

SAMPLE COW-CALF SHARE LEASE AGREEMENT

I. INTRODUCTION

There are two basic livestock leases: a **cow-calf share lease** and a **pasture cash lease**. The lease agreement will state the amount payable, the date of the payment, the length of the lease term and the rights and responsibilities of both parties, depending on the type of lease. In a cow-calf share lease, the owner will receive a share of all calf sales. In a pasture cash lease, the tenant will receive the income from all livestock sales and will pay the landlord a fixed dollar amount for each year of the agreement.

A. Considerations

- Farmers can expand production without financing land purchases.
- Production and marketing risk can be shared.
- Inter-generational farm transfers can be facilitated.
- Retirement income can be earned on real property.
- Farmers have increased flexibility in farm planning decisions.
- Rent paid over a long period of time does not contribute to equity of tenant.
- Appreciation in land value goes to the landlord.
- The tenant's security of tenure is limited to the length of the term of lease.
- Long term farming practices which promote production efficiency, soil conservation and improvements may not be practiced in short term leases.

B. Features of Successful Lease Agreements

- The landlord/owner and tenant should be open and honest with each other, and be able to resolve disagreements cordially.
- To maximize long term profit, the terms of the lease should be fair to both the landlord/owner and tenant.
- Written agreements help to prevent conflict between the landlord/owner and tenant, and force them to think through an equitable and reasonable lease.
- Leases should be flexible enough to permit fair adjustments to any unexpected situations.
- A lease should be adapted to suit each individual situation, yet remain simple enough to work. The lease period should also be long enough to allow the tenant to adopt good farming practices.

C. Tax Considerations in Leasing Land

- Rental income earned by a landlord can be included as earnings in calculating the maximum allowable RRSP contribution, and in calculating Canada Pension Plan (CPP) contributions. A **bargain purchase option** exercised at a price significantly lower than the fair market value at the end of the lease can create an unexpected tax liability. An

accountant or farm management advisor should be consulted before entering into any custom farming arrangement or lease which contains a bargain purchase option.

II. SELECTING A LEASE AGREEMENT

Select an appropriate lease arrangement and adapt it to suit your particular situation. In a **cow-calf share lease**, the owner will receive a share of all calf sales. In a **pasture cash lease**, the tenant will receive the income from all livestock sales and will pay the landlord a fixed dollar amount for each year of the agreement.

Factors other than the rental amount to consider in selecting a lease agreement include:

- Method and Time of Rental Payment
Rent due dates and the method of calculating rent depend on the type of lease agreement. In a cow-calf share lease, the owner will receive the share of the calf sales when the calves are sold. In a pasture cash lease, the rental payment may be paid in full at the beginning of the season or it may be divided into a spring and fall payment.
- Length of the Lease
Cow-calf share leases often have longer lease terms since it can be extended without renegotiating the rental amount. Pasture cash leases should reflect changes in livestock prices.
- Proper Farming Practices
Leases may contain terms which influence cropping decisions and management practices of a tenant.
- Ease of Rent Calculations
For cow-calf share leases, accurate records must be kept. Pasture cash leases may be determined annually.

III. TYPES OF LEASE ARRANGEMENTS

A. Cow-calf Share Lease

- The share arrangement could be either the share/split method or the flexible share method. For information on estimating cow share rental values refer to: [Cow Share Lease Calculator](#).
- The calf share lease agreement could clarify and define the owner's and farmer's rights and responsibilities regarding the following areas:

- Influence on Management Decisions – An owner may wish to influence the management decisions and production practices of a farmer to maintain the quality and condition of the land.
- Delivery and Sale of Calves - Both parties should agree on who will have the responsibility for delivery and sale of the calves.
- Government Payments and Subsidies - Under these programs, usually the farmer receives the payments and subsidies in the same proportion as the share of the calves (or a stated amount or percentage).

B. Pasture Cash Lease

In a pasture cash lease, the tenant will pay a fixed cash payment to the landlord for the use of the land and facilities. The tenant will receive all of the income and pay all his own expenses. The pasture cash lease is suited for absentee landlords and those who wish to have a stable income.

Considerations:

- The landlord can receive a guaranteed return.
- The tenant has more flexibility and independence in production and management decisions.
- The results of the tenant's superior farming skill are not shared with the landlord.
- The tenant assumes all production and marketing risk.
- Part of the rent may be required to be paid in advance of calf sales.
- The landlord has less influence on a tenant's management decisions.
- Leases are generally short term due to periodic changes in livestock prices.
- The landlord will not immediately feel the effects of extreme fluctuations in productivity and prices.
- The cash rental amount can be determined using the income share approach, but is usually established by going rates in an area. These going rates are influenced by land productivity and current market prices for livestock, as well as supply and demand for rental land in the community.
- The cash lease agreement should specify the date(s) on which the rent is due and payable; and the rights of the landlord to recover the payment of rent. In addition to the rights provided by The Real Property Act, a landlord should specify the actions he can take to recover the debt.

IV. STEPS IN COMPLETING A LEASE AGREEMENT

1. Consult with your farm management advisor and lawyer.
2. Study and compare the examples and sample lease agreement forms provided by Manitoba Agriculture. It will assist you in determining the type of leasing agreement which will best suit the needs of both the landlord(s) and tenant(s). Remember, the type of lease agreement you choose must be adapted for each individual situation.
3. Determine an equitable rental arrangement by first studying the example and then using the

worksheet provided for your calculations.

4. **READ AND DISCUSS** the lease with the prospective landlord(s) and tenant(s) and make changes where desired. Some clauses include a choice of terms. Select the terms that suit your situation. Delete term(s) which do not apply by drawing a line through them and have the parties to the lease initial the deletion(s). If the terms do not suit your situation, write out the terms that meet your particular needs. **Wording is important so it is advisable to consult a lawyer.**

Important terms in all lease agreements requiring careful attention by a landlord and tenant include:

- compensation for repairs to building, fences and improvements
 - rights, responsibilities and compensation for major improvements
 - restrictions and responsibilities regarding production practices and management decisions
 - rights and restrictions of storing grain on leased property at the beginning and end of the lease
 - arbitration
5. The landlord(s) and tenant(s) should each receive one copy of the lease agreement, with any required supplementary forms attached.
 6. Provision should be made on the agreement forms for signatures of joint landlords and tenants.
 7. Ensure that the requirements of The Homestead Act are fulfilled when the leased property is a homestead property.

The act requires that the spouse give his/her written consent (consent-of-spouse form) to any disposition of a homestead property.

The act also requires that the spouse appear before a solicitor, notary public, justice of the peace, the registrar of land titles, a local registrar of the Court of Queen's Bench or district court judge to have this form completed. This is to ensure the spouse understands his/her rights in the homestead and that the lease agreement and consent-of-spouse form be signed of his/her own free will without any compulsion on the part of the other spouse.

8. **Complete the Affidavit of Execution**

When all parties have signed a lease agreement, it is final and binding. If the signatures are witnessed and the witness completes the affidavit of execution, it is not necessary at a later date to prove the signatures.

9. Where required, complete the following supplementary forms:

- **Caveat**

A tenant should register a caveat against the land title of the rental property to protect his lease in the event of a change in land ownership.

- **Lease Renewal**

To renew the lease agreement, complete the LEASE RENEWAL FORM, THE HOMESTEAD ACT CONSENT-OF-SPOUSE, CERTIFICATE OF ACKNOWLEDGMENT BY SPOUSE, and the AFFIDAVIT OF EXECUTION.

A CAVEAT must also be completed to have an enforceable lease with a new landowner.

- **Consent to Make Major Improvements**

The tenant should have the landlord complete the CONSENT TO MAKE MAJOR IMPROVEMENTS form in duplicate prior to making major improvements on the rented land. It should be clearly outlined what buildings or improvements are to be made, who will pay the cost of materials, and how the tenant will be compensated for his labour or any costs which he may incur. **Attach one copy of each form to each copy of the lease agreement.**

Notice to Reader: This information is general in nature and is intended as a guide only. Interpretation and utilization of this information is the responsibility of the user. No liability for decisions based on this publication is assumed. For application to a specific situation, a professional in the industry should be consulted.

SAMPLE COW-CALF SHARE LEASE AGREEMENT

THIS AGREEMENT made in duplicate this _____ day of _____, 20____.

BETWEEN:

(Owner's name)

of _____
in the Province of Manitoba,
(address)

(the "Owner")

- and -

(Lessee's name)

of _____
in the Province of Manitoba,
(address)

(the "Lessee").

WHEREAS the Owner and the Lessee wish to enter into a lease agreement with respect to the leasing of the cattle by the Lessee.

NOW THIS AGREEMENT WITNESSETH that in consideration of the mutual agreements and undertakings herein the parties hereto covenant and agree with the other as follows:

DISCLAIMER

This sample agreement is designed for informational purposes only and is not intended or implied to be a substitute for professional or legal advice. Users of this sample agreement should consult with their professional and legal advisors to determine the appropriateness of this sample agreement for their own situation.

The Manitoba government and its ministers, officers, employees and agents make no representations, expressed or implied, as to the accuracy, adequacy, completeness or reliability of this sample agreement. This sample agreement may be changed or updated without notice. The Manitoba government and its ministers, officers, employees and agents will not be liable to any person, organization or entity for any damages of any kind, which may arise from use of this sample agreement.

SECTION 1.00 DEFINITIONS

- 1.01 “Bred animal” means an impregnated cow or heifer.
- 1.02 “Un-bred animal” means a cow or heifer exposed to the breeding bull but (for whatever reason) not impregnated.
- 1.03 “Breeding bull” means the bull, acceptable to both the Owner and the Lessee, that will be used to breed the animal and/or heifers.
- 1.04 “Calf crop” means the number of calves that are born annually to a particular cow group. This is usually expressed as a percentage of calves weaned from a particular cow group.
- 1.05 “Offspring” means the progeny of animal or heifers.
- 1.06 “Cattle” means all animal, calves, heifers, bulls, steers, etc. leased to the Lessee by the Owner.
- 1.07 “Term” means the term specific in Section 2.01.
- 1.08 “Premises” means the physical location where the Cattle will be kept for the duration of the Term.

SECTION 2.00 TERM

- 2.01 The term of this Lease shall be ____year(s) commencing on the ____day of _____, 20____, and ending on the _____day of _____, 20____.

SECTION 3.00 CALF CROP PROCEEDS

- 3.01 When sold, the Calf crop will be sold in the name of the Owner, and ____% of the net income (less sales commissions) from the sale of the Calf crop shall be paid to the Lessee within ____ days from the date of the sale.

SECTION 4.00 CARE AND MANAGEMENT OF THE BRED ANIMAL

- 4.01 The Owner and Lessee shall share, in the same proportion as they share in the Calf crop, such costs arising from medicines, drugs, and services administered by a Veterinarian to the Bred animals and their Offspring in the case of treatment for sickness.
- 4.02 The Lessee shall supply and pay at his/her cost, vitamins, minerals, and any other medicines or vaccinations **not** administered by a Veterinarian to the Bred animals and their Offspring that are necessary to prevent disease or malnutrition and to promote the growth and well being of the Cattle.
- 4.03 The Lessee shall carry out the health practices for Bred animals that are currently accepted and recommended practices in the Province of Manitoba.
- 4.04 The Lessee shall supply, at his/her cost, feed, water, pasture, necessary shelter, and all labour for supervision and care of the Cattle.

- 4.05 The Lessee shall permit the Owner, or anyone entering on behalf of the Owner, to enter the Premises to examine the Cattle at any time.

SECTION 5.00 DESCRIPTION OF THE BRED ANIMALS

- 5.01 The Bred animals shall be certified to be pregnant by a Veterinarian.
- 5.02 The Bred animals shall be clearly marked with a brand, or other marking, agreed to by both parties.
- 5.03 The Owner shall deliver the Bred animals, as described in the attached Schedule "A", to the Premises on or before _____, 20____.

SECTION 6.00 BREEDING

- 6.01 The Owner shall pay all costs of the services of a Breeding bull.
- 6.02 The Lessee shall carry out a breeding program in accordance with currently accepted and recommended practices in the Province of Manitoba, and shall make all reasonable efforts to ensure the animals are bred to calve by _____ of each year of the Term.
- 6.03 The Owner shall be responsible for, and have the option of replacing each Un-bred animal with a Bred animal that is acceptable to both parties.
- 6.04 The Owner shall be responsible for all costs relating to pregnancy testing of the Bred animals.

SECTION 7.00 DEATH LOSS, RECOMMENDED SALE, AND INSURANCE

- 7.01 The Owner shall be responsible for the Bred animals which die ("Death Loss"), or those which the Veterinarian recommends be sold ("Recommended Sales") due to sickness or injury, for a period of 30 days immediately following their delivery to the Lessee's farm.
- 7.02 Any proceeds from Recommended Sales is the Owners.
- 7.03 The Owner shall have the replacements, for Death Loss and Recommended Sale, delivered to the Lessee's premises by December 31st of that year of the Term.
- 7.04 If the Lessee is negligent resulting in death or injury to the Bred animals, then the Lessee will be responsible for the replacement cost of, or Veterinarian services required for, those Bred animals.
- 7.05 The Lessee may, at his/her expense, carry fire and liability insurance on the Owner's Cattle.
- 7.06 If during the Term of this Agreement, a calf dies and is replaced, the cost of the replacement calf shall be split between the Owner and Lessee at an agreed upon percentage. **(NB: Alternatively can use the percentage in Section 3.01)**

SECTION 8.00 CULLED ANIMALS AND THEIR REPLACEMENTS

- 8.01 On or about October 31st of each calendar year during the Term, the Owner and Lessee shall mutually agree upon those Cattle which are to be culled ("Culled Animal").
- 8.02 The Owner may replace each Culled Animal with an animal acceptable to the Lessee and will deliver such animals to the Lessee's premises by December 31st of that year of the term.
- 8.03 Any proceeds from the sale of Culled Animals is the Owners.

SECTION 9.00 OWNER'S RIGHTS

- 9.01 If, during the Term of the Lease, any of the goods or chattels of the Lessee are seized by any creditors of the Lessee, or if the Lessee makes any assignment of chattels involved in the Lease for benefit of creditors without first obtaining written consent from the Owner, or if the Lessee becomes bankrupt, this Lease shall, at the option of the Owner, become forthwith forfeited and void and the year's share of the Offspring shall become forthwith due.

SECTION 10.00 LESSEE'S RIGHTS

- 10.01 The Lessee, upon performing the covenants, promises, agreements, and undertakings herein contained on his/her part, shall and may peacefully possess and enjoy the said Cattle for the duration of this Lease without any interruption or disturbance from the Owner or any person claiming through or under the Owner except as noted in Section 4.00.

SECTION 11.00 STABILIZATION PROGRAMS AND SUBSIDIES

- 11.01 In the event that any payment, subsidy or other reimbursement is made under any government agency, or any marketing agency in connection with costs and benefits as associated with cattle during the term of this Lease, the payments associated with the Cattle shall be split as identified in Section 3.01
- 11.02 If the Owner and Lessee mutually agree to participate in a stabilization program, the costs and benefits should be split as identified in Section 3.01.

SECTION 12.00 TERMINATION

- 12.01 The Owner or the Lessee may terminate this Lease by providing written notice to the other on or before September 1st in any year during the Term. The written notice shall be effective as of October 1st (the "Termination Effective Date") in the year during which it was given.
- 12.02 Upon termination, the Lessee shall deliver to the Owner the Bred animals within _____ days. The Lessee is responsible for transporting the Bred animals at no expense to the Owner for the first 80 kms from the Premises. The Owner shall pay all costs of transportation of the Bred animal or replacements over 80 kms.

SECTION 13.00 ARBITRATION

13.01 Any disagreement which may arise between the Owner and Lessee shall, when a mutually satisfactory settlement cannot be reached, be submitted to arbitration. The arbitration authority may either be a single person mutually satisfactory to both parties, or a board of three, one member to be proposed by each party and a third selected by the two as chosen. The recommendation of the arbitrator or arbitration board shall be accepted as final. The cost of arbitration will be split 50/50 between the Owner and Lessee.

SECTION 14.00 GENERAL

14.01 Time shall be of the essence of this Agreement.

14.02 This document and the attached Schedule "A" contain the entire agreement between the parties. There are no undertakings, representations or promises express or implied, other than those contained in this Agreement.

14.03 No amendment or change to, or modification of this Agreement shall be valid unless it is in writing and signed by both parties.

14.04 This Agreement shall be interpreted, performed and enforced in accordance with the laws of Manitoba.

14.05 This Agreement shall endure to the benefit of and be binding upon the parties hereto, and their respective heirs, successors and assigns.

The Parties to this Cow-Calf Share Lease Agreement do hereby accept this Agreement subject to the conditions, restrictions and covenants set forth.

SIGNED, SEALED, AND DELIVERED

in the presence of:

(Witness)

(Owner)

Where the Owner is a corporation

(c/s)
(Corporation's Name)

Per:

(Name of Signatory)

SIGNED, SEALED, AND DELIVERED
in the presence of:

(Witness)

(Lessee)

Where the Lessee is a corporation

(Corporation's Name) ^(c/s)

Per:

(Name of Signatory)

SCHEDULE "A"
DESCRIPTION OF BRED ANIMALS

NUMBER	AGE	BREED	BRAND OR MARKING	DATE CULLED

For more information, contact your local [Manitoba Agriculture Farm Business Management Specialist](#) or [Manitoba Agriculture Office](#)