

Ohio Farmland Leasing Update

Welcome!
The webinar will begin at 10 a.m.



THE OHIO STATE
UNIVERSITY

EXTENSION



Speakers

Barry Ward

Leader, Production
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Agenda

- Cash Rent Outlook–Key Issues and Survey Data
- Negotiating Capital Improvements
- Dealing with Conservation Practices
- Executing and Recording Farm Leases
- New Farmland Leasing Resources

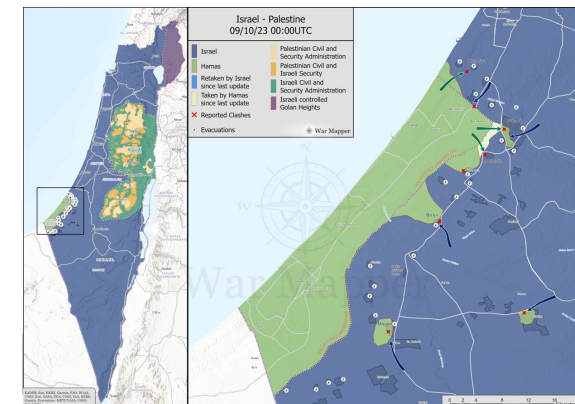


Cash Rent Outlook

Key Issues and Survey Data

Barry Ward
Ohio State University Extension
Leader, Production Business
Management
Director, OSU Income Tax Schools

Discussion Points



- ✓ Economic outlook Ohio row crops – '24 crop
- ✓ Ohio Cropland Values and Cash Rents
- ✓ Land Value/Rental Market Outlook



Input Costs and Budgets

Dec '24 Corn Futures



Source: DTN

Ohio Crop Enterprise Budgets 2024

Input Costs

- ✓ Seed Cost: +2.5%
- ✓ Diesel Price: \$3.50 / gallon
- ✓ Crop Protection
Chemical Cost: Flat and Mixed

- ✓ Fertilizer Prices:
 - ✓ NH₃ \$775/T
 - ✓ 28% \$325/T
 - ✓ MAP \$790/T
 - ✓ Potash \$475/T

- ✓ Machinery & Equipment / Repairs: Flat to Modestly Higher
- ✓ Interest Rates / Carrying Charges: Continued high
- ✓ Rents: Modestly higher



Crop Enterprise Budgets 2024

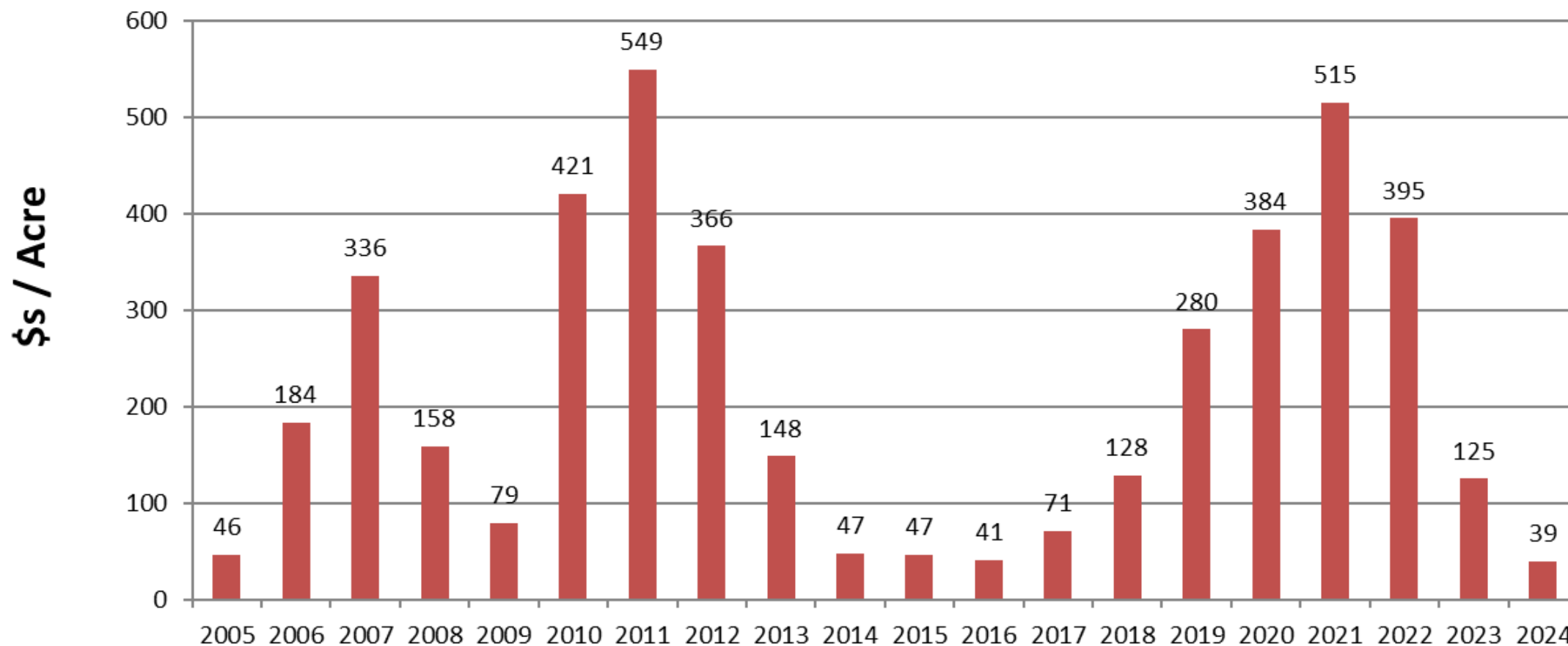
		Corn	Soybeans	Wheat
Receipts	bu/A Price	182@\$4.35	57@\$11.00	75@\$5.65
Crop Revenue		\$790.83	\$621.50	\$426.01
ARC/PLC + Ad Hoc		\$0.00	\$0.00	\$0.00
Variable Costs		\$558.44	\$295.15	\$259.19
Returns				
Return Above Variable Costs		\$232.39	\$326.35	\$166.82
Return Above Total Costs		-\$194.11	-\$42.80	-\$165.88
Return to Land		\$38.89	\$190.20	\$62.12

Crop Enterprise Budgets 2024

		Corn	Soybeans	Wheat
Receipts	bu/A Price	218@\$4.35	68@\$11.00	90@\$5.65
Crop Revenue		\$949.00	\$745.80	\$511.21
ARC/PLC + Ad Hoc		\$0.00	\$0.00	\$0.00
Variable Costs		\$609.44	\$313.93	\$286.14
Returns				
Return Above Variable Costs		\$339.56	\$431.87	\$225.08
Return Above Total Costs		-\$149.85	\$1.50	-\$168.88
Return to Land		\$138.15	\$289.50	\$116.12



Ohio Corn - Returns to Land



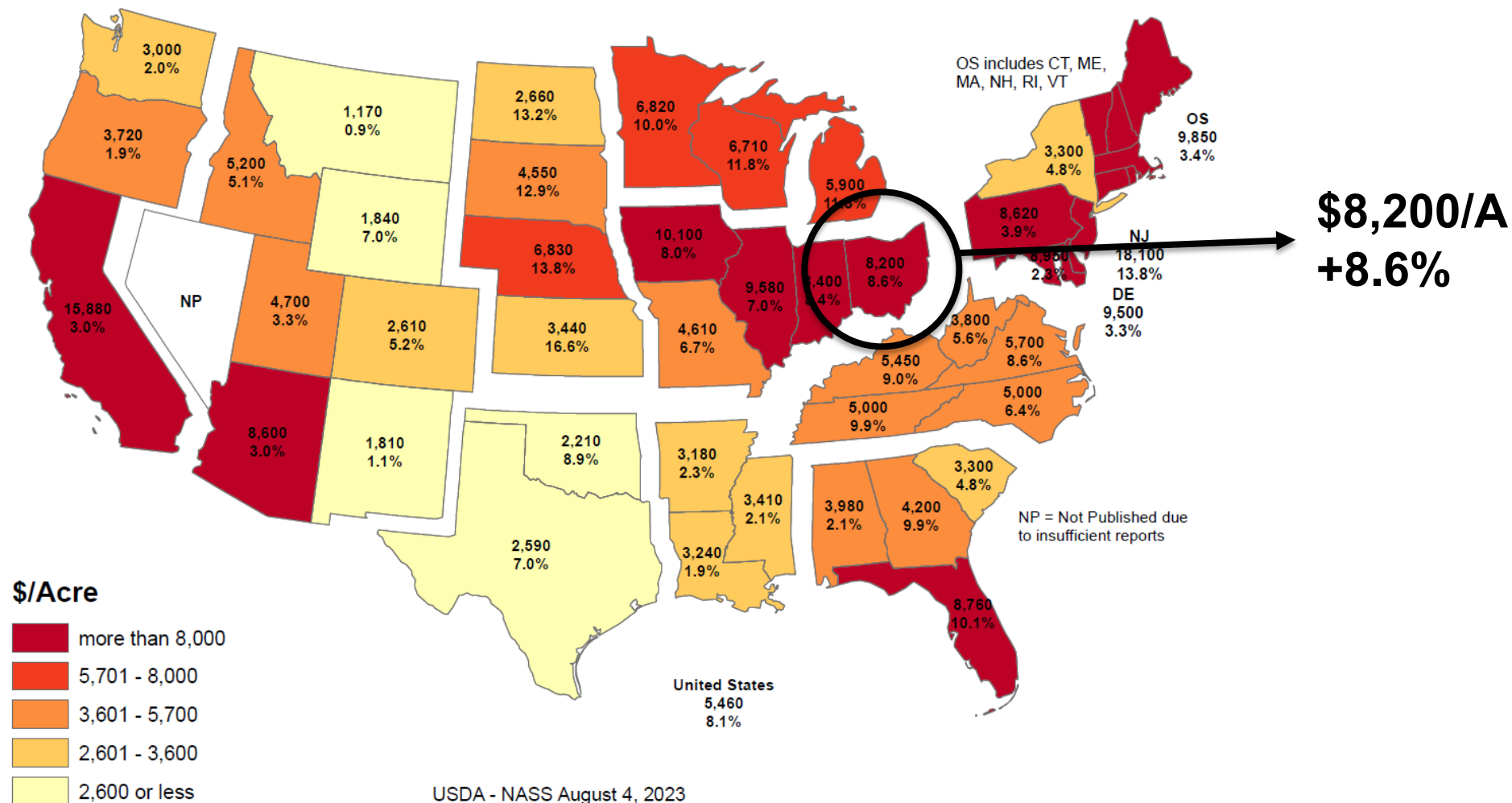
Source: OSU Extension Farm Office Enterprise Budgets

Cropland Values and Cash Rents

USDA NASS Land Values Survey 2023 Summary

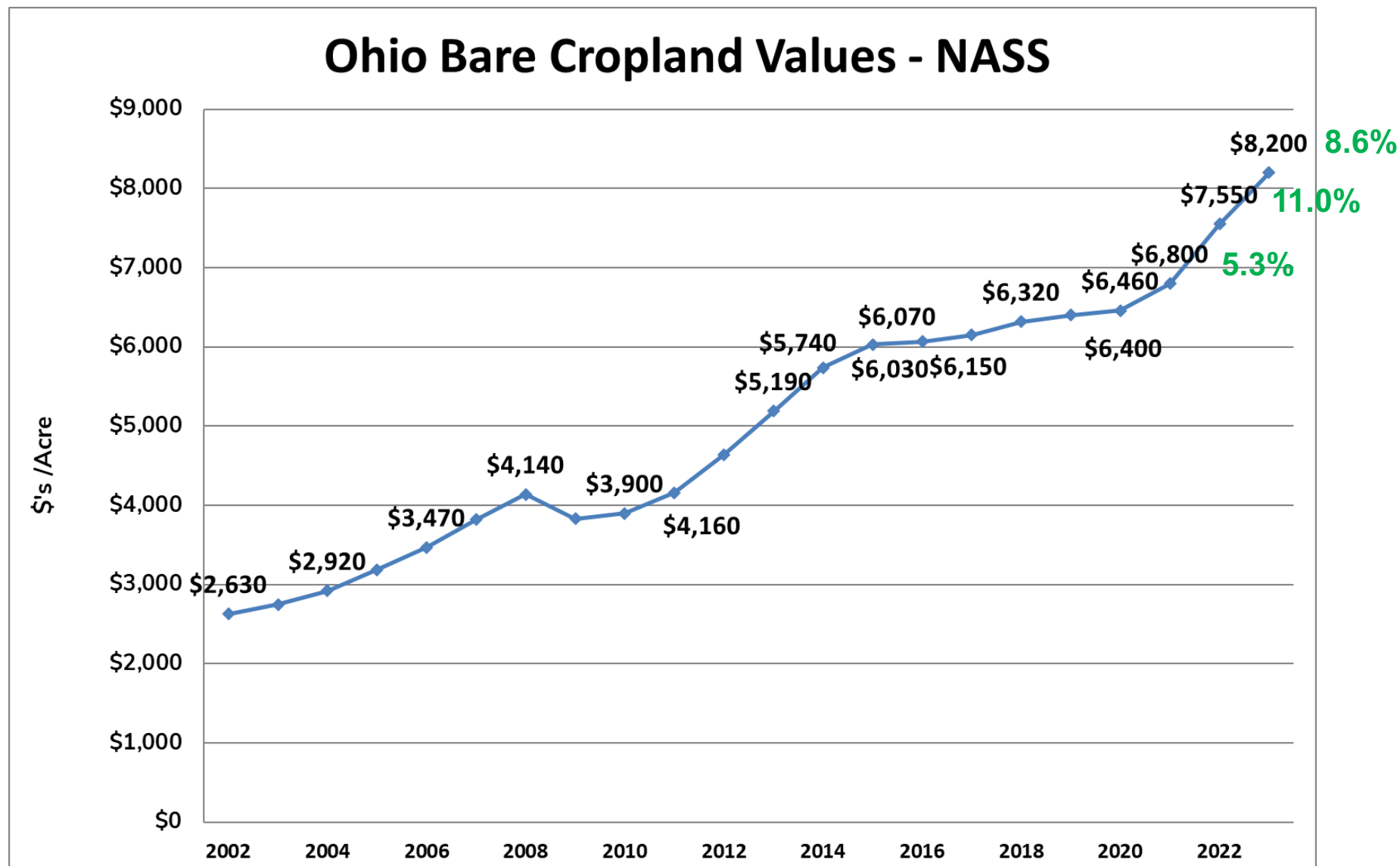
2023 Cropland Value by State

Dollars per Acre and Percent Change from 2022



USDA - NASS August 4, 2023

USDA NASS Land Values Survey 2023 Summary

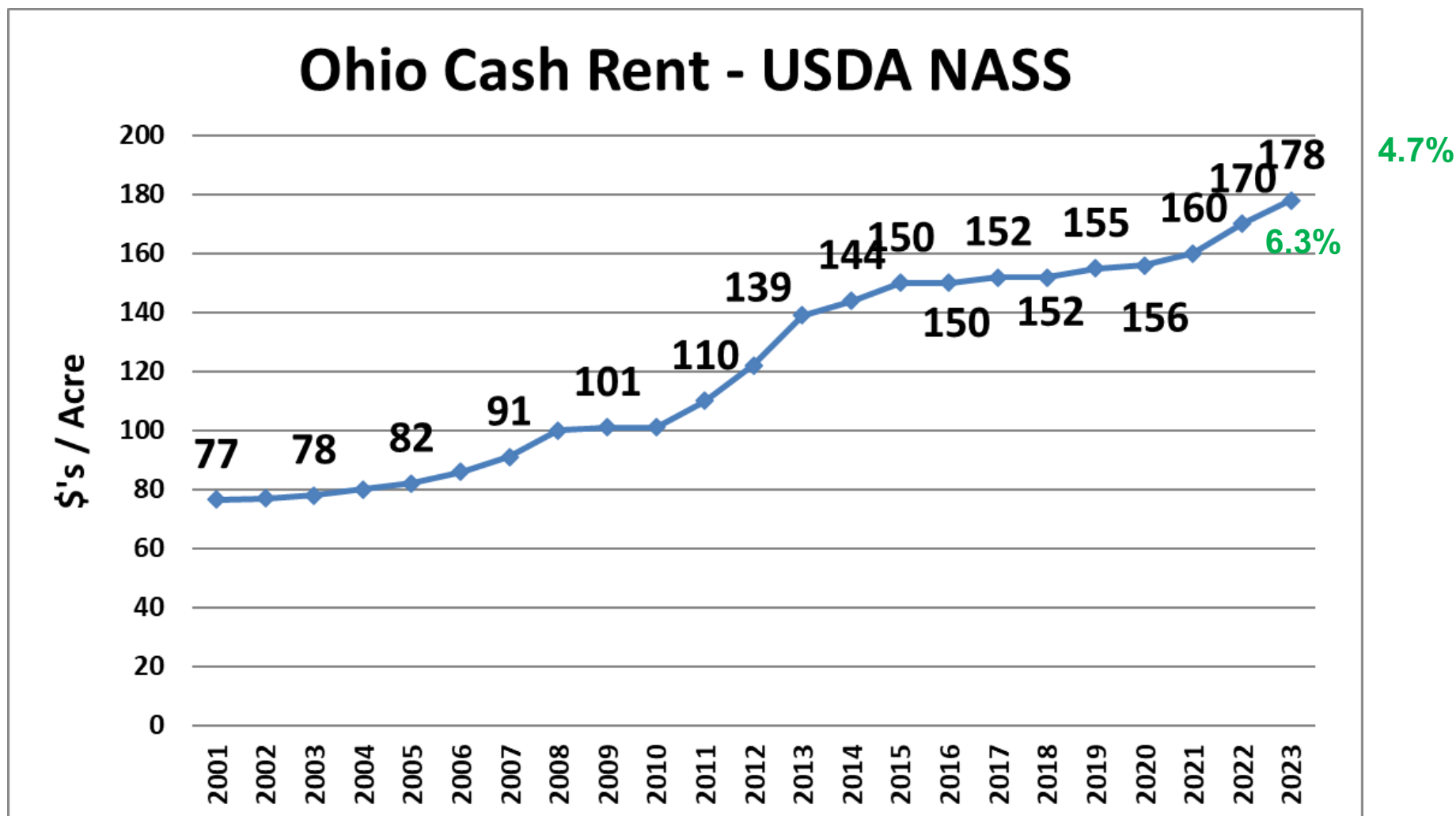


Western Ohio Cropland Values 2022-23

- ✓ According to the Western Ohio Cropland Values and Cash Rents Survey, cropland values in western Ohio are expected to increase in 2023 by 6.1 to 10.7 percent depending on the region and land class. This is on top of increases from 2021 to 2022 of 6.9 to 13.8 percent depending on region and productivity class.



USDA NASS Land Values Survey 2023 Summary



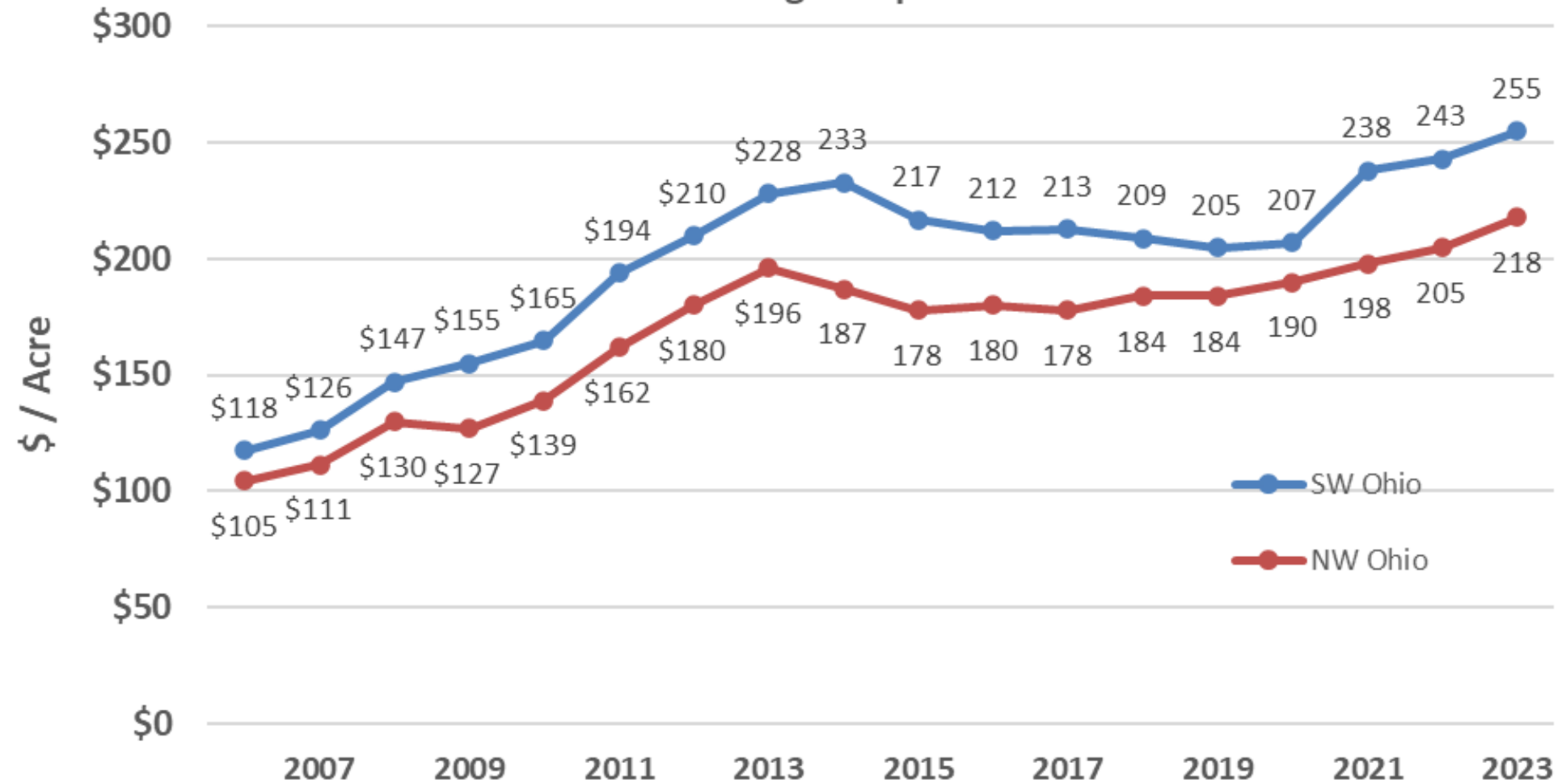
Western Ohio Cash Rents 2022-23

- ✓ Cash rents are expected to increase from 5.0 to 6.7 percent in 2023 depending on the region and land class. This is on top of rental increases of 1.3 to 3.8 percent from 2021 to 2022.



Western Ohio Cropland Cash Rents

Average Cropland



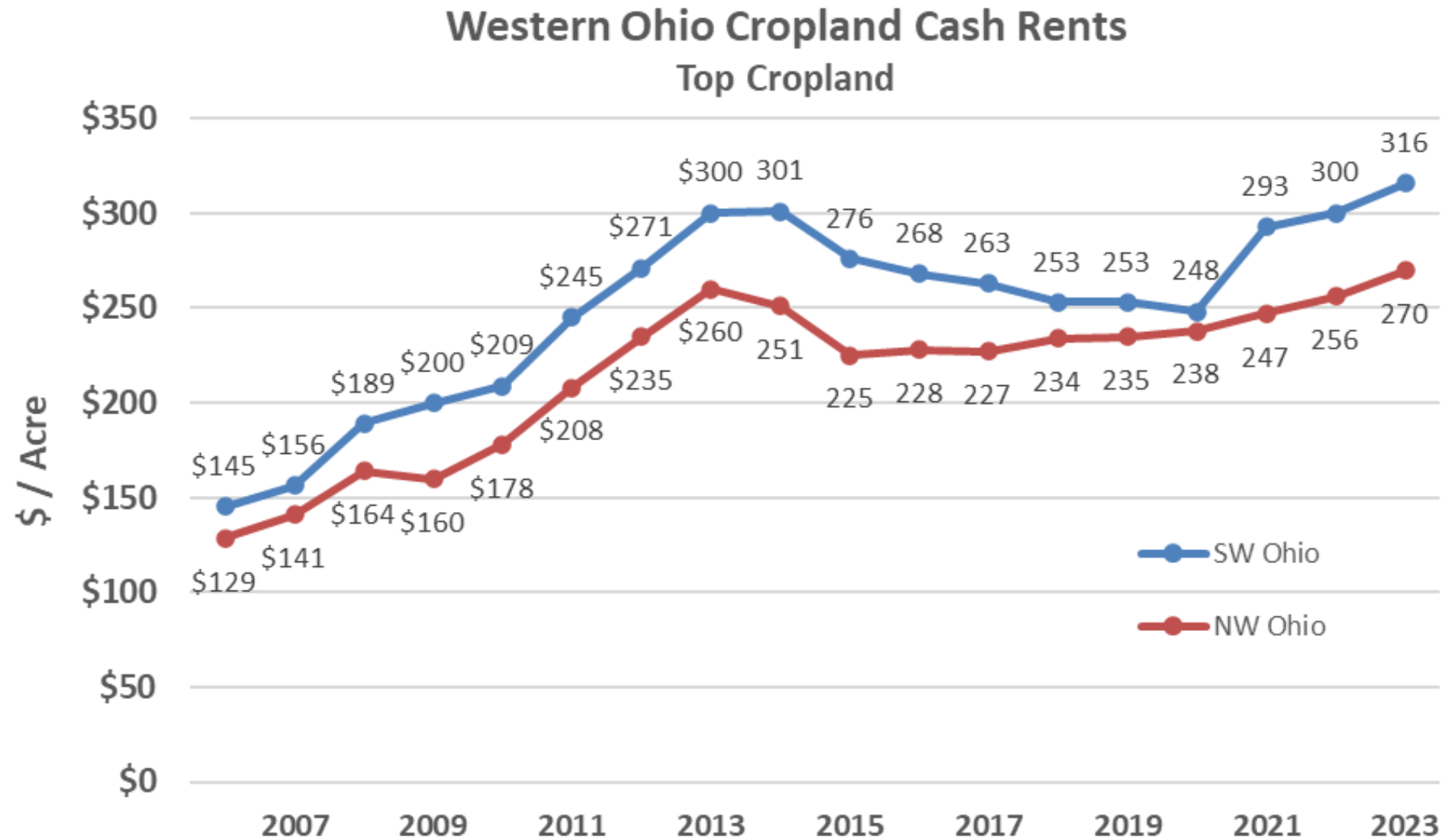
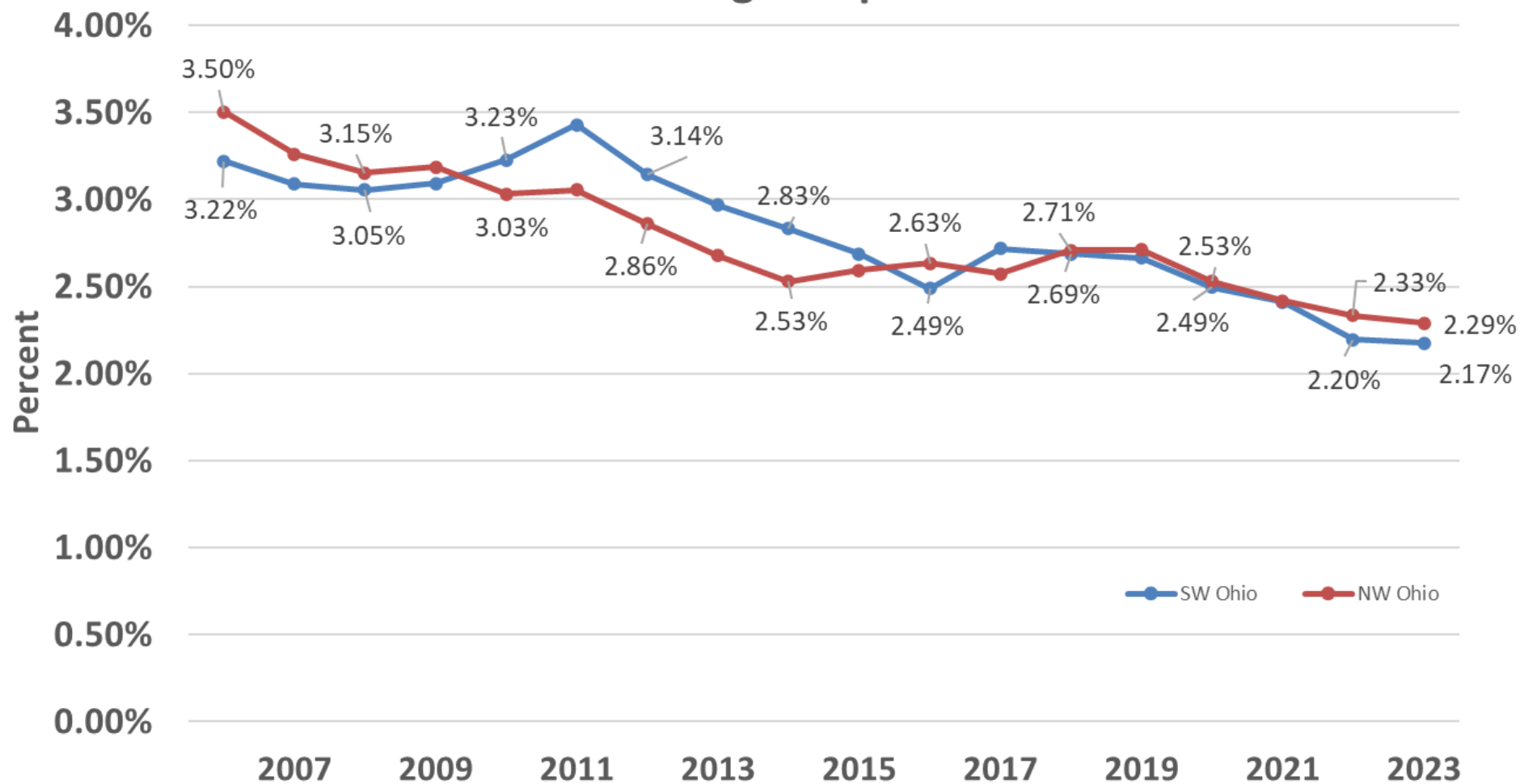


Table 5. Average estimated Ohio cash rent per acre (tillable, bare land), per bushel corn and soybean yields, by geographical area and land class
Ohio Cropland Values and Cash Rents Survey 2022-23

Area	Land Class	Rent per Bushel Corn	Rent per Bushel Corn	Rent as % of Land Value	Rent as % of Land Value
		2022 \$/Bu	2023* \$/Bu	2022 %	2023* %
Western	Average	\$1.19	\$1.26	2.3%	2.3%
	Top	\$1.24	\$1.30	2.3%	2.2%
	Bottom	\$1.08	\$1.16	2.2%	2.2%
Northwest	Average	\$1.14	\$1.21	2.3%	2.3%
	Top	\$1.18	\$1.25	2.3%	2.2%
	Bottom	\$1.03	\$1.11	2.3%	2.3%
Southwest	Average	\$1.26	\$1.32	2.2%	2.2%
	Top	\$1.31	\$1.38	2.2%	2.1%
	Bottom	\$1.17	\$1.24	2.1%	2.0%



Western Ohio Cropland Cash Rents As Percent of Land Value Average Cropland



Western Ohio Cropland Values and Cash Rents 2022-23 Survey Report

The screenshot shows the top portion of the Farm Office website. The header features the CFAES logo on the left, a 'Give Today' button on the right, and the Ohio State University logo and name in the center. Below the header is a navigation bar with links: Home, About Us, Events, Blog, Law Library, Farm Management, Tax, Farm Transition, Grain Marketing, Ohio Farm Resolution Services, and FFMPI. A dropdown menu is open under 'Farm Management', listing several options. The first option, 'Cash Rents and Farmland Values', is circled in blue. Below the navigation bar is a large banner image of a forest. On the left side of the banner, there is a dark grey box with white text that reads 'Welcome to the Farm Office! We're your agricultural law and farm management resource partners.' and a red button that says 'Meet your Farm Office team'.

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Cash Rents and Farmland Values

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Welcome to the Farm Office! We're your agricultural law and farm management resource partners.

Meet your Farm Office team

Western Ohio Cropland Values and Cash Rents 2022-23

Survey Report



Table 3: Ohio Cropland Values and Cash Rents
Southwest Ohio Results

Land Class		Average	Std	Range*	
Average		Avg Corn Yield (bu/a)	193.6	18.0	211.6 175.7
		Avg Soybean Yield (bu/a)	59.5	5.7	65.2 53.7
Market Value per Acre	2022	\$11,063	\$3,004	\$14,067	\$8,059
	2023	\$11,733	\$3,061	\$14,793	\$8,672
	2022	\$243	\$51	\$294	\$191
	2023	\$255	\$47	\$302	\$209
Top		Avg Corn Yield (bu/a)	229.3	25.1	254.3 204.2
		Avg Soybean Yield (bu/a)	69.7	7.8	77.5 61.8
Market Value per Acre	2022	\$13,771	\$4,115	\$17,886	\$9,655
	2023	\$14,733	\$3,901	\$18,634	\$10,832
	2022	\$300	\$57	\$357	\$243
	2023	\$316	\$55	\$370	\$261
Bottom		Avg Corn Yield (bu/a)	162.1	17.1	179.2 145.0
		Avg Soybean Yield (bu/a)	48.4	5.5	54.0 42.9
Market Value per Acre	2022	\$9,211	\$2,640	\$11,851	\$6,571
	2023	\$9,945	\$2,667	\$12,612	\$7,278
	2022	\$189	\$42	\$231	\$148
	2023	\$201	\$41	\$243	\$160

Western Ohio Cropland Values and Cash Rents 2022-23

Survey Report



Table 2: Ohio Cropland Values and Cash Rents
Northwest Ohio Results

Land Class			Average	Std	Range*	
Average		Avg Corn Yield (b/a)	180.1	15.2	195.2	164.9
		Avg Soybean Yield (b/a)	55.9	7.2	63.1	48.8
	Market Value per Acre	2022	\$8,781	\$1,624	\$10,405	\$7,156
		2023	\$9,529	\$1,770	\$11,299	\$7,759
	Rent per Acre	2022	\$205	\$41	\$246	\$164
		2023	\$218	\$41	\$259	\$177
Top		Avg Corn Yield (b/a)	216.4	23.1	239.5	193.3
		Avg Soybean Yield (b/a)	67.9	7.5	75.4	60.5
	Market Value per Acre	2022	\$10,943	\$2,200	\$13,144	\$8,743
		2023	\$12,112	\$2,659	\$14,771	\$9,453
	Rent per Acre	2022	\$256	\$63	\$320	\$193
		2023	\$270	\$62	\$332	\$208
Bottom		Avg Corn Yield (b/a)	147.9	16.4	164.3	131.5
		Avg Soybean Yield (b/a)	42.5	7.4	49.9	35.1
	Market Value per Acre	2022	\$6,687	\$1,631	\$8,318	\$5,055
		2023	\$7,286	\$1,772	\$9,058	\$5,514
	Rent per Acre	2022	\$153	\$30	\$183	\$124
		2023	\$164	\$33	\$196	\$131

Cropland Values and Cash Rents 2022-23

Survey Report

Ohio Cropland Values and Cash Rents
Region 4 North Central



Ohio Cropland Values and Cash Rents Region 4 North Central						
Land Class			Average	Std	Range*	
Average		Avg Corn Yield (bu/a)	181.2	16.0	197.2	165.1
		Avg Soybean Yield (bu/a)	52.8	6.6	59.4	46.2
	Market Value per Acre	2022	\$9,133	\$2,589	\$11,722	\$6,544
		2023	\$10,036	\$3,488	\$13,524	\$6,549
	Rent per Acre	2022	\$158	\$37	\$194	\$121
		2023	\$161	\$37	\$198	\$125
Top		Avg Corn Yield (bu/a)	215.3	22.8	238.1	192.5
		Avg Soybean Yield (bu/a)	64.9	7.8	72.7	57.1
	Market Value per Acre	2022	\$11,300	\$3,185	\$14,485	\$8,115
		2023	\$12,350	\$3,529	\$15,879	\$8,821
	Rent per Acre	2022	\$227	\$54	\$281	\$173
		2023	\$232	\$53	\$286	\$179
Bottom		Avg Corn Yield (bu/a)	149.7	18.0	167.7	131.7
		Avg Soybean Yield (bu/a)	41.5	6.6	48.1	34.9
	Market Value per Acre	2022	\$7,122	\$2,534	\$9,656	\$4,589
		2023	\$7,701	\$3,201	\$10,902	\$4,499
	Rent per Acre	2022	\$109	\$40	\$149	\$69
		2023	\$113	\$41	\$155	\$72

Cropland Values and Cash Rents 2022-23

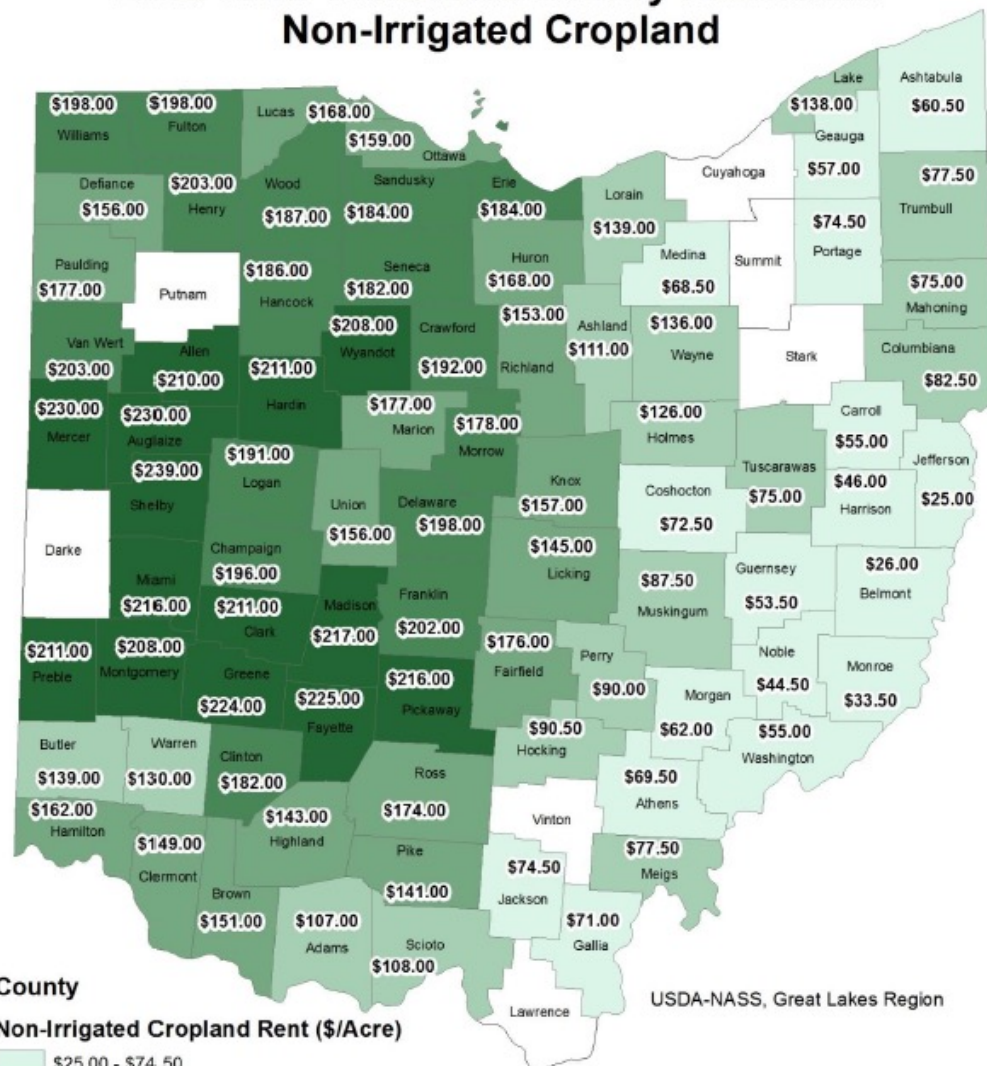
Survey Report



Ohio Cropland Values and Cash Rents Region 3 South

Land Class		Average	Std	Range*	
Average	Avg Corn Yield (b/a)	180.8	19.5	200.3	161.4
	Avg Soybean Yield (b/a)	49.8	4.8	54.7	45.0
Market Value per Acre	2022	\$6,806	\$1,970	\$8,775	\$4,836
	2023	\$7,131	\$1,893	\$9,025	\$5,238
	2022	\$146	\$44	\$190	\$101
	2023	\$152	\$44	\$195	\$108
Top	Avg Corn Yield (b/a)	220.8	24.1	244.9	196.7
	Avg Soybean Yield (b/a)	64.7	8.7	73.4	55.9
Market Value per Acre	2022	\$9,471	\$2,763	\$12,233	\$6,708
	2023	\$10,471	\$2,887	\$13,358	\$7,583
	2022	\$203	\$60	\$264	\$143
	2023	\$217	\$59	\$276	\$158
Bottom	Avg Corn Yield (b/a)	135.4	19.3	154.7	116.1
	Avg Soybean Yield (b/a)	36.3	7.1	43.4	29.1
Market Value per Acre	2022	\$4,647	\$1,845	\$6,492	\$2,802
	2023	\$5,035	\$1,825	\$6,861	\$3,210
	2022	\$84	\$28	\$112	\$56
	2023	\$94	\$35	\$129	\$59

2023 Ohio Cash Rent County Estimates: Non-Irrigated Cropland



County

Non-Irrigated Cropland Rent (\$/Acre)



State Non-Irrigated Cropland Rent:
\$178.00/Acre

USDA-NASS, Great Lakes Region

United States Department of Agriculture
National Agricultural Statistics Service

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Last Modified: 06/10/2020

Questions? Comments? Suggestions? Please email nassrfogl@usda.gov or call (800) 453-7501

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Farmland Rental Rates: Outlook

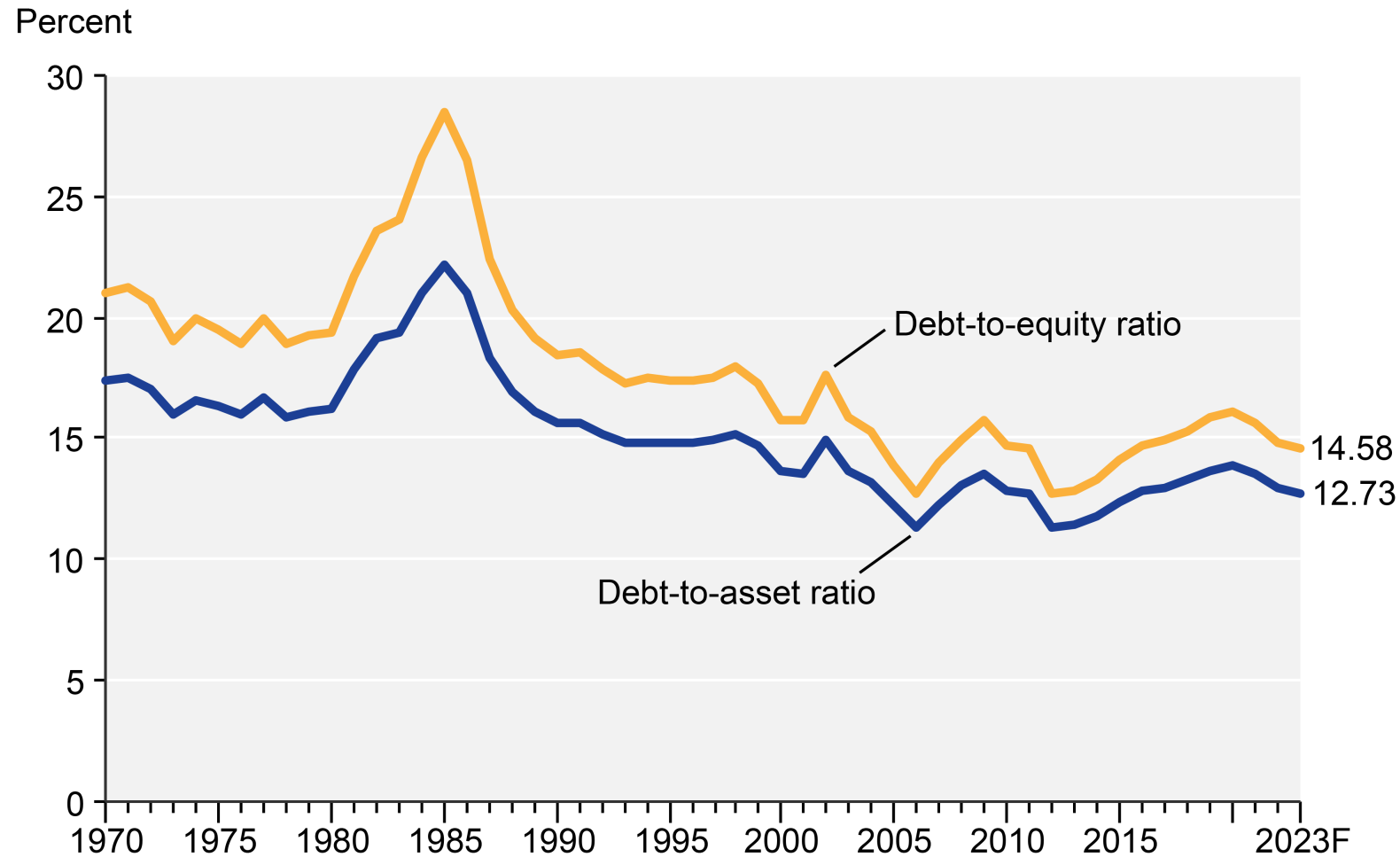
Supportive Fundamentals:

- ✓ **Farmer equity positions remain healthy**
- ✓ **Positive income in '21, '22, '23**
- ✓ **Ad-hoc governments payments MFP and CFAP, PPP Forgivable Loans**
- ✓ **CAUV Values Higher (Rents)**

Non-Supportive Fundamentals:

- ✓ **Margin outlook projected low to negative for 2024**
- ✓ **ARC/PLC payments unlikely**

U.S. farm sector solvency ratios, 1970–2023F

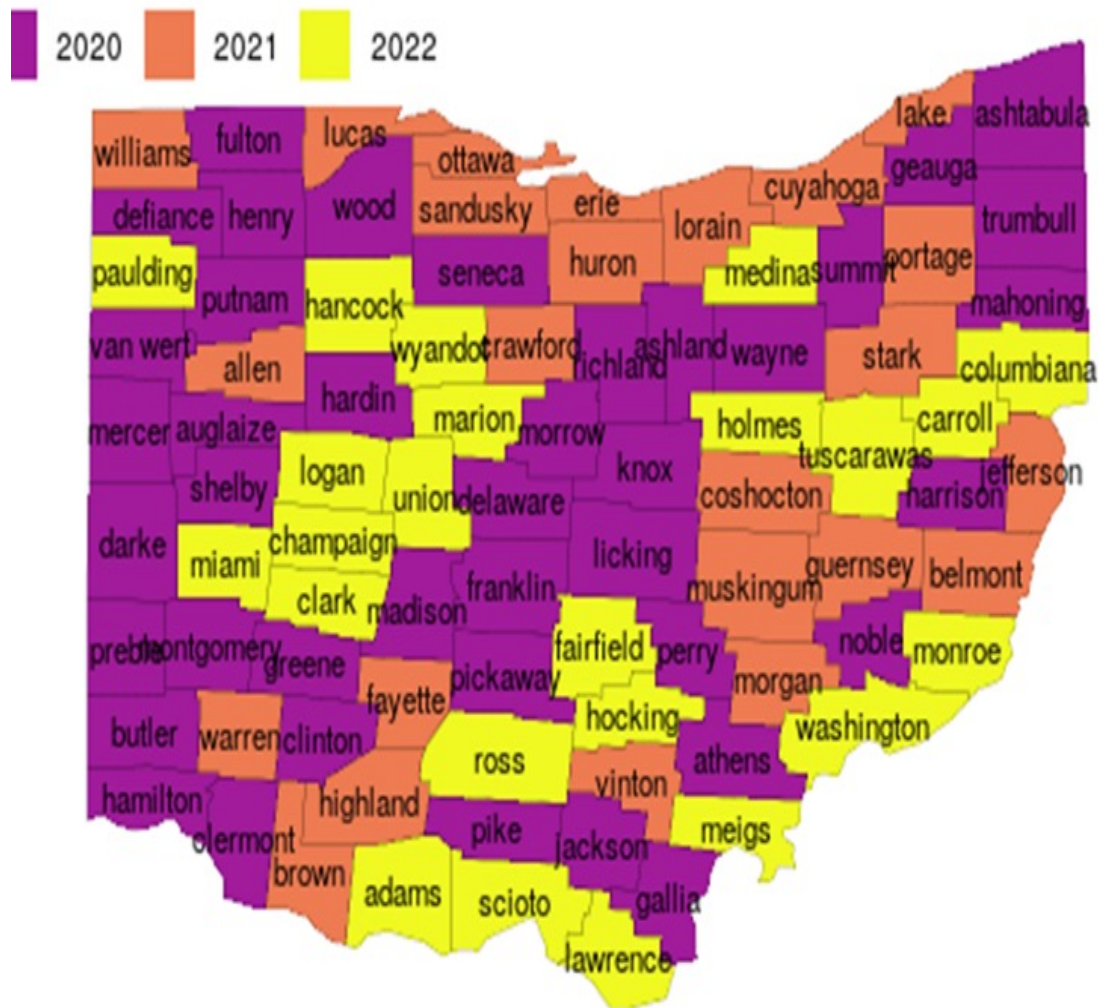


Note: F = Forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of November 30, 2023.

Schedule for updating CAUV



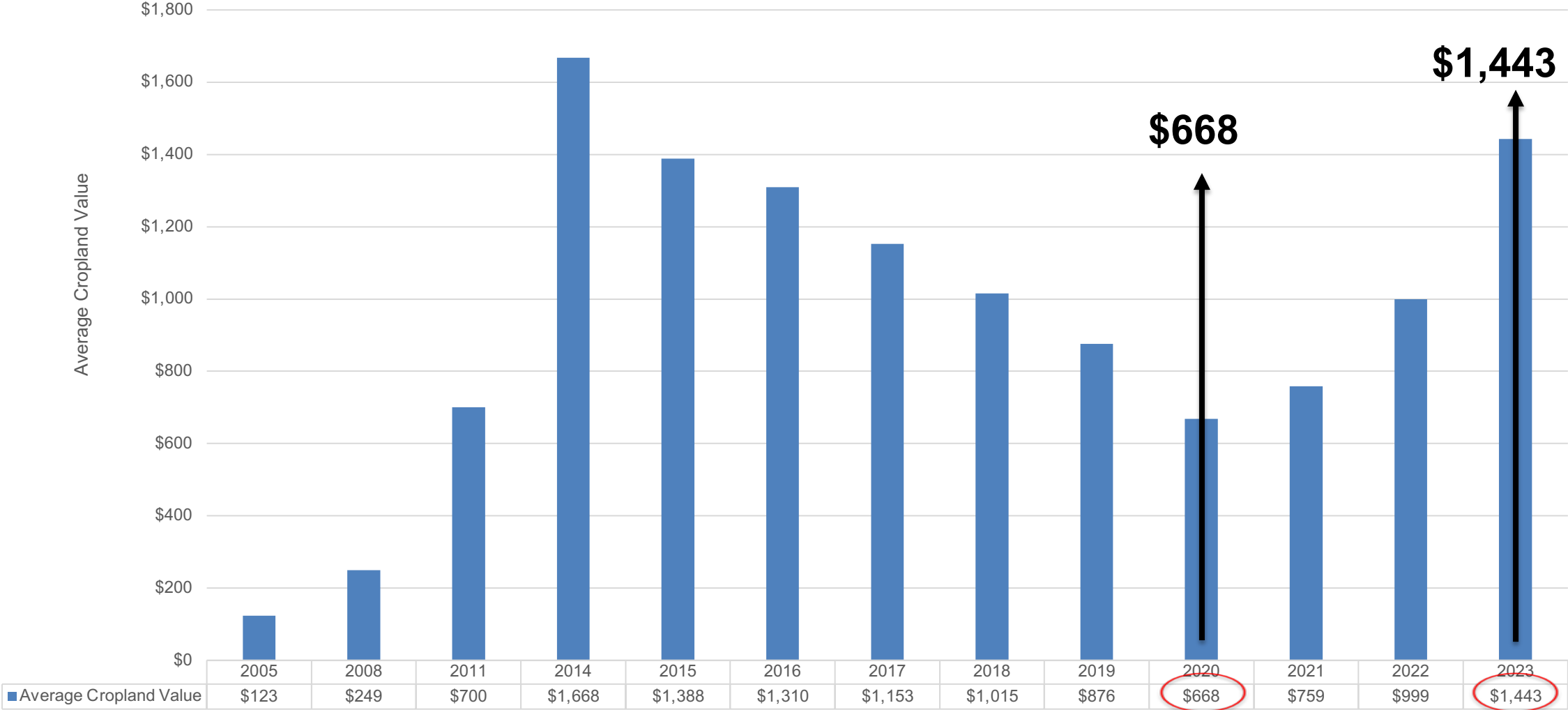
Source: Ohio Department of Taxation

CAUV Formula: (Net Income Method Appraisal Approach)

(Gross Income* –
Total Non-Land Production Costs)
/ Base Cap Rate

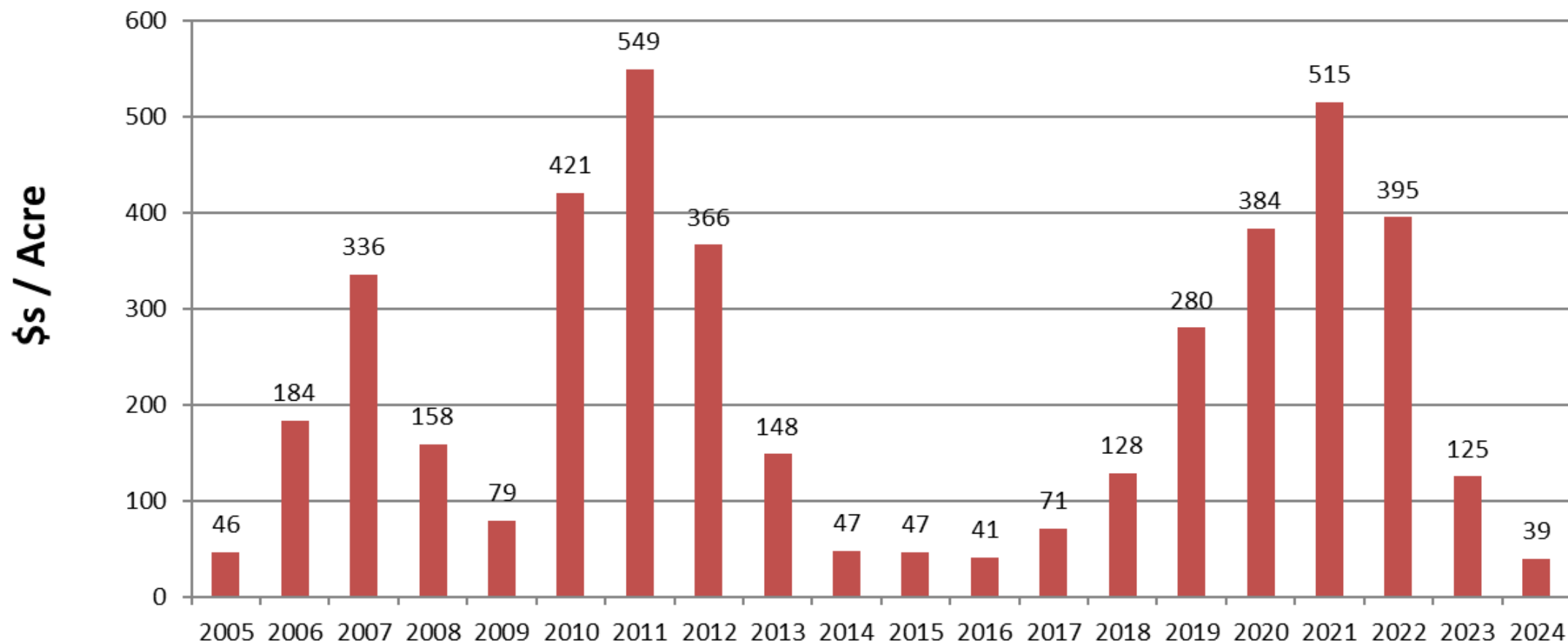
*Gross Income = Price x Yield

Average CAUV Value





Ohio Corn - Returns to Land



Source: OSU Extension Farm Office Enterprise Budgets

Negotiating Cash Farm Leases

- ✓ Survey Data
- ✓ Percent of Land Value
- ✓ Crop Share Lease Equivalent
- ✓ Dollars per Bushel of Production
- ✓ Local supply/demand environment



Crop Share Farm Leases

- ✓ 50/50 Crop Share Lease

- ✓ Landowner provides $\frac{1}{2}$ of variable expenses & land

- ✓ 1/3 – 2/3 Crop Share Lease

- ✓ Landowner provides land



Flexible Cash Farm Leases

- ✓ Cash Lease with a Bonus Approach
- ✓ Percent of Gross Income
- ✓ Percent of Net Income



Sample Flexible Cash Farm Leases

1. Corn acreage: 25% of gross revenue
Soybean acreage: 30% of gross revenue
2. Base Rent: \$180 /ac
Plus Bonus: \$20 /ac if average corn price is +\$5 /bu.
3. Corn acreage: 25-30% of harvested grain delivered to local elevator
Soybean acreage: 30-35% of harvested grain delivered to local elevator
% of grain explicit in written agreement; varies by soil type
4. Corn or soybeans: 27% of gross revenue (price component: average price of farmer's selling price)
5. Base - \$175 / ac – Corn: 28% of gross revenue, Soybeans: 34% of gross revenue
6. Base - \$190/ac + Bonus; Producer Cost/Acre \$575/Ac; Bonus based on actual revenue – base
(Producer costs (direct + machinery (custom rates)) x 33%
7. 1/3 Bushels to Landlord Above Crop Insurance APH
8. Return to Land, Labor and Management
 - a. Share \$ for \$ up to \$150 between landowner and farmer
 - b. Farmer - minimum \$75
 - c. Landowner - \$s over \$150 up to negotiated rent
 - d. Residual \$s (over negotiated rent) shared 75% to farmer and 25% to landowner
9. Percent of gross revenue: Corn – 30%, Soybeans – 35%
10. Share lease – L/T: 1/3 – 2/3, 30% - 70%
11. Percent of net income: 40 - 45%

Ohio Cropland Values and Cash Rents Survey '23-'24



Ohio State University Extension
Agriculture & Natural Resources
<http://farmoffice.osu.edu>

OHIO CROPLAND VALUES AND RENTS SURVEY 2023-2024

1. County on which you are reporting: _____

2. Please indicate your primary type of work: Check one category that best describes your work.

☐ Appraiser ☐ Ag Lender ☐ Farmer ☐ Landowner (Landlord)
☐ Professional Farm Manager ☐ Extension ☐ FSA ☐ Government Service non-FSA
☐ Agri-Sales ☐ Agri-Service ☐ Other _____

3. In the table below please give your estimate per acre:

PER ACRE MARKET LAND VALUE AND CASH RENT, BARE CROPLAND

Farmland Quality	Average		LAND VALUE/ACRE ^{d)}		CASH RENT/ACRE ^{d)}	
	Corn Yield ^{a)}	Soybean Yield ^{a)}	2023	Projected 2024	2023	Projected 2024
Top	bu/A	bu/A	\$	\$	\$	\$
Average	bu/A	bu/A	\$	\$	\$	\$
Bottom	bu/A	bu/A	\$	\$	\$	\$
Transition ^{b)}	XXXX		\$	\$	XXXX	

^{a)} Long-term average (5 yr.) corn/soybean yields with typical farming practices

^{b)} Land that is moving into residential, commercial & industrial uses

^{c)} Value of land if sold through an arms-length transaction.

^{d)} Cash Rent negotiated in current or recent year.

4. From current levels, where do you expect Ohio bare cropland values to be 5 years from now?
(Check and give percentage estimate where appropriate.)

_____ Up, by _____% _____ No Change _____ Down, by _____%

5. From current levels, where do you expect Ohio cash rents to be 5 years from now?
(Check and give percentage estimate where appropriate.)

_____ Up, by _____% _____ No Change _____ Down, by _____%

6. What is your estimate of the 2024 average farm mortgage interest rate and operating loan rate?

Mortgage interest rate (20 Year) _____ % Operating loan rate _____ %

7. For improved, non-rotation permanent pasture, please give your estimates below for market value and cash rent.

Market Sales Value \$ _____ per acre Cash Rent \$ _____ per ac

- ✓ An online survey option is available at the following link:
- ✓ https://go.osu.edu/ohiocroplandvaluescashrentsurvey23_24



Farm Office

Upcoming Schedule: **Live!**

- March 15
- April 19

**10:00 –
11:30 AM**

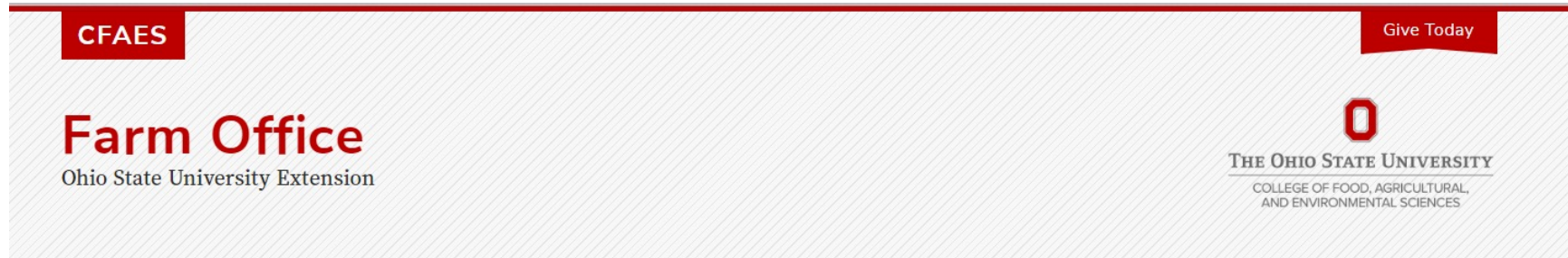


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Capital Improvements in Farm Leases



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EXTENSION

The Issue

- Tenants and landowners may find themselves in a situation where the leased land needs capital improvements
- In Ohio, this is most commonly drainage improvements but could include almost any kind of improvement
- The dilemma becomes who should pay for the improvement
 - The improvement will often give the tenant immediate benefit but increase the value of the land in the long-term for landowner
 - The cost of the improvement may exceed the landowner's rent payment causing the landowner to experience negative cash flow



Strategies to Implement Capital Improvements on Leased Land

1. Landowner pays the entire cost
2. Tenant pays the entire cost
3. Landowner and Tenant share costs



Landowner Pays the Entire Cost

- Advantages
 - Landowner has full control and discretion of project
 - Landowner may not feel obligated to tenant long-term
 - All costs and depreciation are available to landowner to offset income
 - Tenant has no out-of-pocket costs
- Disadvantages
 - Will likely cause negative cash flow for landowner for at least a few years
 - If treating income as passive income, must depreciate over 15 years
 - Tenant may have limited or no input into improvement

Example Provision in Lease

“Landowner shall be permitted to make capital improvements on the land, including drainage improvements. In the event Landowner installs drainage improvements on the leased property, the annual lease rate shall be increased by \$____/acre. Landowner shall have full discretion as to the design and installation decisions of the drainage improvement. All costs of installation and materials shall be the responsibility of Landowner. All deductible costs and depreciation shall be to the sole benefit to the Landowner.”

Tenant Pays the Entire Cost

- Advantages
 - Landowner more likely to agree to improvement
 - No out-of-pocket costs to Landowner
 - Tenant may be able to expense cost of project
 - Tenant may be able to negotiate a long-term lease
 - Tenant may have more input into the design and installation of improvement
- Disadvantages
 - No deductions for Landowner
 - Tenant has risk of losing lease before getting full benefit of improvement

Example Provision in Lease

“Tenant shall be permitted to install capital improvements upon the approval of Landlord. All costs of materials and labor shall be the responsibility of Tenant. All costs and depreciation shall be to the benefit of Tenant. In the event this Lease is terminated prior to the scheduled termination date, for any reason other than due to Tenant’s breach of terms of this Lease, Landowner shall compensate Tenant the pro-rata cost of the tile paid for by Tenant. The pro-rata share of the tile cost shall be calculated as follows: (length of lease - number of years installed)/length of lease.”

Landowner and Tenant Share the Cost

- Advantages
 - Landlord and Tenant share the benefits and costs of improvement
 - Both parties can have input into the design and installation
 - Most appropriate in a share lease situation where Landlord and Tenant are accustomed to sharing costs
- Disadvantages
 - Neither party has sole control of the project
 - May be more complicated and harder to negotiate terms

Example Provision in Lease

“Tenant and Landlord agree to cooperate on the installation of new subsurface drainage on the Property subject to the following conditions:

- Tenant and Landlord shall mutually agree upon the contractor to install the drainage.*
- Tenant and Landowner shall, by mutual consent, determine the placement of the tile, design of the tile system and materials to be installed.*
- The drainage shall be installed on or before (date).*
- Tenant and Landowner shall share in the costs of the new drainage installation. Costs shall include all labor, material and any other related costs. Tenant shall be responsible for ____% and Landlord shall be responsible for ____% of the total costs.*
- Each party shall be entitled to expense or depreciate their share of the cost.*
- In the event Landlord terminate lease early, unless due to Tenant’s breach, Landlord shall reimburse Tenant the pro rata share of Tenant’s investment.”*

Maintenance and Repair

- The lease should clearly state who is responsible for maintenance and repair of improvement
- In some cases, the landowner may be entirely responsible for maintenance, in other situations the tenant may be solely responsible, and sometimes responsibilities will be shared
- Establishing who is responsible for maintenance and repair will help alleviate potential conflicts between the landowner and tenant



Conclusion

- Adding improvements to leased land can present a challenging situation for both tenant and landowner
- A lease, like any contract, can include terms to help resolve challenges and ensure fairness to both parties
- If tenant pays for improvement, include provisions to make sure tenant benefits from the improvement
- See legal and tax advice



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Dealing with Conservation Practices in a Farmland Lease



“Conservation practices”

Practices that improve a farm’s environmental performance with respect to soil health, water quality, air quality, wildlife habitat, and greenhouse gas emissions. (NRCS)

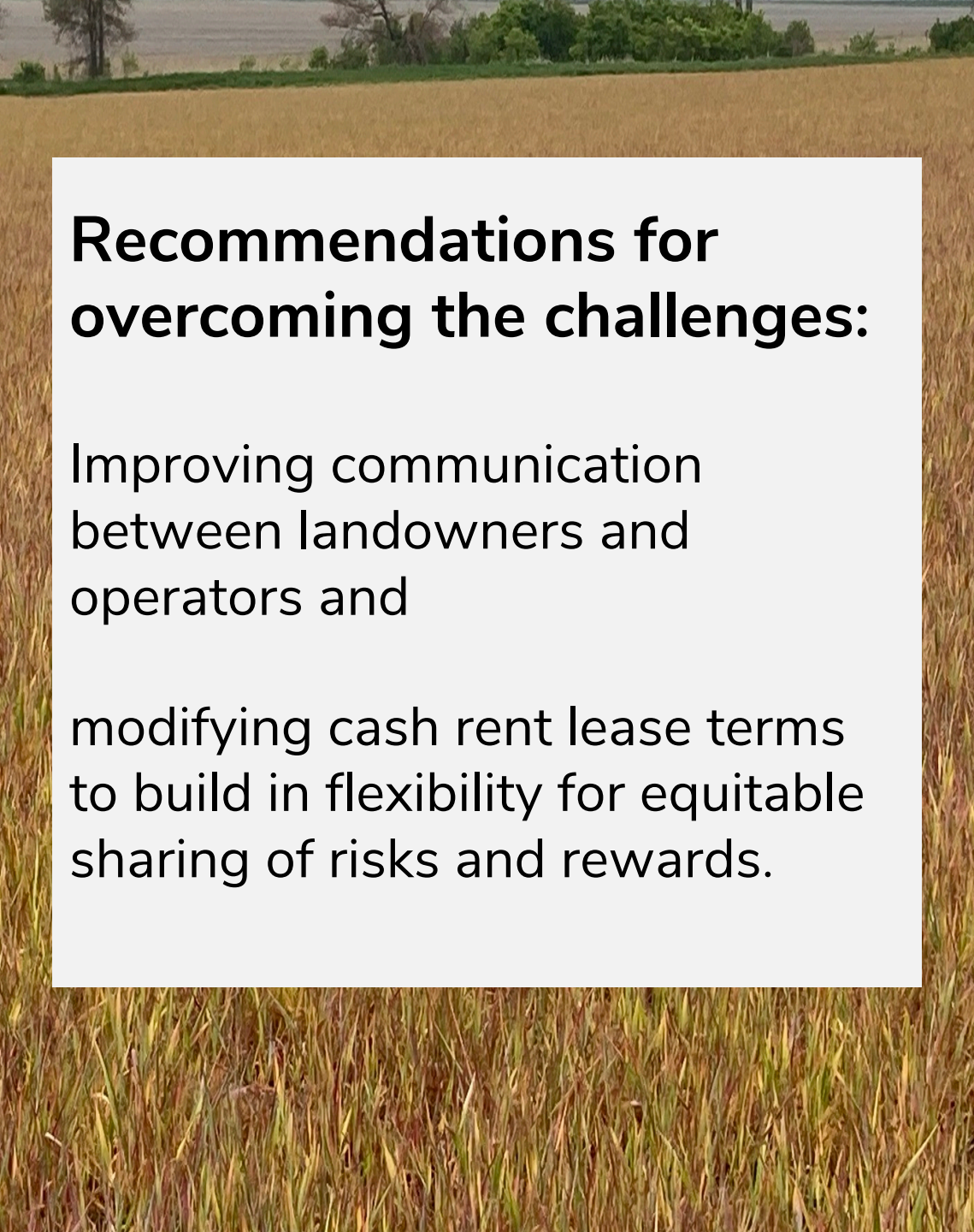
Common row crop practices:

- No-till/modified tillage
- Cover crops
- Precision technology
- Nutrient management
- Rotation
- Idling
- Buffer strips
- Grass waterways

Fig. 2 Cropland Conservation Practice (% of survey respondents utilizing)



NASS Conservation Practice Adoption Motivations Survey, 2021



Recommendations for overcoming the challenges:

Improving communication between landowners and operators and

modifying cash rent lease terms to build in flexibility for equitable sharing of risks and rewards.

Land tenure insecurity	Technology adoption and management
Financial incentives	Communication

Carolan, M., (2005). *Barriers to the adoption of sustainable agriculture on rented land*, 70 Rural Sociology 387.

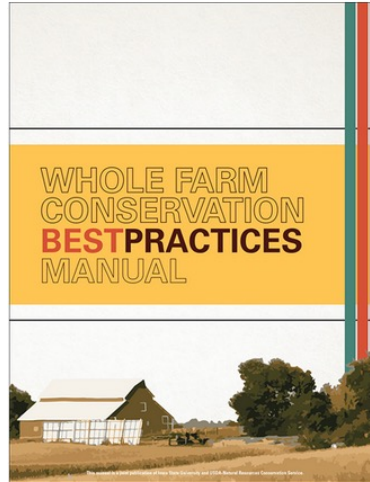
Ranjan, P., et al (2019). *Understanding barriers and opportunities for adoption of conservation practices on rented farmland in the US*. Land Use Policy, 80, 214.

1. Identify goals

- Soil fertility, carbon sequestration, erosion, nutrient reduction, program payments?

2. Evaluate expectations

- Challenges, agronomic impacts, costs, payments.



Improving communication

Plastina, A. *Incorporating conservation practices into farmland leases*. Farm Foundation Blog (Aug 26, 2021).



Lease terms to consider

Multiple-year term

- Longer lease term to address tenure security.
- Can align with multi-year conservation installations such as buffer strips
 - Address early termination, amortization and reimbursement for unused portions of the investment.
- Consider option for regular review and adjustments of rent.

Flexible cash lease

- Allow for flexible annual rental amount based on actual yields and revenues.
- Can address technology adoption, investment costs, and yield concerns.



**Lease
terms to
consider**

Required or prohibited conservation practices

“Tenant Operator shall/shall not...”

- Tillage/no-till methods
- Buffer maintenance
- Manure application
- Crop residues
- Winter wheat
- BMPs
- Soil tests



**Lease
terms to
consider**



Lease terms to consider

Participation in conservation programs

- Require a regular review of conservation program options.
- Both must agree in writing to program choice, responsibilities, payments, adjustments.

Cover crops provision

- Consider timing, location, who decides crop, termination of crop, costs, rent adjustments.
- Purdue-Nature Conservancy Cover Crop Insertion example



**Lease
terms to
consider**

Cover Crop Lease Insertion

The Owner and Operator agree to utilize a cover crop. Operator shall use best efforts to plant a cover crop by _____ (date) on _____ acres or _____ % of the leased acres. Specifics such as species composition, planting method, termination method and date will be determined by (Owner/Operator/Jointly), and/or with the input of a conservation professional, crop consultant, agronomist or other professional knowledgeable on local best practices for cover crops. [Optional: These methods shall be set forth in a written Cover Crop Plan.]

The cost to purchase seed, plant, manage and terminate cover crops is estimated at \$_____/acre. The parties may pursue cost-share from USDA, state government or other program to offset costs. Expenditures incurred by Operator related to the use of cover crops will be accommodated through:

_____ Compensate the Operator at \$_____/acre for the purchase of seed, planting, management and termination of cover crops. Payment from Owner shall be made within 120 days after cover crops are established.

_____ Reduce the per acre rental rate set forth above by \$_____/acre in year(s) _____ of the lease agreement to compensate for the cost of cover crop implementation. Final lease rental rate is \$_____/acre for the year(s) identified above.

_____ The Operator shall bear all costs.



Lease terms to consider

Carbon sequestration programs

- Often require a longer-term continuation of practices and non-interference with attained benefits.
- Who has authority to participate in program?
 - Some programs require landowner consent.
- Should payments be shared between landowner and tenant?
- Who has long term liability for maintaining the benefits?
- Is “stacking” or combining of programs permissible?



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Executing and Recording a Farm Lease

Executing a farm lease

- Properly name the parties, using correct legal names.
- If a party is an LLC, corporation, partnership, or trust, include designation of the person with authority to sign on behalf of the entity.
- If land is co-owned, require signatures by all co-owners.
- If lease term is over three years, Ohio law requires including an acknowledgment by a notary (or local officials can now acknowledge).

Recording a Memorandum of Lease

- Ohio law allows a shortened “memorandum of lease” to be recorded with the county recorder.
- A memorandum of lease must contain:
 - Names of parties
 - Legal description of land
 - Period of lease
 - Rights of renewal
- A recorded memorandum of lease provides notice of the lease interest to other parties who may purchase or claim an interest in the property.

Law Bulletin



Law you need to know from OSU Extension's Farm Office

September 2019

Ensuring legal enforceability of a farm lease

Available on
farmoffice.osu.edu

Creating an Enforceable Farmland Lease

Peggy Kirk Hall, Associate Professor & Field Specialist
OSU Extension Agricultural & Resource Law

A farmland lease is a valuable transaction for landowners and farmers alike. It's important to ensure that a lease conforms to Ohio's legal requirements and can be enforced in a court of law if there is a dispute. Here's what Ohio law requires for creating a legally enforceable lease:

1. *The lease should be in writing.* Two provisions in Ohio's "statute of frauds" law require that a farm lease be written in order to be enforceable at law. One states that a "lease or interest in land" must be granted in writing, and another says that a contract dealing with an interest in land must be in writing. Despite these laws, many farmers lease land under a verbal agreement. If a problem arises under a verbal farm lease, however, the lease may not be legally enforceable because of the statute of frauds. A party seeking to enforce a verbal lease must convince the court to grant an exception to the statute, which is a difficult task. If the court does so, the party must then prove the terms of the verbal lease, which might vary significantly between the parties. To reduce this risk of litigation and ensure that the lease is valid, put the lease in writing. Ohio Rev. Code § 1335.04 and § 1335.05.
2. *The lease should identify the land.* Include the legal description, address and precise acreage of the land in the lease agreement. If known, reference the deed for the leased land parcel by volume and page. Ohio Rev. Code § 5301.011.
3. *The lease should properly name the parties and all landowners.* To avoid potential legal challenges, be sure to list all co-owners of the land. Use the correct legal names or business names of each party. For a married couple owning land, both spouses must enter into the lease. For a business entity, name the business entity as the party entering into the lease and signify the individual with legal authority to act on behalf of the entity.
4. *All parties should sign the lease.* Ohio law requires a landowner to sign a grant of an interest in land and also states that a lease agreement is not enforceable against a party who did not sign the lease. All parties and co-owners or their representatives should sign the lease. Ohio Rev. Code § 1335.04 and § 1335.05.
5. *A lease over three years must be acknowledged.* Parties to a lease of more than three years must have their signatures acknowledged and certified by a notary public or local official such as a judge, mayor, county auditor, county engineer or clerk of court. Ohio Rev. Code § 5301.01 and § 5301.08.
6. *The parties should record the lease or record a short form of the lease.* Ohio law requires that the lease be recorded in the office of the county recorder where the land exists or it will not be valid against a purchaser of the land who lacks knowledge of the lease. Rather than requiring the parties to divulge all details, Ohio law allows the parties to file a shortened "memorandum of lease" that must only include the names and addresses of each party, a legal description of the land, the period of the lease and whether there are rights of renewal. As with the full lease, the parties must sign the memorandum of lease and must have signatures acknowledged if the lease is for more than three years. Ohio Rev. Code § 5301.25 and § 5301.251.

The terms of a farmland lease are also important to a successful leasing arrangement. For information on lease terms, refer to our checklist of farmland leasing in the agricultural law library at <http://farmoffice.osu.edu>.

Is your farm lease enforceable at law?

These steps will help you create a legally enforceable farm lease:

- Put the lease agreement in writing.
- Include the identity of the land parcel by legal description, address and acreage amount.
- Include all owners or co-owners in the lease, including spouses that co-own the land.
- Use the correct legal names of all parties.
- Make sure all parties sign the lease.
- For businesses, make sure the person signing has legal authority to represent the business.
- For a lease over three years, have a notary or county official certify the parties' signatures.
- Take the lease or a "memorandum of lease" to the county recorder's office for recording.

To ensure that your lease is valid and fully addresses your needs, rely on the expertise of an agricultural attorney.

Remember Ohio's statutory termination date

If a farm crop lease does not establish a date or method for terminating the lease, a landlord who wants to terminate the lease must do so in writing by September 1.

The termination date shall be either the date harvest is complete or December 31, whichever is earlier.



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New resources on farm leasing

Find our leasing resources
on farmoffice.osu.edu

➤ Law Library: Farm Leasing

[Agritourism Law](#)

[Animal Law](#)

[Business Law](#)

[Energy Law](#)

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Our Publications

FARMLAND LEASES

- [Ohio's New Statutory Termination Date for Farm Crop Leases](#)
- [Creating an Enforceable Farm Lease](#)
- [What's in Your Farmland Lease? A Checklist of Farm Lease Provisions](#)
- [Protecting Interests in a Verbal Farm Lease Situation](#)
- [Crop Share Leasing in Ohio Fact Sheet](#)

HUNTING LEASES

- [Leasing Your Land for Hunting](#)

SOLAR LEASES

- [Farmland Owner's Guide to Solar Leasing](#)
- [The Farmland Owner's Solar Leasing Checklist](#)

LINKS TO OTHER RESOURCES

- [Ag Lease 101](#) - North Central Region Extension Farm Management Committee
- [Farmdoc Library](#) - U. of Illinois
- [Ohio Ag Manager](#) - Ohio State University Extension
- [Rental Agreement Series](#) - Mid West Plan Service
- [Sustainable Farm Leases](#) - Drake Agricultural Law Center/Leopold Center for Sustainable Agriculture

Ag Lease 101

Lease Publications



Fixed and Flexible Cash Rental Arrangements for Your Farm

(NCFMEC-01)



Crop Share Rental Arrangements For Your Farm

(NCFMEC-02)



Pasture Rental Arrangements For Your Farm

(NCFMEC-03)



Rental Agreements For Farm Buildings and Livestock Facilities

(NCFMEC-04)



Purchasing and Leasing Farm Equipment

(NCFMEC-05)



Beef Cow Rental Arrangements For Your Farm

(NCFMEC-06)



Farm Building Rental Rate Survey

(NCFMEC-07)

Lease Forms



Cash Farm Lease

(NCFMEC-01A)



Crop Share Farm Lease

(NCFMEC-02A)



Pasture Lease

(NCFMEC-03A)



Farm Building or Livestock Facility Lease

(NCFMEC-04A)



Farm Machinery Lease for Non-commercial Transactions

(NCFMEC-05A)



Livestock Rental Lease

(NCFMEC-06A)

DRAFT -- Fixed Cash Farm Lease Example

NCFMEC-01A

PLEASE READ: This form offers a starting point for a farm lease and does not replace the need for legal advice. Be aware that state laws vary and can have specific legal requirements for leases. Also note that individual factors can raise unique legal and economic issues in a leasing situation. Some terms in this lease offer different options that require the parties to choose the preferred option. **Each party should refer to an agricultural attorney and accountant in the applicable state** to review the lease agreement and options. Also refer to an attorney to confirm that the lease follows state law and that the parties meet legal requirements for signing the lease.

For economic information on leases and an explanation of terms in this sample lease, refer to *Fixed and Flexible Cash Rental Arrangements for Your Farm*, NCFMEC-01 at aglease101.org.

FIXED CASH FARM LEASE

I. Parties

This lease agreement ("Lease") is entered into this ____ day of _____ 20____
between the following parties:

"Landowner"

Landowner's address:

Exact legal name(s) of individual(s) or entity who owns the Property

Exact legal name(s) of individual(s) or entity who owns the Property

"Operator"

Operator's address:

Exact legal name(s) of individual(s) or entity who owns the Operation

Exact legal name(s) of individual(s) or entity who owns the Operation

Ohio Farmland Leasing Update

Thank you for attending!

Please take a minute to share your
thoughts in our evaluation.



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