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FARM LEASES FOR ILLINOIS

by Franklin J. Reiss

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Introduction to Farm Leasing

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The concept of land leasing is probably as old as that of land ownership; ancient Egypt and Greece both had land leasing systems. In America, land leasing may have occurred as early as 1618 in the colony of Virginia. Today, land leasing is a vitally important aspect of modern American farming. For example, nearly 55 percent of Illinois farmland was farmed under some type of leasing arrangement in 1978.

Because leasing arrangements are so central to the operation of many Illinois farms, it is necessary that all those involved in the leasing process — landlords, tenants, lenders, attorneys, and others — have a thorough understanding of leases and their functions. This circular presents the basic principles of farmland leasing and discusses in detail the five major types of leases currently used in Illinois.

What Is a Farm Lease?

In a farm lease a landowner gives a tenant or operator the right to possess and use a specified tract of farm real estate for a stated period of time (usually one year) in exchange for a rental payment. The owner retains all of the other rights to the land, such as the right to transfer ownership and the right to future interests in the property.

In addition to conveying rights to the tenant, a farm lease also imposes contractual obligations on both the landlord and the tenant. These obligations are known as the covenants of the lease.

A lease may be a written document, or it may simply be an oral agreement between the two parties. Sometimes landlords and tenants say that they do not have a lease when what they mean is that they do not have a written lease.

The success of a farm lease — that is, its ability to satisfy both parties' needs — depends on the care with which the tenant, the farm property, the landlord, the lease type, and the lease terms are chosen.

Choosing a Tenant

Some well-informed people consider that three-fourths of a landlord's problems are solved simply by renting to a suitable tenant who "fits" the farm. Although no exact formula exists for selecting a good

tenant, experience indicates that good tenants are likely to have the following traits: (1) honesty; (2) knowledge of how to care for all the crop and livestock enterprises to be included in the farm business; (3) the ability and energy to do good work in proper season; (4) sufficient equipment and financial backing to operate the farm effectively according to the terms of the lease; (5) a favorable attitude toward the adoption of new methods and practices as rapidly as their merit is established; (6) interest in preventing the spread of weeds, diseases, and insect pests; (7) pride and interest in farm and community life; (8) a willingness to make minor repairs around the farm; (9) a willingness to enter into cooperative planning with respect for the specific wishes of the landlord; and (10) a willingness to keep good records and to make timely reports to the landlord. If the tenant is married, it is essential that the spouse be interested in farm life. Owners could avoid disappointment by inquiring about the past performance of a prospective tenant with these characteristics in mind.

The owner of a desirable rental property usually will have a number of farmers interested in renting the property. If the property is an "add-on" unit, the choice may be effectively limited to farmers within a six-to-eight-mile radius from the property. In this situation, many owners, assuming that size is an indication of success, have been inclined to rent to the largest operator in the area. This assumption may be correct, but the landowner also should consider whether the largest operator faces any economic limits or whether an add-on unit would be of marginal importance to the operator and thus receive only marginal attention.

If the rental property is to be a base of operations for a resident tenant, the owner would be prudent to make a careful search for the best-qualified tenant. The owner can require written applications that request references as well as critical information about past operations and about available machinery and equipment. Owners who are not prepared to make this kind of search may be well advised to seek the aid of a professional farm manager in securing a good tenant.

Choosing a Farm and Landlord

The characteristics of the farm property and of the landlord usually are given for any tract of land for rent. Moreover, if a farm operator is searching for land nearby to expand an existing operation, the choice

among properties and owners may be quite limited. Despite the fixed nature of most rental property, there are aspects to choosing a farm and landlord that do warrant consideration.

Some properties may present peculiar situations. A farm property could have a large portion of untillable land that would necessitate keeping a substantial amount of livestock, or it could have unusual soil and topography that might cause frequent flooding in periods of heavy rainfall. A prospective tenant thus would be prudent to make local inquiries and to examine any farm property with an eye for special hazards or conditions that could require unusual expenditures of labor, money, or management effort. Because most farm properties are rented on an "as is" basis, a farm lease should specify any contributions expected from either party in dealing with any special conditions. The lease also should provide appropriate incentives, such as reimbursement guarantees, for capital improvements made by the tenant. It may be difficult, however, to get either the landlord or the tenant to agree to the expenditure necessary to meet an unusual situation, especially when risks are involved in obtaining good returns for the additional expenditure. In general, farms subject to unusual deterioration from erosion, depletion, or neglect are better placed in the hands of an owner-operator than in those of a tenant.

When examining a rental property, the prospective tenant will want to consider the characteristics of the potential landlord. A good landlord will possess the following: (1) honesty; (2) a willingness to cooperate with timely decisions; (3) an understanding of farm problems; (4) sufficient capital or credit to provide the improvements that are needed to maintain a productive system of farming; (5) good judgment about the relative need for and profitableness of investments in various farm improvements; (6) open-mindedness regarding the acceptance of new practices; (7) pride in farming and in the farming community; and (8) respect for the tenant's right to privacy and freedom of action within the agreed-upon plan for operating the farm.

Absentee landlords are not too much of a problem in Illinois, but some landlords who have inherited farm property may be ill prepared to cope with management problems or may be uninformed about or uninterested in the requirements of modern farming. When a landlord is inexperienced, the type of lease and the lease provisions may help prevent or avoid problems that could arise because of that inexperience. Some landlords prefer to hire agents or professional farm managers to

represent them. If the rental property in question is managed by an agent or a professional manager, the tenant should make sure that the professional representative has the same qualifications as a good landlord.

Choosing a Type of Lease

The most appropriate lease type for any particular property will be determined by the characteristics of the property and by the experience, knowledge, capital position, and personal motivation of each party. When trying to determine what type of lease would best fit the property and the parties involved, both parties need to decide the degree to which they want to (1) share in the income from the enterprises that make up the farm business, (2) provide improvements and non-real-estate capital, (3) make decisions concerning the organization and operation of the farm business, and (4) participate in the risks and uncertainties associated with the year-to-year variations in yields and prices. The following section describes the major lease types in Illinois in terms of the possible decisions that each party might make on these four points.

Major Types of Farm Leases

Farm leases are classified primarily by the type of rental payment involved. The rent can be a cash payment, a share of the crop, a share of the crops and livestock, or a share of the total farm income. In Illinois, five major lease types are commonly used: the labor-share, the livestock-share, the crop-share, the net-share, and the cash farm leases.

These five leases are discussed on the following pages in the order of decreasing landlord involvement (or increasing tenant involvement) in the farm business. A brief description of each lease is given, and the advantages and disadvantages of each lease to both the landlord and the tenant are listed. How to decide the amount of the rental payment, or its equitability, will be taken up later in the circular.

It should be noted that the extent of landlord involvement can affect the landlord's eligibility for social security and for special tax benefits. Landlords thus may wish to pay particular attention to a section titled "Management and Business Procedures" (pages 46 to 47), which discusses this eligibility problem.

The Labor-Share Lease

In the labor-share lease (sometimes called the father-son lease), the landowner or senior operator provides a fully equipped farm to a person who will act as the junior operator or joint operator of the farm. The junior operator, unlike a full tenant, usually has little or no capital investment in the farm business. A labor-share lease is especially suited to an owner or senior operator who wishes to transfer the responsibility of the farm business to a relative or other qualified person while retaining the option to supervise the farm closely. Likewise, a labor-share lease is suited to someone who does not have the capital to operate a farm efficiently as a full tenant but who wishes to gain managerial experience in anticipation of eventual tenancy or ownership.

Under a labor-share lease, each party shares in the returns in proportion to his or her contributions. The junior operator usually will contribute only labor and management. In fact, the junior operator generally invests little or no capital in the farm business and thus takes a minimum risk. It may be a good practice, therefore, especially when

there is no kinship, for the landowner to require the junior operator to give some surety of compliance with the provisions of the agreement. This surety could be a promissory note for a nominal amount, which the landowner then holds as a bond in case the junior operator defaults by leaving the farm before the end of the agreement.

Advantages to the Landlord

- When a landowner wishes to retire from full-time farming, a labor-share lease provides for the continued operation of the farm with the existing equipment and livestock. The labor-share lease thus can prevent the dispersion of well-established herds on livestock farms.
- The landowner has an opportunity to continue close supervision of the farm and to participate materially (loosely defined as a posture of active involvement) in the farm business. If the owner does materially participate, his or her heirs may be eligible for favorable estate-tax valuation and payment.
- The labor-share lease is a convenient means of passing on the farm business to an heir.

Advantages to the Junior Operator

- A minimum amount of risk and initial capital is required.
- The junior operator has an opportunity to develop managerial ability while under the supervision of a successful owner.
- The junior operator has an opportunity to profit from his or her skill as a manager.
- A good agreement renegotiated annually will provide opportunities for the junior operator to accumulate capital in the business and to become a full tenant.

Disadvantages to the Landlord

- Most junior operators have had little management experience. The landlord thus must assume major management responsibility until the junior operator's ability has been proven.
- If the owner materially participates in the management and operation of the farm business, he or she may forfeit social security benefits.

Disadvantages to the Junior Operator

- Unless the junior operator is eventually given an increased share of the income or allowed to become a full tenant, his or her improvement as a manager may go unrewarded.

The Livestock-Share Lease

The livestock-share lease resembles a partnership between the tenant and landlord; both are equally involved in decisions and financial transactions affecting the farm business. Under a typical livestock-share lease, the landlord and the tenant each own one-half of the livestock, feed inventory, and special livestock equipment; each pays one-half of all livestock expenses and feed purchases; and each shares in the costs of seed, fertilizer, and other chemicals. Similarly, the owner and the tenant each receive one-half of the livestock and crop income.

All things being equal, a landlord's net income is higher with a livestock share lease than with the other lease types, especially when the tenant is highly skilled in livestock production. However, the net income also tends to vary more from year to year with a livestock-share lease than with the other lease types, primarily because more aspects of a livestock-share operation can vary and because livestock prices tend to be less stable than crop prices. Therefore, the livestock-share lease is perhaps unsuitable for landowners who do not have adequate capital, who want a certain and stable income, who cannot adequately supervise their property, or who have not kept up to date on farming. Probably less than 20 percent of all farm leases in Illinois are of the livestock-share type.

Advantages to the Landlord

- Livestock farms successfully operated over a period of years under this lease have been more profitable to the landlord than grain farms.
- By investing in the farm business, the livestock-share landlord is able to obtain the services of a desirable tenant who might not have the necessary capital to operate the farm profitably alone.
- The landlord has greater investment opportunities since he or she can provide extra buildings and fences and can share in the ownership of livestock.
- A livestock-share lease provides the landlord with an excellent opportunity to maintain material participation in the farm business for tax or other considerations.

Advantages to the Tenant

- On farms of the same size and with the same kinds and amounts of livestock, less tenant capital is required than with the cash or crop-share leases because the tenant does not have to finance and manage all of the livestock. Thus, a tenant's risk is less than it is under the other two leases.

- Because the landlord shares equally in the risks, he or she is more directly interested in all parts of the farm business and may be more willing to make permanent improvements.
- The inexperienced tenant can gain experience in livestock farming under the guidance of a successful owner.

Disadvantages to the Landlord and Tenant

- As costs of the farm operation fluctuate, the costs of all inputs, including the landlord's managerial help, must be checked more frequently than they must be with the other lease types.
- The livestock-share lease requires both parties to work together more than they would have to under the crop-share or cash leases. Thus, the two parties' ability to work together is of great importance to the success of this lease and adds to the problem of selecting a suitable tenant or landlord.
- Financial settlements are more complicated when the lease is terminated because more items are owned jointly under this lease than under the other lease types.

Disadvantages to the Landlord

- Landlords bound to a livestock-share lease may be classified as self-employed and receiving earned income. To achieve a retired status under social security, the landlord may have to give up most managerial participation, but doing so could cost eligibility for favorable estate-tax valuation.

Disadvantages to the Tenant

- A tenant who is highly successful in livestock management is perhaps receiving a disproportional share of the income unless the landlord makes offsetting contributions.
- Customary sharing agreements may not be fair to the tenant if livestock volume is greatly expanded and the landlord does not invest enough capital in facilities to offset the tenant's added inputs of labor, power, and machinery.

The Crop-Share Lease

The crop-share lease is the "workhorse" among farm leases in Illinois, accounting for about two-thirds of Illinois farm leases. It can be adapted to small, open tracts as well as to large tracts with costly build-

ings. Under this lease the tenant's labor and capital are divided between crop enterprises in which the landlord shares and livestock enterprises in which the landlord does not share. The landlord receives a share of the grain produced (ranging from one-third to one-half depending upon the inherent productivity of the soil) plus, in some cases, a supplemental cash rent for farmstead use or for land in hay and pasture.

Tenants under crop-share leases also might pay a cash rent for buildings if they farm a considerable amount of additional land and the owner provides buildings or if the owner provides an unusual investment in buildings and equipment for livestock enterprises. Some landlords who provide buildings for tenant operations prefer to forego a cash rent, however, and to let the buildings offset contributions they would otherwise be expected to make.

Although the extent of the landlord's participation in the farm business can vary considerably under a crop-share lease, the landlord's participation is usually limited to making decisions about the use of land, seed, and fertilizer and to sharing in fertilizer costs, crop expenses, and the care and maintenance of improvements.

Advantages to the Landlord

- Records from a large number of farms indicate that landlords receive better returns and a larger share of the farm profits from property rented for a share of the crops than from property rented for cash, primarily because they share more in production and price risks.
- The landlord has more opportunity to supervise the operation of the farm property — if he or she so desires — than under a cash lease.
- Conversely, a crop-share lease can require less of the landlord's personal supervision than a livestock-share lease requires. The former lease also involves less risk than the latter, especially if the tenant is not experienced in livestock production.
- If certain management and financial contributions are part of the lease, the landlord may be eligible for social security and may be considered to be materially participating in the farm business, a consideration that can determine the eligibility of heirs for favorable estate-tax valuation and payment.

Advantages to the Tenant

- The tenant's risk is less than when renting for cash, especially when low crop yields or low prices are likely to occur.
- The amount of capital and cash reserve required is less than the amount required under a cash lease.

- As long as the landlord provides necessary improvements, a crop-share lease, unlike a livestock-share lease, permits a tenant who wants to keep livestock to realize all of the profit from livestock operations and to enjoy greater freedom of management.
- A crop-share lease, unlike a cash lease, generally provides for proportional sharing of the costs of seed, fertilizer, and pesticides.

Disadvantages to the Landlord

- The tenant and landlord must make more joint decisions than they would have to under a cash lease.
- Adjustments will need to be made in the lease as new agricultural technology and practices are introduced and as prices change.
- It is difficult to develop arrangements that give the landlord an appropriate return for investment in improvements. Customary arrangements may not be reliable or satisfactory because of wide variations from farm to farm in the quality and amount of improvements and in the size of the ownership tract relative to the land base.
- The landlord assumes more risk than one on a fixed cash rent.

Disadvantages to the Tenant

- The tenant may find it difficult to get the landlord to furnish improvements needed for livestock production and machinery storage.
- The tenant may wish to rent additional land and expand operations, but the landlord may prefer that the tenant farm less extensively and try to obtain a larger income per acre.

The Net-Share Lease

The net-share lease has features of both the crop-share and the cash lease. As with a cash lease, a cash rent is paid; however, the amount of rent is not fixed but is a function of the annual yields (as under a crop-share lease). In other words, under the net-share lease the landlord receives a share of the crop as determined by the proportion his or her annual real estate contribution is of the farm's normal crop production. The tenant then pays the landlord the cash equivalent at current or agreed-upon prices.

The net-share lease does not work very well for land used for hay, pasture, or specialty crops. It also has some motivational weaknesses and cannot be given the same general endorsement as the crop-share lease. For example, there is less incentive for a tenant to optimize the landlord's return since the costs of fertilizers and other chemicals are not shared.

The net-share lease can serve a useful function in farm tenancy, however, especially when it is used between related parties. When the tenant and landlord are related, the landlord usually can be confident that the tenant will produce at levels optimum for both parties, and the tenant, as a likely heir, is motivated to maintain the capital value of the property. Net-share leases also have been used successfully between unrelated parties on a year-to-year basis when the tenant pledges high-level performance in return for assurance of continued tenure.

It is not known how many net-share leases exist in Illinois since the lease has only recently been identified as a separate type of farm lease.

Advantages to the Landlord

- The landlord is freed from cost-sharing decisions and settlements.
- A net-share lease provides for simplified accounting and business procedures.
- The landlord shares in favorable crop yields or crop prices, unlike the arrangement in a cash lease.

Advantages to the Tenant

- The net-share lease gives the tenant more managerial freedom than a crop-share lease.
- The net-share landlord shares in the risks and thus may be more interested in the farm business and more willing to make permanent improvements than a cash-lease landlord.

Disadvantages to the Landlord

- There is risk without commensurate managerial control.
- There may be less incentive for the tenant to optimize the landlord's return than there is with a conventional crop-share lease.
- It is sometimes difficult to verify the yields on the farm; such difficulty could lead to doubt and distrust between the tenant and landlord.

Disadvantages to the Tenant

- The tenant takes a risk since a fixed net-share of production can become unfavorable over time. In other words, if the tenant and landlord agree to a fixed net share, the tenant might find it difficult in later years to justify making nonland inputs (such as installing irrigation systems or making heavier applications of fertilizer) because these inputs would increase the yields and total gross income while the land inputs of the landlord would remain the same.

The Cash Lease

In a cash lease the landlord consigns the management and use of the farm and any improvements to a tenant in exchange for an agreed cash rent. As a result, the tenant receives all of the income, pays all expenses except taxes, insurance, and major building repairs, and gains independence in the farm operation. The landlord, in addition to receiving a stable income, is freed from most management responsibility.

It should be noted that there is some incentive for tenants with cash leases to mine the soil and exploit the property if they are only assured of a short tenancy. Landlords thus may wish to insert a reimbursement guarantee in the lease on unused fertilizer applied in the last year. Such a guarantee would give the tenant full motivation to maintain a high fertility program throughout the lease term. Conversely, if a property has been previously depleted, a new cash tenant may actually effect a buildup of fertility, and reimbursement arrangements should be made in the lease for such a possibility.

It also should be noted that periods of rapid inflation can cause chronic rent-adjustment problems for parties with cash leases. Appropriate indexing or standing-rent arrangements can do much to mitigate these problems.

A cash lease can be ideal for owners with limited farming experience, for absentee landowners, and for family members who wish to lease land to a family corporation. Currently, the greatest use of cash leases occurs on the dairy and crop-specialty farms around Chicago, although an increasing number of tenants with multiple owners are renting some tracts on cash to gain a degree of managerial freedom. Overall, cash leases comprise between 14 and 17 percent of all farm leases in Illinois.

Advantages to the Landlord

- The landlord will receive a definite, steady income.
- The landlord gains freedom from the burden of management.
- Because the lease is simple, there is less chance for controversy than with the other four lease types.

Advantages to the Tenant

- The tenant gains more independence in the operation of the property than with the other four lease types.
- Successful tenants under cash leases receive the full benefit of their superior management.
- The cash lease gives the tenant a larger percentage of the profits from the farm business than the other lease types give.

Disadvantages to the Landlord

- Tenants may tend to exploit the property when they have no assurance of more than a short period of occupancy.
- Although a cash lease does guarantee the landlord's income, the landlord will receive a smaller percentage of the profits than he or she would with the other lease types because not as much risk is assumed as with the other lease types.
- Under continued inflation, fixed cash rents become obsolete, and rents must be renegotiated periodically or some rent adjustment procedure adopted.
- The landlord has no opportunity to participate materially in the farm business.

Disadvantages to the Tenant

- It may be difficult to get the landlord to provide all of the improvements needed to make the property profitable and attractive to the farm family.
- The rent does not automatically adjust to changes in prices and production unless some provision is made in the lease.
- A tenant with limited capital or credit bears a heavy risk in years of poor crops or low prices because of the fixed rent. A disaster clause in the lease can provide some relief.

An Equitable Rent

How much rent should be charged or paid is usually the most perplexing question in farm leasing. The answer to this question for any particular property is based upon the idea that the rent terms should provide for an equitable (fair) sharing or division of the inputs to and returns from the property.

To understand the difficulty in determining rent, it is useful to think of the exchange of rights between the landlord and tenant as taking place within a market — a farm rental market. In comparison to established markets such as the grain or livestock markets, the farm rental market is not highly developed. It is not clearly defined or structured; it is not located in any central place; the supply of land in the market is seldom accurately known; and the competition for land seldom results in a face-to-face confrontation of one bidder versus another. Participants in the market are not required to declare themselves; they need not meet any licensing or other requirements to participate in the market; and the parties — that is, the landlord and tenant — seldom think of themselves as participating in a market, perhaps because their activity is so extremely limited geographically.

Another difficulty in determining rent — in addition to the absence of a defined market — is the determination of the appropriate differentials in the rental value of one property as compared to another. Many factors influence the determination of rent on any particular property and the equitability of that rent. Among these factors are the productivity of the soil, the kind and extent of improvements, the size and shape of the fields, the topography of the land, the location, and the form of the rental payment (i.e., a share of the goods produced, a cash rent, or a combination of shares and cash rent). A farm with low productivity, for example, may require more nonland inputs per unit of production by the tenant, landlord, or both than one with a high soil productivity, and the rent would have to be adjusted accordingly. Similarly, if a farm is in a very desirable, highly competitive location, a tenant may be willing to pay a rent that is slightly inequitable, especially if he or she is expanding an existing operation. Finally, if a share lease is used, the rent may be established by long-standing local customs.

Another factor involved in the determination of an equitable rent is whether the tenant is renting land from more than one owner. Multiple-owner tenants are a product of improved technology that permits (some might argue “requires”) a tenant to farm more land than is contained

in a typical property. Owners of smaller properties must recognize that their tenants should be permitted to farm additional land or to engage in other income-producing activity. Nevertheless, multiple-owner tenants present a major farm leasing problem: how to develop and maintain leasing arrangements that are fair to all owners when, for example, one may provide a full set of buildings and another provides none at all.

In general, however, the rent paid under any lease type is largely determined by the income that the land will produce when used for agricultural purposes.

Many of the factors influencing the amount of the rental payment, along with many aspects of the concept of fairness, can be treated best on an individual basis. The following discussion thus mainly presents methods to estimate the contributions of both parties and thereby to arrive at a fair rent. The general principles for determining rent in share leases are first outlined since share leases make up the vast majority of farm leases in Illinois. Within the discussion of share leases, the crop-share lease is first discussed (roughly sixty-six percent of Illinois farm leases are crop-share leases), followed by a discussion of the livestock-share lease, then the labor-share lease, and finally the net-share lease. The cash farm lease is discussed last, and several different methods are given to determine the amount of cash rent to charge or pay.

Applying Basic Principles in Share Leases

What are the options for determining rent in share leases? Theoretically, the gross rent share could be any percentage between zero and an amount that would leave enough income for the tenant to remain economically viable and willing to continue as a tenant. Practically, however, the shares that both a tenant and landlord will find acceptable have been established in any given Illinois community quite a number of years ago. Prevailing or customary shares thus provide a good starting point for developing a share lease. But it should be remembered that prevailing shares represent the broad picture in a community and not necessarily the particular situation on a given farm and that adjustments will need to be made to fit the lease to the individual farm.

The various rent shares that have become established in Illinois are the product of a basic principle in share renting: the farm returns should be shared in the same proportion that each party contributes to the fixed costs and associated operating expenses involved in producing

these returns. In a share lease, the landowner contributes the use of the land and any improvements (measured annually as an interest charge on the value plus depreciation through use and obsolescence), the property taxes, and the repair, insurance, and other associated expenses. The tenant contributes the machinery and equipment (also measured as annual interest and depreciation charges); the associated repairs, fuel, and supplies; labor (including any unpaid family labor); and management.

Contributions of management and risk-bearing by each party will vary according to the type of share lease and to the personal characteristics of the parties involved. These contributions are difficult to evaluate but extremely important to the business. Superior contributions will earn superior rewards, but remember that it is the lease that determines the allocation of the rewards. Thus, landlords who make significant management contributions should use share leases to get the returns from their management.

To insure that both the expenses of and the income from an individual farm business are shared equitably, the capital contributions of the two parties to the farm business should be appraised, and the cash contributions they expect to make should be estimated. In the appraisal of capital contributions, the items contributed by each party are listed, and a fair annual value is placed on them. Estimates of cash contributions can be made from farm records. If records are not available for a given farm, data from records of similar farms may serve as a basis for estimating the contributions of the two parties. These appraisals and estimations must be made with caution so that all items are valued on a comparable basis. For example, if conservative valuations are used for labor, equally conservative valuations should be placed on land and other capital items.

Once the contributions have been determined, adjustments may then be made by one of two methods. The first method fixes the share of the income to each party on the basis of prevailing or customary shares. The two parties then shift expenses or capital contributions from one to the other until each party is contributing the predetermined share of the total costs. The second method uses the proportion in which total costs are contributed and divides the income in the same proportion. Both methods assume that the landlord and the tenant should share the income from the farm in the same proportion that they contribute to the expenses of its operation.

Determining Contributions and Equitability in a Crop-Share Lease

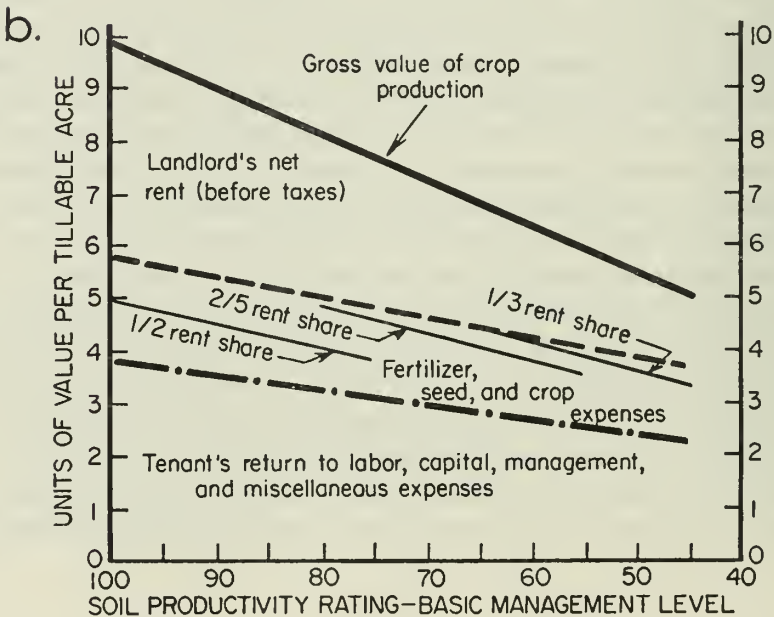
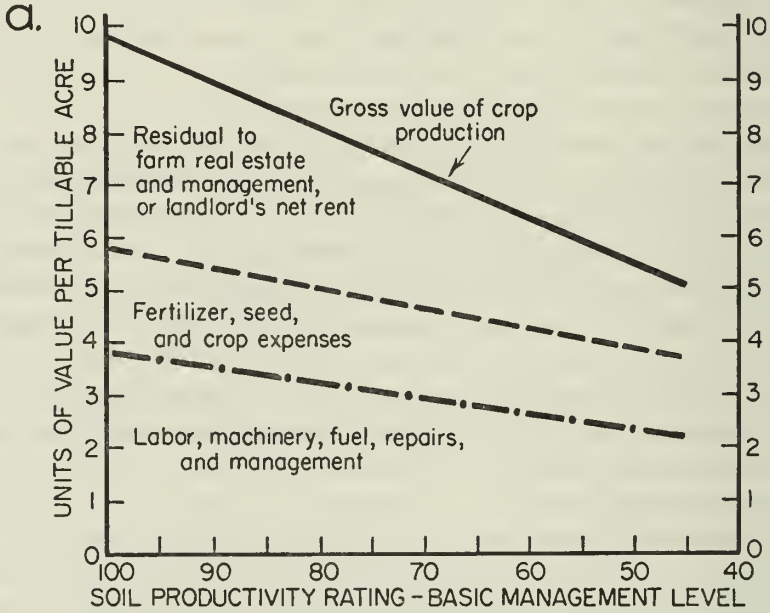
The rent shares in crop-share leases are fairly established in Illinois. In the better soil areas of central and northern Illinois, the prevailing gross rent share is one-half of the crops grown. On less productive land in southern Illinois, the prevailing rent share is one-third. In transitional areas and in isolated areas of less productive soils in the northern portion of the state, the prevailing rent share is two-fifths.

Why one-half, two-fifths, and one-third shares? Why not values in between these? One immediate answer is the ease of making a physical division of the crop in these proportions as compared to the difficulty of divisions such as 47 and 53 or 32 and 68. Another answer is that the trial-and-error method has worked out to these shares. To understand better why certain shares have become traditional, let us eliminate from consideration all other variables that affect gross rent except soil productivity. If we then chart the relationship between the gross value of crop production and soil productivity by using data from farm financial records on many hundreds of farms over a 25-year period, the result is Chart A on page 18.

As Chart A indicates, the gross value of crop production per tillable acre (the top solid line) decreases steadily from the highest rated soil to the lowest rated. The chart also indicates that the value of a tenant's inputs of labor and machinery (below the dotted line) decreases only slightly as the soil rating decreases. Similarly, variable costs (fertilizer, seed, and crop expenses) remain about the same (between the dotted and broken line) regardless of soil productivity. Thus, once these non-real-estate costs are paid and an adequate return for the tenant's labor and management is determined, the residual is the return to farm real estate and management (amount above broken line). As the chart indicates, the residual roughly approximates one-half of the crop value on the most productive soil and one-third on the least productive soil.

Chart B has the same basic information as Chart A, but three short lines now divide the gross value of crop production into the landlord's share (above each short line) and the tenant's share (below each short line). Notice that the location of these lines is within the area of variable costs. Thus, if the variable costs can be shared — either as the crop is shared or in such a way that total inputs are shared as the crop is shared — the result should be a fair rent and a fair sharing of costs.

Allocation of the returns from crop production to input factors to show (a) the relationship between the gross value of crop production and soil productivity and (b) the traditional share rents under Illinois crop-share leases.



Given the relationship between shares and soil productivity, two questions arise: How can this historical information be applied to individual rental tracts and how can unpaid inputs be priced?

The first step in applying this historical information is to identify the soil types and their productivity ratings on the property in question. County soil maps are the best source for determining the soil types on any given tract of land. County Extension or soil conservation offices may be able to supply the soil maps or to give information if the maps are not available. A weighted average productivity rating for any tract can then be calculated from productivity ratings of soil types. Once an average rating has been determined, Chart B on page 18 can be used to determine customary shares for such a rating.

Local farm leasing customs will probably reflect the productivity of soils in the area, and these customs tend to be a reliable base from which to build a good farm lease. It should be noted that small areas of highly productive soils within a large area of less productive soils will tend to rent under the same gross rent shares as the poorer soils, and vice versa. This practice need not mean that a lease on these tracts will be unfair to either the landlord or the tenant. If adjustments for soil differences are made in the sharing of the costs, all landlords within the larger area will receive an appropriate net rent.

How to price unpaid inputs can be determined by the rental market. Tenants can readily estimate their total cash costs from their own records or from published farm record summaries or farm management data. Subtracting these costs from the tenant's share of the crop (estimated from expected yields and prices) leaves an estimate of the residual income to the tenant's unpaid labor and management. If this income is large enough to meet family goals or to be attractive in comparison to alternative employment, then the lease will be acceptable.

Of course, there may be other considerations involved in the acceptability of a lease, such as the amount of competition for the land or a tenant's need to expand operations. In fact, pressure from landlords or their agents and competition from other tenants have, in a few cases, pushed some customary shares up from one-third and two-fifths to two-fifths and one-half. The net effect of such increases has not been great because the landlords receiving the higher rent also are contributing more toward selected items of operating expenses.

Cost-Sharing Arrangements

The costs that are shared between crop-share tenants and landlords in Illinois are so well established that they can be summarized fairly

accurately. The only costs that are not shared under a crop-share lease are the costs of machinery repairs, fuel, oil, and grease, which are paid entirely by the tenant as necessary costs to crop production.

Fertilizers. Fertilizer costs are almost always shared in the same way that the crop is shared; that is, on a one-half share lease the landlord pays one-half of the fertilizer costs, while the landlord on a one-third share lease will pay one-third, and so forth. This same division now applies to the costs of limestone after the initial buildup (paid for by the landlord) is completed and applications are on a maintenance basis. The costs of applying the fertilizer and the limestone also tend to be shared in the same proportion that the crop is shared.

Seeds. In the northern two-thirds of Illinois, where one-half shares predominate, nearly all crop-share landlords pay for or furnish a proportionate share of the crop seeds. These seeds include legume and grass seeds, especially when the landlord shares in the hay crop or receives a supplemental cash rent on land in hay or pasture.

In southern Illinois, hardly any of the landlords on a one-third rent share will furnish crop seeds since their real-estate contribution and their contribution to fertilizer costs usually equal one-third of the farm costs. Southern Illinois landlords may furnish one-third to one-half of the legume and grass seeds, however, if they share in the hay crops or receive a supplemental cash rent on land in hay or pasture.

Herbicides. Most crop-share landlords share in the costs of weed-control chemicals, although some landlords will share only the costs of herbicides banded over the row and not the costs of those that are broadcast. The rationale for sharing only the costs of banded herbicides is that weed control in the row increases yields and the landlord shares in this increase, while broadcasting eliminates most or all cultivations, effecting a savings in tenant labor that is not shared by the landlord. Some have argued that the landlord should share in the costs of broadcast herbicides because a weed-free farm has a greater market value — a benefit that is not shared by the tenant. As a result of these conflicting viewpoints, the sharing of herbicide costs remains a bargaining item between tenants and landlords.

The majority of Illinois crop-share landlords, whether they share in the costs of banded or of all herbicides, do not share the application costs. Their premise is that application is the tenant's responsibility since labor and machinery costs are counted as part of the tenant's contribution to the farm business.

Pesticides. The costs of chemicals used to control insects and crop diseases are generally shared between tenant and landlord in the same proportion that the crop is shared. Application costs may or may not be shared but tend to be shared when the application is hired.

Grain transportation. Nearly all crop-share tenants are expected to haul the landlord's share of the grain from field to market (or from field to on-farm storage and then to market) at no cost to the landlord. When the haul goes beyond the local elevator, or to a destination beyond eight to ten miles away, however, the landlord is expected to pay for the extra mileage.

Crop drying and storage. Each party is expected to pay for drying his or her share of the grain. These costs are easy to figure when the grain is dried commercially. If the landlord furnishes a dryer on the farm, then the tenant does the work, and the two share the direct drying costs (largely fuel and electricity costs). If the tenant has corn from other land to be dried in the landlord's dryer, then the tenant pays the landlord a bushel rate to cover interest, depreciation, repairs, and insurance. If the landlord cannot justify owning a dryer, then the tenant may furnish one. In this case, the landlord pays the tenant a bushel rate not to exceed the commercial drying charge.

Each party also is expected to pay for the storage of his or her grain. When the landlord furnishes storage on the farm, it is customary to permit the tenant to use a proportionate amount of the storage space. This arrangement works best when the grain stored is undivided; then the tenant has motivation to properly dry and inspect all the grain. When the storage capacity is less than the production from the land, some landlords reserve the space for their own grain, an action that is never popular with tenants.

Many landlords who own tracts of bare land would not be justified in putting grain storage on the property. Grain from these tracts will need to go to market at harvest time or into commercial storage if it is available. Some tenants with enough storage capacity of their own have stored their landlord's grain from unimproved tracts. The landlord should expect to pay up to commercial rates for such storage.

Harvesting costs. Combining costs are clearly a bargaining item, but a majority of crop-share landlords in the northern two-thirds of Illinois share in these costs for soybeans and small grains. A majority also make some contribution to corn harvesting, either by sharing in the combining costs or by making a per-bushel payment in lieu of

shelling costs for ear corn. If combining costs are shared, they are shared in the same proportion that the crop is shared. In southern Illinois, most landlords do not share in harvesting costs, but local variations occur, with a majority of landlords sharing in costs in a few communities, or where the gross rent-share is two-fifths or one-half of the crop.

A good practice in many areas is to allow superior buildings to offset the need for the landlord to share in harvesting costs. In fact, when the landlord furnishes a set of modern buildings on a relatively small acreage, there may be ample reason for the building contribution not only to offset the tenant's payment of all harvesting costs but also to justify a supplemental cash rent on improvements.

Soil testing. In the early days of soil testing, tenants were expected to take soil samples and to deliver them to the testing laboratory. This entire process has since been commercialized, and professional laboratories or fertilizer merchandisers offer both sampling and testing services for a fee. The landlord and the tenant share this cost in the same way the crop is shared.

Equitability Test

It is more difficult to determine whether inputs and returns are being shared equitably under a crop-share lease than it is under a livestock-share lease, primarily because more multiple-owner operations are likely to occur under crop-share leases. In addition, all income under a livestock-share lease (or all but perquisite income from minor enterprises) is shared in the same proportion, while under a crop-share lease the tenant's labor and capital are divided between crop enterprises in which the landlord shares and livestock enterprises in which the landlord does not share.

The form on page 23 can be used to estimate the costs and returns on a crop-share leasehold and to determine whether these costs and returns are being equitably allocated between the tenant and landlord. This form is especially useful for multiple-owner cases. A proportional sharing test in these cases requires that the tenant's inputs be calculated on a crop-acre or tillable-acre basis so that the calculations reflect only that share of the tenant's total inputs that is used on the leasehold in question. To determine equitability, landlords with multiple-owner tenants also may want to compare their net earnings with the average per-acre earnings of other landlords from similar soils. The annual *Landlord and Tenant Shares* report published by the Department of

Form for Estimating and Allocating Costs and Returns

Costs and Returns	Costs or Returns per Tillable Acre (1)	Amount Con- tributed by or Returned to Tenant (2)	Amount Con- tributed by or Returned to Landlord (3)
Annual Costs:			
Fertilizer and lime (1)	_____	_____	_____
Seed and crop expenses (2)	_____	_____	_____
Power and machinery operating expenses (3)	_____	_____	_____
Power and machinery depreciation (4)	_____	_____	_____
Building repairs and insurance (5)	_____	_____	_____
Building depreciation (6)	_____	_____	_____
Interest at _____% on			
Inventories (7)	_____	_____	_____
Machinery and equipment (8)	_____	_____	_____
Property Taxes (9)	_____	_____	_____
Insurance and Miscellaneous (10)	_____	_____	_____
TOTAL COSTS (lines 1 to 10) (11)	_____	_____	_____
Estimated Returns:			
Crop production (12)	_____	_____	_____
Other income (13)	_____	_____	_____
TOTAL RETURNS (lines 12 and 13) (14)	_____	_____	_____
Residual Returns to Pay for Land, Labor, and Management (line 14 minus line 11) (15)	_____		
Operator's Labor and Management Returns (16)	_____	_____	
Residual to Landlord's Real Estate and Management (line 15 minus line 16) (17)	_____		_____

Agricultural Economics, University of Illinois at Urbana-Champaign (305 Mumford Hall, 1301 W. Gregory Drive, Urbana, IL 61801), can be useful in this comparison.

The best way to use the form is to fill out column 1 as if the tenant owned the property and expected a fair average return for all inputs on lines 1 through 10. A good source for the data in column 1 is the annual *Landlord and Tenant Shares* report. The total of these inputs is entered on line 11 and should be subtracted from the total returns or income on line 14. The remainder is entered on line 15 and is the amount available to pay for the unpaid inputs on lines 16 and 17. Line 16 is the amount that the tenant feels the property in question should return for personal labor and management. Presumably this amount should be the return below which the tenant is not interested in farming the property. Line 17 is thus what remains as a return to the investment in land and improvements on it, or an estimate of the net rent.

To determine the characteristics of a crop-share lease on a property, the tenant next should simulate the lease being tested by allocating the amount on each line in column 1 to or between the tenant in column 2 and the landlord in column 3. For example, on a one-third share rent in southern Illinois, the fertilizer and lime costs (line 1) would be allocated two-thirds to the tenant and one-third to the landlord. Seed and crop expenses (line 2) might be allocated entirely to the tenant. A portion of the amounts on lines 3 and 4 would be allocated to the landlord (basically a portion equal to the contribution the landlord would be expected to make toward combining, hauling, or both). If no buildings exist on the property, lines 5 and 6 would be zero. Line 9 would be allocated entirely to the landlord, and lines 7 and 8 might be allocated entirely to the tenant.

In case of a bare-land property, the prices used in estimating the income on line 12 should reflect the fact that no storage exists on the property and that the crop would have to go to market at harvest.

The final test is to have the entries in column 2 (line 14 minus line 11) support the figure in column 1 on line 16, and the entries in column 3 (line 14 minus line 11) support the figure on line 17 in column 1. If columns 2 and 3 do not support the predetermined values on lines 16 and 17, then changes must be made in the sharing of assumed costs and income until the desired result is achieved.

If a tenant wants to make a strong bid for a particular leasehold that will be added to an existing operation, he or she may be prone to omit or greatly reduce the estimates of the input items on lines 4 through 8

on the grounds that these costs have already been covered by income from other land. These "marginal input" calculations would permit rental bids that are quite favorable to the landlord, but calculations such as these are unsound in that they rest upon a base that cannot be sustained: eventually every other one of the tenant's landlords will ask for the same rental terms.

Determining Contributions and Equitability in a Livestock-Share Lease

In most areas of Illinois the landlord and tenant will share equally in the expenses and income of a livestock-share farm business. The items for which each is usually responsible, the method for determining the value of these items, and the way to test equitability are discussed in the following sections.

Cost-Sharing Arrangements

In livestock-share leases in Illinois, landowners and tenants usually divide the costs of certain investments and operating expenses in very similar ways.

The landlord usually supplies all permanent buildings and most permanently installed equipment. The landlord also pays the taxes and any insurance, repair, and maintenance costs on these items. It is not unusual, however, for the tenant to share in the costs of a highly mechanized livestock confinement system. If the tenant does contribute to any fixed improvement costs, the lease should contain agreements on how the tenant is to be reimbursed for any unexhausted portion of his or her contribution if the lease is terminated (see pages 53 through 55 for a discussion of possible reimbursement arrangements). The landlord and the tenant also should agree who is to maintain and repair or to pay taxes and insurance on any shared improvements. The lease should specify as well whether the tenant is expected to supply labor for any permanent structures provided by the owner.

In general, the livestock-share tenant supplies all the labor and all the machinery and equipment needed to operate the farm properly, although the tenant and landlord often jointly own some machinery and equipment. Repair, insurance, and maintenance costs on tenant-owned machinery and equipment are paid by the tenant; these costs are shared fifty-fifty on jointly owned equipment.

The tenant and landlord contribute equally to livestock and feed inventories and to crop costs. Any exceptions should be agreed upon, such as the landlord's not sharing in the application costs of fertilizers and herbicides or in the harvesting costs.

The costs of electricity, gasoline, oil, and other fuel are bargaining items between the two parties. Sometimes, if no electricity meter separates the farm use from the household and personal consumption, the landlord will pay only a stated amount rather than share the costs equally with the tenant.

A typical livestock-share landlord may pay a stated amount of the harvesting, hauling, and processing costs, except, perhaps, for the cost of hauling products to market. Three possibilities need to be considered, and a choice agreed upon. One possibility is that the two parties share these costs equally with the amount being determined by the going custom rate. Another possibility is that the landlord pays a fixed amount per acre or per unit of production. This method would avoid many settlement problems, but the fixed price would need to be reviewed periodically. Yet another possibility is that tradeoffs be considered; for example, a landlord who shares in fuel and electricity costs may not share fully in custom-operating costs.

Valuation of Contributions

An example is used to demonstrate how to value each party's contributions so that the equitability of the contributions can be determined. Table 1 summarizes the contributions of an Illinois tenant and landlord in 1980 to a 380-acre farm with soils rated at 75 and with 320 tillable acres. Most of the values entered in Table 1 can be derived for a particular farm from farm records. If these records are not available, records on comparable local farms can be used as well as publications like the annual *Landlord and Tenant Shares* report (available from the Department of Agricultural Economics, University of Illinois at Urbana-Champaign, 305 Mumford Hall, 1301 W. Gregory Drive, Urbana, IL 61801).

Some of the major items in the table present problems that require special comment. For example, among the most difficult items to value fairly are land and buildings and the rates of interest to be applied to the value of these items. Perhaps the safest rule is to use the market value of the farm and divide this amount between land and improvements, calculating improvements on the basis of what their presence adds to the market value of land only. In our example, the market value of the farm (\$1,040,000) is divided between the land (\$950,000) and

Table 1. Contributions by Livestock-Share Tenant and Landlord to a 380-Acre Hog Farm with Soils Rated 75 (Basic Mgt. Level) and 320 Tillable Acres^a

Contribution items	Amounts needed to operate as planned	Rates ^b	Annual Values		
			Total farm	Tenant contri- bution	Landlord contri- bution
Investment items					
Land (380 acres at \$2,500/acre)	\$950,000	3.0	\$ 28,500	—	\$28,500
Tenant residence	35,000	3.5	1,225	—	1,225
Farm buildings, fences, etc.	55,000	4.0	2,200	—	2,200
Machinery and equipment	52,000	12.0	6,240	\$ 4,865	1,375
Breeding and feeder stock..	68,000	12.0	8,160	4,080	4,080
Feed, fuel, seeds, supplies..	40,000	12.0	4,800	2,600	2,200
Operating cash	3,000	12.0	360	216	144
Depreciation charges					
Tenant residence	35,000	2.0	700	—	700
Farm buildings	55,000	4.0	2,200	—	2,200
Machinery and equipment	52,000	25.0	13,000	10,140	2,860
Breeding stock	8,000	20.0	1,600	800	800
Associated operating expenses					
Property taxes			5,600	—	5,600
Property and liability insurance			2,400	960	1,440
Hired labor (5 months, \$1,000/month)....			5,000	5,000	—
Repairs and maintenance:					
Tenant residence			600	300	300
Farm buildings			1,200	250	950
Machinery and equipment			7,360	6,080	1,280
Fuel, oil, and grease			5,400	5,400	—
Unpaid labor and management (15 months, \$1,500/month)			22,500	22,500	—
SUBTOTAL			\$119,045	\$63,191	\$55,854
Percent contributed by each party			100	53.1	46.9
Variable operating expenses					
Fertilizer and limestone			13,440	6,720	6,720
Machine work hired			2,000	1,000	1,000
Electricity and telephone			2,800	1,400	1,400
Seed and crop expense			9,600	4,800	4,800
Livestock expense			4,800	2,400	2,400
Purchased feed			36,000	18,000	18,000
TOTAL CONTRIBUTIONS			\$187,685	\$97,511	\$90,174
Percent contributed by each party			100	52.0	48.0

^a Values are based on averages of 1980 Illinois Farm-Business Farm-Management Association records.

^b Interest and depreciation rates on stated costs or values.

the tenant residence, farm buildings, fences, and other items (\$90,000). A rate of return to land of 3.0 percent is then applied. When choosing interest rates, always apply rates that represent current rates of return as opposed to first mortgage rates, which, by contrast, were 11 to 14 percent in 1980. Current rates of return can be taken from the *Landlord and Tenant Shares* publication and from farm record summaries.

The rate of return to land that we have used also addresses another possible complication in estimating contributions—the landlord's charge for management. If a market rate of return includes a return to management (as the 3.0 percent rate does), then including a management charge as a landlord contribution would be double counting. Thus, in our example, no separate charge is listed for the landlord's management contribution.

The annual cost of the farm residence to the landlord is another contribution that may warrant special consideration. In our example, the annual costs of the farm residence are itemized for a total of \$2,525, or \$210 per month (\$1,225 for interest, \$700 for depreciation, and \$600 for insurance and repairs). If the annual value of the farm residence is exceptionally good relative to the size of the farm, the landlord may want to charge the tenant a separate cash rent for the residence. In other words, the farm residence could be viewed as a consumption item by the tenant and as an unproductive item by the landlord. Rather than charge a cash rent, the landlord could add the annual value of the residence to the tenant's labor and management return to reflect a total compensation for the tenant's personal input. (Labor and management earnings of farm operators published in farm-record summaries are amounts above the cost of housing.) Traditionally, however, it has been assumed that a superior residence will attract a superior manager as a tenant. Moreover, a supplemental cash rent has seldom been assessed under a livestock-share lease, although such a rent is not uncommon under a crop-share lease. It also should be noted that many tenant residences in Illinois will not be as valuable as the one in our example and will not give rise to the level of costs we have used.

A word of caution is in order concerning the determination of the investment values used for farm buildings, fences, machinery, and equipment. These values can be taken from farm-record depreciation schedules, but care should be exercised that these values are not too low or too high. The values may be too low if the items have been subjected to accelerated depreciation charges in excess of the actual obsolescence. They may be too high if the items are an excess investment with respect to the volume of business or, as the column in Table 1 indicates, to the

“amounts needed to operate as planned.” If the landlord wants a “show place,” or if the tenant is knowingly overequipped, the excess investments can be left out of the calculations. The choice of interest rates to be applied to these investment values also can be critical. In our example we have used 12 percent for the contributory rate on the grounds that this rate is more nearly the long-term rate of return on capital in these uses than the current interest rates of 15 percent or more on production loans.

In terms of depreciation rates, a four-year remaining life on machinery and equipment requires a depreciation rate of 25 percent. A 2 percent depreciation rate is used for the farm residence and a 4 percent rate for farm buildings because the objective is to measure a recovery of capital, not income tax deduction. Thus these rates, which may seem low, are appropriately lower than traditional accounting rates. One could even contemplate no loss because of appreciation over time.

Values placed on the tenant’s labor and management should be comparable to the values placed on the landlord’s real estate: if conservative values are used for one, they should be used for the other. One method of valuing labor is to determine prevailing wages for supervisory service and to add an estimate of the value of management input to that figure. Another method is to approximate the labor and management returns currently being earned by other tenants. The latter method may be preferable because it reflects the market situation, which is also the basis for determining the land values and the rates earned by the landlord. We have used \$1,500 a month as a minimum; many tenants would not continue to farm indefinitely below this amount.

In addition to the wages estimated for the operator and family members, the family receives the use of the house and certain produce. The question might be raised as to whether the value of the produce and a house rent should be estimated and added to the farm income, although in our example they are not. In other words, residential services could be recognized as one of the landlord’s inputs. If these services are added to the farm income, however, the value of the family’s labor presumably would be increased by a similar amount.

A subtotal of the annual-value columns indicates that the tenant paid 53.1 percent of the fixed costs and associated expenses and that the landlord paid 46.9 percent. The division of the remaining variable inputs should be derived from the basic plan of operation mutually determined by the tenant and landlord. If at all possible, these inputs should be shared equally to insure that each party is similarly motivated to employ them. In our example, an equal division of these variable

inputs resulted in the tenant assuming 52 percent of the total costs and the landlord assuming 48 percent.

These percentages can be brought closer to a fifty-fifty sharing by changing the allocation of selected associated operating expenses. The cost of fuel, oil, and grease is one of the expenses that could be reallocated. The cost of repairs and maintenance on farm buildings is another. For example, if the landlord paid half of the fuel, oil, and grease costs, \$2,700 would be shifted from the tenant to the landlord. This amount is 2.3 percent of \$119,045 and 1.4 percent of \$187,685. This shift would bring the total contribution ratio to 50.5 percent for the tenant and 49.5 for the landlord. A fixed dollar contribution by the landlord in place of one-half of the fuel, oil, and grease costs could be used to make the overall contribution ratio exactly 51 and 49.

Equitability and Adjustments

If expected income can be estimated, then a rate-of-return test can be applied. Let us assume that the expected income from the farm in our example is \$200,000, of which the tenant receives \$100,000 (or 50 percent) and the landlord \$100,000 (or 50 percent). Dividing \$100,000 by \$97,511 (the annual value of the tenant's contribution) results in a ratio of 1.026, or a return of \$1.026 to the tenant for each dollar of inputs. The landlord's rate of return is \$1.109 per dollar of inputs ($\$100,000 \div \$90,174$). This difference is significant, and adjustments can be made in cost-sharing arrangements to make the two rates equal.

Any method of adjusting contributions to achieve an acceptable balance is no better, of course, than the judgment of the people who do the evaluating. It is, however, an excellent means of testing a lease to see whether the division of expenses and income between the two parties is approximately equitable given the assumed values. In addition, evaluating the contributions gives each party a better appreciation of the contributions that the other makes to the farm business.

Estimating Contributions in a Labor-Share Lease

In a labor-share lease, most of the contributions to the farm business, especially capital contributions, come from the landowner or senior operator. The junior operator usually contributes only labor and man-

agement. Nevertheless, both parties share in the returns in proportion to their contributions. The proportion each contributes can be estimated either on a gross or net basis.

If a gross basis is used, the owner or senior operator lists all of his or her capital, including land, as an annual interest charge; the total of all operating expenses, including depreciation on capital items and cash rent on other land; the value of his or her labor and management (if any); and the value of the junior operator's labor and management. All gross income is then divided in the same ratio that each party contributes to the total inputs. Inventory changes may be considered annually or at the end of the agreement. In general, however, shares are easier to calculate if a net basis is used rather than a gross basis.

The net basis is similar to the gross basis except that a farm record or a farm bank account is started. All operating expenses, including depreciation, can be paid out of this account, and only the net return divided between the two parties. The net return would be the income above all operating expenses (including hired labor and all rent on lands and buildings), or what remains as a return to labor, capital, and management. These three items are the so-called "unpaid contributions," and they are each rewarded with a share of the net returns. Shares are easier to determine on a net basis because one needs only an interest charge on the total capital and an estimate of labor and management. Moreover, land rented from third parties is not included in the net calculations because the rent for the use of that land is treated as any other expense to the business.

The share of either gross or net returns to the junior operator will vary greatly from farm to farm depending upon the value of the land, the type of farm, the amount of rented land, and other related aspects. Typical net shares to the junior operator range from 25 to 35 percent, and typical gross shares from 12 to 20 percent depending upon how much labor is contributed by the owner or senior operator. Regardless of the agreed share, the junior operator still does not share in the full range of risks involved in a farm business and thus is usually guaranteed a certain return. Such a return should not be less than the junior operator could receive as a good hired hand.

Good records are essential to successful labor-share leases, particularly when the division of returns is calculated on a net basis from the farm record. Good records also are important if the junior operator chooses to defer a cash payment in favor of building a capital contribution in

the form of a claim against the operating capital. If the junior operator makes this choice, the division of the returns must be recalculated each year to reflect the junior operator's increasing capital inputs. Eventually under this arrangement, the labor-share lease will no longer be adequate, and it should be dropped in favor of one of the other four leases.

Determining Rent in a Net-Share Lease

Because the net-share lease is fairly new, the rents associated with it have not yet become established in community customs. Thus, deciding the amount of rent is a major problem with this type of lease.

The net-share rent can best be approximated by using Chart A on page 18. If the weighted-average soil productivity rating of the rental property is located along the bottom scale, then the net-share, as a percentage of the total value of crop production, can be estimated directly. The percentages that the landlord's net rent constitutes of the gross value of crop production have remained rather stable over time and are about as they are shown in the chart. These percentages range from a low of 15 to 20 percent on the lowest rated soils to a high of 35 to 40 percent on the highest rated soils.

The landlord with a net-share lease could take his rent in actual bushels just as crop-share landlords do. But most net-share landlords prefer a cash payment equal to the current value of their share of the total production. A cash payment can be easily determined by converting the net-share bushels into dollars on the basis of current prices paid in local markets, or on the basis of averages of such prices over an agreed-upon period of time.

Because the landlord is usually responsible for taxes and insurance, if any, another possible way to arrive at a net-share rent is to apply a crop-share landlord's net return rate to an estimate of the land value. This application will derive a net rent estimate for the tract; gross rent can then be determined by adding any taxes and insurance. The gross rent figure is divided by an estimate of the gross value of the crops produced to obtain the rent share.

As an example, assume that a 160-acre farm with buildings valued at \$3,000 per acre would earn a net crop-share return of 2.8 percent, or \$84 per acre ($\$3,000 \times 0.028 = \84). If the cost of taxes, insurance, depreciation, and repairs amounts to \$18 per acre, the gross rent would be \$102 ($\$84 + \18). If the expected gross value of crop production is \$300 per acre, then the net-share rent of \$102 is 34 percent ($\$102 \div \$300 = 0.34$) of the gross value of crop production. The prices used

to determine the cash value of this share of the bushels produced should be from the same source and for the same time period as the prices used to determine the net-share rent. That is, if the average prices that were paid in October, November, and December at the local elevator were used to determine the \$300-per-acre gross value of crop production, then average prices paid at the local elevator for the same months must also be used each year to convert that year's bushels of net-share rent into dollars.

An accounting of the net-share rent might appear as follows.

Land use	Acres	Yield (bu/acre)	Total produc- tion (bu)	34% rent share (bu)	Prices	Value
Corn	70	130	9,100	3,094	\$ 2.60	\$8,044
Soybeans	60	40	2,400	816	6.90	5,630
Wheat	10	50	500	170	3.90	663
Hay or pasture	10	3 ^a	30 ^a	10.2 ^a	50.00	510
Noncrop land	10	—	—	—	—	—
TOTAL	160					14,847

^a Measured in tons.

Earnings per acre: 92.80

Determining Rent in a Cash Lease

Deciding how much rent to charge or pay also is a problem for those who would like to use a cash lease. In northern Illinois, where about one-third of all rented farms are on cash leases, it is not difficult to find out what rents are being paid locally. But few cash leases exist in the rest of the state. Moreover, many of these are between related parties, and some give the tenant favorable rates. For cash leases in most of the state, therefore, other methods besides local customs are needed to determine the rental payment.

Methods of Deriving a Cash Rent

There is no one best way to determine cash rent. All of the methods described below will yield only approximate answers and thus can serve only as a basis for bargaining toward a final figure. In fact, the parties concerned do not need to adopt any particular approach to cash-rent determination. Both are free bargaining agents, and either party, because of highly subjective reasons, may be quite willing to accept or

Table 2. Gross Cash Rents for Farmland and Associated Buildings in Eleven Counties of East Central Illinois in 1977, by County Groupings

Counties and value groups (\$/acre)	Number of farms reporting	Average size of rented tract		Average value of land and buildings per acre	Average gross cash rent per acre	Ratio of gross rent/\$100 of value (%)
		Total acres	Tillable acres			
Champaign-Piatt-Douglas						
\$2,500 and over...	41	115	112	\$3,383	\$ 98.32	2.91
Under \$2,500.....	4	71	50	1,675	57.06	3.41
Livingston						
\$2,500 and over...	22	97	94	3,430	100.05	2.92
Under \$2,500.....	5	147	129	1,560	76.55	4.33
Ford-Iroquois						
\$2,500 and over...	26	159	155	2,842	82.93	2.92
Under \$2,500.....	43	149	141	1,871	70.93	3.79
Coles-Edgar-Vermilion						
\$2,500 and over...	13	119	117	3,131	78.54	2.51
Under \$2,500.....	18	197	175	1,564	54.87	3.51
Clark-Cumberland						
All were \$2,500 or under.....	11	184	154	1,600	53.68	3.36
All tracts.....	183	139	131	2,565	79.80	3.11

pay a rent clearly advantageous to the other party. This freedom should be preserved, but it might be prudent to apply some of the approaches below to determine the extent of departure from a competitive rent.

Making local inquiries. Ask tenants, landowners, farmers, real estate brokers, lenders, appraisers, and other professionals in the local community about the prevailing local rates. Also, check surveys by public or private agencies since they may report the going cash rents in the area. For example, the data in Table 2 came from a farm leasing survey by the University of Illinois. This 1977 survey of eleven counties in east central Illinois obtained the average gross cash rents in that area as well as the ratio of gross cash rents to farmland values. Using such ratios, a landlord or tenant in east central Illinois could derive a cash rent similar to local customs.

Using farm record data. Check reports based on farm financial records (such as the records kept by farm operators enrolled in the Illinois Farm-Business Farm-Management Association). Table 3 illustrates the type of information that can be derived from such records: the state-wide average of cash rents on farms with certain soil ratings, ownership patterns, and production emphases. However, exercise caution when using farm financial records or summaries of such records. As noted previously, rental payments on cash leases are often between relatives, or they can be the result of long-term contracts made years ago without automatic rent adjustments.

Table 3. Cash Rents Received by Landlords with Cash Leases in 1979 on Farms Enrolled in the Illinois Farm-Business Farm-Management Association

Category of farm ^a		No. of farms	Gross cash rent	Property taxes	Other costs ^c	Net cash rent
Type ^b	Soil rating					
Part-owner farms						
Dairy	80-92	4	\$40	\$12	\$24	\$ 4
Dairy	65-79	12	65	13	4	48
Dairy	Under 65 ^d	7	43	8	3	32
Grain	93-100	4	71	15	0	56
Grain	80-92	9	81	16	4	61
Grain	65-79	6	82	13	0	69
Livestock . . .	80-92	26	85	14	5	66
Livestock . . .	65-79	18	67	13	5	49
Livestock . . .	Under 65 ^d	12	41	7	0	34
All-rented farms						
Dairy	65-79	9	68	19	20	29
Livestock . . .	80-92	4	76	16	8	52
Livestock . . .	65-79	5	55	18	13	24
Livestock . . .	Under 65 ^d	4	44	9	1	34

^a All cash-rented tracts were between 40 and 339 acres.

^b For part-owner farms, the type of farm indicated includes the total operation of which the cash-rented land is a part. For all-rented farms, averages per tillable acre are given.

^c Amount includes insurance, repairs, and depreciation on any improvements and other capital items contributed by the landlord.

^d Farms with soil ratings under 65 are in southern Illinois. All other farms are in northern Illinois.

Table 4. Gross Cash Rent per Acre and Ratios of Rent to Value in Illinois^a

Year	Farms rented for cash		Cropland rented for cash	
	Rent (\$/acre)	Ratio of rent to value (%)	Rent (\$/acre)	Ratio of rent to value (%)
1981.....	\$105.80	4.4	\$113.80	4.5
1980.....	99.00	4.3	107.00	4.3
1979.....	92.00	4.3	99.00	4.3
1978.....	85.00	4.4	93.00	4.5
1977.....	81.00	4.9	89.00	5.0
1976.....	68.00	5.5	75.80	5.7
1975.....	61.00	5.6	63.00	6.1
1974.....	51.00	5.4	52.00	6.0
1973.....	40.90	5.8	41.55	6.4

^a Data taken from *USDA Farm Real Estate Market Developments*.

Using USDA reports. Because the cash rents reported by the USDA (such as those in Table 4) are state averages, they have little local value except as an index of how much cash rents have changed over time. Nevertheless, the rate of change of the reported averages can be used on the local level for annual rent adjustments. For example, if you own or rent farm property in Champaign County and the most recent cash rent on the property was negotiated in 1977 at \$90 per acre, you might use the USDA information to adjust the rent to 1981 rates. Table 4 indicates a state gross cash rent average of \$81 in 1977 and an average of \$105.80 in 1981. In other words, the average gross rent increased by 30.6 percent between these years. Your 1977 rent of \$90 per acre could be expected to increase at the same rate. As a result, you could expect to receive or pay a gross cash rent of about \$118 per acre in 1981 ($\$90 \times 1.306 = \117.54).

Using rates of return. Using this method you would build up to a gross cash rent from a desired or acceptable net rent (that is, the net operating return to a landlord's real-estate capital and management). One approach is to start with an interest return on a safe investment, such as the return on government bonds or savings accounts. If this return is 6 percent, then a comparable net return or net cash rent on a \$2,000-per-acre farm would be \$120 per acre ($\$2,000 \times 0.06$). To calculate gross rent, add the costs per acre of taxes, insurance, deprecia-

tion, and repairs paid in a typical year by the cash-rent landlord. If these values are not available from the farm record, they can be found in publications such as the *Landlord and Tenant Shares* report.

A major problem with this approach is that it ignores any expected gain in the capital value of the farmland. If farmland is expected to increase 8 to 10 percent annually in market value, then investors may be willing to bid up prices of farmland to where the net rent might be only 2 to 4 percent on the purchase price. To take into account any expected gain in farmland value, you perhaps should start with the current rate of return being realized on the market value of the farm. For example, if a farm is just outside of an urban center and is priced at \$5,000 per acre, it may be earning only 1 to 1.5 percent of this value from its use as farmland. The gross rent would again be calculated by adding to the net rent the costs per acre of taxes, insurance, depreciation, and repairs paid in a typical year by a cash-rent landlord.

Adjusting a crop-share net rent. In this method, start with a net rent under a crop-share lease. A good source of the net rents paid under crop-share leases is the annual *Landlord and Tenant Shares* report. Next, adjust the crop-share net rent for the difference in the landlord's risk (a crop-share landlord shares in the risks associated with a farm business, but a cash-rent landlord receives a fixed rent regardless of variations in the value of the gross product). A reasonable adjustment might be an amount 10 to 15 percent lower than the net rent received by crop-share landlords. After adjusting for risk differences, add the costs per acre of taxes, insurance, depreciation, and repairs paid in a typical year by a cash-rent landlord.

If your lease provides for the cash rent to be adjusted annually for price or yield changes, a discount of 10 to 15 percent may be too great because the landlord would be sharing in the risks to some degree. The amount of risk adjustment applied would then be a matter of judgment, but a range of 3 to 7 percent might be in order.

Using budgeting forms. In this method the two parties estimate the maximum the tenant can afford to pay; the estimate is made by using budgeting forms and assuming cost-sharing arrangements appropriate to a cash lease. The budgeting form on page 23 can be used, and the customary cost-sharing and income-sharing arrangements can be found in the *Landlord and Tenant Shares* report. In completing the budgeting form, the cash-rent tenant claims all farm income and estimates all farm expenses except those that the cash-rent landlord would be expected to pay. The difference between the estimated total farm

income and the estimated total costs (including a charge for the tenant's labor and management) is an approximation of the *maximum* the tenant can afford to pay as a cash rent. The appropriateness of this rental figure depends in a large measure upon the value placed on the tenant's labor and management input.

Annual Cash-Rent Adjustments

If a cash lease is to remain fair to both landlord and tenant during a period of changing costs and prices, the rent must be adjusted annually to meet those changes. By inspecting the farm's financial records each year, both parties will better appreciate when adjustments need to be made. Obviously, it will not be practical or possible to make cash-rent adjustments for all factors that affect farm incomes. When such comprehensive adjustments are desired, it may be best to use a share lease.

Automatic adjustments in a cash rent may be desirable if the lease runs for a number of years, or if the tenant and landlord wish to avoid annual bargaining about rent. Automatic adjustments also can increase a tenant's feeling of tenure security and can make a landlord more willing to grant longer-term leases.

Automatic rent adjustments can be made by one of three methods:

- (1) Changes in the cash rent in proportion to changes in specified index numbers,
- (2) Use of a standing rent (a fixed quantity of products) equal in value to the cash rent in the base or initial year, or
- (3) Use of a standing rent that is adjusted annually according to changes in county-average yields of one or more crops.

The index numbers most frequently used in adjusting a cash rent (method 1) include indexes of prices received by farmers, prices paid by farmers, and farmland prices. Although indexes of farmland prices tend to be slightly out of date, they generally maintain a fairly constant ratio between gross cash rent and land values.

As an example of how index numbers could be used, let us assume that a farm property has a gross cash rent of \$80 per acre in 1977, the first year of the lease. Let us also assume that the landlord and tenant have agreed to adjust the cash rent by the same percentage (plus or minus) that the annual USDA index of farm real-estate values in Illinois changes. As a result of this agreement, their annual calculations would have resulted in the adjusted cash rents on the next page.

Year	USDA index of Illinois farm real-es- tate values	Base cash rent per acre	Percent change from base year index value	Adjusted cash rent (base rent × percent)
1977	100	80	—	—
1978	111	80	1.11	89
1979	125	80	1.25	100
1980	135	80	1.35	108
1981	143	80	1.43	114

Note that the percentages are calculated according to the year in which the base rent was agreed upon. Thus, the percentages will change if a different base year occurs. For example, if a tenant and landlord agreed to a base rent of \$85 in 1978, the adjusted cash rent in 1979 would have been about \$96 $[(125 \div 111) \times \$85 = \$95.72]$ and about \$103 in 1980 $[(135 \div 111) \times \$85 = \$103.37]$.

More than one index number can be used to make rent adjustments. For example, we can adjust cash rents for changes in product prices and in crop yields. The formula is as follows:

$$\text{Base or initial cash rent} \times \frac{\text{Current price of crop}}{\text{Price of crop in base year}} \times \frac{\text{Current yield (county average)}}{\text{Initial yield (county average in base year)}} = \text{Adjusted cash rent for the current year}$$

Let us assume that a cash rent of \$80 per acre was negotiated in 1977 when the October-November-December corn price was \$1.90 and the five-year, county-average corn yield was 112 bushels per acre. If the 1980 September-October-November corn price was \$3.25 and the 1980 county-average corn yield was 90 bushels, the 1980 adjusted cash rent would have been about \$110 $[\$80 \times (\$3.25 \div \$1.90) \times (90 \div 112) = \$109.96]$.

Obviously, calculations of this type cannot be completed until the data are available. Waiting for the data thus may require the parties to settle after the end of the calendar year, but still within the farm lease year, which usually ends March 1.

A standing rent of a fixed quantity of goods (method 2) is converted to a dollar equivalent by applying current prices derived from a specified source for a given time period. A landlord may choose, however, to have the tenant deliver the actual quantities of the product (of a specified grade) to a designated point of storage rather than receive a

cash payment. As an example of a standing rent conversion, let us assume that a landlord and tenant agreed to a standing rent of 5,000 bushels of No. 2 corn in 1977 when No. 2 corn was \$1.90 per bushel. In 1977, therefore, the tenant would have paid the landlord a dollar-equivalent rent of \$9,500. If No. 2 corn was \$3.25 per bushel in 1980, the converted standing rent would have been \$16,250.

The price that will be used to convert a standing rent may be determined by whatever formula is agreeable to both the landlord and the tenant. Examples of pricing formulas that could be used are average cash grain prices at the local elevator for a given time period; the blend price for milk at the Chicago market for a given month; the average closing price on the Chicago Board of Trade for a cash grain of the given grade on an agreed-upon date; and the highest price paid at the local elevator in the first two to ten months of the year. The agreed-upon price should be easily obtainable by either party and should reflect the trend in the earning power of the farm because of changes in price levels. We suggest using October, November, and December as the averaging time period to reflect the price effect of the current year's crop. We also suggest using the average price received by Illinois farmers in these three months. These averages are reported each month by the Cooperative Crop Reporting Service in Springfield, Illinois. Your county agricultural Extension adviser receives a copy of these reports each month.

As an example of how a standing rent can be adjusted (method 3), let us assume that a tenant and landlord negotiate a standing rent of 5,000 bushels of No. 2 corn when No. 2 corn is \$2.00 a bushel (making the rent \$10,000 in the first year) and when the county-average yield is 85 bushels per acre. If the price of No. 2 corn increases to \$2.25 per bushel the next year and the county-average yield increases to 90 bushels per acre, the standing rent would be adjusted upward 5.88 percent to 5,294 bushels ($90 \div 85 \times 5,000 = 5,294.12$). The actual dollars of rent paid would be \$11,910.50 ($5,294 \times \2.25). If in the following year the county-average corn yield increased to 100 bushels per acre and the price of No. 2 corn dropped to \$1.85, then the rent would be \$10,882.35 [$(100 \div 85) \times 5,000 \times \1.85]. The price used to adjust a standing rent, like the price used to convert a standing rent, should be determined by whatever formula is agreeable to both the landlord and the tenant. We again suggest using the average of the prices received by Illinois farmers in October, November, and December.

Advantages of a Written Lease

Many farm leases are simply oral agreements, and many tenants and landlords feel that they have sufficient security with an oral lease. But as the foregoing discussion may have suggested, many complex issues must be decided in any lease, and the uniqueness of each farm, tenant, and landowner may result in some unique oral arrangements. To be enforceable in case of litigation, any departure from customary oral lease arrangements has to be in writing or verifiable by a responsible witness. If a court cannot verify any unique arrangement, it has no recourse but to make its decision on the basis of what is customary in the community. Tenants and landlords thus should consider a written agreement as a sound business practice and not as an expression of mistrust or of a lack of confidence.

For a written lease to satisfy the minimum legal requirements, only the following are necessary: an accurate description of the property to be leased; a definite term of tenure; a definite rental fee; the designation of the time and place at which the payment is to be made; the names of a specific lessor (landlord) and lessee (tenant); and the signatures of the contracting parties.

Although a document containing only these items is considered a legal lease, it is *not* an adequate lease to insure good farm operation. An adequate farm lease anticipates as many important details as possible on which the tenant and landlord should reach agreement. An adequate farm lease would arrange for a fair division of the income and expenses between the tenant and landlord; it would make possible a profitable system of farming; it would give as much assurance as possible to a good tenant that the lease would be continued through a period of years; and it would help preserve the value of the landlord's property.

By spelling out the more important farm practices and business procedures, an adequate written lease provides many advantages in addition to preventing a court, in case of dispute, from deciding to apply practices or procedures unadaptable to the farm. A well-written lease protects not only the original parties but also their heirs and assigns in case either party should die. The written lease also can help prevent disputes by serving as a memorandum to which both parties may refer in case of doubt as to the terms of their agreement, and it can provide a basis for changing minor provisions when conditions arise that make adjustments desirable. In terms of the length of tenure, the written lease

makes the term of rental definite, provides a basis for continuing the term beyond one year, and can require a reasonable period of notice to be given before a lease is terminated. The written lease also can be solid evidence of the landlord's authority for participation in management. When details of the farm operation are specified in the lease, the document even serves as a partial history of the operation of the farm. These are just some of the advantages of an adequate written lease; others may arise as each party is forced to consider the many different aspects of a lease before signing it.

Printed lease forms are available that cover the many items and questions on which some agreement should be reached. As a result of their thoroughness, these printed forms, such as those provided by the University of Illinois and reproduced on pages 57 through 80, best serve as a reminder of the many items to be considered. The University lease forms, for example, may contain considerable material that will not apply to a particular situation. We thus suggest that you use a printed form as a model, crossing out any unwanted material. Then, if the parties prefer, type a new lease from the model including only what is desired. It may not be a good idea to use a printed lease form that has excessive amounts of material crossed out because the intent of the deletions could be misunderstood.

All of the lease types discussed so far are reprinted at the end of the circular, except the net-share lease, which is so new that a separate form has not yet been established. It is possible to adapt either the crop-share or the cash lease form to a net-share arrangement.

Terms in a Written Lease

Four major headings incorporate most of the items that should be considered in an adequate written lease: (1) the length of tenure, (2) tenant duties in operating the farm, (3) management and business procedures, and (4) limits to and relinquishment of rights of possession. The reprinted crop-share, livestock-share, and cash leases all contain these major divisions. The labor-share lease addresses these divisions differently, primarily in the light of the greater management and risk-bearing responsibilities of the landowner. If a net-share lease is drawn up, it too should consider these four divisions.

Length of Tenure

The heavy investment in farm equipment required by modern corn-belt farming and the competition for good farms to rent make it desirable for tenants to protect themselves from loss of tenure. Illinois law does provide for an automatic extension of all unwritten leases unless notice to terminate is given at least four months before the end of the current lease year. But there is no substitute for a written lease that specifies the length of tenure and how far in advance a notice to terminate must be given.

Thus, once a lease type is chosen, a tenure provision should be written that will give the tenant reasonable assurance of continuation as long as conditions are satisfactory. The tenure provision also should provide both parties with a means of terminating the leasing relationship any year it ceases to be satisfactory.

Most Illinois farmland is rented on a year-to-year basis, either under the Illinois statute for unwritten leases or by common acceptance of one-year terms in the written lease. Most written leases operate under either an automatic renewal clause or an extension clause. An automatic renewal clause, as its name suggests, automatically continues a lease for another year or stated term unless notice to terminate is given. An extension clause, on the other hand, requires that a written notice of intent to continue the lease be given near the end of the term. The labor-share, the livestock-share, and the crop-share lease forms reprinted at the end of this circular use the automatic renewal clause, but the cash lease form uses the extension clause. If the parties prefer, they can use the automatic renewal clause in the cash lease. Renewal provisions

usually require that a notice to terminate be executed at least six months prior to the end of the lease term to give the landlord time to find a new tenant and the tenant time to find a new farm to rent. When the investment in livestock is large, the lease may provide that notice of termination be given a year or longer before termination is to be effective.

Some professional farm managers do not use automatic renewal or extension agreements and only write one-year leases. These managers then renegotiate with a desirable tenant and sign a new lease for the next year at least six months prior to the end of the current lease year.

One advantage of using an extension clause or of negotiating a new lease each year is the opportunity for each party to obtain changes in the lease and for changes mutually acceptable to become part of the written document. When renewal is completely automatic, the parties often tend to operate under oral agreements that may constitute a drift away from the written lease and that may invalidate the original written lease in case of a legal dispute. If the two parties use an automatic renewal clause, it is recommended that a general overhaul of the lease be performed at least every five years to bring the document up to date with changes in farming practices.

Livestock-share and cash leases may be written for a term of more than one year with advantages to both parties. Longer-term cash leases are especially feasible under stable economic conditions if appropriate indexing provisions or standing rents at current prices are used to eliminate or ameliorate the risks of fixed rents over longer terms. In general, however, tenants and landlords are reluctant to make long-term cash rent commitments in times of decreasing net farm incomes.

A good case can be made for longer terms under livestock-share leases since there are few points at which livestock-share leases can become rapidly inequitable. Another argument for longer terms is that more time is needed to build up livestock herds, to establish markets, and to earn returns on specialized livestock equipment and improvements. In addition, a livestock-share tenant who can show a long-term lease to a lender may be able to obtain credit more easily because such a lease evinces repayment ability. Thus, after a get-acquainted, probationary period, the parties may find it desirable to shift to longer terms.

Longer-term leases can be to the landlord's benefit as well as to the tenant's. A landlord who has a superior tenant and who knows the value of a good tenant has one major concern — that of losing the tenant. A longer-term lease may help keep the tenant on the farm, although it obviously cannot guarantee the tenant's continuance. Good

judgment should be exercised, however, since the landlord would risk too much in binding the property to a long-term tenancy that might be carried on by an inept or disinterested heir of the tenant.

To summarize, then, very few long-term leases are being written in Illinois, although no statutory limit exists on the term of an Illinois farm lease. If longer terms are written (5 to 10 years), they are most frequently done so under a cash or livestock-share lease.

Tenant Duties in Operating the Farm

This section is almost identical in each of the three major lease types reprinted in this circular and contains the so-called "good husbandry" clauses. These clauses are classified as activities required of the tenant and activities restricted unless the landlord gives written or oral consent. The tenant's violation of these requirements or restrictions might be (but seldom is) grounds for termination. In general, these clauses are difficult to enforce but useful to have in a lease for the protection of the landlord.

Note that an important provision is contained in clause B.1.a of this section in all three lease forms — the provision against assignment or subletting. This provision is important because tenants receiving only the rights of possession and use are barred from subletting or transferring these rights to others, and their leasehold thus has no market value because there is no marketable interest. A leasehold may, however, have an investment value to a tenant if the contract rent is less than the full economic rent.

Also note that clauses A.3, A.9, and A.10 of the crop-share and livestock-share leases reflect current environmental concerns and regulations. Clause A.10 in particular recognizes the hazards associated with chemical and commercial products used in modern agriculture.

If a landlord has strong feelings about one or more of these clauses, he or she can give them additional weight by citing them under "additional agreements" at the end of the section on tenant duties. The landlord could use a statement such as "The tenant hereby specially acknowledges and affirms his (her) obligation in clause(s) . . ."

It is possible to substitute prohibitions against tenant waste for the good husbandry clauses, and some legal opinion holds that these prohibitions might be easier to document and enforce.*

* For one discussion of good husbandry clauses and prohibitions against waste, see H. W. Hannah, "Illinois Farm Tenancy Law — Static or Evolving?" *Southern Illinois University Law Review*, 1977:359-392.

Management and Business Procedures

A section dealing with management and business procedures appears in each of the three printed lease forms. The content of this section varies a great deal in each lease form, however, since the section concerns the degree of landlord participation, any reimbursement agreements, and agreements dealing with land use and with livestock and crop systems.

The landlord's decision about material participation in the farm business can be critical for social security eligibility and, more recently, for eligibility for special valuation for federal estate tax purposes. Because decisions about material participation can be so critical, a landlord may wish to consult with an attorney, a tax adviser, or both, especially if the landlord is considering a crop-share lease, under which the landlord has more options about the degree of participation. The landlord's decision can potentially affect the following tax matters:

- Self-employment taxes. Landlords participating in a way defined by the tax regulations must pay self-employment taxes.
- Social security benefits. Some social security offices have denied social security benefits to landlords under age 72 (the age may drop to 70 in the future) if the landlord participated materially in the farming operation. In some cases, benefits have been denied even when participation was less than the participation that determines the payment of self-employment taxes. Landlords should ask for clarification of their status from their social security office.
- Special farmland valuation election for federal estate and Illinois inheritance tax purposes. Under some circumstances farmland may qualify for a special valuation procedure when estate and inheritance taxes are calculated. One requirement to qualify is that the decedent owner or a family member materially participated, as defined by the income tax regulations, in the family operations and, as of January 1, 1982, that the persons who inherit this farmland (or their family members) materially participate for up to a 10-year period. To insure that the property will qualify, the attorney or tax adviser may want to attach a special material participation arrangement to the lease agreement outlining the specifics of the landlord's participation.
- Election to pay estate taxes on a 15-year installment plan. A trade or business that qualifies may elect this generally advantageous way of paying federal estate taxes on the value of the farming business. For the farm business to qualify for this special tax payment privilege, it may be necessary for the decedent or a family member to have been materially participating in the farm business up to or near the time of death.

Other clauses in a section on management and business procedures generally concern accounting and settlement arrangements between the tenant and landlord. These arrangements deal particularly with questions that might arise after notice of termination has been given. Providing answers to management and business questions at the beginning of a tenancy can avoid problems at the end.

One question that can arise after notice of termination concerns the tenant's right to sow a normal acreage of winter wheat after notice has been given. If the tenant did not make such a seeding at the beginning of tenancy, then simple justice suggests that he or she should be allowed to make one before leaving the farm (see pages 55 to 56 for a fuller discussion).

An accounting item covered in the management and business procedures clauses is the extent to which the tenant must keep records and report to the landlord. Regular reports from tenant to landlord are recommended as a good practice for maintaining communications and relations between the two parties.

Clauses on billing also are included in the management and business procedures section. Separate billing by supplier firms for the landlord's share of the feed, fertilizer, seed, and chemical purchases is highly recommended. A separate billing not only establishes the landlord's active interest in the farm but also avoids the implication of a partnership and its associated liabilities. Avoiding such an implication may be particularly important under a livestock-share lease. In some cases the tenant may make major decisions for the landlord and incur expenses in the landlord's name. Permitting the tenant to incur these expenses may be a questionable practice if the tenant appears to be a general agent for the landlord. The arrangement may be acceptable, however, if the lease retains the prefatory language in clause C of the crop-share lease or in clause F of the livestock-share lease and if "Option 2" is then elected.

Limits to and Relinquishment of Rights of Possession

Most of the clauses in this section appear in all three printed lease forms. The clauses that are common to all three leases deal with default, yielding possession, the landlord's lien, the landlord's right of entry, mineral rights, and the extent of agreement. The crop-share lease form and the livestock-share lease form also contain clauses that concern matters such as the arbitration of differences, landlord liability, and the method of settlement at the lease's end.

Note that the clause dealing with the extent of the agreement makes the lease effective and binding for heirs and assigns of both parties. If this agreement is not desired, then this clause should be eliminated or modified (as should any clause not desired). Also, further note that the extent of agreement clause is not in conflict with the prohibition against subletting.

If there are any special reservations about the landlord's entry rights, they can be written into the "additional agreements" section near the end of the lease. Such reservations might address whether the landlord has the right to use the land for hunting or other recreational purposes.

Special Farm Rental Situations

Leases on Irrigated Land

Most farmland irrigation in Illinois occurs on farms with low-producing, sandy soils. Rent shares of one-third to two-fifths prevail when dryland farming occurs on these farms. When irrigation occurs, these shares usually will remain the same if the landlord furnishes the well, the pump, and any permanent underground pipes, and the tenant furnishes the motor, the distribution system, and the labor. All fuel, electricity, and repair costs associated with the system would be shared in the same way that the crop is shared.

If the costs of installing an irrigation system are divided differently, the basic tests of a fair lease need to be applied to determine the details of cost and capital sharing. For example, let us suppose that the landlord furnishes the well, the pump, the underground pipes, and the distribution system. In this case, the landlord probably would receive a one-half gross rent share and pay one-half of the fuel and repair costs as well as one-half of the costs of seed, fertilizer, and chemicals. The tenant would provide the labor and either one-half or all of the motor.

Division of Government Payments

The landlord and tenant should divide government payments for the use of particular materials or practices in the same way that they divide the costs of using these materials or practices. When the payment is for limestone application or other practices that may increase the farm's value, the landlord may prefer to pay all of the expenses and receive all of the government payments.

Government payments for taking land out of production create unique situations, and no one answer can be given about their division. Because short-term land retirement leaves the tenant as well as the landlord with many fixed inputs, it is usually most equitable to divide the payment for short-term land retirement in the same way that the crop normally grown would have been divided. This division applies particularly if the tenant pays all program costs, such as the costs for legume and grass seeds, weed control, and seeding of the retired acreage. Under long-term land retirement programs, the payment may go

mostly to the landlord, particularly if the lease permits the tenant to farm additional land. The tenant should be compensated, however, for any costs incurred in controlling weeds on or in making seedings on the diverted or retired acreage.

The division of government payments for no-till or minimum-tillage practices that are intended to help control soil erosion also presents a special problem. The tenant does provide most of the associated inputs, but the practices also usually reduce the tenant's labor and machinery costs. The landlord, on the other hand, may be negatively affected if the practices cause yield reduction, but he or she also may benefit in terms of an increased land value. Thus, the most acceptable division may be in the same way that the crop is shared.

Regardless of the type of government program involved, the parties should agree annually on their participation. The crop-share lease reprinted in this circular has an example of the type of clause that might be used to require annual agreement (Section 4, clause F).

Arrangements for Intensive Livestock Systems

Intensive livestock enterprises are best operated on owned premises. If this arrangement is not possible, the next best choice is to operate under a livestock-share or a cash lease. Other lease types do not work well for intensive livestock enterprises, although the crop-share lease might work if the tenant engages in a significant amount of crop production or is willing to pay a substantial supplemental cash rent.

Even the one-half gross rent share that the landlord receives under a livestock-share lease might not be sufficient to reward the landlord for a capital investment in automated, labor-saving confinement facilities. If the livestock-share lease does not provide the landlord with sufficient reward, he or she could charge a supplemental cash rent or replace the livestock-share lease with a cash lease. The choice depends on individual preference and the characteristics of the individual farm.

Determination of a Pasture Rent

The amount of rent that the landlord should charge for land in pasture depends upon whether the tenant is renting only pastureland from the landlord or whether the tenant also has a share-rent agreement with the landlord for crop production on the property in question.

If a tenant is renting only pastureland from a landlord, farm accounting systems (such as the system developed by the Illinois Farm-Business Farm-Management Association) can be used to help determine a fair rent. These systems use a feed charge for pasture at a rate per pasture day (35 cents in 1980) on the estimated yield. A pasture day assumes that about 24 pounds of dry weight are consumed by one animal unit (one cow or 1,000 pounds liveweight) per day. In 1980, pasture yields varied, on the average, from 100 pasture days per acre per year for bluegrass to 175 pasture days per acre per year for alfalfa-brome. As a result of these yields, the feed charge ranged in 1980 from \$35 per acre for bluegrass to \$61 per acre for alfalfa-brome.

Whether the feed charge is synonymous with an appropriate rental charge is an open question. If the tenant mows, makes fence repairs, and pays other pasture costs, then the pasture rent should be the feed charge minus these costs. In general, the use of land for pasture should be competitive with its use for grain crop production; if an acre of tillable pasture could be producing a net rent of \$60 (before property taxes) in corn production, then it may well justify a \$60 per acre pasture rent, assuming that other factors are not limiting its use.

If a tenant has a share-rent agreement with a landlord for crop production, the landlord must decide whether to charge a supplemental cash rent on permanent or rotational pastureland on the farm property. The decision depends upon whether the landlord intends the rent as a return on improvements associated with the pastureland or as a supplement to the rent-share of the grain crops. These varying interpretations make it impossible to say what the market rate is on pastureland. The most that can be said is that supplemental cash rents on pasture will vary with the quality and quantity of the feed value of the pasture. Per acre charges in 1980 ranged from an average low of \$15 per acre to an average high of \$60, depending upon the possible returns that could have been earned if the land had been used to grow grain crops. Tenants in western Illinois commonly paid a supplemental cash rent of \$20 to \$25 per acre in 1980 on permanent pastureland.

From time to time the pasture rents paid in Illinois are included in surveys of farm leasing practices in selected areas. These surveys are the best source for the going market rates in a particular area. Otherwise, the only survey data available on an annual basis are those reported by the USDA. Between 1973 and 1981 the USDA reported the gross cash rents per pasture acre and the ratios of rent to land value that are listed on the following page.

<u>Year</u>	<u>Rent per acre</u>	<u>Ratio of rent to land value</u>
1981	\$35.20	3.4
1980	34.40	3.4
1979	30.20	3.2
1978	29.10	3.5
1977	27.80	4.0
1976	23.20	4.6
1975	20.00	4.2
1974	18.60	4.2
1973	16.80	4.6

These reported rents can serve as an index of changes in pasture rents, and, if the market value of the pastureland is known, the landlord can use the ratios to determine a pasture rent. For example, if pastureland had a market value of \$600 per acre in 1980, then the pasture rent might have been \$20.40 per acre ($\$600 \times 0.034 = \20.40).

Leases for Estate Planning

Many farm families have potentially conflicting values and goals about the intergeneration transfer of farm real estate. Most would like to see the home farm and the family farm business maintained and continued intact. But they also want to give each heir an equal share or interest in the farm real estate — an action that could lead to an untimely partitioning or sale of the farm if some of the heirs are not interested in farming.

A long-term lease on the farm that is made binding on heirs and assigns could help achieve both goals because the operating heir would be given more time to buy out the interests of the nonoperating heirs who wish to make other uses of their inheritance. If the operating heir has the time to buy out the interests of the other heirs, the family farm could be preserved and each heir would be treated equally.

But long-term leases do have some problems. For one, “locked-in” heirs could become resentful and uncooperative because they are powerless to effect changes. Another problem could arise if an option to buy is included in the lease and both the specified purchase price and the annual farm rent have not been made flexible enough to reflect any major economic changes during the term of the lease. Finally, properties encumbered with long-term leases usually sell at a discount

when placed on the market in comparison to unencumbered properties. In conclusion, therefore, long-term leases should be viewed as a potential tool to achieve desired goals, but, for the reasons listed above, they should be adopted with discretion and foresight.

Tenant Participation in Improvement Costs

Farm improvements often represent major capital investments, and sometimes a tenant may want improvements that the landlord cannot quite afford or that promise the landlord little direct return (for example, a completely modern kitchen or improvements for a large poultry-raising operation). If the landlord cannot afford an improvement or if the return is uncertain, a livestock-share landlord still might justify the desired improvements since he or she would share in any returns, or the added input could be offset by contributions made by the tenant. Similarly, the cash-rent landlord could simply increase the cash rent to justify the investment. Crop-share landlords, on the other hand, would have a harder time justifying the investment since they would have little assurance that a succeeding tenant would desire the improvements or be willing to pay a supplemental cash rent.

If the landlord feels unable to justify the expense, one solution is to permit the tenant to make the improvement at the tenant's own expense. This solution might be acceptable if the landlord feels that the tenant is desirable and will remain on the farm for a substantial period of time and if the tenant can make the improvement meet adequate standards of quality and safety. Before the tenant begins work, however, the parties should agree upon provisions for removal of the improvement when the tenant leaves or for a settlement based on the value of the improvement at the time of the tenant's departure.

Some problems could arise with a provision for the tenant to remove the improvement upon departure. For one, some improvements simply are not removable; for example, one cannot remove applied fertilizer, drainage tiling, or terracing. Second, Illinois law requires that the improvement be removed without injury to the landlord's property, and it may be impractical or impossible to return the property to its former condition after removal of improvements such as a building with permanent foundations.

If an improvement is made with the right of removal, this right should be affirmed in writing, and the landlord should give the tenant a reasonable amount of time after termination of the lease to remove

the improvement. A properly written removal permit also can define the improvement as tenant collateral and thus make the improvement eligible for credit financing.*

Instead of requiring the tenant to remove an improvement, the landlord might agree to some equitable basis of reimbursement for the labor and material that the tenant invested in the improvement. Upon completion of a reimbursement agreement, the improvement would become the landlord's property. The landlord then would assume the responsibility for taxes, insurance, and risk of loss on the improvement.

The amount of reimbursement may be calculated in one of two ways. In the first method, the landlord agrees that the improvement is one that a typical tenant would want to have on the farm and one that such a tenant would be willing to pay for in the form of an increased rent to cover the annual costs on the improvement. In this case, the owner agrees to pay the outgoing tenant the full price of the improvement, less a fair allowance for depreciation and any government payments the tenant has received for the improvement. In addition, the incoming tenant may be given the option to buy the outgoing tenant's interest in the improvement instead of paying the higher rent.

Another method of reimbursement may be used if the landlord feels that the improvement would not be desirable enough to attract a superior tenant or to make the average incoming tenant willing to pay for it in increased rent. In this method, reimbursement for the improvement is based upon an agreed-upon "use" value to the farm, minus depreciation, rather than upon the total cost of the improvement minus depreciation. This method is similar to a practice very common in England where the tenant is compensated at the end of the lease for the appraised value of any improvements made at his or her own expense. This arrangement is usually concluded by having the incoming tenant buy out the outgoing tenant's interest in the property.

The livestock-share, the crop-share, and the cash lease forms reprinted in this circular all have an "amendments" section that deals with provisions for removal or for reimbursement of improvements.

There is another way that the tenant could participate in improvements without removal or reimbursement arrangements. The landlord and tenant could agree to make offsetting contributions. For example, the tenant may be willing, in slack labor periods, to clear land, install

* No. TA-9 in the series *Economics for Agriculture* contains a form suitable for this purpose and is available from the Department of Agricultural Economics, University of Illinois at Urbana-Champaign, 305 Mumford Hall, 1301 W. Gregory Drive, Urbana, IL 61801.

drainage, maintain bridges, or build terraces if the landlord will pay for an improvement that will benefit the tenant in particular (putting up a silo, for example, or installing a water system).

The building and maintaining of fences is a type of improvement that merits special discussion. Because fences are capital items like other farm improvements, they should be furnished by most owners. However, some landlords will pay the tenant for building new fence lines, but they expect the tenant to build and maintain inside fences. Other landlords and tenants, taking a long-range view, have agreed that the tenant will maintain the fences and the landlord will furnish the material and be reasonably liberal in providing adequate fencing. Tenants contributing labor or materials for new or rebuilt fences and not otherwise compensated should be protected by a reimbursement guarantee.

Cash or crop-share tenants raising a considerable number of livestock may well assume a good share of the responsibility for building or rebuilding fences. If these tenants do not assume this responsibility, landlords may be justified in asking for an additional cash rent to cover some of the costs of maintaining these improvements.

Provisions for Winter Wheat or Growing Crops

Problems arise when growing crops remain on the farm at the termination of the lease, such as when winter wheat is seeded in the fall and the lease terminates at the end of the following February. Three general solutions have been developed to meet this problem. In one, the lease year begins on August 1 and terminates on the following July 31 to put the wheat crop within the lease year. In another, a rule of law known as the "rights of emblements or going-away crops" gives the outgoing tenant a legal right to return to the property, after having given up possession, for the purposes of harvesting the winter wheat. In a third solution, the incoming tenant on the land buys the outgoing tenant's interest in the crop.

None of these solutions are free of problems. The first solution, in fact, is not a solution at all since shifting the lease year to accommodate the wheat crop creates the same problem for corn and soybean crops. In the third solution, it is difficult to determine the value of the crop. Mere reimbursement of the cost of sowing the crop might not be sufficient to satisfy the outgoing tenant or to provide an adequate incentive to sow the crop with the usual care. In the second solution, the rule of emblements applies only to grain crops. If protection is desired for hay or pasture crops, then special agreements must be written into the lease.

Notice that clauses J and K in Section 4 of the crop-share lease form (page 62) provide the outgoing tenant with the right to sow a normal acreage of winter wheat after notice of termination has been given and to remove so much hay and straw from the farm. Clause D of Section 6 in both the livestock-share and the cash lease forms, on the other hand, gives the incoming tenant the right of entry for the stated purposes. Note, however, that the clause does not place any restrictions upon the outgoing tenant's right to sow winter wheat or to claim any payments from government programs for that wheat. If the landlord does wish to limit these two rights, his or her wishes should be stated specifically in the lease and must be acceptable to both parties.

Recommended Lease Forms

The process of obtaining a good written lease can be greatly simplified by using a printed lease form. Forms for four of the major lease types discussed in this circular have been prepared in the Department of Agricultural Economics at the University of Illinois at Urbana-Champaign. Each of these four lease forms — the labor-share, the livestock-share, the crop-share, and the cash lease forms — are reproduced on the following pages. The net-share lease, because it is newer and in very limited use, has not yet been prepared. If you are interested in using a net-share lease, you may adapt either the crop-share or the cash lease forms. Single copies of the livestock-share, crop-share, and cash lease forms are available without charge from the University's Agricultural Publications Office (123 Mumford Hall, 1301 W. Gregory Drive, Urbana, IL 61801) or from your county Extension office.

We recommend the lease forms reprinted in this circular because they are adapted to Illinois conditions, because they contain standardized provisions for the protection of both the tenant and the landlord, and because they offer a complete coverage of the items discussed in this circular, either as standard provisions or as blank items requiring the consideration and decision of tenant and landlord.

We suggest that you use three forms when preparing a farm lease — one to serve initially as a work copy and later as a reference copy, and two (one for each party) to be prepared for signatures and filing. As mentioned previously, it is probably a better practice to retype the working copy, leaving in only those provisions agreed upon by both parties, and to sign and file these retyped versions.

Illinois Crop-Share Lease

(The landlord and tenant may want to discuss lease provisions with their respective legal counsel since a lease creates and alters legal rights.)

Date and names of parties. This lease is entered into on _____, 19_____, between _____, landlord(s), at (address) _____ and _____, tenant(s), at (address) _____
The parties to this lease agree to the following provisions.
Description of land. The landlord rents and leases to the tenant, to occupy and to use for agricultural purposes only, the following real estate located in the County of _____ and State of _____,

described as follows: _____

commonly known as the _____ farm and consisting of approximately _____ acres, together with all buildings and improvements thereon belonging to the landlord, except _____

Length of tenure. The term of this lease shall be from _____, 19_____, to _____, 19_____.

Extension of term. This lease shall continue from year to year after the initial term unless written notice to terminate is given by either party to the other at least _____ months before the beginning of the next lease year.

**Section 1. Division of Crops, Cash Rent,
and Other Rent Stipulations**

A. Share rent: The tenant agrees to pay to the landlord or the landlord's agent as rent for the above-described farm the following shares of crops grown:

Crop	Landlord's share of crop	Crop	Landlord's share of crop
Corn		Alfalfa hay	
Soybeans		Straw	
Oats		Clover and grass seed	
Wheat		Other	

B. The tenant agrees to store, at the landlord's request, as much of the landlord's share of the crops as possible, using not more than _____ percent of the total space provided by the landlord in cribs, granaries, or barns on the farm.

C. Cash rent: The tenant agrees to pay to the landlord or the landlord's agent, in addition to the shares of crops in Clause A, cash rent for each year of this lease in the amount determined by the following:

	<i>Cash rent</i>	
	<i>Per acre</i>	<i>Total</i>
Rotation hay and pasture	_____	xxxxxx
Permanent pasture	_____	_____
Farmstead	xxxxxx	_____
Buildings	xxxxxx	_____
Crop for silage	_____	_____

D. The tenant agrees to pay any cash rent in installments as follows:

_____ on or before _____	
(amount or share)	(date due)
_____ on or before _____	
(amount or share)	(date due)

Section 2. Investments and Expenses

A. The landlord and tenant each agree to furnish the investment items and pay the shares of expenses listed below, in such quantities and amounts as to permit the most efficient and profitable uses of resources of both parties. Any exceptions or alternatives to the stated shares for any items or categories of items are to be specified in Clause B.

<i>Investment and expense items</i>	<i>Amount (\$) or share (%) to be paid or furnished by</i>	
	<i>Tenant</i>	<i>Landlord</i>
Land:		
..... acres of cropland	0%	100%
..... acres of other land	0%	100%
Improvements:		
House, farm buildings, tile, line fences, driveways, water supply, farm culverts, and bridges	0%	100%
Major repairs on improvements	0%	100%
Minor repairs on improvements:		
Materials	-----	-----
Labor	-----	-----
Machinery and equipment:		
Crop and field machinery	100%	0%
Livestock equipment	100%	0%
Crop drying equipment	-----	-----
Grain elevators and augers	-----	-----
Electric motors	-----	-----
Labor:		
Labor to operate the farm, make minor improvement repairs, and provide general farm maintenance	100%	0%
Itemized operations and expenses:		
Grain crop seeds	-----	-----
Legume and grass seeds	-----	-----
Herbicides (chemicals only)	-----	-----
Crop pesticides	-----	-----
Combining	-----	-----
Grain drying fuel and electricity	-----	-----
Other electric power	-----	-----
Tractor fuel	-----	-----
Other fuel, oil, grease	-----	-----
Machinery repairs	-----	-----
Hauling landlord's grain to local elevator	-----	-----
Hauling landlord's grain to	-----	-----
Fertilizers:		
Limestone, including hauling and spreading	-----	-----
Anhydrous ammonia:		
Material	-----	-----
Application	-----	-----
Bulk fertilizer:		
Materials	-----	-----
Application	-----	-----
Mixed and other fertilizer	-----	-----
B. Exceptions, other arrangements and explanations		
.....		

Section 3. Tenant Duties in Operating Farm

The tenant further agrees to perform and carry out the stipulations below. (Strike out any not desired.)

A. Activities required:

1. To cultivate the farm faithfully and in a timely, thorough, and businesslike manner.
2. To prevent noxious weeds from going to seed on the premises and to destroy them and to keep the weeds and grass cut on the farmstead, roadsides, and fence rows.
3. To haul and spread all manure on appropriate fields at times and in quantities consistent with environmental protection requirements.
4. To preserve established watercourses, tile drains, tile outlets, grass waterways, and terraces, and to refrain from any operation that will injure them.
5. To keep the buildings, fences (including hedges), tile drains, and other improvements in as good repair and condition as they are when he takes possession or in as good repair and condition as they may be put by the landlord during the term of the lease — ordinary wear, loss by fire, or unavoidable destruction excepted.
6. To take proper care of all trees, vines, and shrubs, and to prevent injury to the same.
7. To keep the farmstead neat and orderly.
8. To prevent all unnecessary waste or loss of or damage to the property of the landlord.
9. To comply with pollution control and environmental protection requirements, and to implement soil erosion control practices.
10. To use prudence and care in transporting, storing, handling, and applying all fertilizers, pesticides, herbicides, and other chemicals and similar substances, and to read and follow instructions on the labels for the use of such materials in order to avoid injury or damages to persons or property or both on the leased premises and adjoining areas.

B. Activities restricted:

1. The tenant further agrees, unless he shall first have obtained the *written* consent of the landlord:
 - a. Not to assign this lease to any person or persons or sublet any part of the premises herein leased.
 - b. Not to violate restrictions in the landlord's insurance contract.
 - c. Not to erect or permit to be erected any structure or building or to incur any expense to the landlord for such purposes.
 - d. Not to add electrical wiring, plumbing, or heating to any buildings. (If consent is given, such additions must meet standards and requirements of power and insurance companies.)
2. The tenant further agrees, unless he shall first have obtained the *oral* consent of the landlord:
 - a. Not to plow permanent pasture or meadowland.
 - b. Not to allow any stock on any tillable land except by annual agreement.
 - c. Not to burn or remove cornstalks, straw, or other crop residues grown upon the farm.
 - d. Not to cut live trees for sale purposes or personal uses.
 - e. Not to erect or permit to be erected any commercial advertising signs on the farm.

C. Additional agreements:

Section 4. Management and Business Procedures

The landlord and tenant agree that they will observe the following provisions.

A. Except when mutually decided otherwise (for example, modifications brought about by participation in government programs), the land use and cropping system shall be approximately as follows:

- acres for rotated crops
- acres in permanent pasture
- acres in nongrazed woodland
- acres in building and lots
- acres of tillable land seeded to legumes
- acres of tillable land to be left as stand-over legumes

B. Management participation. Within the general framework of the cost-sharing agreed to in Section 2, and the limits on land-use in Clause A above, landlord and tenant elect to share the general management and operating decisions as specified in Option below. All unspecified decision-making, including the day-to-day implementation and execution of mutually agreed-upon operating and maintenance plans, shall be the tenant's responsibility.

Option 1. The landlord is hereby authorized to materially participate each year and at various times during the year in deciding what crops are to be grown, acres in each crop, varieties and sources of seed, planting rates, crop sequences, tillage operations and cultural practices to be employed, crop treatment and market disposition of the products, and other organizational and operating questions of mutual concern. To implement this authority the landlord shall consult and counsel with the tenant at regular and other appropriate times. Each year the landlord shall propose a plan of operation for consideration by the tenant, and for adoption through mutual decision-making. In selecting this option, the landlord intends to materially participate in management for purposes of self-employment taxation.

Option 2. The landlord specifically desires *not* to be materially participating in management of this property and the farm use of it. As evidence of this intent, all substantial final management decisions shall be made by the tenant except as specifically noted in other clauses in this lease. The tenant shall each year propose a plan of operation for the landlord's information prior to the beginning of each lease year, and shall submit a report to the landlord at the end of each year.

Option 3. The extent to which the landlord will participate in management decisions shall be governed by provisions attached to this lease form and hereby incorporated as a part of this lease.

C. Business and accounting procedures. Although this agreement recognizes that in many instances it will be expeditious and appropriate for the tenant to act as a spokesperson for the landlord in dealing with suppliers and outside contractors, it is *not* intended that the tenant is to have a general power of agency for the landlord. The two parties agree that Option below, as amplified or modified, shall be the intended basis of operation between them.

Option 1. The landlord desires to remain separate and independent from the tenant insofar as is prudent and practicable, and therefore the tenant, in dealing with suppliers and contractors where the landlord's account is involved, shall require direct and separate billing and accounting for the landlord's share. The landlord shall be solely responsible for contracting and financing the landlord's own insurance of all kinds.

Option 2. For the most expeditious method of handling, the landlord is willing to have the tenant contract for the shared operating inputs, as noted in Section 2, and to have the tenant render a summary account for reimbursement or other settlement by the landlord at the end of each year, or on or before The tenant is willing to provide this service on behalf of the landlord because of the greater freedom he gets and the opportunity to obtain price concessions, quantity discounts, etc.

D. The tenant agrees to keep financial and production records of the farm business and to furnish an annual report to the landlord, on such forms as he may provide, on or before The landlord agrees to cooperate in such record-keeping by (1) providing information on his side of the farm business, and (2) contributing (dollars or percent) to the cash costs of the service.

E. Tenant and landlord agree to review annually the items under Section 3, Part A, for the purpose of establishing priorities among tasks to be performed and materials to be provided.

F. The landlord and tenant shall decide each year whether to enter into governmental programs designed to aid agriculture and how payments for doing so and the cost involved shall be shared between them.

G. The landlord agrees to reimburse the tenant at the end of this lease for the tenant's cost of soluble phosphate (P_2O_5) and potash (K_2O) fertilizers applied on crops harvested for grain in the last year of this lease minus the amount of these plant food elements, valued at the same rates, contained in the tenant's share of these crops.

H. If the tenant shares in the cost of limestone, the landlord agrees to reimburse the tenant for his cost (above government payments received) remaining at the end of this lease when his net cost is depreciated at the rate of percent annually.

I. The landlord agrees to reimburse the tenant for the tenant's cost of legume and grass seed in seedings made in the last year of this lease above acres. (Insert the acres in such seedings on the farm at the beginning of this lease.)

J. If, after notice to terminate this lease has been given, the parties fail to agree on questions of land use, cropping system, fertility applications, or any deviations from the lease provisions, then the specific agreements in this lease shall prevail or, in the absence of agreements in the lease, the landlord shall decide and the tenant agrees to abide by his decisions. The landlord's decisions shall not contradict any provisions in this lease or violate good farming procedures.

Unless previously agreed otherwise, the tenant shall have the right to sow a normal acreage of winter wheat in the last year of this lease, and to sell his interest in such wheat to the landlord or to a party acceptable to the landlord at a fair price.

K. At the termination of this lease the tenant shall have the right to remove up to (tons, bales) of hay and up to (tons, bales) of straw grown on this farm and belonging to the tenant.

L. Soil conservation. Both landlord and tenant affirm the goals of minimizing soil erosion losses and preserving the productivity of the land in ways that are consonant with their needs and desires for acceptable current returns to their individual inputs on the leased premises. To these ends they agree to implement as far as possible the best management practices recommended by the Soil Conservation Service and to cooperate with that agency's soil and water conservation programs.

M. Other agreements (grazing control, last cutting of hay, gleanings down-corn, soil conservation practices, etc.)

Section 5. Default, Possession, Landlord's Lien, Right of Entry, Mineral Rights, Extent of Agreement, Liability

A. Termination upon default. If either party fails to carry out substantially the terms of this lease in due and proper time, the lease may be terminated by the other party by serving a written notice citing the instance(s) of default and specifying a termination date of days from the date of such notice. Settlement shall then be made in accordance with the provisions of Clause C of this section and reimbursement agreements of Section 4 and of any amendments to this lease.

B. Yielding possession. The tenant agrees that at the expiration or termination of this lease he will yield possession of the premises to the landlord without further demand or notice, in as good order and condition as when they were entered upon by the tenant, loss by fire, flood, or tornado, and ordinary wear excepted. If the tenant fails to yield possession, he shall pay to the landlord a penalty of \$..... per day or the statutory double rent, whichever is less, for each day he remains in possession thereafter, in addition to any damages caused by the tenant to the landlord's land or improvements, and said payments shall not entitle the tenant to any interest of any kind or character in or on the premises.

C. Landlord's lien. The landlord's lien provided by law on crops grown or growing shall be the security for the rent herein specified and for the faithful performance of the terms of the lease. If the tenant fails to pay the rent due or fails to keep any of the agreements of this lease, all costs and attorney fees for the landlord in enforcing collection or performance shall be added to and become a part of the obligations payable by the tenant.

D. Landlord's right of entry. The landlord reserves the right personally or by his agents, employees, or assigns to enter upon the premises at any reasonable time for purpose of viewing them, of working or making repairs or improvements thereon, of caring for and disposing of the landlord's share of the crops, of developing mineral resources as provided in Clause E below, or, after notice of termination has been given and following severance of crops, of plowing, preparing a seedbed, making seedings, gleaning corn, applying fertilizers, and any other operation necessary to good farming by the succeeding operator, these operations not to interfere with the tenant in carrying out the regular farming operations.

E. Mineral rights. Nothing in this lease shall confer upon the tenant any right to minerals underlying the land. Such mineral rights are hereby reserved by the landlord together with the full right to enter upon the premises and to bore, search, excavate, work, and remove the minerals, to deposit excavated rubbish, to pass over the premises with vehicles, and to lay down and work any railroad track or tracks, tanks, pipelines, power lines, and structures as may be necessary or convenient for the above purpose. The landlord agrees to reimburse the tenant for any actual damage he may suffer for crops destroyed by these activities and to release the tenant from obligation to continue farming this property when development of mineral resources interferes materially with the tenant's opportunity to make a satisfactory return.

F. Extent of agreement. The terms of this lease shall be binding on the heirs, executors, administrators, and assigns of both landlord and tenant in like manner as upon the original parties.

G. Landlord liability. The tenant takes possession of the leased premises subject to the hazards of operating a farm, and assumes all risk of accidents to himself, his family, employees, or agents in pursuance of his farming operations, or in performing repairs on buildings, fences, tile, and other improvements. The landlord assumes no liability for failure of any water supply with regard to either quantity or quality, or for damages by the elements to improvements, or for any loss or damages incidental to repair or replacement of improvements, or for failure to repair or replace existing improvements.

Section 6. Additional Agreements

.....	
.....	
By.....	Landlord(s) Date
.....	Agent Date
.....	Tenant(s) Date

Amendments to the Lease

A. Improvements made by the tenant at his expense. When the landlord and tenant agree that the tenant may make all or part of an improvement (such as buildings, additions to buildings, major repairs, fences, bathrooms, water systems, etc.) to the farm at his own expense and that the tenant is to be reimbursed for his remaining cost at the end of the lease (less any government payment received by the tenant for the improvement), the necessary information shall be recorded in one of the following blanks and, after being duly signed by both parties, it shall become a part of the lease above and obligate the landlord and his heirs and assigns to make such reimbursement. Such improvements become the landlord's property upon completion of the form below. The landlord thereby assumes the responsibility for insurance coverage and risk of loss.

Description and location of the improvement	Tenant's cost on completion	Annual rate of depreciation (percent)	Date depreciation begins	Date of signatures	Signatures
1.Lld. .....Ten.
2.Lld. .....Ten.

B. Landlord's written consent to tenant's participation in items in Section 3, Clause B, Part 1.

1. Item:..... Description and restrictions:
Date: Landlord's signature
2. Item:..... Description and restrictions:
Date: Landlord's signature

C. Other amendments:

1. Date:Lld.
..... Date:Ten.
2. Date:Lld.
..... Date:Ten.

Illinois Livestock-Share Lease

(The landlord and tenant may want to discuss lease provisions with their respective legal counsel since a lease creates and alters legal rights.)

Date and names of parties. This lease is entered into on, 19....., between, landlord(s), at (address), and, tenant(s), at (address)

The parties to this lease agree to the following provisions.

Description of land. The landlord rents and leases to the tenant, to occupy and to use for agricultural purposes only, the following real estate located in the County of and State of, described as follows:

..... commonly known as the farm and consisting of approximately acres, together with all buildings and improvements thereon belonging to the landlord.

Length of tenure. The term of this lease shall be from, 19....., to, 19......

Extension of term. This lease shall continue from year to year after the initial term unless written notice to terminate is given by either party to the other at least months before the beginning of the next lease year.

Amendments and alterations to this lease may be made in writing in the space provided at any time by mutual agreement. If the parties fail to agree on proposed alterations, the existing provisions of this lease shall control operations.

Nature of the agreement. This lease shall not be construed as giving rise to a partnership or joint venture, and neither party shall be liable for debts or obligations incurred by the other, without written consent except as permitted in this lease. This agreement contemplates and provides for material participation in management of the business by the landlord or the landlord's agent.

Section 1. Investment Contributions

A. The landlord and tenant each agree to furnish the investment items listed below in such quantities and amounts as to permit the most efficient and profitable uses of resources of both parties. Any exceptions or alternatives to the stated shares for any items or categories of items are to be specified in Clause B.

<i>Investment items</i>	<i>Amount (\$) or share (%) to be paid or furnished by</i>	
	<i>Landlord</i>	<i>Tenant</i>
All land and fixed improvements at the beginning of this lease	<i>100%</i>	<i>0%</i>
Except .....	.....	.....
All machinery and equipment to operate the farm properly	<i>0%</i>	<i>100%</i>
Except .....	.....	.....
Livestock inventory:		
Dairy cattle .....	.....	.....
Beef cattle .....	.....	.....
Hogs .....	.....	.....
Except .....	.....	.....
Feed inventory:		
Grain .....	.....	.....
Hay .....	.....	.....
Silage .....	.....	.....

B. Special agreements on selected items, repairs, maintenance, etc.

Section 2. Farm Operating Inputs and Expenses

A. The landlord and tenant each agree to furnish the input and expense items listed below in such quantities and amounts as to permit the most efficient and profitable uses of resources of both parties.

<i>Expense items</i>	<i>Amount (\$) or share (%) to be paid or furnished by</i>	
	<i>Landlord</i>	<i>Tenant</i>
All labor required to operate the business as planned...	0%	100%
Except
.....
Taxes, insurance, and maintenance on all improvements	100%	0%
Except
.....
Repairs, maintenance, and insurance on:		
Tenant-owned machinery and equipment	0%	100%
Except
.....
Landlord-owned machinery and equipment
Except
.....
Jointly owned machinery and equipment
Except
.....
Crop costs:		
All grain crop seeds
All legume and grass seeds
.....
All limestone
All fertilizers
All pesticides
All herbicides
Electricity, gasoline, other fuel and oil:		
Farm share of electricity
Gasoline, diesel fuel, etc.
Crop drying fuel and power
Harvesting, hauling, and processing costs:		
Combining corn
Combining soybeans
Combining
.....
Baling hay
Field chopping
Silo filling
.....
Hauling crops and livestock to market
Hauling milk to market
Hauling supplies
.....
Feed grinding, mixing
.....

Section 3. Returns from Farm Business as Income to Tenant and Rent to Landlord

	Landlord's rent share (%)	Tenant's income share (%)
All returns from the following shall be divided as designated:		
Sale of jointly owned livestock	-----	-----
Sale of jointly owned livestock products	-----	-----
Sale of crops	-----	-----
Except	-----	-----
Ownership of livestock increase	-----	-----
The tenant may have for family use and to furnish to the tenant's hired labor in lieu of wages:		
Not more than acres of land for garden and such fruit as farm affords.		
Not more than pounds of milk and dozen eggs from jointly owned stock.		
Pork, beef, mutton, and poultry from jointly owned stock up to the following amounts:		
Pork: pounds live weight, or animals		
..... pounds live weight, or animals		
..... pounds live weight, or animals		
The tenant may use from undivided home-grown feed, for livestock owned solely by himself, his family, or hired labor, not more than:		
..... bushels of corn	..... tons of hay	
..... bushels of .....	..... tons of	

Section 4. Tenant Duties in Operating Farm

The tenant further agrees to perform and carry out the stipulations below. (Strike out any not desired.)

A. Activities required:

1. To cultivate the farm faithfully and in a timely, thorough, and businesslike manner.
2. To prevent noxious weeds from going to seed on the premises and to destroy them and to keep the weeds and grass cut on the farmstead, roadsides, and fence rows.
3. To haul and spread all manure on appropriate fields at times and in quantities consistent with environmental protection requirements.
4. To preserve established watercourses, tile drains, tile outlets, grass waterways, and terraces, and to refrain from any operation that will injure them.
5. To keep the buildings, fences (including hedges), tile drains, and other improvements in as good repair and condition as they are when he takes possession or in as good repair and condition as they may be put by the landlord during the term of the lease — ordinary wear, loss by fire, or unavoidable destruction excepted.
6. To take proper care of all trees, vines, and shrubs, and to prevent injury to the same.

7. To keep the farmstead neat and orderly.
8. To prevent all unnecessary waste or loss of or damage to the property of the landlord.
9. To comply with pollution control and environmental protection requirements, and to implement soil erosion control practices.
10. To use prudence and care in transporting, storing, handling, and applying all fertilizers, pesticides, herbicides, and other chemicals and similar substances, and to read and follow instructions on the labels for the use of such materials in order to avoid injury or damages to persons or property or both on the leased premises and adjoining areas.

B. Activities restricted:

1. The tenant further agrees, unless he shall first have obtained the *written* consent of the landlord:
 - a. Not to assign this lease to any person or persons or sublet any part of the premises herein leased.
 - b. Not to violate restrictions in the landlord's insurance contract.
 - c. Not to erect or permit to be erected any structure or building or to incur any expense to the landlord for such purposes.
 - d. Not to add electrical wiring, plumbing, or heating to any buildings. (If consent is given, such additions must meet standards and requirements of power and insurance companies.)
2. The tenant further agrees, unless he shall first have obtained the *oral* consent of the landlord:
 - a. Not to plow permanent pasture or meadowland.
 - b. Not to allow any stock on any tillable land except by annual agreement.
 - c. Not to burn or remove cornstalks, straw, or other crop residues grown upon the farm.
 - d. Not to cut live trees for sale purposes or personal uses.
 - e. Not to erect or permit to be erected any commercial advertising signs on the farm.

C. Additional agreements:

.....

Section 5. Management and Business Procedures

The provisions for joint decision-making in this section shall in no way be construed as destroying the independent and separate business interests of the landlord and the tenant. The laws and rules of the landlord-tenant relationship shall apply. The level of landlord participation contemplated in this lease agreement is sufficient, unless performed for the landlord by an agent, to constitute material participation for purposes of self-employment taxes under the social security program.

The landlord and tenant agree that they will observe the following provisions.

A. Except when mutually decided otherwise, the annual land use and cropping system shall be approximately as follows:

- acres for rotated crops
- acres in permanent pasture
- acres in nongrazed woodland
- acres in building and lots
- acres of tillable land seeded to legumes
- acres of tillable land to be left as stand-over legumes

B. In the first year of this lease and for each succeeding year that this lease remains in effect, the two parties agree to review the cropping system, the varieties and acreages of each crop to be planted, and the kinds and amount of fertilizer to be applied. The landlord shall counsel with the tenant on sources of seed, planting rates, tillage practices, crop treatment, and market disposition of the crops.

C. When clover or fall-seeded crops fail to live through the winter, or when summer crops fail, the tenant shall consult the landlord on crops to be substituted.

D. Except when mutually decided otherwise, the kinds and approximate numbers of jointly owned livestock to be kept shall be as follows:

----- dairy cows	----- sows and gilts to farrow
----- beef cows	----- approximately ----- litters
----- purchased feeder cattle	----- each year
-----	----- purchased feeder pigs
-----	-----

E. The landlord and tenant shall jointly decide upon these items:

1. Kind of livestock to be purchased; time of purchase.
2. Time when livestock shall be sold; sales agency to be used.
3. Kind of feed to be purchased; time and place of purchase.
4. Composition of feeding rations, sources of feed supplements, and sources and use of veterinary services.
5. Buying and selling of jointly owned crops, other farm produce, materials, and supplies in amounts of more than \$-----; such sales and purchases below this amount shall be left with the tenant.
6. -----

F. Business and accounting procedures. Although this agreement recognizes that in many instances it will be expeditious and appropriate for the tenant to act as a spokesperson for the landlord in dealing with suppliers and outside contractors, it is *not* intended that the tenant is to have a general power of agency for the landlord. The two parties agree that Option ----- below, as amplified or modified, shall be the intended basis of operation between them.

Option 1. The landlord desires to remain separate and independent from the tenant insofar as is prudent and practicable, and therefore the tenant, in dealing with suppliers and contractors where the landlord's account is involved, shall require direct and separate billing and accounting for the landlord's share. The landlord shall be solely responsible for contracting and financing the landlord's own insurance of all kinds. -----

Option 2. For the most expeditious method of handling, the landlord is willing to have the tenant contract for the shared operating inputs, as noted in Section 2, and to have the tenant render a summary account for reimbursement or other settlement by the landlord at the end of each year, or monthly on or before the ----- day of the following month. The tenant is willing to provide this service on behalf of the landlord because of the greater freedom he gets and the opportunity to obtain price concessions, quantity discounts, etc. -----

G. Complete financial and production records of the farm business shall be kept by the tenant. He shall furnish to the landlord an annual report and a monthly report on or before the ----- day of the following month. The landlord agrees to cooperate in such recordkeeping by providing information on his side of the business and by contributing ----- (dollars or percent) to meet the cash costs of such service.

H. At the end of this lease, the landlord agrees to reimburse the tenant:

1. For the tenant's remaining cost in limestone if the tenant paid his share at the time it was applied. The tenant's remaining cost shall be calculated by first subtracting, from the tenant's original cost, government payments received by him and then depreciating the tenant's net cost at the rate of ----- percent annually.
2. For the tenant's cost of legume and grass seed in seedings made on more than ----- acres in the last year of this lease.
3. -----

I. The tenant shall be solely responsible for all employer obligations on hired labor with respect to safety requirements and social security and workmen's compensation contributions, and the landlord shall have no responsibilities therefore.

J. At the termination of this lease the tenant shall have the right to remove up to (tons, bales) of hay and (tons, bales) of straw grown on the farm and belonging to the tenant.

K. If, after notice to terminate this lease has been given, the parties to this lease fail to agree on questions of land use, cropping system, fertilizer applications, or any deviations from the lease provisions, then the specific agreements in this lease shall prevail or, in the absence of agreements in this lease, the landlord shall decide and the tenant agrees to abide by his decision. The landlord's decisions shall not contradict any provisions in this lease or violate good farming procedures.

L. Other management agreements:

Section 6. Arbitration, Default, Right of Possession and Entry, Mineral Rights, Landlord's Lien, and Lease Termination

A. Arbitration of differences. If differences should arise between the parties to this lease, they may elect to arbitrate a settlement. If they elect to arbitrate, they agree to use the following procedure: Within ten days after electing to arbitrate, the parties shall choose an arbitrator. If one person cannot be found who is acceptable to both parties, then each party shall choose an arbitrator and the two so chosen shall select a third. Within a reasonable time the arbitrator(s) shall make whatever inspection and inquiry are necessary and report findings in writing to both parties. The arbitrator(s) shall have power to make an award or determination on any issue which arises out of this lease, and it shall be binding upon both parties. The expenses of arbitration shall be divided equally between the parties.

B. Termination upon default. If either party clearly fails to carry out substantially the terms of this lease in due and proper time, the lease may be terminated by the other party by serving a written notice citing the instance(s) of default and specifying a termination date of not less than days from the date of such notice. Settlement shall then be made in accordance with the reimbursement agreements of Section 5, Clause H, and the provisions of Clauses G, H, and I below, and of any amendments to this lease.

C. Landlord's right to take possession. If the tenant shall, for any cause, fail to exercise good husbandry in carrying out the terms of this lease or fail to exercise due and proper care in the feeding and handling of jointly owned livestock, the landlord may, after giving three days' notice of intention to do so, take active possession of the premises and buildings, which the tenant agrees to surrender. The landlord may then employ other persons to tend the crops and livestock and perform all the agreements of the tenant as herein contained. After deducting all monies advanced, monies or grain due for rent, and the expense of attending the aforesaid crops and livestock, the landlord will pay the residue, if any, to the tenant.

D. Landlord's right of entry. The landlord reserves the right personally or by his agents, employees, or assigns to enter upon the premises at any reasonable time to view them, to work or make repairs or improvements thereon, to care for and dispose of the landlord's share of crops, to develop mineral resources as provided in Clause E below, and, after notice of termination has been given and following severance of crops, to plow and prepare a seed bed, make seedings, glean corn, apply fertilizers, and any other operation necessary to good farming by the succeeding operator, these operations not to interfere with the tenant in carrying out the regular farming operations.

E. Mineral rights. Nothing in this lease shall confer upon the tenant any right to minerals underlying the land. Such mineral rights are hereby reserved by the landlord together with the full right to enter upon the premises to bore, search, excavate, work, and remove the minerals, to deposit excavated rubbish, to pass over the premises with vehicles, and to lay down and work any railroad track or tracks, tanks, pipelines, power lines, and structures as may be necessary or convenient for the above purpose. The landlord agrees to reimburse the tenant for any actual damage he may suffer for crops destroyed by these activities and to

release the tenant from obligation to continue farming this property when development of mineral resources interferes materially with the tenant's opportunity to make a satisfactory return.

F. Landlord's lien. The landlord's lien, as provided by law, shall be the security for the rent herein specified.

If the tenant fails to pay the rent or fails to keep any of the agreements of this lease, all costs and attorneys' fees of the landlord in enforcing collection or performance shall be added to and become a part of the rent payable by the tenant.

G. Yielding possession. The tenant agrees that at the end of this lease he will yield possession of the premises to the landlord without further demand or notice, in as good order and condition as when they were entered upon by the tenant, loss by fire, flood, or tornado, and ordinary wear excepted. If the tenant shall not surrender the premises on the date of termination, he shall pay to the landlord the sum of \$_____ for each day he remains in possession thereafter, in addition to any damages caused by the tenant to the landlord's land or improvements, and said payments shall not entitle the tenant to any interest of any kind or character in or on the premises.

H. Method of settlement at end of lease. At the end of this lease, an accounting shall be had between the parties, and the produce, stock, and other property belonging jointly to the landlord and tenant shall be divided according to their respective interests. The tenant shall divide each kind of livestock into equal lots as nearly as possible, and the landlord shall have choice of lots of each kind of livestock. This division shall be final and binding upon both parties. Each shall have the right to claim, as part of his distributive share, either the original animals contributed to any jointly owned livestock or the progeny of such animals, if he so desires.

I. Compensation for damage to farm. At the end of this lease, the tenant shall pay to the landlord a reasonable compensation for any damage to the property for which the tenant is responsible, after due allowance is made for damage resulting from ordinary wear and depreciation or from causes beyond the tenant's control.

J. Extent of agreement. The terms of this lease shall be binding on the heirs, executors, administrators, and assigns of both landlord and tenant in like manner as upon the original parties.

Section 7. Additional Agreements

	Landlord(s)	Date
By-----	Agent	Date
	Tenant(s)	Date

Amendments to the Lease

A. Improvements made by the tenant at his expense. When the landlord and tenant agree that the tenant may make all or part of an improvement (such as buildings, additions to buildings, major repairs, fences, bathrooms, water systems, etc.) to the farm at his own expense and that the tenant is to be reimbursed for his remaining cost at the end of the lease (less any government payment received by the tenant for the improvement), the necessary information shall be recorded in one of the following blanks and, after being duly signed by both parties, it shall become a part of the lease above and obligate the landlord and his heirs and assigns to make such reimbursement. Such improvements become the landlord's property upon completion of the form below. The landlord thereby assumes the responsibility for insurance coverage and risk of loss.

<i>Description and location of the improvement</i>	<i>Tenant's cost on completion</i>	<i>Annual rate of depreciation (percent)</i>	<i>Date depreciation begins</i>	<i>Date of signatures</i>	<i>Signatures</i>
1.Lld.
.....Ten.
2.Lld.
.....Ten.

B. Landlord's written consent to tenant's participation in items in Section 4.

1. Item:..... Description and restrictions:

Date: Landlord's signature

2. Item:..... Description and restrictions:

Date: Landlord's signature

C. Other amendments:

1. Date:Lld.

..... Date:Ten.

2. Date:Lld.

..... Date:Ten.

Illinois Labor-Share Lease (Farm Profit-Sharing Agreement)

Dates and names of parties. This agreement is entered into on, 19....., between, the owner and/or senior operator, and, the junior operator.

Purpose and intent. The purposes of this agreement are (1) to provide an apprenticeship opportunity for the junior operator to earn a return and to gain skill and experience by associating his labor and management abilities, plus his capital investments, if any, with the land, capital, and management provided by the owner, (2) to provide labor and managerial assistance to supplement the owner's inputs in the operation of the farm business involved, and (3) to permit continuity of the farm business. This agreement is not intended to give rise to a partnership, and it shall not be so construed. Neither party shall be liable for the debts of, or the debts incurred by, the other without written consent. Contributions of real estate and capital items by either party shall be for possession and use only.

Description of land. This agreement shall be effective for the purposes indicated in this lease on the following described real estate: (1)

..... consisting of acres, of which are owned by the owner and by the junior operator, and situated in the County of in the State of; (2) additional acres rented from other owners; and (3) any other land that either party may add to the operating unit with the consent of the other.

Length of tenure. The term of this agreement shall be from the day of, 19....., to the day of, 19....., and from year to year thereafter unless written notice to terminate is given by either party to the other at least months before the end of the current agreement year.

Extent of agreement. The terms of this agreement shall be binding upon the heirs, executors, administrators, and assigns of both parties in like manner as upon the original parties, except as shall be provided by mutual agreement otherwise.

Basis for compensation for each party. Each party shall be compensated for his respective contributions to the farm business by (1) a cash rent on real estate to be paid out of undivided gross income, (2) direct compensation out of undivided gross income for all farm-related, non-real-estate, cash operating expenses, including depreciation as a prepaid expense, and (3) a share of the net farm returns in the same proportion as each contributes to the unpaid inputs above the stated rent and cash operating expenses and depreciation.

Section 1. Division of Income and Related Stipulations

A. Calculation of the distributive shares of net farm returns for the first year will be recorded in the following chart.

Unpaid Contribution Items	Contributed by junior operator			Contributed by owner		
	Amount	Rate	Annual value	Amount	Rate	Annual value
1. Interest on operating capital	----- Months	----- %	-----	----- Months	----- %	-----
2. Labor and management	-----	-----	-----	-----	-----	-----
3. Total annual value		\$-----			\$-----	
4. Percent contributed by each party to Item 3		----- %			----- %	

B. Division of net farm returns. The net farm returns at the end of the contract year shall be divided on the basis of ----- % to the owner and ----- % to the junior operator as calculated in Clause A. For subsequent years under this agreement, the distributive shares shall be recalculated using the form in Clause A on or before ----- each year. These recalculations will be entered below and will reflect changes in each party's contributions.

- 19----- ----- % to owner, ----- % to junior operator
- 19----- ----- % to owner, ----- % to junior operator
- 19----- ----- % to owner, ----- % to junior operator

C. Calculation of net farm returns. Net farm returns shall be calculated annually on the accrual basis as follows unless mutually agreed otherwise.

- a. Gross Income
1. Income from the sale of crops, livestock, and products\$-----
2. Other farm income (custom work, etc.)-----
3. End-of-year inventory of crops, livestock, etc.-----
4. Total gross income\$-----
- b. Expenses and Deductions
5. Cash farm operating expenses^a\$-----
6. Cost of livestock purchased^b-----
7. Depreciation of machinery, equipment, etc.^c-----
8. Cash rent on farm real estate^d-----
9. Beginning-of-year inventory of crops, livestock, etc.-----
10. Total expenses and deductions\$-----

^a Not included are interest and debt payments of any kind or any advance distributing payments to either party. Taxes, insurance, repairs, and other costs associated with real estate are not included because a gross cash rent is used to cover these costs.

^b The cost of any breeding stock entered in capital accounts is not included.

^c Depreciation on buildings, farm tile, and other similar improvements is not included. Such depreciation is covered in the rent paid on real estate. Breeding livestock are included in the inventories, and any depreciation will be reflected in the inventory change.

^d The cash rent to be paid for the owner's real estate and the junior operator's, if any, is a gross cash rent so that both can be personally responsible for all of their respective real estate costs, such as taxes, depreciation, insurance, repairs, and replacement. Gross cash rent on other land rented from third parties should also be included.

c. Net Farm Returns

11. Net farm returns (Item 4 minus Item 10)\$_____
12. Junior operator's share (.....% of Item 11) _____
13. Total of monthly and other advances to junior operator _____
14. Balance due to junior operator (Item 12 minus Item 13)\$_____

D. Accounting methods and settlement procedures.

1. Settlement for each year this agreement remains in effect shall be a payment by the owner to the junior operator for the amount shown in Item 14 of Clause C as calculated for that year. Only a "tenant's" share of the business remains after all farm real estate owned by either party and used in the farm business is treated as rented. Share rents to third parties are not included in Items 1 and 3 of Clause C above and thus need not be included in expenses. Gross cash rents for settlement purposes shall be agreed on and entered below at the beginning of each year.

Year	To the junior operator		To the owner	
19.....	..... acres	\$..... rent	..... acres	\$..... rent
19.....	..... acres	\$..... rent	..... acres	\$..... rent
19.....	..... acres	\$..... rent	..... acres	\$..... rent
19.....	..... acres	\$..... rent	..... acres	\$..... rent

2. Complete inventories of feed, grain, livestock, and other products shall be made at the beginning and end of each year and be separated according to ownership by owner or junior operator. Appropriate values will then be placed on these items. Inventories will be separated to reflect changes in the contributions by either party from year to year and to provide a record of the claims each party has on the assets at the end of the agreement. The amounts to be entered in Items 3 and 9 of Clause C are the total inventories, the sum of the owner's and the junior operator's inventories.

3. A complete account, separated between owner and junior operator according to ownership, shall be kept of all purchases, sales, depreciation, and remaining cost values on all non-real-estate capital assets used in the business. The entry in Item 7 in Clause C shall be the total for the parties.

4. The separated value of inventory assets and remaining undepreciated value of non-real-estate capital assets held at the beginning of each year by each party shall be considered in updating Item 1 of Clause A at the beginning of each year.

5. A complete record shall be kept of all cash income and cash operating expenses, including cash rent paid but not including interest and principal payments on indebtedness or cash salary payments to the junior operator. The required record of the farm business shall be kept by with both parties responsible for contributing needed information. Both parties shall cooperate in setting up inventories and depreciation tables and in summarizing and interpreting the records. The farm account book shall be open for inspection by either party at any time.

6. Because the owner owns all or a major portion of the farm operating capital, he shall either (1) be the personal custodian of all income and shall pay all expenses, or (2) set up a separate bank account under his control into which all farm income shall be deposited and from which all farm expenses and the distribution of net farm earnings shall be paid. In either method the owner shall be responsible for all money and the annual settlement based on the aforementioned record of the farm business.

7. Because the owner handles all money, he shall complete each annual settlement by presenting a check to the junior operator for the amount entered in Item 14 of Clause C. If the amount is negative, the settlement shall be made according to Clause B of Section 2. The owner also shall write a check on or before the day of, 19....., for the cash rent due to the junior operator for the use of any real estate contributed by the junior operator to the farm business. The owner shall write a third check at the end of each year to the junior operator for any depreciation as provided in the capital accounts on any capital assets contributed to the business by the junior operator. The owner shall write a fourth check if the junior operator contributed inventory items and there was a decrease in the value of these items from the beginning to the end of the year. If there was

an increase in the value of the junior operator's inventory, then the increase in value shall be counted as part payment of the amount due to the junior operator for the year. The junior operator's total compensation shall thus be the sum of a (1) cash rent on his real estate, (2) any depreciation on his capital, (3) any decrease in his inventory items, and (4) his share of the net farm returns.

Section 2. Management, Wage Guarantees, Living Arrangements, and Other Considerations

A. Management. All operating plans shall be discussed and agreed upon by both parties. To give the junior operator the greatest opportunity to learn and gain managerial experience, the owner agrees to (1) give specific reasons for all major management decisions that he proposes, (2) ask the junior operator for his opinions, and (3) create opportunities, by delegating responsibility or otherwise, for the junior operator to make decisions. Each party shall be involved in the management of all aspects of the farm business, but leadership responsibility may be assigned to one party or the other for selected enterprises or activities.

B. Wage guarantee. The junior operator is guaranteed by the owner a cash income of \$..... per month, the income for each month being due on or before the day of the following month. Such compensation shall be considered advance payment against the junior operator's share of the net farm returns at the end of the year. If the junior operator's share of the net farm returns, as shown in Item 14 of Section 1, Clause C, is less than the total amount paid above, he shall nevertheless be entitled to retain the above amount and shall not be required to make any refund. The amount advanced to the junior operator shall not be considered a part of the cost of hired labor when determining farm expenses. This guarantee applies to the junior operator's share of net farm returns and is independent of his compensation for real estate, depreciation, and inventory decrease, if any.

C. Perquisites. In addition to the share of net farm returns above, each party shall be permitted meat, milk, and eggs from the farm production for household use not to exceed the following amounts annually:

Each party also may use up to acres for garden, truck crops, or fruit production for household use. Each party also may keep no more than the following numbers of livestock to be fed out of farm-grown feed:

D. Living arrangements. Unless otherwise agreed, each party shall provide his own living arrangements. If living arrangements are provided for either or both parties, these arrangements shall be as follows:

..... If either party boards the other, the party receiving board shall pay the party providing board \$..... a month for laundry, shelter, food, and fuel.

Section 3. Arbitration and Other Agreements

A. Arbitration. If differences should arise between the parties to this agreement, they may elect to arbitrate a settlement. If they elect to arbitrate, they agree to use the following procedure and to abide by the resulting decision: The owner and the junior operator shall each select one arbitrator; the two arbitrators so selected shall jointly select a third; and the three shall determine the bases of settlement which to them seem equitable.

B. Additional agreements.

..... Owner	..... Date
..... Junior Operator	..... Date

Illinois Cash Farm Lease

(The landlord and tenant may want to discuss lease provisions with their respective legal counsel since a lease creates and alters legal rights.)

Date and names of parties. This lease is entered into on _____, 19____, between _____, landlord, and _____, tenant.

Description of land. The landlord rents and leases to the tenant, to occupy and to use for agricultural purposes, the following real estate located in the County of _____ and State of _____, described as follows: _____

commonly known as the _____ farm and consisting of approximately _____ acres, together with buildings and improvements on the property.

Length of tenure. The term of this lease shall be from _____, 19____, to _____, 19____, and the tenant shall surrender possession at the end of this term or at the end of any extension thereof. Extensions must be placed in writing on this lease, and both parties agree that failure to execute an extension at least _____ months before the end of the current term shall be constructive notice of intent to allow the lease to expire.

Amendments and alterations to this lease may be made in writing in the space provided at any time by mutual agreement. In the event of failure to agree on proposed alterations, the existing provisions of the lease shall control operations.

Section 1. Amount of Rent

A. The tenant agrees to pay the landlord an annual cash rent for the above-described farm in the amount determined as follows: (Complete the desired method for determining the cash rent. Strike out the parts and other methods not desired.)

Method 1. The annual cash rent shall be the sum of \$_____. This represents _____ acres of cropland at \$_____ per acre, plus _____ acres of _____ at \$_____ per acre, plus _____ acres of _____ at \$_____ per acre, plus _____

Method 2. The cash rent shall be the amount stated in Method 1 above, but adjusted annually after the first year in proportion to changes in the USDA index of _____ for the month(s) of _____ from a base index of _____ for the first year of this lease.

Method 3. The cash rent shall be equal to the value of the standing amounts of commodities indicated below, such value to be calculated each year by using the prices for the time periods and from the sources specified. After the first year the standing amounts shall first be adjusted up or down for the year in the same proportion as county average yields changed that year from the indicated base yields.

Commodity	Standing amount	Time periods and sources of the prices to be used	County average base yield
Corn	_____ bu.	_____	_____ bu.
Soybeans	_____ bu.	_____	_____ bu.
Wheat	_____ bu.	_____	_____ bu.
Milk	_____ lb.	_____	XXXXXX
Hogs	_____ lb.	_____	XXXXXX
_____	_____	_____	_____

Section 2. Landlord's Investment and Expenses

The landlord agrees to furnish the property and to pay the items of expense listed below:

- A. The above-described farm, including fixed improvements.
- B. Materials for necessary repairs and improvements to buildings and permanent fences except as agreed to in Section 3.D and amendments to this lease.
- C. Skilled labor employed in making and repairing improvements and all labor for painting buildings.
- D. Taxes on land, improvements, and personal property owned by the landlord.
- E. Fire and wind insurance, at a fair replacement value, on residence and all buildings owned by him and used by the tenant in storing or housing grain, feed, livestock, and equipment.
- F. Ground limestone: Landlord is to furnish percent or share of total cost, including hauling and spreading.
- G. Seeds (state percent or share furnished by landlord): alfalfa,.....; red clover,.....; sweet clover,.....; grass,.....;
- H. A water supply adequate for household use and animal units of livestock.
- I. Other items:

Section 3. Tenant's Investment and Expenses

The tenant agrees to furnish the property and to pay the items of expense listed below:

- A. All the machinery, equipment, labor, fuel, and power necessary to farm the premises properly.
- B. The hauling to the farm, except when otherwise agreed, of all material which the landlord furnishes for making repairs and minor improvements, and the performing of labor, except skilled, required for such repairing and improving.
- C. All seed, inoculation, disease-treatment materials, and fertilizers, except that which the landlord agrees to furnish in Section 2 above.
- D. The following described items and all other items of expense not furnished by the landlord as provided in Section 2:

Section 4. Tenant's Duties in Operating Farm

The tenant further agrees to perform and carry out the stipulations below. (Strike out any not desired.)

A. Activities required:

1. To cultivate the farm faithfully and in a timely, thorough, and businesslike manner.
2. To inoculate all alfalfa and soybean seed sown on land not known to be thoroughly inoculated for the crop planted.
3. To prevent tramping of fields by stock and rooting by hogs when injury will be done.
4. To prevent noxious weeds from going to seed on said premises and to destroy the same and keep the weeds and grass cut.
5. To haul out and spread all manure as soon as practicable on appropriate fields.
6. To keep open ditches, tile drains, tile outlets, grass waterways, and terraces in good repair.

7. To preserve established watercourses or ditches, and to refrain from any operation that will injure them.
8. To keep the buildings, fences (including hedges), and other improvements on said premises in as good repair and condition as they are when he takes possession or in as good repair and condition as they may be put by the landlord during the term of the lease — ordinary wear, loss by fire, or unavoidable destruction excepted.
9. To take proper care of all trees, vines, and shrubs, and to prevent injury to the same.
10. To keep the farmstead neat and orderly.
11. To prevent all unnecessary waste or loss of or damage to the property of the landlord.
12. To comply with rules and regulations of the Illinois Pollution Control Board.
13. To practice fire prevention, follow safety rules, and abide by restrictions in the landlord's insurance contracts.

B. Activities restricted:

1. The tenant further agrees, unless he shall first have obtained the *written* consent of the landlord:

- a. Not to assign this lease to any person or persons or sublet any part of the premises.
- b. Not to farm more than acres of additional land and not to enter into any other business, occupation, or sideline, except
- c. Not to erect or permit to be erected any structure or building or to incur any expense to the landlord for such purposes.
- d. Not to add electrical wiring, plumbing, or heating to any buildings. (If consent is given, such additions must meet standards and requirements of power and insurance companies.)
- e. Not to permit, encourage, or invite other persons to use any part or all of this property for any purpose or activity not directly related to its use for agricultural production, except as specifically noted here:

2. The tenant further agrees, unless he shall first have obtained the *oral* consent of the landlord:

- a. Not to plow permanent pasture or meadowland.
- b. Not to cut live trees for sale purposes or personal uses.
- c. Not to erect or permit to be erected any commercial advertising signs on the farm.

C. Additional agreements:

Section 5. Management and Business Procedures

The landlord and tenant agree that they will observe the following provisions. (Strike out any items not desired.) The decision-making by the landlord, implied in Clause A below, or in any other part of this lease, does not contemplate material participation by the landlord or his heirs.

A. Except when mutually decided otherwise, the land use and cropping system shall be approximately as follows:

- acres for rotated crops
- acres in permanent pasture
- acres in nongrazed woodland
- acres in buildings and lots
- acres of tillable land planted to biennial or perennial legumes each year
- acres of tillable land to be left in biennial or perennial legumes each year

B. The landlord agrees to reimburse the tenant for the tenant's cost of legume and grass seed in seedings made in the last year of this lease above acres. (Insert the acres in such seedings on the farm at the beginning of this lease.)

C. The landlord agrees to reimburse the tenant, at the end of this lease, for the tenant's cost of readily soluble phosphate (P_2O_5) and potash (K_2O) applied as annual fertilizers on crops harvested for grain in the last year of this lease over and above the amount of these plant-food elements contained in such crops.

D. If the tenant furnishes all or any of the cost of limestone, the landlord agrees to reimburse the tenant at the termination of this lease for the tenant's remaining cost. For this purpose, depreciation is to be charged at a percent annual rate applied to the tenant's cost above government payments received by the tenant for any limestone applied.

E. The cash rent shall be paid each year in the following installments:

<i>Dollars or percent of rent due</i>	<i>Date due</i>
.....
Balance due

Section 6. Default, Yielding Possession, Right of Entry

A. **Termination upon default.** If either party fails to carry out substantially the terms of this lease in due and proper time, the lease may be terminated by the other party by serving a written notice citing the instance(s) of default and specifying a termination date of days from the date of such notice. Settlement shall then be made in accordance with the provisions of Clause C of this section, the reimbursement agreements of Section 5, and amendments.

B. **Yielding possession.** The tenant agrees that at the expiration or termination of this lease he will yield possession of the premises to the landlord without further demand or notice. If the tenant fails to yield possession, he shall pay to the landlord a penalty of \$..... per day, or if a penalty is not specified, the statutory double rent shall apply, for each day he remains in possession thereafter, in addition to any actual damages caused by the tenant to the landlord's land or improvements, and said payments shall not entitle said tenant to any interest of any kind or character in or on the premises.

C. **Landlord's lien for rent and performance.** The landlord's lien provided by law on crops grown or growing shall be the security for the rent herein specified and for the faithful performance of the terms of the lease. If the tenant shall fail to pay the rent due or shall fail to keep any of the agreements of this lease, all costs and attorney fees of the landlord in enforcing collection or performance shall be added to and become a part of the obligations payable by the tenant hereunder.

D. **Landlord's right of entry during term of lease.** The landlord reserves the right of himself, his agents, employees, or assigns to enter upon said premises at any reasonable time for the purpose of viewing the same, of working or making repairs or improvements thereon, of developing mineral resources as provided in Clause E below, or, after constructive notice has been given that the lease may not be extended, of plowing after severance of crops, of seeding, or of applying fertilizers and doing other field work.

E. **Mineral rights.** Nothing in this lease shall confer upon the tenant any right to minerals underlying said land, but the same are hereby reserved by the landlord together with the full right to enter upon the premises and to bore, search and excavate for same, to work and remove same, and to deposit excavated rubbish, and with full liberty to pass over said premises with vehicles and lay down and work any railroad track or tracks, tanks, pipelines, powerlines, and structures as may be necessary or convenient for the above purpose. The landlord agrees to reimburse the tenant for any actual damage he may suffer for crops destroyed by these activities and to release the tenant from obligation to continue farming this property when development of mineral resources interferes materially with the tenant's farming operations.

F. **Extent of agreement.** The terms of this lease shall be binding on the heirs, executors, administrators, and assigns of both landlord and tenant in like manner as upon the original parties.

Section 7. Additional Agreements

.....
.....
By.....	Landlord(s)	Date
.....	Agent	Date
.....	Tenant(s)	Date

Amendments to the Lease

A. Landlord's written consent to tenant's participation in items in Section 4, Clause B, Part 1.

1. Item:..... Description and restrictions:

Date: Landlord's signature:

2. Item:..... Description and restrictions:

Date: Landlord's signature:

B. Improvements made by the tenant at his expense. When the landlord and tenant agree that the tenant may make all or part of an improvement (such as buildings, additions to buildings, major repairs, fences, bathrooms, water systems, etc.) to the farm at his own expense and that the tenant is to be reimbursed for his remaining cost at the end of the lease (less any government payment received by the tenant for the improvement), the necessary information shall be recorded in one of the following blanks, and after being duly signed by both parties, it shall become a part of the lease above and obligate the landlord and his heirs and assigns to make such reimbursement. Such improvements become the landlord's property upon completion of the form below. The landlord thereby assumes the responsibility for property taxes, insurance coverage, and risk of loss.

Description and location of the improvement	Tenant's cost on completion less government payment	Annual rate of depreciation (percent)	Date depre- ciation begins	Date of signatures	Signatures	
1.	Lld.
.....	Ten.
2.	Lld.
.....	Ten.

C. Other amendments:

1. Date: Lld.

..... Date: Ten.

2. Date: Lld.

..... Date: Ten.

Extension

This lease shall be extended from
....., 19.....,
to 19.....
Signed: 19.....
....., Landlord
Signed: 19.....
....., Tenant

This lease shall be extended from
....., 19.....,
to 19.....
Signed: 19.....
....., Landlord
Signed: 19.....
....., Tenant

Urbana, Illinois

March, 1982

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