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Everything You Need to Include in a Farm/Ranch Lease Contract – Part 1

By [Meg Grzeskiewicz](#) / April 30, 2018 / [2 Comments](#)

Over the last few months, my [Boneheaded Beef Business Blunders](#) (<https://onpasture.com/boneheaded-beef-business-blunders/>) articles have related how I've been burned by ineffective land lease and custom grazing contracts. As a result, I've changed what I include in contracts. Below is a complete rundown of all the topics I am now including in my lease contracts. I will do the same next month for custom grazing deals. This makes for a cumbersome document, but like I said in my previous article, a landowner who balks at a long, thorough contract is probably someone you don't want to do business with.



<http://www.rhinestonecattleco.com/>

Meg is selling these cows for one of her custom grazing clients. Check them out!

These are just my thoughts and I'm not a lawyer.

Before signing a lease contract, you should have your lawyer look it over and ask them if you have forgotten anything important! The legal fees are worth avoiding potentially expensive future issues. If you have not worked with an agricultural lawyer up to this point, definitely make contact with one. Using other people's land and/or caring for other people's livestock is legally risky! Even if you think you're getting along really well with your potential partner right now, and you trust them to be fair to you, a lot can change over the length of a multi-year contract.

The Basics

Name of leasing farmer/business, mailing address, contact info

Name of landowner/business, mailing address, contact info

The landowner must hold a clear, marketable title to the land.

Description of the leased land

Legal parcel ID and address of leased land, and the number of acres included in lease. Include an Aerial map (from Google Earth, GIS or Web Soil Survey) showing the exact boundaries of the leased area in relation to buildings, property lines, water features, tree lines, and any other distinguishing features.

Purpose of the Lease

Specify which livestock/plant species the land will be used to produce.

Start and end dates of the lease**Lease Compensation**

What (if anything) does the renter pay the landowner per acre per year? How many acres is the renter being charged for? When is payment due and in how many installments? Who will the renter pay and by what method? Include that the landowner must provide a signed receipt for payments made.

If there is other non-cash compensation involved, such as meat, products, labor, improvement of land, etc. be VERY SPECIFIC about exactly what and how much.

Tax Relief as Compensation

In New York State, landowners can receive a discount on their property taxes if they rent their land to a qualifying farm entity. I'm sure other states have similar programs. If the renting farmer will be making the landowner eligible for agricultural property tax incentives be clear about who files the paperwork and by when it must be filed. Also include that the renter does not guarantee that the landowner's tax assessor will grant agricultural property tax status, or that such status will lower the landowner's taxes. Cover what will happen if ag status is not granted or property taxes don't decrease under agricultural status. State that the renter is not liable for any penalties incurred by the landowner arising from early termination of ag tax status (if the landowner loses ag tax status either after lease is over, or if lease ends early, regardless of fault).

In New York, landowners can owe back taxes if they do not submit qualifying paperwork for ag tax status for at least 5 consecutive years, or if the land is changed to a non-agricultural use without discontinuing ag tax applications for a few years prior.

Insurance

What insurance coverage will the farmer and landowner carry during the lease term to protect one another from third parties, and from each other? Specify what limits and specific coverages each person will carry, and who has to pay for this insurance.

Make sure that insurance covers people who might come onto the leased land for workshops and educational events, and for doing work like adding soil amendments, doing seeding, putting up fence, looking at livestock to purchase, etc.

Amendments to the Lease

Written amendments to this contract may be made and signed by both parties.

Infrastructure and Improvements

The landowner agrees to enable access to at least one source of electricity and one source of livestock water at all times, and cover any costs required to do so. The landowner will provide a covered, secure storage space for renter's tools and equipment.

Why Do I Include This?

On some rented land, especially in remote areas, electricity and storage space may not be available or needed. You can modify this statement to fit your needs. For what I am doing, I need electricity for my fence charger. My entire grazing operation revolves around the use of temporary fencing. I also live a long way from my rented farm. I need a place to store my ATV, mineral, tools, and things like that since it's not practical for me to bring it all back and forth every day.

Fencing

This section covers agreements on everything fence related. It should answer questions like:

- Who maintains existing fence at whose cost?
- If existing fence is to be torn down and replaced, or if new fence is to be built, who performs and pays for exactly which tasks on the fence project?
- Who provides needed tools and equipment, at whose cost?
- Who gets the materials and pays for them and when is the deadline for purchasing them and getting them to the leased land?
- When must fence construction be finished by?
- Who owns the fence?
- Who pays for repairing any damage to existing or new fence and who makes the repairs?
- Who pays for the electricity for the fence charger?

Record specifics of your fence design including post size and material, wire type, insulator/fastener type, brace design, feeder wire placement and its location above/below ground, and the exact placement of fencelines. Draw your fencelines on a map and have the landowner initial it.

Distinguish between permanent and temporary fence materials. Specify that all temporary fence reels and posts are owned by the renter and will be taken when lease ends.

Why All This Detail About Fencing?

It may sound like I am getting way too picky about fence specifics. But this is exactly what caused the end of one of my lease contracts. We disagreed over the design of the braces (H-brace versus floating brace), who was responsible for building the braces, fence completion deadline, and whether or not payment was due for labor. Neither of us could produce records of what was said and agreed upon. We had failed to communicate and record our expectations. Both of us left the deal feeling like we had been lied to and taken advantage of.

On my farms, I have paid for, built and maintained all fences on my leased areas. The contracts say that I own the fence, and at the end of the lease, the landowner must either buy it from me at the replacement cost of the materials, or I will pull it up and take it with me.



**Know what's below.
Call before you dig.**

Before you build fence, install underground water systems, or do any type of digging, in most states you must call 811, the safe digging hotline. The operator will ask you about your project, then send a utility locating company to mark the locations of any underground utility lines near your dig site.

If you don't call and you hit a buried line, you may be liable for a huge amount of money!

Water

Be just as specific about water as you are about fence. Specify which existing water sources may be used for livestock, and any exclusion times. Cover who pays for any damage to existing or new water infrastructure. If new water infrastructure is to be built, record specific design (include an initialed diagram). Then add who pays for materials, and brings them to farm, by what date. If you're working with the landowner on a water project, be clear about which tasks and costs each of you is responsible for and when the project will be completed. Finally clarify who owns the water equipment at the end of the lease.

Pasture Health

If soil amendments, lime, seed or fertilizer are required write down who will pay for it, and what will be applied and when.

Equipment

If the renter is to use the landowner's equipment, what machinery will be used, for what tasks and when. Who pays for routine maintenance, wear and parts, and who pays for damage/broken stuff? What type of permission (written or oral) is needed to use the equipment? Does the renter need to obtain permission every time they want to use equipment, or is blanket permission given for a certain length of time?

All equipment, vehicles, tools, supplies owned and brought onto or stored on leased land by the renter are the renter's property and will be taken when the lease ends. The landowner or others besides the renter don't get to use renter's stuff without prior permission, and are responsible for paying for anything they damage.

That's the first part of my lease. Next week I'll cover animal management, agreements on specific land use issues, damages, what happens in case of injury, death or natural disaster, and end of lease considerations. I welcome your thoughts and input on these ideas. We can all learn and grow together!

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Water Worries

Do you have a plan for winter, freeze-proof water?

Who pays for electricity for water heaters or pumps if you need them?

You should also find out if livestock can legally use all the water points you want to use. In some protected watershed areas, livestock access to creeks and streams and the discharge of farm nutrients into water is highly regulated or prohibited. Check with the local NRCS or Conservation District office for more information.



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