

### Helpful Contacts for Buying a Farm

Your local Agricultural Resource Coordinator (ARC) may know of farms for sale or rent in your area. Occasionally the Nova Scotia Farm Loan Board offers farms for sale. These properties can be viewed on the Farm Loan Board's website: <http://www.gov.ns.ca/agri/farmlb/sales/> Farm Credit Canada also lists farms for sale on its website: [http://www.fcc-fac.ca/en/Products/Property/propertysale\\_e.asp](http://www.fcc-fac.ca/en/Products/Property/propertysale_e.asp) Most real estate companies in Nova Scotia list farm properties as well as residential properties. These properties are often advertised in real estate supplements of local newspapers and online. You can view Canadian MLS listings at [www.realtor.ca](http://www.realtor.ca)

Private sellers may advertise their property in the classified ads of local newspapers. In addition, farm properties are sometimes advertised in the classifieds of Atlantic Farmer: [www.atlanticfarmer.com](http://www.atlanticfarmer.com) and in the Atlantic Canada Organic Regional Network (ACORN) newsletter. Many private sellers advertise their properties through Property Guys: [www.propertyguys.ca](http://www.propertyguys.ca)

### Choosing a Farm

The criteria for choosing a farm will depend on your farm and lifestyle goals. Some factors to take into account include:

- Proximity to services (e.g. farm stores, machinery dealerships, veterinary services, schools, shops, churches, community centres)
- Proximity to markets (e.g. an urban centre, farmers' market, or processing facility)
- Suitability of the farm for your desired crops (some crops, like lowbush blueberries, grapes, and tree fruits, can only be grown under very specific conditions).

New farmers generally use two strategies when developing farm businesses. They may choose a farm based on non-production criteria, such as location or affordability, and afterwards assess what the farm is suitable for producing. Other farmers decide what they want to produce first and try to find a farm suitable for that crop. In the second case, it is essential to know

the soil, climate and infrastructure requirements for the desired crop *before* purchasing a farm. In either case, new farmers will benefit from the information found in the fact sheets *Climate and Soil Considerations* and *Farm Infrastructure Considerations*.

Some new farmers purchase more land than they need, resulting in higher mortgage payments than they can afford. It is important to take the time to consider how much land is really needed before purchasing. If your dream farm comes with more land than you need, you might consider selling or leasing some of it to other farmers.

### **Leasing Land and Buildings for Farming**

The cost of buying land and paying a mortgage can add to the cost of starting a farming operation. Leasing may be an option for enterprises that require less infrastructure or where the investment in infrastructure--such as irrigation pipes, a greenhouse, or fencing--is portable. If infrastructure involves improvements that are not easily removed, like digging a pond or constructing buildings, then it may not be wise to invest on land you do not own unless the owner pays for these improvements. If the property that you want to lease has buildings suitable to your enterprise, then a rental agreement might also include use of buildings.

Finding good farmland to lease may be as challenging as finding good farmland to purchase. You may find that people will respond to ads placed in small community papers, farm papers or in county newsletters. Contacting owners of a desirable property by personal letter and/or phone call can be effective too. Also, check with area realtors and farmers. Once you find some possible properties to lease, consider the soil type, drainage, if there is a water supply, and what it will take to bring the land into production. It is important to find a site that matches the production requirements of the enterprise you want to develop.

### **Written Leases**

A written lease or agreement is a good idea, whether you are paying rent, working on shares or permitted to use the land free of charge. A lease will specify the terms under which the renter and the owner will operate. The main goal of a lease is to develop a fair agreement understood by both parties. Landowner and tenant needs and goals should be identified.

A well written lease should include:

- 1) Description of the land and buildings to be rented, and equipment if applicable. An accurate assessment of the conditions at time of rental is a good idea, including photos to document.
- 2) Rights of each party: owner and tenant access and use. Spell out any restrictions.
- 3) Improvements that will be made and who pays for these. If buildings are involved, specify who pays for improvements like roofing, painting, etc. that are normal infrastructure versus improvements made specific to the farm enterprise.
- 4) Agricultural practices to follow – outline organic or agronomically sound practices to be used, specify that fields be planted to a cover crop after use, list prohibited practices.
- 5) Condition of land at end of lease - common practice calls for land to be left in the same condition as when first rented. Leases may specify that the tenant must use diligence to prevent noxious weeds from going to seed and the soil from eroding, for example. However, land that was not farmed for some years prior to the lease may actually be left in better condition. In this case, consideration should be given to the cost of those improvements.
- 6) Payment terms under normal growing conditions and in the event of a crop failure. Payments should be based on the value of the property for farming purposes only (not for development).
- 7) Lease payment: leases can be paid in cash, in crop or livestock shares, or in some cases, landowners are willing to forgo fees if the tenant makes improvements.
- 8) Bringing land back into production - if land has not been actively farmed in many years, the cost of bringing land back into production is considerable. Consideration needs to be given as to who should pay for these costs. The owner benefits in the long run from improvements that are made.
- 9) Length of the agreement and terms of renewal. A one-year renewable lease might be a good starting point for annual crops, or if planting perennial crops, a 3-5 year lease is preferable.
- 10) Early termination if initiated either by the owner or tenant and the consequences.
- 11) Insurance paid by owner (for land, buildings, equipment) and paid by tenant (for crops/livestock and production related improvements made by tenant).
- 12) Taxes are the responsibility of the owner.
- 13) Provisions for arbitration in the case of disagreements.

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### **Determining Cash Rent**

There are several approaches that can be taken when establishing a fair rental rate. These include: 1) the demand for land and going rate in a particular area; 2) the cost and return associated with a crop allowing for an acceptable profit and rental payment; 3) whether the landowner needs to cover fixed costs or taxes. Generally a combination of these approaches may be needed to arrive at a fair rate.

### **Determining Share Rent**

A shared rental agreement assumes that the landowner and tenant account for what each contributes to the production of a crop or livestock including fixed and variable costs; then calculate the percentage contributed by each party. This percentage can be used in setting return (crop or harvest returns) received by owner and tenant. Flexibility is needed in case of low harvest or prices. Owners may have to relinquish some shares if the tenant is dependent on sales for their livelihood.

### **Renting Farm Buildings**

A key factor influencing building rental is whether the owner needs to obtain a minimum rent to cover fixed costs or not. Variable costs such as utilities can be assigned proportionate to use by the tenant. A key consideration for tenants is whether additional insurance is needed to cover losses of stored crops, livestock or equipment.

### **Sample Lease Agreement**

A simple lease follows as a starting point. Consult an attorney if a more detailed lease is desired. In addition, your Regional Agriculture Office may have a copy of a more detailed lease agreement.

This lease is entered in this \_\_\_\_ day of \_\_\_\_\_  
between \_\_\_\_\_, landlord, and  
\_\_\_\_\_, tenant. The landlord leases to the  
tenant to use for agricultural purposes \_\_\_\_\_ acres of pasture and  
\_\_\_\_\_ acres of cropland, and the following building: (list or attach a list)  
located in the Town of \_\_\_\_\_ and County of \_\_\_\_\_ and  
commonly known as \_\_\_\_\_ Farm.

The tenant will pay the landlord \$ \_\_\_\_\_ per year (or other specified  
time period) with payment to be made as  
follows: \_\_\_\_\_. The tenant will also pay all  
the costs of planting, growing and harvesting crops grown on the land.

The tenant will be required to maintain and repair fences, tile drains, and diversion ditches, and make ordinary repairs to maintain buildings and equipment used, and pay for utilities such as electricity and water (if relevant) during the period of the lease.

The landlord will pay the taxes, fire insurance on buildings, major repairs or improvements, such as new fence, ponds, drain tiles, diversion ditches, etc.

The tenant will follow recommended conservation and agronomic practices in working the land. No green or growing timber may be harvested from the property by the tenant. The landlord has the right to inspect or enter the property at any time.

This lease shall be for \_\_\_years beginning (date)\_\_\_\_\_with automatic renewal for (how long):\_\_\_\_\_(years) unless either party gives written notice to the contrary at least 3 months (90 days) before the expiration of the current rental period. The rental rate may be adjusted annually to account for increases in taxes, insurance or other costs of ownership.

Any meadow land plowed for annual crops will be re-seeded to a perennial forage crop at the end of the lease period (unless the lease has been automatically renewed).

Any differences between the landlord and tenants as to their rights and obligations under this lease that are not settled by mutual agreement shall be submitted to an arbitrator or other such person who has authority to make a final decision.

It is agreed that the stipulations of this lease are to apply to and bind the heirs, executors, administrators, and assigns of the respective parties and is made and executed in duplicate.

In witness whereof the parties have signed this lease on this date of\_\_\_\_\_.

Landlord\_\_\_\_\_

Tenant\_\_\_\_\_

Witness\_\_\_\_\_

Witness\_\_\_\_\_

[Note: The content for this fact sheet was taken from the *Guide to Farming in NY: What Every Ag Entrepreneur Needs to Know*, a publication of the NY Beginning Farmer Project, Cornell Small Farms Program. It was revised by Maria McCurdy, NS Farm Loan Board, in March 2010 and by Becky Sooksom, THINKFARM Resource Coordinator, July 2010.]