



SOLAR FARMS AND CONTRACTS

The contents of an article titled “[Loss of Productive U.S. Farmland to Energy Production](#)” paint a not-so-rosy picture for the dual use of land for solar panels and crop production. Thus, it appears that productive agricultural land that is lost to solar energy production will be lost to crop production for the foreseeable future. This will have the same negative effect on food production as will the loss of land to “urban sprawl” that is outlined in an [earlier article](#) posted on this website.

It is assumed that some Midsouth farmland will be converted to solar panel farms in the future, and this conversion will involve a contract between the solar energy producer and landowner. Thus, it is in the best interest of a landowner/producer who decides to make this conversion to have a contract that will benefit them in lieu of their producing a profitable crop on the subject land. Information in the below-linked articles should help in the contracting process. Following this list of articles is a summary of the major points contained in them that landowners should be aware of before entering into a contract to lease their farmland to a solar energy company.

An article titled “[The basics of grid-scale solar leases](#)” offers important points for landowners to consider before signing leases with entities who propose to install solar panels on the land in question. The following three linked articles contain additional information and details based on a presentation by Rusty Rumley, senior staff attorney, National Agric. Law Center, Univ. of Arkansas.

[Solar Leases, Part 1: What should you consider before signing?](#) by Whitney Haigwood.

[Solar Leases, Part 2: Phases of solar projects](#) by Whitney Haigwood.

[Solar Leases, Part 3: Negotiating a solar contract](#) by Whitney Haigwood.

- The Midsouth has optimum locations for solar projects because of ample sunshine, flat topography, and proximity to transmission lines. These locations are also ideal for growing crops. Thus, Midsouth cropland is likely to become a prime candidate for conversion to solar farms in the future.
- Farmers whose land will be converted to that used for the installation of solar panels will be accountable to the conditions in the lease contract they will sign for this development.
- A lease contract between a solar developer and

landowner involves the possession and control of the land by the solar developer for the purpose of construction, maintaining, and operating solar panels and the transmission of electricity generated from those panels.

- Landowners and their attorneys should be prepared to negotiate things like easements, reparations for damages, burial depth of transmission lines and topsoil replacement over those burial sites, and property taxes when entering into a solar lease contract.
- Lawyers with experience in commercial real estate leases are likely best equipped to represent landowner clients in the negotiating of such leases.
- From a solar developer’s perspective, investing in the building of permanent structures on leased vs. owned land is risky without protections. Thus, the negotiated lease will necessarily provide those protections to the leasee, including protections against prior monetary liens on the leased land.
- Solar energy projects now have more cost appeal than wind projects, but they require more of the land that is now used for cropland. As stated above, dual use of such land for both solar panels and growing crops is unlikely.
- Landowners who enter into solar lease contracts are encouraged to familiarize themselves with the developer, and understand assignment clauses that may be located in the contract addendum. An important item to look for is if the developer plans to sell the project to a third party.
- Landowners absolutely should know the timeline and the specific phases—i.e. option phase [may involve an upfront payment to landowner], construction phase, power generation and payment phase, and decommission phase—that should be outlined in the contract with the solar developer since solar projects are typically long-term.
- Solar leases commonly span 25 years with optional extensions that are exercised at the discretion of the developer. Thus, landowners should look beyond the payment and consider the extended nature of the contract. Also, not all leases turn into actual solar projects.
- Landowners should be especially mindful of contracted obligations such as easements that can impact their access to the leased land and their land not involved in the lease, and their ability to build on the leased land even if a solar project is never built there.
- Landowners should be aware of potential crop damage during a project’s construction phase and ensure that the contract stipulates how compensation for such damage will be calculated.
- A solar energy contract should absolutely state how the landowner will be remunerated for power that is generated from a solar project—e.g. per acre basis, royalties, or a



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combination of the two.

- A payment escalation clause should be part of the contract to account for changes in technology and electricity rates.
- The contract should unequivocally state who is responsible for cleanup of the site once it is decommissioned, and specifically what is involved in this cleanup. After all, this will dictate how soon the farmer can get back to producing a crop on the site.
- Finally, a landowner should 1) be fully aware of what is included in all phases of the signed contract, and 2) lean on a trusted and competent legal adviser to provide counsel in all phases of the contract negotiations. After all, once the contract is signed, it will be binding and cover a long-term span.
- Landowners contemplating the establishment of a solar panel farm on their land are encouraged to read the above-linked articles and heed the advice of their content.

MARCH 2024 UPDATE

The following articles offer issues to consider when/if a landowner decides to convert cropland to a solar farm.

[“Sheep and solar: A sensible pairing”](#)

- Land devoted to solar panels cannot be cropped. Thus, grass will likely be seeded under and around the solar panels, and this grass must be maintained either by mowing or by livestock grazing so that it does not compete with the panels for sunlight.
- Livestock such as cattle and horses likely are too large to graze the grass without interfering with the solar panels.
- Since mowing will be done by equipment likely powered by hydrocarbon fuel, then a sheep breed such as the St. Croix that does not require annual shearing offers a low-maintenance, environmentally friendly solution to the grass maintenance in a solar field.
- It is important that the landowner have total control over the raising and marketing of the sheep that may be used for grass maintenance at a site that is leased to a solar energy developer.

[“Solar panels help stabilize farm income”](#)

- U.S. farmers are viewing solar farms as a much-needed new profit stream, as a buffer against volatile crop prices and rising production expenses, and as a provider of a more stable revenue stream over the long-term.

- Lackluster or stagnant crop markets mean farmers often view leasing of prime farmland to solar power developers as a lucrative alternative to conventional crop production on such land.
- In reality, solar farming on land previously devoted to crops offers a form of insurance to the farmer who previously practiced conventional farming on that land.

[“How do solar farms affect farmland values?”](#)

Many private solar energy companies have approached farmers/landowners about leasing their land for the establishment of solar farms. This has raised the question of how farmland values may be affected by this activity. The following points are provided to address this question.

- A tract of “good” land will hold its value regardless of how it is used.
- A higher return from land that is leased for solar farming is justified because of the risk of nonpayment by the lessee over the term of the contract.
- The lease value of a tract of land that is leased for solar farming is largely dependent on the lessee.
- A locked return from a solar lease over the long term likely locks in the value of the land leased for solar farming.
- The solar farming industry is relatively new, so there are few data to support a definitive answer to the question of “how does solar farming affect land values”.
- It is likely that the value of land that is used for solar farming will be loosely tied to the value attached to the productivity of the land itself, plus the number of years remaining on a solar lease that may be in place for a site and the quality of the lessee.

The use of land for solar panel installation/solar farming may not appear to impact Midsouth agriculture in general and soybean production specifically at the present time. However, the open and level terrain of land in the midsouthern U.S. likely will soon be eyed by solar energy producers as land that is highly suitable for easy and cheap installation of solar panels. Landowners must ensure that a contract that allows this installation on their land will benefit them in both the short- and long-term since it is likely this land will be lost to future crop production. Thus, it is important that landowners whose land is to be used for solar energy production ensure that the contracts they sign with solar energy developers adhere to the advice and considerations offered in the above linked articles and by knowledgeable legal counsel.

*Composed by Larry G. Heatherly, updated Dec. 2024,
larryh91746@gmail.com*