



Education and Outreach on the Risks and Benefits of Leases and Rental Agreements in Farm Transition

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Project Introduction

Expended Amount: \$12,750

This project addressed the financial, legal and human risks associated with farmland leases by developing publications (including form leases) and an online module and conducting/assisting presentations at producer meetings/programs across the state. The intent of the project was to educate participants on (1) basic legal requirements, (2) types of leases and the advantages and disadvantages of each, (3) negotiating rental rates and (4) building and maintaining a good working relationship between landlord and tenant.

Project Participants

More than one-third of Tennessee's farmland is rented, making leasing agreements a common interest and source of risk for landowners and producers. Volatile input and output markets, increasingly competitive land markets and aging producers threaten both the continued viability of existing farms and the ability of new and beginning farmers to acquire farmland. Thus, the target audience for this project was landowners and producers interested in leasing farmland. Anecdotal evidence and quantitative evaluations reveal a large and increasing demand for information on leasing and rental agreements by Tennessee's producers. Records suggest that Extension client contacts related to farmland leases more than doubled from 2009 to 2010, increasing from 623 to 1,263. This increase is likely attributable to the increasingly competitive

environment and large changes in rental rates from one period to the next and from one county to another. The limited amount of information currently available to producers needs to be supplemented and updated to equip the state's agricultural service providers to better meet the needs of landowners and producers.

Project Area

Given that leases are governed by state statutes and common law, the geographic coverage for this project was the State of Tennessee. However, we do know that producers from other Mid-South states (Missouri, Arkansas, Kentucky and Mississippi) attended some of the sessions.

Project Outcomes

The objective of this project was to allow participants to reduce the uncertainty and risks associated with leasing land by providing them the tools to increase their awareness of alternative leasing arrangements; improve their ability to select the most appropriate leasing arrangement for their particular circumstances; improve their understanding of basic legal requirements for leases and common lease provisions; increase their awareness of the risks associated with using oral lease agreements; and improve their ability to communicate with legal professionals and other parties to a lease. The materials and educational programming prepared for this project were presented to over 616 agricultural producers in the State of Tennessee.

However, given the nature of many of the meetings at which the material was presented and (unfortunately) due to turnover in the project team, evaluations were completed at only a few of these sessions. The following summarizes these evaluations:

- All 48 (100%) participants who completed an evaluation claimed to have a better understanding of the basic legal requirements for lease agreements and a better understanding of the benefits and disadvantages of the different types of lease agreements after attending the session.

- 47 of 48 (98%) of the participants claimed to have a better understanding of some of the appropriate methods to determine rental rates after attending the session.
- 31 of the 32 (97%) participants who leased or planned to lease land in the near future asserted that they would use some of the information presented to create a new lease agreement or improve an existing lease agreement.

■ Quotes

The only quotes we obtained from participants were from anonymous evaluation forms:

“Hands-on tools for production costs and land lease should be very helpful.”

“Lease tool . . . good tools”

“Leasing info useful.”

We do have a quote from one of the individuals responsible for delivering the educational curriculum:

“As producers and landowners strive to improve their economic returns and the farmland on which they are based, it is critical that the awareness, knowledge and education of viable leasing arrangements be fully explored.”

Chuck Danehower
Extension Area Specialist -
Farm Management, UT Extension,
presenter at leasing meetings

■ Project Success Story

This West Tennessee producer has leased an adjoining farm for years from first his aunt and now his cousin. Agreements have always been oral and have worked well. After attending an Irrigation Conference in Jackson, TN, where he heard Dr. Chris Clark of the University of Tennessee talk about leasing arrangements for irrigated land, he decided it was time to get a written lease developed. After discussions with Dr. Clark and UT Extension personnel, he incorporated specific language on the ownership of the center pivot irrigation system in his written lease. Although not anticipating any problems, he now has some assurance that should something happen to him or to his cousin, both families are protected.

***Sandra Martini, H. L. Goodwin and Ronald L. Rainey**, Grant Coordinator and Co-Directors, respectively, of the Southern Risk Management Education Center, serve as editors of this report series. To learn more about risk management education programs and resources, visit the Southern Center web site (<http://srmec.uark.edu>) or the Extension Risk Management Education Program link (www.extensionrme.org).

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