

Farmland Rental Agreements

October, 2013

Dear Client,

There are three issues that I most often hear related to landlord/tenant disagreements:

- 1) Fence Maintenance
- 2) Pasture Mowing / Weed Control
- 3) Barn/Shed/Facility maintenance

For Fence maintenance, in most cases I recommend the landlord should provide materials and the tenant labor for fence maintenance. The owner could determine dollar amount they are willing to spend on fence materials each year and communicate that with the tenant. I believe the maintenance of fences is the biggest issue facing landlords and farmer-tenants. Landlords should purchase fence materials because, generally, fences are an asset with a 10 – 20 year life and rarely are tenants assured of having use of a farm for that long a period of time.

I do not recommend the landlord try to specify a specific weed spraying or fertility regimen. Generally, the landlord will be satisfied so long as the mowing maintains a neat and well-kept appearance which can be accomplished with once per year mowing with most fields. The landlord may want to specify that the entire farm be mowed or harvested by a particular date each year.

Landlord and tenant need to ride over the farm and inspect the facilities carefully at least once per year. Insurance needs to be discussed and the difference between building maintenance (ex. wind blowing-off tin) and building damage (ex. tractor running into support beam) needs to be delineated.

These are just a few personal observations of land rental relationships. See the attached documents for sample leases and additional information. Give me a call (either the Rockbridge or Augusta Extension Offices) or email if you have questions.
stanleyt@vt.edu

Tom Stanley
Extension Agent, Farm Business Management
stanleyt@vt.edu

What Should You Include in Your Farm Lease?

1. A Lease should always be in WRITING. Even if it is not prepared by an attorney, it is important to write down a few points about the agreement between tenant and landlord and what each party expects from the agreement.
2. A statement to show that the agreement is a lease, entered into by the landlord and tenant whose names and addresses are clearly designated. State clearly that this is a LEASE and is not a partnership or other business relationship. The tenant and landlord should not conduct business related to this property as though they were partners.
3. A description of the property and permitted uses under the terms of the lease. A good starting place may be the deed book and page number of the last recorded deed. However, the deed description may need to be modified to reflect changes to the property and restrictions or exclusions of buildings, acreage, or resources on the deeded property.
4. The term or period of time that lease is to cover and the starting date.
5. Provisions for extension and termination of the lease. Provision for extension should specify date by which extension must be confirmed. Provision for termination should specify date and nature of written notice required for termination.
6. An agreement on the cash rent to be paid and/or division of the crops and the time(s) and place(s) such payments are to be made.
7. Describe rights of access and specify restrictions for both the landlord and tenant.
8. An annual plan for conservation practices and how expenses for conservation practices are to be shared. Examples of conservation practices can include application of lime and fertilizer, weed control, overseeding pastures and cropland, planting cover crops, and maintenance of waterways and filter strips.
9. Responsibilities of the tenant, such as for hauling out manure, maintaining roads or water gaps, and making repairs to improvements. These provisions should address who is responsible for providing labor, equipment, and all costs associated with these responsibilities.
10. Responsibilities of the landlord such as for furnishing building materials, fuel, other inputs, and repair or replacement of buildings destroyed by fire or other causes beyond the tenant's control. These provisions should address who is responsible for providing labor, equipment, and all costs associated with these responsibilities.
11. An agreement to compensate the tenant for unexhausted improvements in event the lease is terminated before full benefits are received.
12. Arbitration provisions if desired.
13. Restrictions imposed by the landlord, such as restraining the tenant from subletting all or a part of the farm or plowing up permanent pastures. Hunting rights and recreational use limitations should be addressed as well as use of woodland resources (firewood, timber, non-timber forest products).

INFORMAL FARMLAND LEASE – This is an example only and should not be considered or used in lieu-of qualified legal counsel.

FARM NAME _____

Location / Description _____

Landowner Name & Contact Information _____

Farmer Name & Contact Information _____

I _____ agree to pay the sum of \$ _____ (annually / quarterly / monthly) for the exclusive right to conduct all reasonable farming activities on the farmland listed at the top of this form. This lease shall have a term of _____ year(s) beginning _____ and ending _____

In addition to the sum paid, I agree to:

- 1) Mow or otherwise harvest all vegetation on the farm at least _____ times per year, the first mowing or harvesting occurring by _____ except for fields that are under cultivation. This includes vegetation immediately around all buildings.
- 2) To provide or pay for all labor necessary to maintain existing perimeter fences while the landowner provides all materials for said perimeter fences.
- 3) To pay for or otherwise complete all repairs to buildings that are damaged as a result of my actions. This does not include normal wear and tear on buildings or damage due to natural events such as storms.
- 4) Hunting and Fishing rights _____ (are / are not) conveyed to the tenant with this lease).

Farmer / Tenant

Landowner

Below is one approach to language for a multi-year lease with a 5-year term that is renewable in the 3rd year. This should not be considered or used in-lieu of qualified legal counsel.

“We (the landowners) promise the rental of the farm to (farmer’s name) from January 1, 2014 to December 31, 2017 at an annual rental rate of \$____ per year payable (monthly/ annually by ____ date). By December 31, 20__ we (the landowner) may extend the lease to December 31, 2019. Or we may extend the lease beyond December 31, 2019. If we (the landowners) terminate the lease prior to December 31, 20____ (farmer’s name) has:

- 1) 90 days to remove their livestock, equipment, or other of their property from the farm.
- 2) Is entitled to a fair reimbursement to all standing annual row crops currently on the farm.
- 3) Will be reimbursed for the greater of \$__ or sum total of receipts/verifiable records of expenditures on the farm within the 36 months prior to the notification date not to exceed \$ _____and not including any charge for labor by the farmer tenant or members of his family.

The farmer tenant is not entitled to any reimbursement if the farmer terminates the lease prior to the agreed date.”

The number 3) provision should provide some protection and incentive for the farmer tenant to communicate and provide a record to the landowner as fertilizer/lime/seed/herbicide is applied. That way there will be a record of land improvements in case the lease is terminated early. In the event the tenant does little or nothing to maintain the land and the lease is terminated early the landowners are obligated to a minimal reimbursement to the tenant.

Three additional ideas:

- 1) The landowner may wish for the lease to state that the entire farm must be mowed or otherwise harvested at least once per year.
- 2) Fences are maintained by the landowner providing materials and the tenant providing labor.
- 3) If use of facilities (barns) are included in the lease, there should be some regular inspection of the building(s) where the landowner pays for maintenance (such as windstorm damage, gutter repair, etc etc) but the farmer tenant must pay for damage (tractor hitting a door or support beam etc etc)
- 4) Any multi-year lease agreement should be guided by professional legal council.

Finally, it’s impossible to foresee all circumstances so having regular communication between landowner and tenant (and finding a conscientious and trustworthy tenant!) are critical!!

Developed by Tom Stanley, Extension Agent for Farm Business Management as a guideline for developing the components of a lease agreement and is not a substitute for qualified legal counsel. All lease agreements should be entered into with qualified legal counsel.