

News Release

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Various Lease Agreements Impact DCP Participation

LINCOLN, NE, -- April 5, 2007 – The Nebraska Farm Service Agency (FSA) reminds producers that flexible and combination leases may alter the agreement terms of FSA’s Direct and Counter-cyclical Program (DCP). FSA regulations have been in effect for nearly 10 years but have attracted new interest due to the recent popularity of flexible or combination leases. These provisions have been in place to protect both landlords and tenants, as well as to insure compliance with payment limitation rules.

In the past, most farmers rented land for a certain cash rent and nothing else. Due to the recent spike in cash grain prices, many renters and landlords are becoming more creative in the way rent is figured. While this is certainly acceptable, renters and landlords must have a clear agreement, and convey their rental terms to their local FSA office.

“FSA is not trying to prevent any landlords and renters from using these variable leases. We just want to ensure that farmers are aware of the regulations now so they don’t end up with problems next fall when FSA does compliance spot checks,” said State Executive Director Brian Wolford.

The key determinant in terms of how FSA looks at these leases is whether the landlord shares in the production risk of the crop or if the rental amount is affected by the actual production or crop proceeds from the leased land. Leases which are based in part or entirely on a share of the crop or proceeds are considered share leases and must be reflected as such by the producer when signing up for DCP payments. Under a share lease, the landlord must receive a share of the DCP payment in proportion to the percentage of share they receive per the terms of their rental agreement.

Signup for the 2007 DCP is currently underway at county FSA offices and continues through August 3, 2007. Additional information on flexible and combination leases is available at county FSA offices.

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