

LP6 Farm Lease Terminology

Acceleration clause: A lease provision requiring the tenant to pay the rent for the remainder of the term if some condition is not met, such as failing to make a payment.

Assignment: When tenant transfers his/her rights and duties under the lease to a third party.

Arbitration: A method of dispute resolution involving one or more neutral third parties who are usually agreed to by the disputing parties and whose decision is binding.

Best Management Practices (BMPs): Agricultural BMPs are practical, science-based actions that producers can take to protect and/or improve natural resource conditions with an emphasis on soil, water and air. They are typically recommended as part of the implementation of a conservation plan.

Breach: Legally, a party's failure to fulfill its obligations under the lease.

Cash lease: A lease arrangement whereby the tenant pays a set sum for the use of a farm. The tenant receives all the income and often pays all of the expenses except for real property taxes, insurance, repairs directly associated with farm improvement, and depreciation on structures. The tenant has the major management responsibility. [The National Agricultural Law Center, [Glossary](#)]

Conservation plan: A living document that describes the schedule of implementation for BMPs to solve identified resource concerns associated with soil, water, air, plants, livestock, energy and wildlife. The plan is developed with the producer, and with a lease, in consultation with the owner. USDA Natural Resources Conservation Service, Extension Specialists, Conservation Districts and other specialists help develop the plan.

Consideration: Something of value or a promise to do or to refrain from doing something.

Covenants: Used in legal documents to signify an agreement or promise to carry out the terms in the contract, deed or other document.

Crop-share lease: A lease arrangement whereby the landowner receives a share of the crop in return for contributing land to the farming operation. Typically, the landowner furnishes land and buildings and shares in the cost of certain inputs such as fertilizer, seed and pesticides. The tenant usually provides labor, machinery, equipment and fuel. [The National Agricultural Law Center, [Glossary](#)]

Custom farming: An agreement whereby a farm operator agrees to perform all the machine operations on an owner's land in exchange for a fee or rate. Seed, chemicals and other inputs are paid by the landowner who retains all of the crop and commodity payments. [Iowa State Extension, Ag Decision Maker, [Custom Farming: An Alternative to Leasing](#), updated September 2009]

Encumbrance: A mortgage or other restriction on property or other assets.

Fixture: Personal property attached to the land that is regarded as a non-moveable part of the real estate.

Generally Accepted Agricultural Management Practices (GAAMPs): Agricultural practices that are widely used by farmers, promoted by agricultural institutions such as Extension and comply with federal and state environmental, health and safety laws and regulations. Often used interchangeably with Best Management Practices in some states. In other states they are tied to specific definitions of GAAMPs that may be used to determine the humane treatment of livestock or whether a farm practice

constitutes a public or private nuisance. Municipal ordinances and state right-to-farm laws exempt farmers from certain nuisance laws concerning odor, noise and other farming impacts. These protections generally are premised on a farm following GAAMPs.

Indemnification clause: This is a promise by one party to cover the other party's losses if they do something to harm the other or cause/allow a third party to do so. Also referred to as a "hold harmless" provision.

Lease: A contract whereby the owner, or other rightful possessor, of real property conveys the right to use and occupy the property in exchange for consideration, usually rent. [Black's Law Dictionary (8th ed. 2004)]

Lien: A legal claim that someone or something has on the property of another until the debt or claim has been resolved or "satisfied".

Life estate: An interest held only for the duration of a specified person's life, usually the possessor's. [Black's Law Dictionary (8th ed. 2004)]. This may also be referred to as an estate for life or a life tenancy.

Mediation: A method of dispute resolution involving a neutral third party who tries to help the disputing parties reach a mutually agreeable solution.

Option to purchase: Such a provision in a farm lease gives the tenant the right, though not the obligation, to purchase the property at the end of the lease term.

Right of first refusal: The right to match the terms of a proposed contract with another party. In the context of a farm lease a provision in the agreement might state that the tenant has the right to purchase the leased property upon the same terms and conditions offered to a third party.

Statute of frauds: A statute designed to prevent fraud and perjury by requiring certain contracts to be in writing and signed by the parties bound by the contract. Most contracts involving real estate (including leases) are subject to these statutes, with some state by state exceptions. [Cornell Law School, [Legal Information Institute](#)]

Tenancy at will: A tenancy in which the tenant holds possession of the property with the landlord's consent, but there is no fixed term. At common law these tenancies could be terminated without notice though several states have enacted statutes requiring some form of [notice of termination](#).

Tenancy for a term: A tenancy created with a definite and known duration, whether in years, months, or days. Farm leases are typically created for a term of years. This may also be referred to as a tenancy for years.

Waste: Permanent harm to real property committed by a tenant to the prejudice of the heir, the reversioner, or the remainderman. [Black's Law Dictionary (8th ed. 2004)] In a farm lease situation waste will typically be to the prejudice of the landlord.

Year to year tenancy: This tenancy continues on a year to year basis until timely [notice of termination](#) is provided. A year to year tenancy can be created expressly or by a tenant holding over with the consent of the landlord after a [lease for a term](#) expires. This form of tenancy is also commonly referred to as a periodic tenancy, which is simply a more general term and can be for any set amount of time, such as month to month or year to year.

*Adapted from [The National Agricultural Law Center: Glossary of Agricultural Production, Programs, and Policy](#):
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Permission Pending