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How Long Does the "Crop Year" Last? The Importance of Specificity in Agricultural Leases

Legal Update

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Farmers, ranchers and landowners are familiar with the term "crop year." However, the term often lacks precision and can be open to different interpretations, especially regarding differing crops. While many would define the "crop year" to be the time between harvests, that definition can cause confusion in long-term agricultural leases, especially where the tenant-farmer intends to raise different crops during the lease term.

Despite the potential for confusion, the North Dakota Supreme Court recently found that the term "crop year" was not ambiguous and ended soon after the removal of crops. In *Shadow Industries, LLP v. Hoffman*, 2020 ND 83, 942 N.W.2d 487, the parties' 2008 agricultural lease had a term of "the next 10 crop years, which would be through the 2018 crop year." The lease also provided an extension option of an additional 10 years "or crop years 2019-2028." In the fall of 2018, the tenants-farmers removed their crop, "deep ripped the land, tilled to create fall bedding and applied fertilizer." On January 4, 2019, the landlord recorded a notice of termination of the lease in the real estate records. Soon thereafter, the tenants wrote to the landlord stating their election to extend the lease for an additional 10 years. The landlord rejected the extension attempt and commenced an eviction action.

The North Dakota Supreme Court overturned the trial court's decision that the term "crop year" was ambiguous and that the tenants had properly exercised their option. Without identifying the specific crop that had been planted on the land, the Supreme Court relied on the original landlord's testimony that the crop year ended no later than October 2018 as support for its determination that the last crop year ended in calendar year 2018. While many ranchers and farmers may have considered the tenant's post-harvest actions in deep ripping, tilling and fertilizing the land as evidence it intended to exercise its extension option, the Supreme Court cited those actions as support for its determination that the lease term ended in calendar year 2018.

Despite the decision in *Shadow Industries*, parties to a lease may have differing views about when a "crop year" ends. Accordingly, the lesson for farmers, ranchers and landowners is to be specific in their leases about when the term will expire and when any notice of extension must be given.