

For additional information see NCFMEC-01 (Fixed and Flexible Cash Rental Arrangements For Your Farm).

This form can provide the landowner and operator with a guide for developing an agreement to fit their individual situation. This form is not intended to take the place of legal advice pertaining to contractual relationships between the two parties. Because of the possibility that an operating agreement may be legally considered a partnership under certain conditions, seeking proper legal advice is recommended when developing such an agreement.

This lease entered into this _____ day of _____, 20____, between

_____, owner, of _____

Address

_____, spouse, of _____

Address

hereafter known as “the owner,” and

_____, operator, of _____

Address

_____, spouse, of _____

Address

hereafter known as “the operator.”

I. Property Description

The landowner hereby leases to the operator, to occupy and use for agriculture and related purposes, the following described property:

consisting of approximately _____ acres situated in _____ County (Counties), _____ (State)

II. General Terms of Lease

A. Time period covered. The provisions of this agreement shall be in effect for _____ year(s), commencing on the _____ day of _____, 20____. This lease shall continue in effect from year to year thereafter unless written notice of termination is given by either party to the other at least __ days prior to expiration of this lease or the end of any year of continuation.

B. Review of lease. A written request is required for general review of the lease or for consideration of proposed changes by either party, at least ____ days prior to the final date for giving notice to terminate the lease as specified in II-A.

C. Amendments and alterations. Amendments and alterations to this lease shall be in writing and shall be signed by both the owner and operator.

D. No partnership intended. It is particularly understood and agreed that this lease shall not be deemed to be, nor intended to give rise to, a partnership relation.

E. Transfer of property. If the owner should sell or otherwise transfer title to the farm, such action will be done subject to the provisions of this lease.

F. Right of entry. The owner, as well as agents and employees of the owner, reserve the right to enter the farm at any reasonable time to a) consult with the operator; b) make repairs, improvements, and inspections; and c) (after notice of termination of the lease is given) do tilling, seeding, fertilizing, and any other customary seasonal work, none of which is to interfere with the operator in carrying out regular operations.

G. No right to sublease. The owner does not convey to the operator the right to lease or sublet any part of the farm or to assign the lease to any person or persons whomsoever, including for purposes of hunting, trapping or other recreational uses.

H. Binding on heirs. The provisions of this lease shall be binding upon the heirs, executors, administrators, and successors of both owner and operator in like manner as upon the original parties, except as provided by mutual written agreement.

Additional agreements regarding terms of lease:

III. Land Use

A. General provisions. The land described in Section I will be used in approximately the following manner. If it is impractical in any year to follow such a land-use plan, appropriate adjustments will be made by mutual written agreement between the parties.

1. Cropland

- a) Row crops _____Acres
- b) Small grains _____Acres
- c) Hay _____Acres
- d) Rotation pasture _____Acres

2. Permanent pasture _____Acres

3. Other: _____Acres
 _____Acres

TOTAL ACRES _____Acres

B. Government Programs. The extent of participation in federal, state or county government programs for purposes of commodity support, conservation enhancement or other objectives will be discussed and decided on an annual basis or when the original contract expires. The course of action agreed upon should be placed in writing and be signed by both parties. A copy of the course of action so agreed upon shall be made available to each party.

Kind of Land or Improvements	Amount of Cash Rent (Part IV-A)		
	Acres	Rate per Acre	Amount
Row crops	_____	\$ _____	\$ _____
Small grains	_____	\$ _____	\$ _____
Hay	_____	\$ _____	\$ _____
Permanent pasture	_____	\$ _____	\$ _____
Timber	_____	\$ _____	\$ _____
Waste	_____	\$ _____	\$ _____
Farm buildings	_____	\$ _____	\$ _____
Dwelling	_____	\$ _____	\$ _____
Other	_____	\$ _____	\$ _____
Entire Farm	_____	\$ _____	\$ _____

IV. Amount and Payment of Rent

If a flexible cash rental arrangement is desired, describe it on the last page of this form and omit section A below.

A. Cash rental rates. The operator agrees to pay as cash rent the amount as calculated in the “Amount of Cash Rent” table for each kind of land; or, one total may be entered for Entire Farm unit.

B. Rental payment. The annual cash rent shall be paid as follows:

\$_____ on or before _____ day of _____ (Month)

\$_____ on or before _____ day of _____ (Month)

\$_____ on or before _____ day of _____ (Month)

\$_____ on or before _____ day of _____ (Month)

If rent is not paid when due, the operator agrees to pay interest on the amount of unpaid rent at the rate of _____ percent per annum from the due date until paid.

C. Payee information. The rental payments shall be sent to the address of the owner as shown on page 1 of this lease, or to the following address: _____

D. Liens. The operator acknowledges and agrees that the owner may file and perfect a lien upon the crops grown under this lease to secure the payment of rents or any other amounts due under this lease, and that the operator may execute the same against such crops in accordance with state law.

V. Operation and Maintenance of Farm

In order to operate this farm efficiently and to maintain it in a high state of productivity, the parties agree as follows:

A. The operator agrees:

1. General maintenance: To provide the labor necessary to maintain the farm and its improvements during the rental period in as good condition as it was at the beginning. Normal wear and depreciation and damage from causes beyond the operator's control are excepted.

2. Noxious weeds. To use diligence to prevent noxious weeds from going to seed on the farm. Treatment of the noxious weed infestation and cost thereof shall be handled as follows: _____

3. Conservation. Control soil erosion according to an approved conservation plan; keep in good repair all terraces, open ditches, inlets and outlets of tile drains, and ponds; preserve all established watercourses or ditches including grassed waterways and field borders; and refrain from any operation or practice that will injure such structures.

4. Damage. Upon termination of the lease agreement, to pay the owner reasonable compensation for any damages to the farm for which the operator is responsible. Any decrease in value due to ordinary wear and depreciation or damages outside the control of the operator are excepted.

5. Costs of operation. To pay all costs of operation except those specifically referred to in Sections V-A-4 and V-B.

6. Repairs. Not to buy materials for maintenance and repairs in an amount in excess of \$_____ within a single year without written consent of the owner.

7. Documentation. To provide the owner with yield or production information for harvested crops sufficient to meet requirements for crop insurance documentation and participation in USDA commodity programs.

B. The owner agrees:

1. Loss replacement. To replace or repair as promptly as possible the dwelling or any other building or equipment regularly used by the operator that may be destroyed or damaged by fire, flood, or other cause beyond the control of the operator or to make rental adjustments in lieu of replacements.

2. Materials for repair. To furnish all material needed for normal maintenance and repairs.

3. Skilled labor. To furnish or pay for any skilled labor tasks that the operator is unable to perform satisfactorily. Additional agreements regarding materials and labor are: _____

4. Reimbursement. To pay for materials purchased by the operator for purposes of repair and maintenance in an amount not to exceed \$_____ in any one year, except as otherwise agreed upon. Reimbursement shall be made within _____ days after the operator submits the bill.

5. Removable improvements. Let the operator make minor improvements of a temporary or removable nature, which do not mar the condition or appearance of the farm, at the operator's expense. The owner further agrees to let the operator remove such improvements even though they are legally fixtures at any time this lease is in effect or within _____ days thereafter, provided the operator leaves in good condition that part of the farm from which such improvements are removed. The operator shall have no right to compensation for improvements that are not removed except as mutually agreed.

6. Compensation for crop expenses. To reimburse the operator at the termination of this lease for field work done and for other crop costs incurred for crops to be harvested during the following year. Unless otherwise agreed, current custom rates for the operations involved and actual costs for materials applied will be used as a basis of settlement.

C. Both agree:

1. Not to obligate other party. Neither party hereto shall pledge the credit of the other party hereto for any purpose whatsoever without the consent of the other party. Neither party shall be responsible for debts or liabilities incurred, or for damages caused by the other party.

2. Capital improvements. Costs of establishing hay or pasture seedings, new conservation structures, improvements (except as provided in Section V-B-5), or of applying lime and other long-lived fertilizers shall be divided between owner and operator as set forth in the following table. The operator will be reimbursed by the owner either when the improvement is completed, or the operator will be compensated for the share of the depreciated cost of the operator's contribution when the lease ends based on the value of the operator's initial contribution and depreciation rate shown in the "Compensation for Improvements" table. (Cross out the portion of the preceding sentence which does not apply.) Rates for labor, power and machinery contributed by the operator shall be agreed upon before construction is started.

3. Mineral rights and wind/solar development. The landowner shall have the right to enter into agreements for the development of petroleum, wind, solar, or other resources on the property, and may also authorize third parties to enter the property to survey, construct, and/or operate the facilities reasonably necessary to develop those resources. The landowner agrees to reimburse the tenant for any actual damage suffered for crops destroyed by these activities and to release the tenant from obligation to continue farming this property when and if development of such resources interferes materially with the tenant's opportunity to make a satisfactory return.

4. Environmental issues. The operator shall conduct all operations on the property in a manner consistent with all applicable local, state, and federal environmental codes, regulations, and statutes and shall bear sole responsibility for any violations thereof. The operator shall be solely responsible for securing any permits or approvals necessary for his or her activities on the property. In the event of any legally-prohibited release of materials to the environment, the operator will indemnify the landowner for any costs of environmental cleanup and restoration as well as any penalties, fines, judgments or other amounts incurred by landowner as a result of such release.

5. Arbitration of differences. Any differences between the parties as to their several rights or obligations under this lease that are not settled by mutual agreement after thorough discussion, shall be submitted for arbitration to a committee of three disinterested persons, one selected by each party hereto and to the third by the two thus selected. The committee's decision shall be accepted by both parties.

VI. Amount of Rent to be paid when Cropland is rented on a Flexible Basis

Flexible cropland rent. (Use Method I, II, or III.)

1. Basic information to be used in Methods I and II

Crop(s)	Base Cash Rent (per acre)	Base Yield (bushel or ton per acre)	Base Price (per bushel or ton)	Base Input Costs (per acre)	Minimum Cash Rent (per acre)	Maximum Cash Rent (per acre)
_____	\$ _____	_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	_____	\$ _____	\$ _____	\$ _____	\$ _____

2. The current price for the current year shall be Average Price at close of day based on the following time periods(s) and location(s).

Crop(s)	_____ Day	_____ Month through	_____ Day	_____ Month at	Price Source
_____	_____ Day	_____ Month through	_____ Day	_____ Month at	_____
_____	_____ Day	_____ Month through	_____ Day	_____ Month at	_____
_____	_____ Day	_____ Month through	_____ Day	_____ Month at	_____

3. Base Year Input Costs

Crop(s)	Seed	Fertilizer	Pesticides	Fuel	Total
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

For each year of this lease, the Base Cash Rent per acre for each crop shall be adjusted at the close of the cropping season by one of the following methods:

Method I - Flexing for Price Only

Crop(s)	Base Rent	×	(Current Price ÷ Base Price)	=	Rent Per Acre [†]	×	Acres Grown	=	Adjusted Rent for the Year
_____	_____	×	_____	=	_____	×	_____	=	_____
_____	_____	×	_____	=	_____	×	_____	=	_____
_____	_____	×	_____	=	_____	×	_____	=	_____

Method II - Flexing for Price and Yield

Crop(s)	Base Rent	×	(Current Price ÷ Base Price)	×	(Current Yield ÷ Base Yield) [‡]	=	Rent Per Acre [†]	×	Acres Grown	=	Adjusted Rent for the Year
_____	_____	×	_____	×	_____	=	_____	×	_____	=	_____
_____	_____	×	_____	×	_____	=	_____	×	_____	=	_____
_____	_____	×	_____	×	_____	=	_____	×	_____	=	_____

Method III - Flexing for Price, Yield and Input Costs

Crop(s)	Base Rent	×	(Current Price ÷ Base Price)	×	(Current Yield ÷ Base Yield) [‡]	×	(Base Costs ÷ Current Costs)	×	Acres Grown	=	Flexible Rent
_____	_____	×	_____	×	_____	×	_____	×	_____	=	_____
_____	_____	×	_____	×	_____	×	_____	×	_____	=	_____
_____	_____	×	_____	×	_____	×	_____	×	_____	=	_____

[†] If calculated figure is less than “minimum cash rent” in Part 1, use the set minimum. If calculated figure is more than “Maximum Cash Rent” in Part 1, use the set maximum.

[‡]The current yield shall be the “farm” yield for the current lease year.

Method IV - Work Out and Record Procedure To Be Used

Executed in duplicate on the date first above written:

_____	_____
Operator	Owner
_____	_____
Operator's spouse	Owner's spouse

State of _____
County of _____

On this _____ day of _____, A.D. 20_____, before me, the undersigned, a Notary Public in said State, personally appeared _____, _____, _____, and _____ to me known to be the identical persons named in and who executed the foregoing instrument, and acknowledged that they executed the same as their voluntary act and deed.

Notary Public