




DEVELOPING A FARMLAND LEASE

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Disclaimer

- I am not an attorney or your attorney.
- I am not providing legal advice.
- The information provided is for reference only.

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Common Questions

What type of lease agreement should I have?

How do I determine a fair rental rate for me & my renter?

Who pays for what?

How long should my lease agreement be?

How do I ensure my land is being cared for?

Is it better per acre or per head for renting out my pasture?

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Lease Types

Cash rent lease

- Fixed Rent
- Operator bears all price, cost, and production risks

Crop share lease

- Landowner shares cost of production AND profits

Flex or flexible lease

- Flexible rent based on crop yields and/or crop price changes

Custom farming contract

- Hire cropping activities
- Landowner assumes all risk

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Determining a Rental Rate

- Potential Crop Returns
- Land Quality
- Slope & Erosion Potential or Wetlands
- Previous Crops, Herbicides, and Fertility
- Use of Facilities & Services Provided
- Previous History
- Area Demand
- Rental Income to Pay Property Taxes



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Sauk County Average Rental Rates



2022

- Non-irrigated Cropland: \$139
- Pasture - \$29

2020

- Irrigated Cropland – \$236

Source: USDA National Agricultural Statistics Service (NASS)

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PURDUE **PURDUE EXTENSION**
 ID-166-W

2022 Purdue Crop Cost & Return Guide

March 2022 Estimates

Both product prices and input prices may have significantly changed since these estimates were prepared.

Table 1. Estimated per Acre Crop Budgets for Low, Average, and High Productivity Indiana Soils

	Crop Budgets for Three Yield Levels ¹														
	Low Productivity Soil					Average Productivity Soil					High Productivity Soil				
	Cont. Corn	Rot. Corn	Rot. Beans	Wheat	DC Beans	Cont. Corn	Rot. Corn	Rot. Beans	Wheat	DC Beans	Cont. Corn	Rot. Corn	Rot. Beans	Wheat	DC Beans
Expected yield per acre ²	141	150	45	65	32	171	182	55	78	39	201	214	65	92	46
Harvest price ³	\$6.25	\$6.25	\$14.35	\$10.50	\$14.35	\$6.25	\$6.25	\$14.35	\$10.50	\$14.35	\$6.25	\$6.25	\$14.35	\$10.50	\$14.35
Market revenue	\$881	\$938	\$646	\$683	\$459	\$1,069	\$1,138	\$789	\$819	\$560	\$1,256	\$1,338	\$933	\$966	\$660
Less variable costs ⁴															
Fertilizer ⁵	\$305	\$271	\$85	\$128	\$64	\$319	\$286	\$100	\$160	\$75	\$333	\$301	\$116	\$195	\$86
Seed ⁶	97	97	71	44	82	118	118	71	44	82	118	118	71	44	82
Pesticides ⁷	73	73	63	38	56	73	73	63	38	56	73	73	63	38	56
Dryer fuel ⁸	45	36	N/A	N/A	4	54	43	N/A	N/A	5	64	51	N/A	N/A	6
Machinery fuel @ \$4.40	33	33	20	20	14	33	33	20	20	14	33	33	20	20	14
Machinery repairs ⁹	22	22	18	18	15	22	22	18	18	15	22	22	18	18	15
Hauling ¹⁰	14	15	5	7	3	17	18	6	8	4	20	21	7	9	5
Interest ¹¹	19	18	9	9	8	20	19	10	10	9	21	20	10	11	9
Insurance/misc. ¹²	43	43	38	9	9	48	48	41	9	9	53	53	43	9	9
Total variable cost	\$651	\$608	\$309	\$273	\$255	\$704	\$660	\$329	\$307	\$269	\$737	\$692	\$348	\$344	\$282
Contribution margin ¹³															
(Revenue - variable costs) per acre	\$230	\$330	\$337	\$410	\$204	\$365	\$478	\$460	\$512	\$291	\$519	\$646	\$585	\$622	\$378

¹Estimated yields and costs are for yields with average management for three different soils representing low, average, and high productivity. The high productivity soils represent soils capable of producing corn and soybeans with yields about 20% higher than average soils. Low productivity soils represent soils capable of producing corn and soybeans with yields about 20% lower than the average soils.

²These yields assume average weather conditions and timely plant/harvest dates, except soybean double-crop yield, which is based on a July 1 planting date. Rotation corn, rotation soybean, and wheat yields for average soils are based on the long-run trends in state average yields reported by the Indiana office of the National Agricultural Statistics Service. Continuous corn yields are 94% of rotation corn yields. Double-crop soybean yields are 70% of full-season soybean yields. Continuous corn yields assume a chisel plow tillage system. Double-crop soybean yields apply to central and southern Indiana.

³Harvest corn price is December 2022 CME Group futures price less \$0.25 basis. Harvest soybean price is November 2022 CME Group futures price less \$0.35 basis. Harvest wheat price is July 2022 CME Group futures price less \$ 3.35 basis. Harvest prices were based on opening prices on March 21, 2022. These prices will change.

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Leases in Wisconsin

"Lease" means an agreement, whether oral or written, for transfer of possession of real property, or both real and personal property, for a definite period of time. A lease is for a definite period of time if it has a fixed commencement date and a fixed expiration date or if the commencement and expiration can be ascertained by reference to some event, such as completion of a building....An agreement for transfer of possession of only personal property is not a lease.

Source: <https://docs.legis.wisconsin.gov/statutes/statutes/704>

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Rental Agreement Checklist

- Contracting Parties and Date
- Property Description
- General Terms of the Lease
- Land Use
- Payments and Due Dates
- Termination/Amendment of Agreement
- Signatures



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Contracting Parties and Date

This section of the contract should state:

- Starting date
- Ending date
- Who the contract will be between
 - The landlord will be the person or persons who own the land
 - The renter will be the person or persons who will rent the land

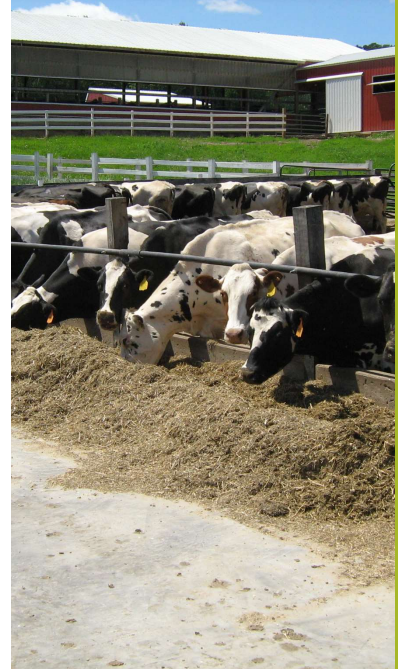


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Property Description

This section can be a detailed or a general description that clearly identifies the property.

- A legal description of the land
- A map of the property showing the actual rented acres
- A written description
 - The actual number of acres that are being rented
 - Where are the acres located
 - Specific usage of some acreage
 - Cropland acres
 - Pasture acres



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General Terms of the Lease

This section should include:

- Length and/or time frame of the lease (Specific dates should be used)
- Specific uses that the renter is granted and/or not granted
- Rights that the landlord reserves with respect to the property
- Care and maintenance of premises



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General Terms of the Lease

Other items may be added to this section. Examples:

- Recreational use: Hunting rights on the property, snowmobiling, ATV/UTV
- Grazing livestock
- Water source- irrigation and or livestock housed as part of agreement
- Use of buildings or grain bins
- Soil testing and lime applications



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Land Use

This section should include management practices that may or may not be used by the renter. Examples:

- Cropping and soil conservation practices
- Tillage practices & timing, cover crops, and crop rotation
- Crop residue management
- Conservation structures
- Fertilizer and manure application protocols or limitations
- Pesticide application protocols/limitations & setbacks (grapes, hops, others)
- Procedures for physical changes to property (trees, fences, field roads, etc.)



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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.

- Cash rental agreement
- Flexible lease (price, yield, or both)
- Crop share agreement
- If a deposit is required for potential damage repair
- Federal Farm Program Benefits
 - Many Federal Farm program payments are paid to the party assuming production risk. A landlord receiving straight cash rent is not assuming production risk.

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Termination/Amendment of Agreement

This section should include reasons and/or procedures for:

- Early termination
- Procedures for amending the contract
- Procedures for renewal or nonrenewal of the contract
 - Including date of notice and date by which agreement is reviewed to determine if it continues as is or with changes for the following year(s) of the contract.



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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.

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Pasture Lease Agreements

Things to consider as you look at pasture rental agreements:

- Value of your pasture (productivity/grass, fencing, water, facilities, size, other forages, distance, and location)
- Per Acre
 - Only charging for the amount of land
- Per head
 - Looking at stocking rates for your property and the animal units

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Arbitration

The use of an arbitrator to settle a dispute

Wisconsin Farm Center
Phone 1-800-942-2474
Email: farmcenter@wisconsin.gov

https://datcp.wi.gov/Pages/Growing_WI/FarmCenterOverview.aspx



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Resources

UW Extension Farm Management Program

- farms.extension.wisc.edu

Ag Lease 101

- Document Library → <https://aglease101.org/doclib/>

Farm Commons

- <https://farmcommons.org/collections/farmland-and-ranchland-leasing/>

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