

Wisconsin Cash Farm Land Lease Example

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This fact sheet and example farm land rental agreement are intended to help landlords and renters assemble a written agreement specific to their situation. The fact sheet provides a list of considerations to help users reach a fair and equitable arrangement. The list of items to consider is not all encompassing, but provides common items that should be considered for inclusion in farm land rental contracts. Each of the items listed may not be necessary to include in the rental agreement, they are listed as examples.

It is critical that landlords and renters spend time addressing the terms of the rental agreement before finalizing the agreement to prevent problems over the duration of the contract. Maintaining positive working relationships between landlords and renters is vital for long-term success.

The approach taken with this fact sheet and example lease are to break it into seven sections to address the different parts of a land rental agreement, and keep it concise. Following are descriptions of each section and examples of items to consider in each section:

1. CONTRACTING PARTIES AND DATE:

This section of the contract should state the date when the contract begins, when it ends, and who the contract will be between. The Landlord will be the person or persons who own the land and the renter will be the person or persons who will rent the land. This section lays the foundation for making sure that it is clear from the beginning who will be involved in the leasing process and the time period it is in effect.

2. PROPERTY DESCRIPTION:

This section can be a detailed or a general description that clearly identifies the property. A legal description of the land could be entered here, a map of the property showing the actual rented acres, or a written description. It is important to list the actual number of acres that are being rented and where they are located. It may be necessary to identify specific usage of some acreage, for example tillable acres and pasture acres. *If participating in USDA farm programs, consider attaching the FSA maps to the lease agreement.*

3. GENERAL TERMS OF THE LEASE:

This section includes the length and/or time frame of the lease, and specific uses that the renter is granted or not granted by the lease. It may also include rights that the landlord reserves with respect to the property. Specific dates, years or growing seasons may be used. Other items may be added to this section. Note that under Wis. Stat. § 704.05(2), unless otherwise stated in the lease, the tenant has exclusive possession of the property with some limited exceptions. For example, with advance notice and at reasonable times, the landlord can inspect, repair, or show the property to prospective tenants or purchasers. Examples:

- Hunting rights on the property
- Snowmobiling, cross country skiing, ATV/UTV, horseback riding
- Grazing livestock on crop residue or removing crop residue

- Grazing livestock on permanent pasture or growing crops
- Water source- irrigation and or livestock housed as part of agreement
- Use of buildings or grain bins
- Others relevant to property
- Landlord's right to enter the property
- Proof of liability insurance coverage

4. LAND USE:

This section may include management practices that may or may not be used by the renter. Local NRCS and Land Conservation departments can be resources to help review and develop conservation plans for farms that may not have one.

Examples:

- Cropping and soil conservation practices
 - tillage practices
 - crop residue management
 - cover crops
 - rotation
 - conservation structures
- Fertilizer and manure application protocols or limitations
- Pesticide application protocols or limitations and setbacks (grapes, hops, etc.)
- Procedures for physical changes to property

5. PAYMENTS AND DUE DATES:

This section addresses when payment(s) is/are due and how much the payment(s) will be. Details can be added as needed. If the contract is a flexible lease or some form of a crop share agreement, then details of what each party is responsible for, and/or factors that trigger changes from the base lease, should be defined and stated here. If the landlord requires a deposit for potential damage repair, this should be included in this section.

Most rental contracts are based on tillable acres, and/or only the acreage used by the tenant. It may be necessary to identify different rental rates for specific parcels depending on usage, potential productivity or other factors agreed upon by both parties. Examples may include tillable vs. pasture, large yield potential differences, etc.

Federal Farm Program- most, but not all, farms have some program crop base acres enrolled in the federal farm program. Program crop acres generally have payments tied to those acres from the farm program. Many of the Federal Farm Program Payments are to be paid to the party assuming the production risk. If a landlord receives straight cash rent they are not assuming production risk.

6. TERMINATION/ AMENDMENT OF AGREEMENT:

This section should include reasons and/or procedures for early termination, and procedures for amending the contract. This section could also include procedures for renewal or nonrenewal of the contract, including date of notice, date by which agreement is reviewed to determine if it continues as is or with changes for the following year(s).

7. SIGNATURES:

This section seals the agreement with all parties' signatures. All parties listed in section one of the agreement should also be included with their signatures in this section for consistency.

Following is a list of criteria that may be considered when determining the rental rate.

- A. Potential crop returns**- Knowing what your actual costs of production are and what yields to expect from a particular farm can help determine how much money will be available to pay rent. Farm operators need to know their own costs of production! Using average costs or costs derived from other sources can be a recipe for disaster. When calculating crop returns do not use historically high prices, but also do not use the historically lowest prices either. Use what you received as your annual average price for corn, beans, small grains or other cash crop for the past 5 to 10 years.
- B. Land quality**- All fields do not have the same yield potential! It is important to know the soil types on a farm and the productive capability of that land. Past yields can be an indicator of potential land quality and capability.
- C. Slope and erosion potential or wetlands**- This can have an effect on cropping practices, the amount of land that can actually be cropped in a parcel, and special treatment the land may require. Also big, open, easy-to-farm fields may bring more than small, odd-shaped parcels that are difficult to reach.
- D. Previous crops, herbicides and fertility**- Cropping history and past herbicide usage can limit your crop options in the coming year. Soil fertility levels are often overlooked. Land with high phosphorus and potassium soil test levels will require considerably less fertilizer for crop production, and thus may have more rental value.
- E. Use of facilities and services provided**- Use of grain drying and storage units, machinery storage and other facilities can add to the value the tenant receives from the cash rent, whereas snow removal for the landlord, mowing road ditches and other maintenance services could reduce the value the tenant receives from the cash rent. If you hear of a high rent in the coffee shop, you may want to find out if it includes use of buildings or storage structures.
- F. Previous history**- The working relationship and previous experiences between landlord and tenant are often an important factor in determining final cash rental rates. If your tenant is taking care of the land as you would (keeping down weeds, keeping up the fertility, preventing erosion) and may be plowing snow from your driveway, this may be worth a few dollars less rent.
- G. Area Demand**- Some neighborhoods or areas have many farm operators looking to rent more land while others have only one or maybe two choices. Competition, or the lack thereof, can sometimes have a significant impact on land rental rates.
- H. Having the rental income pay the property taxes**- Some landowner's objective of land rent is to completely pay for their property taxes. There are some potentially serious flaws in this objective. In some cases this may work, primarily where there are a large enough number of tillable acres to spread the cost out and still have a reasonable rent payment by the renter. On parcels that have a high percentage of forest land or other land not useable by the renter or buildings that are of high value, and not used by the renter, it may be an unreasonable goal to have the tillable land carry the tax burden of the entire property.

Additional information can be found at: <http://aglease101.org/>

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Following is an example of a cash rental agreement. It should be viewed as a guideline to follow, not as an absolute way a lease should be written. Landowners and renters should discuss the provisions they want to have in their lease and feel free to adapt this example lease to meet their situation.

1. CONTRACTING PARTIES AND DATE:

This lease begins on _____, 20____ and
ends on _____, 20_____.

Landlord(s) - _____ Renter(s) – _____
Address - _____ Address – _____

2. PROPERTY DESCRIPTION:

The landlord hereby leases to the renter the following described property:

_____ consisting of
approximately _____ tillable acres situated in _____ County. A map of the
property is attached to this lease identifying the rented land represented in this agreement.

3. GENERAL TERMS OF THE LEASE:

- A. Uses: This rental agreement is solely for growing agricultural crops.
- B. Time Period: This agreement will be in effect from _____ to _____
(and/or) this many years/growing seasons _____.
- C. Subleasing: The landlord does not convey to the renter the right to sublease any part
of the described property.
- D. Review of Lease: May be done at any time with written agreement and signed
consent of both the landlord and the renter.
- E. Partnership: Not intended or implied by this agreement (this is a cash lease only).
- F. Right of Entry: The landlord reserves the right to enter the property at any reasonable
time.
- G. Buildings: This lease does not include the use of any buildings on the property.

4. LAND USE:

- A. The renter agrees to follow a farm conservation plan, approved by NRCS and/or the
County Land Conservation Department.
- B. The renter cannot make physical changes to the property without written consent of
the owner, as required by Wis. Stat. § 704.05(3).
- C. The renter must maintain existing conservation practices. (Example: grass waterways)
- D. The renter is responsible for maintaining soil pH and fertility.
- E. Governmental payments will follow USDA Farm Service Agency and NRCS rules.

5. PAYMENTS AND DUE DATES:

A. The annual cash rent for the above described property paid by the renter to the landlord will be

_____ tillable acres @ \$_____ per acre = \$_____
_____ pasture acres @ \$_____ per acre = \$_____
_____ other acres @ \$_____ per acre = \$_____

Total \$_____

B. Payments will be made directly to the landlord as follows:

- i. \$_____ paid by _____
- ii. \$_____ paid by _____

6. TERMINATION/AMENDMENT OF AGREEMENT:

This lease terminates on the ending date stated in paragraph 1 without any notice from either party.

The Landlord shall have the absolute right to terminate this lease by written notice in the event the Renter shall violate Section 2, 3, 4 or 5 of this agreement or if the Landlord sells this property, by giving the tenant written notice by September 1 that the lease would end at the completion of the current crop year, or current calendar year, whichever comes first. In the event the above occurs, the Renter would be allowed until the end of the current calendar year to complete the harvest of crops grown during the current year. In the event that the property is vacated by the Renter, mid-calendar year or crop year, the landowner, shall have exclusive right to occupy the property and take control of any crops remaining and profit thereof.

Either party may request a meeting to review and possibly amend the lease for the following years in the current contract by sending written notice to the other party by August 1st. Both parties must agree to any amendments. The lease will continue beyond the ending date stated in paragraph 1 only by mutual agreement.

7. SIGNATURES:

Landlord(s):

Renter(s):

_____ (Date)

_____ (Date)