

Illinois Cash Farm Lease

To use this lease form: Complete two identical copies – one for the Lessor (Landowner) and one for the Lessee (Tenant). Cross out any provisions that are not to become a part of the contract and add any additional provisions that are desired. If preparing the lease manually, use ink or typewriter; however, the web-based lease form can be filled in on-line before printing. This lease form is available on the farmdoc website at http://www.farmdoc.uiuc.edu/legal/farm_lease_forms_abs.html. Additional leasing information can be found in the Leasing Fact Sheets prepared by University of Illinois Farm Business Management Educators located at http://www.farmdoc.uiuc.edu/manage/leasing_fact_sheets.html. **Note: A lease creates and alters legal rights; thus, Landowners and Tenants may want to discuss specific lease provisions with their respective legal advisors.**

Date and names of parties. This lease is entered into on _____, 20____, between:

Lessor(s) (Insert Landowner's exact name): _____,

whose mailing address is _____,

and

Lessee(s) (Insert Tenant's exact name): _____,

whose mailing address is _____,

and whose Social Security Number or Employer Identification Number is _____.

The parties to this lease agree to the following provisions.

Section 1. Description of Rented Land and Length of Tenure

A. Description of Land. The Landowner (Lessor) rents and leases to the Tenant (Lessee), to occupy and to use for agricultural purposes only, the following real estate located in the County of _____ and the State of _____, and described as follows: _____

_____ ,
commonly known as the _____ farm and consisting of approximately _____ acres, together with all buildings and improvements thereon belonging to the Lessor, except _____.

B. Length of tenure. The term of this lease shall be from _____, 20____, to _____, 20____, and the Lessee shall surrender possession at the end of this term or at the end of any extension thereof. Extensions must be in writing and attached to this lease, and both parties agree that failure to execute an extension at least _____ months before the end of the current term shall be constructive notice of intent to allow the lease to expire.

Section 2. Fixed Cash Rent (With Option for Indexing)

Tenant agrees to pay Landowner an annual fixed cash rent as identified below; however, if the "option for indexing" is also completed, the rent shall be adjusted as described in the option for the years following the first year.

Fixed Rent: The annual cash rent shall be the sum of \$ _____. This represents _____ acres of cropland at \$ _____ per acre, plus _____ acres of _____ at \$ _____ per acre, plus _____ acres of _____ at \$ _____ per acre, plus _____.

Option for Indexing: After the first year, the annual cash rent for a particular lease year shall be the Fixed Rent identified above, but adjusted annually after the first year as follows: _____

CAUTION: "Flexible Rent" may cause a lease to be treated like a "share lease" under federal regulations (e.g., 7 CFR 1412.504) stating how government agricultural program payments can be divided between landlord and tenant. Consult with your legal advisor.

Section 2 (Alternate). Flexible Rent Using Option I, II, or III

Note: Strike either Section 2 or Section 2 (Alternate). The cash rent can be flexible and change each crop year. A base rent can be established and adjusted based upon yield and/or price fluctuations. The factors to be used in adjusting the rent in Options I and II must be listed below.

Crop(s)	Base cash rent (per acre)	Base yield (bu or ton/acre)	Base price (per bu or per ton)	Min. cash rent (per acre)	Max. cash rent (per acre)
	\$	\$	\$	\$	\$
_____	\$	\$	\$	\$	\$
_____	\$	\$	\$	\$	\$

The current price for the current year shall be the average price at close of day based on the following time period(s) and location(s):

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

A. For each lease year, the per-acre base cash rent for each crop shall be adjusted at the close of the cropping season by one of the following methods:

OPTION I – FLEXING FOR PRICE ONLY

Crop(s)	Base rent	x (Current price ÷ Base price)	=Rent/acre ¹	x Acres grown	= Adj. Rent for year
_____	\$ _____	x \$ _____	= \$ _____	x _____	= \$ _____
_____	\$ _____	x \$ _____	= \$ _____	x _____	= \$ _____
_____	\$ _____	x \$ _____	= \$ _____	x _____	= \$ _____
				Total all crops	= \$ _____

OPTION II – FLEXING FOR PRICE AND YIELD

Crop(s)	Base rent	x (Current price ÷ Base Price)	x (Current yld ² ÷ Base yld)	=Rent/acre ¹	x Acres grown	= Adj. Rent for year
_____	\$ _____	x \$ _____	x \$ _____	= \$ _____	x _____	= \$ _____
_____	\$ _____	x \$ _____	x \$ _____	= \$ _____	x _____	= \$ _____
_____	\$ _____	x \$ _____	x \$ _____	= \$ _____	x _____	= \$ _____
					Total all crops	= \$ _____

OPTION III – OTHER PROCEDURE TO BE USED

B. Additional Rent for Inflexible items (complete at beginning of lease period)

Pasture	\$ _____
Hay land	\$ _____
Other inflexible cropland	\$ _____
Timber, wasteland	\$ _____
Farmstead	\$ _____

TOTAL INFLEXIBLE RENT \$ _____

C. TOTAL RENT FOR YEAR: Sum the Flexible cropland rent (calculated from Part A, Option I, II or III) and the Total Inflexible Rent (from Part B)
\$ _____

¹ If calculated figure is less than "Min. cash rent" in "Basic Information," use the set minimum. If calculated figure is more that "Max cash rent" in "Basic Information," use the set maximum.

² The current yield shall be the "farm" yield for the current lease year.

Section 3. Investments and Expenses

A. The Landlord agrees to furnish the property and to pay the items of expense listed below:

1. The above-described farm, including fixed improvements.
2. Materials for necessary repairs and improvements to buildings and permanent fences except as agreed to in B4 and amendments to this lease.
3. Skilled labor employed in making and repairing improvements and all labor for painting buildings.
4. Taxes on land, improvements, and personal property owned by the Lessor.
5. Fire and wind insurance, at a fair replacement value, on the residence and all buildings owned by the Lessor and used by the Lessee in storing or housing grain, feed, livestock and equipment.
6. Ground limestone: Lessor is to furnish _____ percent or share of total cost, including hauling and spreading.
7. A water supply adequate for household use and _____ animal units of livestock.
8. Other items:

B. The Lessee agrees to furnish the property and to pay the items of expense listed below:

1. All the machinery, equipment, labor, fuel, and power necessary to farm the premises properly.
2. The hauling to the farm, except when otherwise agreed, of all material which the Lessor furnishes for making repairs and minor improvements, and the performing of labor, except skilled, required for such repairing and improving.
3. All seed, inoculation, disease-treatment materials, and fertilizers, except that which the Lessor agrees to furnish above.
4. The following described items and all other items of expense not furnished by the Lessor as provided in A:

Section 4. Tenant's Duties in Operating Farm

The Tenant further agrees to perform and carry out the stipulations below. (Strike out any not desired.)

A. Activities required:

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. To cultivate the farm faithfully and in a timely, thorough, and businesslike manner. 2. To prevent noxious weeds from going to seed on said premises and to destroy the same and keep the weeds and grass cut. 3. To haul and spread all manure on appropriate fields at times and in quantities consistent with environmental protection requirements. 4. To keep open ditches, tile drains, tile outlets, grass waterways, and terraces in good repair. 5. To preserve established watercourses or ditches, and to refrain from any operation that will injure them. 6. To keep the building, fences (including hedges), and other improvements in good repair and condition as they are when the Tenant takes possession or in as good repair and condition as they may be put by the Lessor during the term of the lease – ordinary wear, loss by fire, or unavoidable destruction excepted. 7. To take proper care of all trees, vines, and shrubs, and to prevent injury to the same. 8. To keep the farmstead neat and orderly. 9. To prevent all unnecessary waste, or loss, or damage to the property of the Lessor. 10. To comply with pollution control and environmental protection requirements as required by local, state, and federal agencies, as well as to implement soil erosion control practices to comply with the soil loss standards mandated by local, state, and federal agencies. | <ol style="list-style-type: none"> 11. To use prudence and care in transporting, storing, handling, and applying all fertilizers, pesticides, herbicides, and other chemicals and similar substances; to read and follow label instructions for the use of such materials in order to avoid injury or damages to persons or property or both on the leased premises and adjoining areas; and to comply with state pesticide training, licensing, storing, and usage. 12. Any chemicals for weed or insect control or other use, when used, should be applied at levels not to exceed the manufacturer's recommendation for the soil types involved. The Tenant agrees to provide to the Lessor, annually, a written report indicating the product name, amount, date of application and location of application of all pesticides, fertilizers, and seed used on the farm. 13. No chemicals will be stored on the property for more than one year. When chemicals or petroleum products are stored on the farm, they will be only those planned to be used on the farm and they will be in closed, tight containers above ground and clearly marked. No chemicals or chemical containers will be disposed of on the property. 14. To generally follow Natural Resource Conservation Service and Farm Service Agency recommendations and to maintain all other requirements necessary to qualify current and future farm operators to participate in federal farm programs. 15. Other: _____

_____ |
|---|--|

B. Activities restricted. The Tenant further agrees, unless the written consent of the Lessor has been obtained:

1. Not to assign this lease to any person or persons or sublet any part of the premises herein leased.
2. Not to erect or permit to be erected any structure or building or to incur any expense to the Lessor for such purposes.
3. Not to add electrical wiring, plumbing, or heating to any building. (If consent is given such additions must meet standards and requirements of power and insurance companies.)
4. Not to plow permanent pasture or meadowland.
5. Not to allow any stock on any tillable land except by annual agreement.
6. Not to burn or remove cornstalks, straw, or other crop residues grown upon the farm.
7. Not to cut live trees for sale purposes or personal uses.
8. Not to erect or permit to be erected any commercial advertising signs on the farm, other than seed variety signs.
9. Not to enter into any agreement, contract, or other farming or business arrangement that alters rights in the Lessor's security interest, right of entry, default or possession.
10. Not to permit, encourage, or invite other persons to use any part or all of this property for any purpose or activity not directly related to its use for agricultural production, except as specifically noted here:

11. Other: _____

Section 5. Management and Business Procedures

The Lessor and Tenant agree that they will observe the following provisions (Strike out any not desired.)

A. General Cropping System. Except when mutually decided otherwise, the land use and cropping shall be approximately as follows:

- _____ acres for rotated crops
- _____ acres in permanent pasture
- _____ acres in non-grazed woodland
- _____ acres in building and lots
- _____ acres in other _____

B. Insurance. For the term of the lease, Tenant shall maintain insurance with a carrier acceptable to the Landlord, insuring Tenant while performing on these premises hereunder for the following types and in stated minimum amounts:

- Crop Insurance \$ _____ per acre
- Liability Insurance: \$ _____ per person
- \$ _____ per occurrence
- Property Damage: \$ _____ per occurrence
- Workers Compensation: As required by statute

Tenant shall furnish Landlord with a Certificate of Insurance and give notice of termination of coverage.

Tenant agrees that all applicable insurance policies name the Landlord as an additional insured

C. Financial and production records. The Tenant agrees to keep financial and production records of the farm business and to furnish an annual report to the Lessor, on such forms as the Lessor may provide, on or before _____

D. Cash Rent Installments. The cash rent shall be paid each year in the following installments:

<i>Dollars of percent of rent due</i>	<i>Date Due</i>
_____	_____
_____	_____
_____	_____
_____	_____
Balance Due	_____

1. For the Tenant's remaining cost in limestone. The Tenant's remaining cost shall be calculated by depreciating the Tenant's net cost at the rate of _____ percent annually.

2. For the Tenant's cost of soluble phosphate (P₂O₅) and potash (K₂O) fertilizers applied on crops harvested for grain in the last year of this lease minus the amount of these plant food elements, valued at the same rates, contained in the Tenant's share of these crops.

3. _____

F. Land use in last year of lease. If, during the last six months of the lease term, or after notice to terminate has been given if this lease has become a year to year lease, the parties fail to agree on questions of land use, cropping system, fertilizer applications, or any deviations from the lease provisions, then the specific agreements in this lease shall prevail or, in the absence of agreements in the lease, the Lessor shall decide and the Tenant agrees to abide by the Lessor's decisions. The Lessor's decisions shall not contradict any provisions in this lease or violate good farming procedures.

G. Conservation. Both Lessor and Tenant affirm the goals of minimizing soil erosion losses and preserving the productivity of the land in ways that are consonant with their needs and desires for acceptable current returns to their individual inputs on the leased premises. To these ends they agree to implement as far as possible the best management practices recommended by the Natural Resource Conservation Service and to cooperate with that agency's soil and water conservation programs.

H. Tenant responsible for hired labor. The Tenant shall be solely responsible for all employer obligations on hired labor with respect to safety requirements and social security and workers' compensation contributions, and the Lessor shall have no responsibilities therefore.

I. Other management agreements: _____

E. End of lease reimbursements. At the end of this lease, the Lessor agrees to reimburse the Tenant:

Section 6. Default, Possession, Landlord's Lien, Right of Entry, Mineral Rights, Liability, Extent of Agreement

The Lessor and Tenant agree to the following provisions. (Strike out any not desired.)

A. Termination upon default. If either party fails to carry out substantially the terms of this lease in due and proper time, the lease may be terminated by the other party by serving a written notice citing the instance(s) of default and specifying a termination date of _____ days from the date of such notice. Settlement shall then be made in accordance with the provisions of Clause B of this section, the reimbursement agreements of Section 5, and any amendments to this lease.

B. Yielding possession. The Tenant agrees at the expiration or termination of this lease to yield possession of the premises to the Lessor without further demand or notice, in as good order and condition as when they were entered upon by the Tenant, loss by fire, flood, or tornado, and ordinary wear excepted. If the Tenant fails to yield possession, the Tenant shall pay to the Lessor a penalty of \$_____ per day or the statutory double rent, whichever is less, for each day the Tenant remains in possession thereafter, in addition to any damages caused by the Tenant to the Lessor's land or improvements, and said payments shall not entitle the Tenant to any interest of any kind or character in or on the premises.

C. Landlord's lien. The Landlord's lien provided by statute on crops grown or growing, together with any other security agreement(s) created by Tenant in favor of Landlord, shall be the security for the rent herein specified and for the faithful performance of the terms of the lease. The Tenant shall provide the Lessor with the names of persons to whom the Tenant intends to sell crops grown on these premises at least 30 days prior to the sale of such crops. A lesser period may be allowed by mutual written agreement. Tenant consents to any filing required by law to perfect the statutory landlord's lien upon crops. If the Tenant fails to pay the rent due or fails to keep any of the agreements of this lease, all costs and attorney fees of the Lessor in enforcing collection or performance shall be added to and become a part of the obligations payable by the Tenant.

D. Landowner's right of entry. The Lessor reserves the right personally or by agents, employees, or assigns to enter upon the premises at any reasonable time to view them, to work or make repairs or improvements thereon, to care for and dispose of the Lessor's share of crops, to develop mineral resources as provided in Clause E below, or, after constructive notice has been given that the lease may not be extended, and following severance of crops, to plow and prepare a seed bed, apply fertilizers, and any other operation necessary to good farming by the succeeding operator, these operations not to interfere with the Tenant in carrying out the regular farming operations.

E. Mineral rights. Nothing in this lease shall confer upon the Tenant any right to minerals underlying the land. Such mineral rights are hereby reserved by the Lessor together with the full right to enter upon the premises and to bore, search, excavate, work, and remove the minerals, to deposit excavated rubbish, to pass over the premises with vehicles, and to lay down and work any railroad track or tracks, tank, pipelines, power lines, and structures as may be necessary or convenient for the above purpose. The Lessor agrees to reimburse the Tenant for any actual damage the Tenant may suffer for crops destroyed by these activities and to release the Tenant from obligation to continue farming this property when development of mineral resources interferes materially with the Tenant's opportunity to make a satisfactory return.

F. Landowner liability. The Tenant takes possession of the leased premises subject to the hazards of operating a farm, and assumes all risk of accidents personally as well as for family, employees, or agents in pursuance of farming operations, or in performing repairs on buildings, fences, tile, and other improvements.

G. Binding on heirs, etc. The terms of this lease shall be binding on the heirs, executors, administrators, and assigns of both Lessor and Tenant in like manner as upon the original parties.

Section 7. Additional Lease Provisions

Signatures of parties to lease:

	<i>Landowner</i>		<i>Date</i>
	<i>Landowner</i>		<i>Date</i>
By _____	<i>Agent</i>		<i>Date</i>
	<i>Tenant</i>		<i>Date</i>
	<i>Tenant</i>		<i>Date</i>

Amendments and Extensions to the Lease

(Must be completed manually/cannot be completed on-line)

Amendments, alterations, and extensions to this lease may be made in writing in the space below at any time by mutual agreement. The written amendments should be noted on both the Landlord's and Tenant's copies of the lease (complete and sign two identical copies). If the parties fail to agree on a proposed alteration, the existing provisions of the lease shall control operations.

A. Improvements made by the Tenant at the Tenant's own expense. When the Lessor and Tenant agree that the Tenant may make all or part of an improvement (such as buildings, additions to buildings, major repairs, fences, bathrooms, water systems, etc.) to the farm at the Tenant's own expense and that the Tenant is to be reimbursed for any costs remaining at the end of the lease, the necessary information shall be recorded in one of the following blanks and, after being duly signed by both parties, it shall become a part of the lease above and obligate the Lessor and his or her heirs and assigns to make such reimbursement. Such improvements become the Lessor's property upon completion of the form below. The Lessor thereby assumes the responsibility for property taxes, insurance coverage, and risk of loss.

Description and location of the improvement	Tenant's net cost	Annual rate of depreciation (percent)	Date depreciation begins	Signatures and Date Signed
1.				Lessor:
				Tenant:
2.				Lessor:
				Tenant:
3.				Lessor:
				Tenant:

B. Lessor's written consent to Tenant's participation in items in Section 4, Clause B.

1. Item: _____ Description and restrictions: _____

 Date: _____ Lessor's Signature _____

2. Item: _____ Description and restrictions: _____

 Date: _____ Lessor's Signature _____

C. Other amendments: To be dated, signed and attached to both Landowner's and Tenant's copies of lease.

D. Lease Extensions

Lease Extension # 1	Lease Extension # 2	Lease Extension # 3
This lease, originally dated _____, 20____, shall be extended . . . From _____, 20____, To _____, 20____. Signed: _____, 20____ _____ Lessor _____ Tenant	This lease, originally dated _____, 20____, shall be extended . . . From _____, 20____, To _____, 20____. Signed: _____, 20____ _____ Lessor _____ Tenant	This lease, originally dated _____, 20____, shall be extended . . . From _____, 20____, To _____, 20____. Signed: _____, 20____ _____ Lessor _____ Tenant