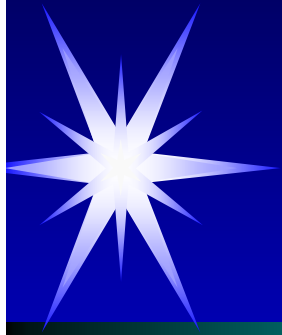


Leasing Tips



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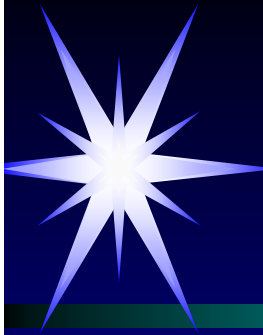
Questions?

- 1) Where can I find more land to lease?
- 2) How much should I pay for rented land?
- 3) How do you negotiate a fair rent?
- 4) How do I write the lease?



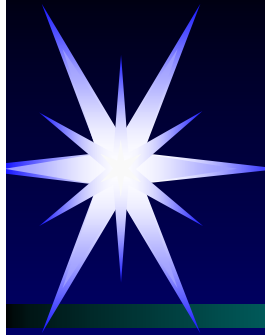
The best farm leases are fair to
both landlord and tenant.

It will require some give and take by both
landlord and tenant to design a lease that
makes both parties happy.



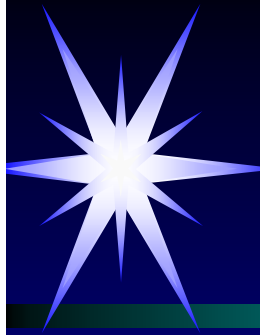
Selecting a tenant

- Landlord and tenant are a good match and a good team.
- How much control do you want?
- Pasture & cropland. Best to rent to one tenant.
- Use the “low profile” approach to finding a tenant.



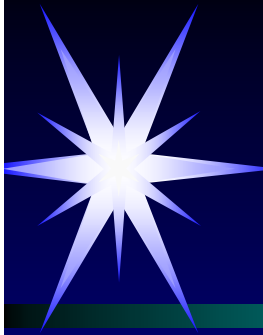
Selecting a tenant

- Visit the tenant's farm.
- Get references
 - from other landlords.....
 - Ask if he can handle another farm?
 - Ask about his management.
 - Visit the other farms he leases.



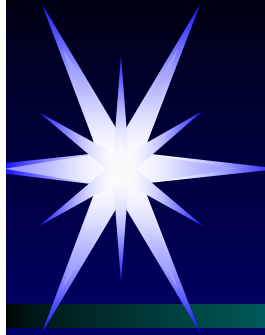
First

- Prove to yourself that leasing a new farm will:
 - add to the bottom line.
 - Reduce constraints.
 - improve efficiencies.
 - not overburden your management & time.



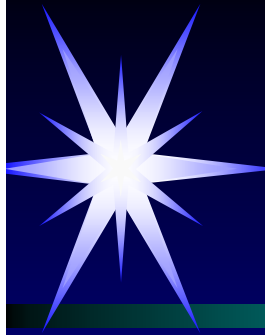
Selecting a landlord

- Prove to yourself that this land fits your needs.
- Check out the landlord. Can you work with him/her?
- Sell your farming expertise to the landlord. Convince him that you are the best person to farm his land.
- Invite him/her to visit your farm to see how you manage.



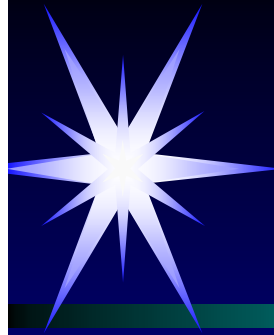
Selecting a landlord

- Most land owners hold onto their land because they think it will increase in value.
- They want to be sure that you will NOT do anything to hurt that value.
- They don't want buildings to deteriorate, weeds to grow, or the topsoil to erode.
- If the farm has sentimental value, they want the farm to look nice.



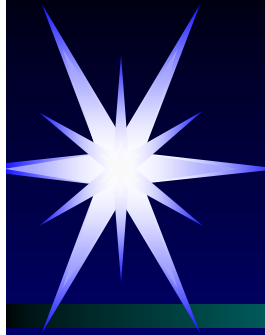
Selecting a landlord

- Does the farm fit your needs? It needs to be a viable part of your operation.
- Will you make money from this rental agreement?
- Look at location of farm in relation to your other farms.



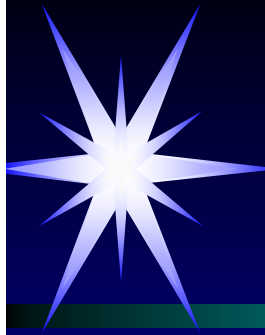
Selecting a landlord

- The landlord should be honest, reasonable, willing to communicate, and understand farming.



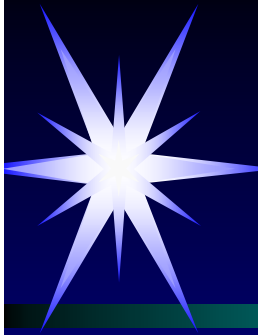
Types of farm leases

- Cash lease
- Share lease
 - crop share lease
 - livestock share lease



The cash farm lease

- State the names and addresses of the landlord and the tenant
- Date lease created
- Beginning and ending date
- Renewal procedures



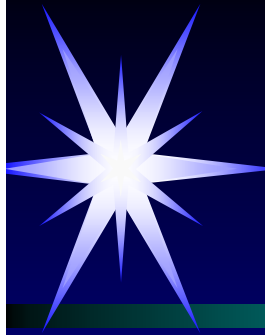
The rental payment

➤ The annual rental payment will be made as follows:

➤ \$ _____ on _____ and

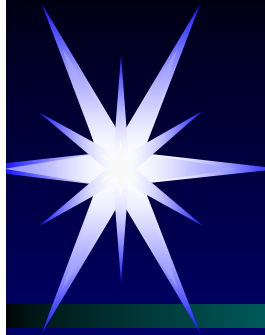
➤ \$ _____ on _____

➤ and the payments will be made at _____.



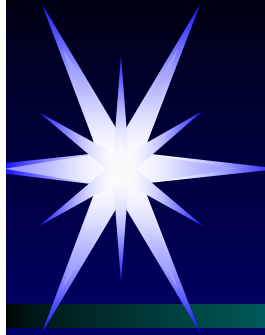
Describe the property

- located on the south side of route 42, near the community of Newport, in the County of Giles, State of Virginia, and commonly known as the Joe Hall farm.
- Farm consists of 160 acres of pasture and hay land.



Written or Oral leases

➤ “I’ve known my tenant (or landlord) for years and a verbal agreement with a handshake has always been good enough. I don’t want him to think I don’t trust him by asking for a written agreement.”



Written or Oral leases

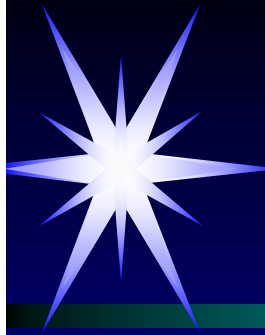
- Most leases are oral leases agreed to one year at a time.
- They are legal for up to one year.
- Oral leases are very flexible.
- However, they have the most opportunities for disagreement.

- Put it all in writing! People tend to have “selective recall.”



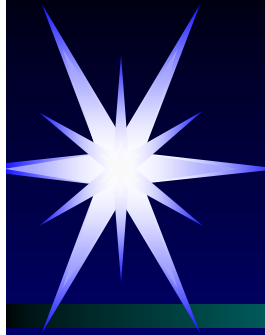
The written lease

- Simple enough that both parties understand the terms. One page is enough for most leases.
- Dated.
- Signed by both parties.
- Make a copy for each party.
- Store in a safe place.



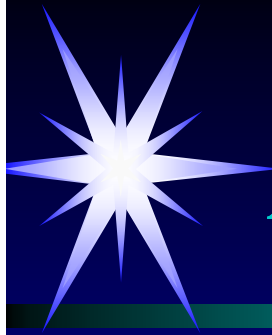
Term of the lease

- Beginning date and ending date.
- State the number of years.
- Three (3) year lease ok. Five (5) year lease better.
- Tenants feel better about fertilizing, liming and maintaining fences if they know that they will be there long enough to reap a return on these investments.
- How to renew.
- Keep 5 years on the lease. Negotiate now for 2008.



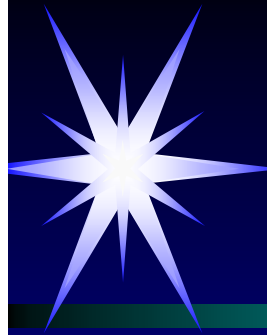
Right of entry

- The landlord reserves the right to enter the farm at any reasonable time for the purposes of consulting with the tenant, making repairs, and to make inspections.



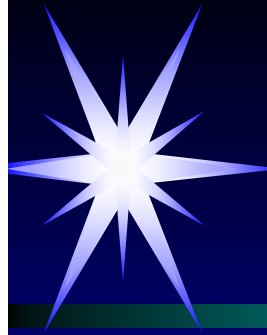
Acres and stocking rates

- The lease may include the acres in each field and the crops grown on these fields.
- It may also include a maximum stocking rate for livestock.
 - This will be difficult to predetermine as weather conditions will change and the ideal stocking rate will change accordingly.
 - Tenant should not overgraze.



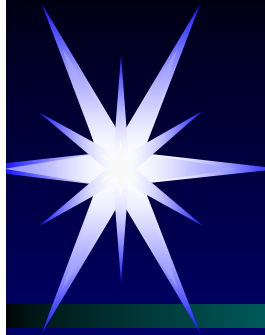
Cropping practices

- Will the landlord permit the plowing of permanent pasture?
- Will the landlord permit plowing of any land?
- Who will re-seed hayfields?
- Who will fertilize and lime?
- Is the tenant allowed to cut firewood?



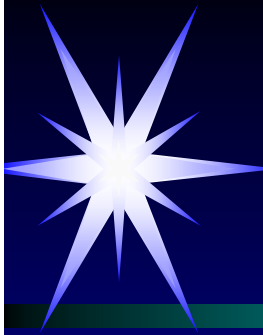
General maintenance

- The tenant will maintain the farm during his tenancy in as good a condition as the beginning. Normal depreciation and causes beyond the tenant's control excepted.



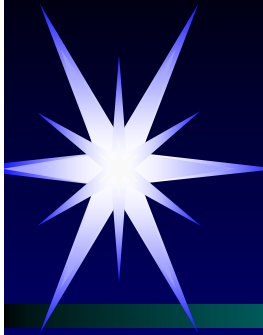
Fertilizer and Lime

- In most cases the tenant is responsible for maintaining pH and fertility.
- Long term lease is a must. (3-5 years)
- Attach current soil samples to the lease and require that the pH and fertility will be as good or better at the end of the lease.
- If a lease is terminated early, the landlord should pay the tenant a prorated share of the expenses incurred for lime, fertilizer and seed.



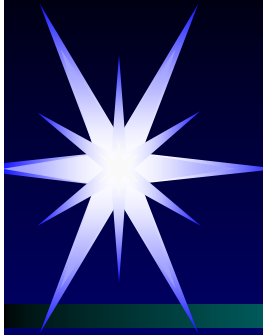
Sale of the farm

- If the landlord sell or otherwise transfer title to the farm, he/she will do so subject to the provisions of this lease.
- Landlord may “buyout” the tenant’s lease, assuming the tenant is willing.
- Lease may contain provisions for a sale of the farm.



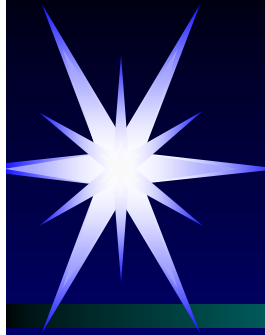
Heirs and successors

- The terms of the lease shall be binding on the heirs, executors, administrators, and successors of the landlord and the tenant.
- However, in the event of the death of the tenant, the successors will have the right to give written notice to terminate the lease at the end of the current year.



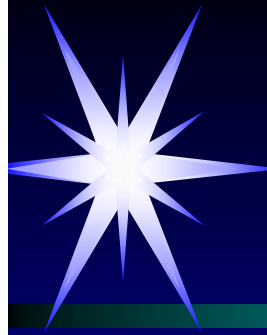
Insurance

- Tenant should be required to maintain a liability insurance policy in the amount of \$\$\$ for the duration of the lease.
- Landlord will also carry liability insurance.
- Landlord will insure buildings.



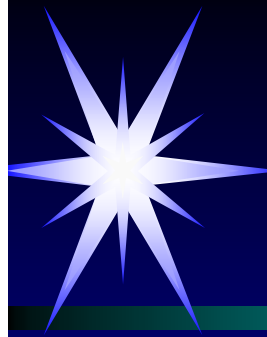
Real estate taxes

- In most cases, real estate taxes are the responsibility of the landlord.



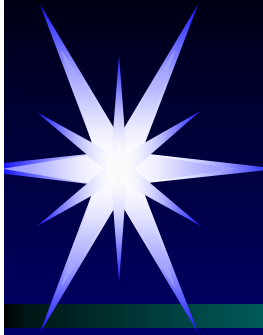
Fence replacement and repair

- If a fence needs to be completely replaced, the landlord normally pays this cost.
- If a fence only needs minor repairs, the tenant should make such repairs.
- Sometimes the landlord will furnish materials and the tenant will furnish machinery and labor.
- All of this is negotiable.



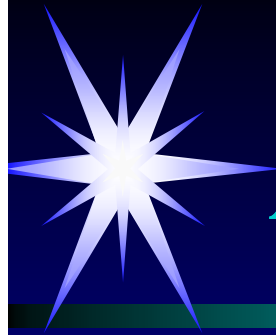
Government programs

- The lease should clearly specify who will receive the income from government programs.
- Also, the lease should require that the tenant stay in compliance with sod buster and swamp buster provisions.
- Tenant should also comply with the conservation plan developed for this farm.



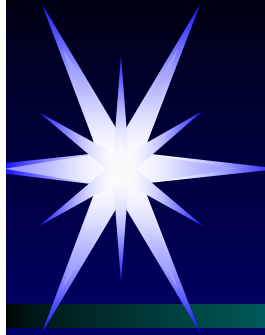
Thistles and noxious weeds

- The tenant will use reasonable care to prevent thistles and noxious weeds from going to seed.
- Lease may describe the weed control program. (spraying, clipping, bush hogging)
- Sometimes the landlord will furnish spray materials and the tenant will apply these materials



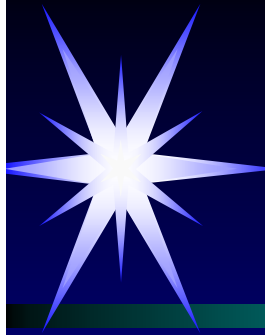
Adding Improvements

- The tenant will not, without written permission, erect any building or any non-removable structure.
- Tenant will also not add electrical, plumbing or heating to any building without permission.



Right to sublet

- In most cases the tenant does NOT have the right to sublet the farm to another tenant.
- If this right is given, the specifics should be discussed and put in writing.



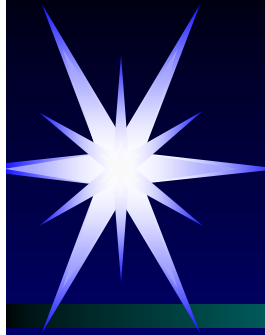
Hunting rights

- Years ago, it was assumed that the tenant had rights to hunt on a farm he leased.
- Not true today.
- A separate lease should be developed to cover any hunting rights.
- If these rights are not included it should be explained as “no hunting rights are included.”



Early termination of the lease

- Under unusual situations it might be good to give the details of an early termination. For example, if the farm is for sale, the landlord may need to reimburse the tenant for certain expenses if the lease is terminated early.



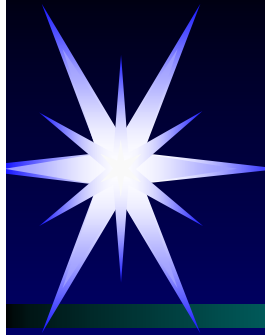
Partnership?

- Make sure the lease says that no partnership is created.
- A partnership can have negative legal consequences.
- Don't act like partners.



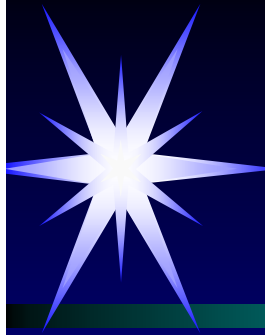
What is a fair rental price?

- Leasing surveys.
- Neighbors leasing rates.
- Is the farm next door worth more than a farm 10 miles down the road?
- Can you make money paying X for a farm?
- Better to have a good tenant than to get a few extra \$.



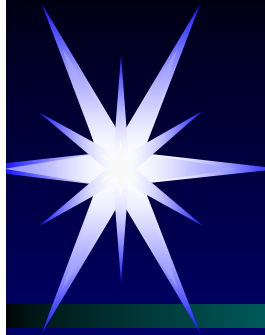
Renting buildings

- Most general purpose farm buildings will not command high rents.
- Be sure to recover the costs of taxes, insurance, and repairs.
- Modern facilities such as dairy parlors and silos may command higher rents.



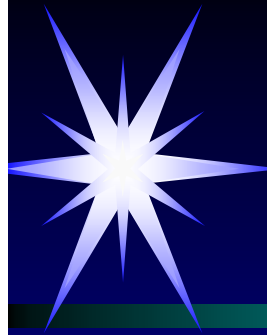
Share leases

- Not very common in Southwest Virginia.
- They allow both parties to share in the risks (profits or losses)
- May have negative tax consequences for the landlord. (No SE taxes on rental income)



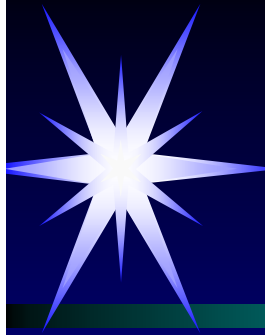
Share leases

- A good share lease will allow the landlord and the tenant to share the income in the same proportions as their individual contributions.



Grazing leases

- Some grazing land is rented by the cow-calf pair per month.
- Not much of this in SW Virginia.



Hay share leases

- In these leases the tenant is only responsible for making the hay. Landlord is responsible to lime, fertilize, etc.
- Tenant usually gets 50-70% of the crop.
- 50% for alfalfa.
- 70% for grass hay.



Renting Machinery

- Rule #1 = Don't
- Most owners of machinery will be disappointed in the care taken of their machinery.
- There are often disputes over who will repair the machinery.