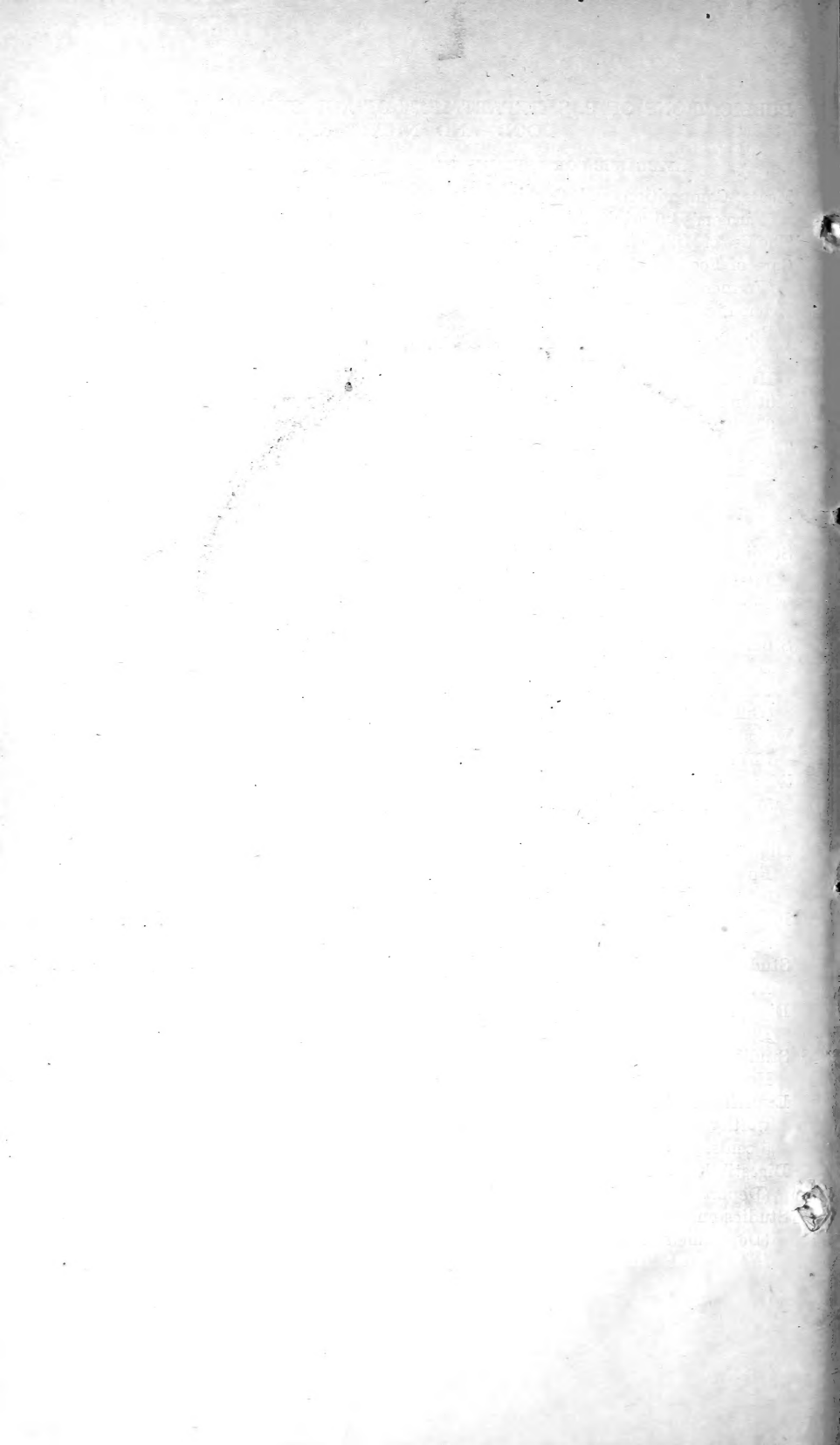






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**LEASE CONTRACTS USED IN RENTING FARMS  
 ON SHARES.**

[A study of the distribution of investments, expenses, and income between  
 landlord and tenant.]

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**DIFFERENT SYSTEMS.**

About 37 per cent of the farms in the United States are operated by tenants under lease. Acute interest is being manifested by both landowners and tenants in the general features and special stipulations of lease contracts. Numerous inquiries are being made as to proper methods of sharing equipment, labor, and other expenses involved in farm operations, and as to the proper fractions to use in dividing proceeds. Practically all these questions are of an agricultural rather than a legal nature. It is a matter of much importance, therefore, to study lease contracts from a pure farm management standpoint. The wording of a lease is a comparatively simple problem after the conditions essential to fairness have been agreed upon. Several methods of leasing are in use, as shown by an examination of leases in force. Farms may be rented for cash, either a stipulated

sum for the whole farm or a certain cash rent per acre. Cash rent varies according to local conditions from \$2 to \$30 per acre, being commonly \$4 to \$10 per acre in the north central States. Under the cash renting system the landlord furnishes simply the real estate while the tenant furnishes all working capital, bears all operating expenses, and receives all proceeds. A modified form of this system consists in paying a specified number of bushels of grain or bales of cotton, etc., in lieu of cash.

A great many methods of share leasing are to be noted. Under this system much variation exists in the methods of sharing equipment and expenses, the proceeds being divided accordingly half-and-half, one-third and two-thirds, one-fourth and three-fourths, two-fifths and three-fifths, two-sevenths and five-sevenths, or by some other fraction. For example, "share croppers" on cotton farms furnish nothing but labor and receive one-half of the cotton. "Share renters" furnish labor, tools, and mules and receive two-thirds of the cotton on very fertile land or three-fourths on poorer land. On some share-rented general farms the tenant may supply all live stock and receive a share of the crops and all animal products, or productive stock may be jointly owned and the products shared.

In many cases the chief crop areas of the farm are rented on shares, while the tenant pays cash for the farmstead, pasture, hay land, corn land, or some other specified area. This method of leasing is commonly called the share-cash system.

*Lease forms.*—Printed lease forms seem to be of little avail except on large estates where the whole system has been thoroughly worked out by the manager, and where a uniform set of conditions is prescribed for all tenants on the estate. For the most part, however, printed lease forms contain only generalities. Usually it is necessary for landlord and tenant to agree by consultation on the features of the contract and then write a lease embodying these stipulations. Very often no written contract is made, the agreement being merely verbal. A written lease is more satisfactory, however, especially in the event of some subsequent disagreement or misunderstanding.

*Basis of discussion.*—The following discussion of the various features of leases is based partly on a study of lease contracts in actual operation and partly on surveys of tenant farms throughout the country. These leases and survey records not only show the great variation in lease contracts under different conditions, but also indicate a basis for a rational lease form providing a reasonably just and fair sharing of equipment, expenses, and proceeds. The number of lease contracts examined was 258, every State being represented. The number of tenant farm survey records studied with regard to

the essential features of the lease agreement was 2,907, including records from 414 dairy farms, 320 stock farms, 298 general farms in the corn belt, 1,113 cotton farms, 453 wheat farms, 176 potato farms, 100 sugar-beet farms, and 33 bean farms. The lease contract often contains minor specific agreements between landowner and tenant not definitely indicated in a farm survey record. All available farm leases, therefore, have been examined with reference to those points.

### LENGTH OF LEASE PERIOD.

In a majority of cases the lease runs for only one year, usually with privilege of renewal upon one or two months' notice. Often the lease provides more positively that the contract is understood to be continuous from year to year unless due notice of intent to discontinue is served by either party. The lease year may coincide with the calendar year, or, more commonly, with the crop year (March 1 to March 1).

Contrary to natural expectation and popular belief, annual lease contracts may not mean more frequent moving of the tenant than do long-term contracts. In fact, investigations on Wisconsin and Illinois dairy farms show that tenants remain longer on the same farm under an annual renewable lease than under lease contracts of two, three, or five years' duration. On Kansas grain farms tenants often have remained 15 to 20 years on the same farm under an annual lease. Moreover, in some sections tenants have operated the same farm 25 to 50 years under annual leases, in the meantime buying farms which they in turn have leased to others. In fact, there are leaseholds which have descended from father to son, the present tenants having been born on farms then operated by their fathers, thus continuing tenant occupancy under annual lease without change into the second generation. Formerly farms might be leased in New York for as long as 99 years, but in 1846 the New York Legislature passed a law prohibiting leasing under longer contracts than 12 years. The purpose of this law was to check the establishment of a tenant class.

England is often incorrectly cited as a country where tenancy problems have been solved by the adoption of a system of long-term leases. As a matter of fact, the vast majority of leases in England are for one year only, and are renewable. The same tendency is seen in the United States.

Most lease contracts with negro tenants on cotton farms, Polish tenants on onion farms, Italian tenants on strawberry farms, Portuguese tenants on bean farms, and Japanese and Chinese tenants on potato farms are verbal, annual, and renewable. In general, the

duration and permanency of tenant tenure seem not to be correlated with either a written or a verbal form of lease.<sup>1</sup>

Many tenants and some landowners prefer long-term leases, running 5 to 10 years. Replies to a questionnaire recently addressed to tenants on Kansas wheat farms show that in almost every case the tenant would prefer a contract longer than one year. In a survey of 143 tenant dairy farms in Wisconsin and Illinois 76 per cent of the leases in Wisconsin and 66 per cent of those in Illinois were for one year, while 14 per cent of those in Illinois were for five years.

In the case of certain special conditions a long-term lease is required for the successful fulfillment of the contract. When live stock is leased it is customary to make a contract for 5 to 10 years. Contracts with a tenant for clearing land commonly give the tenant 5 or 6 years to bring the land into condition and receive adequate returns for the labor of clearing. On an Indiana farm rented for growing nursery stock the lease ran 8 years to enable all nursery stock to mature and to allow time for selling the matured stock to compensate for the extra preparatory expense of the first 2 years. Moreover, in various States an occasional farm devoted to general farming is leased for 10 years or more, rarely under a 15-year contract.

## METHODS OF SHARING CROPS AND STOCK PRODUCTS.

### FIELD CROPS.

*Corn.*—On general farms in the corn belt when the tenant furnishes working capital and hired labor the landowner commonly receives one-half of the corn as well as of other crops. This is the prevailing custom in Indiana, Illinois, Iowa, Kansas, Missouri, Nebraska, North Dakota, South Dakota, Ohio, Pennsylvania, Maryland, Tennessee, Virginia, West Virginia, Wisconsin, and Minnesota. Considerable variation in the share of corn, however, is to be noted in these States. Sometimes the landlord receives only two-fifths, one-third, or even one-fourth of the corn. On certain New Jersey

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<sup>1</sup>The legal requirements governing the execution and recording of leases are usually prescribed by statute. It might be stated as a general rule of law that "All that is necessary to the execution of a lease is that it should be signed and delivered. It is not necessary that it should be witnessed or acknowledged except for the purpose of entitling it to record." (L. A. Jones, *A Treatise on the Law of Landlord and Tenant*.) This general rule is modified, however, in one or more particulars by the statutory law of many of the States. For example, most States require that leases for three years or longer be executed with the usual formality of a deed, while in one State at least no lease of land, except it be by deed, is effectual for more than one year. (Revised Code of Delaware, 1915.) "In practically every jurisdiction, by statutory enactment, every lease of land, or interest therein, for a period in excess of that designated by statute, must be recorded in the county where the land is situated, and a failure to so record will render the lease void as to subsequent encumbrancers and purchasers without notice, and for a valuable consideration, who first duly record their conveyances." (*Encyclopedia of Law and Procedure*.)



farms where the landowner pays all expenses, including hired labor, he receives two-thirds of the corn. The same fraction for division of the corn is used on Ohio farms where the tenant receives a small guaranteed wage in addition to one-third of the corn. Occasionally in Virginia the tenant supplies three-fourths of the fertilizer on corn land and receives three-fourths of the corn. Share croppers on cotton farms, who furnish nothing but labor, commonly receive one-half of the corn or pay cash rent for corn land, while share renters, who furnish the working capital and the labor, usually get two-thirds of the corn. In cases on Colorado farms where the tenant supplies tools and horses and pays all expenses the landowner receives one-third of the corn. On general farms in Delaware the landowner usually gets one-half of all crops, including corn.

*Wheat and other grain and seed crops.*—The examination of 453 survey records<sup>1</sup> on tenant wheat farms in Kansas, Nebraska, Minnesota, North Dakota, and Montana shows that on 267 of these farms the landowner receives one-third, on 106 farms one-half, and on 80 farms two-fifths of the wheat. On these farms the tenant supplied working capital and hired labor. Occasionally other fractions, such as two-sevenths or five-twelfths are used in dividing the wheat in the wheat States of the upper Mississippi valley. Through the corn belt the tenant usually pays one-half of the wheat and other grains on share-rented farms. Very generally where several cereal grains are raised on the same farm all of these grains are divided between landlord and tenant by the same fraction, the lease prescribing that the landowner shall receive either one-half or one-third of all grain. The landowner's share of small cereal grains, as is the case with many other crops, is smaller in western States than in the corn belt. Frequently the landowner receives only one-third of the wheat and other grain, especially when the tenant pays thrashing expenses, as compared with one-half of the corn. Rye is commonly divided half and half. In the cotton belt share croppers usually receive one-half of the oats and share renters two-thirds. In Colorado the landowner commonly receives one-third of the oats and less often one-half, while in the corn belt and various other States the landowner usually receives one-half of the oats or more rarely one-third or two-fifths. On some New Jersey farms the landlord may pay all expenses and receive two-thirds of the oats and wheat, his share otherwise being one-half.

On rice farms in Texas when the tenant supplies tools and mules and the landlord furnishes all seed and water, the landlord commonly receives either two-fifths or one-half of the rice, depending upon the location and fertility of the farm.

<sup>1</sup> Records furnished for examination by courtesy of Office of Extension Work in the North and West, States Relations Service.

Millet is seldom a crop of sufficient importance on tenant farms to be mentioned in a lease contract. On a half share rented farm in Texas the landowner receives one-half of the millet.

The division of clover and alfalfa seed on tenant farms is rarely specified in lease contracts, and few records are therefore available in reference to this point. In Indiana the landowner commonly receives two-fifths of the clover seed produced on the farm. In Colorado the landowner may receive one-half of the alfalfa seed produced on the farm as compared with one-third of the corn and potatoes grown on the same farm.

Sunflowers are rarely an important enterprise on tenant farms. On one Kentucky farm where this crop is grown on a considerable scale the expense and equipment are shared equally and the landlord receives one-half of the sunflower seed, as well as one-half of the corn and alfalfa. In this case the work stock is fed from undivided feed.

*Hay and fodder.*—Almost universally on share rented farms, when the tenant furnishes working capital and hired labor, hay is divided half-and-half if sold at all. Otherwise the hay produced on the farm is used in feeding partnership stock, but if the landowner owns no stock the tenant may pay cash rent for hay land.

On dairy farms and stock farms throughout the country it is frequently prescribed in the lease contract that hay and fodder shall not be sold except with the permission of the landlord, but shall be fed to the stock on the farm. On grain farms the tenant often pays a cash rent for hay land and has all the product to sell or to feed to his own stock. In general, when the hay is shared half-and-half the tenant is required to pay one-half of all expenses and to supply the necessary tools and work stock. In a few cases, however, the tenant receives three-fourths of the hay. In Alabama and elsewhere in the cotton belt share croppers on cotton farms commonly receive one-half of the corn fodder, sorghum, and other fodder produced on the farm. In Colorado when the tenant furnishes tools, horses, feed, labor, and thrashing expense, he usually receives one-half of the alfalfa and less often one-third. The baling expenses are usually shared proportionately to the share of the crop received by the tenant and landlord. On such farms the water assessment is commonly paid by the landlord, less often by the tenant, or sometimes is shared equally. In Kentucky, with all working capital and expense shared equally, the tenant's share of the alfalfa is one-half, while he may receive one-third of the timothy or less often three-fifths. Wide variation occurs on Nebraska farms with reference to the fractional sharing of hay, the tenant receiving one-half or three-fifths or even two-thirds as his share.

It is frequently stipulated in the lease that straw shall not be burned or removed from the farm. In some cases, however, it is specified that the land owner shall receive one-half or three-fourths of the straw.

In the few instances in which the division of sweet clover is mentioned in the lease contract this crop is divided for the most part half-and-half.

*Cotton.*—As already indicated, cotton is commonly raised on tenant farms under one or the other of two systems known as share cropping and share renting, cash renting being a less common method. Under the share cropping system the cotton crop is divided half and half. Some variations are noted in the customs which prevail in different States in regard to the share croppers. In Alabama the landlord commonly furnishes all machinery and work stock and one-half of the fertilizer; less frequently he furnishes all of the work stock and fertilizer, while the tenant furnishes all machinery and feed. The landlord commonly provides all seed and pays for one-half of the ginning. In Georgia the landlord usually provides all working capital and pays all expenses except for ginning and fertilizer, which are shared equally. The same arrangement prevails in Louisiana, but the tenant may also get one-half of the corn or pay cash rent for corn land, as is frequently the case in other cotton States. In Mississippi the tenant ordinarily supplies all labor and one-half the fertilizer, while the landlord provides cabin, garden, tools, mules, feed, seed, and fuel. The tenant may also pay cash rent for all land not planted in cotton. Occasionally in North Carolina the landlord furnishes all of the fertilizer. The landlord may furnish one-half or all of the fertilizer and one-half of the seed. Similar arrangements are customary in South Carolina, Oklahoma, Arkansas, and Texas. Share croppers are essentially laborers under a system which gives them a personal interest in securing good yields.

Under the method of share renting the tenant commonly furnishes mules, feed, tools, seed, and labor, while the landlord supplies land, cabin, garden, and fuel. For the most part the expenses for fertilizer, ginning, and bagging are paid by each party in proportion to his share of the crop. The landlord receives one-fourth or one-third of the cotton, according to local conditions and fertility of the soil. The understood conditions for share renting are practically the same in all of the cotton States. A law was passed in Texas prescribing that the landlord shall not receive more than one-third of the grain and one-fourth of the cotton for land leased under these conditions.

Under the cash renting system the tenant pays all expenses and the rent is paid in a specified number of bales of cotton. In Alabama

the tenant pays  $1\frac{1}{2}$  to  $2\frac{1}{2}$  bales of cotton per mule, but in Alabama and other cotton States the rent may be 2 to 3 bales per mule on more fertile land. Comparatively few tenants on cotton farms pay a fixed amount of money rent.

*Potatoes.*—Records on 176 New Jersey tenant farms on which potatoes are an important crop indicate that the potatoes were shared half-and-half on 157 farms on which the tenant furnished work stock, machinery, and hired labor, and by some other fraction on 19 farms. In New York, Pennsylvania, Maryland, and throughout the corn belt potatoes are commonly shared half-and-half. In the wheat States the landowner more commonly receives one-third of the potatoes. In the Greeley potato district of Colorado the common practice is for the landlord to receive one-third of the potatoes. In Delaware, when the landlord furnishes tools, machinery, work stock, and one-half of the potato seed, other expenses being shared equally, the crop is divided half-and-half. In a few instances in Indiana the landlord accepts as his share one-half of the potatoes in the field before digging, or one-third "in the bushel" (dug and measured), at the option of the tenant. Frequently, however, the potato crop is shared half-and-half "in the bushel." A common custom in North Dakota and elsewhere is for the landlord to furnish one-half of the seed potatoes, receiving one-half of the crop.

*Sugar beets.*—In Michigan, sugar beets are grown extensively by farmers who receive instructions from field superintendents employed by the sugar companies. The required contract labor is commonly secured through the factory manager and is paid for by the farmer. The farmers who grow sugar beets under these conditions do the work of blocking, thinning, hoeing, and topping. According to records obtained on 100 tenant farms in Colorado on which sugar beets are grown, the tenant invariably supplies all tools, feed, work stock, and labor, while the landlord pays the water assessments and land tax. Under this system the landlord receives one-fourth of the sugar beets. In a few instances, however, the landowner supplies tools, feed, supplies, horse labor, and twine, while the tenant provides all hand labor. Under this arrangement the landowner receives two-thirds of the sugar beets and all of the beet tops. Occasionally the landowner receives only one-fifth or one-sixth of the sugar beets. The prevailing fraction is one-fourth, and the present tendency is toward an even larger share. Moreover, in a few instances the tenant pays one-half of the water assessment. In practically all cases the tenant hauls the crop to market. Leases on sugar-beet farms are for the most part written and of one-year duration.

*Tobacco.*—The number of leases on tobacco farms available for study is not sufficient to determine with any certainty the most com-

mon method of sharing this crop, but a considerable variation is noted in the conditions mentioned in leases, particularly in Kentucky, Ohio,<sup>1</sup> Tennessee, and Virginia. On a number of Kentucky farms where the tenant furnishes all tools, work stock, and general seed, he receives two-thirds of the tobacco. Under this arrangement the expenses for fertilizer and fuel are usually shared proportionally to the division of the crop. In some instances, however, the landlord may bear one-half of the cost of baling the tobacco and receive one-half of the crop. On general farms in Ohio where tobacco is an important enterprise the tenant may furnish tools and work horses and receive four-sevenths of the tobacco, or the landowner may supply one-half of the seed and receive two-fifths of the tobacco. On certain Tennessee tobacco farms where the landlord provides all tools, mules, feed, and one-half of the fertilizer and spraying material, the tobacco is divided half-and-half. The same condition prevails in Virginia. When, on the other hand, the tenant supplies all tools, mules, feed, and seed, and pays for three-fourths of the fertilizer, he receives also three-fourths of the tobacco.

*Flax.*—Flax is frequently an important crop on tenant farms in North Dakota. On such farms the tenant commonly supplies the horses and tools, while the landowner provides all seed. Other expenses, including plowing, are commonly shared equally. Under these conditions the landlord receives one-half of the flax.

*Hops.*—In farm leases in New York in which the division of hops is mentioned, the tenant is usually required to furnish the tools and horses, while the landlord supplies all poles required for the growth of the crop. Other expenses, including sulphur, and labor for picking the hops, are shared equally and the crop is divided half-and-half.

#### ORCHARD FRUITS.

*Fruit in general.*—On farms on which fruit is not an important enterprise the lease contract often specifies a certain division of the fruit as a whole without mention of the kind of fruit. In some cases the landlord pays a horticulturist to teach the tenant how to prune and spray. The cost of spraying materials is usually shared in proportion to the division of the crop. Almost universally, under these conditions, the fruit is divided equally.

*Nursery stock.*—An Indiana farm was leased under a partnership arrangement for growing all kinds of nursery stock, including apple, peach, plum, pear, cherry, raspberry, blackberry, shrubbery, etc. The period of the lease was eight years. Under this arrangement the landlord received one-half of the wholesale price of all nursery

<sup>1</sup> In a group of 28 Ohio farms the landlord's share of the tobacco is two-fifths on 16 and one-half on 12 farms.

stock, and if any retail sales were made the tenant received the difference between the retail price and one-half of the wholesale price, as recompense for his extra labor in making small sales. Under this contract the landlord also received one-half of the fruit. The tenant supplied all equipment and paid all expenses, including marketing. At the expiration of the lease the remaining nursery stock was divided half-and-half.

*Apples.*—The apple crop is usually shared half-and-half between tenant and landlord. This is the prevailing custom in New York, Pennsylvania, Maryland, Indiana, Iowa, Nebraska, Colorado, and elsewhere. On New York farms when the tenant provides only the labor, the landlord receives two-thirds of the apples, while when all expenses, including apple storage and hired labor, are shared equally the crop is divided half-and-half. In Pennsylvania the landlord frequently pays two-thirds of the fertilizer bill for orchard crops on farms where the apples are shared half-and-half.

*Peaches, pears, plums, and cherries.*—The method of dividing these crops is mentioned so rarely in lease contracts that no reliable conclusion as to the usual practice can be drawn. From the small available number of lease records, however, it appears that on farms where all expenses are shared equally the crop of peaches, plums, and pears, is divided half-and-half. On New York farms, where the tenant sometimes supplies nothing but labor, the landlord may receive two-fifths of the cherries and two-thirds of the apples and peaches. On Indiana farms, when the tenant supplies horses and tools, and the cost of hired labor, marketing, and spraying is shared equally, the landlord receives one-half of the peaches. When the tenant furnishes only the labor on New York farms the landlord may receive two-thirds of the peaches, and when the tenant provides two-thirds of the barrels and all labor, while the landlord provides all fertilizer, spraying material, and horses, the landlord's share is one-third of the peaches and pears.

#### TRUCK CROPS AND BERRIES.

*Onions.*—On tenant farms in New Jersey devoted to truck raising, the landowner usually pays the taxes and fertilizer bills, while other expenses except labor are shared equally. The tenant supplies tools, machinery, and horses. On such farms the landowner receives one-half of the onions, but when the tenant supplies only labor the landowner's share is two-thirds.

On rented onion farms in Massachusetts the tenant usually provides hand tools, hand labor, and seed, while the landowner furnishes all horse labor and fertilizer and pays the taxes. The cost of bags is for the most part shared equally, but in some cases is paid by

the purchasers. Under these conditions the landowner receives one-half of the onions.

On rented onion farms in New York the tenant furnishes one-half the tools, fertilizer, and seed, and all hand labor, while the landowner supplies all horse labor and crates, and receives one-half of the onions.

*Cabbage.*—On New York cabbage farms where the tenant provides the tools, horses, and all labor, while other expenses are shared equally, the crop is divided half-and-half. On rented farms in Colorado where cabbage is an important enterprise, the tenant may furnish all tools, feed, supplies, and horse labor, and receive one-half the crop, or the landowner may furnish all tools, feed, supplies, and horse labor, while the tenant provides all hand labor and 45 per cent of the seed. Under the latter condition the tenant's share of the crop is 45 per cent.

*Celery.*—Certain small tenant farms in California are devoted almost exclusively to the production of celery. On such farms the landlord furnishes the tools, work stock, and feed, while the tenant provides all hand labor, including the labor of spraying. Under these conditions the landlord's share of the crop is two-thirds. The tenant on these farms, as is also the case on onion farms in Massachusetts, is really a laborer paid with a portion of the crop instead of a cash wage. Such leases are almost always verbal and run for only one year, but are renewable.

*Cucumbers.*—Few records are available showing the method of sharing this crop. Cucumbers are grown on a commercial scale under a system of tenancy on several farms in Colorado. The landowner commonly provides all tools, feed, supplies, horse labor, and seed, while the tenant furnishes all hand labor, and receives 70 per cent of the crop.

*Tomatoes.*—On certain tenant farms in Delaware where all expenses are shared equally except labor, which is furnished by the tenant, the landlord receives two-fifths of the tomatoes and one-half of the grain, but sometimes his share of the tomatoes is only one-fourth. In Maryland in cases where the tenant supplies tools, horses, and all labor, and where all other expenses, including seed, baskets, and crates, are shared equally, the landlord receives one-half the tomatoes. The common custom in New Jersey is for the landlord and tenant to furnish hampers and spraying material jointly, while the landlord pays the taxes and fertilizer bills and receives one-half the tomatoes. Occasionally the tenant furnishes only the labor, in which case the landlord's share of the tomatoes is two-thirds.

*Canteloupes.*—A few of the tenant farms in Maryland produce canteloupes on a large scale. On these farms the tenant supplies

the tools, mules, and labor, while other expenses are shared equally and the crop is divided half-and-half.

*Peas and beans.*—On 26 out of 33 tenant farms in Colorado on which beans are an important crop the landowner receives one-third of the beans as his share. Peas raised for canning purposes in Maryland are shared half-and-half when the tenant furnishes tools, work horses, and labor, other expenses being shared equally. In New York when the tenant supplies tools and horses, and all expenses are shared equally, the landlord receives one-half of the beans. In a few instances when dry navy beans are marketed the landlord receives one-half of the product, although he bears only 45 per cent of the expenses.

*Berries and grapes.*—In Maryland when the tenant furnishes tools and horses and the landlord pays all fertilizer bills the strawberries are divided half-and-half, under a lease stipulating that other expenses, including crates and picking labor, are to be shared equally. On strawberry farms in Louisiana when all expenses, including picking labor, are shared equally the crop is divided half-and-half. The tenant is required to take plants from old strawberry beds for replanting.

On berry farms in Kansas when the tenant furnishes tools and horses and the landowner all seed and plants, the rent paid by the tenant is one-half of the strawberries, raspberries, and grapes. On such farms the tenant is required to renovate old berry patches by plowing them up and planting them in cowpeas for one season.

#### LIVE STOCK AND STOCK PRODUCTS.

*Cows.*—In Arizona a system has grown up whereby cows are rented to farmers. Similar arrangements are noted occasionally elsewhere. A creamery owner may furnish cows to farmers for a portion of the cream returns each month or for a cash payment of 50 cents to \$1.50 per month. Under this system the owner of the cows also receives one-half of the increase in calves. Occasionally other owners of cows may rent them to farmers for one-half the increase, the calves to be divided when six months old and the farmer to have all of the milk.

*Breeding dairy cattle.*—In Wisconsin a business man may buy a herd of dairy cattle, including bull, cows, and heifers, and may then make a long-term contract, usually for five years, with a farm owner who is to take care of the herd on his farm. The farmer furnishes feed, care, stable room, veterinary fees, and all general running expenses. The owner of the herd pays insurance and taxes on the stock. Under this system bull calves are sold as is found convenient and the proceeds are divided half and half. The returns from the



sale of heifer calves previously to final settlement go two-thirds to the owner and one-third to the farmer. At the termination of the contract enough stock is sold to repay the owner for his original investment, while the remainder goes two-thirds to the owner and one-third to the farmer. In cases of this sort the farmer receives all of the milk.

According to another scheme somewhat in vogue in Wisconsin, the farmer stables, pastures, feeds, and cares for the cattle furnished by the breeder, and receives 50 cents a head per month from May to October, inclusive, and \$2 per head per month from November to April, inclusive. The farmer also receives \$1 per month per head for testing the cows to determine the milk yield and percentage of fat. The farmer and the cattle breeder share equally in the investment and in all expenses except feed and labor, which are furnished by the farmer. Moreover, the cattle breeder pays for stenographer, and other expenses connected with correspondence. Both share equally in the sales, but the farmer receives all of the milk.

These systems of handling cows and breeding stock are, of course, not comparable with any general system of leasing land for the purpose of stock production, since the farm owner is virtually a tenant in relation to the cattle breeder or owner of the live stock. The few cases in which the conditions of the contract arrangement are known are merely considered interesting as showing the methods which have been adopted for handling such problems.

*Milk and cream.*—On dairy farms in all States where expenses are shared equally the landowner receives one-half the milk, whether it is sold as market milk or to a condenser, butter factory, or cheese factory, or one-half of the cream. The landlord may furnish one-half the cows and sometimes one-half the tools and work horses. In some States the landlord furnishes all of the cows, but the tenant must bear half of the expense of cows purchased to keep up the herd and replace cows that die. Sometimes, as in Sussex County, N. J., the tenant furnishes only labor and one-third of the feed and fertilizer, receiving one-third of the milk proceeds. A similar arrangement is found in Delaware.

*Beef cattle.*—In several States where the production of beef cattle has become a large industry, as in Iowa, for example, the tenant may furnish tools and work horses, haul the milk and pay the road taxes, while the landlord pays other real estate taxes and furnishes one-half the cows, beef cattle, and hogs. In cases of this sort the cost of feed and seed is shared equally and the proceeds from the cattle which are sold are divided half and half.

A breeder of Angus cattle in Illinois rented herds of these cattle to a number of farmers for 10 years. The bull calves were sold as

opportunities arose, the proceeds being divided equally, while all female animals were retained until the end of the lease period and then divided equally. In another instance of renting Angus cattle to farmers for a five-year period the plan involved an equal division of all cattle at the end of the lease period. The farmer who took care of the cattle purchased a half interest in the herd. The division of the increase varied from year to year. Of the first generation of calves three-fourths went to the farmer, and of the second generation seven-eighths. The reason for this variation in the fractional division was found in the high cost of feed, which was supplied by the farmer.

*Colts.*—Very commonly when work horses belonging to the tenant are allowed free pasture and are fed from undivided feed, the landlord pays stallion service fees and receives one-half of the colts.

*Hogs.*—On hog farms, as in Iowa and Oklahoma for example, the tenant may supply all the labor, tools, and horses, and one-half the hogs, the cost for feed being shared equally. Under these conditions the proceeds from the hogs are divided half and half. Occasionally a farmer rents sows with pig from a hog owner and cares for them until the pigs are weaned. The pigs are then divided equally and the hog owner receives a number of sows equal to that originally furnished. If the pigs are fattened the owner of the stock must furnish one-half the feed.

*Sheep.*—On Indiana farms when the tenant supplies the tools, horses, and labor, and pays all the expenses, and the landlord furnishes all the sheep, the lambs and wool are divided in equal shares. At the termination of the lease, usually made for a five-year period, the tenant must return to the landlord the number of sheep furnished by him at the start. In other instances the landlord furnishes one-half the sheep and receives as his share of the proceeds one-half the wool. In Maryland, on general farms rented for one-half share, the tenant may supply the tools and work stock and one-half the fertilizer, seed, and productive stock, receiving one-half the proceeds from sheep.

*Angora goats.*—In a few instances goat breeders have rented goats to farm owners for one-half the mohair and kids. In such cases the farmer bears all expenses.

*Poultry and eggs.*—On most rented farms the tenant owns all the poultry, being allowed to keep 50 to 100 hens and occasionally a few ducks, geese, turkeys, and guinea fowl. Quite often, however, the tenant is prohibited from keeping any poultry except hens. In such cases the returns from the poultry belong entirely to the tenant, but occasionally the landlord may specify for himself the privilege of receiving eggs and fowls for table use. Where poultry constitutes

a more important enterprise in the operation of the farm the fowls may be owned jointly. In such cases as, for instance, in Delaware, on one-half share rented farms, the landlord receives one-half the eggs and increase. In a few instances on dairy farms, particularly in Indiana, the landowner receives two-thirds the eggs.

#### METHODS OF SHARING PASTURE.

In the corn belt the common practice on high-priced land is to require the tenant to pay a cash rent for pasture on crop farms, while in regions where land prices are low the tenant may receive the use of the pasture free as a perquisite. The cash rent for farm pasture ranges from \$1 to \$10 per acre, being usually \$4 to \$6 per acre. Such pasture land is commonly in a system of rotation, and it is considered as potentially crop land. The rent per acre, therefore, is fixed at about the same price as would be charged under a cash system for the crop area of the farm.

On general farms in Colorado, rented on shares with expenses shared equally, the tenant may receive one-half the proceeds from the use of pasture. These proceeds commonly come from fees for pasturing outside horses or other stock. In general, when the tenant has the free use of pasture for his work stock and a few cows and hogs, he is required to share equally with the landowner the colt and calf proceeds.

#### CONTRACTS FOR CLEARING LAND.

In some leases special stipulations are made regarding compensation of the tenant for clearing land. On an Indiana farm under a six-year lease the landlord furnished tile, while the tenant cleared the brush, fitted the land for cultivation and put in the tile drains, receiving as compensation all products produced on the land for the six-year period. Sometimes the tenant clears a few acres of land adjoining the other cultivated fields, receiving wages and all the crops for one year in return for his labor.

#### OWNERSHIP OF EQUIPMENT.

Share croppers on cotton farms usually provide none of the equipment, the tools, mules, and feed being furnished by the landlord, and other expenses except labor being shared equally, and receive one-half the cotton. Share renters on cotton farms usually furnish tools, mules, and feed, and receive two-thirds or three-fourths of the cotton. The landlord furnishes all equipment and horse labor on celery farms, as in the arrangement in vogue under the share-cropping

system for tenants, and receives two-thirds of the celery. The tenant under this system supplies all hand labor.

On general farms throughout the country where several extensive crops are produced, the tenant is commonly expected to provide tools and work stock. Occasionally the landlord may furnish certain pieces of machinery and sometimes a part of the horses; or rarely the landlord supplies all equipment as an offset to certain other considerations. On such farms the landlord's share is one-half, one-third, two-fifths, or some other fraction of all crops, according to local conditions. On some tenant farms in Ohio the landlord supplies all equipment and receives two-thirds of all crops. On a few Virginia farms where the tenant furnishes all equipment he receives three-fourths of the crops; usually, however, in that State under these conditions the tenant's share is two-thirds.

On stock farms it is customary for the landlord and tenant to hold an equal interest in all productive stock. They either purchase the stock in partnership or one owns the stock before the contract is entered into and the other buys a half interest, or the landlord may provide all the stock, sharing the increase and proceeds equally. In such cases the landlord receives at the expiration of the lease his original number of stock. Occasionally the landlord may own all productive stock, pay the tenant wages for caring for the stock, and take all stock proceeds. The tenant thereby obviously becomes a mere hired laborer. In a few instances the landowner supplies all of the poultry and receives as his share one-half the eggs and increase.

On dairy farms custom varies with regard to the ownership of the cows, pigs, and poultry. In Wisconsin the cows and chickens are commonly owned half and half. Sometimes the landlord owns all the cows and chickens. More frequently the tenant owns all of the chickens. In Illinois the landlord usually owns all cows, the tenant bearing one-half of the cost of cows to replace those that die, while less often the cows are owned in partnership. The tenant most frequently supplies all of the chickens, but they may be owned jointly. In Vermont the landlord usually owns all of the cows and the tenant one-half of the other productive stock. In Delaware the landlord usually owns all of the cows or, less frequently, one-half of them. In New Jersey the tenant commonly owns one-half of the cows and hogs and all of the poultry, receiving all of the returns from the poultry, while other proceeds are divided equally. Occasionally, in Sussex County, N. J., and in Delaware, the tenant may furnish only the labor, while the landlord owns all the cows and pays two-thirds of the cost of feed and fertilizer, receiving as his share two-thirds of the dairy products. In Pennsylvania the landlord commonly owns

one-half of the cows and other productive stock. A similar custom prevails in Maryland, Michigan, Indiana, Iowa, Minnesota, and Washington.

#### METHODS OF SHARING EXPENSES.

A wide variation is seen in different localities in the methods of sharing operating expenses. Frequently individual items of expense are not strictly shared, but are assigned, some to the landlord and some to the tenant, in an attempt to equalize the burden of expense. An increasing tendency, however, is seen toward specifying in the lease the fractions of different items of expense to be borne by the landlord and tenant. Recently the custom seems to be gaining ground of sharing all expenses equally.

#### FERTILIZERS.

Share croppers on cotton farms usually provide one-half of the fertilizer, or in some cases the landlord supplies all fertilizer. Share renters, on the other hand, furnish three-fourths or two-thirds of the fertilizer, according as their share of the cotton is three-fourths or two-thirds. On half-share dairy farms and general farms in Delaware the landlord provides one-half of all of the fertilizer. The landlord almost invariably supplies all lime used on the farm. In Indiana and Illinois the landlord commonly provides one-half of the fertilizer, less often all of it. Similar conditions prevail generally throughout the country. The sharing of the cost of fertilizer is often proportionate to the share of crops. On the other hand, the landlord often provides the larger share of the fertilizer, for example, two-thirds, three-fifths or three-fourths on half-share rented farms. In many instances the landlord provides all of the fertilizer, especially in case of an annual lease. On tenant truck farms in New Jersey, for example, the landlord furnishes all manure and usually all of the commercial fertilizer.

#### SEED.

The farm owner commonly pays for one-half of the seed or plants in the case of grain, potatoes, corn, cabbage, cucumbers, and various other crops, but all possible methods for dividing the expense of seed are in vogue. For example, the landlord frequently supplies all grass and clover seed and one-half the other seed, or he may furnish all seed, or in some cases the tenant may supply all seed, or finally, the landlord may supply all grass seed while the tenant furnishes other seed, especially in case of an annual lease where the tenant can not expect to derive the full benefit from the use of grass seed.

**CRATES, HAMPERS, BASKETS, BARRELS, BOXES, BAGS, ETC.**

Expenses for all of these articles are usually borne equally. Bags for grain may be supplied in proportion to the share of the crop received by each party. The tenant may provide one-half or all of the baskets for tomatoes. Bags for onions may be equally shared, but in some cases the purchaser pays for them. On other farms the landlord may provide all crates for onions and all barrels for apples, or may furnish a part of them in proportion to his share of the crop.

**GINNING, THRASHING, TWINE, FUEL, AND OIL.**

The share cropper on cotton farms usually pays one-half the expense of ginning, and share renters pay their proportionate share of ginning (two-thirds or three-fourths), while the landlord usually provides the fuel. On grain, dairy, stock, and general farms throughout the country the cost of thrashing, twine, fuel, and oil is either shared equally or the landlord provides all or the tenant all. In still other cases the thrashing expense is shared equally while the tenant pays for the twine. Or, finally, the thrashing expense may be shared in proportion to the tenant's and landlord's shares of grain.

**SILO FILLING, SHREDDING, AND BALING.**

Expenses for these operations are commonly shared equally. In some cases, however, the tenant pays for all of them, while very frequently the baling expense is shared in proportion to the shares of the hay.

**MILK CANS, MILK HAULING, AND MARKETING CROPS.**

On dairy farms the tenant provides all or the larger share, or one-half of the milk cans, according to local custom. In Illinois the tenant furnishes one-half or more of the cans, while in Wisconsin he provides all of the cans. The tenant nearly always bears the expenses of hauling milk. Leases nearly always contain a clause on the method of sale and marketing of partnership crops and on the delivery of the landlord's share of the crops. A division of crops may be made at the farm, after which the landlord's share of the crops may be stored in a crib, granary, or barn. In other cases the tenant may be required to deliver the landlord's share to his home, elevator, railroad station, or to any point within a specified distance at the discretion of the landlord. On Kansas grain farms the landlord may receive one-third of the grain at the farm or only one-fourth if delivered by the tenant to the railroad station 10 miles distant. Again in Indiana the landlord may receive one-half of the potatoes in the field or one-third "in the bushel" at the tenant's

option. The tenant is often required to market all crop and stock products without previous division and to make the proper division of proceeds at a specified bank. In one instance on an Indiana peach farm the marketing expenses are shared equally. In the central wheat belt the tenant may be paid wages for delivering the landlord's grain to market, or may receive the free use of corn land in return for such labor.

#### SPRAYING, BLACKSMITHING AND VETERINARY FEES.

On stock and dairy farms ordinary veterinary fees and the cost of testing cows for tuberculosis and of vaccinating hogs for cholera are usually shared equally. Blacksmithing expenses are commonly borne by the tenant, or may be shared equally. Vitriol and formalin used for treating seed grain for smut may be provided by the tenant or may be shared equally. Spray material for use in orchards and on other crops is commonly provided jointly, or may rarely all be furnished by the tenant or the landlord. The tenant usually supplies labor for spraying. On celery farms in California the landlord supplies all spraying material.

#### FEED.

On stock and dairy farms in Wisconsin, Iowa, Illinois, Pennsylvania, Delaware, Virginia, and elsewhere, the cost of purchased feed is usually shared equally. The tenant's work stock may or may not be fed from the common grain and fodder. When stock breeders rent stock to farmers on shares the farmers are usually required to furnish all necessary feed.

#### LABOR.

The tenant usually supplies all labor, not only his own but also hired labor and horse labor. At the opposite extreme, however, there are instances in which the tenant receives wages for his own work, while all horse and hired labor is shared equally. On celery farms in California, on cotton farms leased to share croppers, on onion farms in Massachusetts and New York, and occasionally on general farms in various States, the landlord supplies all horse labor and the tenant all hand labor. On a peach farm in Indiana the cost of hired labor is borne jointly. The cost of hired labor on dairy farms is often shared half and half, as it is also on a sunflower farm in Kentucky. Landlord and tenant often share equally also the labor of picking berries in Louisiana, Maryland, and elsewhere, and occasionally on general farms in Michigan, New York, South Dakota, and elsewhere—usually also the labor of picking hops, and occasionally the cost of plowing, especially on North Dakota wheat farms. Some-

times the landlord pays wages for the family labor of the tenant. In Ohio the extra labor required in handling tobacco is commonly shared in proportion to the shares of the crop. On share truck farms the landlord usually pays a part of the cost of labor required in picking and harvesting the crops.

#### MISCELLANEOUS EXPENSES.

*Storage and freight.*—Cold storage expenses on apples and other fruits and freight on stock shipments and on other products are usually shared equally or in proportion to the tenant's and landlord's share of the products.

*Service fees.*—The landlord in most cases pays all stallion service fees, and under such conditions may receive one-half the colts produced by the tenant's work horses.

*Water assessments.*—On irrigated farms in Colorado and elsewhere, the landlord may pay all water rates, or less often this expense may be shared equally, or in some cases the tenant pays all. In all cases, however, the tenant is required to keep irrigation ditches, weirs, and flumes in order.

*Taxes, insurance, and telephone.*—The landlord usually pays all insurance on real estate, while the insurance on partnership live stock and equipment is shared equally. Occasionally the tenant pays the insurance on real estate, especially in the case of an absentee landlord. The tenant may pay the road taxes and school taxes, while the landlord pays other real estate taxes, or the tenant may pay one-half of the road taxes. In some cases the landlord pays all real estate taxes, while in other instances all taxes are shared equally. Taxes on partnership stock and equipment are almost always shared jointly or in proportion to the shares of the proceeds. In North Dakota the tenant may work out the road tax in return for the free use of corn land, especially on wheat farms. The tenant usually pays the rental for telephone services, though sometimes this expense is shared.

#### UNEXHAUSTED VALUE OF FERTILIZERS.

Little attention has been given in this country to the practice, universal in the English tenant system, of granting an allowance to a departing tenant for the unexhausted value of fertilizers bought and applied by him during his period of tenancy. This principle is recognized with respect to lime, which is nearly always paid for by the landowner. But there are other materials, commonly applied to the soil, which are not exhausted in a single year. Rock phosphate, for example, is not exhausted within a period shorter than four



years. If, therefore, a tenant applies rock phosphate one, two or three years before the termination of his period of tenancy, he does not receive the full benefit of the expense which he has incurred. The matter is frequently discussed in agricultural papers, but rarely, if ever, is it taken into consideration in leases. If a tenant by his own efforts and progressive methods increases the productivity of a farm, it is only just that the improvement should be duly recognized.

#### REPAIRS AND IMPROVEMENTS.

The landlord almost universally furnishes all materials needed in repairing buildings and fences, and in making other permanent improvements as required, while the tenant furnishes all labor except skilled labor necessary for making the required repairs and improvements. The tenant, however, is commonly paid wages for work on extensive improvements, such as ditching, tile draining, building silos, etc. Often the landlord pays for the services of a skilled horticulturist to prune orchards or instruct the tenant how to prune them. In the case of extensive improvements the landlord may supply all labor while the tenant is required to board the laborers.

#### PRIVILEGES AND PERQUISITES.

The landowner may grant certain privileges to the tenant free or for a fixed sum of money or other valuable consideration, and may also reserve certain rights for himself. The tenant's perquisites commonly include the use of dwelling house, other buildings, garden, and pasture, the taking of dead and down timber for fuel, the keeping of 50 or 100 chickens, and more rarely a few guinea fowls, ducks, geese, and turkeys, the raising of a few hogs and cows to supply his family needs, and the use of fruit and other farm produce for his table. Frequently the landlord grants the tenant the privilege of keeping a considerable number of cattle, hogs, and poultry, the tenant receiving all proceeds from such stock in return for the manure which they produce.

All these privileges may be granted free, or the tenant may be required to pay a lump sum for the use of the farmstead, or a fixed sum per acre. In some cases of partnership farming the value of all products taken for table use by the landlord and the tenant is charged against their respective accounts.

The landlord may reserve the use of one or two rooms in the farmhouse, or a portion of the garden, or certain timber areas or hunting rights. Moreover, the landlord may reserve the privilege of the joint use of the farmhouse, living expenses being shared proportionately with the tenant, or the right to receive poultry, eggs,

pork, milk, fruit, potatoes, and other farm products for table use, or the right to keep a driving horse in the pasture. Sometimes the tenant is required to pay a special "improvement rent" of \$25 annually in return for improvements to be made on the place by the landlord.

### RESTRICTIONS.

The lease contract often contains a clause placing certain restrictions upon the operations of the tenant. For example, it is sometimes specified that alfalfa and clover land shall not be over-grazed, that stock must not be turned upon the pasture in the spring until the frost is out of the ground, that hogs must be ringed to prevent rooting, or must be immunized against cholera before being brought on the farm, or that the tenant must cut no young or growing timber. Some landowners do not allow the tenant to keep sheep, goats, pigeons, geese, ducks, or turkeys. Frequently the lease prescribes that no straw shall be burned, that cornstalks must be plowed under, that a certain rotation must be followed, that no fodder may be sold from the farm, that certain specified crops shall not be grown, that certain pasture land shall not be plowed, that a specified area shall be kept in pasture and meadow, or that only a specified number of horses shall be kept by the tenant.

### SUPERVISION BY THE LANDLORD.

The amount of supervision exercised by the landlord ranges from daily or weekly visits to the farm, involving constant consultation with the tenant concerning all farm operations, or rare or occasional visits, to a condition of complete aloofness in which the landlord's only apparent interest is in receiving the rent. The landlord may live on a neighboring farm or in a near-by town or in another county or city or even in a foreign country. Naturally the landlord's interest in the farm operations is less under a cash-renting system than under a system of share farming. In partnership farming, in which each party furnishes part of the equipment and both expenses and proceeds are shared, it is commonly stipulated that all important matters shall be settled by consultation between the landlord and tenant.

### GOOD HUSBANDRY.

Lease contracts commonly stipulate that the tenant shall operate the farm in a "good husbandman-like manner" or in a "workman-like manner." These phrases are accepted as meaning that the tenant shall plow to a proper depth, do all farm operations at the proper time, promote crop yields and prevent waste, keep drains open, destroy weeds, haul out manure, etc.

### ADVANCES TO TENANT.

Advances of cash or supplies by the landlord to the tenant usually bear the current local rate of interest and are ordinarily secured by crop lien, chattel mortgage, or both.

### GENERAL SYSTEMS OF SHARE LEASING.

#### DAIRY FARMS.

On dairy farms the landlord may provide one-half of the cows, while the tenant furnishes the other half of the cows and all of the horses and machinery and receives one-half of the proceeds. In other cases the landlord may own all the cows while the tenant furnishes all other equipment and receives one-half of the proceeds. In such cases the tenant bears one-half of the loss by death of the cows or one-half of the cost of cows purchased to keep up the herd. In still other instances the landlord may furnish everything except labor and receive two-thirds of the proceeds. In the first two systems expenses are shared about equally, while in the third system expenses are borne in proportion to the shares of the landlord and tenant in the proceeds. Occasionally all equipment, including cows, hogs, poultry, work horses, tools, machinery, and other working capital, are shared equally, as well as all expenses of whatever nature. In this case also the proceeds are shared half-and-half.

#### STOCK FARMS.

On stock farms the tenant commonly supplies tools and horses while the landlord furnishes half of the productive stock and receives one-half the proceeds. The landlord may provide all of the productive stock, or other modifications of this system may be adopted, though usually any such adjustment is to make fair a half-and-half sharing of the proceeds.

#### GENERAL FARMS.

In general farming, as well as in grain farming, the tenant may furnish the tools and horses and pay the landlord as rent one-half, two-fifths, one-third, two-sevenths, or one-fourth of the crops, according to the local conditions. In other instances the landlord may furnish all of the equipment and take two-thirds of the crops or more; rarely only one-half of the crops. On cotton farms where the tenant furnishes all equipment he receives two-thirds or three-fourths of the cotton and where he supplies only the labor he receives one-half of the cotton.

These few cases may be taken to illustrate the types of share leasing systems in which the landlord receives a certain fractional part

of all crops and products of a given farm rather than different fractions for different crops. A study of actual leases shows that, aside from large estates where a uniform contract is prescribed for all tenants on a given estate, there are rarely two lease contracts containing identical stipulations.

Leases vary in their main features and in almost innumerable less important details. They differ in the method of sharing equipment, expense, and proceeds. They show how greatly varied have been the attempts to balance one item of expense or equipment with another. They may specify a long list of items of expense, equipment, privileges, perquisites, restrictions, reservations, etc., which are not shared but are to be borne or enjoyed exclusively either by the landlord or by the tenant. The money value of these expenses and privileges can not be known in advance, but only at the end of the year. These items may amount in the aggregate, however, to an important sum for both parties.

In some cases no items of expense or privileges are shared. In such leases the items are merely divided between landlord and tenant in a manner which is supposed to be more or less fair. The landlord may pay for the fertilizer, lime, grass seed, twine, etc., while the tenant pays for thrashing, grain seed, blue vitriol, and fuel. Both the tenant and landlord may enjoy a large number of privileges of which the money value is not determined nor even approximately estimated.

#### SAMPLE STOCK-SHARE LEASE.

Farm leases examined during this study vary in length from 1 to 14 typewritten pages, according to the amount of detail which the contracting parties wish to specify. The following is a sample stock-share lease form for use on farms on which live stock is owned in common, as adopted by the landlord-tenant conference under the auspices of the Winnebago County Farm Improvement Association, held at Rockford, Ill., January 31, 1916. It does not contain a clause stating how the lease may be renewed, but otherwise is sufficiently detailed.

This indenture, made and entered into this — day of February, 191—, by and between ————, party of the first part, lessor, and ————, party of the second part, lessee,

Witnesseth, that the first party in consideration of the agreements and stipulations hereinafter mentioned to be kept and performed by the second party, has leased and does by these presents rent and lease unto the second party, the following described real estate situated in the county of ——— and the State of ———, to wit:

(Example: NE. — sec. —, T. —, R. —, containing ——— acres.)

To have and to hold the said premises unto said second party from the 1st day of March, 191—, at 12 m., to the 1st day of March, 191—, at 12 m., being

a term of one year, with the privilege of renewal for each succeeding year as long as both parties agree.

This leasing arrangement is known as a stock-share plan. The parties to this contract shall be partners<sup>1</sup> and will cooperate fully according to the terms of this lease, in order that each may receive the largest returns consistent with a practical system of cropping and soil management which shall maintain and even increase the fertility of the land, with the purpose that this farm shall not decrease in productiveness and value.

The type of farming, as agreed upon, is live stock and ——. The plan is to feed most of the crops on the farm, depending upon the sale of live stock and dairy products as the principal source of income.

(Here state as fully as desired the kind and number of live stock to be kept on the farm; also the plans for crop rotation and soil fertilization.)

The following shall be furnished and shared by ———— :

The first party will furnish above-described farm, including the improvements thereon, and shall pay all taxes and insurance on said property. He shall furnish material needed for repairs and improvements, and shall build new permanent fences and make other permanent improvements as required, and shall furnish all phosphates and limestone fertilizers required on said farm. He shall pay stallion-service fees on mares owned by lessee; colts to be owned in common.

The second party shall furnish all horses (not to exceed ———), harness, implements, farm machinery, and labor necessary to do all work required to properly conduct this farming business as described in this agreement. He shall make all repairs and improvements where skilled labor is not required, except as herein specified. He shall haul, from railroad station or ——— source of supply, all material for repairing buildings and fences, which may be needed in the operation of said farm. He shall haul from ——— railroad station or ——— source of supply and spread on the land limestone, phosphate, and other fertilizers purchased by lessor for use on said farm. He shall deliver to ——— market all produce from the farm free of cost to lessor. Lessee agrees to operate said farm in a workmanlike manner, and to do the necessary work in good season and to care for the crops and live stock properly, preventing all unnecessary waste or loss or damage to lessor's property. He further agrees that he will not burn any cornstalks, straw, or other vegetable matter grown upon said farm, but that all this material shall be spread upon the land as manure.

Lessee may have potatoes and garden truck and such fruit as the farm affords, milk, poultry, and eggs, for family use only.

Lessor and lessee shall furnish jointly all seed grain, grass seed, clover, and alfalfa seed sown on said farm during the period of this lease; also all live stock other than work horses, and feed, including hired pasture, if such becomes necessary, for the same, including lessee's horses. They shall furnish binder twine and all fuel for tank heater, thrashing, corn shredding, silage cutting, hay baling, corn shelling, clover hulling, veterinary fees, and stallion service fees on mares owned in common. Each party shall pay one-half of all taxes and insurance on all personal property owned in common.

They shall share equally in all the proceeds from the sale of live stock, poultry, grain, and other produce raised on said farm. Milk and cream checks shall be divided by purchaser. The butter used by either party shall be taken out of his share. Each party may gather and keep his own share of fruit. Buying and selling of materials, live stock, and other farm produce shall be left largely with the lessee, but all sales and purchases of more than \$-——

<sup>1</sup> This agreement is not a legal partnership.

shall be made with the knowledge and consent of the lessor. All joint business in the way of payments and receipts shall be through \_\_\_\_\_ Bank of \_\_\_\_\_.

Both lessor and lessee shall own in common, each an undivided one-half, all live stock, excepting as hereinbefore provided for, owned and produced upon said farm; and such of said stock as the parties shall agree upon shall be sold at such time as may be satisfactory to both.

Whenever any cattle, hogs, grain, corn, or hay or any other product of said farm shall be sold, the proceeds shall be equally divided between the parties, or, if agreed upon, it may again be invested in other stock, grain, or material for the common use and benefit of the parties.

Lessee further covenants and agrees that he will farm said land in a good, farmlike, and workmanlike manner; that he will commit no waste nor suffer injury to be done to the premises; that he will allow no noxious weeds to go to seed on said premises, and will keep the weeds and grass cut in the roads adjoining the land.

Lessee also agrees that he will draw out and scatter on said premises, on or before December 1st of each year, on the fields where it is most needed, following out the plan of farming agreed upon in this contract, all manure being and made on said premises up to December 1st next preceding the end of the term, and that in default of so drawing out and scattering said manure, he shall pay to lessor as penalty the sum of \$\_\_\_\_\_.

That he will leave as many acres plowed on said premises at the end of his term as he finds plowed when he takes possession, and in default of so doing he shall pay to lessor \$\_\_\_\_\_ an acre for each acre short of such number.

That he shall keep the buildings, fences, and other improvements on said premises in as good repair and condition as the same are when he goes into possession, or as good as they may be put in during said terms, loss by fire or inevitable and ordinary wear excepted; that he will not assign this lease or sublet any part of said premises without written consent of lessor; that he will not bring mortgaged property on said premises without the consent of said lessor; that he will not sell or remove any of the farm crop from said premises without the consent of the lessor; that he will not break up any established watercourses or ditches or undertake any other operation which will injure said land.

That in case he shall, from any cause, neglect, refuse, or be unable to properly prepare said land, sow, plant, harvest, or care for any and all crops to be raised on said land, said lessor, his agents, heirs, or assigns, may at their option take possession thereof and of the crops growing or being grown thereon, and properly care for the same, and sell the same, and the proceeds remaining after payment of the rents, cost, and expenses and damages shall go to lessee. That he will surrender the stubble land, for the purpose of plowing, in the fall preceding the termination of this lease, as soon as the crop has been removed from the same; that he will surrender possession of said premises at the end of the term, or sooner termination thereof, and if immediate possession be not given, that he will pay lessor, or assigns, the sum of \$\_\_\_\_\_ for each and every day possession is thus withheld, as damages for nonsurrender.

That a failure to keep and perform any of the agreements hereinbefore mentioned shall, at the option of said lessor, or assigns, operate as a forfeiture of this lease and terminate the term, and lessor may take possession of the premises at once without process of law, or he may bring an action at law for possession, said lessee being, from the date of such failure, a tenant holding over after the expiration of his term; that in consideration of this lease, and the agreements herein contained on the part of the lessor, said lessee covenants and agrees to keep and perform the agreements hereinbefore set forth, hereby

covenanting that moneys due from him to said lessor for plowing, or damages, or otherwise, shall be and hereby are declared and made a perpetual lien on any and all crops, stock, and other personal property of lessee at any time kept, had, or used on said premises, whether the same are exempt from execution or not, such lien to attach from the commencement of the term.

Said lessor reserves the right of himself, his employees, or assigns to enter upon said premises at any time for the purpose of viewing the same or making repairs or improvements thereon, the same not to interfere with the occupancy of the lessee; and reserves the right to himself or agent to enter upon said premises for the purpose of plowing the stubble land, from which the crops shall have been removed, in the fall preceding the termination of this lease.

It is understood and agreed by both parties that the lessee's reward for all farm improvements which he is required to make according to the terms of this contract shall come in the increased yields and greater returns which should result and which will be shared by lessee if he continues to operate said farm.

But in case this lease is terminated before lessee receives the benefit from such improvements, he shall receive reasonable compensation for such improvements. For example, hauling and spreading rock phosphate and ground limestone, seed clover and alfalfa, laying drainage, tile, stump pulling, etc. (Here state reward to be given lessee for unexhausted improvements.)

That in consideration of this lease and the agreements herein contained on the part of the lessee, said lessor covenants and agrees to keep and perform the agreements herein set forth, hereby covenanting that any compensations due from him to said lessee for improvement work, etc., shall be a lien on his share of the personal property, and must be paid before the proceeds are equally divided.

And likewise, for failure to provide for and carry out any improvements on said farm which are agreed to in this lease, said lessor shall be liable for damages to said lessee to reimburse him for the loss which may result from such default.

At the end of the term of this lease, an accounting shall be had between the respective parties hereto, and the produce, stock, etc., upon said farm belonging to lessor and lessee shall be equally divided. Lessee shall divide each kind of live stock into two equal lots, as near as may be, and lessor shall have his choice of lots of each kind of live stock, which division shall be final and binding upon both parties. And if a proper settlement can not be made in this way, all parties hereto agree to have a public sale on the premises for the purpose of dissolution. After all joint debts of lessor and lessee and the expenses of having the sale are paid, the proceeds shall be equally divided.

But if one or both parties object to a sale and prefer a division of said property, then each shall select an arbitrator. They jointly shall select a third, and the three shall make such division of said property as to them shall seem equitable, giving each party one-half of the same, after deducting from each party's share such indemnities or adding such compensations as may be justly charged or credited to him according to the terms of this contract.

Neither party shall have the right to bind the other by any contract outside the scope of this agreement, or by any purchases made within the scope of this agreement, except with the consent of the other, unless hereinbefore provided for.

(Signed) \_\_\_\_\_  
 (Signed) \_\_\_\_\_

## ASSUMPTIONS UNDERLYING LEASE CONTRACTS.

A study of leases in actual operation discloses the existence of a few interesting general assumptions which are of much value in establishing a basis for a rational form of lease contract. Share renters on good cotton farms may pay the landlord one-third the cotton, but only one-fourth on poor farms. Similar arrangements are to be noted in other parts of the United States. The obvious assumption underlying this adjustment is that on fertile farms the landlord is entitled to a larger share of the crops than on poor farms under otherwise similar conditions. The same consideration is, of course, apparent in renting land for cash, the cash rent per acre varying with the agricultural value of the land.

In many cases the landlord accepts as rent a smaller share of the produce delivered at the railroad station than at the farm. For example, on a Kansas grain farm the landlord takes one-third of the wheat at the farm or one-fourth at the railroad station at the option of the tenant. The assumption in such cases evidently is that the farther the farm from market the smaller should be the landlord's share of the crops if the tenant is required to haul them to market. This assumption is manifestly in accord with justice and common sense.

On general farms the landlord's share is often different for different crops. For example in Colorado the landlord may get one-half of the hay, one-third of the grain, and one-fourth of the sugar beets, or one-half of the hay, one-half of the apples, one-third of the wheat, one-third of the potatoes, and one-fourth of the sugar beets. In Delaware the landlord may get two-fifths of the tomatoes and one-half of the grain, or one-fourth of the tomatoes and one-half of the grain. In Indiana the landlord may get two-thirds of the eggs and one-half of the milk, or one-half of the hay and corn and one-third of the wheat and oats, or two-fifths of the wheat and one-half of the corn. In Iowa the landlord may get one-half of the hay and two-fifths of the corn. In the cotton belt the landlord may get one-third of the corn and one-fourth of the cotton. In Michigan and Missouri the landlord may get one-half of the hay and one-third of the corn. In Nebraska the landlord may get one-half of the hay and one-fourth of the corn. In Ohio the landlord may get one-half of the hay and corn and three-sevenths of the tobacco, or one-half of the hay and corn and two-fifths of the tobacco and apples. In all these cases of variation in the shares of different crops on a given farm the tenant provided all labor. The specified differences in the shares of different crops is an acknowledgement of the fact that more labor is required for the production of certain crops than for others, and that the shares should in justice be correspondingly modi-



fied. More labor must be expended on sugar beets, potatoes, tobacco, and grain than on hay.

On relatively infertile farms the landlord may provide tools and work horses, pay one-half the expenses except labor and take one-half the products. The plain assumption here is that on these poor farms the land is not equal to the labor in productive value but that land and equipment together approximately equal the labor.

There are a few instances of partnership farming of which an Indiana farm may be taken as an example. On this farm the landlord furnishes one-half of all equipment, including tools, machinery, cows, other productive stock, and work horses. All expenses, including even taxes and hired labor, are shared equally, and the proceeds are divided half and half. In this case the underlying assumption evidently is that the tenant's head and hand work is equal in value to the use of the land, for everything except land and the tenant's own labor is shared equally.

Many lease contracts used in farming by the general half-share system stipulate that the tenant shall furnish all tools, machinery, and work stock, and one-half of the cows and other productive stock, and that expenses shall be shared equally. Here the assumption is that the tenant's labor is not equal in value to the use of the land, but that the tenant's labor plus the use of tools and horses equals the use of the land.

Thus it appears to be assumed in lease contracts that on average farms labor offsets or balances the use of the land, while on poor farms labor is of more value and on exceptionally fertile farms of less value than the use of the land. This is merely another way of saying that the landlord's share of the crops should vary with the agricultural value of the soil.

It may be well to discuss further some of the points involved in these assumptions, especially since there is at present an active interest among landowners and tenants in attempts to arrive at a rational basis for lease contracts.

The assumption that labor offsets or balances the land underlies much of the discussion of tenancy in England and also prevails widely in this country. This assumption seems to involve, as a more precise definition of the amount of labor concerned, an amount sufficient to carry on the ordinary operations of a farm under a system of general farming.

If, therefore, we start with the assumption that the amount of labor necessary to operate a farm for general purposes is equal in value to the productive power of the farm, it would then seem fair to assume that for the equal sharing of all farm produce between tenant and landowner, each should contribute one-half of the

necessary investment in work stock, productive stock, implements, farm machinery, and other operating capital, and should also share equally all expenses connected with the operation of the farm. In several individual instances this plan has been used as a basis of a half-and-half share lease and has apparently given good satisfaction to both tenant and landowner. Under such a contract the extra labor involved in the production of special or intensive crops should naturally be considered as a part of the expense. This would apply to such crops as berries, tobacco, hops, cotton, onions, sugar beets, celery, and also to potatoes and apples.

It is obviously desirable that farm leases should be based on a plan which will not only give the tenant an elastic value for his labor and managerial ability to compensate for the possible rise of land values under the influence of speculative expectation and of competition of tenants, but will also give the tenant an equal personal interest with the landowner in the use of the most businesslike and scientific methods of farming to increase production, and also in economy with reference to all expenses connected with farm operations. These desirable features of a satisfactory form of lease would seem to be largely supplied by the contract in question. In one of the few individual instances in which essentially this form of contract is now in operation it is provided in the contract not only that all working capital shall be furnished in equal shares and that all expenses shall be shared equally, but also that all farm products used for family purposes by either the tenant or landowner shall be paid for by the respective party to the agreement. In cases where it is not convenient for landowner and tenant to furnish exactly equal shares of the working capital, all requirements of justice and fairness would be served by allowing each party the interest on his share of the working capital, to be taken out of the gross proceeds before the final division into equal shares. Where the landowner and tenant do not contribute equal shares of the working capital, it would be necessary to take out not only the interest on the unlike shares, but also all expense of the farm operations, before dividing the net proceeds into equal parts. If, however, the sharing of the working capital were equal, the amount of farm income to be shared equally could readily be determined by subtracting the total expense from the gross returns.

The great variation which is to be noted in the shares of the landowner and tenant in different systems of share leasing is evidence of the long struggle which has been undergone in attempts to devise methods of division satisfactory to both parties. It is apparent, however, from the variation in the shares for landowner and tenant proposed in leases, that the method of division has come about as a

result of mutual demands and concessions and is therefore for the most part the final outcome of the blind operation of economic forces rather than the result of a deliberately planned system of division.

It would seem that the main physical factors which operate in the production of farm products are land, working capital, and labor. If, therefore, an agreement could be reached on a reasonable valuation of land and a reasonable rate of interest which this land should draw, and also upon a satisfactory payment for labor and a rate of interest on working capital, these three factors, namely, interest on land, interest on working capital, and wages for labor, could be used as a rational basis for a percentage distribution of products.

One of the great difficulties in establishing such a rational basis for the division of farm products under a share system of leasing is found in arriving at a proper estimate of the value of land. Farm land in the better farming sections is now held at prices which indicate the strong influence of speculative expectation of further rise in land prices. In fact much land is already capitalized at so high a price that the owner is forced to accept a lower rate of interest from the operation of the farm than could be reasonably expected from the same amount of capital otherwise invested. In estimating the value of the relative contributions of working capital and land to farm production, it is necessary to take into consideration the high relative risk and depreciation involved in the maintenance of live stock and farm machinery, as compared with the indestructibility of farm land. It may perhaps be fair to consider the relative contribution of a dollar invested as working capital as about three times that of a dollar invested in land, working capital yielding 10 per cent and land  $3\frac{1}{2}$  per cent interest.

The tenant's services can not justly be considered as consisting merely of manual labor. His managerial ability is an important part of his services. It is unfair, therefore, to rate the tenant's services to the partnership at the same value for all values of farms in a given neighborhood. A labor income of \$500 might be an adequate recompense for a tenant's services on a \$10,000 farm, but on a farm worth \$50,000 his time and managerial ability are worth more. No business man would think of putting in charge of a \$50,000 plant a man whose services were worth no more than \$500. In order to obviate such an injustice to the tenant, it is necessary to assume that the value of his labor and managerial ability increases somewhat in proportion to the increase in the value of the farm.

The tendency at present is for the land to take an increasingly large proportion of the joint product of land, working capital, and labor. In many of the richest farming districts land values have become so high that the landlord's interest on his investment is only 3

or 4 per cent. If, for example, \$1,200 is the maximum rent which a landowner can expect to obtain for the use of his farm by a tenant, it is apparent that the owner may consider this \$1,200 as 2 per cent interest on \$60,000 or 4 per cent on \$30,000. Some landowners have felt that the rate of income derived from rented land ought to keep pace with the increase in land values. In the attempt to obtain such an increase of income they have tried to avoid the appearance of claiming more than one-half of the net proceeds. This has been accomplished by requiring the tenant to furnish more than half of the working capital, by charging cash rent for the farmstead, pasture, or certain other "privileges," or by exacting an arbitrary "improvement rent." The tenant is thereby forced to pay as rent not only half of the farm income but also an additional sum in cash.

There is an obvious advantage to both parties in the strictly half and half system of leasing. It offers no opportunity for either party to get the better of the bargain by indirect methods. Landlord and tenant contribute equally to the partnership, share all expenses equally, and therefore receive equal shares of the farm income. The manner in which this system operates may be seen in the following average example constructed from survey records on farms in the corn belt. In this example the business of a 160-acre farm worth \$25,000 is analyzed on a basis of good average yields and normal prices under a strict partnership system of leasing.

*Analysis of the business of a \$25,000 farm leased under the half-and-half system.*

Receipts:

Crops—

	Tenant.	Owner.	Farm.
65 acres corn—			
1,500 bushels sold.....	\$375	\$375	
800 bushels fed.			
35 acres wheat, 1,000 bushels sold.....	500	500	
15 acres oats—			
300 bushels sold.....	60	60	
300 bushels fed.			
20 acres hay—			
5 tons sold .....	25	25	
20 tons fed.			
—			
135 acres crops.			
20 acres rotation pasture.			
5 acres waste.			

Stock—

12 cows, cattle, milk, etc.....	350	350
6 horses or mules.....	=35	—35
Swine.....	250	250
Poultry and eggs.....	75	75

Total.....	1,600	1,600	\$3,200
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Expenses:	Tenant.	Owner.	Farm.
Hired labor and board.....	\$200	\$200	
Family labor.....	25	25	
Cash expense of operation and repair.....	300	300	
Depreciation of equipment, 14 per cent of \$500..	35	35	
Depreciation of buildings, 6 per cent of \$2,000..	60	60	
Interest on working capital, 6 per cent of \$2,500..	75	75	
Taxes on real estate and equipment.....	80	80	
<b>Total</b> .....	<b>775</b>	<b>775</b>	<b>\$1,550</b>
<b>Farm income</b> .....			<b>1,650</b>
Reward for tenant's management and labor.....			825
Reward for use of real estate.....			825
Interest on real estate (per cent).....			3.3

The tenant receives \$825, half of the net profit, as a reward of his labor and management, also an allowance for half of the value of the family labor, and board of hired labor furnished, and the interest on his half of the working capital. His working capital is maintained at the same value at which he turned it into the partnership or is replaced.

The landowner receives, in addition to his \$825, an allowance of the interest on his half of the working capital, as well as having all taxes paid on his real estate and an allowance for depreciation.

Interest on working capital in the above example is charged at 6 per cent. The rate would be about 10 per cent if it included depreciation charges.

### SUGGESTIONS TOWARD A RATIONAL LEASE CONTRACT.

The conditions under which the various existing types of share farming have developed have led landowners to include in lease contracts such a bewildering variety of rights and privileges of unspecified money value that at first sight it would seem impossible to say whether the contract is just or not. The approximate value of all these items, however, is generally known. Shrewd judgment and local experience enable the landowner and tenant to estimate closely what the thrashing, twine, feed, seed, and fertilizer bills will be. Nevertheless, lease contracts in which various items of expense and privilege are empirically adjusted and assigned to tenant or landlord are never, except by mere accident, strictly fair, but are always slightly in favor of landlord or tenant. Any injustice of this sort may become a source of friction between landlord and tenant and may lead to more frequent moving on the part of the tenant.

In some cases the tenant is a son or other relative of the landlord, in which event other considerations than those of strict business principles may be reflected in the stipulations of the lease. Or the owner may be a speculator merely holding the land for sale at an advanced price, being willing to accept a low rent pending sale and expecting to take his profit from the rise in the price of land rather

than in rent. But sheer generosity and charity are no more frequently seen in farm lease contracts than in other business transactions. Such cases may be left out of consideration, for most lease contracts are intended to be strict business propositions.

Many farm leases now in operation indicate an apparently satisfactory manner of eliminating all unknown quantities from a lease, reducing it to a simple, specific, and readily understandable form. According to these contracts all equipment, including tools, machinery, work stock, productive stock, and other working capital, is owned in equal partnership; all expenses, including hired labor and taxes, are shared equally, and the proceeds are divided half-and-half. All products taken for family use by either landlord or tenant are charged against the respective parties. This system is obviously fair and explicit. The objection may be raised that it involves much bookkeeping, but farm bookkeeping is desirable from every standpoint. In fact, many lease contracts stipulate that the tenant shall keep a complete daybook in which every item of expense and receipt is entered.

Such a contract provides a basis for the fair and equal sharing of all crops which may be grown on a farm, however unlike the amounts of labor required for their production, for if all expense for extra and hired labor is shared equally it is obviously just that the proceeds from crops requiring extra labor should be shared on the same basis as those which require little labor. Moreover, the unfairness of requiring the tenant to deliver crops to distant markets is obviated by sharing the expense of the labor thus involved.

Again, this plan is readily adaptable to cases in which the tenant and landlord furnish working capital in unequal shares. In such cases it is merely necessary to take out of the undivided farm income the interest on each one's share of the working capital and also the operating expenses, after which the remainder is divided half-and-half. Many leases constructed on this plan are in operation.

Share farming seems to be based on the idea of equal division of the proceeds. In those cases in which the fractions are not half and half, but one-third and two-thirds, one-fourth and three-fourths, or two-fifths and three-fifths the unequal sharing is an adjustment to the fact that operating expenses and the cost of equipment are not borne equally. Even in such cases it would appear preferable that all expenses and interest on the unequal shares of working capital be taken out of the undivided farm income and that the remaining proceeds be then divided equally. The feeling of full and frank partnership between the landlord and tenant would thus be kept to the fore. The tendency would thereby be to avoid reducing the tenant to the status of a hired laborer receiving a bonus in the crops as an inducement for extra effort.

While the central point upon which the various stipulations in farm leases for share renting are focused is the idea of providing a just basis for a partnership in which the proceeds shall be shared equally, the first attempts to provide such a basis were naturally only approximations to justice. The various items of expense and equipment were borne by the landowner or tenant in such a manner as to balance one another as nearly equally as might be. In cases where it was not convenient for landowner and tenant to share these items equally an adjustment was reached by dividing the proceeds unequally. Even in such cases, however, the idea of equal sharing was apparently the point of departure, and the unequal sharing of proceeds was an adjustment to the fact that the two parties had contributed unequally to the business.

At least two apparent exceptions to the fundamental half-and-half principle of tenant farming are widely prevalent. One of these is the share-cropping method of operating cotton farms. The area operated by a share cropper is usually too small to yield a living for his family and pay a reasonable interest on one-half of the working capital required for the operation of the farm. The share cropper is therefore required to furnish no working capital. In fact, he is virtually a hired laborer rather than a tenant.

The other exception is typified by a form of lease contract used in renting general crop farms throughout the country. Where there is actual competition among tenants for the opportunity to operate farms, landowners commonly exact a bonus in the form of a requirement that the tenant furnish most or all of the working capital. The assumption underlying this practice is, as explained above, that the tenant's own labor alone is not equal in value to the use of the land, but that labor plus working capital equals land in productive value.

Many recent farm leases indicate the possibility of using more flexible and, at the same time, more precise methods of adjusting the division of proceeds to the relative contribution of landowner and tenant to the partnership. These recent methods, which are gradually coming into vogue, involve in all cases the equal sharing of proceeds. Both landowner and tenant receive one-half of the net farm income. If equipment and other working capital are furnished in equal shares and all expenses are shared equally, one-half of the farm income naturally goes to each party without further adjustment. If the working capital is furnished in unequal shares, expenses and interest on each one's share of the working capital are taken from the gross returns, after which the net farm income is shared equally.

Underlying the lease contract in such cases is the assumption that the tenant's labor is equal in value to the use of the land. For

farms on which it is assumed that the tenant's labor is either of greater or less value than the use of the land, a modification of the same general method is coming into use. According to this modified plan it is stipulated in the lease that from the gross returns shall be taken a specified wage for the tenant, a specified interest on land for the landowner, and all expenses, after which the proceeds are divided equally. Under this system it has been found necessary to stipulate that the tenant's wages shall be paid before the interest on land is taken from the gross receipts. Otherwise, in poor years, the tenant might suffer an undue hardship.

In localities where land values, under speculative influences, have reached a figure higher than their actual productive power for agricultural purposes would warrant, it may in time become necessary to distinguish between the two elements in land values—actual productive power and the increase due to anticipated rise in price. In such an event it would seem fair to disregard the latter in leasing land for agricultural purposes, for the tenant shares only in the crop-producing power of the land, and can not participate in the speculative rise of land values.

#### STATUS OF THE TENANT.

The economic position of the tenant varies greatly under different systems of leasing. Under cash rent the tenant is completely independent. He makes plans on his own initiative, organizes his resources, determines all matters of policy at his own discretion, decides the time and manner of applying labor to the various farm enterprises, and receives all returns. Share leasing involves a partnership arrangement in which the two parties are jointly interested and determine all details of plan by mutual consultation. In some leases, however, it is stipulated that in case of failure of the landowner and tenant to agree on methods the judgment of the landowner shall prevail. If the landowner furnishes most or all of the equipment he retains title to all crops and products till they are sold and division made, and in general directs all farm operations. Under these conditions the tenant is virtually a hired man. Such tenants may receive money advances from the landowner and thus become even more dependent than the ordinary hired man. In fact there is no sharp line of demarcation in status between tenant and manager or hired man working wholly under direction of the landowner.







