

The FarmLASTS Project

Farm Land Access, Succession, Tenure and Stewardship

Agricultural Land Tenure

A Curriculum for Beginning Farmers and Farm Seekers

The purpose of this curriculum is to provide a structured approach for students and teachers in both academic and non-academic settings to study agricultural land tenure, and explore tenure alternatives and successful farm tenancy.

There are two modules. The first examines farm and ranch tenure, including less traditional approaches to address contemporary land acquisition challenges. Module Two focuses on tenancy and landlord-tenant relationships.

Each module has four topics. Each module suggests classroom and individual activities, discussion questions and guest speakers. Each module is linked to case studies, and lists print and online resources and references.

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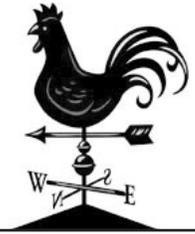
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NOTE: Throughout this curriculum the terms farm, farmland and farmer shall also include ranch, ranchland and rancher.

Module One: Farmland Tenure and Acquisition

- I. Understanding farmland tenure
- II. Classic tenure: ownership and tenancy options
- III. Non-traditional tenure approaches and partners
- IV. Entrant's role in influencing farmland succession arrangements

Topic I. Understanding farmland tenure

Learning objectives

1. Describe the concept of land tenure that is commonly held in the United States.
2. Examine the history of farmland tenure in the U.S..
3. Explore the impacts of tenure patterns on U.S. agriculture.
4. Explore the impact of rising land values on farmland tenure and sustaining U.S. farms.

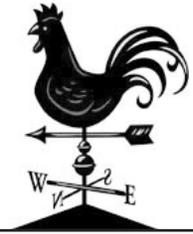
Learning outcomes

1. Ability to explain the concept of land tenure and its significance to U.S. agriculture.
2. Ability to describe the impacts of trends and issues related to agricultural land tenure.

The importance of land tenure

Consider the following quotations:

1. *Equitable partition of land is the necessary basis of all self-sustaining agriculture. This partition and use of land may be in the form of ownership or in the form of right to hold the land for a specified time. The ownership may be of different degrees: the owner may have unlimited right to sell and to bequeath, or he may be bound by certain statutory restrictions. Likewise, the rental of land may be of different degrees and kinds, and in some cases it may amount to practical ownership. These varying forms of land partition have arisen with the evolution of society.* (Bailey 1909)
2. *How farm land is acquired, held in ownership, operated, or rented has always been a matter of national interest, for just and fair conditions of tenure are recognized as essential to our national welfare. The problems of farm tenure, however, are not limited to matters of ownership, inheritance, tenancy, and the interests of farm labor, but pertain also to farm credit, prices of farm land, land appraisal, land-use programs, land-settlement policies and rural living standards. ... It is now imperative that tenure policies which will protect our land resources be formulated on national and state levels.* (University of Illinois 1944.)
3. *Land is essential to agriculture and thus to human life itself. Farming, almost uniquely among socio-economic endeavors, requires land. For this reason, access to and control over farmland is of crucial*



importance to any society. Within United States agriculture, land ownership accounts for about two-thirds of the total asset wealth. (Janssen 1993).

4. *Since land is “agriculture’s principal asset,” how it is held and controlled has serious implications for farming. (Rogers and Wunderlich 1993).*
5. *New farmers are in short supply, and this problem constitutes a threat to U. S. agriculture. (Gale 2003; Hoppe, et al. 2007).*
6. *For a farm to be sustainable, secure tenure is necessary. Building healthy topsoil, nurturing diverse plantings of annuals and perennials, and establishing reliable markets and supportive community relations all require long-term investments. In the U.S., the ideal for most farmers, organic or conventional, is to have their own farm and to hold it as private property. (Elizabeth Henderson/Peacework Farm)*
7. *The majority of new farmers do not have the resources to purchase land. (Higby et al. 2004).*
8. *There are certain objectives having to do with the welfare of farm families, that are basic to constructive, long-time land tenure policies of national application.*
 1. **Income:** *Qualified farmers should become owners or renters of farm units that will provide an equitable reward...*
 2. **Security:** *Farm families should enjoy such degree of security ...that will enable them to be effective members of their communities...*
 3. **Opportunity:** *Farm families should have such further opportunities as are necessary ... to develop their best personal talents, to participate actively in community life... (University of Illinois 1944.)*

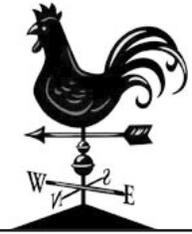
Land tenure defined

In simple terms, land tenure systems determine who can use what resources for how long, and under what conditions. Land tenure relationships may be well defined and enforceable in a formal court of law or through customary structures in a community. Alternatively, they may be relatively poorly defined with ambiguities open to exploitation. <http://www.fao.org/DOCREP/005/Y4307E/y4307e05.htm>

Farm tenure encompasses: a) ownership; or b) tenancy. Tenure describes the rights the landowner maintains or the rights given to the tenant. <http://www.extension.iastate.edu/Publications/PM1983.pdf>

The word tenure comes from the Latin *tenir*, which means “to hold.” There are many ways to hold land. The most common form in many cultures, including our own, is private ownership.

Land-use scholars talk about property ownership as a bundle of rights. You have many rights associated with ownership—cutting down the trees, erecting structures, extracting minerals, hunting and fishing, and so on. However, there are limitations to that bundle; laws and regulations, such as zoning restrictions and eminent domain, limit the landowner’s use. Among the rights associated with property ownership is the right to let others use it. This right enables those who do not own the property to obtain certain rights to its use. (Higby et al., p 4)



History of agricultural land tenure

Modern tenure, at least in the United States and Western Europe, is a result of feudalism that dominated Western Europe after the fall of the Western Roman Empire in 476AD. From the earliest days of the [U.S.] Republic, the importance of land ownership has been debated. The Founding Fathers felt ownership of property was important enough to make it a necessary condition to vote. Land ownership was viewed by private landowners as an exclusive right, often under the assumption that all rights were held completely by the landowner. As contemporary societies have become increasingly connected across geographical space, the idea of a landowner holding most, if not all, rights increasingly has given way to allowing others to assert ownership of some of the sticks in the bundle of property rights. These conflicts have made land ownership and tenancy of great interest to policymakers.

Native Americans living in what is now New England thrived under a complex system of land use based on hunting, fishing, gathering, and farming. Their land boundaries were dictated by the change of seasons, movement of game, and a need to move on once their agricultural plots became worn out. The early colonists did not understand or respect the Native Americans' mobility and disinterest in acquiring possessions. To the colonists, Native Americans appeared lazy and undeserving of the great abundance of this land. They failed to recognize or appreciate that the stewardship practices of the Native Americans were an important factor in sustaining such bounty.

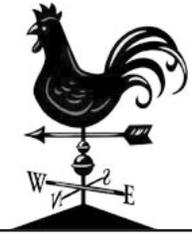
The early colonists believed that private ownership was the best way to make sure that land would be improved and used fully. The land under grant from the Crown to the Massachusetts Bay Company, for example, was first distributed to groups of individuals who formed towns and then to individuals who were granted the right to use the land for a particular economic purpose. That purpose was a function of the land's best use and the size of the grant was a function of the recipient's capacity to work it.

"Land was allocated to inhabitants using the same biblical philosophy that had justified taking it from the Native Americans in the first place: individuals should only possess as much land as they were able to subdue and make productive." Later, the Colonists developed a system of legal description for land and a recording system that made it possible to buy and sell real estate. Once land could be traded like any other commodity, it could also be used to store and accumulate wealth. And that, as they say, has made all the difference. The value of farmland as an appreciable asset, quite apart from its productive value, has—more than any other factor—dictated who owns it, who works it, and who inherits it.

Agricultural and tenure patterns in the United States—who owns and controls our productive land base—have shaped our economic, social, and political history—even our landscape. Our Constitution, laws, and public policies have long favored, though not always successfully fostered, the Jeffersonian ideal of widely dispersed ownership of farmland by family farmers. Jefferson saw this model of ownership as essential to democracy. He believed that only with security of tenure and the economic security that it provided could there be freedom to speak one's mind. If dispersed ownership was the ideal, concentration of land ownership was its evil antithesis. The founders of this new democracy were determined to avoid the poverty and political oppression they had experienced under a landed aristocracy in Europe. Many of the English legal strictures that allowed land to stay in the hands of a few wealthy families in perpetuity were outlawed.

These "rules against perpetuities" are still in force in some states. "In the last few years, many states have moved to either modify the rule or abolish it all together.

With several states abolishing the rule against perpetuities altogether, we now see the rise of estate planning vehicles designed specifically to perpetuate wealth from generation to generation." *Excerpted from http://www.articlealley.com/article_12415_18.html*



“The[se] basic patterns of farmland tenure in the U.S. have been set for about 200 years. The original public domain of the federal government became privatized as a matter of public policy, most notably in the Homestead Act of 1862. A “family farm” philosophy was touted although the precise meaning of the term remained vague; it usually meant simply individual or family land and business ownership.

While our public policies have fostered the freedom to own land, they do not guarantee freedom from debt and foreclosure. In 1937, a report by the Roosevelt administration on farm tenancy graphically documented the displacement, landlessness, and poverty among the nation’s small farmers as well as the environmental degradation evidenced by the dust bowl that drought and high levels of absentee ownership had combined to create. The Jeffersonian ideal was in serious trouble.

By 1940, tenant farmers, rather than landowners, tilled nearly 40% of the nation’s farmland. Roosevelt’s Committee on Farm Tenancy blamed a host of environmental and social evils on absentee ownership and the prevalence of landless farm families. . . . Many states responded to such high rates of tenancy by passing laws that favored land ownership over leasing, including a ban on long term leases in some states. Policy makers restricted a landowner’s right to lease land for a long term to encourage them to sell it instead.

Policy makers also responded to the dust bowl by developing a series of federal programs intended to help tenant farmers purchase a farm of their own. The programs were intended to help resettle farm families who had lost their farms through foreclosure. Changing land tenure patterns were considered as important as soil conservation programs in stopping the serious rates of soil erosion.

In the late 1930s, the federal Farm Security Administration, under the Tenant Purchase Program, put 12,000 landless families onto a farm of their own. Today’s Farm Services Agency, which provides agricultural credit and credit guarantees, is the modern-day offspring of the Resettlement Administration. The Resettlement Administration was renamed the Farm Security Administration in 1937, the Farmer’s Home Administration in 1946, and the Farm Services Agency in 1991. Whatever the name, its role has been the social and economic rehabilitation of the rural poor by providing economic opportunity and entry into agriculture. Land ownership, as the best way to conserve agricultural resources and promote economic democracy, has always been the heart of its mission.” (*Higby et al. pp. 5-7*)

Until the 1950s, policy-makers and agrarian social scientists, agricultural economists in particular, generally held the ideal tenure to be that of full owner-operatorship. Full-owners did in fact predominate both numerically and in terms of acres farmed.

In the early 1970s, the removal of restrictions on Federal Land Bank lending, coupled with increased lending by other entities for farmland purchases led to rising land values. Conveniently low interest rates persuaded many farmers and would-be farmers to go deeply into debt on the assumption that commodity prices and land values would continue to rise. By the early 1980s, tight money and high interest rates had burst agriculture’s speculative bubble. The federal government estimated that farmland value dropped by nearly 60% in some parts of the Midwest between 1981 and 1985.

The 1980’s saw a dramatic shift in the capital structure of American agriculture and the ownership of its assets. A massive accumulation of farm debt in the 1970’s ran head-on into an unfavorable economic climate and incredibly high interest rates in the 1980’s. The result was that many previously successful farmers went out of business and the agriculture land market hit rock bottom.

During the mid 1970s, economic factors were positive. Interest rates were relatively low, so farmers could borrow cheaply. People in foreign countries wanted American agriculture products and had the money to



pay for it, so foreign markets became important to farmers. Prices for agricultural land seemed reasonable so farmers were buying more land on credit to expand. In the 80's the economy went bad. Outside economic factors forced interest rates up. Farmers had to pay more for the loans they needed to operate each year. In addition, consumers tend to buy less during bad economic times, so the prices paid for farm commodities went down.

With less demand and lower prices for their products, many American farmers had no way to pay back the banks for the loans they had taken out. Many borrowed even more money, hoping that better crops and prices would rescue them in a year or two. It didn't happen.

In the 70's and early 80's, the prominent belief (mentality) in the farming community was that a farmer should own every acre he operated (despite the fact that 100% operator ownership was never the norm in the U.S.). At the same time, new investors were entering the market. These new investors competed for land, often resulting in the cost being bid up beyond its realistic economic value. The new investors were not interested in the moderate but stable returns that farmland had historically provided. Many entered into highly leveraged transactions accepting low cash on cash returns for the chance to profit from rapid appreciation. Skyrocketing interest rates and declining farm exports (plummeting commodities prices) quickly led to a collapse in the market which eliminated many investors and farmers alike. Rural economies in the U.S. depend heavily on farmers: when 235,000 farms failed during the U.S.'s mid-1980s farm crisis, 60,000 other rural businesses also failed.

Current trends

Since 1950 the tenure type of part-owner-operator has become dominant, especially in the amount of land farmed. For several decades now, most, larger commercial farms have been of that type. Full-owners have tended to operate smaller farms (Cochrane 1993; Gilbert and Harris 1984; Janssen 1993, USDA/AELOS 1997).

On farms with annual sales of over \$25,000, 60% of farm operators lease some or all of their land.

Tenure and Size of Farm (by Sales) 2002

Tenure:	Full	Part	Tenant
gross sales:			
< \$25K	78%	16%	7%
\$25-\$500K	40%	49%	11%
>\$500K	40%	50%	10%

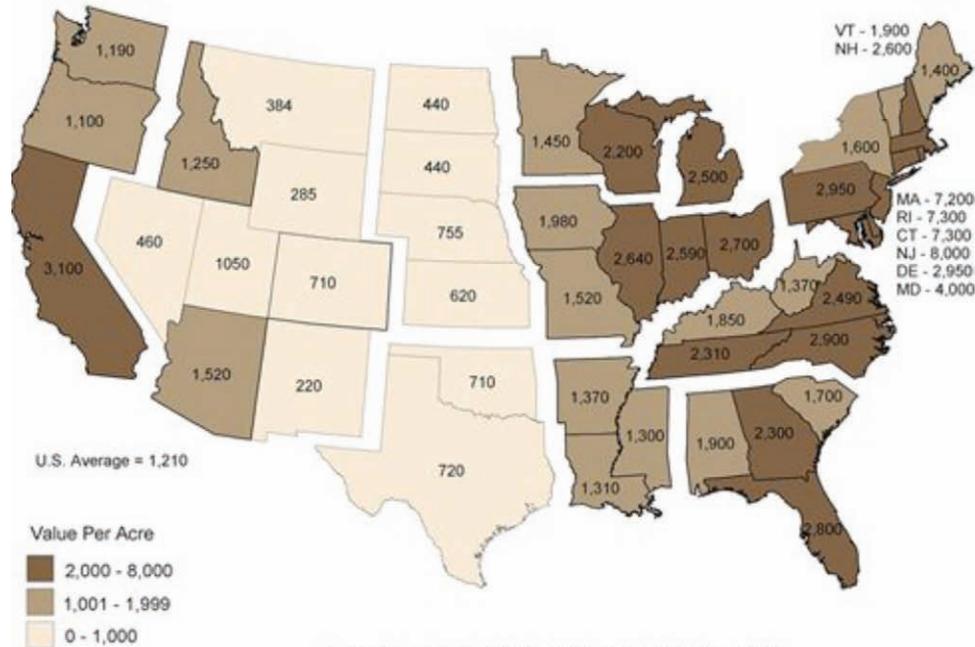
The National Agricultural Statistics Service (NASS) reported that nationally farms witnessed a 23 percent increase in per acre value between the 1997 and 2002.

Further, the value of farmland and buildings jumped 24 percent, and per farm value increased 29 percent (USDA NASS 2004:Table 43). In 2007, NASS reported that farmland values were still on the rise, with both cropland and pastureland values reaching record highs amid regional increases from 9 to 18 percent (Rater 2007).

One Southern region experienced a jump of 10 percent of land values in the last quarter of 2007 alone (over the prior year)¹. In the same time period, the Midwest region saw a jump of 16 percent over the previous year, the largest annual increase in nearly 3 decades² (Federal Reserve Board 2008; Oppedahl 2008). In some areas of the Northeast, farmland values are ten times the national average.



Average value per acre of farm real estate, January 1, 2002



Source: National Agricultural Statistics Service, Sp Sy 3 (02), August 2002

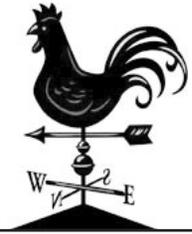
Beginning farmers who are trying to access farmland now must contend with very high land costs, whether they are attempting to purchase or lease (Oppedahl 2007; 2008). The urbanization of agricultural lands, or farmland conversion, is also adding significantly to farm costs. As this conversion continues, increasing land values will continue as well (Forster 2006). “Consequently, the entrance bar to farming gets higher and higher, and fewer and fewer young people see a future in it” (Bell 2004:52).

Absentee landowners

The American farming community is less and less a homogeneous group of full-time family farmers and more a heterogeneous group composed of large, mid-size and small farmers, full- and part-time farmers, and farm managers. Nearly half of U.S. farmers rent some or all the land they farm.

The USDA Economic Research Service (ERS) recently acknowledged land tenure as an important factor in farmers’ decisions to adopt conservation practices. Of the 3.4 million owners of private agricultural land in the U.S., 42% do not operate any of the land that they own. Eighty-eight percent of farm landlords are not farm operators. These absentee landowners consist of older, retired, often female persons or inheritors who live increasingly further away from the land they rent. ERS also found that 85% of absentee landowners are not actively engaged in decision-making on the farm and the majority of landowners have never been a farm operator. From: <http://www.absenteelandowners.org>

1 The fifth Federal Reserve District, comprised of Maryland, North Carolina, South Carolina, Virginia, and West Virginia.
2 The seventh Federal Reserve District, comprised of Illinois, Indiana, Iowa, Michigan, and Wisconsin).

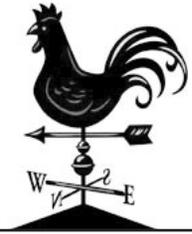


Discussion questions

1. Do the three farm tenure objectives (income, security, opportunity) posed in 1944 still hold today? If not, why? What should our national policy objectives be regarding farm tenure?
2. What impacts have the changes in land tenure patterns in the U.S. had on land stewardship, production, rural life?
3. What is an “ideal” tenure system for U.S. agriculture? Why?
4. What positive and negative impacts does the non-farming population have on land tenure as it relates specifically to agriculture?

Activities

1. Divide students into small groups. Groups may be divided based on what types of agricultural operations they envision for themselves (or just on interest in different types of land use-market garden vs. row crop vs. livestock vs. fully integrated homestead) Each group should then:
 - A. Create a statement that describes what their needs are regarding tenure and the fulfillment of their farm plan.
 - B. Evaluate the different eras of land tenure (as described) in the U.S. and decide what era would have been most supportive of their farm ideals and why.
 - C. Discuss their perceptions about the current situation regarding land tenure in their region (county/town/state) and evaluate the ease in which their farm ideals may be realized in that environment.
2. Using a county map, students will track a decade of land use, identifying key farming operations in their county as well as other major land holders. (County tax office, land planning and GIS folks should be able to assist in providing these resources). The goal of this activity is for students to identify patterns and trends of land use in their own community and how shifting tenure patterns may impact the accessibility of land for agriculture now or in the near future.
3. Debate ownership versus non-ownership tenure for agriculture.
4. Invite local farm elders to visit the class and share their personal experience with access and tenure. Would be very useful if several different types of situations could be represented. (sharecropper, farm owner operator, both owning and leasing land, inherited land.)



Guest speakers

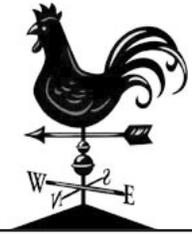
1. County Extension Director to talk about the historical perspective and current status of farmland and tenure in your home county.
2. County Commissioners, county planners and urban planners for a local perspective on the value of tenured farmland for the county.
3. Director of a local land trust to share experiences in farmland conservation.

Homework assignments

1. Write a short paper on personal views and goals related to farmland tenure.
2. Investigate county/state policies to support secure and affordable land tenure and write a short report to share with the class.
3. Interview a family member or other farmer about his/her views on tenure or his/her personal story about acquiring and holding farmland.
4. Select a quote from the first section and critique it.
5. Have students research their own “family tree” of land tenure. “Where did the farm go?” Students will present their findings and then as a class discussion, students will look for determining factors that affected why the farms stayed in the family or were sold or leased out to others.

Out-of class extension activities (class field trip)

1. Visit the planning department of the county and ask for a town/city planner to help explain land-use policies, discuss their possible impact on agriculture.
2. Visit the tax office and track ownership of large tracts of land—research the origin of sub-division names, as they often refer to former farms or other agricultural or natural resource uses of the land.
3. Attend a planning meeting for your town or county.
4. Visit with county government to learn more about the growth rate of your county and track farmland tenure with population growth over the past decade.

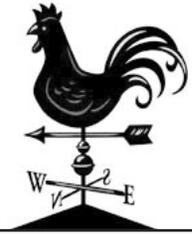


Case study

In “[Possibility of a Farm](#)” Woloschuk, a young couple, successful at urban agriculture in Portland, Oregon takes a giant leap across the U.S. to buy a farm in Vermont. Their experience may help the reader to think about reality vs. the “romantic notion” of farming and how that applies to U.S. perception of “what is a farm?”

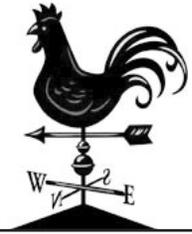
Study questions for the student

1. What problems encountered by the authors might have been avoided had they leased instead of purchased land? Had they leased the same land described in the study might they have avoided some of the “natural” disasters? How? What communication skills would have helped them learn more about land they were leasing?
2. Had these farmers decided to lease, what types of lease arrangements would be best for their farming goals? Why?
3. Based on your reading in topic 1 on land tenure in the U.S., what do you think were the reasons the authors purchased their land at the beginning?
4. How do the author’s experiences and his intention to farm differ from other cross-continental migration (undertaken for other types of employment)?
5. List the reasons why owning the land seemed like a good idea to the authors.
6. List the reasons why renting the land (at least initially) seems like a good idea for someone planning something similar.
7. Has reading this story changed your perspective about land tenure through ownership? If so, how?



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Websites

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Farmland Ownership and Tenure, 2007 Iowa State publication.
<http://www.extension.iastate.edu/Publications/PM1983.pdf>.

This short article defines the term “rules against perpetuities”
http://www.articlealley.com/article_12415_18.html October 2005, Author: Michael Pancheri.

A short description of the 1980s Farm Crisis. This website uses various print news resources as primary resources for information about events in the 1980s. <http://eightiesclub.tripod.com/id300.htm>.

Center for Absentee Landowners website. This site is designed for people who own agricultural land in the United States, but do not live on or operate that land. It's for landowners who are interested in natural resources conservation and who want to learn more information about available programs, resources and support. <http://www.absenteelandowners.org>.

Additional resources

FarmLASTS research report. See <http://www.uvm.edu/farmlasts/>.

Tenure vs. Ownership Implications: Conservation on Rented Farmland.
<http://www.ers.usda.gov/publications/agoutlook/jan1999/ao258d.pdf>.

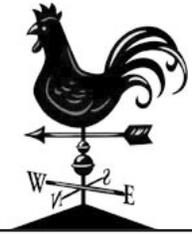
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Topic II. Classic tenure: Ownership and tenancy options

Learning objectives

1. Explore the range of options under ownership and non-ownership tenure for new farmers.
2. Evaluate options to determine the best fit for an individual scenario.
3. Understand the relationship between tenure options and sustaining agriculture.

Learning outcomes

1. Ability to evaluate tenure options available to them and make informed decisions regarding the best fit for their farm goals.

Key points of information

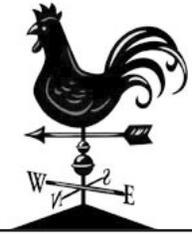
- There are two basic tenure options: ownership and non-ownership (tenancy). Within this framework, there are variations that are described in this module and [Module Two](#).
- Ownership is the most straightforward tenure model, and as described in Topic I above, rooted in strong cultural and political traditions. For many farmers, land ownership is a core value and goal. Others feel differently about property ownership and prefer not to own land at first—or ever.

For fuller discussions of property ownership and values see:

- [Equity Trust](#)
- [E.F. Schumacher Society](#)
- Property and Values: Alternatives to Public and Private Ownership edited by Charles Geisler and Gail Daneker (full reference at the end of Topic 2)
- The basic non-ownership tenure option is tenancy—an agreement between a landowner and a farmer for certain rights to occupy and use certain property for agricultural enterprise. Within tenancy, there are variations as to the length of the lease, the ways the rental rate is calculated, the permitted uses, and how responsibilities, such as for maintenance and repairs, are divided.

Rights and responsibilities

Tenure is based on an articulation of rights and responsibilities. For a landowner, these rights and responsibilities are largely determined by land use laws such as zoning. For a tenant, these rights and responsibilities are spelled out in lease agreements. These can be informal, annual and verbal, or they can be formal, written documents for up to 99 years with rights to build personal equity, pass the leasehold to heirs, and mortgage.



Any tenure situation should reflect the following:

1. Access
2. Affordability
3. Security
4. Use

1. **Access:** This includes the particular user's rights to get onto and control the land sufficiently to meet farming goals. If a farmer owns the land, he or she enjoys maximum rights and control. Tenancy offers a farmer access to the property, subject to the conditions in the agreement. In practical terms, access also means that the operator must be able to get to and onto the land without undue constraint. For example, if a landlord keeps the gate to the leased property locked or blocked, the tenant may have an agreement to use the land, but experiences barriers to access.

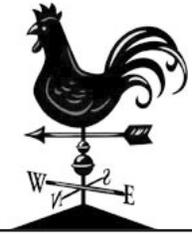
Access also implies a broader social goal to foster opportunity for new and expanding farmers. Rising land values, competition for good land, and declining farm profitability make it harder and harder for entering farmers to acquire land—either through purchase or rental.

2. **Affordability:** The cost of land acquisition has to be reasonably proportioned to the farm enterprise. Many farm business management specialists will argue that it makes more sense for a beginning farmer to start on rented land and build equity, than to start off with land debt. Each farmer needs to pencil this out for him- or herself. Some long-term leases build in affordability provisions, so that the land is affordable for farming in perpetuity.
3. **Security:** This means that the farm operator is free from fear that he or she will be arbitrarily kicked off the land, or that the terms of use will be altered without due process. Land ownership is the most secure tenure. It also means that the length of the lease agreement is sufficient for the farmer to meet his or her goals. While shorter leases offer flexibility, the longer the lease, the more secure the tenure. While the research is inconclusive, common thought is that the longer the lease, the more likely the tenant is to treat the land well, rather than mine it for short-term gain. Certainly longer-term agreements are more likely to foster longer-term conservation practices such as crop rotations, fallowing and application of certain soil amendments.
4. **Use:** A farmer who owns the land is free to use it, subject to laws and regulations. Sometimes local and state laws can significantly impact a farming operation. For example, wetland laws, definitions of agriculture, parking (e.g., for a farm stand), noise and nuisance regulations, may constrain operations on the land.

A tenant's uses are subject to the terms of the lease agreement in addition to applicable laws. In some lease agreements, the limits to use are very specific, such as requiring organic practices or prohibiting the cutting of trees.

Classic acquisition (ownership) options

1. **Fee title purchase with conventional financing:** This is the standard means of purchasing a farm. It involves borrowing the money from a willing lender such as a bank, and paying the mortgage. The borrower will have to prove sufficient means to pay the monthly mortgage, plus a convincing business



plan. Both may be difficult for a beginning farmer. Frequently, a farm property includes a house, which makes it all the more expensive. In this scenario, the farm may be bought and sold between family members or unrelated parties. Sometimes the owner is willing to sell at a “**bargain sale**” price—less than the market price.

2. **Fee title purchase with government financing:** The USDA Farm Service Agency is the traditional “lender of last resort.” FSA has a suite of loan programs targeted to beginning farmers. It provides operating and real estate loans with funding that Congress appropriates each year. Here are FSA’s programs for real estate acquisition:

a) Real Estate—Direct Loan: Available strictly for real estate purchases, loans are available at subsidized interest rates to both beginning and experienced farmers. In the 2008 Farm Bill the loan limit was raised to \$300,000.

b) Real Estate—Down Payment Assistance: FSA requires the beginning farmer to provide a 5 percent down payment and will then provide up to 45 percent toward the purchase, not to exceed its appraised value and not to exceed \$500,000. With this \$500,000 cap, the maximum FSA loan amount is \$225,000. Note, however, that this is a cap on the amount of the FSA portion of the loan, not a cap on the value of the land to be acquired. The remaining 50 percent then comes from conventional sources, such as the local lender or seller-financing, with amortized payment over a 30-year period. The FSA loan term is 20 years, with an interest rate that is 4 percent lower than the regular FSA direct farm ownership loan interest rate, but no less than 1.5 percent.

c) Real Estate—Joint Financing 50/50: This program does not require a down payment by the beginning farmer. FSA will provide up to 50 percent of the financing at an interest rate the same as the regular direct farm ownership loan program.

d) Real Estate—Guaranteed: FSA offers loan guarantees of 95% of the principal amount of a loan from another lender.

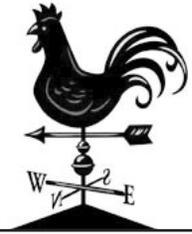
e) Land Contract Guarantee Pilot: In the 2008 Farm Bill, this program was expanded from a pilot program in a few states to permanent and nationwide. It guarantees loans made by private seller of farm or ranch to qualified beginning farmer or rancher on contract land sale basis. It sets minimum down payment for participants of 5%, maximum purchase price of \$500,000, and loan period of 10 years. The program offers sellers choice of guarantee options.

For more information on FSA loan programs for beginning farmers, contact the county USDA FSA office http://www.cfra.org/files/BeginningFarmer_%20Financing_Strategies_0.pdf

An overview of FSA loan programs is available from the Center for Rural Affairs website: http://www.cfra.org/resources/Publications/Beg_Farmer_loan_programs.htm.

3. **Farm Credit:** The Farm Credit System is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. The U.S. Congress authorized the creation of the first System institutions in 1916. Farm Credit is organized into regional associations; each offers a range of financial services including loans. Farm Credit has a Young, Beginning and Small Farmer initiative that targets services and loans to beginning farmers and ranchers.

Farm Credit offers a Young & Beginning loan for less-established producers (<http://www.fcsamerica.com/3f2f8c63-2c99-415f-a24c-3b1581d3262d.aspx>). This program is designed for producers age 35 or younger, or with 10 years experience or less.



4. **Aggie Bond Programs:** Through these federal-state partnerships, states can assist beginning, first-time farmers to purchase land, farm equipment, farm buildings and breeding livestock through reduced interest rate loans. Through an Aggie Bond program, the state coordinates the creation of a bond that allows lenders to earn federally-tax exempt interest income on loans to eligible beginning farmers and ranchers. The tax-savings allows the lenders to provide the loans at a reduced interest rate to the first time farmer, while the credit decisions and financial risk remain with the local lending institutions. Not all states have aggie bond programs. <http://www.stateagfinance.org/directory.html>
5. **Land contract or installment sale:** An installment sale or land contract sale is an agreement through which the seller (original owner) of the land agrees to finance the sale to a new buyer. The new buyer moves onto the land and begins making payments directly to the seller/owner based on an agreed-upon interest rate and other terms. The title remains with the owner until all payments are made. This option can be played out between family generations or unrelated parties.

The 2008 Farm Bill includes a program in which the federal government guarantees land contracts, making it more attractive (less risky) for the owner to enter into a contract sale. (See above.)
6. **Purchase money mortgage:** This is similar to a land contract, but here the title is passed to the buyer, subject to a mortgage from the seller. This tool is often used in conjunction with bank financing.
7. **Inheritance:** Property left to a child, other relative or non-family member at the time of death. If the deceased had a will, it stipulates how his or her assets are to be distributed. Sometimes the farm real estate goes to one child and other assets go to others. Sometimes the farm goes to all children and they have to figure out how to deal with that. Sometimes there is debt that accompanies the asset. Good estate planning is essential, and estate taxes can be avoided or minimized.
8. **Gift:** Real estate can be gifted from the owner during his or her lifetime to another party such as a beginning farmer who may or may not be a family member. Each person has a \$1,000,000 lifetime gift exclusion (under present law). Therefore, if a farm's FMV is less than this threshold, no gift tax is due, however a gift tax return is required to be filed to declare the use of the "lifetime" gift. A sale for less than FMV, may trigger a gifting situation, generally a "gift sale" is one that is at less than 80% of FMV. If done at say 70% of FMV, the gift is the 30% difference from "true FMV." [2009 Federal Tax Policies and Farm Households](#)
9. **Work-in:** In this scenario, a young farmer joins the senior farmer's operation, typically starting as an employee and working up to an equity position as a partner or member of the farm business company. Assets (and management) are transferred gradually.

Non-ownership (tenancy) options

These options and others are more fully discussed in [Module Two](#). In tenancy models, the agreement (preferably written) specifies who is responsible for what maintenance and repairs. It also addresses improvements; for example, whether the tenant is allowed to invest in the property and how s/he is compensated for that investment. For example, the tenant could take the improvement with him or her, depreciate it over the life of the improvement (assuming this is not longer than the length of the lease) or sell the residual value of the improvement back to the landlord or to the next tenant.

1. **Short-term rental:** Typically one to three years in length, often annual, verbal ("handshake") agreements. In Iowa and Nebraska, a *Beginning Farmer Tax Credit* provides an incentive to current and



retired farmers who rent agricultural assets to a beginning farmer. The owner receives a tax credit for several years based on the value of the lease. http://www.iada.state.ia.us/begin_farmer_tax.htm and <http://www.agr.state.ne.us/division/med/begfrm.htm>

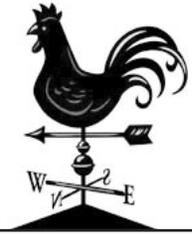
2. **Long-term lease:** May be up to 99 years; a more complex document, always in writing. In a **ground lease** the tenant leases the land long-term, and owns the improvements (e.g., house, barns) upon the land. In some states, the length of a lease term is limited by state law (e.g., cannot be longer than 15 years).
3. **Lease with option to purchase:** Option to buy the property is written into the lease agreement. The price and terms of the purchase are set forth in the lease. The lease payments are not part of the purchase payment unless specified in the lease. There are two common forms: the “straight option” and the “right of first refusal.”
4. **Sharemilking:** In a sharemilking agreement, a young farmer operates a farm on behalf of the farm owner for an agreed share of farm income and expenses. The arrangement offers young farmers a way to build assets and dairy management skills without requiring a large amount of capital input at the beginning of their careers. The sharemilking model can be adapted to non-dairy situations. For more information see [Module Two, topic III](#).

Discussion questions

1. What characteristics of an agricultural operation must be considered (e.g., crop rotation, livestock watering, organic certification) when weighing land tenure options?
2. What are the pros and cons of the classic ownership models described in this module?
3. What are the best tenure conditions to support good land stewardship? Why?
4. Of the land ownership options listed above—which seem the best for a new farmer and under what conditions? Why?

Activities

1. Students choose 2 options and compare and contrast based on criteria they determine necessary for a successful agricultural enterprise. (Divide class into small groups of 3 or 4 and have them list criteria necessary for leasing options to be a success. Then they choose or instructor assigns 2 of the options described above to rate according to their criteria.)
2. [Use Tenure Options decision tree](#) for class discussion. (Reprinted with permission.)
3. Students seek examples of the following traditional lease options with current pricing—where to look: Ag review (NC), SDA web sites, Land Link sites. Assign one per student/ group—have them present their findings in the following class period.



Guest speakers

1. Local FSA personnel about preparing to seek credit and other forms of financial backing.
2. A new farmer to talk about his/her experience in accessing land.

Questions for use with the Tenure Options decision tree

1. What are the advantages and disadvantages for each of the options?
2. Are there other options that the students can think of?
3. Can the students create a tool for weighing these options? What factors need to be considered?

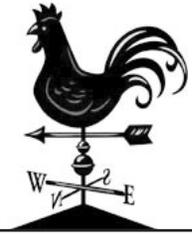
Case study #1

The Janzens.

Making the transition from conventional to organic agriculture, or from one generation of farmers to another, can be such a difficult process that a farm may not survive the change. But one Kansas family discovered that managing both transitions at once allowed them to save the land they all loved.

Study questions for the student

1. What are some of the issues that the Janzens were dealing with regarding the future of the family farm?
2. What is the first step taken by the family in trying to identify these issues?
3. What are some of the solutions that were discussed for the farms future?
4. What factors may help this transition succeed?
5. How is this family's situation similar to many farm families in the U.S. today?
6. Who has ownership of the land and how is tenure planned for the foreseeable future?



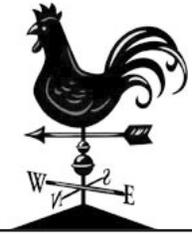
Case study #2

Good Humus Farm.

This farm established a shared equity agricultural easement for their farm. To establish such an easement, a publicly funded land trust purchases the nonagricultural value of the property. Legally binding restrictions are then placed on the farm's deed which ensures that the land will be kept in active farming use, will be farmed with environmentally responsible methods, and will be valued solely on the basis of its agricultural value in the establishment of any future resale price. This case study can help students to understand the relationship between tenure options and sustaining agriculture.

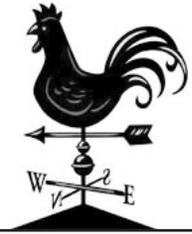
Study questions for the student

1. Why is the shared equity easement a desirable option for this farm?
2. How will the establishment of this easement help future farmers realize their farming goals?
3. What are the necessary components to the successful establishment of an equity easement?
4. By establishing such an easement for this property, what are some of the options/practices that are now "off the table" as far as future farmers are concerned?
5. Put yourself in the place of a new farmer at Good Humus. Share your own thoughts about how their proposed agreement would impact your farming goals.



Sources

- **Equity Trust** is an organization whose mission is to promote equity in the world by changing the way people think about and hold property.
- **E.F. Schumacher Society** promotes the building of strong local economies that link people, land, and community. To accomplish this we develop model programs, including local currencies, community land trusts, and micro-lending; host lectures and other educational events; publish papers; and maintain a library to engage scholars and inspire citizen-activists.
- Property and Values: Alternatives to Public and Private Ownership edited by Charles Geisler and Gail Daneker. 2000. Island Press.
- **Center for Rural Affairs** Strategies for Financing Beginning Farmers
- **Center for Rural Affairs** USDA Farm Service Agency Beginning Farmer Loan Programs
- **The Farm Credit Services of America** young and beginning farmer program
- **The National Council of State Agricultural Finance Programs**, state by state listing of available programs



Topic III. Non-traditional tenure approaches and partners

Learning objectives

1. Become aware of and explore different kinds of non-traditional options, and their advantages and disadvantages.
2. Understand how to approach possible tenure partners.
3. Explore public policies and implications with respect to non-traditional options and future changes or needs.

Learning outcomes

1. Knowledge about different non-traditional land tenure arrangements and challenges and opportunities for appropriately expanding their use.
2. Confidence about exploring alternatives to purchasing and short-term leases.
3. Knowledge about resources available for more information and next steps.

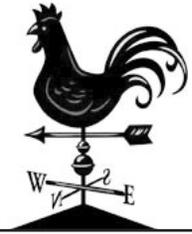
Key points of information

- Multiple factors including escalating land costs make it more and more difficult for farmers, especially new farmers, to find and purchase land or obtain secure tenure.
- Alternatives to traditional land tenure practices in the United States—principally ownership by the primary operator and his or her family, and short-term lease arrangements—are becoming increasingly important to maintaining numbers and diversity of farms.
- New landlords and landlord-tenant relationship possibilities are emerging.

Why alternative models?

As land values continue to rise and development removes land from agricultural production, it becomes more difficult for farmers—especially new farmers—to find and purchase farms or land for production based on their farm income.

In addition, an increasing number of farm entrants do not come from farming backgrounds and access to land may be even more difficult for them since retiring farmers are often unwilling or at least less motivated to transfer their farm to a non-relative. In addition those without farming background require greater education and training in the practical aspects of farm production and management which may be hard to find. The number of new farmers coming from non-farm backgrounds varies significantly by region and type of farming enterprise, however many agricultural educators and agency personnel who train and assist new farmers note that from about a quarter to virtually all the entrants with whom they work did not grow up on a farm or doing a substantial amount of farm work.



This module includes emphasis on access to land without ownership. Whether individual ownership of land is an eventual goal or not, farmers need to consider a range of options for getting started and growing their businesses that do not require capital investment in land.

In addition, the culture of land ownership in general, and farm ownership in particular needs to be re-examined by society as a whole. Despite the Jeffersonian ideal of small farm landowners, U.S. agricultural history is one of both ownership and non-ownership tenure. It may be unreasonable and unnecessary to assume that full ownership is a goal for the future particularly if society decides that having a large number of independent farm operators as primary producers is a desirable outcome amidst shifting agricultural land ownership patterns.

Income from agriculture traditionally has been low for the majority of farmers who consider the work, lifestyle, independence and situation for their families as important as net income. However, if the operators of the land cannot afford to own it, then communities, individuals and organizations need to develop practical, long-term strategies to value and support agricultural production and producers.

For most citizens, a comprehensive assessment and application of alternatives to the owner-operator land tenure system of agriculture in the U.S. is not a priority. However, with the projected 400 million acres of agricultural land changing hands in the next twenty years, the time is ripe to explore alternative models for farm access and transfer. This module does not specifically address public policy. For policy recommendations, see <http://www.uvm.edu/farmlasts>.

New landlords and new partners

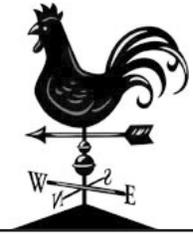
Many farm landlords are farmers or former farmers themselves. These landlords are familiar with farming and are embedded in the culture of rental agreements. Some handshake agreements endure for many years—sometimes across generations—based on trust and mutual understanding.

As land become less available, especially in urbanizing areas of the country, the pool of available land is not sufficient or affordable (even to rent) for entering farmers. At the same time, communities are increasingly concerned about the sources and quality of their food, and about the preservation and management of agriculturally capable and other open land. This makes for new win-win arrangements between farmers and citizens, community groups and public entities—landlords who do not farm and who don't know much about farming.

What are the interests of these non-traditional landlords? Every landlord is unique, but there are several strong emerging themes among non-farming landowners. Many have strong conservation values and goals. At the same time, they may be relatively unfamiliar with farming practices and realities.

Who are these new landlords?

- a. Widows and other heirs (children) of farm operators
- b. Second home and estate owners
- c. Land trusts and other conservation organizations
- d. Conservation buyers
- e. Churches and religious orders



- f. Municipalities with conservation land/open space
- g. States with institutional and other properties with an agricultural history or capability (e.g., state mental hospital and corrections facilities), state-owned conservation and open space properties, and state-owned parkland
- h. Federal lands such as park land, rangeland, forest land and Tribal lands
- i. Community farms
- j. CSA members
- k. Intentional communities (e.g., co-housing)
- l. Agriculturally focused subdivisions (Agritopia)
- m. Educational and other non-profit organizations
- n. Schools, colleges and universities
- o. Incubator farms

Alternative models

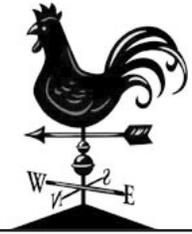
With these less traditional landlords comes the possibility for new and different land use agreements. The following are examples of innovative arrangements that can offer unique benefits to both landowner and operator.

1. **Lease from public (federal, state or municipal) entity:** May be short- or long-term agreements. The lease agreement on public land does not automatically mean public access. In some states, the agreement is a license, not a lease, and its term (number of years) is limited by law. Eleven Western states allow grazing on state land, with specific use regulations. Hawaii has a system of “agricultural parks” where the state offers long-term leases to parcels organized like an industrial park, with utilities brought in by the state.

At the federal level, approximately 2/3 of federal lands under four separate agencies are subject to grazing right by private individuals. Grazing on public lands is a complex issue; this curriculum does not address it.

Another complicated topic is agricultural uses of Tribal lands. See The [Indian Land Tenure Foundation](#). The ITLF also has a land tenure curriculum, *Lessons of Our Land*, which discusses the history and issues surrounding Indian land tenure. See also the U.S. government website titled “[Tribal Land and the Environment](#)”, which lists links to American Indian offices and information resources about tribal lands, their geology, natural resources, and management.

Cuyahoga Valley National Park has fulfilled its mission of returning to its historical roots of a working agricultural landscape, while maintaining environmental stewardship through long-term lease that include conservation-related expectations for land care. See Case Studies, on page 27, Countryside Initiative in Cuyahoga Valley National Park, Ohio.



At the county or local level, open space may be leased for agricultural operations. See [Boulder County, Colorado](#) for an innovative system of leasing county land for agriculture.

- 2. Purchase of land with an agricultural conservation restriction:** A conservation easement (also known as a conservation restriction) is a legal agreement between a landowner and a conservation land trust or government agency that permanently removes the right to develop the land while the landowner continues to own it. A conservation restriction may impose additional limitations and/or affirmative obligations to protect the natural, scenic, open-space or productive values of real property.

An **agricultural conservation restriction** is specifically intended to protect the land for agricultural use. There are public programs that use state and federal dollars to purchase the development rights on eligible agricultural properties. Some easements are for a specific amount of time (e.g., ten years); others are in perpetuity. There may be tax benefits to landowners who sell or donate their development rights.

The easement is held by the government or by a qualified conservation organization. It is recorded with the deed, and future owners are bound by its terms in perpetuity. The land remains privately owned and on the tax rolls, but at a lesser tax valuation because it cannot be developed. These easements typically exclude houses and farm structures.

Beginning farmers benefit because the residual value of a property with an easement is theoretically its agricultural value, and therefore more affordable. Unless the land is linked to housing that has affordability restrictions, or housing is otherwise available and affordable, this can be an issue in “high rent” districts.

- 3. Fee title purchase and sale of conservation restriction (easement):** In this scenario, a buyer of a farm property negotiates the sale of a conservation restriction at the time of purchase. This serves to simultaneously preserve the property and provide the buyer (a new farmer) with an infusion of capital to offset the market rate purchase of the property.
- 4. Community land trust:** A community land trust (CLT) is a non-profit organization that owns real estate for the benefit of the community. The CLT is democratically controlled and serves to provide long-term affordable housing and land use opportunities. Most CLTs focus on housing, but some also hold and lease farmland. A CLT makes land more affordable because the common land is held by a trust while individual families or farmers hold long-term leases on a plot of land. They negotiate long-term (99 year) renewable ground leases, while the farmer purchases the house and other farm structures on the leased land. (This is not dissimilar to a condominium situation in which the occupant owns the home but not the land under it.)

The CLT places affordability limitations on the leasehold and on the deed to structures on the leasehold so that both land and buildings remain affordable to subsequent lessees and owners. There are formulas to calculate future price as well as the owner’s equity contributions. When the farmer wants to move on, he or she sells the house, and transfers the lease to the next lessee.

See also Case Studies, below, with the Caretaker Farm and Indian Line Farm examples

- 5. Shared equity arrangements:** in a shared equity agreement, the operator shares ownership with others (investors) who share appreciation in the value of the property. The investors may receive a return on their investment by the future sale of their portion of property (to the operator or to the next owner-partner). Ownership may be structured as an LLC or a corporation.



6. **“No-cost” lease or barter agreements:** These may be in-kind exchanges or barter (e.g., hay for mowing/making). The landowner may pay some maintenance (lime, fertilizer); barter for plowing services, wood, mulch hay, vegetables/other product, etc. In some situations, landowners receive tax advantages from having their land in active agriculture, so they are happy to have a farmer use the land without charge. There are examples of private landowners and utility companies paying farm operators to keep land (for example under power lines) grazed.
7. **Incubator farms:** Incubator farms have the common goal of giving beginning farmers hands-on training in agricultural practices in a structured way, with oversight and mentorship, on a plot of land that is given, loaned, or leased to them for a certain period of time. In this way, a new farmer can gain experience as a farm operator without facing the level of risk he or she might deal with when farming alone. The basic concept is that the program or mature farmers host and train new farmers as they grow crops, share equipment, establish their markets, and learn from their mistakes, successes and fellow producers in the program.

In most incubator farms, the beginning farmer’s rent for land is partially or totally subsidized when the start. In some cases, rent is gradually raised until it achieves market rate. Once the business is viable, the now mid-level farmer moves off of the incubator farm and finds his or her own land (Hubbard 2006:1).

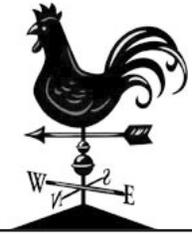
An Incubator farm program is run by the [Intervale Center](#) in Burlington, Vermont which manages 350 acres, supports over a dozen individual farms and nurtures the connection with community by increasing the availability of local and organic food.

The [Agriculture and Land-Based Training Association \(ALBA\)](#) in the Salinas Valley, California is one of the oldest and most successful examples of a program which helps aspiring farmers with limited resources gain access to land. ALBA, meaning dawn in Spanish, serves a large and active Latino audience of small-scale farmers by providing business and marketing training as well as owning and operating two incubator farms.

See also The [New American Sustainable Agriculture Project \(NASAP\)](#) and the [North Carolina Farm Transition Network](#).

8. **Transfer of Farming Rights:** In this innovative model, a farmer purchases an easement from a landowner that guarantees his or her right to farm the land in perpetuity. California Farm Link is researching this model which to date has limited application, but holds promise as a “non-traditional” relationship between landowner and land user.
9. **Community Supported Agriculture (CSA):** In some cases, CSA farms have mobilized donations from CSA members to enable a non-profit organization or landowner group to purchase land that is then leased back to the CSA farmer. In other cases, CSA members have purchased a conservation easement with purchase option, while the farmer purchased the remaining farm value.

An example of this strategy is the [Live Power Community Farm](#) in Covelo, California which emphasizes community involvement and long-term stewardship. CSA members and interested foundations and individuals raised \$95,000 to purchase an easement.



Another example is Swallow's Nest CSA in southern Wisconsin which grew over 14 years to serve 200 families but struggled with not having secure access to quality land. The solution came when one of their CSA members bought a 40-acre farm and rented them 27 acres on the way to a longer-term lease.

See also [Prairie Crossing](#).

- 10. Other private organizations** (e.g., educational non-profits, religious groups, tribal groups): Educational non-profit organizations are being formed around farming enterprises in order to accomplish multiple goals such as connecting people and communities to their food, preserving farms and conserving natural resources.

For example [Maverick Farms](#) in North Carolina is a non-profit educational center for food and farming which combines a CSA with educational and outreach projects in the community.

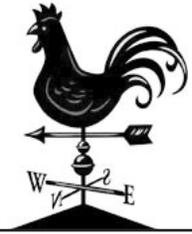
As shown in the [Monk Farm Case Study](#), other groups which own land may be interested in leasing it to farmers under certain stipulations that match their beliefs. A monastic order in the Northeast owns land that for many years was leased to a local dairy farmer. But the brothers want to transition to organic management. If the current tenant is unwilling to change his production practices the brothers may seek another tenant.

- 11. Sharemilking:** In a sharemilking agreement, an entering farmer operates a dairy farm for an agreed share of farm income and expenses while the farm owner provides the land, cows, machinery and equipment, and steps back from daily chores and management. The arrangement offers beginning farmers a way to build assets (typically young cows) and dairy management skills without requiring a large amount of capital input at the early stages of their careers. Sharemilking can benefit sharemilkers and land-owning farmers, but both parties must agree to arrangements in writing. The parties must make several decisions besides how to split the milk check.

[Krusen Grass Farms](#) in southeastern Wisconsin is an excellent example of a sharemilking agreement. Factors which make sharemilking successful include a farm that is functioning well and profitable, and commitment on the part of the landowner to mentor while passing on some areas of farm management.

Activities:

1. Have students select one or more models; assume role of beginning farmer or landlord and list goals and concerns from that point of view.
2. Break into small groups to discuss how landowner and society values affect farm succession, e.g., environmental vs. productivity goals, perceptions of and emotional ties to ownership, the view and use of land as a commodity. Have each group summarize main points to the class.
3. Research a model, find examples to present to the class.
4. Write a short paper on a model and explain why it interests you.
5. Search for CSA farms in your area and visit their websites to see if they are set up in a creative way.



Guest speakers

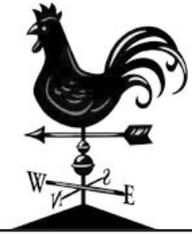
1. Local University, county Extension office or agricultural lender.
2. Someone who works in alternative land lease arrangements in your area.
3. A farmer to share his/her story of how s/he acquired land and resources.
4. A representative from alternative housing providers, area community land trusts or conservation organizations.
5. County board members, state legislators and rural development personnel who can speak to agland preservation in combination with innovative lease agreements.

Discussion questions

1. Pick a model and discuss the relative advantages and disadvantages of it from the points of view of both the existing farmer (landlord) and entering farmer (tenant).
2. What are the biggest challenges to the entering farmer in adopting one of these models?
3. What problems in current land tenure do these models address? How?
4. What might be other models and approaches? Which one(s) might work best for you in your farming career?
5. What are some of the issues or widely held perceptions that are brought up by the concept of long-term non-ownership tenancy? How could resistance by the community or tenant farmer be addressed and resolved?

Case studies

1. The [Monk Case Study](#) gives an example of religious order land ownership and leasing.
2. The [Guralski Case Study](#) is an example of a successful dairy farm startup using the Incubator Farm model.
3. The [Cuyahoga Case Study](#) describes a partnership between the non-profit Cuyahoga Valley Countryside Conservancy the Cuyahoga Valley National Park, to co-manage the Countryside Initiative program to provide long-term leases to farmers to renew and farm in a productive and sustainable manner 20–25 farms within the valley.
4. [Caretaker Farm](#) is a model for non-ownership tenancy for other farmers who wish to affordably ensure that their farm stays in agriculture. A combination of selling development rights to the state and donating equity in land to a CLT in exchange for a 99-year renewable lease “assures the farm’s affordability as a working farm in perpetuity.”



5. The [Indian Line Farm](#) Case Study gives another example of a CLT being involved in the preservation of a CSA farm via long-term lease to the farm operators, giving illustrative details about the lease agreement and working in stipulations for residency, organic practices and land-use fees.
6. An example of an Incubator farm program is the [Intervale Center](#) in Burlington, Vermont. Intervale manages 350 acres, supports over a dozen individual farms and engages in local and organic food system networking. Another incubator farm model is the [Agriculture and Land Based Training Association](#).
7. Waterpenny Farm, an organic CSA farm in Virginia, was started by an innovative two-year trial period between the landowner and new farmers, followed by a more formal 40-year lease agreement, http://www.rodaleinstitute.org/a_good_deed
8. Peacework Organic Farm is a CSA operating on land owned by the Genesee Land Trust <http://www.newfarm.org/features/2005/1205/peacework/henderson.shtml>

Additional resources

University of WI Cooperative Extension Bulletin A3670, [Sharemilking in the Midwest](#), by Larry F. Tranel

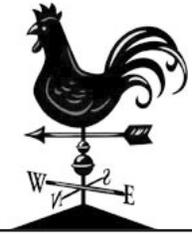
The University of Wisconsin Center for Dairy Profitability has a computer spreadsheet sharemilking agreement that can be easily modified. Sharemilk is available from the UW Center for Dairy Profitability, 1675 Observatory Drive, Madison, WI 53706. It is available in Lotus and Microsoft Excel versions.

Hubbard, Paul, [Incubator Farm Summary](#), 2006. available online at:

ALBA is featured in an article by the Rodale Institute at <http://newfarm.rodaleinstitute.org/features/2005/0505/alba/index.shtml>

Resource and legal information source for Tribal land ownership and lease agreements, <http://www.astribe.com/Realty.html>

For more information about CSA farming and land access and preservation see *Sharing the Harvest, Revised and Expanded, A Citizen's Guide to Community Supported Agriculture* by Elizabeth Henderson and Robyn Van En



Topic IV. Entry and succession: entrant's role in influencing farmland succession arrangements

Learning objectives

1. Gain a broader understanding of farm succession issues.
2. Examine elements and stages of succession planning.
3. Explore what makes a successful farm transfer.
4. Explore the role of entrants in farm succession.

Learning outcomes

1. Basic understanding of farm succession.
2. Basic skills to have an effective role in a farm transfer situation.

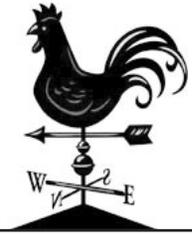
Key points of information

- Farm succession is a complex process. It may involve multiple generations on a farm or unrelated parties. Farm transfer and farm transition are also terms used to describe the process of passing a farm from one generation or owner to another.
- Succession planning includes transfer of assets, income and management. Many farm families do not have succession plans, and no identified successor. Advisors such as attorneys, financial planners, and facilitators may be brought in to help assemble a good plan.
- Importance of younger generation. Sometimes, it is the younger generation that must prompt the planning process.

What is farm succession and why is succession planning important?

Succession is a complex process that often takes several years and may pass through several stages before it is complete. In family business literature, succession is the transfer of management and leadership from one generation to the next. In this framework, succession is distinguished from the transfer of real estate and other assets. Often, succession is intended to imply an *intra-family* transaction—from senior to junior within the same family, but it is not by definition limited in this way. Others see succession as a set of social decisions, compared to transfer which focuses on the legal and economic decisions (Danes 1995). Some use the terms succession, transfer and transition interchangeably.

A sometimes challenging and lengthy process, the transfer of managerial control and ownership of the farm businesses and the land which sustains it needs to be brought to the attention of all parties well before the current operator retires or faces serious health concerns. In fact, retirement is a process, not an event. It can take a decade or more. Addressing this process is the key to a successful transfer. Joining an agricultural operation, completing agricultural education, or returning to a farm are opportunities to discuss succession plans.



The USDA estimates that as many as 500,000 of the nation's 2 million farmers will retire in the next two decades. The average age of U.S. farmers is 56, and increasingly, farmers are farming well past traditional retirement age. In fact, one-third of surveyed Iowa farmers said they will never retire (Baker et al. 2004). Their thoughts about exiting from farming are closely tied to their ideas about succession and transfer—passing on the farm operation and assets.

“Failure to plan carefully for retirement and transfer of the estate can result in serious problems such as financial insecurity, personal and family dissatisfaction, and unanticipated capital losses” (Mishra 2003). Business succession is a challenging process for all family businesses, including farming. How exiting farm families address these transitions has enormous consequences, not just for those families, but for next generation farmers and ranchers, the overall structure of U.S. agriculture, local economies and the environment. “[Retiring farmers’] succession decisions and retirement plans are of considerable importance to the farming community and the future structure of agriculture. Continuity of the family farm and the family farm sector is highly dependent on successful transfer” (Gale 2003).

Many farmers are reluctant to even discuss farm succession because talking about a day when they are not the primary operator and decision-maker is perceived as losing control and akin an early death.” In other words, the ties to farming that many farmers feel can be deeply enmeshed in transferring the farm business and land.

Often, it is the younger generation that initiates the conversation. They are motivated to move into more management, and to acquire farm assets. Regardless of who starts the conversation, the parties to a transfer, as well as any others with a stake in the future of the farm, need support and technical assistance to get through the transfer planning process.

Stages of succession planning

In one framework (Hutson 1987) for a traditional, intra-family farm succession process, there are four stages. The first stage is signified when the successor finishes his/her education process and begins full time employment on the farm. Often during this stage there is a period of conflict as the successor attempts to assert his/her own set of values and beliefs.

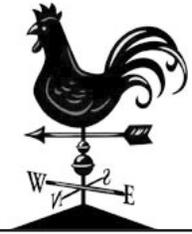
In the second stage, the primary operator and successor work to maximize the output of the farm and expand the farm operation from a 1-family to a 2-family operation. Now there are two families to support. In this stage several decisions must be made with regard to supporting the successor. Should the farm expand? The successor will likely have an impact on financial, technical, and investment concerns.

In the third stage the successor becomes more responsible for management of the farm operation. As the successor gets older he/she becomes more independent and the farm operator begins to transfer managerial control.

The fourth stage is signified by the retirement of the operator and the control of the farm being handed over to the successor. While the senior operator may relinquish managerial control he often retains ownership of at least some of the farmland until death ensuring retirement income and some measure of control.

Other researchers (Gasson, R. and Errington, A.1993) frame succession around four general patterns:

- *Standby Holding*: The successor is set up (by the parent farmer) on his/her own farm allowing them the opportunity to develop managerial skills. Equipment is often shared but the successor is independent financially and managerially from his/her father.



- *Separate Enterprise*: Some farms have the ability to develop a separate enterprise for the successor. Such enterprises could include a separate/new line of livestock or a farm contracting business. The successor can develop his/her own management and decision-making skills which can be used when he/she is farming alongside the older generation.
- *Partnership*: This type of relationship can be formally cemented and allows shared responsibility between both generations. But when done only “on paper”, this would fall into the farmer’s boy pattern.
- *“Farmer’s Boy”*: The successor spends years working alongside the older generation without having much involvement in decision making. Usually the successor is simply a supply of labor to the farming operation. Consequently the successor fails to develop managerial skills necessary to run a farm operation. The successor’s reward may be the eventual ownership of the farming operation.

Two additional, less conventional categories of successors have been identified as: those over the age of 16 who are in full time education, and those who take a “professional detour” prior to taking over the family farm. A professional detour includes working on another farm, working at an off farm job, or traveling. These may be particularly suited to operations that cannot support two families. The younger generation can gain equity from off-farm employment and asset owning while waiting until the older generation retires. A successor may go from one category to another. The successful transfer of a farm depends on preparing the successor for the retirement of the principle farm operator and the decision on what pattern to follow will affect how the transfer progresses.

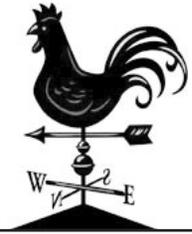
Elements of succession planning

With these challenging and emotionally weighty considerations, it is not surprising that so few farmers have adequately prepared to exit farming. According to one study, only 36 percent of farmers and farmland owners have an estate plan. Eighty-two percent did not have exit strategy and do not know how to develop such a strategy. Further, only 12 percent of farmers had formulated a retirement plan and 88 percent indicated they were have not made adequate financial plans to provide income for their retirement (Spafford 2006).

Without adequate planning the consequences can be disappointing, if not devastating. Farm operations can end, family lands might have to be sold and in some cases converted out of agriculture, and families might be torn asunder. On the other hand, families that address succession and transfer in a timely matter are much more likely to achieve their person, family and business goals.

Several issues contribute to the tendency of many farm business operators to avoid making sufficient plans to successfully turn over the farm to a successor. One thorny issue is the transfer of *decision-making authority* as a part of the transfer of the farm business to the next generation. Farmers often overlook the importance of adequately preparing the next generation for taking over farm management and are reluctant to relinquish control, therefore delaying the transfer of decision-making responsibilities.

Financial concerns are often a challenge in succession planning, including how to provide for retirement income and the tax impacts of transferring farm assets. Other financial concerns that prevent farmers from retiring or at least preparing for retirement are the impact that taxes may have on the transfer of assets. Taxes are often cited as a principle concern; however, knowledgeable accountants and attorneys can devise strategies to minimize the tax impact. For most farmers the impact of taxes on the transfer of assets, either

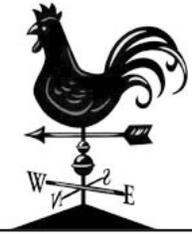


during their life or through their estate, is not a critical factor. However, the current tax code does encourage farmers to retain ownership of their land, the most valuable assets, until death so that it will receive a new tax basis.

The desire to keep the farm in the family can limit opportunity for unrelated beginning farmers to gain access to land. In some arrangements, however, it is possible for non-farming family members to continue to own land while making it available to others willing and qualified to farm it.

There are many things entering farmers can do to help alleviate the stress that comes with a farm transfer.

- **Start early.** A proper farm succession plan is something that takes a lot of time, often five to fifteen years and in many circumstances even longer.
- **Talk to your landlord, employer, parents or senior partner.** Have regular meetings of the management team, whether between family members or non-relatives. If a new partner (entrant) is joining the existing operation (before a complete transfer of ownership and managerial control), the current farmer and entrant need to write down their desires for the farm business and any land they own or to which they want to access.
- **Consider including additional team members** in the discussions such as a professional mediator, a farm business instructor, extension agent, attorney, or lender. Use a template to begin to write an agreement for tenure and keep going over it as many times as necessary until both sides understand and agree to the entire document. Have a third party review this document to see whether anything important has been left out or whether something is unclear or vague, esp. for possible future situations that may arise and cause conflict.
- **Develop a long-term plan for the farm.** Start with goals of the current farmer and the entrant and work toward a document that includes both (again, templates are available with which to get started for many types of farms and production systems) Include a time frame of the transfer of various parts of the farm business, management, land and other assets, if applicable; note the environmental and conservation goals and the practices that are acceptable and/or required to maintain the land, soil, watershed, wildlife and other valuable natural assets; include, where appropriate, the will or estate plan of the existing farmer as it affects the transition of the farm business, property, equity and assets; discuss and include housing arrangements for the entering farmer and family, as well as plans for the existing farmer if changed by retirement or transfer of the farming operation. Decide whether the lease will extend to future owners (eg. owners' children, during farm transfer) if the death of the existing farmer precedes the transfer of ownership to the entrant farmer.

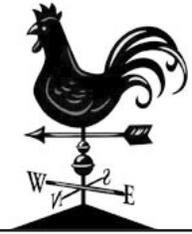


Discussion questions

1. What do farm families (your family?) need to consider when transferring the farm?
2. Compare and contrast transferring to a family member versus a transfer to a non-family member.
3. How do different entrant stages/tenure arrangements affect the long-term and succession goals of the farm?
4. What are challenges and opportunities raised when discussing succession planning 5–15 years before the current operator retires or stops farming?
5. Discuss some advantages and disadvantages to the successor (entrant) leaving the farm for a period of time before taking over.
6. If you are leasing or renting, what should you know and understand about your landlord's estate/succession plan and why?
7. How can you make your environmental/conservation goals known and followed in a succession plan?

Activities

1. Role play two generations preparing to transfer the farm or two unrelated parties meeting for the first time to consider a farm transition.
2. Complete the “[Farm Transfer Activity](#)” individually and then discuss in small groups. Has the future of the farm been discussed by the current farmer(s)? Has anything been put in writing about who will own or operate the farm next?
3. Develop a farm entrant “career pathway” plan—steps from education to internship, early job(s), share or lease agreement to (perhaps) purchase. See additional resources for examples, esp. *Nurturing the Next Generation of Wisconsin's Dairy Farmers*.
4. Complete “[Communication Challenges Activity](#)” and then find a partner. Trade lists and compare. What feels particularly uncomfortable for each party to talk about; why? How could you approach these topics with consideration? Share with the full class. See also [Module Two, Topic 4: Communication](#).
5. Look at the example of the [J's Farm](#) families (see case study below) in East Central WI incorporating the next generation (including son in-law). Brainstorm several different ways of adapting a current farm operation to include incoming farmer(s) before retirement of the existing farmer(s). What does it take to have a successful multi-generational farm?



Guest speakers

1. A beginning farmer specialist from the University, county Extension office or farm link program.
2. Beginning farmers.
3. Attorneys who specialize in farm transfer.
4. A multi-generational farm operation which has undergone a successful management; two generations could speak from their perspective.

Assignments

1. Write a short paper comparing and contrasting at least two succession patterns, using examples from real farms: standby holding, separate enterprise, partnership, farmer's boy, full-time education, and professional detour (see FarmLASTS research report section on succession).
2. Complete a succession planning worksheet (for the incoming generation).
3. Talk to family members about their succession plans or experiences.

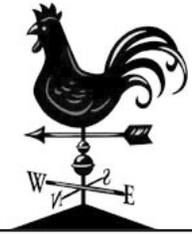
Case studies

[J's Farm](#) to discuss how an entrant can be involved in succession planning.

[Smith](#) to discuss incorporating environmental goals into a succession plan.

Sources

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- Danes, Sharon and Kathryn Rettig. 1995. [Economic Adjustment Strategies Of Farm Men And Women Experiencing Economic Stress](#).
- Errington A.J. & Loble M., *Handing Over the Reins: A Comparative Study of Intergenerational Farm Transfers in England, France, Canada, and USA*, Paper Presented to conference of the Agricultural Economics Society, Aberysthyth, 8–11 (April 2002).
- Gale, H. Frederick. 2003. "Age-Specific Patterns of Exit and Entry in U.S. Farming, 1978–1997." *Review of Agricultural Economics* 25(1):168–186.
- Gasson R. & Errington A., *The Farm Family Business*, CAB International, Wallingford, 304 (1993).
- Hutson J., *Fathers and Sons: Family Farms, Family Businesses and the Farming Industry*, Sociology, vol. L1, no. 2 (1987).



Mishra, Ashok K., James D. Johnson and Mitchell J. Morehart. 2003. "Retirement and Succession Planning of Farm Households: Results from a National Survey." Paper presented at the National Public Policy Education Committee, September 21–23, 2003, Salt Lake City, UT.

Spafford, Kevin. *Legacy by Design: Succession Planning for Agribusiness Owners*. Marketplace Books, 2006

Additional resources

[New York Farm Net](#) has set for themselves a mission "[t]o provide farm families with a network of contacts and support services to help them develop skills for dealing with life challenges and transitions—through personalized education, confidential consulting, and referral." NY Farm Net provides guidance in all areas of farm succession planning; they are confidential, and free.

Fred Schmedt, *Begin Succession Planning Now*, The Samuel Roberts Noble Foundation Ag News and View Economics, Sept. 2005 available at <http://www.noble.org/Ag/Economics/SuccessionPlanningBeginNow/index.html> and see also <http://www.noble.org/Ag/Economics/SuccessionPlanningIsCritical/>

Chris Elmendorf, *Montana FarmLink Toolbook*, Alternative Energy Resources Organization, 1998.

Minnesota Extension Service, *Farm Asset Transfer: Maintain Rural Communities through Successful Farm Asset Transfer*.

Annette Higby, *Farm Transfer and Estate Planning*

[Nurturing the Next Generation of Wisconsin's Dairy Farmers](#), Oct. 2001, UW-Madison Center for Integrated Agricultural Systems

[Farm Transfers in Wisconsin: A Guide for Farmers](#).

Farmland Transfer and Protection in New England: A Guide for Entering and Exiting Farmers. <http://www.smallfarm.org>

[Will Your Family Farm Continue?](#)

[Transferring the Family Farm: What Worked, What Didn't for 10 New Jersey Families](#).

[American Farmland Trust](#)

Module Two: Tenancy and landlord-tenant relations

- I. Types and benefits of leasing
- II. Lease terms
- III. Incorporating conservation goals in leases
- IV. Communications and negotiation skills

Topic I. Types and benefits of leasing

Learning objectives

1. Gain an understanding of the importance of leasing.
2. Determine the reasons for using farm leases.
3. Understand and differentiate between different types of leases.
4. Evaluate advantages and disadvantages of different types of leases.
5. Interpret and explain key questions related to leasing decisions.

Learning outcomes

1. Understanding of the importance of lease agreements and how different types of leases are organized.
2. Acquired ability to develop and use lease agreements when securing land.

Key points of information

Definition of a farm lease: a legal instrument that describes the business agreement between the landlord and tenant. It provides the basis for combining the landlord's and tenant's resources of land, labor, capital, and management to produce farm commodities. (ISU Extension, 2003)

The future of U.S. Agriculture depends on the ability of new generations to establish successful farms and ranches. One of the biggest challenges to entry is gaining access to and control over affordable and secure farmland. Within United States agriculture, land ownership accounts for about two-thirds of the total asset wealth (Janssen 1993). Since land is agriculture's principal asset, how it is held and controlled has serious implications for farming (Rogers and Wunderlich 1993:2). Current and beginning farmers have to gain access to land in some fashion, whether through purchase, gifting, rental, or other, more innovative land arrangements.



On farms with annual sales of over \$25,000, 60% of farm operators lease some or all of their land.

Tenure and Size of Farm (by Sales) 2002			
tenure:	Full	Part	Tenant
gross sales:			
< \$25K	78%	16%	7%
\$25–\$500K	40%	49%	11%
>\$500K	40%	50%	10%

Source: 2002 Census of Agriculture

According to the 2002 Census of Agriculture, 37.7 percent of farmland was leased in 2002, and 40.3 percent was leased in 1997 (USDA 2004). Over 88 percent of landlords are non-operators (AELOS 1999), and the land they own represents 42 percent of the nation's farmland (Hoppe 2006).

Land is an expensive farming resource. Land values are increasing; 23 percent increase in per-acre value between the 1997 and 2002 (NASS).

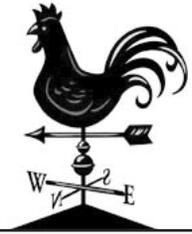
Both cropland and pastureland values reaching record highs amid regional increases from nine to 18 percent (Rater 2007).

Traditional leases are typically separated into broad categories based on method of payment (cash-rent or crop-share) and duration of the lease (annual, short-term). The majority of farmland leases are short-term with most being renewed or terminated on an annual basis. Most are oral, handshake agreements. Some of these less formal agreements have sustained for twenty years or more. Farm lease agreements determine the arrangements for sharing farm income and expenses as well as other terms of the rental.

Farm leasing goals

An effective farm lease agreement must help both the owner and the operator accomplish their goals for leasing the land. Farm landlords commonly have some of the following goals:

- Earn a competitive return on their investment.
- Maintain the productivity of the land and improvements.
- Maintain the appearance and usefulness of buildings and improvements.
- Maintain financial risk at a level that is compatible with their own financial security and comfort level.
- Minimize conflicts with tenants.
- Contribute to better environmental conditions.



- Minimize decisions about property maintenance and related costs.
- Help younger farmers and/or family members get started in farming.
- Reduce income, social security, property and estate taxes.

Farm tenants also have goals. Many of them are compatible with the owner's goals, but some may lead to conflicts that have to be resolved:

- Earn a competitive return on their labor and investment in machinery and inputs.
- Reduce their financial risk.
- Increase the security of being able to operate the property in the future.
- Maintain a scale of operations that utilizes their time and resources efficiently.
- Enjoy managerial freedom
- Have access to land for farming without going into debt by purchasing
- Explore farming and/or marketing systems, location and farming lifestyle without committing to a property

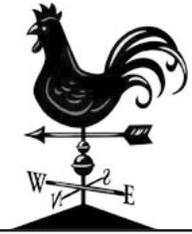
In fact, **goal setting** is the first and most important step for each party to a lease agreement. Ideally, landlord and tenant set forth their own goals in consultation with family and professional advisors. Once the goals of each party have been articulated and shared, the next step is to develop a written lease agreement that will combine the goals and resources of the owner and tenant into a package. The agreement should encourage use of the optimum levels of technology, capital, labor, and management for profitable operation of the farm.

Consideration should also be given to yield and price risk and who will bear them. The division of risk is key in determining what kind of lease is acceptable to both parties. Finally, the question of what costs or resources are contributed by each party must be answered. The terms of a lease contract should be viewed in total to determine fairness to both parties involved. Individual provisions should be written so that they contribute to the equity of the lease as a whole.

New production technology, changes in USDA farm programs, new environmental and safety regulations, and markets for new products may require modifying lease terms. Also, each party might modify goals or plans over time. The lease agreement should be reviewed and discussed at least annually. Written lease forms are available from various sources. Some of these are listed at the end of this module. Such forms are valuable as a starting point, but need to be customized to fit each individual situation.

Types of leases

There are different types of farm leases. One category refers to the length of the lease. Another describes the payment terms. Regarding length, a short-term lease is generally annual or up to 3 years). Often such agreements are oral "handshake" agreements. A lease may have a "rolling" long-term where, for example, a three-year lease is renewed annually for another three years. A longer-term lease can be for 5, 10, 20 or more years—up to 99 years, the legal limit after which ownership is assumed. In a ground lease (usually long-term) the tenant rents the land but owns improvements on it. Lease-to-own models provide mechanisms



to move from leasing to ownership. Leases can cover farm buildings, equipment and livestock. Residential leases address farm family and/or farm labor housing and are typically separate from the other leases described here.

For further information on leasing and different types of leases refer to:

- [Minnesota Department of Agriculture: Selecting a Lease Type](#)
- [Land For Good: Is Farm Leasing Right for You?](#)
- [Holding Ground: A Guide to Northeast Farmland Tenure and Stewardship](#)
- [Equity Trust](#)
- [Iowa State online course on farm leasing arrangements](#)
- [University of Illinois Extension: Farm Leasing](#)
- [Crop Share or Cash Farm Lease Template](#)

Traditional (short-term) leases. Most agricultural leases are short-term. They can offer both flexibility and some stability. There are disadvantages too, such as lack of security and inability to build equity. Renting land rather than owning it means that farmland cannot serve as collateral, so some loans may not be available.

Additionally, rental land doesn't add to the accumulation of property wealth or the possibility of retirement income. Further, even if farmers' operations are not profitable, they are contractually obligated to continue paying rent. Some less traditional lease models address some of these shortcomings. Most short-term leases are between private parties, and sometimes within families. They are frequently verbal arrangements, rather than written.

Alternatives to traditional leases

1. **Long-term Leases.** Long-term leases are far less common than either annual or short-term; they typically last for a minimum of 5 years and can be up to 99 years, allowing assured continuity and more opportunity for tenants to plan and invest in the farm business and the farmland. In some states long-term leases may be inheritable or the tenant may sell the lease to another individual. Some states limit the allowable length of the lease term. Longer leases allow farmers to introduce long-term planning into their operation (even intergenerational, if it is inheritable) and give them time to benefit from stewardship and farm infrastructure investments. Longer leases could give beginning farmers not only the opportunity to make long-term plans for their farming businesses, but could also improve banks' willingness to provide loans to them.
2. **Lease-to-Purchase Arrangements.** There are two basic types of agreements that enable a tenant to acquire ownership of the rental property in the future. In a Lease with Option to Purchase the lease grants the tenant an option to purchase the property at a time in the future. Usually the price and the terms of the purchase are set forth at the outset. The option may run for the length of the lease or for only a portion of the lease period. The lease payments are not part of the consideration of the purchase price unless the terms specifically allow for that. In a Lease-Purchase Agreement, the tenant leases the property and is obligated by the terms of the lease to buy the property. Here too, the rent can go toward the purchase price.



3. **Incubator Farms.** Incubator farms provide beginning farmers with hands-on training in agricultural practices on a small plot of land given, loaned, or leased to them. In this way, a new farmer can gain experience as a farm operator without facing the level of risk he or she might deal with when farming alone. The basic concept is that the program hosts and trains farmers as they grow crops, share equipment, establish their markets, and learn from their mistakes, successes and fellow producers.

In most incubator farms, the farmer's rent for land is partially or totally subsidized at least in the beginning. In some cases, rent is gradually raised until it achieves market rate. Then, once their businesses are viable, they spin off of the incubator farm and find their own land (Hubbard 2006:1).

Incubator farm programs such as the Intervale Center in Vermont, the Agriculture and Land-Based Training Association (ALBA) in the Salinas Valley, California, the University of California Farm Incubator Project in Fresno County, California, and the New American Sustainable Agriculture Project (NASAP) in Lewiston and Westbrook, Maine (Hubbard 2006) provide examples.

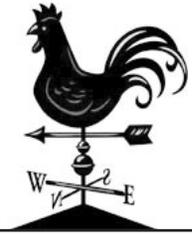
4. **Land Trusts.** There are two main types of land trusts: conservation land trusts and community land trusts. Conservation land trusts (LTs) tend to focus on natural resource preservation such as wilderness, open space, and wildlife, but can include agricultural and forest lands. There are over 1700 LTs in the U.S., although the vast majority of them do not focus on agriculture. Community land trusts (CLTs) are more often utilized in lower-class urban areas and address the problem of affordable housing.

LTs can hold easements on farmland. At minimum the easement removes the right to develop the property which is presumed to lower its value, making it more affordable for a farmer to purchase. In some easement programs, however, the market value of the restricted property escalates beyond the agricultural value. Some public and private easement programs have solved this problem by limiting the resale value of the restricted property to its ag value. In terms of leasing arrangements, the landowner still owns the land and retains the right to lease. If a tenant rents land with an easement on it, it's important to know what's in the easement. Sometimes easements include restrictions on the use of the property, and these restrictions apply to the tenant or any other user. For example, the easement might require organic methods or prohibit certain kinds of livestock. It might require a conservation plan subject to annual review. It might require that that land be continually actively farmed.

CLTs generally hold title to a property. In the case of agriculture, a CLT would acquire a farm and offer a long-term (99-year) ground lease to a tenant. The tenant may purchase or build and own a house and other improvements on the rented land. This model is not dissimilar to a condominium, wherein the inhabitant owns the dwelling but not the land under it. If the farmer wishes to move on, s/he sells the improvements to the next tenant, or back to the CLT. Usually resale is subject to an affordability cap, preventing the current owner from speculating on the value of the house, and assuring future affordability), providing residents with an inheritable lifetime lease.

For more information on conservation and community land trusts:

- [Land Trust Alliance](#)
- [Equity Trust](#)
- [National Community Land Trust Network](#)



5. **Public, institutional, and other non-individual landowners.** Farmers may not normally think of investigating institutional or non-individual landlords. However, landowners such as towns or municipalities, religious organizations, and colleges and universities hold lands that they may be willing to make available for leasing. Many states have programs that offer state-owned land for lease or license. Responsibility for public land management can thus be shared while both parties benefit. There may be specific requirements or prohibitions regarding certain practices or land uses. Lease terms and payment options are basically similar to private lease agreements.

Churches and religious orders with land holdings are often interested in land uses that meet their stewardship ethic. In addition, some prioritize farming, food security and/or opportunities for socially disadvantaged, minority and other populations. This can include beginning farmers. Members and representatives of religious orders expressed anxiety over the fact that farmland in their possession was going underutilized or unused altogether. One order owns about 4,000 acres in New Jersey. To the distress of the inhabiting sisters, these acres are going back into woodland because they aren't being actively farmed. As with public or institutional lands, these properties are not owned by a single person or family. This adds another layer to the negotiation, and must be taken into account when attempting to secure land arrangements with them.

6. **Urban Agriculture.** Urban agriculture can be defined shortly as the growing of plants and the raising of animals within and around cities. The most striking feature of urban agriculture, which distinguishes it from rural agriculture, is that it is integrated into the urban economic and ecological system: urban agriculture is embedded in—and interacting with—the urban ecosystem. Such linkages include the use of urban residents as laborers, use of typical urban resources (like organic waste as compost and urban wastewater for irrigation), direct links with urban consumers, direct impacts on urban ecology (positive and negative), being part of the urban food system, competing for land with other urban functions, being influenced by urban policies and plans, etc. Urban land ownership and use patterns and challenges are different from those in rural settings. Sometimes an organization has control of a small patch of urban land and will rent to a grower.

For more on urban agriculture please refer to:

- [Heifer's Urban Agriculture Projects](#)
- [Jones Valley Urban Farm](#)
- [Urban Agriculture: East New York: Local Farmers](#)

Calculating lease fees

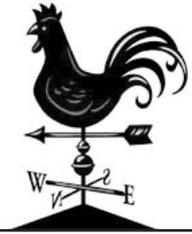
There are two basic ways to determine lease fees:

Cash leases. Cash lease payments are a fixed amount, usually calculated based on the market. They are simple and straightforward. They do not take into account yield, price, cost of production, or other variables during the current year.

Considerations when setting a cash lease:

<http://www.agecon.purdue.edu/extension/pubs/LeasePointsConsider.pdf>

See the link to the [Cash Rent Estimator Spreadsheet](#) in the Activities section below.



Share Leases. A crop or livestock share lease can save a farm operator a substantial amount up front. Cash-rent leases are usually re-negotiated on a yearly basis, and farm landlords often increase rent when prices are high. With cash rent leases, in addition to paying rent, the farmer is responsible for all inputs, equipment, and labor. All of this raises the budget of a farming operation exponentially. Crop share leases typically distribute at least some expenses, such as a proportion of inputs, to the landowner. Therefore, crop share leases can substantially lower the financial burden of gaining access to land, as well as the risk to the tenant. These lease arrangements can free up money or keep farmers from bearing all financial risks on their own.

For more information regarding crop share leasing please refer to:
<http://www.extension.iastate.edu/agdm/wholefarm/html/c2-30.html>

A third approach, the **flexible cash lease** is a sort of hybrid between cash and share leasing. Flexible cash lease arrangements establish a baseline rent figured for low commodity prices or low production output. When prices or output exceed expectations, the farmer increases payment to the landowner according to an agreed-upon formula. Flexible cash rent reduces some of the risk to the tenant of a bad year and rewards the landowner in good years.

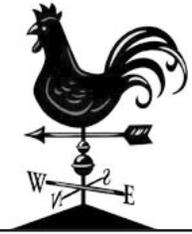
See the link to the [Flexible Rent Analysis Excel Spreadsheet](#) in the Activities section, below.

Leases to transfer assets as part of a succession plan

(from *Holding Ground*, Chapter VI: Paths to Ownership. Reprinted here with permission.)

“Good farm business succession planning involves a systematic transfer of the income, managerial control, and assets of a farm business from one generation to the next. Farm business successions have become increasingly difficult, partially due to declining farm profitability and partially because many aging farmers do not understand farm succession planning. Leasing is an excellent tenure tool to enable a successful, gradual transfer because it can enable possession and control of land, buildings, machinery and equipment, or livestock without purchasing them outright. Instead, it allows a gradual transfer of management and ownership from the farmer to the successor, giving both parties substantial financial advantages and also allowing the owner to mentor the successor.

A lease can transfer use and possession of short, intermediate, and long-term assets to the successor generation. Long-term assets (land) may be leased for longer periods of time. In some cases, long-term leases of land may last many decades and may even be passed through an estate to an heir.



Advantages of leases in succession plans for the tenant:

- Tenant incurs less debt to acquire the asset
- Tenant controls the asset without the costs of ownership
- Tenant can deduct lease payments as a business expense
- Tenant gains increased business planning flexibility through the use of debt to acquire the most profitable mix of assets
- The duration of the lease can be proportional to the length of time the asset is needed in the business

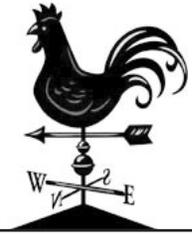
Disadvantages of leases in succession plans for the tenant:

- Tenant may face restrictions on the use of assets
- Tenant may be limited in managerial decisions by certain lease provisions
- Tenant is unable to build equity in the asset
- Tenant does not have collateral for needed loans

Leases in farm succession planning are typically either a whole farm lease or a lease of a particular asset or set of assets used in the farm enterprise. The process of creating a lease used to transfer land assets begins with the inventory and appraisal of the asset to be leased. Lease-purchase agreements or a lease with an option to buy are common arrangements for land. A lease with an option to buy is useful when transferring land because it allows the tenant to postpone purchasing the land to a later date.

Many older farmers see leasing as their retirement plan with transfer taking place when they need additional assets to pay for long-term care or at their death. This can be a concern in leases as part of a succession plan and should be discussed, written and agreed upon by all parties.”

For more information on short- and long-term leases, and leases in succession planning, refer to [Holding Ground](#).

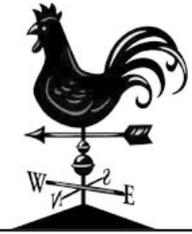


Discussion questions

1. Why is a written lease agreement important to both parties?
2. What basic information is necessary for developing an effective farm lease?
3. What factors are important to the farmer/tenant and the landowner in the lease agreement?
4. What are the benefits of share leases for tenants and landowners? Why are share leases not more commonly used?
5. What are some alternative lease agreements that may provide additional options for both landlords and tenants?

Activities

1. Identify a lease agreement option and determine what information needs to be included. Have students develop their own written lease agreement for a specific situation.
2. Have students work in small groups to determine the advantages and disadvantages of different types of lease agreements. Share the findings with the entire group and use to start a discussion on types and benefits of different lease agreements.
3. Have students compare the “ideal” of ownership to the benefits of leasing.
4. Have students investigate local example of the different ‘alternatives to traditional leases’ and share those example with the class.
5. Use these cash and flexible rent calculators to review two common types of lease agreements.
 - [Cash Rent Estimation Spreadsheet](#)
 - [Cash Rent Estimation Activity](#)
 - [Flexible Lease Agreement Spreadsheet](#)
 - [Flexible Lease Agreement Activity](#) along with the following information file: <http://www.extension.iastate.edu/agdm/wholefarm/html/c2-21.html>
 - Analyze and discuss crop-share leasing provisions using the [crop-share leasing activity](#) and the following website: <http://www.extension.iastate.edu/agdm/wholefarm/html/c2-30.html>



Guest speaker ideas

Local University and/or Extension office regarding leasing information in your area.

Case studies

[Woloschuk: The Possibility of a Farm](#)

[Leasing Public Lands](#) and

http://www.cvcountryside.org/Website/countryside_initiative/cvnp_farming.htm

[Non-Traditional Agreement](#)

[Benefits and use of lease-to-own.](#)

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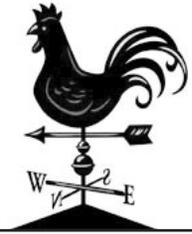
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Topic II. Lease terms (What's in a lease?)

Learning objectives

1. A broader understanding of terms and provisions most common in different types of leases.
2. A broader understanding of different factors that influence leasing terms.
3. Determine economic and legal considerations of lease terms.

Learning outcomes

1. An understanding of the common terms and important components of a lease agreement.
2. An understanding of factors that influence the terms of a lease agreement.

Key points of information

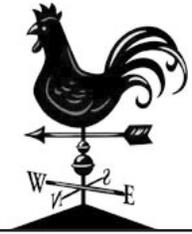
- A written lease between the farmer/tenant and landowner can be as short as one page or as long as fifty or more pages.
- At minimum, there are several basic provisions that define the lease. And while oral leases are still quite common, many states now require leases of land to be in writing and signed by both parties.

What's in a lease? At minimum, the following key provisions must be included for the lease to be a legal document:

1. Description of the property
2. Rental rate (and means for adjusting)
3. Term of the lease (start and end dates) and any option for renewal
4. Identification of farmer(s)/tenant and landowner(s)/landlord involved in the lease agreement
5. Signatures of all those involvement in the lease agreement

More complicated leases may include sections on the following:

1. Conditions of access to leasehold
2. Repairs and maintenance
3. Means for establishing and modifying rental rates
4. Payment requirements and schedule
5. Permitted and prohibited uses of the property any land use restrictions
6. Capital improvements to facilities and/or the land (i.e., what is permitted, procedure for approval, who owns them)
7. Termination



8. Subleasing and assigns
9. Insurance and liability issues
10. State and Federal lease law considerations
11. Default and eviction
12. Reference to easements and/or other liens on the property
13. Landlord's right to enter
14. Procedures to resolve disputes

See the [Short-Term Lease Checklist](#) to review issues related to terms of the lease.

Calculating the rental rate. Many factors influence the rental rate. Basic cash rents can be established based on the local market, the landowners costs or costs of production. Flexible cash and share leases offer more complex formulas for calculating the rent. Some factors that are typically considered include:

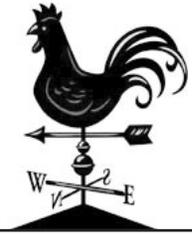
- Productivity of the land
- Value of the contributions made by landlord and tenant
- Bargaining position and ability of each party
- Competition for rented land in the immediate area
- Past lease agreements in the area
- Owner's carrying costs of the land (depreciation, insurance, repairs, taxes and interest—the "DIRTI Five")
- Family considerations
- Facilities and land improvements
- USDA farm programs and eligibility
- Contracts
- Costs of production
- Financing improvements

For more considerations when setting a cash lease:

<http://www.agecon.purdue.edu/extension/pubs/LeasePointsConsider.pdf>

Some questions to address when developing a lease. The answers to these questions depend in part on the tenant's personal and business goals.

1. What portion of income do I receive?
2. What portion of costs do I contribute?
3. What portion of the risk do I bear?
4. What crop and land management practices will be followed?



5. What will be the condition of the land after the term of the lease?
6. Do the lease terms meet my goals for farming this land?
7. Can I afford to rent this land?
8. Is the term long enough to meet my objectives?
9. Is there a satisfactory exit provision (in case things don't work out)?
10. Are there any other lease agreements in place that could impact my operation?

Discussion questions

1. What are the key components of a lease agreement?
2. What are some common concerns/issues that may arise related to lease terms for both the landlord and tenant?
3. What are some factors that may influence the terms of a lease agreement?

Activities

1. [Leasing and Land Ownership Activity](http://www.extension.iastate.edu/agdm/wholefarm/html/c2-05.html) Instructor information:
<http://www.extension.iastate.edu/agdm/wholefarm/html/c2-05.html>
2. Have individuals or small groups develop a list of questions and information they feel would be necessary to include in the terms of a lease agreement.
3. Individual or group project where students develop a lease agreement using terms based on both the landlord and tenants specific interests.
4. Using the following examples, determine the important components of lease agreements. If students' farm lease situations are available, review and discuss them.

Farm lease agreement examples:

[Iowa Farm Lease](#)

[Louisiana Farm Lease](#)

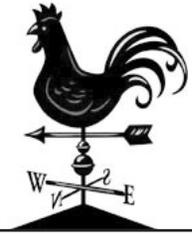
[Midwest Plan Service Cash Farm Lease](#)

[University of Wisconsin Extension Cash Farm Lease](#)

[Indiana Cash Farm Lease](#)

Guest speaker ideas

1. Local University and/or Extension office regarding leasing information in your area.
2. A farm landlord to share information and experiences about leases and leasing.
3. A farming tenant to share his or her experiences about leasing a farm or farmland.



Topic III. Incorporating conservation goals in leases

Learning objectives

1. Gain awareness of conservation goals and plans.
2. Understand the conservation programs available.
3. Learn how to develop conservation goals within leases.
4. Determine the importance of type and duration of lease agreements in relation to conservation practices.
5. Understand how to use land use provisions to meet conservation goals on leased land.

Learning outcomes

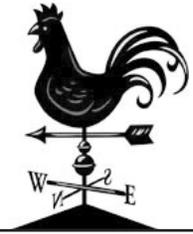
1. Ability to interpret conservation practices that could be incorporated into lease agreements.
2. Awareness of key factors that influence the implementation and use of conservation practices with lease agreements.
3. Ability to write conservation goals within a farm lease agreement.

Key points of information:

- Agriculture increasingly is being held accountable for the long-term consequences of intensive production practices to our natural resources and the environment, both on the farm property and off it. Major issues include soil erosion, water quality, livestock nutrient management, and handling of fuels and farm chemicals.
- Conservation in agriculture has been a national policy issue since the days of the Dust Bowl. In fact, the first federal Farm Bill was introduced to stave off the dramatic soil erosion evidenced at that time. Certain farming methods have been developed to specifically address the health of agricultural resources. These include no-till, Integrated Pest Management, and organic agriculture, for example.
- Most farmers say they practice some forms of conservation. Nationally, 22% of farm operators receive federal conservation program payments.
- Nearly half our farmland is managed by someone other than the owner. Both the owner and the user share responsibility for land stewardship.
- A variety of complex and intertwining factors influence farm operators' decisions to adopt conservation practices. Among them are economic incentives, operator attitudes, the community culture, and tenure.

Key terms

Conservation: The philosophy that agricultural practices ought to be environmentally sound and not degrading to ensure that farm and ranchland is managed with care for future use. In common agriculture



usage, conservation usually refers to a range of practices and installations that address soil erosion and quality, water quantity and quality, habitat protection and restoration, wetland protection and enhancement, and air quality.

Conservation programs: Government programs that “support environmental enhancement and reduce the potential for agricultural harm.” These are typically available through USDA, although states may have conservation programs for farmers and ranchers too.

Farm Conservation Plan: A written plan that specifies conservation goals and the methods to attain them. The USDA Natural Resources Conservation Service works with farmers and farmland owners to develop farm conservation plans. They include maps showing sensitive areas such as highly erodible land, wetlands, special habitat, etc. Conservation practices and installations are selected to address conservation concerns.

Stewardship: A broad concept that implies good husbandry and careful and responsible management of the land and other natural resources. In some circles, stewardship has spiritual connotations. Also, a steward is someone who cares for something that s/he does not own.

These links provide information and examples related to farm conservation plans.

[Wisconsin State Cranberry Growers Association: Whole Farm Conservation Planning](#)

[King Conservation District Farm Plans](#)

[UMass Whole Farm Planning with Holistic Management](#)

[USDA NRCS Conservation Planning](#)

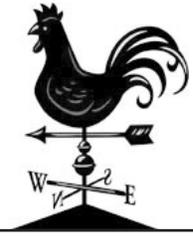
Landlords’ and tenants’ relationship to conservation programs

The research on the relationship between tenure and conservation reveals a complex set of factors. The old assumption that tenants are less likely to implement conservation on rented land does not bear out. Education, attitudes, culture, and landlord-tenant relationships all enter into the equation.

With respect to USDA conservation programs, eligibility varies. In most set-aside programs such as CRP and WRP the landlord is the applicant and receives the payment for taking land out of production.

In working lands programs (e.g., EQIP, AMA, CSP) it could be the landowner or the operator. Generally, the longer the life of the practice or installation, the more likely the landowner is to participate in the program. This is because these are cost-share programs and a tenant is less likely to invest in long-term improvements. On the other hand, non-owner operators can and do participate in conservation programs for shorter-term practices such as annual seedings.

The eligibility requirements for the working land CSP are that one must be a producer who shares the risk of production, and who has control over the land for the duration of the CSP contract period proposed (NRCS 2006). A producer can be an operator, owner, tenant, landlord or sharecropper, but for CSP, landlords are ineligible as applicants because they do not share in the risk of agricultural production. Landlords can, however, be contract participants (NRCS 2006). According to NRCS, data do not exist for participation in working land programs and WRP by percentages of owners versus tenants (Pattie Haack, Dane County, WI NRCS).



Who receives the payments?

Whether it is the landowner or the tenant who applies for and receives payments for federal conservation programs depends on the type of federal conservation program. Since the CRP requires retiring land for at least ten years, applicants for this program are owner-operators, or in rare cases, tenants with long-term leases with landlords who participate in the contracts. The WRP applicants must be owners. Operators who rent land can apply for working land conservation programs, such as EQIP and CSP, but usually the owner must be on the contract, and the operator who implements the cost-share practices receives the payments (Pattie Haack, Dane County, WI NRCS).

[ATTRA](#), [AGREN](#) and [NRCS](#) offer information addressing conservation goals and plans from the landlord's perspective.

Questions for landlords and tenants to address related to conservation goals

1. What are the physical characteristic of the land such as topography, soil types, and water resources?
2. What is the land's capability for crops and pasture?
3. What conservation problems need to be addressed?
4. What infrastructure (e.g., barns, machine sheds, fencing, and watering systems) exists on the land?
5. Are improvements needed to support a particular land use? If so, what, and at what cost?
6. What is the potential income from the proposed land use?

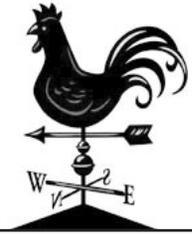
Factors influencing farm operators' decisions to engage in conservation practices

Farmers' adoption of conservation practices depends on economic incentives, attitudinal factors, education, age, the overcoming of social barriers, tenure status, and to a lesser extent, farm size.

1. **ECONOMIC INCENTIVES.** Programs such as the Conservation Reserve Program (CRP) and Wetlands Reserve Program (WRP) seem to be relatively attractive to farmers and ranchers, given the low costs associated with enrolling land versus investing in sometimes expensive environmental technologies. But farmers must weigh whether the subsidy from CRP or WRP is worth taking land out of production. Additionally, those who might want to participate will not necessarily qualify to enroll land, since region and environmental sensitivity of the land are factors.

The decision to participate in any voluntary conservation program is complex, and seems to rely mainly on a cost-benefit analysis by farmers where environmental benefit for its own sake may be a part of the equation.

2. **ATTITUDES AND EDUCATION.** Farmers who have stronger attitudes about conservation tend to exhibit more conservation behaviors. Adoption of conservation methods has been shown to be linked to education level (Traore et al. 1998). However, education about pollution consequences and agricultural conservation programs from a local organization did not lead to an increase in conservation behaviors for farmers (Napier and Johnson 1998).



3. FARM STRUCTURE

a. Farm Size. Farm size does not appear to be directly related to the adoption of conservation practices. (See, for example, (Lambert 2007 and Soule 2001). In other words, studies do not support the hypothesis that small family farms are better at land husbandry than large family farms, at least when using the adoption of certain soil and nutrient management practices as an indicator.

b. Farm Tenure. Agricultural economists have long argued that tenancy encourages soil overexploitation. This tenancy hypothesis is the “conventional wisdom” on the subject. “Because tenants have no material stake in maintaining the productivity of land beyond the expected life of the rental contract, they have an incentive to overexploit soils” (Lichtenberg 2007). Historically, studies have tended to confirm this conventional wisdom, but recent research has cast doubt on the tenancy hypothesis.

The solution most commonly proposed to address the problem of tenants’ weak conservation relationship to the land is the use of share rental contracts as opposed to a cash rental arrangement. The tenant may have more of an incentive to protect farmland soils if he/she absorbs some of the risk (Allen and Lueck 1992).

Some studies assert that tenure—in terms of lease type and length—does not directly explain the likelihood of adopting conservation practices. One study found that tenure was unrelated to soil loss (Lee 1983). Education, age, crop type, and owner attitudes were important variables when comparing soil loss across farms. Factors explaining soil loss very often have social and political roots, where certain tracts of land are more marginal, and thus affordable, for beginning farmers than others (Heffernan and Green 1986). Often perceptions of tenants in the community and tenants’ attitudes of play a larger role in conservation behaviors than has been previously recognized (Lockeretz 1990).

c. Landlord Involvement. Research shows that regardless of whether they are absentee or local, landlords generally exhibit low levels of participation in decisions about pesticide use on their leased land (Gilbert and Beckley 1993).

“Social ties” predicted levels of landlord participation in environmental decision-making, but only among local landlords, not absentees. For all landlords, economic predictors, such as income from farmland rental, are more important than social ties in predicting landlord participation (Constance et al. 1996).

Adoption of conservation practices

Concerns and limitations of conservation in farm lease agreements:

1. Short-term renting of land is often a hindrance to implementing long-term conservation practices.
2. Landowners potential dissatisfaction with tenants’ treatment of land.
3. Landlord-tenant cooperation through written versus verbal agreements and what is binding.
4. Environmental wishes for farmland versus requirements.
5. Difficulty in acquiring long-term tenure security which could Improve farmers’ conservation efforts.
6. Need for increased education about profitability potential of conservation would improve farmers and land owners efforts.



Discussion questions

1. What are some common conservation practices?
2. How can a landlord or tenant ensure that conservation practices will be an important part of a lease agreement?
3. What incentives could a lease include to encourage conservation practices?

Activities

1. Have students research and develop a list of common conservation practices that could be incorporated into a lease agreement. Students should explain how such conservation practices relate to the length of the lease agreement, and other lease terms. What conservation practices are popular in each region of the country and why?
2. Have students draft a section of a lease on land use and conservation practices a) from the tenant's point of view and b) from the landlord's point of view.
3. Have students research what conservation programs are available and commonly used by tenants.

Guest speakers

1. Extension educator
2. State NRCS or field office personnel
3. A local farmer

Case studies

[Monk Farm](#)

[Kupers](#)

[Jacobs](#)

Resources that address conservation on leased land

Stewardship on Rented Farmland, Midwest Consortium on Groundwater and Farm Chemicals (1992). Available from The Minnesota Project, 1885 University Avenue West, #315, St. Paul, MN 55104. 651-645-6159.

Sustainable Farm Lease, Center for Rural Affairs, P.O. Box 406, Walthill, NE 68067. 402-846-5428.

Sample Lease Supplement for Soil and Water Conservation, the Land Stewardship Project—Southeast Office, 180 East Main Street, Box 130, Lewiston, MN 55952. 507-523-3366.

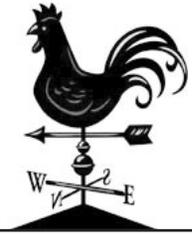


Lease Supplement for Use in Obtaining Conservation Practices and Controlling Soil Loss (1985). Item #FM-1814 from Iowa State University Extension, 119 Printing and Publications Building, Iowa State University, Ames, IA 50011. 515-294-5247.

Stewardship provisions in leases—models and samples in *Holding Ground: A Guide to Northeast Farmland Tenure and Stewardship*, Higby et al., [New England Small Farm Institute](#).

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<http://policy.nrcs.usda.gov/viewerFS.aspx?id=1972>
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Topic IV. Communications and negotiation skills

Learning objectives

1. Learn the importance of good communication between tenants and landowners.
2. Understand different approaches to maintaining strong communication lines.
3. Learn how to use negotiation skills between tenant and landlord when developing lease agreements and relationships.

Learning outcomes

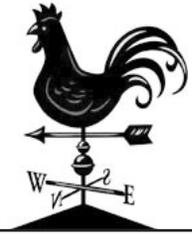
1. Improved ability to effectively communicate with landowners on issues related to lease terms and agreements.
2. Awareness of tools that can improve communication between tenants and landowners.
3. Negotiation skills for developing written lease agreements with landowners.

Key points of information

- “Communication between tenants and landowners is essential for building a successful leasing relationship” (ISU Extension 2003)
- Key aspects are clearly communicating about goals, economics, legal issues and conservation practices both verbally and in written lease agreement.
- Communication should focus on these six points:
 1. Communicate with your landlord
 2. Educate landlords about agriculture
 3. Explain farm costs and any changes
 4. Provide reports about progress, changes and challenges
 5. Maintain the appearance of the property
 6. Treat landlords respectfully; like family

The landlord-tenant relationship

While the percentage of leased farmland has remained relatively constant in the U.S. over the past century, the characteristics of landlords and tenants, and the nature of the contractual arrangements between them have changed. About 65 percent of landlords are more than 60 years of age. Most are not actively engaged in farming. Over half live within 25 miles of the rented acreage. Women are a significant factor; while 31 percent of landlords are men, 40 percent are women, and another 29 percent are joint male and female (AELOS 1999) Moreover, the significance of female landlords is expected to increase as the overall farm population ages.



Social capital is important in determining the terms of trade between tenant and landlord. For example, a tenant is less likely to pay higher cash rents when the landlord is a relative. In other words, the nature and extent of the relationship between landlord and tenant can have a significant influence on lease type and terms, which in turn can impact profitability and competitiveness.

Cash leases are becoming more predominant compared to share leases. Absentee landlords are more likely to choose cash lease arrangements. Why?

Types of landlords and landlord “culture”

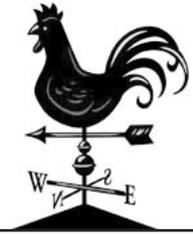
According to the 1999 AELOS, 88% of farm landlords are not farm operators. While some non-farming landlords live on or near the farm, the trend toward absentee landlords is increasing, and more absentee landlords are living further away from the property(ies) they lease.

Who are farm landlords? Some landlords have a dozen or more separate lease agreements. (Many tenants have multiple landlords.) Some landlords are investment companies. Many landlords are older widows or non-farming heirs. Some landlords are institutional (e.g., religious, or educational). Some landlords work in the city, live on the property and can see the farming operation from their windows. Some landlords come from a farming background, and some have no familiarity whatsoever about farming realities.

Landlords include:

- Parents
- Other family members
- Farming neighbors and farmers who live elsewhere
- Farm widows or other non-farming heirs
- Absentee non-farming individuals and families
- Investors
- Churches and religious orders
- Educational institutions and groups; community farms
- Federal government
- State government/agencies
- County and local government
- Land trusts and other conservation organizations
- Intentional communities, CSAs and housing development entities

It makes sense to learn about one’s prospective landlord—his or her vision and goals for the property, opinions about agriculture, and plans. If a landlord is not farm-conversant, s/he might not understand why the baler is left in the field, or there’s black plastic lying around. S/he might have unrealistic ideas about the uses or capacity of the land (e.g., how many animal units? Need for irrigation? Predator control?)



A landlord-tenant relationship checklist

The type of information communicated between landlord and tenant can be as important as the amount of communication. Existing relationships may be strengthened, or new ones solidified, if the leasing parties ask appropriate questions. The following checklist of questions can guide communication. Landlords and tenants can use the same checklist.

- **Goals:** What are your investment (for landlords) or business (for farmers) objectives?
- **Risk:** How would you describe your level of risk aversion? What is your perspective on sharing risk? How much production and price risk do you wish to incur?
- **Lease preferences:** Do you have any pre-existing preferences for or objections toward certain lease types? Determine the foundation of any objections or biases. Biases can either be overcome or will dictate the lease type through which the relationship is governed.
- **Communication preferences:** Ask the other party about their expectations regarding the type and extent of communication that they desire over time, and be prepared to adapt accordingly.
- **Attitude toward change:** Are the parties to the lease willing to consider new options as opportunities or challenges present themselves?
- **Constraints:** Does either party have any taxation, business, financial, or other constraints that may influence the nature of the lease or the relationship?
- **Win/win:** Are both the landlord and tenant willing to seek win/win solutions to problems?

These guidelines may have three potential applications. They can be used to guide communication during:

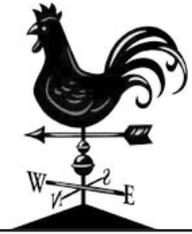
- (i) The first in-depth landlord-tenant discussion prior to leasing the acreage,
- (ii) Annual meetings between the parties to the lease, and
- (iii) The first in-depth discussion following a life-changing event (e.g., death of the landlord's spouse, death of a landlord followed by assumption of lessor responsibilities by an heir).

(Ohio State University Extension FR-0004-01)

A [checklist by Ruth Hambleton](#) can help in evaluating a leasing relationship. Most of the questions deal with operational communications between the two parties. If these questions can be answered affirmatively, it is a good indication that the owner/operator relationship is based on good trust and communication.

Questions for operators

1. Do you have a written lease with your landowner?
2. Do you and your landowner review your lease at least once a year?
3. Do you contact your landowner to see how “things” are going?
4. Does your landowner check fields with you?
5. Is your landowner related to you?
6. Does your landowner supply you with soil tests?



7. Does your landowner allow you to try new things?
8. Do you feel comfortable talking to your landowner?
9. Does your landowner let you decide which crops to plant?
10. Does your landowner know enough about the business end of farming?

Questions for landowners

1. Do you have a written lease with your operator?
2. Do you and your operator review your lease at least once a year?
3. Do you contact your operator to see how “things” are going?
4. Does your operator contact you to offer you a tour of your fields?
5. Is your operator related to you?
6. Have you seen recent soil tests on your fields?
7. Does your operator clearly explain things to you when you ask questions?
8. Do you feel comfortable talking to your operator?
9. Does your operator report crops to the FSA for you?
10. Are you satisfied that your operator is farming as good as, or better, than what you would do?

(University of Illinois, 1997)

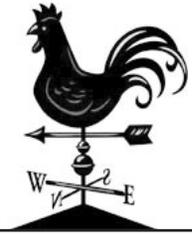
Communication—A critical skill

A successful relationship strategy depends on effective communication. Removing barriers is an effective way of improving communication, and requires an understanding of the communication model.

The model consists of sender, message, receiver, channels, feedback, and effect. The sender sends a message through appropriate channels, either verbal or nonverbal, to a receiver. A response is provided to the sender of the message via feedback from the receiver. Feedback need not be sent through the same channel as the message (e.g., it may be a nonverbal cue such as body language). Through interpretation of this feedback, the sender can determine if the original message was received in its intended form. Effect on the receiver completes the communication process.

Problems in any one of the components of the communication model can result in barriers to communication, such as:

- **Unclear messages:** The receiver remains unclear about the intent of the sender. The sender can interpret feedback to determine if the message is clear or unclear.
- **Stereotyping:** Stereotyping involves either the sender or receiver developing a subjective impression that the other conforms to a certain mental model. This can be a barrier to communication when it substitutes for analysis of and responsiveness.



- **Incorrect channels:** Use of the correct channel assists the receiver to understand the nature and importance of the message. Choice of channel is dictated by the urgency, complexity, and formality of the message, as well as the knowledge, skills, and abilities of the receiver. Tenants should keep in mind that landlords sometimes want more than a written report.
- **Language:** The sender's words combine with the receiver's perceptions of them. The relationship between perception and reality can be determined through interpreting feedback. Progressive, younger tenants should be cognizant of using appropriate language. Technical, complex or slang language may leave certain landlords confused and suspicious.
- **Lack of feedback:** Feedback mirrors the sender's original message, and may indicate a perception problem. It may occur in the form of questions, or nonverbal cues such as a frown or puzzled appearance. Prompt feedback, in which both parties play active roles, should be encouraged. Asking the receiver to repeat the message in his own words is often effective.
- **Poor listening skills:** Poor listening skills are pervasive. Good listening skills are fostered by: (i) being prepared to listen, (ii) avoiding interrupting the speaker, and (iii) being an active listener, which includes providing feedback. Listening is a particular challenge for tenants, who may have less time for "friendly chatter" than landlords. However, this type of interaction may provide important hints of landlord concerns that don't emerge in more formal discussions. Busy farmers should remember that lonely landlords will appreciate both time and lease payments from their tenants.
- **Interruptions and physical distractions:** Communicate in an atmosphere that is comfortable, private, and non-distracting for both parties. Find the right time to meet with landlords.

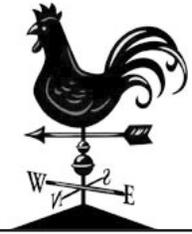
Relationships between tenants and landlords can be enhanced if the parties improve their communication skills, make communication goal-oriented, approach communication with a positive and creative attitude, and work to reduce barriers. (Ohio State University Extension, FR-0004-01)

Negotiation skills

Negotiation is of critical importance between a landlord and tenant. Proper negotiation skills will lead to a lease agreement and relationship that will be positive and successful for all parties involved. It is important to discuss the implications of all aspects in a lease agreement and allow time for review and negotiation to occur. In many cases, bringing in a third party to facilitate the negotiation of a lease agreement can be extremely beneficial.

There are several factors that can help lead to successful negotiation (Fisher et al. 1991) The first component when discussing and writing a lease agreement is to avoid positional bargaining. This relates to focusing only on your position within the lease agreement and not the implications to others. The three basic criteria to fairly judge negotiation include:

1. It should produce a wise agreement if agreement is possible
2. It should be efficient
3. It should improve or at least not damage the relationship between parties



A wise agreement can be defined as one that meets the legitimate interests of each side to the extent possible, resolves conflicting interests fairly, is durable, and takes community interests into account.

The second component is a four-step method for successful negotiation that includes:

1. Separating the people from the problem
2. Focusing on interests, not positions
3. Inventing options for mutual gain
4. Insisting upon the use of objective criteria

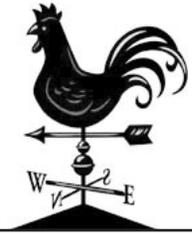
For further information regarding the above information on negotiation skills and their importance refer to Fisher et al.

Discussion questions

1. Why is communication such a critical component of the farm lease agreement process?
2. Where can communication break down between the landlord and tenant? Why?
3. What techniques can be used to improve the landlord/tenant relationship?
4. How do landlords and tenants determine and communicate about conservation programs in existence and future options?
5. Guest speaker suggestions: Extension, local farm landlord; farmer who leases land.

Activities

1. Have students role play negotiating a farm lease agreement. Use the role play scenario to discuss key aspects for improving communication and negotiation skills.
2. Have students develop a list of techniques they could use to improve the communication between landlord and tenant. Discuss the techniques as a group.
3. Have students research communication styles (google this) and describe their own or a family member's style.
4. Role play interactions using several communication styles and give feedback.
5. Plan a field trip to a local NRCS office to tour various types of conservation practices that the tenant may have an active part in fulfilling the requirements.
6. Role play with a "landowner", "potential tenant" and a facilitator who negotiate some common leasing occurrences.



Sources cited and other resources

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- Iowa State University Extension, Ag Decision Maker, [Flexible Farm Lease Agreements](#)
- Iowa State University Extension, [Farm Lease Letter](#)
- Iowa State University Extension, [Improving Your Farm Lease Contract](#)
- Iowa State University, Midwest Plan Service, [Free Lease Forms](#)
- LSU Ag Center Research and Extension, [Louisiana Farm Lease Agreement](#)
- Minnesota Department of Agriculture, [Maintaining Conservation Benefits on Leased Land](#)
- [Managing Landlord-Tenant Relationships: A Strategic Perspective](#). FR-0004-01
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- University of Missouri Extension: [Farm Lease Agreement](#)
- University of Vermont, Center for Sustainable Agriculture, [Resource Guide for Vermont's New and Aspiring Farmers, Access to Farm Land](#)
- West Virginia University Extension Service, [The Farm Lease](#)
- [Managing Landlord-Tenant Relationships: A Strategic Perspective](#)
- [Kansas State Farm Management: Leasing](#)

Tenure Options: A “Decision Tree” for Farmers

Do you want to own farmland...

Now? **Yes/No** ⇨

At some point? **Yes/No** ⇨

Never



The Possibility of a Farm

My husband and I decided that after years of dreaming about living on and operating a farm, we would take the leap into the unknown and let our dreams begin. We were living in Portland, Oregon. We owned a house with a standard 50' x 100' lot. On that lot, we kept three laying hens as well as berries, fruit trees, and a sizeable vegetable garden. Unlike all of our neighbors, we had no lawn to speak of. We found a farmers' market in our neighborhood and began selling all our extra produce. It was great fun and we made some money. We were urban farmers.

We decided to take the next step and look for a larger tract of land in Vermont that we could call our own. My husband went to college in Vermont and the romantic notion of living in a rural and agricultural community there was very appealing. We searched for a farm in a week-long trip that we made from Portland with our 18-month-old son in tow. We were hooked. We believed that with a little gumption and hard work, we could make our farm dream a reality. We found 20 acres in Eden, Vermont, on the edge of the Northeast Kingdom. It was affordable, and we thought, a mostly risk-free endeavor. We sold our home in Portland and moved our family to Eden.

Nearly three years later we have learned many life lessons that we will not soon forget. The most important lesson for us was that buying land to start a farm, anywhere, before living (i.e., *renting*) in the community for at least a year is a huge mistake. There are many good reasons not to buy land right away. Our biggest mistake was sinking all of our available resources into the investment of land and a home, not the least of which, by the way, is the home. While we have an investment that *may* provide us a return in the future, we do not have an operating farm. Furthermore, we will not have an operating farm anywhere in the near future.

What we do have is a small house on 20 acres in an area of the country that is so economically depressed that we cannot find jobs that will pay enough cover our basic living expenses, not to men-

tion support development of our farm business. We have lost thousands of dollars that we thought we could easily earn back by selling our vegetables, flowers, and eggs in our first year of operation. In all of our number crunching and business planning, we did not plan for the unusual and devastating weather conditions we have encountered.

Today, our farm is too small to recover a profit and we are too poor to invest the resources that might make it large enough to become profitable. If we had decided to wait to buy and had leased land, even for a short amount of time, we'd probably be making a living as farmers today. However, at the time we bought, we believed that for the future of ourselves and of our son, we needed to own land and a home. Now, we believe differently.

The capital required to move across country, purchase land and a home, and then to finance a farm is so much more than we had figured in all of our planning. We naively thought that since we planned to farm without purchasing large equipment such as tractors, that we wouldn't need to spend a lot to build our business. We expected that with a modestly sized Community Supported Agriculture farm as well as a roadside stand and possibly selling at one farmers' market, we would recover any modest sums of money that we put into the farm each year and that we could eventually build our markets and start to turn a profit.

During the first year on our land, we decided to learn how to adjust our growing methods to the cold climate and short growing season of Northern Vermont. We were not counting on selling anything that we grew, just in case. We planted a large "garden" that provided plenty of food for ourselves and our neighbors. The success we had growing vegetables and flowers in our first year gave us the feeling that we would be able to expand our operation for the following year and begin to market our produce.

The second year, we bought pigs to till our fields and used them to create nearly an acre of vegetable beds. We also hired a neighbor to plow another acre for flowers. We were off to a good start with hun-

dreds of seedlings looking healthy in the greenhouse and nicely plowed and fertile fields, compliments of our pigs. What we did not know was that occasionally, the land we were on flooded severely, leaving hundreds of vegetables to rot in the field. An unusually wet spring and early summer, created soil conditions on our lower fields that were too wet to support the vegetable seedlings that I planted and replanted. We lost thousands of dollars and countless hours of time.

If we had decided to rent land in the area, before we bought a place, we would have been able to withstand the lost crops and move forward with a new plan and revised growing techniques. Plus, we would have learned about the land and about our capabilities and farming preferences. As it is, there is no way that we can afford to spend as much time and energy as we should to grow the amount of produce that we need to recover our losses. What would really give our farm a boost would be to expand our chicken operation to include pastured meat birds in addition to our laying hens. Unfortunately, that would require more fencing and more housing,

which we can no longer afford. What we really need to make the farm profitable is to invest some money in a bit of new equipment and some labor and to cut back on the amount of work we need to do outside the home to support our family. This will not be happening anytime soon. Therefore, our farm will not be happening anytime soon.

If we were able to go back three years and do it all over again, we would be looking at areas that we really liked where we could find better off-farm jobs and we would be establishing a farm business there on leased land. We would save ourselves the headache of owning land and a house, which requires so much more capital than we could have ever imagined. We would let the burden of keeping up a home and the responsibility of capitalizing the land belong to someone else. If we had done this from the beginning, the amount of time and money that we currently put into maintaining our home and managing the land would instead go into a farm business that would satisfy our dreams.

Andrea Woloschuk

[Click here](#) to return to Module I: Topic I on page 10

[Click here](#) to return to Module II: Topic I on page 45

Short-Term Lease Checklist

Instructions: Both parties may use this checklist to make sure key issues are addressed in the lease agreement. Simply check each item off when you are satisfied that it is clearly included in the lease. Use the space between items to keep notes on outstanding issues.

- ___1. Who are the parties? Do you have evidence of ownership and authority to act if the landowner is an entity other than an individual? Is the tenant an individual or an entity? Will the lease also bind the “heirs and assigns” of both parties?
- ___2. What will be the lease term? Will it terminate on a specific date or at the will of either party? How much notice will be given to the other party?
- ___3. Will the lease be renewable? Will both parties have the option to renew or not renew? What will be the procedure for renewing the lease?
- ___4. Do you have an adequate description of the property to be leased – land, boundaries, farm structures, residence, equipment and livestock?
- ___5. How much and what type of rent will be paid? How and when must it be paid?
- ___6. If the agreement includes a residence, will there be a separate residential lease?
- ___7. What will be the allowable and prohibited uses of the property under the lease?
- ___8. How will the landowner and the tenant allocate responsibility for repairs and maintenance of the property?
- ___9. How will the landowner and tenant allocate responsibility for capital improvements? If the tenant invests in capital improvements, how will s/he be compensated at the end of the lease?
- ___10. Who will be responsible for obtaining and maintaining insurance—liability, casualty and other (e.g., crop insurance)?
- ___11. What actions by either party will constitute a default under the lease? Will the non-defaulting party have the right to terminate the lease or withhold rent until the default is cured? Will the lease include procedure for dispute resolution?

Farm Transfer Activity

Name: _____ **Class date:** _____

Think of the farm you work on or will work on. If unsure, pick a specific farm you know.

Who owns it now?

_____ (relationship to owner)

Who is likely to own it in 15 years?

_____ (relationship to owner)

Who farms it now?

_____ (relationship to owner)

Who is likely to farm it in 15 years?

_____ (relationship to owner)

**Relationship to owner could be a relative (e.g., son or daughter, in-law) or unrelated person (e.g., neighbor, hired manager, investor, developer, homeowner, etc.)*

With a partner, discuss how the farm may change hands in the next 10–20 years. If the owner is not the primary operator, who will operate the farm in the future? What kind of written or verbal arrangements are in place now to enable the transition of the farm to a new owner or operator? Are there any circumstances the current lease or contract does not cover?

Discussion notes here:

Report the key points of your discussion to the class and compare with others.

Communication Challenges Activity

Name: _____ **Class date:** _____

List at least 5 things that might be hard for each of these people/parties to talk about when discussing a lease agreement or contract to operate or purchase the farm or ranch:

Current or exiting farmer(s)

Beginning or entering farmer(s)

Discuss your lists with a partner or small group. Are there real-life examples from your group about communication challenges with elders, relatives or farming associates? How can a neutral or off-farm third party help with difficult conversations? What are some ways of approaching topics that may be emotionally charged or need several meetings to work out?

Ag Decision Maker: Cash Rental Rate Estimation

Using the [Cash Rental Rate Estimation Spreadsheet](#), answer the following questions.

The Swensons rent 240 acres from an out-of-state landlord. The landlord is asking \$195 per tillable acre for next year, which he heard was the going rate in his county. Is that a reasonable rate? Can the Swensons afford to pay that much?

Here are their estimates of their yields and productions costs.

	Corn (127 a.)	Soybeans (113 a.)
Expected yield (5-year average)	180 bu.	56 bu.
Expected selling price	\$5	\$12
USDA direct payment	\$2,600 twice a year	
Seed, fertilizer and pesticides	\$250	\$180
Insurance, misc.	\$30	\$30
Machinery fuel and repairs	\$50	\$40
Drying	\$36	
Machinery fixed costs	\$20	\$20
Labor value @ \$10 per hour 3600 hours divided by 1500 total acres	\$ _____	\$ _____

What is the calculated rent based on the formulas below?

Share of Gross Income: 35% of corn and 45% of soybeans _____

Yield Potential: \$1.09 for corn and \$3.61 for soybeans _____

CSR Index: CSR of 75, \$2.00 per point _____

Percent of Land Value: 3,500 @ 5% return _____

Tenant's Residual _____

Crop Share Equivalent _____

What is the weighted average of all the approaches? _____

Is \$195 a reasonable amount? _____

Why might labor and fixed machinery costs not be considered?

File C2-20
William Edwards and Ann Johanns
Iowa State University

... and justice for all

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Many materials can be made available in alternative formats for ADA clients. To file a complaint of discrimination, write USDA, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Jack M. Payne, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

Ag Decision Maker: Flexible Lease Agreement

Using the Decision Tool, [Flexible Lease Agreement Worksheet](#), answer the following questions.

1. Flexible Lease Agreements adjust to fluctuations in _____ and/or _____.
2. The most common type of flexible lease agreement is: _____.
3. The Base rent in a Base rent plus Bonus lease agreement could also be considered the _____ amount the renter pays.
4. What are the advantages for using a flexible lease agreement?
 - a.
 - b.
 - c.
5. How could price be determined using a flexible lease agreement?
 - a.
 - b.
 - c.
6. Why would the renter want to set a maximum and minimum rent?

File C2-21
William Edwards
Iowa State University

... and justice for all

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Leasing & Land Ownership Activity

Adjusted sale price	Cash rent lease	Market value
Adjusted market price	Caveat emptor	Meridians
Ad valorem taxes	Comparable sale	Mill rate
Agency	Contour lines	Percentage share lease
Agent	Correction lines	Percolating water
Alluvion	Cost approach	Plat
Avulsion	Crop share lease	Principal
Appraisal	Highest and best use	Range
Assessed value	Income approach	Rectangular survey system
Assessment appeal board	Labor share lease	Replacement cost
Assessment roll	Land and water	Riparian right
Base line	Lease backs	Shared appreciation
Bench mark	Lessee (tenant)	Special agency
Board of equalization	Lessor (landlord)	Special assessments
Bushel lease	Leveraged lease	Variable cash lease
Buffer zone	Littoral rights	Variance
Broker	Livestock share lease	Water table
Capitalize	Market approach	

Using the terms above, answer the following statements:

- _____ 1. A value placed on a property for the purpose of taxation.
- _____ 2. The person empowered to act by and on behalf of the principal.
- _____ 3. A business sells assets to another with an explicit provision to lease them back.
- _____ 4. A six-mile wide column of land running north and south in the rectangular system.
- _____ 5. The crop and certain input cost are divided between the operator and the owner.
- _____ 6. The increase of land when waterborne soil is gradually deposited.
- _____ 7. The cost at today's prices of constructing an exact replica of the subject improvements using the same or very similar materials.
- _____ 8. Valuing property based on its ability to generate income.
- _____ 9. One who acts as an agent for others in negotiating contracts.
- _____ 10. Taxes charged according to the value of a property.
- _____ 11. An operator who lease property from the owner.
- _____ 12. A strip of land that separates one land use from another.
- _____ 13. A governmental body that reviews property tax assessment procedures.
- _____ 14. The cash price that a willing buyer and a willing seller would agree upon.
- _____ 15. The value of a comparable property after adjustments has been made for differences between it and the subject property.

Leasing & Land Ownership Activity, continued

- _____ 16. A reference point of known location and elevation.
- _____ 17. An owner who leases property to a tenant.
- _____ 18. To convert future income to current value.
- _____ 19. Let the buyer beware.
- _____ 20. A book that contains the assessed value of each property in the county or taxing district.
- _____ 21. A map that shows the location and boundaries of individual properties.
- _____ 22. A person who authorizes another to act for him/her.
- _____ 23. The use of a parcel of land which will produce the greatest current value.
- _____ 24. The annual cash lease payment is flexible depending upon yields and/or prices.
- _____ 25. The right of a landowner whose land borders a river or stream to use and enjoy that water.
- _____ 26. Property tax rate that is expressed in tenths of a cent per dollar of assessed valuation.
- _____ 27. The operator receives a share of the production in exchange for contributing only labor.
- _____ 28. A relation created when one person delegates to another person the right to act on the principal's behalf.
- _____ 29. The process of estimating the value of an asset.
- _____ 30. A rental arrangement in which the operator makes a cash payment to the owner for the use of certain property and keeps all income generated.

Adapted from Ag Decision Maker C2-05

Iowa State University

<http://www.extension.iastate.edu/agdm/wholefarm/html/c2-05.html>

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Ag Decision Maker: Crop-Share Leasing Provisions

1. In most crop-share agreements a _____ / _____ division of both the corn crop and soybean crop is divided between landowner and tenant.

2. List the common production input costs the landlord and tenant divide evenly.
 - a.

 - b.

 - c.

 - d.

 - e.

3. Does the landlord pay the tenant for harvesting his/her share of the crop?
Yes or No

4. The tenant usually hauls the crop to farm storage for free.
Yes or No

5. Do the tenant and landlord usually divide the custom application cost of fertilizers and herbicides?
Yes or No

6. Do the tenant and landlord divide the cost of drying fuel for corn drying?
Yes or No

File C2-30
William Edwards and Ann Johanns
Iowa State University

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“Monk Farm” in the Northeast

Highlights

- Religious Order as Non-farming Landowners
- Tensions Regarding Conservation Goals

Non-farming landowners and tenants sometimes clash over the environmental stewardship of farmland. The unique aspect of the following case study is that the landowners are a monastic society of monks who have recently come together to implement a policy that would, among other things, prevent the use of agrochemicals on the land they rent out. This story illustrates the complications that can ensue when congenial longstanding social ties are threatened by disagreements over caring for the land. It also describes the steps this religious landholding organization took to mitigate the situation.

Jacob Metz is a brother of a society of monks in the Northeastern region of the U.S. The Brothers are a monastic society, and Jacob is a life-professed member of the order who is responsible for the facilities and grounds. The buildings at the monastery include a church, chapel, living quarters for members, and a guesthouse. The land faces a river and the monks also have gardens where they grow flowers and herbs. The monastery is located in an urban setting, very close to a large university. Three miles south, in the town of Hillcrest, the Brothers own 144 acres of property given to them as a gift in the 1950s by a family who originally acquired the land in the late 17th century through a land grant created by King Charles II. Since this time, the land has been continuously used for pasture or crops.

As the facilities and grounds manager for the monastery, Jacob is involved in making decisions about the agricultural land they own and, specifically, the lease arrangement. Since the 1960s, the Brothers have leased most of their 144 acres of agricultural land to a neighbor, [John] a 60-year-old dairy farmer whose family has lived in the neighborhood since the late 17th century. [John] and his brother milk a small herd of 30 Holsteins, and their farm is about 1.5 miles from the Brothers' land in Hillcrest. The Brothers lease the land to [John] for \$100 per year. As part of the lease arrangement,

[John] provides mowing services for the Brothers' larger meadows that are not farmed, which helps to keep the forest from encroaching onto the fields. [John] grows feed corn on these two lots, along with some alfalfa. The Brothers' attorneys require them to draw up a lease and have [John] sign it each year.

Professional Resources Used

In the last couple of years, the community of Brothers has started talking about long-range plans for their property. They have had conversations with the Commonwealth of Massachusetts and have been discussing selling the development rights to ensure that the land is preserved for agricultural use. In this region of the country, pressure to develop housing has resulted in the loss of agricultural land. Hillcrest has always been a rural town, but now it's considered a suburb of a larger city nearby. The Brothers want to preserve their land and its environmental qualities. Three years ago, they hired an environmental property manager, Steven Williams. Steven is very savvy with regard to conservation issues on agricultural farmland. A small organic farmer himself, Steven played an important role in educating the Brothers about conservation. He encouraged the successful expansion of the kitchen garden and the Brothers hope to soon become completely self-sufficient.

Jacob says that with the help of Steven, “The (Brothers) community agreed to a policy that we would no longer allow artificial herbicides or fertilizers. We wanted to encourage organic farming on our land.” The community of Brothers passed the following policy:

“Over the next three years, it is our intent to institute a consistent policy of sustainable stewardship of the Society’s land, encompassing all horticultural and agricultural activities. The focus will be on reducing petro-chemical fertilizer, herbicide and pesticide use; eliminating the culture of all genetically modified organisms; and, replacing these



techniques with more ecologically sound horticultural and agricultural practices such as composting, crop rotation, cover crops and use of chemicals and soil amendments comparable to those used on certified organic farms.”

Primary Challenge

By having Steven on the staff, the Brothers have been more aware of the activities on their rented land. Steven had been aware that their tenant, [John] Lee, was planting genetically modified (GMO) corn and spraying herbicide. Last year, Steven went to [John] to renew the lease, and brought him a copy of the new resolution that the community of Brothers had passed. The terms of the lease were the same, but there was a separate document explaining that they knew [John] was using GMO corn and that they wanted to help him to transition to organic corn. Jacob explained that their state has many resources for farmers to transition to organic and the Brothers told [John] they would be more than willing to help him transition using these resources. In response to the new policy, [John] said, “I don’t believe in organic farming.” The Brothers told [John] that he had three years, and if he did not transition to organic in that time, then they would not renew the lease.

With regard to this difficult situation, Jacob said, “[John] has been a good neighbor and we have had cordial relations over all these years. He’s been a good friend, he’s neighborly, and he’s provided us with a lot of cow manure for our gardens. I was really taken aback when I heard about [John]’s

response.” Jacob explained that he felt especially sad that since the Brothers’ unsuccessful meeting with [John], they learned that [John] and his brother were forced to sell their herd due to financial hardship. He felt that, unfortunately, their new proposal seemed to be yet another blow to [John] as a farmer.

Planning for the Future

If the Brothers are forced to deny [John] the opportunity to renew his lease, they would like to rent their land to local organic farmers. They would also like to conduct a soil analysis because the Brothers feel that [John] has not been a very good steward of the soil. In their current lease with [John], there are some general conservation stipulations, and the lease requires [John] to mow the meadows in the spring and fall. But in the future, there will be changes that the Brothers will institute after the three-year period has elapsed, including the main stipulation that will mandate the practice of organic agriculture on their land. “It’s my wish that we can help [John] move toward organic farming, but so far he is not inclined,” said Jacob.

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The Guralski-Martin Incubator Farm

Highlights

- Successfully transitioned incubator dairy farm to non-relative employee
- Renter took good care of the land due to lease-to-own arrangement

Enos Martin had worked for the Guralskis for several years on their farm in Marathon County, Wisconsin, as an employee milking cows. When he told Lyle Guralski that he would be moving on soon to find a dairy farm of his own, Lyle and his wife wanted to help the Martins get started. The Guralskis looked for a farm to rescue, that is, a farm that had been a dairy farm historically, and wanted it to be within 4 miles of their home farm to keep fuel costs to a minimum. The farm they zeroed in on fit this description and had been used to raise beef cows most recently. In 1999, the Guralskis expanded their operation and bought this 80 acre second farm. Lyle invested in the second farm, making improvements so that it could fully function as a rotational grazing operation. Within a few years time, in 2005, Enos bought half of Lyle's herd and leased the land on the second farm. After two years of successful management, Lyle offered Enos the option to buy. Today, the "second farm" is now the Enos and Phoebe Martin dairy farm in Edgar, Wisconsin.

From Leasing to Owning

This successful farm transfer story sounds so simple, and in fact, "simple" is just how both Lyle and Enos described the arrangement. But there was plenty of planning and communication between the two parties before Enos and Phoebe actually bought Lyle's second farm.

"We used to work together and then we'd stop and talk for 10, 15, 20 minutes, a half an hour, maybe even an hour sometimes, and just...well, how would we do this, how would we split the cows up and, how many do you think I could run and, how much

could I borrow if I had this many and we'd just talk about these things. We talked about it for probably a year or two years before we even did anything."

The goal was to duplicate the grazing system at Lyle's home farm, and to run the two farms as Lyle's operation, with the idea that the second farm would eventually be transferred to Enos. The second farm had thin infrastructure and Lyle invested in a milking parlor similar to the one he had on his home farm. He also invested in bedded winter housing, fencing for a rotational grazing system fit for 100 cows, and a filtration system that allowed water to be silted through a grass strip before going into the stream. Apart from infrastructure, the quality of land on the newly purchased farm needed improvement. The soil in the farm's valley was heavily silted and too wet, making it impossible to graze cattle in this area. But after engaging in managed grazing over several years, Lyle and Enos saw the quality of sod drastically improve. During this time, Enos and Lyle worked to build up Lyle's herd, and they ran the farms as efficiently as possible. Not only was the two-farm set-up environmentally responsible, it was profitable.

Informal Verbal Agreement

Throughout the transition period, the Guralskis and the Martins received guidance from Extension Agent, Tom Cadwallader, in developing a successful lease agreement. Because Enos had been a good employee for several years, Lyle was confident that he had the talent and the ability to take over his second farm.

"We basically said that if he stuck with us, we would make that farm his, if he was interested," said Lyle.

"Our goal was that we would lease for three years, but in two years, Lyle, the landowner, gave me the option to purchase and that's what we did. So we purchased two years after the lease and that was just a mutual agreement. It wasn't necessarily written down," Enos said.



For Enos, the farm transfer was especially advantageous because the farm was set up for rotational grazing, and most importantly, the cows were already accustomed to the set up. Buying new cows and bringing them into an operation often means a higher than average cull rate. When Lyle sold half of his herd (90 cows) to Enos in 2005, those cows were transferred to the second farm where Enos managed them and rented the farm for two years. In terms of how Enos treated the land as a renter, he said, “I treated it like I was going to own it. Lyle stuck a lot of money into this farm. I tried taking care of it as if I’d be the owner of it someday, and yet, he had it fixed up to where it would work.”

Key Ingredients

For Lyle, what made the arrangement so successful was the mutual respect he and Enos had for one another, and the opportunity to transfer his farm to a competent new young farmer.

“It isn’t about the money. It’s actually the joy of just seeing him and his wife and his family do well. You know, when I’m on my deathbed, I think those are things that I’ll think of.”

Enos agreed that mutual respect was the foundation for the successful partnership that led to the smooth farm transfer. “You have to listen and work for someone else and that’s hard. Today there are not too many people that want to do that. I mean that’s the way I see it. I had a lot to learn. Lyle

taught me a lot of things and you have to work hard,” he said.

“It’s kind of like being married. It’s the partnership. I never really had a cross word and neither did he. We always talked about things before it got to the point where it got, to where somebody had to get nasty about it. That’s what makes it easy I guess. I tell people and everybody says well you know they can take you through the weeds and I say, ‘yeah, they can’... The person coming in has everything to gain, to a degree, and the person with the assets has everything to lose. You could probably get beat up pretty good, but you just got to have faith in the person that you’re dealing with that he’s going to do what he says he’s going to do,” said Lyle.

Key Resources

- Marathon and Lincoln County Agribusiness Incubator Project, University of Wisconsin-Extension, Agriculture Agent Tom Cadwallader

Lessons Learned

- Mutual respect between landowner and renter.
- Lease-to-own arrangement advantageous for renter and for environmental stewardship.

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Countryside Initiative in Cuyahoga Valley National Park, Ohio

Highlights

- Rehabilitating and revitalizing older farms into working farms on public land through partnership with non-profit organization
- Use of long-term agricultural leases with conservation stipulations on public land

This unique case study is a story of how public landowners linked arms with a non-profit to return farming to their historical land. One aspect of the original mission of a national park was unburied and made into reality with the help of a non-profit organization, state employees, and farmers looking for agricultural land. Through the use of long-term leases, this national park has fulfilled its mission of returning to its historical roots of a working agricultural landscape, while maintaining environmental stewardship through lease stipulations that outline the conservation-related expectations for land care.

Located between Akron and Cleveland, Ohio, the 22-mile long, 19,000 acre Cuyahoga Valley National Park was created through the Parks to the People program in 1974. The founders had hoped to prevent the rural landscape from disappearing and to preserve the rural character of the valley. Although rehabilitating the remnants of the old farms had been a central goal for the park's founders, over two decades of park management passed before the park began to take major steps to focus on the agricultural value, versus the wilderness value, of the land. The park had previously set up short-term leases with local farmers for raising hay and corn on parkland, but more major attempts to bring agriculture into focus were hampered by the lack of models available on which to draw. This changed in 1997, when the park superintendent took a sabbatical to England to the British National Park Service, where he observed public lands being used by private citizens to farm.

With the help of Darwin Kelsey, the Countryside Initiative program was created to transform the old farms into working sustainably oriented farms. The non-profit Cuyahoga Valley Countryside Conservancy, with Kelsey as director, was created as a partner organization to the Cuyahoga Valley

National Park to co-manage the Countryside Initiative program. Cuyahoga Countryside Conservancy obtains a quarter of its funding through a contract with the Cuyahoga National Park, but it also receives funding through foundations, fees collected from vendors at the farmer's markets it supports, and tuition fees from educational workshops.

One of the first issues Kelsey tackled was the term of the agricultural leases the park had been accustomed to using. The park had been issuing special use permits to farmers on a very short-term basis, mostly year-to-year arrangements, to grow hay and corn on the park's land. But Kelsey emphasized the importance of long-term lease arrangements to encouraging farmers' long-term interest in the land. The park currently leases land to farmers for up to 60 years.

"Now the assumption was that things were on a short-term lease and it would be harder for those farmers to do a lot of damage in a short time. But of course, that's counter-productive. I mean if you're going to set people up to have short-term access, they have a built-in incentive to make the most of the opportunity, to neglect all kinds of stewardship issues, and maximize their income. And they have no incentive to make long-term investments that they may not get their money back on or undertake long-term conservation stewardship practices," said Kelsey.

For the farmer, the long-term lease means that he or she can make a sizable capital investment in the operation and be able to see the returns of that investment. The long-term lease also presents the opportunity for the farmer to build equity. Kelsey explains that there are built in protections for the farmer's investment. For example, the farmer can never sell the land, but with the park's approval, he or she can sell the remaining years of the lease to an incoming farmer if he or she wants to leave the program.

The Cuyahoga Valley Countryside Conservancy uses a request for proposal (RFP), which is a legal document, to identify interested parties to farm on the park's land. The Conservancy recruits potential farmers, evaluates RFPs, interviews promising



candidates, and makes recommendations to the superintendent of the park. Part of their evaluation process involves assessing the strength and quality of the candidate's *farming concept*. The program has a rigorous set of expectations and standards with regard to environmental stewardship, and candidates must convince evaluators that their attitudes toward conservation and land care fit

with those of the park's. The RFP has a section that discusses sustainable practices, laying out various levels of sustainability on a chart. The candidate places him or herself somewhere on this chart (see Figure 1), and though the candidate is not expected to be certified organic, he or she should be on that general end of the spectrum to receive consideration.

Production Practices for Sustainable Vegetable/Crop Enterprises*			
Less Sustainable Practices		More Sustainable	
Crop Rotation			
Monoculture (same crop in same field each year)	Two years between the same crop planted in the same field	Three years between the same crop planted in the same field	Four years between the same crop planted in the same field
Organic Matter Maintenance			
Add crop residues only	Add animal manures + crop residues	Add cover crops, animal manures, + crop residues	Add compost, cover crops, + crop residues to soil
Nitrogen Fertilization			
Broadcast bagged fertilizer in fall	Broadcast bagged fertilizer in spring	Band and sidedress fertilizer to match timing of crop uptake	Rely on N from organic residues, in addition to timely fertilization
Insect Management			
Calendar spray insecticides (on predetermined schedule)	Scout for insect pests, then spray non-selective insecticide	Scout for insect pests, then spray selective, least-toxic pesticide	Use cultural practices and beneficial insects to control pests
Weed Management			
Apply herbicides as primary weed control tool	Apply reduced rates of herbicide and cultivate	Cultivate to remove weeds	Use allelopathy, smother crops, and mulches to suppress weeds
Disease Management			
Apply fungicide on a predetermined schedule (e.g., weekly)	Use disease modeling to time fungicide applications as needed	Use disease modeling to time fungicide applications as needed	Use disease modeling to time fungicide applications as needed

* Adapted with permission from *Sustainable Vegetable Production from Start-Up to Market* (NRAES-104). Natural Resource, Agriculture, and Engineering Service, (NRAES), PO Box 4557, Ithaca, NY 14852-4557, www.nraes.org.

Figure 1. The scale used by the Countryside Initiative program to assess farming approach.

Once the superintendent accepts the recommendation of the Conservancy, the park and the farmer begin negotiating the lease, which is a 40-page document detailing the relationship between the lessee and the park that outlines the responsibilities of both parties, including required conservation practices and building repair and maintenance.

Regarding conservation practices, the lessee is prohibited from using herbicides and pesticides without pre-approval, and each year must submit an annual operating proposal. This proposal must be approved before any changes to the land can be made.



The park determines the amount of rent the farmer pays. This figure is based on two components: the residence and the farm enterprise. A certified appraiser assesses the value of the buildings on the property and compares the cost of living in this house to other houses in the surrounding community. The figure the appraiser calculates is then discounted by at least 50% through the Countryside Initiative program due to the many regulations with which the farmer must comply in order to live and farm on the property. The second component of the rent is based on the productive value of the farm and represents a percentage of gross sales. Where many landlords might require renters to pay 20 to 40% of gross sales, Cuyahoga National Park requires renters to pay 5% during the first year, increasing half a percent each year until, 10 years later, the maximum is reached at 10%. The concept behind this incremental rent increase is the understanding that starting a new business can be difficult, and it can take 5 to 10 years to reach a productive level. The rent paid by the farmer stays in the Cuyahoga National Park.

The Conservancy has estimated that 20 old farms in the park have the infrastructure to be rehabilitated through the Countryside Initiative program. By the end of this year, there will be 11 farms created through the program, including a community supported agriculture (CSA) vegetable farm, a meat goat farm, a “you-pick” berry farm, a culinary and medicinal herb farm, and a lamb and agritourism farm.

“These little farms...their greatest value is to help people get a glimpse of where the future is. It’s a little bit about the past, but mostly about the future. We’re not going to continue to farm the way we’re farming now. Ninety-eight percent of all the food consumed in America is produced by long distance, industrial food systems. ...These little farms in the park here are part of that emerging alternative to get into the public’s mind to help change our perception of where we are and how we ought to change.”

As far as taking the model of the Countryside Initiative and adapting it to fit other systems and contexts, Kelsey says: “You don’t have to be in the park to do this. It’s adaptable. We also know that there are other state parks and local park systems that are out looking at this because many of them in fact have ‘x’ number of acres of farmland including sometimes land with houses and barns and so on, that were originally associated with it, so there are a number of public settings in which what we’ve done here is applicable. So I think that’s significant and important. In fact, a private individual could [do this]. If they’ve got a farm close by or somebody inherits a farm but they don’t necessarily want to just sell it, they could manage it according to the same kinds of system or ways that we do. So what we’re doing is applicable in other situations, and that becomes a model that deals with the whole issue of access and succession.”

Key Resources

- Securing a contract with the national park service, and raising money through foundations seemed to be integral to establishing the non-profit Cuyahoga Countryside Conservancy.

Lessons Learned

- Partnerships between public landowners, non-profit organizations, and farmers can lead to innovative models that bring farmers onto farmland, increase the public awareness of sustainable farming, enhance the agricultural productivity of public lands, and ensure that the quality of farmland and the integrity of the environment is being maintained through conservation practices.

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Struggles for Private Landowner & Environmental Wishes

Highlights

- Difficulty finding organic farmers to rent land
- Challenges between non-farming landowners and tenants regarding the enforcement of conservation stipulations
- Guaranteeing environmental wishes for the land through deed attachment

Some landowners face real difficulties when trying to enforce the conservation-related stipulations in their lease agreements. Additionally, landowners, particularly non-farming landowners, may experience challenges when looking for renters with attitudes toward the land that are similar to their own. Similar to the issues raised by the [Monk Farm case study](#), this story covers issues related to ensuring that one's land stays in agricultural production and is farmed according to the environmental wishes of the landowner.

Mary Smith is 82 years old and was raised on a 166 acre mixed crop and livestock farm in Eastern Iowa. In 1955, Mary and her husband, Tom, bought the farm from her father, who moved to town after Mary's mother died. The land was in pasture rotation and the couple raised as many as 10,000 turkeys at one time, in addition to cattle, hogs, and other livestock. In 1968, the couple began renting some of their land in shares to a neighbor and after two years, began cash-renting this parcel of land. In 1971, Mary's husband had heart bypass surgery, and though he continued to farm, it became clear that he would not be able to keep farming for long. The couple sold 80 acres of their farm to the same neighbor who had been renting the land in the late 1970s. The couple cash-rented the remaining 86 acres of their land to this same family, who had four boys who all stayed in farming on the family's 6,000-acre corn and soybean operation. This rental arrangement continues today.

Challenges

Since the mid-1990s, the Smith's have been interested in organic agriculture. They began to

become concerned about the amount of fertilizer and chemicals used in agriculture and the effects on humans and the environment. Although they were no longer farming at that time, the Smiths tried to find ways to encourage organic production methods on their land. They advertised for organic farmers to rent their 86 acres, but to no avail. The Smiths asked their neighbors who had been renting this parcel of land for their corn and soybean operation about organic farming, but the neighbors explained that it would be too labor-intensive to carry this out with their type of operation.

In 2005, Tom died. The following summer, Mary noticed that the renters had planted corn through the waterway, violating the lease agreement which stated that according to conservation recommendations, all waterways should be mowed and maintained at 30-feet wide. Initially, she thought that perhaps because she was a woman landowner, the renters thought they could take advantage of the situation. Mary called the renters on the phone to remind them about this stipulation. The renters agreed to mow the waterway, but because of some broken machinery, the waterway ended up not being mowed that year. Over the years, the Smiths had noticed that the renters had been leaving the waterways less and less wide, and Mary described that although the renters were always amenable to the rules in place for her land, they would slyly try to stretch these rules. "So we just bring this to their attention," Mary said, "and this year we are back to where we ought to be. They are 30 feet wide again."

Social ties play a strong role in Mary's story. These neighbors have been renting land from the Smiths for 40 years, and Mary's parents were close friends with the current farmer's grandparents. These strong ties seem to make it difficult for Mary to be more forthright with her renters. "It's sort of one of those things you deal with," she said.

Mary and her children are in agreement that they would like to keep the farm in the family and that it ought to remain in agricultural production, ideally farmed using organic principles. In this region of the country, development pressures are strong and farmland is under threat. The Smiths have



discussed retiring the land using the Conservation Reserve Program (CRP), or attaching a clause to their deed that would guarantee the land for agricultural use only. The family investigated the CRP option, but discovered their land is too productive and cannot be classified as highly erodible land. They are currently in the middle of discussing the deed attachment option with an environmental attorney, and this is the route they favor most.

Recommendations to Other Landowners

Mary recommended that other landowners should be aware of their renters' activities, and that they should try to find someone who wants to care for the land in the same way. In her experience, she has had some struggle with keeping the waterways mowed, but in general, her renters engage in conservation tillage and use low-grade cultivation techniques. It seems as though they are aware that they must conserve the soil and this is important to Mary as a landowner. She thinks that it is imperative that landowners have a written lease and that they review it with their renters each year. From about 1985 onward, the Smiths have had a written lease

with their renters, which her husband wrote up with the help of a field specialist from Iowa State University Extension.

Key Resources

- Iowa State University Extension
- Environmental attorney

Lessons Learned

- Landowners should consult with as many experts as possible regarding the environmental wishes for their land.
- Written leases should always be used to ensure renters' compliance.
- Landowners should ideally rent to tenants who have the same land care goals in mind.

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Tenant Initiates Conservation Practices on Rented Wheat Farm

Highlights

- Successfully incorporating conservation strategies
- Reconnecting the farmer to the consumer
- Regional loss of farmland related to Conservation Reserve Program

This case study shows how a farm renter was able to introduce innovative sustainable agriculture techniques on rented land and how he proceeded to launch a successful flour company based on cooperative relationships between dozens of wheat growers. Karl Kupers stresses that tenants educating their landlords about the advantages of conservation methods is a key to improving land stewardship on rented land.

In 1987, Karl Kupers, a wheat grower leasing 5,600 acres in Washington state, tried something different. After a tillage operation on a parcel of his land resulted in soil so deep that his typical winter wheat crop couldn't be seeded, he listened to the advice of a friend who was a native grassfeed dealer. Karl seeded perennial grass and watched over a period of years as the basically no-till system he had set up led to improvement in the land and in the soil. Shortly thereafter, Karl was given the opportunity by Monsanto to go to Pierre, South Dakota, with eleven other growers to observe the no-till farming system at the Dakota Lakes Research Farm.

The Dakota Lakes Research Farm was established in the late 1980s as a collaborative project between South Dakota State University and the non-profit Dakota Lakes Research Farm Corporation for the purpose of conducting research on no-till farm techniques. Using a direct seed drill instead of a plow results in soil that retains more water, undergoes less erosion, and has fewer germinating weeds.

"I was in a perfect mental frame of mind, and I soaked it up in spades. I came back and personally just decided that that's exactly what I wanted to do at this farm. Of course this farm was all leased; I owned none. So, I put together a two-hour presentation and went to my landowners and basically

in two hours, I said, 'Forget about everything you've known about farming, and let's give this a try,' " Karl said.

Since 1973, when he took over his father's wheat farm, Karl had leased 5,600 acres from landowners through written agreements. Prior to his trip to South Dakota, Karl had already successfully diversified his farm with non-wheat crops such as canola, and had, since 1985, been working toward the goal of operating his farm without subsidies. He proposed the following plan to his landowners: "I said, 'Look, let's try a no-till, diversified rotation project. Give me seven years and if we're not matching up equal to or better than what we've been doing, then we're going to abandon it.' They said yes, and the rest is history."

"I touched over 16 crops, put them in the ground, and I realized that the rotation was the key to my success from an agronomic and environmental standpoint. I lived in a monoculture region, so I found it very difficult to market these diversified products. I looked around and decided there was nobody else out there willing to do this, so I jumped in."

Today, Karl is the primary marketer of Shepherd's Grain, a flour company that he co-founded in 2000 with Fred Fleming, another Washington wheat grower. Karl has since stepped away from farming in order to devote himself entirely to marketing for the company. Shepherd's Grain obtains its wheat from 34 growers from all over the Northwest. All growers farm using sustainable practices and are certified through the Food Alliance Association, which is based in Portland, Oregon. In addition to their main crop of wheat, the growers also produce minor crops, such as lentils and garbanzo beans, that are marketed by the company. Shepherd's Grain flour is identity-preserved, which means that the origin of a bag of flour can be traced back to the field where it was grown. Karl explains that this is important from a food safety standpoint, as well as from a marketing standpoint. The feature of product traceability may be increasing in demand, which makes it more important for consumers to connect with farmers.



Resources Used

Incredibly, Karl was able to start a successful business marketing locally-grown products from wheat produced sustainably on leased land.

“Most people literally would almost call me a liar when I tell them I leased my land because, no way, because the way you treat it and what you’re doing with it, and all this stuff, they couldn’t believe it. And I go, ‘Well it’s true!’”

In addition to the opportunity to visit the Dakota Lakes Research Farm in South Dakota to learn no-till techniques, Karl’s efforts were supported through a research grant from USDA Sustainable Agriculture Research and Education (SARE). Additionally, forming the alliance with Fred Fleming in 1999 was a key ingredient in launching Shepherd’s Grain.

Suggestions to New Farmers and Landowners

Karl stressed the importance of tenants educating their landlords about the benefits of sustainable agriculture. He presented his landowners with the necessary information, then came up with a proposal. As far as landowners, Karl has heard of some individuals in his region specifying “no-till” in lease agreements, but such stipulations are rare.

In his specific region, Karl explained that it is not development pressures that are responsible for the loss of agricultural land, but the vast amount of highly productive land enrolled in the Conservation Reserve Program (CRP). Karl is in support of CRP when it protects highly erodible land, but feels the program is not helping new farmers to get established in his region.

“We see farmers retiring their whole farm under that program (CRP). It was never supposed to happen that way and what happens is that it kills small communities because their livelihood is

based upon agriculture and when you take it out of production, you kill so many components within your community and it’s just a shame. But the most critical part is that new young farmer who would like to expand.”

Karl sees the Conservation Security Program (CSP) as a suitable program to keep agricultural lands as working lands while conserving their environmental qualities instead of one that pays people to retire their land. He feels that if CSP was improved with increased funding and increased operator eligibility, the program could really benefit the environment and society:

“One of the things that we continue to look at, work on, and hope for in the future is the environmental service that a no-till program provides for society. There are real opportunities for marketing that in a positive way. In a perfect scenario, the CSP program is the beginning of that, and the further development of watersheds involving no-till prove it. It has a nice outlook and could bring that new young farmer back to the land.”

Key Resources

- USDA SARE Research Grant
- The Dakota Lakes Research Farm, Pierre, South Dakota

Lessons Learned

- Tenants need to educate their landlords to facilitate conservation practices on rented land.
- Compared to CRP, CSP has more potential to help beginning farmers in the Washington area.

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Swallow's Nest CSA and Land Access Struggles

Highlights

- Troubles obtaining land with high quality soil
- Insecure relationship to the land deters investing in conservation practices
- Success in building partnership with landowning CSA member

How does insecure and unstable land tenure affect farmers' actions with regard to conservation behavior? The following case study describes how one farm couple has struggled for 14 years to obtain and secure quality farmland for their vegetable operation. Having recently discovered an interesting and unanticipated solution to their longtime struggles through drawing on the social ties made possible through their Community Supported Agriculture (CSA) farm, these farmers explain the successes and failures they've encountered in trying to implement conservation strategies on rented land.

Nora and Pete Jacobs have been running Swallow's Nest, a CSA farm in Southern Wisconsin, for 14 years. They are in the middle of transitioning the land they operate to organic practices, through the Natural Resource Conservation Service (NRCS) Environmental Quality Incentives Program (EQIP). This year, their CSA feeds over 200 families, their largest membership yet. They grow vegetables, alfalfa, and oats on 30 acres of rented land, and they keep a variety of small livestock, including goats, chickens, and sheep.

Since they started farming, the Jacobs have struggled with acquiring and keeping quality farmland. Due to the high cost of buying land in their region, the couple has been forced to rent land from year to year from the surrounding farmers in their area who farm conventionally. The Jacobs use organic farming techniques, and obtaining high quality crops from depleted soils on rented land has been a continuous struggle for them.

"The first one that I remember that we rented was next door to a friend. He didn't have a lot of land but he had leased his little corner to a big guy and that soil had no worms, no life at all. It was just

awful, and everything that season that came out of there was mini. Then we had another place similar to that where the family wanted to transition it to organic but it had been continuous corn for years and it was a mess, and that also had really small vegetables. You just can't make the soil well very fast," said Nora.

Discussing the length of their leases on rented land, Nora said, "Oh no, it [the lease] was never more than a year-to-year kind of deal. It is totally not worth investing what it takes to bring something back around if they're going to snatch it out from under you." In addition to the problem of poor soil quality, Nora and Pete have had considerable trouble holding onto the small parcels of land they have rented:

"I'd say we've probably had a half a dozen locations in the neighborhood, little corners of land that we've used, a year or two, maybe three. And either someone else rented it out from under us, it got sold, or it was just so grossly inconvenient for us to move machinery."

Prohibitively High Cost of Land

For the Jacobs, the cost of farmland has been prohibitively expensive. When they bought their farm in 1992, the seller was asking \$900 per acre. Today, farmland sells for \$5,000 per acre in the Jacobs' neighborhood. At the time they purchased, they proposed to buy a larger parcel of land from the seller, but she was unwilling to sell anything less than the 150 acres that made up the original farm. They bought five acres in buildings from this seller. Today, the Jacobs pay \$100 per acre for the land they rent. From a financial perspective, renting is far more feasible.

Solutions

Recently, the Jacobs found a solution to their land access problem. Three years ago, a CSA



member who had been a customer of theirs for several years was looking for farmland in their area. A 40-acre farm was up for sale a mile away from the Jacobs, and the CSA member bought it. For the past few years, the Jacobs have been renting 27 acres of this land, and they are in the process of transitioning this land to organic for the owners. The Jacobs pay \$100 per acre in rent through a 5-year lease, and they receive \$50 per acre in cost-share through EQIP to offset the cost of organic hay. The land will be certified organic in the next year, and Nora is confident that the owners will renew their 5-year lease.

Nora explained that planting alfalfa and oats has rejuvenated the soil on this rented land:

“What we have seen over there as we’re transitioning that land is birds are coming back. It’s been really neat, especially this year going through the fields and seeing how much more life and activity, not just in the soil but above the soil, as nature kind of comes back around and the birds are finding a nice place to live.”

Key Actions

Nora insists that they would not have found the land they currently farm had they not widely communicated their need for quality land to farm.

“If [you’re] looking for land, just talk about it and ask about it in your neighborhood as people get to know you and respect what you do. A lot of land sells, but a sign never goes up. So talk and talk and talk, because it was certainly through our relationship with [our customer] that we were able to have that land.”

She concludes by saying, “I’m not sure we could have kept going if we had not had that arrangement because it’s just so hard to get these, you know. We don’t want to lease hundreds of acres, we just need a small amount for the vegetable production. Although it has helped immensely to have our own hay and to grow a little bit of our grain for the animals because feed is getting just astronomically expensive. So that’s helped us a bunch. It’s been well worth it just to do that.”

Key Resources

- Talking to CSA members and people in the community
- Natural Resource Conservation Service (NRCS) Environmental Quality Incentives Program (EQIP)

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Joining a Wisconsin Multi-family Pasture-based Dairy Farm

This Wisconsin dairy farm was founded in 1859. J. is a sixth generation dairy farmer on the farm. He says he's always been "addicted" to farming since he was two years old. The farm has roughly 450 milking cows and nearly 1,100 acres that are farmed. Of that, 800–850 is pastured, fenced and watered; an improved managed pasture system. The balance is conventional alfalfa ground that is used to produce winter feed; and we make haylage and dry hay from the pasture acreage, as well. They purchase the majority of their corn silage and all of their grain.

J. went to a small neighboring high school for the single reason that it had an FFA program. Then he attended the UW-Madison Farm and Industry Short Course and the Wisconsin School for Beginning Dairy Farmers program. He met his fiancée who is also from a dairy grazing farm—the largest grazing farm in an area of Oregon. They married and started farming at his family farm.

At this point, J. does not own any of the farm assets. It's currently a three-way partnership between his father and two uncles and spouses. So this is a big question and a big challenge for the next generation—how to start buying in or how to become owner/operator versus a family member/employee.

He became salaried and now his goal is to gain some form of an equity earning position. "It takes time and communication when you have multiple partners. Also it's been a very big push for the last several years to get our farmstead creamery off the ground. So bringing me into the operation has been a part of a larger process. It will happen, it's just a matter of time. It's one of those things that you can never really be prepared for until you are going through it. You just experience it and go with the flow. Hopefully the chips fall where they may and everybody is happy in the end and everybody continues forward with a successful business."

The farm's milking herd is on managed pasture from the middle/end of April until the grass is gone in December. It's a system that works out really well for them because of the health benefits to the cow, the cost benefits as far as the harvesting, and the manure. "There is a lot of waste hauled by the cow and a lot of feed harvested by the cow, and long-term those savings really add up and make for a pretty competitive production price. We have two systems because we live in Wisconsin; that is we have to have a confinement system—ours is a free stall and feedlot—for the winter months. We can't wait to get the cattle back on to grass come springtime."

J's long-term goal is to continue to help make the farm's pastureland more productive with fertigation, and to expand the dairy herd accordingly. But more importantly, he states, "I want to be continuing to produce high quality milk in an environmentally sustainable and healthy fashion, and to continue to use grazing and grass in the production of that milk."

His other goal is to become an owner, as well as raise a family and incorporate his wife into the farm and the creamery. "There are so many opportunities here, it's almost endless. The creamery, the farm, the woodlots, maple syrup... and we have a little agritourism business with a lakefront cottage. There are so many options. I am excited for the future. I'm not sure what it's going to hold yet, but we'll see. I'll be part of it one way or another."

J. feels his family is very enthused and excited about another generation taking an interest in the operation, and about another spouse coming in. "With any luck, this place will continue for another generation and my kids maybe will be part of it too at some point."

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