a specified timeframe. It provides a lower-risk entry into land ownership, allowing the lessee to test the productivity and profitability of the land before committing to a purchase. It can also help a farmer build equity and gain valuable experience in managing the land.

Lease with Option to Buy - Right of First Refusal
If the landowner decides to sell the property while you're leasing it, a right of first refusal gives you the chance to purchase it first. This means that if the landowner intends to sell to someone else, you have the option to buy the property at the price offered by the other buyer. Sometimes having this provision in your lease can cost an annual or lease term fee but it does ensure you have an opportunity to consider buying the property if it becomes available during your lease. It's important to note that there's no guarantee the price will be acceptable to you, or that you'll be able to make the purchase when the time comes, but it can be a good option for farmers to manage the risks associated with land changing hands. Generally, an option to buy would be written into your agreement with the landowner.

COMMON LEASE FARMING ARRANGEMENTS

Short term lease
Can allow you to have a trial period before making big payments or investments in the land. Usually between 1 and 3 years.

Longer term lease
Can range from five years to 99 years. Make sure you and the landowner are clear about what you mean when you use the term “long-term lease.” Long-term leases can be more secure for the farmer as they’re on the land long enough to make longer-term decisions and improvements.

Rolling leases
A rolling lease means that the lease term automatically extends at the end of each defined period for another full term. For example, in a three-year rolling lease, at the end of each year another year will be added, and the lease term will still be three years, extending the end date of the lease.

Cash lease
This is where the farmer and the landowner agree to a set amount of money that is to be paid each year. The payment schedule can be negotiated. For example, you could agree to pay a small portion of the annual rent at the beginning, and a larger portion at the end of the season.

Crop/livestock share
Instead of a set amount of money, the rent is a portion of the total income from the crop. This is a way to share risk (and benefits) between you and the landowner. A crop/ livestock share needs to be well thought out to make sure you are not giving away too much of your income as rent in a good year.

Labour share
Instead of a set amount of money, a portion or whole of the rent is contributed in hours of labour contributed on the landowners property. A labour share needs to be well thought out to make sure you have enough time to run your farm business and provide the work expected, especially during your peak seasons, or if you scale.

Share Farming

Share farming can be defined as an agreement where the landowner grants a farmer possession to use their land for farming, and the profits derived are shared in proportions agreed between the parties. These agreements differ from leasing arrangements, where the landowner simply leases land to the tenant, who then conducts farming activities on the property and keeps profits from these activities.

With a share farming agreement, each party brings complimentary resources, and costs are shared as well as profits. Share farming agreements can have a range of cost and profit share ratios. So, for example, a 50:50 agreement is one where each party shares the costs and returns equally, whereas a 30:70 arrangement means the landowner incurs fewer costs, but only takes 30% of the profits. When starting out, a landowner may take on a large percentage of the costs (and therefore a larger amount of profit), to help the share farmer get established, with a view to transition the agreement to a 50:50 split after the first year.

The share farmer is neither employee nor tenant of the landowner, and each party still retains their own business operation, so share farming agreements are not considered partnerships. Under share farming agreements, land owners normally provide items which represent the upfront costs (such as the property and infrastructure). The farmers provide machinery and labour, and in the dairy industry often provide the animals.

Share farming is frequently used in the dairy and broadacre cropping sectors. These types of agreements can be beneficial for farmers who are starting out but lack the capital to purchase or lease land. It can also benefit landowners that do not have the resources or time to farm. As you will see from our share dairy farm case study with the Lawrence family in NW Tasmania, when done well, they can enable farmers to quickly grow assets and can provide a pathway from share farming to farm ownership.

As with all land tenure agreements, having a written document is crucial. There is no 'standard' and legal advice is recommended. When considering a share farming agreement each party needs to understand the risks involved. For a landowner, the risk is knowing if the share farmer has the management skills expected to fulfil their part of the arrangement, while for the share farmer, the risk is related to prices of inputs and outputs, and their ability to provide the necessary skills to reach stated targets.


Photo Credit: Moon Cheese Studio

CASE STUDY - CURRAJONG FARM

VIEW THE SHARE FARMING CONTRACT TEMPLATE


Photo Credit: Farm My School

Community Farming

Community farming initiatives offer an alternative model for viable farming on other land. This is especially useful for those starting out, wanting to volunteer on farms or work part-time. They offer excellent opportunities for those who want to gain new skills or explore farming options.

Community farms are often social enterprises that involve farming on shared land, and may be operated by local councils, not-for-profits, institutions such as schools, co-operatives, or land trusts. Community farms may also operate incubator programs, or offer stacked enterprises.

One such social enterprise is Geeveston Community Grows, based in southern Tasmania, a community garden located on council land. The organisation focuses on improving health and wellbeing within the Huon Valley region by connecting people through food, farming and learning. It hosts workshops where participants can learn how to grow, harvest and cook produce, as well as provide social events celebrating produce and the power of community.

SAGE is a not-for-profit community group in Moruya, NSW whose mission it is to create and support a local, sustainable, fair food economy. SAGE manages a farmers market as well as Stepping Stone Farm, which started off by offering market gardening internships and now offers small parcels of land for new or aspiring market gardeners. At Stepping Stone Farm, water, infrastructure and equipment is shared and, while growers are able to operate individually, they are encouraged to collaborate and support one another.

And in Victoria, Farm My School is a ground breaking model of community farming combining food education and regenerative farming. Using community participation they transformed an under-utilised school ground into farmland, with the aim to establish horticultural programs and integrate regenerative farming into school curriculums.

CASE STUDY - UNITED AFRICA FARM

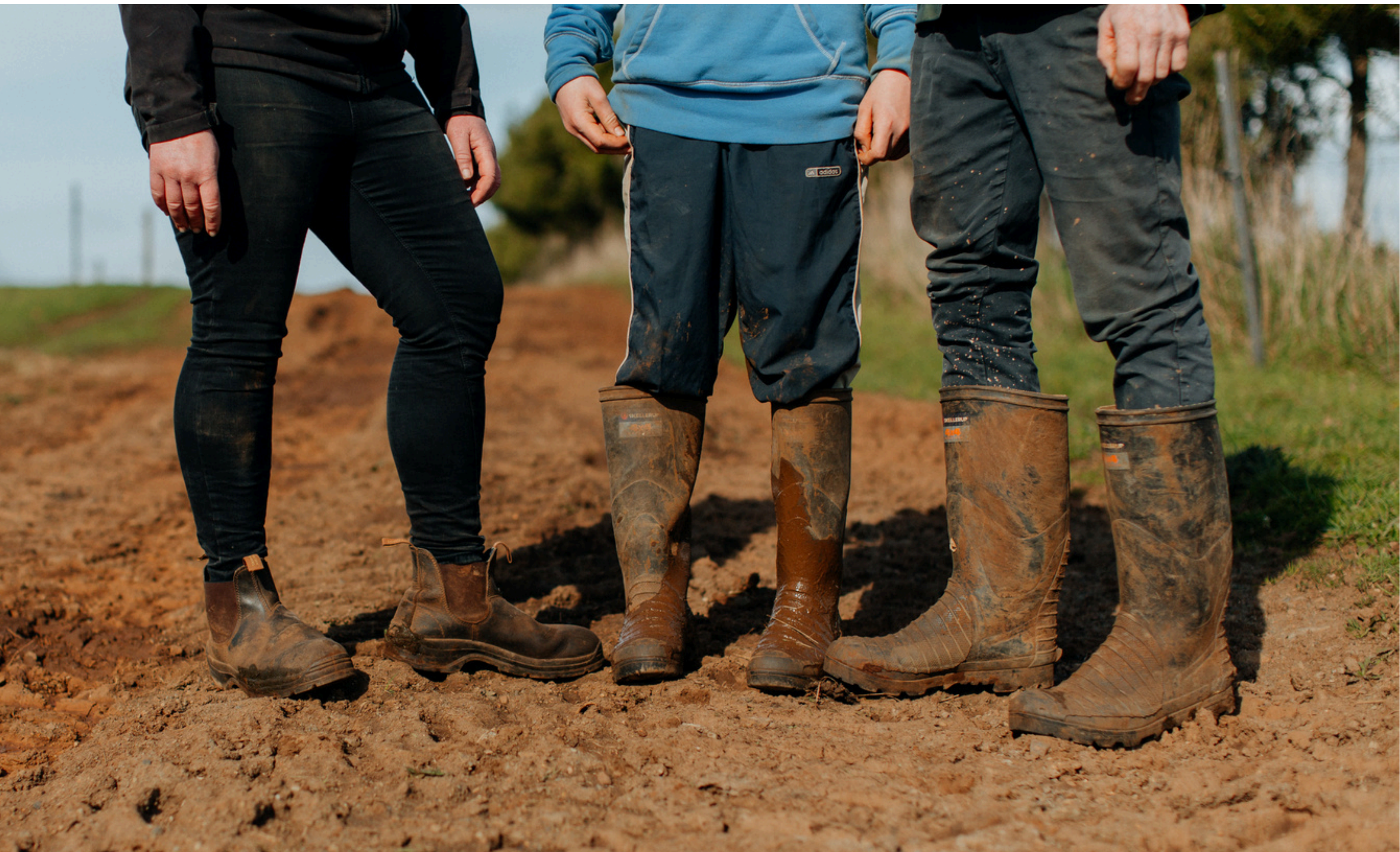
Co-operative Farming

The Business Council of Co-operatives and Mutuals describes a co-op as, "businesses that creates value to share among their members. In a co-op, ownership and control is shared equally amongst members who use their co-op. Members of a co-op are people, other businesses, employees or other community stakeholders who work together to achieve a common purpose or outcome."

In agricultural terms, a co-op can look like a group of producers that work together to farm, process, distribute and market their products. Members of a co-op may receive help accessing markets, services and products on a more cost-effective basis, and importantly in the context of this guide, members of a co-op may also receive support with land tenure.

In Australia, Harcourt Organic Farming Cooperative is a collaboration of diverse organic and regenerative farmers who lease land on a single farm in Harcourt, on Dja Dja Wurrung country, in Central Victoria,. Their model offers producers nine-year leases in three-year instalments, with all co-op members selling through community-supported agriculture subscriptions. They also provide opportunities to access shared infrastructure, and offer great opportunities for new farmers or those without land.

In Canada, Glen Valley Organic Farm was established in 1998 when a community of individuals came together with the shared goal of owning and operating a farming business. The co-operative uses a consensus model in decision-making, and has three businesses; two producing a variety of vegetables, fruits and cut flowers, while other shareholders run an apiary business.



PROS AND CONS OF DIFFERENT LAND TENURE MODELS

	ENTITY	PROS	CONS
LEASE FARMING	Landowner	• Fixed income paid at regular intervals • Minimal working capital or labour required • Capital gain on land still available • May retain use of some assets e.g. Homestead	• Loss of primary production status for tax purposes (check this) • May not use the land except as determined in the agreement
	Farmer	• Less capital required • Land cost fixed for term of lease • Permits the spreading of overhead costs • Greater economies of scale • May increase profitability	• Significant fixed costs which must be met irrespective of farm production and income • Risk of droughts, poor production and poor prices all remain with the tenant • Receives no compensation for improvements made to the land when the lease ends
SHARE FARMING	Landowner	• Has a say in the use of the land • Reduce need for working capital (ie labour and machinery) • Capacity to undertake work for which prior capability did not exist • Continues to benefit from any land capital gains	• Is not responsible for day to day work and the quality of that work
	Farmer	• Much less capital needed • Shares the risks of operations	• In a short-term arrangement may experience a loss without the chance to recoup it
COMMUNITY FARMING	Landowner	• Community engagement • Financial incentives • Fixed income paid at regular intervals • Minimal working capital or labour required	• Possible increased traffic • Running agritourism events may be challenging if close to dwellings
	Farmer	• Less capital required • Land cost fixed for term of lease • Permits the spreading of overhead costs • Greater economies of scale • Shared resources • Peer support	• Less autonomy if many involved • May be dependant on volunteers and/or grant funding
COOPERATIVES	Landowner	• Community engagement • Financial incentives • Fixed income paid at regular intervals • Minimal working capital or labour required	• Risk of co-operative instability • Possible increased traffic • Access requirements may need to be considered
	Farmer	• Shared risk and support • Greater bargaining power	• Risk of co-operative instability • Less autonomy

RESOURCES

THE MANY OPTIONS

Leasing

There are a number of useful documents that can help you understand leasing arrangements:

- Successful Land Leasing in Australia — A guide for farmers and their advisers, published by RIRDC
- Grains Research & Development Corporation Leasing and Share Farming Factsheet
- Young Farmer NSW Leasing and Agistment Toolkit
- Open Food Network's research report, 'Alternative pathways to farm business ownership beyond inheritance'
- Young Agrarians in Canada have a great guide that covers various leasing options
- Farm Table is an Australian Agricultural Knowledge platform with lots of resources
- Australian Food Sovereignty Alliance's Farming On Other People's Land Project

Share Farming

Many of the resources listed in the Leasing section contain information on share farming.

In addition check out the below:

- Dairy Australia's Share Dairy Farming resources

Community Farming

- You can find more about United African Farm here
- Find more about Geeveston Community Grows, SAGE Project, and Farm My School

Co-Operatives

- Find more about Glen Valley Organic Farm and Harcourt Organic Farm Co-Op

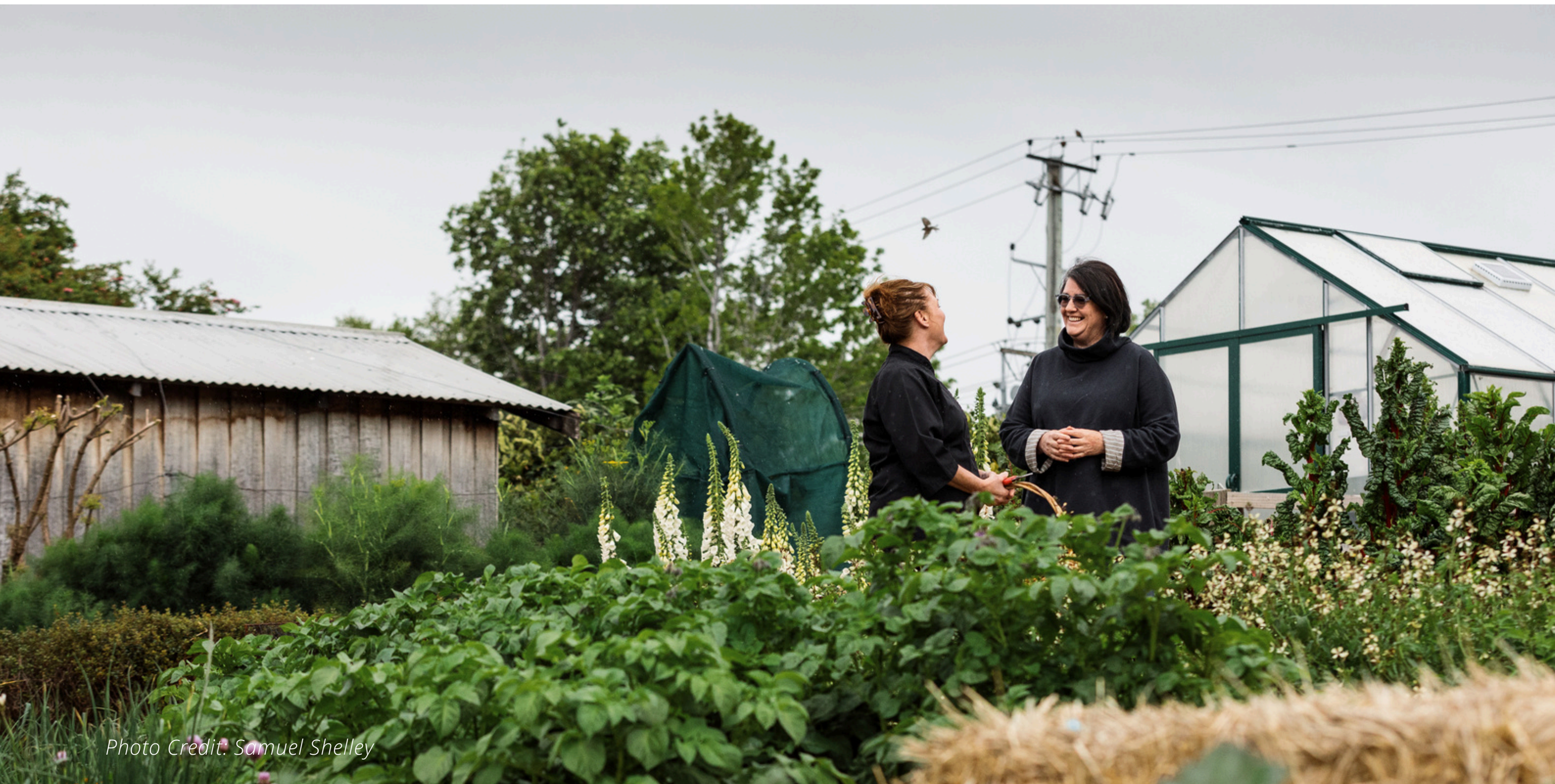


Photo Credit: Samuel Shelley