

# **YOUR CASH FARM LEASE**

**MISCELLANEOUS PUBLICATION NO. 836  
U.S DEPARTMENT OF AGRICULTURE**

## FARM LEASE PUBLICATIONS

Publications on farm leases available from the Office of Information, U.S. Department of Agriculture, Washington D.C., 20250, are:

**Your Farm Renting Problem, Farmers' Bulletin 2161. Your Farm Lease Contract, Farmers' Bulletin 2164. Your Farm Rent Determination Problem, Farmers' Bulletin 2162. Your Farm Lease Checklist, Farmers' Bulletin 2163.**

These bulletins supersede Farmers' Bulletin 1969 "Better Farm Leases," and Miscellaneous Publication 627, "Your Farm Lease." Lease forms may be obtained from your local County Agricultural Agent. The following publications, originally developed and distributed by the U.S. Department of Agriculture, are being reproduced at the University of Nebraska under the leadership of the North Central Farm Management Extension( Committee:

**Your Cash Farm Lease, Miscellaneous Publication 836. Your Livestock-Share Farm Lease, Miscellaneous Publication 837. Your Crop-Share-Cash Farm Lease, Miscellaneous Publication 838.**

These publications can be purchased in quantity from the University of Nebraska, Department of Information College of Agriculture and Home Economics, Lincoln, Nebraska 68503.

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# your CASH farm lease

*by Marshall Harris, agricultural economist  
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Your cash farm lease may well influence your net income as greatly over a period of years as the productivity of the land, the kind and quantity of fertilizer you use, the quality of your livestock, or the cultural practices you follow in producing your crops. It should be tailored to fit the farm, the landlord, and the tenant. It should set forth clearly the rights, duties, and responsibilities of each party. Some of its provisions must be rigid and inflexible, yet it must provide for change and adaptability to meet the requirements of modern technology in a dynamic economy.

Your farm lease should go a long way toward providing for good overall management by outlining clearly the cropping plan to be followed and the way the farm will be operated to maximize net income for the whole farm. It should indicate in general terms the amount of livestock farming that will be involved.

Your farm lease should provide for further development, improvement, and maintenance of the land, buildings, fences, and other structures that are a permanent part of the farm, and for conservation of its soil and water resources. The landlord is in a good position to cash in on all improvements that may be made, whether he continues to rent the farm, operates it himself, or sells it. The tenant may be in an uncertain position regarding added improvements, for unless the lease otherwise provides he must leave most of the improvements he makes on the farm when his lease terminates. However, the lease can be written to assure the tenant reasonable reimbursement for investments that he may leave behind when his occupancy of the farm ends.

Your farm lease can be most effective in the long run only if farm expenses are divided between the two parties on the basis of what each can best contribute to farm production and if income is divided in the same proportion as expenses of production are shared. The division of costs and returns is important on cash-rented farms. In your agreement, try to attain equitable division. The basic idea is for each party to receive income from the farm in proportion to what he has contributed to production. -

Your farm lease will fail, at least partly, to measure up to these requirements unless it provides a reasonable opportunity for longtime planning of the farm business.

Adequate planning is possible only if the term or duration of the lease provides assurance of stable and secure occupancy. Consider various renewal, cancellation, and termination provisions in arriving at the one that best fits the particular farm, landlord, and tenant.

Your farm lease may well contain several miscellaneous provisions designed to make most effective the contributions of both landlord and tenant to farm production. Fit these to your particular situation, but safeguard the interests of both parties. Provide incentives for maximum contributions toward attaining a highly productive farm.

In view of the many things you want your farm lease to do, it is advisable to have your lease written. Make a copy for each party. Be sure both copies are alike.

## **METHOD FOR ESTIMATING RENT**

Two of your main decisions in developing a good cash farm lease are those that concern the level of rent and the division of expenses between landlord and tenant. If you use the Table for Estimating Rent, take seven major steps:

- Determine the estimated total value (col. 2) of each item under fixed investment expenses.
- Decide on the estimated interest rate for each fixed investment (col. 3).
- Enter the total annual cost (col. 2 multiplied by col. 3) in column 4.
- Estimate the annual cost of each fixed operating expense (lines 11 to 22), showing the whole farm's costs in column 4.
- Decide what items of fixed investments and fixed operating expenses and how much of each will be furnished by each party and enter each party's share in columns 5 and 6.



## TABLE FOR ESTIMATING RENT (Continued)

Item of expense  (1)	Estimated annual cost		
	Whole farm (4)	Landlord's share (5)	Tenant's share (6)
II. VARIABLE EXPENSES:	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
25. Hired labor, including board			
26. Tractor operating costs			
27. Truck operating costs			
28. Automobile, farm operating costs			
29. Machine work hired			
30. Seed			
31. Commercial fertilizer			
32. Pesticides, insecticides			
33. Other crop expenses			
34. Feed			
35. Veterinary and sanitation			
36. Other livestock expenses			
37. Electricity for the farm			
38. Telephone for the farm			
39. _____			
40. _____			
41. _____			
42. Total Section II			
43. Grand total: Section I and II			

Income to be divided \$ \_\_\_\_\_

Cash rent on farm dwelling:

Estimated value \$ _____ at _____ percent	\$ _____
Depreciation, insurance, and upkeep	\$ _____
Total dwelling rent	\$ _____

\* Include taxes and insurance only if they have been deducted from (or not included in) annual cost of property in column 4, section A.

- Determine the total amount of the variable expenses, all of which are paid by the tenant.
- Total all fixed and variable expenses for the whole farm and for each party in line 43.

Now follow one of two procedures: (1) Estimate total farm income and divide it in the same proportion that you divide total farm expenses. The landlord's share would be the amount of cash rent. Or (2) decide upon an acceptable rate of return on the landlord's resources and multiply his fixed expenses by this, as shown in line 24, column 5; this would be the amount of the cash rent. These steps are discussed in the following paragraphs.

The values to be placed on the fixed investment expenses are important because this group of items makes up a significant part of total farm expenses. Estimate the value of each of these items on the basis of *current market value*, or present usefulness for agricultural purposes, as of the beginning of the lease. Visualize the value that a willing buyer and a willing seller would agree upon. Do not think in terms of a forced sale. Do not depend upon what you paid for the items perhaps several years earlier. Make separate estimates for the landlord's and for the tenant's property-

You may want to develop a worksheet with several of these general categories broken down into specific items. For example, the real estate may be more accurately estimated if land, farm buildings, and the dwelling are treated separately. This separation will be helpful in calculating depreciation for farm buildings on line 12a and in making other calculations.

The estimated interest rate used in calculating the annual cost may well be the going rate in the community for investments with similar returns and risks. If this interest rate is high enough to cover such costs as taxes, repairs, insurance, and depreciation, these items should not be included separately later in the rent table.

For land and buildings, the interest charge might well vary around that paid on a sound real estate mortgage. For livestock, machinery, and tractor, the interest charge might well vary around that paid on a sound chattel mortgage. Usually, this is a slightly higher rate than that paid on a real estate mortgage. Now calculate the interest charge for each item. Place the landlord's share in column 5 and the tenant's share in column 6. The total charge goes in column 4. Add the respective columns and place totals on line 10.

In estimating the annual cost of fixed operating expenses, the value of the tenant's labor might well be the going rate for a good, full-time, hired man, living on the farm, line 11a. His management services are taken care of in line 19. Other labor should be calculated in terms of man-labor units at the same rate as the tenant's labor.

Base the annual charge for depreciation on the *estimated life* of each item, using information available from your county agricultural agent or State college of agriculture. Be realistic in estimating the costs of repairs. Usually these estimates are too low.

Divide each item in column 4 between landlord and tenant on the basis of who will furnish it, placing the results in columns 5 and 6. Total each column in line 23.

The total annual cost of the fixed investment expenses and of the fixed operating expenses represent your best estimates of those costs that must be met regardless of how the resources are used in any 1 year or of the amount of total farm income that will result.

In estimating variable expenses, be sure to provide for all variable costs needed to maximize net returns. Adequate labor is a "must." Do not skimp on seed, feed, fertilizer, fuel, and electricity. Be sure to include insecticides and pesticides. Estimate the quantity of each on the basis of the farm plan to be followed throughout the year. Break each item into its separate parts. Show the quantities of each and use anticipated market prices. Enter your estimate in column 4. Add other items if needed. Use information available from your own farm records and the college of agriculture.

In general terms, these variable expenses should be the responsibility of the tenant under cash rent. He is the one whose income will be affected by such expenditures. He will want, therefore, to decide how much to spend on each of these items.

The landlord's interest in expenses will be confined largely to those items that will be of value to the farm after the end of the lease year or when the tenant leaves the farm. These are largely fixed operating expenses. He may well share in the expenses for repairs to buildings, fences, and other structural improvements, by paying for the materials. He may well share in the expenditures for limestone, rock phosphate, and conservation measures. Space is provided for such sharing in the cash lease form. The agreement regarding these might well be a part of the provision related to conservation measures and practices and capital improvements.

You need to estimate expenditures by using the Table for Estimating Rent for these reasons: (1) To assist in completing the lease form, showing the expenditures that each party will pay, and (2) to serve as a basis for determining the amount of the cash rent.

The landlord or tenant may not want to make these calculations of fixed and variable expenses on his own. But making them will give a good idea as to how much rent is to be paid or received.

As the dwelling is a consumption and not a production item, we recommend that a cash rent for the dwelling be calculated separately.

When you have the total estimated annual cost for columns 4, 5, and 6, you have all the expense data necessary to decide upon what the cash rental payment will be. But you do not have the estimated income—a second ingredient.

You may arrive at a cash rent figure without the estimated income data. The amount of cash rent would include:

- The estimated annual cost of the fixed investments supplied by the landlord.
- His estimated annual expenditure for fixed operating items.
- His estimated annual expenditures for variable operating expenses, if any.
- An estimate of any profits due him.

A more accurate estimate of the cash rent could be determined if an estimate of income were available. This estimate could be made by dividing the estimated total income on the basis of the proportional contributions of each party to production cost including the risk borne. The cash rent would be the amount of income assigned to the landlord. As the rent paid to the landlord is a fixed amount that must be paid regardless of changes in production or prices, the landlord does not share risk and a cash rent should be less than a share rent with the same contribution. The rent should be reduced by the value of the additional risk borne by the tenant.

Still another procedure would be to follow customary bargaining on the basis of what farms rent for in the community. This method is not recommended.

Additional ideas about how to figure cash rent are presented under Sharing Costs and Returns, page 14.1

## FILLING OUT THE CASH FARM LEASE

**The Cash Farm Lease** (Form AD 562) includes the usual items that are essential for a good farm lease. This lease form should be used only for cash rent.

A sample copy of the Cash Farm Lease is shown on pages 9 to 12 of this publication.

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<sup>1</sup> Further details of farm rent determination procedures may be obtained from your county agricultural agent or from the U.S. Department of Agriculture, Washington, D.C., 20250.

Other good lease forms may be available from your State agricultural college or State department of agriculture.

The Cash Farm Lease form is not well adapted to crop-share, crop-share-cash, or livestock-share leases. Specific forms are available for these types of renting. You may want to obtain one of them to meet your particular needs. It is important that the provisions of your lease be fully applicable to your farm, and to both landlord and tenant.

In completing the form, fill in each blank space. Either fill in figures, description or similar material, write "NONE" or "NOT APPLICABLE" in the space, or draw a line through the space. You may want also to delete all or a part of some sections. If so, draw a line through each word to be deleted. Be sure that all copies are exactly alike. Each item of the lease form is discussed below.

*The date.*—Indicate on the first blank space in the lease the day you enter into the agreement. This usually is the day on which you sign it.

*Designating the Parties.*—Show the name and address of both landlord and tenant. Since either may be a private individual, an estate, a partnership, a corporation, or a government agency, give names and usual business addresses. Make them accurate and complete enough to meet requirements in case a legal notice must be sent.

## A. Property Rights

Specify the real estate included in the agreement. You need not describe it as completely as you would in a deed but it may be in legal terms.

List the county, the State, and number of acres in the farm. Give the name by which the farm is known locally, its location on a particular road, or the number **4** miles in a certain direction from a specified town. If the information can be obtained readily, refer to the real estate described on a particular page in a certain deed book in the appropriate county office.

### 1. Right of Entry

A right-of-entry provision permits the landlord or his representative to enter upon the farm only for the purposes and under the conditions specified.

Usually the landlord retains no right to come upon the farm unless this privilege is provided in the lease. According to our landlord and tenant law, the lease usually gives the tenant the right to exclude any and all parties except law-enforcement officers from entering upon the farm. He can even exclude the landlord. This is what his possession means. The right of possession is similar in scope to the right of exclusive use. Unless a reservation is made in the lease, this right is presumed to be held by the tenant.

## **2. Transfer of Farm**

A provision in the lease concerning the tenant's rights in event of transfer of title to the farm is an added safeguard for the tenant. The landlord should agree to offer this protection. The tenant could safeguard his interests by recording the lease. But most farm leases are not recorded, and recording is not generally necessary.

## **3. Heirs and Successors**

Certain happenings might mean that the responsibilities of either or both parties under the lease would be transferred to another party. If either landlord or tenant should die, his place in the lease contract would be taken by the executor of his will or the administrator of his estate. Both parties might die in a common accident, such as a fire or an automobile wreck, and two new parties would become the landlord and tenant. A debtor -of one party could force the sale of his property.

This provision states explicitly that the lease is binding upon those who may take the place of landlord or tenant, or both. They should know specifically all the provisions in this complex agreement. Therefore, put your agreement in writing.

### **4. Right to Lease**

The landlord should warrant that he has a right to lease the farm; that is, that he guarantees that the tenant's possession and other rights under the lease will not be disturbed. The landlord need not hold title to the property, but he should have, and should affirm that he has, the right to lease the property to the tenant.

## **5. Additional Agreements**

Show here any additional restrictions, explanations, or qualifications as to the property rights transferred or withheld under the lease. Remember, the several parts of this section on Property Rights should convey a complete and accurate picture of the rights in the farm real estate that are transferred.

## **B. Land Use and Livestock Production**

### **1. Land Use and Kind of Livestock**

Your farm lease should indicate clearly the use that is to be made of the land. This may well be done by designating the crops or uses to which the land should be put; for example, corn, wheat, tobacco, meadow, or pasture. Indicate in the blanks on the lease form the acreage to be devoted to each. The "acres" column should add up to the total number of acres in the farm. Specify the fields by number or name, if it is feasible to do so.

The kinds and numbers of livestock that the

tenant will keep on the farm should be discussed. You may want to show the maximum number or a range in numbers, as the landlord will not participate in the livestock

enterprises. If livestock are an important source of income, you may want to use the livestock-share- lease form.

## **2. Acres and Numbers**

This provision is widely and appropriately used. It is essential, for acres and numbers are subject to change within the year and from year to year.

## **C. Improving, Conserving, and Maintaining the Farm**

### **1. General Maintenance**

This is a typical provision on maintenance. It is found in many cash leases in most parts of the country.

### **2. Good Husbandry**

This is a typical provision on caring for crops and is applicable to most rental situations. It is particularly important for cash leases.

### **3. Cropping Practices**

These specific items cover six troublesome practices. They are singled out because of their importance and their general applicability. Rigid adherence to this provision will encourage greater landlord participation in improving pastures and land.

### **4. Manure and Crop Residue**

Any exceptions to this provision should be noted in specific terms.

### **5 and 6. Posturing and Waste**

These two general provisions are frequently included in lease forms to direct attention to important, good farming practices.

### **7. Fire Protection**

This is a reasonable fire protection precaution. But the landlord is responsible for making the provisions of his insurance policy known to the tenant.

### **8. Replace Losses**

This provision is designed to protect the tenant, so far as is reasonably possible and to assure him that needed buildings will be replaced immediately. It makes more meaningful what is expected of the tenant as outlined in item 7 of this section. Both sections 7 and 8 indicate the complementary nature of due care on the part of the tenant and prompt action by the landlord.



**9. Noxious weeds.**-The tenant will use diligence to prevent noxious weeds from going to seed on the farm and will destroy the same, and will keep the weeds and grass cut or destroyed on the fields, farmstead, roadside, and fence rows. Treatment of weed infestation and cost thereof shall be handled as follows:

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**10. Maintenance of improvements.**-The tenant will keep the buildings, fences, and other improvements on the farm in as good repair and condition as they are when he takes possession, and in as good repair and condition as they may be put during the term of the lease, ordinary wear and tear, loss by fire, or unavoidable depreciation or destruction excepted.

**11. Materials and labor.**-The landlord will furnish materials and the tenant will perform labor for normal maintenance and repairs, except that skilled labor which the tenant himself is unable to perform satisfactorily will be furnished by the landlord. Additional agreements regarding materials and labor:

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**12. Purchase of materials.**-The tenant may buy, without further authorization, materials for normal maintenance and repairs in a total amount not to exceed \$\_\_\_\_\_ within each year, and the landlord will credit or reimburse the tenant for such expenditures as follows:

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**13. Add improvements.**- The tenant will not, without written consent of the landlord, (a) erect or permit to be erected on the farm any nonremovable structure or building, or (b) incur any expense to the landlord for such purpose, or (c) add electrical wiring, plumbing, or heating to any buildings and if consent is given, he will make such additions meet standards and requirements of power and insurance companies.

**14. Conservation practices.**- The tenant will control soil erosion as completely as practicable by stripcropping and contouring, and by filling in or otherwise controlling small washes or ditches that may form.

**15. Conservation structures.**-The tenant will keep in good repair all terraces, open ditches, and inlets and outlets of tile drains, preserve all established watercourses or ditches including grass waterways when seed and fertilizer are furnished by the landlord, and refrain from any operation or practice that will injure them.

**16. Compensation for improvements.**-The two parties will carry out new conservation practices and measures and make other improvements, and share contributions and costs necessary for completing such practices and improvements as set forth below. The tenant will be reimbursed by the landlord when the practice, measure or improvement is completed, or will be compensated for its unexhausted value when the tenant leaves the farm, according to the table below:

**16. (Cont'd) Compensation for Improvements Table.**

CONSERVATION PRACTICE, MEASURE, OR OTHER IMPROVEMENT	DATE TO BE COMPLETED	ESTIMATED COST (DOLLARS)	PERCENT TO BE FURNISHED BY LANDLORD AND BY TENANT				VALUE PLACED ON TENANT'S CONTRIBUTION (DOLLARS)	RATE OF ANNUAL DEPRECIATION (PERCENT)
			MATERIALS		LABOR	MACHINERY		
			L	T				

**17. Additional agreements relative to conservation and improvements:**

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**18. Review of conservation program.**-A new schedule covering conservation practices and improvements will be prepared each year on an appropriate form, which will become a part of this lease when signed by the two parties.

**19. Preparing or seeding land.**-When the tenant leaves the farm, if the total acreages of prepared or seeded land are greater than at the beginning of his tenancy, he will be compensated by the landlord on the basis of the value of such excess acreages. If such total acreages are less than at the beginning of his tenancy, the tenant will compensate the landlord on the basis of the value of such deficiency, provided that the deficiency is not due to drought, flood, or other causes beyond the control of the tenant. The acreages at the beginning of this tenancy and the basis of payment are as follows:

**19. (Cont'd) Preparing or Seeding Land Table.**

PREPARED OR SEEDED	ACRES AT BEGINNING	RATE PER ACRE	PREPARED OR SEEDED	ACRES AT BEGINNING	RATE PER ACRE

**20. Removable improvements.**- Minor improvements of a temporary or removable nature, not provided for in item 16 of this section, which do not mar the condition or appearance of the farm may be made by the tenant at his own expense. The tenant may at any time this lease is in effect, or within a reasonable time thereafter, remove such improvements, provided he leaves in good condition that part of the farm from which they are removed.

**21. Compensation for damages.**-When the tenant leaves the farm he will pay the landlord reasonable compensation for any damages to the farm for which the tenant is responsible, except ordinary wear and depreciation and damages beyond the tenant's control.

**D. SHARING COSTS AND RETURNS**

All costs and returns shall be divided between landlord and tenant as provided below, Unless otherwise specifically stated elsewhere in this lease.

**1. Rental rates.**-The tenant agrees to pay as cash rent the amount as calculated below in either method 1 or 2 as completed:

METHOD 1-STRAIGHT CASH RENT				METHOD 2-FLEXIBLE CASH RENT				
KIND OF LAND (1)	ACRES (2)	RATE (3)	AMOUNT (4)	COMMODITY (5)	QUALITY (6)	QUANTITY (7)	PRICE (8)	AMOUNT (9)
INTERTILLED CROPS				CORN				
SMALL GRAINS				COTTON				
HAY				TOBACCO				
PASTURE				WHEAT				
FARM BUILDINGS	XXXXXXXX	XXXXXXXX		HOGS				
DWELLING	XXXXXXXX	XXXXXXXX		BEEF				
				MILK				
WOODLAND								
FARMSTEAD AND LOTS								
ENTIRE FARM				XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX

**2. Variations for price (for method 2).**-The prices to be used in column 8 will be determined as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

and the amount of column 9 will be the product of column 7 multiplied by column 8.

**3. Variations for production conditions.**-The total amount of rent for the entire farm as shown in either column 4 or as calculated for column 9 shall be adjusted for any year in which the yield of \_\_\_\_\_ as reported by the State Crop Reporting Service is \_\_\_\_\_ percent above or below the county average yield for the previous \_\_\_\_\_ years, as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**4. Rental payment.**-The annual rental due shall be paid as follows: \$ \_\_\_\_\_ on \_\_\_\_\_ and \$ \_\_\_\_\_ on \_\_\_\_\_ and the payments shall be made at \_\_\_\_\_

**5. Additional agreements in regard to rental rates:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**6. Expenses.**-Expenses shall be supplied by the tenant except as included in section C and except as follows:

EXPENSES	FURNISHED BY LANDLORD	EXPENSES	FURNISHED BY LANDLORD	EXPENSES	FURNISHED BY LANDLORD
LABOR		CROP EXPENSES		-ELECTRICITY	
MAINTENANCE-BUILDINGS				TELEPHONE	
MAINTENANCE-FENCES		SEED		INSURANCE-BUILDINGS	
MACHINE REPAIRS				INSURANCE-CROPS	
FUEL-TRACTOR		INSECTICIDES			
FUEL-TRUCK		WEED CONTROL MATERIAL			
FUEL-OTHER		LIMING MATERIAL		TAXES-REAL ESTATE	
CUSTOM WORK AND HAULING		FERTILIZER		TAXES-PERSONAL	
FEED PURCHASED OR SUPPLIED					
LIVESTOCK EXPENSES					

7. **Record of expenses.**-The tenant will keep a record of expenses furnished by the landlord, and settlement will be made by mutual agreement or at the time that final rent payment is due.

8. **Additional agreements relative to expenses:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. **Government programs.**-The farm will be operated in compliance with Government programs as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

E. **TERM OF LEASE**

1. **Term.**-The term of this lease shall be \_\_\_\_\_ year(s) from \_\_\_\_\_ 20\_\_\_\_ to \_\_\_\_\_ 20\_\_\_\_ and this lease shall continue in effect from year to year thereafter until written notice of termination is given by either party to the other at least \_\_\_\_\_ months before expiration of this lease or any renewal.

2. **Continuous occupancy.**-The tenant agrees that he or his agent will possess and occupy the farm continuously during the term of the lease.

3. **Surrender of possession.**-The tenant agrees to surrender possession and occupancy of the premises peaceably at the termination of the lease.

4. **Review of lease.**- A request for general review of the lease may be made at least \_\_\_\_\_ days prior to the final date for giving notice to terminate this lease. Amendments and alterations to this lease shall be made in writing.

3. **Debts and accidents.**-Each party agrees that the other party shall in no way be responsible for the debts of, or liabilities for accidents or damages caused by, the other party.

4. **Willful neglect.**- Willful neglect, failure, or refusal by either party to carry out any substantial provision of this lease shall give the other party the benefit,; of any proceedings provided by law.

5. **Arbitration of differences.**-Any differences between the parties as to their several rights or obligations under this lease that are not settled by mutual agreement after thorough discussion, shall be submitted for arbitration to a committee of three disinterested persons, one selected by each party hereto and the third by the two thus selected; and the committee's decision shall be accepted by both parties.

6. **Additional agreements:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

F. **MISCELLANEOUS PROVISIONS**

1. **No partnership created.**-This lease shall not be deemed to give rise to a partnership relation, and neither party shall have authority to obligate the other without written consent, except as specifically provided in this lease.

IN WITNESS WHEREOF, the parties have signed this lease on the date first above written.

Witnesses:

\_\_\_\_\_  
(Landlord) [SEAL]

\_\_\_\_\_  
[SEAL]

\_\_\_\_\_  
(Tenant) [SEAL]

(Acknowledgment in appropriate form to be attached.)

**FARM LEASE**

Between

-----  
(Landlord)

-----  
(Tenant)

**USE OF THE FARM LEASE FORM**

This form contains suggested provisions for a cash farm lease. Whether particular provisions should be included or modified in your lease depends on the agreements between the parties and whether the provisions are appropriate under the laws of your State. Spaces are provided for writing in particular details or special arrangements that a landlord or tenant may want. Details of the lease can be changed from year to year.

Additional copies of this form or forms for crop-share-cash or livestock-share renting, and publications that contain suggestions for filling out the lease forms, may be obtained from your County Agricultural Agent.

Prepared by  
U.S. DEPARTMENT OF AGRICULTURE

## 9. Noxious Weeds

The war against weeds demands special attention in many areas. If needed, indicate in the lease the specific treatment to be used and how costs will be divided. These matters should be agreed upon when you draw up the lease. Do not wait until the day or week the treatment should be applied.

## 10, 11, and 12. Maintenance of Improvements, Materials and Labor, and Purchase of Materials

The maintenance of all physical structures on the farm is important to both landlord and tenant. This is a matter to which daily attention must be given. Such things as a leak in the roof, a broken window, or a loose door, gate hinge, or latch, demand immediate care. A nail here, a staple there, or a few shovelfuls of dirt on a terrace or waterway might save major expense later.

The tenant can be expected, reasonably, to accept fully responsibility for carrying out such maintenance, and the landlord should furnish the materials. The items to be included in the blank space in item 11 are those known to need special attention. Agree upon them when you make the lease. Do not put the matter off for later decision. If you do, you encourage misunderstanding. Inclusion of specific maintenance items here does not imply that other skilled labor will not be furnished by the landlord.

Usually, the landlord will find it good economy to be liberal on the costs of materials for maintenance (item 12). But the tenant should keep a complete and accurate account of each expenditure.

## 13. Add Improvements

With the recent emphasis on modern conveniences in the home and labor-saving devices on the farm, some major improvements have been undertaken without complete understanding between landlord and tenant. This provision attempts to safeguard the interests of both parties.

So far as possible, any major needed improvement should be agreed upon when the lease is made. Outline the agreement in items 12 and 16 of this section, using an additional sheet if necessary. The main point is this: The best time to reach agreement on such improvements is when the lease is made. Do not put this off for later negotiation, unless the situation is unusual.

## 14 and 15. Conservation Practices and Structures

These two provisions are designed to safeguard conservation structures and to encourage conservation practices. They should be adhered to strictly.

## 16. Compensation for Improvements

This provision affords the two parties a ready means of recording their agreements as to compensation for a variety of improvements and conservation measures. Investments

may involve limestone, rock phosphate, commercial fertilizer, terraces, grass waterways, buildings, fences, tiling, permanent pastures, meadows, forestation, the water supply, electric wiring, bathroom, painting, papering, central heating, and many other improvements. As labor-saving devices are becoming increasingly important, they should be given special attention.

The crucial decisions are:

- What improvements will the tenant make, or cooperate in making, for which he will receive compensation for their unexhausted value when he leaves the farm?
- How will the various expense items be divided between landlord and tenant?

In most instances, the valuation placed on the tenant's contribution can be no more than an estimate. If the tenant is to be reimbursed when the work is completed, the last column may be left blank.

The various costs can be calculated, and the percentage to be furnished by each party can be determined by discussion, but the rate of depreciation may be difficult to decide.

These arrangements regarding compensation for improvements should not be included in any way in the section on Sharing Costs and Returns, nor is it necessary to divide costs of improvements between tenant and landlord in the same proportion as the farm costs and returns are shared.

Your county agricultural agent, soil conservation supervisor, or college of agriculture might have available specific data that will fit your situation. If not, decide upon a depreciation rate that appears to be reasonable. Much of the success of your farm lease may well depend upon the agreement about such improvements and conservation measures. These items are more important than they were before the conservation movement and the development of modern technology.

## 17. Additional Agreements Relative to Conservation and Improvements

Any agreements relative to conservation and improvements that cannot be recorded clearly in the table or elsewhere in the lease should be described in item 17 immediately below the table.

## 18. Review of Conservation Program

The soil and water conservation and development program for the farm is of such importance to successful farming that it should be reviewed at least once each year. Incorporate your specific plans for the next year in a table similar to that in item 16.

## T9. Preparing or Seeding Land

A provision that all farmwork is to be done at the normal time encourages good tenant farming. This means that the outgoing tenant will do some seeding, some plowing, and a few other things that will benefit directly the incoming tenant. The objective might well be for the outgoing tenant to complete as many of such operations as had been completed when he first occupied the farm. As this is not always possible, the tenant should be paid for any overage and he should stand the cost of any deficiency.

Insert in the lease a record of the number of acres at the beginning of the lease of each type of seeded or prepared land and the rate per acre that will be applied to any excess or deficient acreage when the lease is terminated. Include in the rate per acre the tenant's labor and machinery expense and any contribution that he makes toward seed, fertilizer, and similar cash costs.

## 20. Removable Improvements

Some cash-rented farms do not have enough temporary buildings, fences, or feeding conveniences for good livestock farming. In an instance of this kind, the tenant may be in position to supply the needed items at his own expense, provided he can take them with him when he leaves the farm. Under the law of the State it may be difficult to determine what has become attached to the landlord's property and must be left on the farm, or the law may provide that some improvements made by the tenant are removable. In either instance, the tenant should be encouraged to supply any of these minor items. This can be done by assuring him that he can take them with him when he leaves the farm. These items would include no improvement listed in item 16 of this section.

## 21. Compensation for Damages

Although in item 6 of this section, the tenant agrees not to commit waste, he may fail to live up to this agreement. If he fails, he should pay the landlord for the damages. Also, this provision for compensation for damages and the provision that deals with compensation for improvements (item 16) confer similar privileges and impose similar responsibilities on both landlord and tenant.

## D. Sharing Costs and Returns

Study the Table for Estimating Rent and the accompanying explanatory material on pages 3 to 7. Use the table in estimating expenses, in dividing some of the expenses, and in arriving at the rental rate. If suggestions are followed in completing the Table for Estimating Rent, much of the data called for in the lease form will be readily available and might well be transferred directly.

If you follow the suggested procedure, you will be more likely to arrive at an equitable division of costs and returns than if you make no estimate of fixed and variable costs.

### 1. Rental Rates

The cash rent method table in the Cash Farm Lease (Form AD 562) should be completed in every detail for either method 1 or method 2. Do not complete it for both methods. Cross out the method not used. Show fully what rent is to be paid, and so far as possible show for what it will be paid and how it will be calculated.

*Method 1.*-Use this part of the table for straight cash rent. List in column 1 each kind of land use separately. Base the need on what will be recorded in the other three columns. If the rate is to differ for the various land uses, enter each use on a separate line.

Show in column 2 the number of acres in each land use. The total should be the same as that on the first page on the lease. Enter in column 3 the rate per acre for each land use. The amount in column 4 is the result of multiplying column 2 by column 3.

If the rent is a lump sum for the entire farm, enter this amount in the last line (col. 4).

*Method 2.*-Use this part of the table for sliding scale or flexible payment cash rent. This method is an attempt to shift a part of the risk of changes in production conditions (yield) and prices to the landlord. When used alone and items 2 or 3 are not used it would provide for a fixed amount of cash rent. This would be comparable in principle to method 1-the difference would be in the way the rent is calculated. So fill out both items 2 and 3.

### 2. Variations for Price

Item 2 would be used if you agree that a fixed *quantity* of each crop is acceptable, but you want rent to depend upon what the produce would sell for when it is ready for market. Write in the blank space how the prices will be determined; for example, the price for a certain day on a certain market. Use only the major sources of income.

### 3. Variations for Production Conditions

In general, flexibility in cash rent based on production changes is not recommended because (1) if the flexibility is based on county or other area wide changes, there is a possibility of a particular farm's production changing in the opposite direction, and (2) if the flexibility is based on the productivity of the particular farm, the landlord would be sharing in changes in production which are partly under the control of the tenant. The tenant would thus not have the incentive to make maximum effort to increase production.

Suppose, for example, that production on the farm is raised above its average by the tenant's applying more fertilizer. If the lease provides for an adjustment upward in the cash rent, the landlord is in effect participating in a return due solely to the tenant's labor and expenditures. In most production conditions, it is impossible to separate the effects of efforts made by the operator and conditions such as climate over which the operator has no control. It may be preferable if landlord and tenant wish to allow for production variation to use a share lease form.

However, if the tenant and landlord desire to allow for such variations on the cash rent basis, item 3 may be used if it is so agreed that the *quantity* column 7, should be varied up or down, according to production conditions. Again use only the major sources of income. Do not be concerned with less than 10 percent variations in yield.

This provision could also be used in another way, together with method 2 and also with method 1. The total rent for the entire farm, column 4 or column 9, would vary according to production conditions.

#### **4. Rental Payment**

By using this provision, you will show when the rent payment or payments are due and where the payments will be made.

#### **5. Additional Agreements**

Any arrangements that cannot be shown clearly in the rental rate table should be described in these blank spaces.

#### **6. Expenses**

Since the cash tenant usually bears most, if not all, of the variable expenses, it would seem best to put this general responsibility on him by showing only what the landlord will furnish. The landlord's share of expenses may be recorded in dollar value, as a fractional part, as a percentage, or as rates per unit such as per acre, bushel, or bale.

#### **7. Record of Expenses**

The tenant's record of operating expenditures furnished by the landlord should show for what the expenditure was incurred and should include appropriate sales statements, receipts, checks, and similar evidence.

#### **8. Additional Agreements (Operating Expenses)**

Describe in item 8 any expense that cannot be recorded clearly in the table.

### **E. Term of Lease**

#### **1. Term**

We have left the term of the lease for consideration last. The length of the term for which the lease is drawn should be decided in light of the land use and livestock systems, the steps to be taken to improve, conserve, and maintain the

farm, and how costs and returns are to be shared. It is only after these matters have been decided that the two parties are in position to discuss the length of the lease term.

The basic objective is to make the term of the lease fit the kind of farming that is to be done. Sound land use, conservation of land and water, development of good herds and flocks, and maximization of net income are possible only when longtime planning is practiced. Yet the two parties may have many impelling reasons for not wanting to be tied up for a number of years.

A situation in which longtime planning is reasonably possible may be created by a long-term lease—3 to 7 years or longer—or by a lease that continues in effect from year to year until written notice of termination is given well in advance of the lease year. The term should fit farm, landlord, and tenant. Regardless of whether the lease is for a term of years or continues automatically from year to year in the absence of a notice of termination, the termination process should give both landlord and tenant the time necessary to make other arrangements for the coming year. This may be only a few months, perhaps 4 to 6, or it may be a year or more.

The period for which the lease is drawn should be shown in the blank spaces. Show the number of years and the date on which the tenant's occupancy is to begin and end, using month, day, and year. If the lease is to continue automatically from year to year in the absence of termination notice, indicate when notice of termination is to be given, showing the number of months before the last date (the expiration date) entered in the first part of this item.

#### **2. Continuous Occupancy**

The tenant or his agent should physically occupy the farm during the entire lease period, particularly when farm buildings are included. This is necessary to protect the landlord's property and in some instances to make insurance on buildings effective.

#### **3. Surrender of Possession**

The law usually requires the tenant to surrender possession at the end of the lease. This is a specific reminder and covenant to that effect.

#### **4. Review of Lease**

The reason for putting your lease agreement in writing applies equally to putting all amendments and alterations in writing.

Record adjustments agreed to during the year on a separate sheet of paper to be signed by both parties. Many discussions held and decisions made during the year do not alter the original lease. Do not record all of these decisions. Write only those that change the written provisions of the lease.

In case either party wishes to make major changes for the next year, he should notify the other party at least a month, and preferably 2 months, before the time specified for notice of termination in item I of this section.

## **F. Miscellaneous Provisions**

### **1. No Partnership Created**

Most landlords and tenants do not want their leases to create a partnership relation. They may have many reasons for this but one is overriding. They do not want to be responsible for the acts of the other party, as they would be in a partnership. If you wish a partnership, get a lawyer to draft a partnership agreement. It differs from a lease.

This provision will be ineffective in its purpose if the two parties operate as do partners and not as landlord and tenant. Be sure that the way you carry out your business transactions will help to make this provision effective.

### **2. Government Programs**

The landlord and tenant should discuss the various Government programs that are applicable to the farm. Soil conservation, acreage allotment, marketing agreement, reforestation, farm improvements, production or commodity loan, rural telephone and electrification, small watershed, and other programs should be considered.

Programs related to water supply command particular attention in some areas. Write in the blank space your agreement as to how you will work together in cooperating with each specific program. This is the agreement between landlord and tenant; it need not indicate the details of their agreement with the Government agency. List the program and how costs and benefits will be shared, when applicable. Use a separate sheet if necessary.

Consideration should be given to the way in which benefits or taxes for social security are affected by the lease. For provisions of the law see your Social Security representative.

### **3. Debts and Accidents**

This agreement may be effective only as between the two parties. It may bind only those who sign the lease and their successors. It is most effective where the "no partnership provision" is effective. Ordinarily, it does not apply to third parties, even if the lease is recorded.

### **4. Willful Neglect**

This provision calls to the attention of both parties the privilege of enforcing the agreement.

### **5. Arbitration of Differences**

Your lease should be completed in such a way that the likelihood of misunderstanding will be reduced to a minimum. This can be accomplished best by studying each provision, filling out each blank, and arriving at an equitable division of receipts and expenses. But conditions that could not be anticipated may arise, and good men may disagree. If this should happen, a practical way of settling the difference is to leave the decision to an arbitration committee. This clause is included in many farm leases used throughout the country. Its value lies partly in its presence rather than the number of differences submitted to arbitration.

### **6. Additional Agreements**

This blank space is provided for any special provisions not covered elsewhere in the lease.

### **7. Signing the Lease**

The lease should be signed in duplicate by both parties. In some States, it should be witnessed by two disinterested parties. In some instances, the landlord's wife should sign the lease also. Landlord and tenant should each keep a signed copy. It is seldom necessary to record your lease or file it in the county office in which documents of this kind are recorded. Each of you may want to refer to the lease from time to time during the year, and in case of renewal you will want to use it. If the lease is terminated, adhere strictly to the notice provision.

Just before the lease is signed, do two things: (1) Use Farmers' Bulletin 2163, Your Farm Lease Checklist, to assure yourself that all pertinent items are covered, and (2) read the lease carefully to see that its provisions present your agreement accurately.