Omnigence Research Finds Cash Rent Outperforms Profit Sharing and Revenue Royalties on a Risk-Adjusted Basis

Two studies find fixed cash rent delivers higher income in every tested scenario, with no zero-income years and lower operational risk.

CALGARY, AB, CANADA, September 23, 2026 /EINPresswire.com/ -- Omnigence Asset Management ("Omnigence") today published two companion research papers examining how the choice of farmland lease structure affects the risk-adjusted return of otherwise identical farmland. Produced through Veripath, the firm's farmland investment platform, the studies — Farmland Investment Models: Risk-Adjusted Return Comparison Between Cash Rents and Profit Sharing, and its companion comparing cash rents and gross revenue royalties — reach the same conclusion: fixed cash rent is the superior leasing structure, outperforming both profit-sharing and gross-revenue-royalty arrangements on every quantifiable risk-adjusted measure.

> "Two investors can own the same field and achieve very different risk-adjusted returns purely because of how the lease is written."
>
> *Stephen Johnston, Director, Omnigence Asset Management*

The papers start from a well-documented fact — farmland has delivered some of the strongest risk-adjusted returns of any institutional asset class over the past decade — and ask a question that is less often examined: how much of that advantage depends on how the lease is written. Their answer is that the lease structure is a first-order decision. Two investors owning identical land, with identical appreciation, can end up with materially different risk-adjusted outcomes based solely on whether they choose cash rent, profit sharing, or a gross revenue royalty.

THE FINDINGS, SIDE BY SIDE

Using a common framework—a three-crop Canadian Prairie rotation of canola, spring wheat and red lentils, three commodity-price environments, and scenario weights calibrated to the 15-year period from 2012 to 2026—the analysis produces a consistent ranking.

Key findings include:

- Cash rent produced a Sharpe ratio of 1.29, compared with 0.74–0.80 for profit sharing and 0.97–1.10 for a gross revenue royalty.
- The cash-rent Sharpe advantage ranged from 0.49 to 0.54 over profit sharing and from 0.19 to 0.31 over a gross revenue royalty.
- Probability-weighted income was $160 per acre for cash rent, compared with $11–$32 for profit sharing and $77–$116 for a gross revenue royalty.
- Cash rent and gross revenue royalties had a 0% probability of a zero-income year, compared with 40% for profit sharing.
- Both profit sharing and gross revenue royalties generated less income than cash rent in every scenario tested.

(Note: The figures are illustrative and presented on a per-acre basis. They are calibrated to Saskatchewan Crop Planning Guide benchmarks using a land value of $4,000 per acre, appreciation of 9% and a risk-free rate of 4%. Scenario weights are 25% high, 35% mid and 40% low.)

On a risk-adjusted basis, cash rent delivers a Sharpe ratio of 1.29, against 0.74–0.80 for profit sharing (a premium of roughly 61–73%) and 0.97–1.10 for a gross revenue royalty (a premium of roughly 17–32%). The gap is driven primarily by income, not volatility: cash rent returns a fixed $160 per acre in every scenario, while profit sharing yields a probability-weighted $11–$32 per acre and a gross revenue royalty $77–$116 — each below cash rent in 100% of scenarios tested.

The mechanism differs between the two alternatives. Profit sharing makes the landowner the residual claimant on a thin-margin farming operation: in roughly four years out of ten — the single most probable outcome in the historical record — the tenant's net profit is zero or negative, and the landlord receives nothing. A gross revenue royalty removes that failure mode because it is assessed on gross revenue before costs and therefore pays in every year a crop is grown, but it still trails fixed cash rent in every scenario examined. In both cases, raising the landlord's share does little: moving a profit share from 25% to 75% lifts the Sharpe ratio by only about 0.06. It is the structure, not the split, that governs the outcome.

A SECOND LAYER OF RISK

Both papers note a further disadvantage that the Sharpe framework does not capture: operational and enforcement risk. Variable leases require the landowner to verify the tenant's revenue — and, under profit sharing, the tenant's costs — year after year, with the attendant audit rights, contract complexity, dispute resolution, and post-harvest credit exposure as an unsecured creditor. Fixed cash rent, paid in full before seeding, carries none of this: the landlord is never the farm's creditor for the current crop year, and the only annual task is confirming receipt of a fixed payment. At portfolio scale, the papers argue, these governance costs widen the true performance gap beyond what the Sharpe numbers alone show.

“Two investors can own the very same field and walk away with very different risk-adjusted returns, purely because of how the lease is written,” said Stephen Johnston, a director of Omnigence and lead author of both papers. “When we ran the numbers, fixed cash rent came out ahead on every measure we could quantify — a higher risk-adjusted return, higher income in every single scenario, and none of the zero-income years the variable structures produce.”

“Profit sharing turns the landowner into the residual claimant on a thin-margin business, and in roughly four years out of ten that residual is zero,” Johnston added. “A gross revenue royalty fixes the zero-income problem, but it still trails cash rent in every scenario we tested. And cash rent is paid in full before a seed goes in the ground, so you’re never the farm’s unpaid creditor. It turns out the simplest structure is also the strongest one.”

AVAILABILITY
Both research papers are available on request from Omnigence Asset Management.

About Veripath
Veripath is a partner fund of Omnigence Asset Management, a $1 billion alternative investment platform. Veripath invests in Canadian farmland and manages a portfolio of more than 140,000 acres of row-crop farmland across Canada. Its investment strategy is focused on farmland’s potential to provide long-term value, portfolio diversification, inflation protection and exposure to growing global demand for food, feed, fuel and water.

About Omnigence
Omnigence is a Canadian-based alternative investment platform focused on farmland, operational private equity, and secondaries with partner funds managing over $1.2 billion. The firm targets fragmented, unfinancialized investment theses where scale, operational complexity, or size constraints limit participation from larger participants and therefore value is more compelling.

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