

TENNESSEE FARM BUREAU FEDERATION

2016 Policy Development



Farm Lease Agreements

Issue

Land rental agreements are an integral part of farming. It is very common for rented land to make up a sizable portion of a farmer's total operation. There are many types of rental agreements. An oral lease agreement is most typically found across the state. These leases are usually based on a "handshake agreement" and the farmer keeps control of the land based on a past agreement.

Written contracts are the most secure option for farmers and landowners however, the handshake agreement is still common. Competition for farmland, changes in ownership, and estate settlements have increased the number of disputes between farmer tenants and landowners wanting to terminate the oral agreement. No statutory law protects farmer tenants in this type of dispute.

A "holdover tenant" is defined as someone who remains in possession of real property after a previous tenancy expires. When a landowner makes a handshake agreement with a farmer there is nothing in writing to spell out the terms of the agreement. It is basically assumed the farmer is a tenant on the property from year to year after the initial agreement allowing the farmer to be a tenant on the property if the landowner continues to take the rental payments. As a result, the farmer becomes a holdover tenant.

Background

In the 1945 case, *Smith et al. vs. Holt*, the Tennessee Court of Appeals ruled in favor of the tenants who were considered "holdover" tenants based on the facts of the case. The property owner in the case decided to terminate the tenancy without sufficient notice. Even though this court case has stood the test of time, it can be overturned.

Over the years it has become common practice for landowners who wish to legally terminate a holdover farm lease to provide farmers a written notice of termination prior to July 1. It is believed this practice stems from the *Smith et al. vs. Holt* case. Because this practice is not in state law, many farmers and landowners are not familiar with this requirement or the case. Requiring sufficient notice is important for the farmer and the landowner. For both parties there are financial consequences if either the landowner or farmer terminates the lease without giving the other party sufficient time to make alternative plans. Even though this practice is common for farmers and landowners who want to legally terminate this type of lease, it is not law. It only carries the effect of law because of the court precedent. Court precedents can be overturned or changed at any time by another court.

Questions:

1. Should Farm Bureau support placing the termination notice requirements of the *Smith et al. vs. Holt* case in state law?

2. What are the negative implications of having notice requirements in state law?
3. Is a six-month notice for terminating yearly leases sufficient?

Farm Bureau Policy

There is no policy regarding holdover lease protections.