

Time to Start Talking About Agricultural Leases

AGRI-VIEWS

by Chuck Otte, Geary County Extension Agent

Harvest isn't even finished yet for many producers, but it's time for landlords and tenants to start sitting down and talking about their agricultural leases. Ag leases are often a difficult thing for landlords and tenants to talk about. If a landlord isn't happy with their tenant, the tenant may be the last one to know about it. If the tenant isn't happy with the lease terms or cash rental rate, the landlord may be the last one to know about it. Why? Quite simply because as humans, most of us want to avoid controversy with the person we are not totally pleased with. We'll gripe to everyone else about that tenant/landlord rather than sit down and talk with the person we're unhappy about. So everything just sits there and festers until there's an explosion!

The most important thing in developing an equitable and effective lease is open communications. The second most important thing is trust. Without both of these happening, a lease is ultimately doomed. In addition we are seeing a changing face of the "average" landlord. Historically, most landlords were retired farmers, or farm spouses. They spent their life tilling the land. They understood the trials and tribulations of farming. They also understood the rewards of farming. Dealing with this type of landlord involved letting them know how the crops were faring. Perhaps it meant taking a morning, at varying times through the year, and driving them around to see the fields and pastures. They appreciated seeing the crops and how they were progressing. The challenge is that as technology has changed the face of production agriculture, this landlord may not have kept up with the changes and fully understood why these changes requires changes in the crop sharing agreement.

More and more we have a new landlord entering the picture. These may be children or grandchildren of the previous landlord. Often they are far removed from an actual farming operation and probably don't live on the land or even in the same state. These landlords are more inclined to want a cash rent lease. Their interest is in their bottom line, which usually boils down to whether they are making enough to pay their expenses in owning the land. The traditional landlord understood that land is the life blood of farming. The new generation landlord views the land as a commodity. Neither landlord is "right" or "wrong", it's just a change and it impacts how the tenant needs to approach them and communicate with them.

As we start to wrap up the fall harvest and approach the end of the year, it makes perfect sense to start sitting down with your tenant/landlord(s) and start discussions. Both parties need to be open and honest. Not brutally blunt, just tell it like it is. Each party needs to listen to each other and make sure that you are listening to understand, not listening to respond. If you are happy with the terms of the lease, say so. If you are unhappy with the terms of the lease, explain why and be specific. Talk more in terms of economics, not emotion, although it is often hard to keep emotion out of it. If changes are needed, don't feel that you have to work out the details right now. We've got several months to work on this, which is why I want you to start now.

There are tools available to help in developing new lease agreements. There are spreadsheets to help break down the economic angle of this. I can direct you to them on the internet or I can sit down with you and discuss them in my office. Don't ask me to tell you what's fair, that's a judgement call. But I can help you determine what's equitable, which is an economic evaluation. But the first step in the process is to sit down and to start talking. It may only be the start of November, but it isn't too early!