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Flexible-Cash Farm Lease

Burton Pflueger
South Dakota State University

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South Dakota State University Cooperative Extension Service

Extension Extra

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College of Agriculture & Biological Sciences / USDA

Flexible-Cash Farm Lease

Burton Pflueger, Extension economist

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 (if Tenant is an entity other than an individual) 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 know 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:

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 locations(s):

Crop(s) _____	Day _____	Month through _____	Day _____	Month at _____	PriceSource _____
Crop(s) _____	Day _____	Month through _____	Day _____	Month at _____	PriceSource _____
Crop(s) _____	Day _____	Month through _____	Day _____	Month at _____	PriceSource _____

A. For each lease year, per-acre base cash rent for each crop shall be adjusted at the close of 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 yield ² ÷ base yield	=	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.

Signatures of parties to lease

_____ Landowner _____ Date
_____ Landowner _____ Date
_____ Tenant _____ Date
_____ Tenant _____ Date

Extensions to the Lease

Lease Extension # 1

This lease, originally dated _____, 20____ ,
shall be extended . . .

From _____, 20____ ,

To _____, 20____ .

Signed: _____, 20____

_____ Lessor

_____ Tenant

Lease Extension # 2

This lease, originally dated _____, 20____ ,
shall be extended . . .

From _____, 20____ ,

To _____, 20____ .

Signed: _____, 20____

_____ Lessor

_____ Tenant

Modified for South Dakota From Illinois Farmdoc Form: CL 01-0912.

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