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**GROWING A NEW GENERATION
OF ILLINOIS FRUIT AND VEGETABLE FARMERS**

GETTING IT IN WRITING: SALES, LEASE, & LAND CONTRACTS

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June 2015



What is a “contract”?

- “A contract is a legally enforceable promise... that specifies the terms to which all parties associated with the contract agree.”
- A contract involves three entities: you, me, and the **court system**

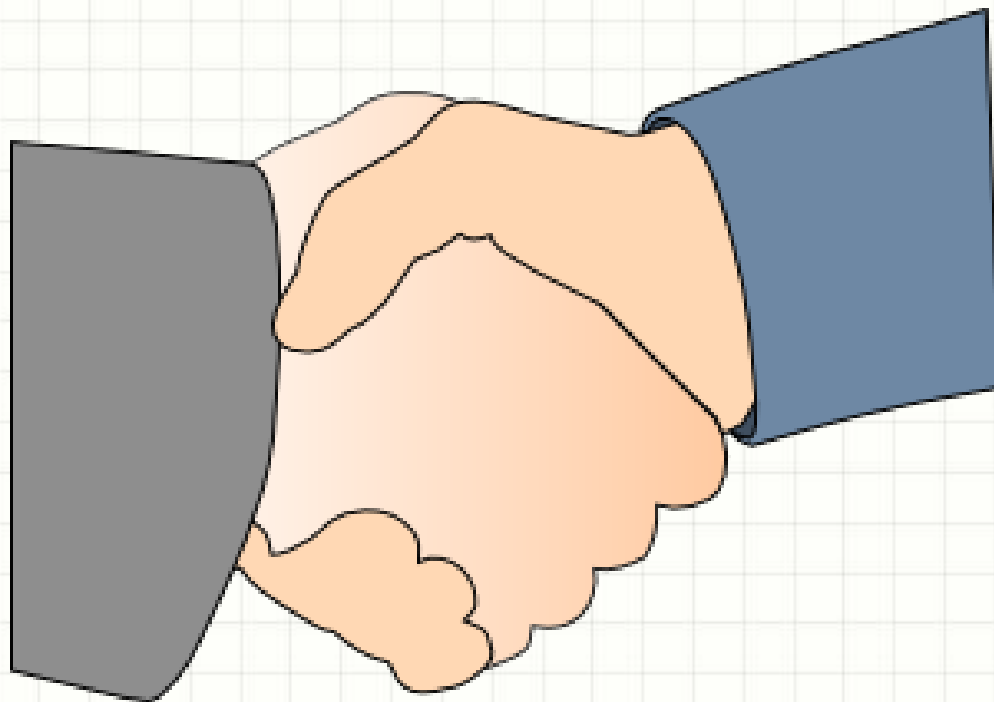
Five requirements of a contract

1. Parties must be legally able to enter into a contract.
2. Contract must be for legal purposes.
3. There must be an offer.
4. There must be acceptance.
5. Consideration must be given.

Source: [Contracts in Agriculture – MU Extension](#)



Isn't my word good enough?



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Three types of contracts:

- Sales contracts
- Land leases
- Land installment contracts



Sales Agreements

- Lay out the basic terms
 - Product description, quality, and packaging
 - Allowance for imperfections/shrink
 - Quantity and price per unit
 - Date, time, and frequency of delivery
 - Payment method and payment terms

Adapted from: [Writing a Basic Sales Agreement for the Direct Market Farm – Farm Commons](#)



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Sales Agreements

- Anticipate changes and contingencies
 - Deadline and method for either party to make modifications to the agreement
 - Strategy to resolve disputes that may arise



Adapted from: [Writing a Basic Sales Agreement for the Direct Market Farm – Farm Commons](#)

Resources on Sales Contracts

- [Writing a Basic Sales Agreement for the Direct Market Farm – Farm Commons](#)
– Also [archived sales webinar](#)
- [Questions for Farmers to Ask Before Entering Into a Direct Marketing Agreement - FLAG](#)
- [The Legal Guide for Direct Farm Marketing, Chapter 6 – Drake Ag Law Center](#)

Leasing Farmland

- Have a written lease. Why?
 - Specify, and record, definitive lease terms
 - Create contingency plans before issues arise
 - Documentation in case of death or audit



What's in a farmland lease?

- The parties involved and property description
- General terms
 - Beginning and ending dates, renewal terms
 - Rental amount, how and when it will be paid
 - Who will pay for taxes, insurance, and utilities
 - How and when lease may be terminated

Adapted from: [Farm Rental Agreement Checklist – OSU Extension](#), and [Drafting A Lease: Questions For Farmers And Landowners To Ask – Farm Commons](#)



What's in a farmland lease?

- Tenant's rights
 - Exactly how tenant can use the property
 - Operations and maintenance
 - Any prohibited practices or chemicals?
 - Who pays for improvements to soil or infrastructure?
- Landlord's rights
 - Rights to enter property
 - Frequency of communication/meetings/records

Adapted from: [Farm Rental Agreement Checklist – OSU Extension](#), and [Drafting A Lease: Questions For Farmers And Landowners To Ask – Farm Commons](#)



Resources on Land Leasing

- [Farm Rental Agreement Checklist – OSU Extension](#)
- [Drafting A Lease: Questions For Farmers And Landowners To Ask – Farm Commons](#)
- [Toolbox for Leasing Farmland – Land for Good](#)
- [The Landowner's Guide to Sustainable Farm Leasing – Drake University Law School](#)



Land Contracts

- Also known as “installment land contracts” and “contracts for deed”
- What is it?
 - Land sale between two private parties without a mortgage; owner-financed sale of land
 - Seller retains title, but buyer takes immediate possession and makes monthly installment payments for a designated term



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Land Contracts

- Benefits to buyer
 - Acquiring land they couldn't otherwise access
 - Closing is fast and inexpensive
 - Often lower interest and down payments
- Risks to buyer
 - Buyer only takes “equitable” title; seller keeps legal title until contract paid in full
 - Forfeiture – loss of equity if contract is canceled

Source: [Land Contracts for Beginning Farmers – Drake Ag Law Center](#)



Land Contracts

- Benefits to seller
 - Steady income for the duration of the contract
 - Interest earned on the financing
 - Distribution of tax liability over several years
- Risks to seller
 - Ongoing responsibilities, instead of finality
 - Buyer does not pay and seller gets land back

Source: [Land Contracts for Beginning Farmers – Drake Ag Law Center](#)



Resources on Land Contracts

- [Installment Sale Contracts for Beginning Farmers – Drake Ag Law Center](#)
- [Farm Transitions: Contracts for Deed FAQs – Land Stewardship Project](#)
- [Land Contracts: Owner Financing with a Twist – UVM Extension New Farmer Project](#)
- [Financing A Farmland Purchase: Legal basics for traditional and non-traditional farmland purchases – Farm Commons webinar](#)



Summary

- A contract is a **promise**, and promises in **writing** are more accurately remembered
- Basic contract terms are easy, but take your time planning for **contingencies**
- Although low-dollar transaction terms can remain as **agreements**, seek **legal counsel** in creating high-dollar, long-duration **contracts**



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CLOSING THOUGHTS

