

Farmland Rental Agreement Guidelines

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In Ohio, the majority of farmland is rented according to the USDA Census of Agriculture. This means that the vast majority of farmers are renting to expand their operations and therefore, often times landlords have a huge investment in the success of their farmer/tenants. While this farmland is rented, it is often rented with non-formalized agreements. Many times the deal for the rent may be consummated over the backend of a pickup truck and a simple handshake in the farm yard. This arrangement, while being socially acceptable within the farming community often leads to significant misunderstandings when misfortune makes a change in either the landlord or tenant necessary. This often leaves the survivor/heirs of either party with a great deal of frustration, anxiety, hard feelings and, sometimes, litigation. Most of these problems could be easily avoided if the landlord and tenant had negotiated a formalized written rental agreement.

Written rental agreements form the foundation for clear understanding and expectations on the part of both landlord and tenant. The parties agree and formalize their agreement up front and in writing. The advantage to this, is that in the case of misfortune the survivors/heirs of either party know what the game plan has been because the written document survives and clearly defines the roles/expectations of each party. This clear understanding of the rental agreement means that often times the rental agreement can survive the change in either the landlord or tenant and move to the next generation of owners and tenants. This alleviates a lot of misunderstandings and allows for a smooth transition without sacrificing any particular business entity.

The written rental agreement should be recorded in the county recorder's office and there are two ways to record this agreement. One is to actually file and record the original rental agreement. However, most landlords and tenants do not want all of the details of their rental agreement known as public knowledge. This leaves the other option as a "Memorandum of Lease" which can be filed at the county recorder's office. A Memorandum of Lease will provide only enough information about the agreement to let a future buyer know that this land is under lease, the names of the parties involved, a legal description of the land and the lease period. The Memorandum of Lease should be notarized and recorded in the county where the land is situated and this will prove to be a definite asset to both landlord and tenant in the future.

This written lease and the recording of the lease forms the basis for developing a strong landlord/tenant relationship. It is in the best interests of both parties that the landlord/tenant relationship be a strong one based upon clear expectations and trust of both parties. Ohio State University Extension has a Fact Sheet entitled "Managing Landlord-Tenant Relationships: A Strategic Perspective" which is located at <http://ohioline.osu.edu/fr-fact/pdf/0004.pdf>. For further information and a better understanding of what it takes to develop these strong landlord/tenant relationships, please refer to this Fact Sheet.

While you may be new to writing a formalized lease agreement, once again Ohio State University Extension has a Fact Sheet entitled "Legal and Management Aspects of Ohio Farmland Leases." This Fact Sheet covers many of the things that are needed in a written lease and is available at <http://ohioline.osu.edu/fr-fact/pdf/0001.pdf>. In addition Ohio State University Extension has a Fact Sheet entitled "Farm Rental Agreement Checklist" available at

<http://ohioline.osu.edu/fr-fact/pdf/0003.pdf>. For those landlords who may be retired, it is important that you fully understand the tax implications of renting farmland. To help with that our Fact Sheet entitled "Tax Issues for Farm Rental Agreements" is available at <http://ohioline.osu.edu/fr-fact/pdf/0006.pdf> .

All of this leads us to the bottom line and that is how much should I charge or pay for cash rent? The answer to that is "It depends." It depends on a whole host of variables that are different for each and every farm, landlord, and tenant. Those variables can be the desired income/expense the comfort with the landlord/tenant, what are the neighbors getting or paying for cash rent, and certainly the financial condition of the landlord and/or tenant affect cash rent figures. Obviously, there are many other variables that depend upon the individual situation. That being said, there are certainly customs and norms within a community that are fairly well known and that many people follow and adhere to.

Recently completed research by extension educators, Chris Bruynis, Bill Hudson and extension specialist, Matt Roberts has developed a cash rent calculator that includes five variables. Those variables are: 5-year olympic average corn yield, 5-year olympic average soybean yield, whether wheat is included in the rotation, the type of field drainage and the relationship of the tenant to the landlord. Those five factors can assist in determining the amount of cash rent at which the discussion concerning the final cash rent can start. That discussion will include many of the variables that are outside the cash rent calculator that was developed. The cash rent calculator is located at http://aede.osu.edu/people/moore.301/Rent%20Calculator/rent_calculator.htm. Please refer to this calculator as a way of determining whether or not you need to begin discussions concerning a change in the amount of cash rent either charged or paid. Information from Iowa, while not completely identical to Ohio, can possibly assist you in further refining your thoughts. The Iowa information is available at <http://222.extension.iastate.edu/agdm/wholefarm/html/c2-20.html> .

Your final determination of cash rent should be based upon the best information you can find relative to determining a fair cash rent and developing an agreement that is acceptable to both parties. One final note is that as a written rental agreement is developed, an attorney can not represent both parties and both parties should have legal representation. It is completely reasonable for one party to develop the rental agreement and the other party to have his/her attorney review the document before the final agreement is signed.

All of the documents sited with website addresses are available at local county extension offices. If you prefer a hard copy and do not have the internet connection, please consider going to your local county OSU Extension office and they will be glad to help you out.