

FAQ 5

Where Can I Find Examples of Leasing Agreements for Land and Other Ag-Related Contracts?

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A variety of arrangements can be made with farm leases and contracts. The key to their success lies in the relationship between the landowner and the tenant. The publications and Websites below address leases and the landowner/tenant relationship. In addition, copies of leases are included in several of the following publications.

Excerpt from *Crop Share or Crop Share/Cash Rental Arrangements For Your Farm (NCR-105)*

Rental arrangements for cropland vary widely in each locality and from one farming area to another. The purpose of this publication is to help tenants and landlords make sound decisions and develop fair crop share arrangements.

- Part I: Should You Be Using a Crop Share Arrangement?
- Part II: Establishing a Crop Share Arrangement
- Part III: Developing a Fair Crop Share Lease Arrangement
- Part IV: Setting Rents for Other Cropland, Pasture and Buildings
- Part V: Whole Farm Approach—Testing Your Crop Share Lease

Excerpt from *Indiana Cash Farm Lease (EC-257)*

A written cash farm lease agreement serves two functions. First, it provides a record of the specific agreement. While an oral lease is valid and widely used, disagreements can arise because of forgetfulness or a misunderstanding of exactly what was agreed upon. The process of writing an agreement tends to prevent misunderstandings.

The second function of a written lease is to provide legal proof of the agreement. The included form is not intended to substitute for the advice of an attorney regarding the second function.

This publication includes a blank cash lease form designed to help tenants and landlords put their agreement in writing. First, however, the publication presents some explanations and suggestions for appropriate use of the cash lease form. Where applicable, these are keyed to specific sections of the form.

Excerpt from *Figuring Rent for Existing Farm Buildings (EC-451)*

There is no “right” answer to the question, “What is the correct, or fair rent for a building?” The value placed on the use of the building by the owner and prospective renter is generally only a point from which to start bargaining.

A building provides a service. To the user, that service is worth no more than what it will add to returns, or the amount it will reduce costs. These estimates would establish the maximum amount a potential renter would be willing to offer for the building services. For the building owner, the cost of providing the services of the

building can serve as a guide in establishing an asking price. The cost is relevant in deciding whether to (1) rent the building, (2) continue ownership, or (3) tear it down.

If there is a going market rental rate, it can be used as a starting point in bargaining. If a commercial rate is not available, then the building owner must develop a means of arriving at an asking price. The potential user must determine an offering price as well. It will be based on his added returns or reduced costs from using the building services.

Excerpt from *Pasture Leases* (EC-623-W)

Determining a fair and reasonable rent that will benefit both the landlord and the tenant is difficult. Unlike cash and share rental arrangements for cropland, the terms of pasture rental arrangements are not generally known. Furthermore, the quality of pastureland varies widely. An arrangement used by a farmer for improved pasture likely is not appropriate for a neighbor who has non-improved pasture partially covered in brush and trees. Pasture rental rates and terms thus may vary widely within the same locale, yet still be acceptable to both landlord and tenant.

Excerpt from *What's the Right Rent?* (EC-708-W)

Since increased price variability is forecast for the foreseeable future, more landlords and tenants may be interested in conventional share leases, perhaps with provisions for privilege payments to better match the rent to the current price level. In addition, there may be interest in including terms in cash leases which adjust rents to account for changes in crop prices and also for changes in yields, costs, and government programs.

Besides wanting to adjust cash leases for changes in costs, yields, prices, and government program payments, some tenants and some landlords may want these adjustments to be based on outside-the-farm gate benchmarks other than on the tenant's actual production and marketing performance.

When using such adjustors, landlords may be more willing to consider lower skilled prospective tenants and tenants who may plant and/or harvest their farm late in the season when yields are expected to be lowest. Highly skilled tenants may also prefer using outside-the-farm gate adjustors because they will realize 100% of their actual exceptional performance.

Resources for Leasing Agreements

| Resources | Sources |
|---|---|
| <i>Crop Share or Crop Share/Cash Rental Arrangements For Your Farm</i> (NCR-105). North Central Regional Publication. | http://www.ces.purdue.edu/extmedia/NCR/NCR-105.html |
| <i>Indiana Cash Farm Lease</i> (EC-257). Purdue Extension. | http://www.ces.purdue.edu/extmedia/EC/EC-257.pdf |
| <i>Figuring Rent for Existing Farm Buildings</i> (EC-451). Purdue Extension. | http://www.ces.purdue.edu/extmedia/EC/EC-451.html |
| <i>Pasture Leases</i> (EC-623-W). Purdue Extension. | http://www.ces.purdue.edu/extmedia/EC/EC-623.html |
| <i>What's the Right Rent?</i> (EC-708-W). Purdue Extension. | http://www.ces.purdue.edu/extmedia/EC/EC-708.pdf |
| <i>Indiana Custom Rates for Power Operated Machines, 2000</i> | http://www.agecon.purdue.edu/ext/pubs/cust-rates-01.pdf |
| Livestock Share Farm Lease (NCR-108) | North Central Regional Publication |
| Crop Share Leasing and Lease Form (EC-210-W). Purdue Extension. | http://www.ces.purdue.edu/extmedia/EC/EC-210.html |
| <i>Negotiating Oil and Gas Leases on Indiana Farmland</i> (EC-564-W). Purdue Extension. | http://www.ces.purdue.edu/extmedia/EC/EC-564.pdf |
| <i>Pasture Lease—Form 1 (Cash Rent per Head per Month)</i> (EC-624-W). Purdue Extension. | http://www.ces.purdue.edu/extmedia/EC/EC-624.html |
| <i>Pasture Lease—Form 2 (Cash Rent Based on Acres)</i> (EC-625-W). Purdue Extension. | http://www.ces.purdue.edu/extmedia/EC/EC-625.html |
| <i>Pasture Lease—Form 3 (Rent to Be Paid by Share of Gain)</i> (EC-626-W). Purdue Extension. | http://www.ces.purdue.edu/extmedia/EC/EC-626.html |
| Linked menu of Purdue Extension publications from Agricultural Economics. More information on leasing land, animals, pastures, and farm facilities. | http://www.ces.purdue.edu/extmedia/agecon.htm |
| <i>Managing Landlord-Tenant Relationships: A Strategic Perspective</i> (FR-0004-01). Ohio State University. | http://ohioline.osu.edu/fr-fact/0004.html |
| Linked menu of Univ. of Nebraska publications on leases and contracts | http://www.ianr.unl.edu/pubs/farmmgmt/#leases |
| Farm leasing and management information from the Univ. of Illinois. | http://www.farmdoc.uiuc.edu/manage/index.html |

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