Farm Machinery Lease for Non-commercial Transactions NCFMEC-05A

For additonal information see NCFMEC–05 (Purchasing and Leasing Farm Equipment).

This form can provide the owner and renter with a guide for developing an agreement to fit their individual situation. It is designed for use between family members or farmers, not for agreements with commercial leasing or machinery companies. This form is not intended to be a legal document nor take the place of legal advice pertaining to contractual relationships between the two parties, and is not intended to imply a business partnership. Because of the possibility that a lease agreement may be legally considered a partnership under certain conditions, seeking proper legal advice is recommended when developing such an agreement.

This lease entered into this_____day of _____, 20___, between

_____, owner of _____

_____

Address

_____, spouse of _____

_____

Address

hereafter known as "the owner", and

_____, operator of _____

_____

Address

_____, spouse of _____

_____

Address

hereafter known as "the renter."

I. Property Description

The owner hereby leases to the renter, to use for agricultural and related purposes, the property described in Table 1, hereafter known as "**the property.**"

II. General Terms of Lease

A. Time period covered. The provisions of this agreement shall be in effect commencing on the _____ day of _____ and (1) terminating on the _____ day of _____, _____, or (2) if no date of termination is given, this lease shall continue in effect thereafter until written notice of termination is given by either party to the other. The lease shall end not less than _____ days after notice of termination is given.

B. Review of lease. A written request is required for a general review of the lease or for consideration of proposed changes by either party, at least _____ days prior to the final date for terminating the lease as specified in II.A.

C. Amendments and alterations. Amendments and alterations to this lease shall be in writing and shall be signed by both the owner and renter.

D. No partnership intended. It is particularly understood and agreed that this lease shall not be deemed to be nor intended to give rise to a partnership relation.

E. Transfer of property. If the owner should sell or otherwise transfer title to the property, he/she will do so subject to the provisions of this lease.

F. Right of entry. The owner reserves the right to inspect the property at any reasonable time to: (a) consult with the renter; (b) make repairs, improvements, and inspections.

G. No right to sublease. The owner does not convey to the renter the right to lease or sublet any part of the property or to assign the lease to any person or persons whomsoever.

H. Binding on heirs. The provisions of this lease shall be binding upon the heirs, executors, administrators and successors of both owner and renter in like manner as upon the original parties, except as provided by mutual written agreement.

I. Failure to pay. If the renter fails to pay the rent due or fails to keep the agreements of this lease, all costs and attorney fees of the owner in enforcing collection or performance shall be added to and become a part of the obligations payable by the renter hereunder.

J. Additional provisions:

_____

_____

_____

_____

III. Amount and Payment of Cash Rent

A. The renter agrees to pay a total cash rent of $ _____ during the time period covered by this lease, or $_____ per _____ (specify time period, such as month, year, etc). The cash rent will be payable on the following dates or by the end of the following time periods:

_____

_____

_____

_____

at the following location or address: _____

B. Or the renter agrees to pay a total cash rent of $_____ per _____ (specify unit, such as acre, hour, etc.) or as calculated in Table 1 during the time period covered by this lease. The rent will be payable on or before _____ each year.

The number of units will be determined as follows:

_____

_____

C. In the event of late payment interest charges shall accrue at the rate of _____ percent per annum.

IV. Operation and Maintenance of Property

A. The renter agrees:

1. Use. To use the property only for the following purposes:

_____

_____

_____

The use of the property shall not exceed _____ (units) per _____ (time period) or a total of _____ (units) during the period of the lease. If use exceeds this level, the rent for the excess use will be $_____ per _____.

Use of the machinery will be limited to _____
_____ (location or area).

2. General maintenance. To perform ordinary maintenance necessary to maintain the property during the lease period in as good condition as it was at the beginning. Normal wear and depreciation and damage from causes beyond the renter's control are excepted. To pay for and replace the following items:

_____

_____

3. Repairs. Not to purchase materials for maintenance and repairs in excess of $ _____ within a single year without written consent of the owner.

4. Insurance. To carry personal and/or business liability insurance adequate to compensate for any actions committed while operating the property. Not to violate restrictions in the owner's insurance policies without written consent from the owner. Restrictions to be observed are as follows:

_____

_____

5. Costs of operation. To pay all costs of operations, including fuel, lubricants and _____ except as follows:

_____

_____

6. Addition of improvements. Not to make major modifications to the property without written consent of the owner or incur any expense to the owner except as follows:

_____

_____

7. Warranties. Not to violate restrictions specified in manufacturer's warranties without written consent from the owner.

8. Damages. To notify the owner in the event of any damages or accidents involving the property. To pay the owner reasonable compensation for any damages to the property for which the renter is responsible within ___ days of the occurrence of the damage. Any decrease in value due to ordinary wear and depreciation or damages outside the control of the renter is excepted.

9. Not to violate any applicable legal requirements pertaining to the operation or maintenance of the leased property.

B. The owner agrees:

1. Loss replacement. To replace or repair as promptly as possible any machinery regularly rented by the renter from the owner that may be destroyed or damaged by fire, flood, or other cause beyond the control of the renter or to make rental adjustments in lieu of replacements.

2. Insurance. To fully insure the property against casualty, theft or other loss, damage from wind, fire or other natural causes, and against personal liability, up to the following amounts:

_____

_____

3. Property taxes. To pay in a timely manner all personal property taxes, licenses or other applicable taxes and fees due as a consequence of ownership of the property.

4. Major repairs. To pay the cost of major repairs, replacement of tires and other major parts, or overhauls in excess of normal maintenance, including the cost of transporting the property to and from the place where such repairs are performed. Exceptions include:

_____

_____

C. Both agree:

1. Not to obligate the other party. Neither party shall pledge the credit of the other party for any purpose whatsoever without the consent of the other party. Neither party shall be responsible for debts or liabilities incurred, or for the damages caused by the other party.

V. Arbitration of Differences

Any differences between the parties as to their rights or obligations under this lease that are not settled by mutual agreement after thorough discussion, shall be submitted for arbitration to a committee of three disinterested persons, one selected by each party and the third by the two thus selected. The committee's decision shall be accepted by both parties.

VI. Signatures

Executed in duplicate on the date first above written:

_____	_____
Renter	Owner
_____	_____
Renter Date	Owner Date

County of_____ State of_____

On this _____ day of _____, 20_____, before me, the undersigned, a Notary Public in said State, personally appeared_____, _____, _____, and _____ to me known to be the identical persons names in and who executed the foregoing instrument, and acknowledged that they executed the same as their voluntary act and deed.

_____

Notary Public

Table 1. Property to be Leased

Type, Make, Model, Size	Condition (include defects, beginning miles or hours of use, or other characteristics)	Estimated or Appraised Value	Rental Rate (% of value, or rate / unit)	Basis of Rate (per year, acre, hour)	Calculated Rent Paid or to be Paid
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
		$			$
	Total	$			$

The annual rental rate shall be calculated at _____ % of the total estimated or appraised value of the property except for items for which the rent shall be calculated per unit of use (acre, hour, etc.)

Signature of Owner _____ Date _____ Signature of Renter _____ Date _____

© 2014, North Central Farm Management Extension Committee
For more information about this and other leases, visit http://AgLease101.org/