

Tips for Farm Leases and Contracts: Creating Smart, Effective Documents

Leases and contracts are important pieces of a farm business. They can provide clarity and protection for

both parties when leasing or buying land or equipment, and selling farm products.

Advantages

- Leases and contracts provide protection for both parties involved.
- If there is a disagreement, the methods and options for resolving it are generally outlined in the document.

Considerations

- Leases and contracts are legally binding documents. It may be worthwhile spending money to have a lawyer review the contract prior to signing.
You must determine how this will affect your cash flow.

Tip for Dealing with Leases

- Make sure you have a signed copy of the contract or lease in your possession, and that it's in a language that is familiar to you.



Photo: Dennis Chamberlin

Elements of a Good Lease

1. Contact information

Be sure to include information for both landowner and tenant.

2. Description of leased property

Include a map if possible.

3. Length of term

How long is lease valid?
Can it be renewed?

4. Rental amount and how it is to be paid

What is the amount per term?
Is it as cash or share rent? When is it payable?
Are there periodic increases?

5. Maintenance and repairs

Who is responsible for what?
What are the monetary limits?

6. Liability insurance and indemnification

Is the tenant required to have liability insurance?
Most landowners want to specify that they're not liable for the tenant's operation.

7. Use restrictions or requirements

How is the land to be used? Are there prohibitions or limitations on its use, such as types of crops or production methods, for example?

8. Compliance with law

Most leases reiterate that the tenant must comply with all appropriate laws.

9. Initial condition of premises

Is the property okay as-is?
Are improvements or upgrades required before or during the lease?

10. Alterations

Are there restrictions or allowances concerning changes to the property?
What changes or improvements are allowed, with and without specific permission?

11. Subletting

Are there any restrictions or allowances?
Is the tenant allowed to lease to a third party?

12. Dispute resolution

Disputes should be resolved first by mediation, then through binding arbitration.



Ten Questions to Ask (and Answer) Before You Sign a Contract

Adapted from *The Legal Guide to Direct Marketing* by Neil D. Hamilton, Drake University, 1999. See the Iowa State University Extension online bookstore, <https://store.extension.iastate.edu/ItemDetail.aspx?ProductID=1467>

1. Do you understand what you are agreeing to do? For example, are you selling a particular quantity or quality of product?
2. What is the price you will be paid and how is it determined?
3. When will you be paid or when is payment due if you are buying something?
4. Who will decide if you have satisfied the terms of the contract?
5. What will happen if a dispute arises? Will it go to court or does the contract include some form of alternative dispute resolution such as mediation or arbitration?
6. If there is a dispute, where will it be heard and which state's laws will be used?
7. How long will the agreement run and how can it be terminated or extended?
8. Can the agreement be modified once it is signed?
9. Are you considered a merchant under the agreement and held to a higher commercial standard or will you be treated as a farmer?
10. Can the contract be assigned to another person or is it personally to you?

Tip: Make sure you have a signed copy of the contract or lease in your possession, in a language that you understand.

Resources for Contracts

- *Agricultural Production Contracts* by P.L. Kunkel, J.A. Peterson, J.A. Mitchell. Univ. of Minnesota. 2009. This free document discusses the pros and cons of production contracts, and provides information on alternative legal relationships such as sales and personal service contracts, risks associated with production contracts, types of payment, and related federal and Minnesota regulations. www.extension.umn.edu/distribution/businessmanagement/DF7302.html
- *Farmer's Guide to Organic Contracts*. Produced by the Farmers' Legal Action Group, Inc. with support from the USDA Organic Agricultural Research and Extension Initiative, this 322-page book covers many types of contracts needed by commercial organic producers. The guide explains contract "legalese" in terms that non-lawyers can understand. www.flaginc.org/topics/pubs/organic.php#FGOC

Resources for Leases

- *Farm Leases* by P.L. Kunkel, J.A. Peterson, and J.A. Mitchell. University of Minnesota. 2009. This free online document provides details about what should be considered in a farm lease, including lease terms, types of lease, elements of a lease, oral leases, rights and duties of landlords and farmer-tenants, and personal property leases. www.extension.umn.edu/distribution/businessmanagement/df2593.html
- *Drake University Sustainable Farm Lease website* is a well-organized directory with many resources for those interested in sustainably leasing farmland, including language for various conservation-oriented provisions that could be included in a lease. www.sustainablefarmlease.org
- *Finding Land to Farm* by Kendra Johnson, Rex Dufour, and Marisa Alcorta. NCAT. 2009. This ATTRA publication discusses six ways to secure farmland, including leasing and buying options, and provides an extensive resource list. www.attra.ncat.org/attra-pub/local_food/startup.html
- *Land. Liberty. Sunshine. Stamina*. The Greenhorns and Cornell Cooperative Extension. 2010. A mini-compendium of resources for beginning farmers on the topic of finding sustainable land tenure, this free online publication offers a tremendous amount of information about various aspects of leasing, buying, or placing easements on land. 232 pages. www.thegreenhorns.net/wp-content/files_mf/1335220206GH_landtenureworkshop_minicompndium.pdf

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www.outreach.usda.gov/oasdrf



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