

Leases Help Landowners And Tenants Know Expectations

HANNIBAL, MO.

University of Missouri Extension agribusiness specialist Karisha Devlin urged northeastern Missouri agriculture lenders to encourage written agreements between landowners and renters during a recent agricultural lender seminar at Fiddlestiks restaurant in Hannibal.

The MU Department of Agricultural and Applied Economics sponsors the statewide seminar series in cooperation with regional MU Extension specialists.

"Half of all leases are done on a handshake, but termination becomes very messy and complicated when it's a verbal lease," Devlin said. "Farming is a business. Why would you not have a formal written agreement for a business? Make sure both sides are protected."

Landowners and tenants don't always share the same goals, she said. About 75-80 percent of the calls to her Edina office are regarding land issues. Written agreements help to avoid future conflicts by clearly stating terms.

Devlin said that at minimum a lease should have these essential elements: names and description; terms of lease; rental rates and arrangements; right of entry; and signatures and dates.

A complete lease would contain additional items, including provisions on operating ex-

penses, improvements and repairs, and arbitration. For more information, see the MU Extension guide "Farm Lease Agreement" (G426), available for free download at www.extension.missouri.edu/G426.

It is also important for leases to include a provision requiring scheduled soil testing and subsequent care of the land, Devlin said.

Most leases are for a one- to three-year period, and there are many factors to consider in determining the time frame. Leases should include clauses addressing subleases, crop restrictions and whether additional duties such as mowing around buildings are expected. Right-of-entry clauses also are critical in giving landowners access to the land.

Owners and tenants can arrive at a fair rental rate by considering crop and cattle prices, input costs and yield records. Termination agreements also are key to expectations.

Devlin said bankers should advise the owner and tenant to carry separate liability insurance coverage. Additional coverage may be necessary for land that is leased for hunting or recreational purposes.

Sample leases are available free of charge from MU Extension centers throughout the state. More information on leases is available on the MU Extension website at www.extension.missouri.edu. △



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