Proper Lease Communications
Lease Provisions
Agenda

- Lease communications
- Lease provisions
- The future of your land?!
 Lease Communications
Lease Communications

For Ag Land Leasing to be successful, communications is key!

• This applies to the landlord and to the tenant
• The vast majority of failed leases do so because of the lack of communications
• Communications is key, even for cash leases

• What is our attitude towards making this work?
  • Attitude will change the negotiations and dialog
Lease Communications

Biggest Problem!!!!!!!!

- Are you **listening**?
  - *Seek first to understand before you seek to be understood!*
  - Be sure you clarify the other’s point before making your own
  - Think about (understand) what the other party is saying – not about what you are going to say next
Everyone is Proud of Their Place!
1\textsuperscript{st} conversation – Goals for the Land

- Not about the cash rent level
- What does the landlord want – and what can that tenant bring to that ground?
- Have Vision or Goals for:
  - conservation,
  - fertility,
  - weed control,
  - irrigation,
  - CRP,
  - etc….
1st Goal of Relationship - Trust

• Neither party should feel that the other has the most power
• Build trust with respect and telling the truth
• Avoid Greed – powerful negative emotion
  • Avoid managing farmland based on ‘coffee shop’ talk
Communications: For Tenants!

- Share updates during the season
- Share information on cost of production
- Share data from precision ag
- Share yield data
  - Crop insurance records
Communications: For Landlords

Be clear with expectations for:
• Weed control
• Non-crop acres management
• Use of Ag technology
  • Use of BioTech products/GMO/Organic/other…..
Communicate:
Avoids the Don’ts

• Don’t wait for a crisis (drought or hail)
  • Especially on pasture leases
• Don’t wait for end of lease
• Don’t wait until you have lost trust
Relatives
(Cannot live with them, can’t live without them!)

Each situation is different

• Sweetheart deals
• Generational Values
  • (4 living generations: matures, boomers, x’ers, millennials)
• What is your commitment to your community? To rural Nebraska?!
Leasing Provisions
Key Lease Provisions
Not a complete list – but some items to think about

Fertility

• Set minimum fertility levels in lease
• Who is paying for soil tests?
• Protect landlord with minimums
  • Phosphorus, Nitrogen main concerns
• Protect tenant making multiple year investments
  • Lime – typically a landlord expense
  • Phosphorus
Key Lease Provisions

Irrigation systems cause most trouble to adjusting rental rates (cash leases)

• Assumed that all irrigation ownership is by landlord
• In many cases, the tenant is bearing some of these costs
• Rent needs to be adjusted (lower) to reflect this change
Written Leases

- Move all leases to written leases!! (please)
- **Current Law for handshake, or Verbal leases:** For farmland, notice of termination must be given by September 1 (6 months prior to 3/1 start of new lease)
  - Set by Supreme Court
  - Notice given by registered letter
  - For either ending lease, or changing provisions!
  - Not the same for Pasture Leases

- Site: [aglease101.org](http://aglease101.org)
Other Lease Provisions

• Grain Bin Rent
  • Sometimes provided, sometimes rented
  • Have electricity on separate meter
  • Charge per bushel per year (suggested)
  • Repairs are landlord expense unless there are other arrangements
Other Lease Provisions

• Hunting Rights
  • Typically belong to tenant
  • Can be sold if you have something to sell
Other Lease Provisions

• Cornstalk Rent
  • Cornstalks belong to the tenant unless there is a provision making a different arrangement
  • So – no rent is collected by landlord – typically
  • Subleasing?
  • Fencing and water

• Baling cornstalks
  • OK – once in 3-4 years
  • Not all the time (not recommended)
    • Phosphorus and organic concerns
Manure Application

• Great if price is right
• Probably not every year
• Landlord may want provision to limit application(?)
  • Base on P levels
Fencing

• Nebraska has a fencing law – has to be followed
The Future of your Land!
Ag Land Transition

• We cannot take the land with us – at any age, have a transition plan in place

• For Producers: What does retirement day look like?
  • Sell, transition to family member, rent, etc…..
  • Treat all children how? Is fair the same as equal?

• For Landowners: What are your plans for the land you own?
  • Think about that right away to do a good job of tax management, reduce family stress
Ag Land Transition

• Guess What? – Communications is key here too!
• Probably best to have a family meeting
  • Get everyone’s input/ideas for the future of the land
  • Include all adult members of the family
• Final decision by the owners
  • Communicate that decision
SUMMARY

• Communications is a must
  • For both leases and farm transition
• Avoid the don’ts
• Leases in writing!
• Always do what is best for the land resource to protect it for the next generation!
PROPER LEASE COMMUNICATIONS AND PROVISIONS

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