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U. S. DEPARTMENT OF AGRICULTURE

FARM LEASE



Good written farm leases can lead to better understanding and closer cooperation between landowners and tenants.* Such leases can also mean improved tenant farming, soil conservation, more food production, and higher farm incomes.

UNITED STATES DEPARTMENT OF AGRICULTURE
Extension Service in cooperation with
Bureau of Agricultural Economics
Miscellaneous Publication No. 627
June 1947

FLEXIBLE FARM LEASE

Essentials of a

THIS LEASE is entered into this _____ day of _____, 19____, between

_____, landlord, of

(Address)

_____, tenant, of

(Address)

1. **DESCRIPTION OF PROPERTY.**—The landlord hereby leases to the tenant, to occupy and use for agricultural and related purposes, the following-described property, located in _____ County, State of _____.

_____ acres, more or less, together with all buildings and improvements thereon and all rights thereto appertaining. (All this property together is hereinafter referred to as the "farm.") The landlord warrants that he is the owner of the farm, has the right to give the tenant possession under this lease and will, so long as this lease remains in effect, warrant and defend the tenant's possession against any and all persons whomsoever.

2. **TERM OF LEASE.**—The term of this lease shall be _____ year, from _____, 19____, to _____, 19____, 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 on or before the _____ day of _____, before expiration of this lease or any renewal. (Month)

3. RENTAL RATES AND ARRANGEMENTS.

Option A.—Crop-Share Rent, Standing Rent, Share-Cash Rent, or Per Acre Cash Rent (if this option is used, Option B below must be stricken out).—As rent for the farm the tenant agrees to pay shares or quantities of crops, shares of certain crops and cash on other land, or straight cash rent per acre as indicated in the table below.

Describing the Property

Every farm lease should indicate clearly what land is to be used by the tenant and what is reserved by the landlord. Give the name of the farm, its location with respect to the section, township, and range (where rectangular surveys have been made) or with regard to some well-known place (where land is described by metes and bounds), the name of the county and State, and the total acreage rented. Other property and equipment rented with the land should be briefly described. If some parts of the farm or buildings are not rented, it is simpler to specify the few items reserved from use than to describe the many items that are leased. Restrictions may vary from farm to farm; for instance, there may be limits in the use that the tenant may make of standing timber.

Stable and Secure Occupancy

Steady long-term occupancy is desirable because it promotes sound long-time plans for crops, soil improvement, and the building-up of productive herds and flocks. A lease for 3 to 5 years, or one that continues in effect from year to year until written notice of termination is given, helps toward security.

An annual lease that terminates at the end of each year is hard on the tenant. It may give him no chance to finish the work he has started. Frequent moving is also costly in time and money to both landlord and tenant.

Where systems of farming demand long-time planning, long

Total acres in farm rented to tenant _____

NOTE. Planned acreage of each crop to be grown should be entered in column (1) and the acreages in this column should total approximately the acreage of land available on the farm. The share or amount to be paid as rent for each crop should be entered opposite the crop in column (2). If each rent is to be paid on certain crops or on certain portions of the farm, the rates should be entered on the proper lines in column (2).

It is agreed that the acreages indicated in column (1) of the table above are the approximate planned acreages for the first year of this lease and that crop acreages and livestock enterprises may be changed by mutual agreement and shall be determined from year to year upon the basis of a sound plan for this year. It is further agreed that the shares of crops or the rates of rent indicated in column (2) will be paid upon the acreages actually grown as determined at the time the rent is payable.

Option B.—Lump-sum cash rent (if this option is used, Option A above must be stricken out, but the rent may be used to outline crops and acreages agreed upon) —As rent for the farm the tenant agrees to pay the total sum of _____ dollars (\$ _____) per year.

Payment of rent.—(Crop rents will be delivered at _____ place) _____
 the time of harvest or as follows (time) _____

Cash rent will be paid at (place) _____
 marketing or as follows (time) _____ at the time of _____

4. FARM OPERATION:—

Option B. Lump-sum cash rent (if this option is used, Option A above must be stricken out, but the whole may be used to outline crops and acreages agreed upon) As rent for the farm the tenant agrees to pay the total sum of _____ dollars (\$ _____) per year.

cash rent will be paid at (place)
marketing or as follows (time)

4. FARM OPERATION: (a) Except as otherwise provided the tenant will contribute all labor, seed for ordinary crops, work on the farm, and ordinary operating equipment and will pay all ordinary operating expenses. (Excep-

Many of the advantages of a long-term lease may be obtained under leases for short terms if these leases have provisions for automatic renewal. Under a lease that specifies automatic renewal, the agreement continues from year to year unless notice of termination is given at the end of the crop year. The period of notice usually should be at least 4 to 6 months in many instances it may well be 9 to 12 months before the beginning of the next lease year. Adequate advance notice of termination will benefit both landlord and tenant. The tenant may have time to find a satisfactory farm and the landlord may have a chance to get a capable tenant.

A fair division of farm income between landlord and tenant is the most difficult and the most important single aspect of a farm rental agreement.

Instead of considering custom alone in deciding on the rental rate the contribution that each party will make should be considered carefully. The reliability of the tenant and his willingness and ability to work efficiently, as well as the productivity of the land and usability of the improvements, should be considered. A farm lease is an agreement whereby the landlord, in effect, sells the tenant for definite considerations the right to farm the land and use the buildings for a certain time. Care should be taken to decide as accurately as possible the correct value of this

Essentials of a Good Farm Lease

Describing the Property

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Stable and Secure Occupancy

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An annual lease that terminates at the end of each year is hard on the tenant. It may give him no chance to finish the work he has started. Frequent moving is also costly in time and money to both landlord and tenant.

Where systems of farming demand long-time planning, long leases have advantages—especially with livestock farming. If the tenant is a livestock farmer, it is often hard and costly for him to find another farm with barns and equipment that will suit. In turn, the landlord whose farm and buildings have been developed for a certain kind and number of livestock may have trouble locating a new tenant with the livestock, equipment, and ability necessary for the fullest use of the farm. The long-term lease can provide for cancellation under certain conditions specified in the lease. It should also provide for automatic continuation when the term is up unless adequate written notice of termination is given several months in advance.

Many of the advantages of a long-term lease may be obtained under leases for short terms if these leases have provisions for automatic renewal. Under a lease that specifies automatic renewal, the agreement continues from year to year unless notice of termination effective at the end of the crop year is given in writing. The period of notice usually should be at least 4 to 6 months—in many instances it may well be 9 to 12 months—before the beginning of the next lease year. Adequate advance notice of termination will benefit both landlord and tenant. The tenant may have time to find a satisfactory farm and the landlord may have a chance to get a capable tenant.

Equitable Rental Rates

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A farm lease is an agreement whereby the landlord, in effect, sells the tenant for definite considerations the right to farm the land and use the buildings for a certain time. Care should be taken to decide as accurately as possible the correct value of this right.

Efficient Farm Operation

A harmonious landlord-tenant relationship often depends on whether the farm is earning a good income for both parties. If the returns are reasonably satisfactory, the landlord is generally willing and able to make repairs and improvements, and the tenant is likely to do his best to improve his farming. Therefore, it is important that the lease provide for the farm-management practices that will encourage production of good crops and livestock at relatively low cost to both.

Maintaining the productivity of the farm and providing, so far as practicable, enough feed for livestock should be considered in deciding about the farming. The cropping should be based on approved and accepted farm-management principles that will safeguard the soil fertility and lead to efficient use of the tenant's machinery and equipment. It may be well to make out a simple farm plan, taking into account the contributions made by each party and the expected returns. This plan may be useful in developing a good combination of enterprises and a good balance suited to the particular farm and to the tenant's abilities, equipment, and livestock.

Efficient use of the work the tenant and his family will supply needs to be kept in mind when planning for the livestock. If only crops are grown, there may be several slack times during the year when some of the family workers haven't much to do. If certain livestock are raised the work time of the family can be used to better advantage. Periods when the most work will be necessary for the livestock may be planned so that they will come when crop work is slack. For example, on a farm where growing corn is the chief thing, the tenant may want to feed hogs or beef cattle, in order to keep his workers busy during the winter. In dairying, on the other hand, there is fairly constant work throughout the year.

Providing for Improvements

Definite details as to the labor and materials to be furnished in maintaining the land and improvements should be clearly indicated in the lease. Improvements beyond ordinary repairs are supposed to add to the value of the farm; and most of their cost generally is paid by the landlord. But if the rent is not to be increased after the improvements are made, a tenant may agree to help with the improvements, particularly if he has asked to have them made. In many cases, the landlord furnishes all the materials used, together with all the skilled labor, and the tenant furnishes the unskilled labor.

Tenants are not inclined to make improvements when they have no assurance that they will be permitted to remain on the farms long enough to gain full benefits of the improvements. This may be overcome if the landlord agrees to pay the tenant for the unexhausted value of certain improvements added by the tenant and left on the farm when the lease ends. This is particularly necessary in a year-to-year lease. If the tenant is expected to farm in a way that will increase rather than decrease the fertility of the soil and the value of the improvements, he needs to know that he can get back a fair amount of what he has spent on the farm when the lease ends.

Temporary fences, small buildings, and devices for supplying water may be needed if livestock is to be kept. Keeping livestock and the application of fertilizer and manure are important in conserving the soil and increasing the farm's productivity. Certain improvements, such as fertilizer and manure applied to the soil, have both a short- and a long-time value to the farm. When these improvements are made by a tenant who is required to leave the farm before he has benefited from them fully, he should be compensated by the landlord for the value remaining on the farm.

Cooperating in Agricultural Programs

The landlord and tenant should agree to cooperate, when it is practicable for them to do so, in any suitable soil conservation, production-adjustment, or other programs that will help agriculture. Long leases could provide for modifying certain items from time to time, to fit the progress of such programs. It should be agreed, in the lease, that any cash or other benefits received from such a program will be divided between landlord and tenant in the way prescribed by the law that sets up the program, and each party should contribute fairly in the program work. If the tenant farms in such a way as to get the highest payment under a soil conservation program, a change may be necessary in the farm plan, for more livestock may need to be kept in order to make good use of all the legumes and other soil-conserving crops.

Agreeing on Specific Items

Each party assumes the responsibilities outlined in the lease. It is essential that the duties of each be thoroughly understood beforehand. Tenant and landlord must remember that their obligations are for the benefit of both, and that faithful doing of duties will leave little room for disagreements or disputes. The most necessary condition in good landlord-tenant relations is an attitude of fairness and a willingness "to meet the other party more than half way."

The tenant of a farm that is for sale is often in a risky spot, so he needs to know that his rights will be recognized by any new owner. He should not have to move before the end of the crop year, but if he consents to move before his lease ends the owner should be obligated to pay him in some way for his interest in any growing crops. In addition, the landlord should pay the tenant for any unusual costs that are brought about by an early end of the lease. The tenant's claim for compensation for the unexhausted value of improvements can be handled in the same way as if the lease had ended in the regular way.

As the landlord provides the land, buildings, and other improvements, it is necessary for him to retain the right of going on the farm at any reasonable time to see how the property is being used and to make repairs. This may also include the right to make new improvements, to spread fertilizer, and to establish works of soil and water conservation, either personally or by his agents or employees.

Likewise, the tenant should agree not to sublet any part of the farm without the consent of the landlord. And it is just as important that the landlord give assurance that he will not assign the lease unless the tenant agrees. If it is mutually agreed that an assignment is to be made, probably some adjustments in the terms of the lease will be necessary.

Settling Misunderstandings

So far as possible, it is desirable to foresee the points over which there might be disagreement and to have a clear understanding about them when the lease is made. But if a disagreement arises which cannot be settled by talking it over together the most practicable way of settling it is to leave the decision to an arbitration committee. This committee may be composed of three persons: One chosen by the tenant, one by the landlord, and a third chosen by the other two members. None of these three persons should be related to the tenant or the landowner or have any interest, directly or indirectly, in the questions to be decided. It would be well for the third member to have some experience as an appraiser or in similar work. In most situations, arbitration is preferable to court action, because court costs are high, and the present court procedures are not well adapted to solving farm-leasing problems.

5. MAINTENANCE, REPAIRS, AND IMPROVEMENTS.

Maintenance and Repairs:

(a) The landlord will place the farm in a habitable and tenantable condition at the beginning of the tenancy, and the tenant will maintain the farm during his tenancy in as good condition and repair as at the beginning, normal wear and depreciation from causes beyond the tenant's control excepted. The following repairs and improvements will be made by the landlord and completed by the date indicated after each item:

(b) The landlord will furnish materials for normal maintenance and repairs made by the tenant, and the tenant will haul such materials and will perform or furnish necessary labor for normal maintenance and repairs except that necessary skilled labor which the tenant is unable to perform satisfactorily will be furnished by the landlord.

(c) Authorization.—The tenant may, without further authorization from the landlord, purchase materials for necessary repairs or improvements in a total amount not exceeding _____ within each year and will be credited or compensated by the landlord for the amount of expenditures so made but not in excess of the amount specified. Specific materials agreed upon under this provision are the following (if any):

(d) If the dwelling or other necessary building shall be destroyed or damaged by fire, flood, or other cause beyond the control of the tenant, the landlord will promptly replace or repair such building.

New Improvements:

(e) Improvements of a permanent nature which the landlord customarily provides.—The making of new improvements which become a permanent part of the property is customarily and properly the responsibility of the landlord. If the tenant shall, at his own expense and with authorization from the landlord, make any permanent improvement such as new buildings, major additions or repairs to the buildings, new fences, wells, water or sewage systems, permanent household fixtures, ponds or lakes, drainage or terrace systems, or other improvements of this type, the tenant will be compensated by the landlord for the cost of such improvement, including the value of the tenant's own labor.

(f) Improvements which the landlord and tenant customarily make jointly.—The making of improvements the benefits of which are realizable jointly over a period of several years is customarily and properly the responsibility of the two parties jointly. If the tenant shall, at his own expense and with authorization from the landlord, make any improvement of this nature such as the planting of orchards or vineyards or farm woodlots, the establishment of permanent meadows or pastures, the application of lime or phosphate or slag or other improvement of this type, the tenant will be compensated by the landlord for the landlord's customary share of the cost of such improvement. If, after the tenant has made any improvement in accordance with the foregoing provisions of this section, this lease shall be terminated or shall expire before the tenant has received compensating benefit for his portion of the cost of any such improvement made by him, the tenant will be credited or compensated by the landlord for the tenant's share of the unrealized portion of the value of such improvement.

(g) Minor improvements.—Minor improvements of a temporary or removable nature which do not mar the condition or appearance of the farm may be made by the tenant at his own expense and upon his own responsibility. The tenant may, at any time this lease is still in effect, remove any minor improvement which he has made even though the improvement has become legally a fixture, provided he leaves that portion of the farm from which such improvement is removed in as good condition as it was prior to the making of such improvement, and the tenant will not receive compensation for improvements removed.

(h) Soil-conserving and soil-improving practices.—If the tenant shall, with the knowledge and consent of the landlord, carry out any soil-conserving or soil-improving practice at his own expense, other than those specified in (e) or (f) above, and if this lease shall be terminated or shall expire before compensating benefit of such improvement made by the tenant has been received by him, the tenant will be credited or compensated by the landlord for the unrealized value of such improvement.

6. GOVERNMENTAL AGRICULTURAL PROGRAMS.

If the parties participate, with respect to the farm, in any applicable agricultural conservation, soil conservation, or other governmental program designed to aid agriculture, modifications in this lease may be agreed upon from time to time which are necessary to conform with such program. It is understood that any cash or other benefits received for participation in any such program must be divided between the two parties as provided in such program. Any allotment made to or properly belonging to the land covered by this lease shall be available to the tenant and if in any such program the land covered by this lease is treated as part of a larger tract the tenant shall receive his proportionate share of acreage allotments, payments, or other benefits, and in like manner shall contribute his proportionate part in fulfilling the requirements of such program.

7. THE TENANT AGREES THAT:

(a) He will not assign this lease or sublet any portion of the farm without the consent of the landlord.

(b) He will permit the landlord or his agent to enter the farm at any reasonable time for repairs, improvements, and inspection.

(c) He will not commit waste on or damage to the farm or permit others to do so.

(d) He will yield possession of the farm at the end of the term of this lease or any renewal or extension thereof.

8. IT IS AGREED THAT:

(a) In the event of the death of either party this lease may be terminated by written notice given by the party desiring to terminate the lease to the other at least _____ months before the end of the crop year.

(b) The tenant may use dead and unmarketable timber and other timber designated by the landlord for his own fuel, but the tenant shall cut no growing trees of value for fuel or other use and shall market no timber from the farm without the consent of the landlord.

(c) Willful neglect, failure, or refusal by either party to carry out any material provision of this lease shall give the other party the power to terminate the lease, in addition to the right to compensation for damages suffered by reason of such breach. Such termination shall become effective thirty (30) days after written notice of termination specifying the delinquency has been served on the delinquent party, unless during such thirty (30) day period the delinquent party has made up the delinquency. The landlord shall have the benefit of any summary proceedings provided by law for evicting the tenant upon termination under this paragraph, or at the end of the term.

(d) Arbitration.—Any differences between the parties under this lease, including the determination of questions and matters herein left to subsequent agreement, shall be submitted for arbitration by a committee of three disinterested persons, one selected by each party hereto and the third by the two thus selected; and the decision of such arbitration committee shall be accepted by both parties.

9. ADDITIONAL AGREEMENTS (such as option to purchase farm, water rights, etc.—If space is insufficient, write the desired provision on a strip of paper and paste in this space)

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

Witnesses as to both signatures:

(Landlord) [SEAL]

(Tenant) [SEAL]

ACKNOWLEDGMENT (proper form to be inserted):

FLEXIBLE FARM LEASE

BETWEEN

For _____ In _____ County _____ State of _____

(Common name or number of farm)

PREPARED AND ISSUED BY

U. S. DEPARTMENT OF AGRICULTURE

Copies of this form and of the Flexible Livestock-Share Lease and related materials may be secured from the office of the County Agricultural Agent, from the State Agricultural College, or by writing the U. S. Department of Agriculture, Washington, D. C.

16-10848

Your Farm Lease

By Max M. Tharp, Bureau of Agricultural Economics

When a farm owner and a tenant have the feeling that they are coworkers in a common enterprise they usually get on well together. Each knows that he must put forth his best efforts and must work with the other in a spirit that will benefit both of them. Both realize that the more the farm is made to produce, the more there is to divide between them. Both know that if the farm is to produce well, not only must good farm work be done under conditions favorable to the persons who do the work, but also the farm must be well kept and must be constantly improved. Such an understanding is easier as the landowner and tenant get to know each other better.

Next in importance is the contract or agreement which tells what the understanding is. It tells how the owner and the tenant are to work together. It outlines the duties and responsibilities of each, the part each is to contribute, and the share each is to take of what the farm earns or produces. Such a contract or agreement is called the farm lease.

In the lease, the farm owner agrees that the tenant shall have certain rights to occupy and use the farm for a specified length of time. Both owner and tenant accept certain duties and responsibilities. In addition to the usual items in the lease—like a description of the farm, time of occupancy, crops to be grown, and rent to be paid—it may cover any special understanding, or project, which the owner and the tenant have talked over and have decided to carry out. There may be arrangements for building fences, enlarging and improving the pasture, constructing terraces or drainage ditches, or other improvements. Details of such improvements usually can be worked out so that each party will be reasonably well satisfied and compensated for what he does.

Each lease must be adapted to the particular farm and to the needs and wishes of the owner and the renter. Your lease may be quite different from your neighbor's lease. Although the wording of the special details must be left to the individual owner and tenant, there are certain *basic principles* or *essentials* that go to make up a good lease. If you know what these things are you have the framework for drawing up a satisfactory rental agreement.

Do You Know the Requirements of a Good Farm Lease?

One of the first requirements of a good farm lease is that it should be in writing. But three out of every four renters and landowners don't write out their agreements. No record is made of their understanding—the entire agreement is left to memory, and memories are often not reliable. After a few weeks or months, some of the things agreed upon are likely to be hazy. Some are forgotten. So misunderstandings often arise. Important points may have been overlooked in the short "talking over" of the agreement to rent. These points may be the very ones that may hurt the future relations between the two parties.

Just any kind of lease is not enough. There are good and bad kinds or forms of leases. Some leases have been written so that they give one party an unfair advantage over the other. A *good* lease should be written in clear *understandable* words and it should be *fair* to both parties. The lease should outline unmistakably all the important details that have to do with the farming, the contributions of each party, and the amount of rent to be paid in money or produce. It should give the tenant a chance to make an adequate living on the farm. It should set forth definite provisions with regard to maintenance, repairs, and improvements. And, finally, it should contain an agreement between the parties that they will arbitrate through the services of a third party any differences or disputes.

Of course, a *good* lease cannot take the place of a productive farm of a size that will mean efficient production. Neither can it take the place of an informed landlord and a capable tenant. But a written lease, to cover several years, that provides for an equitable rental and assures the tenant reasonable security and stability on the land will be a start toward improving tenant farming.

A *good* farm lease, of course, will benefit both parties. The points covered will help tenants to be better farmers and to take better care of the rented land and the improvements on it. Good leases often help tenant farmers to get larger incomes for both the tenants and their landlords because the work has been better planned. Is your lease a *good* farm lease?

Experience shows that a good written farm lease can protect the landowner's interests as well as the interests of the tenant. With a good written lease in hand a tenant can feel reasonably sure he can use the land for a specified time and reasonably sure he can use it in certain carefully planned ways. And so he can do a better job of farming. After all, that's the only way an owner can expect a tenant to take care of a farm as if it were his own—and that's the kind of tenant all owners want.

With experience gained over many years, the Department of Agriculture has developed three different lease forms. These printed forms, with blank spaces to be filled in, cover the essential points that most landlords and tenants want in their leases. Of course, they are for *general* use, and any particular details or special arrangements that a landlord and tenant may want must be written in. Spaces are provided for that, and at the end of each kind of lease there is a blank section where special agreements or arrangements, not printed in the lease form, can be added.

On the back of this folder you are reading—when it is fully opened—you will find a sample copy of the *Flexible Farm Lease*, with an explanation of its most important points printed alongside. It is appropriate for typical cash and crop-share renting.

Copies of this lease are available, free, from your county agent or the United States Department of Agriculture, Washington 25, D. C. Other rental agreements and publications obtainable from the same addresses are: The *Flexible Livestock Share Lease*—for use in renting farms on a livestock-share basis; The *Flexible Sharecropping Agreement*—suitable for the sharecropping of cotton and tobacco in the South; *Better Farm Leases*, Farmers' Bulletin 1969; and *Let's Talk About Farm Leases and How They Can Be Improved*, DS-27.

Many of the State Agricultural Colleges have prepared excellent publications on farm leasing and they give lease forms. These may be better adapted to local conditions than the Department of Agriculture forms. Ask your county agent about them.

Even though you may find some other form that is better suited to your own needs than the sample lease explained on the back of this folder, you might find it helpful to study the main points of this one. You may wish to learn more about the *basic principles* or essentials of a good lease, mentioned near the beginning of this pamphlet. If you do, open up this folder, full size, and turn to the printed sample of the *Flexible Farm Lease*.

Renting a Farm?

Many veterans and other prospective farmers may decide to begin farming as renters rather than buy farms at high prices. It takes less capital to begin farming as a renter. To invest a moderate amount in enough equipment and livestock for operating a full-sized rented unit may pay better than to buy an inadequate farm. And some may want to farm a while as renters in order to find out more about local farming conditions.

Most people who find farms for rent have worked on farms or have lived long enough in the county where they expect to farm to know how farming is carried on there. They find farms to rent by dealing directly with farm owners or through other local contacts. Anyone seeking a job on a farm or a farm to rent in a given county may get suggestions from the county agricultural agent at the county seat.

If you haven't decided on a definite location you may get general information about farming opportunities, farm jobs, and farms for rent in the various sections of any particular State by writing to the State Director of the Agricultural Extension Service, care of the State College of Agriculture. Addresses of the colleges and general information about kinds of farming in different parts of the United States, may be obtained from the U. S. Department of Agriculture, Washington 25, D. C.

Whether you own a place to rent or rent a place to farm, you should take care to get a good farm lease or rental agreement. *The main purpose of this pamphlet is to aid those tenants and landowners who want to improve their rental agreements.*