

## A Note About Farmland Leases

Farmland leases can lead to a lot of stress and frustration when you are looking for a new tenant or searching for more farmland to lease. If you are currently facing either of those situations or are in the process of renewing a lease, then this article might prove to be helpful.

One of the most important things a farmer or landlord needs to do is get their farmland lease in writing. By taking the time to write down the lease, you are able to get your thoughts down on paper so that you can make a clearer decision. Additionally, it gives you a record to go back to if a disagreement arises. It also serves as legal proof of your agreement and provides a way for your asset to be handled in the event that a tragedy would strike and your heirs are left with crops growing in the field. It is best that when the lease is being written the landlord, tenant, and a notary or witness is present.

There are many types of leases out there. Cash rent leases typically involve one payment that is due at planting time or after harvest. The advantage of cash rent is that the landlord gets a stable income and the tenant has total management control. The downfall for the landlord is they do not get the benefits of a good year while the tenant is faced with having to provide all the capital. As a whole, the 2015 Purdue Farmland Value Survey found that the value of all qualities of farmland declined in Indiana. Cash rents throughout the state range between \$175 per acre for poor quality land and \$285 per acre for top quality land. The West Central Region (consisting of Benton, Carroll, Fountain, Montgomery, Parke, Putnam, Tippecanoe, Vermillion, Warren, and White Counties), had cash rents that varied from \$224 per acre for poor quality land to \$334 per acre for top quality land. To obtain your own copy of the PAER report, contact your local Extension Office or go to:

<http://www.agecon.purdue.edu/extension/pubs/paer>

Crop share leases can be based on many factors but are often based on the amount of equipment, time, and financial capital spent to make the ground productive when determining the percentage split. The advantages of crop share is that the tenant has less operating capital tied up, the risk is shared between both parties, and the landlord will receive some of the benefits of a good year. However, to make a crop share lease work, both parties need to realize that there is an increased need for good accounting to determine how to split all the various expenses that are incurred.

Flexible leases are newer. They take into consideration fluctuating markets and uncertain yields by not determining rent until after harvest. The formula to determine the amount of income the landlord receives is determined at the time when the lease is being developed, so there is some price risk for the landlord since they will not know until the end of the year what they will receive as income. One advantage is that the benefits of a really good year are often shared between landlord and tenant.

In the coming weeks, Purdue Extension Putnam County is teaming up with Purdue Extension in Clay & Owen Counties to offer a series of farm land lease programs. A Land Lease for Landlords program will be held on November 9 from 6-8 PM at the Putnam County Fairgrounds. Please register for the program by calling 765-653-8411 by November 6. A similar program will be held at the Clay County Fairgrounds on November 9 from 1-3 PM. To register for the Clay County location, please call 812-448-9041 by November 6. For more information about either of these two programs, please contact Purdue Extension Putnam County at 765-653-8411.

Visit our homepage at [www.extension.purdue.edu/putnam](http://www.extension.purdue.edu/putnam) or you can contact the local Purdue Extension Office by calling 765.653.8411 for more information regarding this week's column topic or to RSVP for upcoming events. It is always best to call first to assure items are ready when you arrive and to RSVP for programs. While many publications are free, some do have a fee. Purdue University is an equal access/equal opportunity institution. All times listed are Eastern Time.

**Upcoming Events:**

November 1 – Putnam 4-H Member Achievement & Volunteer Recognition program, 2 PM,  
 Putnam County Fairgrounds

November 3 – Putnam County Master Gardener Association Education Program & Meeting

November 8 – The 4-H Launch (open house), 2-4 PM, Fairgrounds

November 9 – Land Leases for Landlords, 6-8 PM, Fairgrounds

November 10 – Smart Choice Health Insurance Program, 6 PM, Fairgrounds

November 12 – IEHA County Council Meeting, 7 PM, Extension Office

November 16 – Options for Handling Tighter Margins, 6-8 PM, Fairgrounds

November 16 – Succession Planning, 5 – 8 PM, Beef House Restaurant, Please call to register

November 19 – Putnam County Extension Board Annual Dinner, 6:30 PM, The Inn at DePauw