



Discussion of Fixed Cash Lease (Short Form for One Year)

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A new farmland lease form called "Fixed Cash Lease (Short Form for One Year)" is available on the *farmdoc* website ([PDF](#) and [Word](#)). This lease is for a fixed cash rent that is one-year in length. The form allows for extensions to be made at the end of the one-year term. Many of the issues that have to be dealt with in longer-termed leases do not have to be dealt with in a lease of one-year in length. Terms and performance can be evaluated at the end of each year. As a result, this lease form is fairly short, only requiring two pages printed on front and back. This lease form was developed based on comments from landowners and farmers who desired a shorter lease form.

Longer lease forms evolved in part to address a variety of possible circumstances that might arise over many years into the future. But the volatility of farm prices in recent years has made it difficult to predict what would be a fair cash rent several years from now. Thus, commodity price volatility has discouraged the use of multiyear fixed cash rent leases. When the lease is for only one crop year, it is less important to address within the written lease the many circumstances that might arise over multiple years. Thus a short form lease (one that doesn't address the many contingencies that might arise sometime in the future) makes more sense when the term of the lease is just one year.

A short form lease may even omit from the written lease some understandings between landowner and farm operator regarding the one crop year covered by the lease. Such expectations, understood by the parties when the lease was signed but omitted in the short form lease, may not be enforceable in court because they are not stated in the written lease. However, the parties have great leverage to encourage compliance with such understandings – outside formal legal proceedings – when the lease is for only one year. If one party does not fulfill such clearly understood obligations, the other party simply will not renew the lease for the next year.

For these reasons a farm owner and operator may want to consider a short form one year lease, rather than their verbal leases of a longer lease form. The short form lease on the *farmdoc* website provides

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one example. Most attorneys and farm managers would agree that a written lease, even a short form lease, is better than a verbal lease.

A farm lease creates and alters legal rights; thus, Landowners and Operators are encouraged to discuss the advantages and disadvantages of a shorter or longer lease, and specific lease provisions, with their respective legal advisors.

All extensions of the lease should be made in writing. If the lease is extended verbally instead of in writing, the lease arrangement may become a “tenancy from year-to-year” under Illinois law and would require “notice” to terminate.

Also available at:

http://www.farmdoc.illinois.edu/manage/newsletters/fefo14_22/fefo_14_22.html