

Negotiating a Farm Lease



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Material Provided by Negotiation in Agriculture Curriculum from the Western Extension Committee

<https://negotiation.farmmanagement.org/>



Objectives

- Why Negotiate?
- Communicate your interests
- Identify power dynamics
- Recognize the constraints

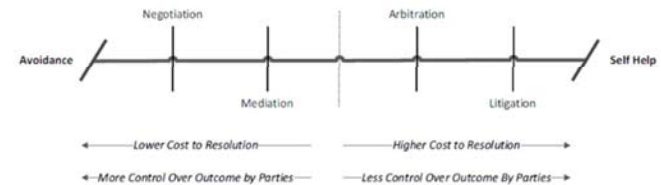


Negotiation

- Back-and-forth communication designed to reach an agreement between two or more parties with some interests that are shared and others that may conflict or simply be different



Conflict Continuum



Pepperdine University's Straus Institute for Dispute Resolution





Why Negotiate?

1. Lowest cost process in terms of financial requirements
2. Parties retain the greatest control over the process
3. The time required to find a solution may be shortened



Why Negotiate?

4. The information, data, and details of the discussions are kept private and will not become part of any record
5. A third party is not required, nor do the parties need to reach an agreement on which third party is acceptable



Why Negotiate?

6. Agreements reached may be only temporary in nature, but do not prevent the parties from seeking more satisfying win-win resolutions



Negotiation Misconceptions

- Negotiation is a zero-sum game
- Get as much as you can and leave the other part with as little as possible

Assumptions of Negotiation

- Parties
 - Understand the basics of negotiation
 - Understand the details of the issue at hand
 - Prepared to negotiate

Guide to Negotiation

- Issues to Address
- Interests to Consider
- Potential Solutions



Issues to Address

- What are some issues that might be raised in a land lease negotiation?
 - Examples in leasing scenario might be:
 - Market Volatility
 - Soil Degradation
 - Urban Pressure
 - Water Availability
 - Long-term Improvements



Interests to Consider

- What are the interests of all the parties involved around an issue?
- Concerns, worries, desires, hopes, even fears that each party brings to negotiation
- Keep in mind, these are assumptions, not certainties at their interests



Interests to Consider

- Reasons behind why one party or another holds a particular position around the issues of concern
- When the parties can talk through and better understand the interests, they become more willing to support potential solutions that address those interests



Potential Solutions

- Brainstorm possible methods or approaches for addressing the issue listed on the left while taking into consideration the interests in the center of the template
- Get as many possible ways of addressing the challenges and points of view as possible



Farm Lease Example

- Issue: Inputs have hit all time high in the market
 - Interest #1 (Landowner): I want to be protected from the volatile market prices
 - Interest #2 (Landowner): I want consistent payments so I can guarantee my property tax payment
 - Interest #3 (Tenant): I want to earn a profitable return on rented land

Farm Lease Example Continued

Possible Solutions:

Agree on a cash rent that both successfully makes property tax payments, protects against market volatility, and provides a profitable return on the land for operator

Potential for a win-win situation

Exercise for Breakout Participants

- Issue: Fencing has run down on some parts of the farm and cows are getting out
 - Interests for Landowner
 - Interests for Tenant
 - Potential Solutions

Four Sources of Power in Negotiation

1. Strong Alternatives –better outcome without the negotiation
2. Information – having information relevant to the negotiation
3. Status – how much negotiator is respected by the other side
4. Social Capital – negotiator is seen as being more influential

Negotiation Checklist

- How good are my alternatives? Can I generate better alternatives before I enter the negotiation?
- What kind of information do I have? How much do I know about my opponent's interests? What are appropriate negotiation practices?

Negotiation Checklist

- Do I have positive standing in the eyes of my counterpart? Have I done anything to damage my reputation among them?
- Can I use my social network to obtain information, to influence the situation in my favor, or remove constraints that the tenant may face?

Schaerer, Michael & Teo, Laurel & Madan, Nikhil & Swaab, Roderick. (2019). Power and negotiation: review of current evidence and future directions. *Current Opinion in Psychology*. 33. 10.1016/j.copsy.2019.06.013.



Defusing Negotiation Anxiety

- Reframe Anxiety as Excitement
- Focus on Opportunities
- Prepare
- Build Confidence through Practice

By Alison Wood Brooks, Assistant Professor, Harvard Business School. First published in the March 2014 issue of *Negotiation Briefings*.



Take Aways

- Negotiation is not a zero-sum game – “It’s not about splitting the pie; it’s about expanding the pie” – Mark Faust
- One of the ways to negotiate effectively is to show vulnerability and humanity
- Prepare for the negotiation!!



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