Drawing Up the Farm Lease

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DRAWING UP THE FARM LEASE

AGRICULTURAL EXPERIMENT STATION
IOWA STATE COLLEGE OF AGRICULTURE
AND MECHANIC ARTS

C. F. Curtiss, Director

AGRICULTURAL ECONOMICS
SECTION

AMES, IOWA
DRAWING UP THE FARM LEASE

BY C. L. HOLMES

Almost 90,000 of Iowa's 213,000 farms are rented. On nearly all of these farms the lease contract runs for only one year. On many thousands of these the tenant remains but a single year. On many thousand more, the tenant, tho remaining for more than one year, has to renew his lease for each season. All this means that the problem of getting the best type of lease and getting it drawn in the best and most satisfactory terms is a very large one in the state of Iowa. This circular discusses briefly the more important considerations to be kept in mind in making farm rental contracts and explains the so-called "Iowa leases" which are being circulated by the Iowa Agricultural Extension Service.

PART I. WHAT TO KEEP IN MIND IN LEASE MAKING

Four outstanding considerations need to be kept in mind by the parties to every farm lease in drawing up their contract.¹

1. The type of lease which will best fit the case from the point of view of the landlord, the tenant, the farm itself and the type of farming to be carried on.

2. The length of the lease term, or more correctly, the length of the relations between the landlord and tenant, and the length of the tenure of the farm by the tenant.

3. What is to be contributed by each party, respectively, in the way of land, equipment, supplies, labor, etc.

4. The division of returns between the parties.

Each of these four important aspects of the farm lease will be discussed before explaining the lease contracts.

MAKING THE FARM LEASE FIT THE CASE

Three fairly well defined types of renting are in general use in Iowa. The first is the cash lease in which the tenant pays a specified sum per acre or for the whole farm and assumes all the risk of the business. The second is the so-called crop share lease in which is specified a fractional part of the crops to be turned over to the landlord as rent. Under this form of renting as practiced in Iowa, the tenant pays cash at so much per acre for the use of the pasture land and usually for the use of the hay land, tho occasionally the hay land, like the grain land, is rented for a share of the crop. The third type of lease, the stock share lease, has come more and more into use in the state since the recent disastrous drop in prices. Under this contract the landlord furnishes not only the farm with its improvements, but a share of most of the livestock and in some cases a part or all of the equipment. He also commonly pays a part of the

¹For a very complete list of the details which should go into a farm lease, see Farmers' Bulletin 1164 of the U. S. D. A., pp. 6-11.
current operating expenses. He receives as a compensation a share not only of such crops as are sold, but of all livestock products which are sold.

Each of these forms of renting may be the best under certain circumstances, and under certain other circumstances a particular kind of lease may be a misfit. The important consideration is that the best type of renting should be selected in view of the peculiar situation and conditions as found in the landlord, in the tenant, in the farm, and in the type of farming that the parties wish to carry on.

WHAT THE TENANT SHOULD CONSIDER IN CHOOSING A METHOD OF RENTING

Every tenant-farmer or man who plans to start farming on a rental basis may well take into consideration not only his own circumstances but the qualities of his prospective landlord and of the farm he intends to rent. He will probably want to ask himself the following questions:

1. How much farming experience have I? Do I know enough about farming and about business to cut loose from the advice and guidance which most share renting landlords are willing to supply and which, in many cases, they retain the right to give, because their income is dependent on the success of the tenant's farming? The cash renter is to a large degree independent and free from the landlord's interference in running the farm; but unless he has had experience enough to teach him good methods and has fairly good business judgment, he may find this independence too costly.

2. How much capital have I? There are great differences between the several ways of renting in the amount of capital a tenant must have to be successful. In most localities the type of renting which requires least capital is crop-share. The tenant must have sufficient money or credit with which to buy work stock and a limited amount of machinery and supplies. Crop-share tenants in Iowa usually keep but few cattle. Hog raising as a supplement for grain crops requires but little investment. All things considered, crop-share farming requires the least from the tenant in the way of capital. If the tenant wishes to be a livestock farmer but lacks the necessary capital, he may often solve the difficulty by renting on the stock-share plan in which the landowner makes a part or all of the investment in livestock. Cash renting, particularly when livestock farming is practiced, requires the maximum investment of capital by the tenant.

3. How much risk am I able and willing to take? In the business world people are paid for taking risk. That is why, under normal conditions, cash rent is cheaper than share rent. In share renting the landlord takes part of the risk in the farming and ordinarily gets a larger return. The tenant, by shifting part of the risk to the landlord, has to pay a higher rent when crops are good and livestock raising is successful. Successful risk taking pays, but unsuccessful risk taking is expensive experience. Whether a tenant should take all the risk or shift part of it to the landlord de-
pends on the amount of his experience, his business judgment, the amount of capital he has and the relative certainty or uncertainty of the future prices of his products. This last point is important. If prices are uncertain, particularly if there is likely to be a considerable drop in the price of the more important products raised on the farm in question the tenant will do well to insist on the landlord taking part of the risk thru share renting, rather than to agree to a fixed cash rent.

4. What particular kind of farming do I want to carry on? This is not a matter merely of selecting a method of renting but of selecting a farm as well. The tenant should not, of course, select a farm at random or as a matter of convenience, but should consider how useful a particular farm which he has in mind will be in view of the equipment and the capital which he has at his disposal and the kind of farming he wishes to carry on. With the right farm in prospect, the proper kind of lease is largely dependent on the type of farming. If he is going to specialize in livestock, he should not contract on the basis of crop-share. The crop-share tenant must give a considerable portion of his crops—ranging from one-third to one-half under Iowa conditions—to the landlord as rent. This means just that much less livestock production. The tenant who wishes to be a livestock farmer should rent either for cash or on the stock-share plan. Which it should be will depend upon the capital and experience the tenant has and the risk he wishes to take, as already explained, and also upon the kind of landlord who owns the farm.

5. What kind of landlord is the owner of this farm? The importance of this question has been to some extent implied in the discussion of the foregoing questions. Is the land owner experienced in farming and possessed of sound business sense so as to make him a desirable adviser to a share tenant? Is he sympathetic with the tenant's point of view, has he an agreeable disposition and is he fair-minded enough to make him a desirable associate in a stock-share farming business? These are some of the questions with reference to the landlord which are of vital concern to the tenant or would-be tenant in choosing a method of renting.

WHAT THE LANDLORD SHOULD CONSIDER IN LEASE MAKING

Not only the tenant but the landowner needs to give careful consideration to the proper selection of a lease. The more important considerations from the landowner's point of view are the following:

1. Do I intend to keep this farm permanently or am I looking for a chance to sell it? Many Iowa landlords expect to keep their land indefinitely. Most of these are retired farmers who hesitate to sell and put their funds into other lines of investment. Many of them have sons to whom the land will eventually pass. In most cases the son is the present tenant. Their land is not on the market. Such owners will want a type of lease which is best calculated to keep up soil fertility and the condition of the improvements and which will also encourage the most productive use of the farm.

Again, there are many farm owners whose land is always on the
market and who will sell as soon as they can get their price. Such landowners are likely to favor the lease which means least trouble and upkeep expense, even if it means a somewhat smaller rental income.

Cash renting has usually been considered the most desirable for the speculative landlord, since it requires so little of his attention. However, under Iowa conditions the cash renting tenant is much more of a livestock farmer than the crop-share tenant and is likely to demand a good deal in the way of improvements and repairs, while the crop-share tenant, raising less stock, is less insistent in these matters. Besides, the system of farming on crop-share rented farms, as practiced in Iowa, requires but little attention from the landlord. Under these circumstances the short time landowner is likely to rent either for cash or for a share of the crops, depending on the prevalent type of farming.

2. For what kind of farming are my land and improvements best suited? The importance of making the lease fit the type of farming and thus making possible the use of the farm in the most productive way has already been pointed out. This is fully as important for the landowner as for the land user.

3. Have I some surplus funds or some livestock or equipment, which could be used in the farming business? Such a condition, of course, points to the desirability of stock-share renting. It is usually the retiring farmer who finds himself in this situation and who wants to keep his investment in the business whose active operation he may be handing over to a younger man. Frequently, also, other more or less permanent owners of land have funds which can be used in this way. This type of renting, formerly almost entirely limited to cases in which the landlord and tenant were related, is now being used by many non-related parties. It has been encouraged by the recent reaction against cash-rent. When prices of farm products dropped so low that many cash tenants declined to contract for a fixed cash rent, many landlords resorted to the stock-share lease in order to hold their tenants.

4. Have I much or little time to devote to the farm? The landowner who puts his funds in livestock for the tenant to use, and whose income depends on how well this stock is used, will wish to give the tenant’s farming operations a considerable amount of time and attention. If his other interests, or the fact that he is a non-resident, prevent him from doing this, it is doubtful whether he should rent under this system. For a man who sees his land but seldom probably the cash lease is the best. Next to this the crop-share lease.

5. Do I care to tie up with this tenant in a share business? Personal relations between landlord and tenant are a matter of first importance. This is particularly true in cases of stock-share renting where the parties must work out and decide so many matters in common. If the landlord cannot be sure that the tenant he has in mind is the sort of man with whom he can work in harmony, a man of business integrity he can trust with his property, then he had better either abandon the stock-share method of renting
or look for a tenant who qualifies in these important particulars. It
must be said that the ideal combination for the stock-share deal,
so far as personal relations go, is that of father and son.

If both tenants and landlords choose their method of renting thru
some such process of testing as the foregoing questions indicate,
rather than simply renting "according to the common practice in the
neighborhood," better relations and better farming on tenant farms
are likely to result.

LENGTH OF TENURE

Long tenure is more desirable as compared with short tenure. The
tenant for but one year is likely to abuse the farm by taking poor
care of buildings and fences and by taking no pains to preserve
fertility and kill weeds. Likewise, the landlord who rents for only
one year is not likely to provide the tenant with the necessary im-
provements, because he does not know what will be desired by the
next tenant, and because he realizes that short time tenants often
do not take good care of his property. The longer tenure helps the
tenant to build up a business. If he shifts from farm to farm, he
finds it unprofitable to invest in livestock and impossible to plan
ahead as he can if he is sure of remaining on the same farm. The
cost of moving from place to place is also no inconsiderable item.

THE LONG LEASE NOT A SATISFACTORY REMEDY

It has usually been assumed that the cure for short tenure and its
evils is the long lease. Let the parties contract for five years, or
longer, some say, and many of the evils of the present tenancy system
will disappear. One of the difficulties with the long lease is the un-
certainty of the parties in the matter of their relations with each
other. The tenant hesitates to sign up for so long a time for fear the landlord will not treat him fairly and the landlord
hesitates for fear the tenant will not be satisfactory and he will
have him upon his hands. Also, the landlord may prefer a short
lease because he does not know how long he is going to own the
land and does not wish to be hampered in selling by a lease con-
tract which prevents his delivering the farm promptly.

In the leases presented in this circular, effort has been made to
get away from the short term lease and also from the objections
of the long term lease by adopting what may be called an inde-
terminate, or year to year lease. The leases provide that the tenant
shall have the farm for the current year and from year to year there-
after until he gives notice of quitting, or until the landlord gives
him notice to quit. While this does not create an obligation on the
part of the landlord to allow the tenant to remain or on the
part of the tenant to remain, yet it does create the feeling of a con-
tinuous arrangement, and it is believed will go far towards length-
ening out the term of farm tenure.

How successful this arrangement will be will depend primarily
on the attitude of the two parties concerned. The first essential
is, of course, that the landlord shall own the land as an investment
rather than for speculative purposes. It is of little use to strive
for a longer term of occupancy when the farm is owned by a man who is looking for a chance to sell. In the second place, it is important that the long time rather than the short time view be taken by each party. That is, the tenant should not be seeking for immediate advantage at the expense of the landlord because if he does this, he will sacrifice the greater advantages which come from building up a permanent business and from saving moving expenses and readjustment incident to changing farms. Likewise, the landlord must not seek advantage at the expense of the tenant thru driving close bargains which will force the tenant to seek another farm. He should realize that frequent change of tenants is one of the greatest sources of loss to a permanent landowner.

**WHAT EACH PARTY CONTRIBUTES**

Tenant farming is a business into which each party puts something, expecting to get either definite returns, as in the case of the landlord who rents for cash, or returns depending upon the results of the business, as in the case of share renting. The landlord always furnishes the land and improvements and bears the ordinary expenses attaching to them, such as taxes, repairs and soil betterments. The tenant always furnishes the ordinary labor and usually the work stock and equipment. Beyond these things the practice varies according to the kind of rent, the quality of the land, and the type of farming.

It is important that the specific contributions of each party should be clearly understood at the outset and definitely stated in the contract so that there shall be no misunderstanding later. In the leases presented in this circular, certain obligations are placed upon the landlord and certain others upon the tenant. These obligations should be definitely understood and the parties should determine whether the clauses as they stand in the leases are adequate to express the provisions which they have in mind. If the provisions as given are not what the parties want, they should be modified. This should be done after careful consideration and special pains should be taken that the modifications are clear in the minds of both of the parties and that they are clearly stated.

Just what each party should contribute is very largely determined by the circumstances of the case. Certain things can be more economically contributed by the tenant while other things can be more economically contributed by the landlord. For example, the tenant wishing for certain improvements may induce the landlord to make the improvement provided the tenant is willing to supply a certain amount of unskilled labor and team work to be used in making repairs and in hauling material. The tenant can do this sort of work at a time when the regular work is not pressing and is therefore in a position to supply it at a lower cost than the landlord can. Again, the landlord may be in a position to put investment into the business in the way of buying feeds and livestock or making of improvements; things which the tenant might under certain circumstances find hard to do.
HOW TO DETERMINE A "FAIR" RENT

The surest way to get what one's services as a tenant are worth, or what the use of one's land is worth, is to figure carefully on what the returns from the proposed deal are likely to be and then to compare these expected returns with all other available opportunities. In this way the tenant can determine more accurately than in any other, what cash rent or what share he can afford to give for a farm, and a landowner can determine what he should ask for the use of his farm.

There has been much discussion about "fair rent." In some countries courts have been established for the special purpose of fixing rents in cases of dispute between landlords and tenants. In Iowa, where land is freely bought and sold and tenants move freely from farm to farm, rent is determined in the long run by competition. Tenants pay only as much as they are compelled to by other tenants who bid against them. When there are lots of tenants in proportion to available farms, the bids go as high as the tenants can afford to go. This is why cash rents are higher in some counties than in others and why the share of crops given as rent varies.

This competition, however, tends to fix the rental rates for a neighborhood and too often an individual contracts to pay the "going" rent without considering carefully just how much he can afford to pay for the particular farm in question. There is too much tendency to follow the prevailing custom of the neighborhood, particularly in share renting, instead of using the lead pencil and figuring out whether the deal proposed represents the best opportunity for the employment of the tenant's equipment, labor and management. There may be gross inequality when the prevailing cash rent or the prevailing share is taken because of the peculiarities of the individual cases. The fact is that no two farms are exactly alike and probably no two tenants would contribute just the same in farming the same farm. It is necessary then, to study each individual case and to adjust the rental rates or division of returns to the specific contributions of the parties in each case.

Determining the cash rent rate. It is usually assumed that in cash rental there is no problem of dividing the returns. The tenant pays a specified sum for the use of the land and takes the risk of making or losing on his bargain. However, in a broader sense, the paying of cash rent does mean a division of the returns, tho not a proportionate division. The matter of determining how much rent can be paid and how much should be paid becomes a very important one both to the tenant and the landlord, for in the long run the amount of rent that can and will be paid depends upon the amount of gross income, the same as it does in share renting.

It is of special importance to the tenant to determine in advance how much cash rent he can afford to pay, because he is taking the risk of agreeing to pay a specific sum instead of merely a share. It is never safe for a tenant to assume that because the current rate of rent is five or eight dollars per acre that he can pay five or eight dollars per acre for this particular farm. He should look ahead
to determine as far as possible the probable yields and his probable operating expenses in order that he may know whether, after paying the rent that is asked, he will have as much left to pay for his own labor and use of his capital investment as he could get elsewhere. The experience of the last few years, in which there were such wide fluctuations in prices, demonstrated that the tenant may lose heavily from a cash rental contract.

This raises the question of which party to a cash rental deal usually “takes up the slack” in case of changes of price. Is it the tenant or the landlord who gains or loses by sudden price changes? Experience shows that for any given year, or during the life of the existing lease, it is likely to be the tenant who loses by falling prices and who gains by a rise in prices. This, however, is not true when looked at from the point of view of a longer period. Rent contracts must be renewed and when they are renewed the adjustment in rate inevitably takes place on the basis of what the tenant can afford to pay. If prices are lower, rent rates will be lower. If prices are higher, rents will be higher. This is not to say that the tenant operator does not suffer in the returns to his labor and investment from a fall in prices and gain somewhat in the same way from a rise in prices, but it seems to be true that over long periods of time the owner of the land must absorb the major losses in times of agricultural depression, and is in a position to absorb the major portion of the gains in periods of high prices.

From the tenant’s point of view, then, the important thing is to foresee as far as possible these changes in prices and to avoid the temporary losses which come to the man who has contracted at too high a rate in view of falling prices. Similarly, the landlord, wishing to get as large a return from his investment as possible, should be looking ahead and seeking to adjust his rental rates on the basis of the prices which will obtain when the products are sold, rather than on the basis of the present prices. It is, of course, very difficult to determine in advance what conditions are going to be. Nevertheless the more successful business men, including many farmers, are doing that and are meeting with more and more success as the means of information on future conditions are being expanded.

The following is an example from an actual case of cash renting in the state, showing the relative contributions and returns of landlord and tenant on a 160 acre farm.

<table>
<thead>
<tr>
<th>Contributions</th>
<th>Landlord</th>
<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm of 160 acres; rent at $8 per acre</td>
<td>$1,280</td>
<td></td>
</tr>
<tr>
<td>Livestock</td>
<td>$1,390</td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>1,089</td>
<td></td>
</tr>
<tr>
<td>Feed</td>
<td>780</td>
<td></td>
</tr>
<tr>
<td>Checking account</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$3,409; interest at 7%</td>
<td>$ 238</td>
</tr>
<tr>
<td>Operating expense, including depreciation</td>
<td>635</td>
<td></td>
</tr>
<tr>
<td>Tenant’s labor, 12 months at $75</td>
<td>900</td>
<td></td>
</tr>
<tr>
<td>Total contributions</td>
<td>$1,280</td>
<td>$1,773</td>
</tr>
</tbody>
</table>
Returns:
Crops ...................... $1,717
Livestock .................. 1,237
Other income ............... 67
House rent .................. 366

Total ...................... $3,387

As rent ........................ 1,280
Remainder ........................ 2,107

Profits for risk and management .......... 0 334

In this case the tenant evidently paid a conservative rent, as he has a small sum remaining as profits. However, the margin is slight and if prices had been less favorable or expenses unexpectedly high, he would have failed to get returns for his own contributions at current rates. It is evident that the tenant should not pay a higher rent than competition with other renters requires him to pay and also that he should drop out of the competition for a given farm when the rent becomes so high that it threatens to leave a smaller return for his capital, labor and managerial ability than he could get from other uses of them.

A fair division of returns in share renting. The basis of a fair division of returns under the share rental contract has frequently been stated approximately as follows: “The gross income from the farming operations should be divided in proportion to the value of the contributions made by the two parties respectively.” This is no doubt a sound rule of procedure, provided the parties understand that the value of the contributions is, in the long run, determined by competition just as in cash rent. So far as any given contract is concerned, the value which each party puts upon his labor, the use of his land, or other contribution, should be measured by the most profitable alternative use he has available for it. It is important that each contracting party know, first, just what he is putting into the share business and, second, that he know as nearly as possible what it is worth. Only in this way can he tell whether he is making a good bargain or a bad one.

The failure to figure out the amount and value of what each party is contributing is doubtless to blame for most of the “unfairness” to be found in share rent contracts. People are accustomed to assume that the “going share” or prevailing practice is fair. One often hears deals defended on the grounds that the provisions were in accord with the custom of the neighborhood. Too many farmers find figuring an unpleasant occupation. The result is that many rental contracts give one party or the other an advantage to which the real value of his contributions does not entitle him.

The remedy, of course, is to learn how to appraise one’s labor, the use of his livestock and equipment, and the use of his land, and then how to weigh these values against those to be contributed by the other party. In doing this the value of management and risk taking should not be neglected.

There are many ways of making adjustment when it is found that one party is contributing too much or too little in view of the
proposed fractional division of returns. One way is to change the fractional share of returns going to each party. This is provided for in all the share contracts given in Part II of this circular. Another and more commonly used method is to shift some of the requirements from one party to the other. For example, if the prevailing share is found to give the landlord too much in proportion to his contribution, he may agree to pay for the seed formerly furnished by the tenant; or he may give the tenant a lower cash rent rate on pasture. Such adjustments are easy but tend to be inaccurate.

The following is an example of an actual case of crop share renting, showing the valuation of each party's contributions and the returns going to each.

<table>
<thead>
<tr>
<th>Contributions</th>
<th>Landlord</th>
<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm of 160 acres, rent at $8 per acre</td>
<td>$1,280</td>
<td></td>
</tr>
<tr>
<td>Labor for 12 months at $75</td>
<td>$900</td>
<td></td>
</tr>
<tr>
<td>Working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Livestock</td>
<td>$2,378</td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>1,287</td>
<td></td>
</tr>
<tr>
<td>Feed</td>
<td>648</td>
<td></td>
</tr>
<tr>
<td>Checking account</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$4,413; interest at 7%</td>
<td>309</td>
</tr>
<tr>
<td>Hired labor</td>
<td></td>
<td>52</td>
</tr>
<tr>
<td>Family labor</td>
<td></td>
<td>136</td>
</tr>
<tr>
<td>Machinery, repairs and depreciation</td>
<td></td>
<td>216</td>
</tr>
<tr>
<td>Feeds purchased</td>
<td></td>
<td>99</td>
</tr>
<tr>
<td>Feed grinding</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Corn shelling</td>
<td>18</td>
<td>1</td>
</tr>
<tr>
<td>Horse shoeing</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Veterinary service</td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>Seed</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Twine</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Threshing</td>
<td></td>
<td>75</td>
</tr>
<tr>
<td>Auto expense</td>
<td></td>
<td>35</td>
</tr>
<tr>
<td>Telephone</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Taxes on livestock and machinery</td>
<td></td>
<td>42</td>
</tr>
<tr>
<td>Total contributions</td>
<td>$1,304</td>
<td>$1,976</td>
</tr>
</tbody>
</table>

Returns:

<table>
<thead>
<tr>
<th></th>
<th>Landlord</th>
<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn, one-half share</td>
<td>$1,116</td>
<td></td>
</tr>
<tr>
<td>Oats, two-fifth share</td>
<td>427</td>
<td></td>
</tr>
<tr>
<td>Cash rent, 35 acres at $6</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>Corn sold</td>
<td></td>
<td>345</td>
</tr>
<tr>
<td>Oats sold</td>
<td></td>
<td>29</td>
</tr>
<tr>
<td>Crops unsold</td>
<td></td>
<td>75</td>
</tr>
<tr>
<td>Livestock</td>
<td></td>
<td>1,706</td>
</tr>
<tr>
<td>Garden</td>
<td></td>
<td>36</td>
</tr>
<tr>
<td>Milk, eggs, and meat in household</td>
<td></td>
<td>381</td>
</tr>
<tr>
<td>House rent</td>
<td></td>
<td>391</td>
</tr>
<tr>
<td>Total returns</td>
<td>$1,753</td>
<td>$2,963</td>
</tr>
<tr>
<td>Less contributions</td>
<td>1,304</td>
<td>1,976</td>
</tr>
<tr>
<td>Net profit (for management and risk)</td>
<td>$449</td>
<td>$987</td>
</tr>
</tbody>
</table>
The above example would indicate that this particular contract proved to be a fairly liberal one for the tenant. Whether it actually was or not, depends upon the accuracy of the valuations given. It is just, of course, that the tenant should receive a larger profit than the landlord because he takes somewhat more risk and supplies much more of the management. If the landlord had received one-half the oats—as is the most usual practice—instead of two-fifths, it would have shifted approximately $107 from the tenant's net gain to the landlord's. This shows how important an affect a seemingly minor change in the contract may have on the incomes of the parties.

The next example is one of a stock-share rented farm which shows a much less favorable deal for the tenant.

<table>
<thead>
<tr>
<th>Contributions</th>
<th>Landlord</th>
<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm of 160 acres, rent at $7</td>
<td>$1,120</td>
<td>$900</td>
</tr>
<tr>
<td>Labor, 12 months at $75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating capital (jointly owned):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Livestock</td>
<td>$1,390</td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>576</td>
<td></td>
</tr>
<tr>
<td>Feed</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Checking account</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$2,151; interest at 7%...75 75</td>
<td></td>
</tr>
<tr>
<td>Operating capital (tenant's):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work horses</td>
<td>$450</td>
<td></td>
</tr>
<tr>
<td>Farm auto</td>
<td>132</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$582; interest at 7%...41</td>
<td></td>
</tr>
</tbody>
</table>

| Expenses                                           |          |        |
| Hired labor                                        | 360      |        |
| Machinery, repairs and depreciation               | 49       | 49     |
| Auto use                                           | 107      |        |
| Feed purchased                                     | 144      | 143    |
| Veterinary service                                 | 5        | 5      |
| Seed                                               |          | 68     |
| Twine                                              | 4        | 4      |
| Thrashing                                          | 20       | 20     |
| Fuel and oil                                       | 6        | 6      |
| Insurance on stock                                 | 5        | 5      |
| Telephone                                          | 15       |        |
| Taxes on livestock and machinery                   | 8        | 3      |
| Total contributions                                | $1,436   | $1,806 |

| Returns                                            |          |        |
| Garden produce to household                        | 72       |        |
| Milk and eggs to household                         | 103      |        |
| House rent                                         | 201      |        |
| Crops sold                                         | 101      | 101    |
| Unsold crops                                       | 619      | 618    |
| Livestock                                          | 784      | 785    |
| Total returns                                      | $1,504   | $1,880 |
| Less contributions                                 | $1,436   | 1,808  |
| Net profit (for management and risk)               | $ 68     | $ 74   |
The foregoing examples indicate how detailed and numerous are the things to be taken into consideration in determining the proper division of returns in share renting. It is true that the figures given are the result of records or of estimates made at the close of the year, while the estimates to be used in making a lease bargain would have to be made in advance. However, the parties have a reasonably dependable basis of estimate from past experience on which to base the value of contributions; and for the returns, normal crop yields and livestock performance may be taken. The most difficult thing is to gage future prices; and yet the parties are not wholly helpless in this connection since information on factors influencing the future course of prices is now being furnished by the United States Department of Agriculture and by other agencies.

FACTORS THAT AFFECT A FAIR DIVISION

It is important at this point to mention a few of the more important factors which influence the proper share division between landlord and tenant in crop-share and stock-share renting.

1. *The condition of farm improvements.* The share of the crops or livestock proceeds given to the landlord is assumed to pay the rent, not only for the land but for the buildings. On two farms having similar land but with improvements of widely differing quality and usefulness, the same share of the crops or of gross or net receipts could not be fair. The landlord furnishing the better buildings should receive additional compensation for them. In the examples given house rent, figured as interest and depreciation on the appraised value of the dwelling, is put in as a part of the tenant's returns. This was a factor in giving the crop-share renter a larger margin of profit.

2. *The quality of the land.* There are great differences in the soil and surface of different farms. Because of these differences the same amount of labor will not produce equal amounts of product. In other words, land varies in productive value and the share going to the land owner should vary in recognition of such differences. It is easy for a tenant to waste his labor and equipment cultivating poor land. Differences in the prevailing share due to differing productivity are very marked as one goes from one region to another. It is not so likely to be found on comparing farms of varying productivity in the same neighborhood.

3. *The type of farming.* Some types of farming take much more labor than others and these differences should be considered in determining division of returns. Not long ago a landlord, renting on the half-share stock plan, wished the tenant to plant 15 acres of potatoes as a cash crop to replace that much corn, and expected the tenant to supply all the labor as before. It is obvious that with the much higher labor demands of potatoes over corn that the tenant should have had a larger share of the potatoes or have been compensated in some other way. Again suppose that the adjustment had been worked out with dairying as the chief enterprise and that the parties decided to give up dairying in favor of beef cattle. The tenant's labor would thereby be greatly reduced and a compensating adjustment should be made in favor of the landlord.
4. Changes in price levels. This point has been emphasized in connection with the cash rent rate, but it is also important in share renting. When prices drop disastrously, as they did in 1920 and 1921, the tenant finds that he is unable to continue farming without dissipating his capital if he has to give as large a share as before. If these unfavorable price conditions continue long, a readjustment to smaller rental shares must be made. Similarly, when prices rise remarkably there is likely to be a tendency toward larger rental shares or other changes in favor of the landlord. Sometimes the cash bonus plan has been adopted.

PART II. THE IOWA LEASES

For several years the Agricultural Extension Service of Iowa State College has been supplying to farmers and other interested people a printed form for a stock-share farm lease. More recently cash rental and crop-share rental forms have been furnished. These three leases have been revised and are now being circulated under the titles, "Stock-Share Partnership Agreement," "Cash Farm Lease," and "Grain-Share Farm Lease." A fourth lease form has been added, entitled, "Stock-Share Farm Lease," in which the effort has been made to provide for the usual stock-share rental plan without imposing on the parties the unlimited liability which goes with a partnership. Copies of any or all of these leases are available to landowners and tenants wishing to use them, at the offices of the county agents in the state or may be obtained by writing to the Extension Service at Ames.

These leases are printed in full below and a brief explanation of each is given.

THE CASH FARM LEASE

CASH FARM LEASE

This agreement is made this________________day of__________________________,

_____________________, between ____________________________

hereinafter called the landlord, and______________________________

hereinafter called the tenant.

Description of Farm

For and in consideration of the rental specified below, the Landlord hereby leases to the tenant, his farm of____________________acres,

known as the ____________________________Farm,

located in______________________County, State of______________________,

together with all the buildings and improvements upon it. The legal description of said farm is as follows:

Length of Lease

The length of this lease is for one year from March 1, 19____, to

March 1, 19____, and to March first thereafter from year to year until notice to the contrary is given by either party to the other in writing before______________________—preceding the end of such crop year.

9The stock-share lease was drafted by Prof. O. G. Lloyd, formerly of the Farm Management Section of the Iowa Agricultural Experiment Station, and was first issued in 1918 under the title, "Stock-Share Agreement and Lease." The other two were drafted by members of the staff of the Farm Management Section and issued in 1920.

10The Extension Service is not in a position to sell these leases and cannot supply them in quantity. They are printed and sold by the Lefebure Ledger Company of Cedar Rapids, Iowa.
Amount of Rental

The tenant will pay to the landlord as rental for the above described farm the sum of ------------------------------- dollars, payable as follows: -------------------------------

The Landlord Agrees

1. To furnish to the tenant the above described farm together with all improvements upon it and to put all buildings, fences, and other improvements in repair at the beginning of the lease and to keep them in repair during the life of this lease, except as hereinafter provided. (See paragraphs 5 and 6 under "the tenant agrees").

2. To pay for all material for construction of new fences and for the repair of fences and buildings made necessary by ordinary wear and depreciation during life of this lease, and to pay for all the labor needed in building new permanent buildings and fences.

3. To pay for all material and labor used in tiling, ditching and otherwise permanently improving the farm, except as hereinafter provided (See paragraph 6 under "the tenant agrees").

4. To furnish all grass and clover seed.

5. To make certain new improvements as follows:-------------------

6. To pay all taxes and insurance on the farm and its improvements.

7. ---------------------------------------------------------------

The Tenant Agrees

1. To assign or sublet no part of the farm without written consent of the landlord.

2. To haul and spread upon the fields jointly determined by tenant and landlord, all manure produced on the farm, cleaning up the premises at least once a year.

3. To burn no straw or other roughage produced on the farm, but to return such material to the soil either in its natural state or as manure.

4. To cut no live trees on the farm except by permission of the landlord.

5. To haul to the farm all fencing and building material for repairs and improvements when purchased by the landlord, provided such materials be utilized on the farm at a time to enable the tenant to profit by them to the extent of at least one season's use during his tenure of the farm.

6. To furnish the labor for all ordinary repairs during his tenure of the farm and to build all temporary fences.

7. To board all extra help employed by the landlord for making improvements on the farm at----------------cents per meal.

8. To follow a system of farming and methods of tillage that will conserve the fertility of the soil and the general productivity of the farm. To this end he agrees to cut and destroy all noxious weeds according to law, to bring no seed or feed upon the premises until such material is known to be free from all noxious weed seed, to take reasonable care to prevent soil-washing, to sow as large an acreage of leguminous crops as he can most profitably utilize, to feed as large a proportion of all crops raised as market conditions make profitable, and in all respects to care for the landlord's property in such manner as to return it at the termination of the lease in as good condition as to fertility of soil and condition of improvements as at the beginning, ordinary wear and depreciation excepted.

9. To surrender peaceably possession and occupancy of the premises at the expiration of the lease.
Tenant to Be Reimbursed

When this lease is terminated on March 1 of any year by notice as hereinbefore provided the landlord shall reimburse the tenant:

1. For plowing left in excess of the area plowed at the beginning of the lease at $____________ per acre; provided that if the plowing left is less in area than at the beginning of the lease the tenant shall reimburse the landlord at the same rate.

2. For clover sod to be plowed for crops the following season in excess of that found in similar condition at the beginning of the lease at the rate of $____________ per acre provided that the tenant pay the landlord at the same rate if such land is less in area than at the beginning of the lease.

3. For barnyard manure and other fertilizer, at the rate of $____ per ton which the tenant has produced or purchased and upon which he has not realized by one year’s crop; provided he has duly compensated the landlord for similar benefits which he may have received on taking possession of the farm.

The tenant shall present his claims for such reimbursements in writing at least __________________ days before the termination of this lease.

Non-fulfillment: Right of Entry

The landlord reserves the right to enter and view the premises at all reasonable hours.

If either party shall fail in any respect to carry out the provisions of this lease, then the other may hire the same done and the costs shall be paid by the party failing to carry out said provision.

Arbitration

If dispute shall arise over any of the provisions of this lease, the parties may agree to refer the matter to a board of three arbiters, one chosen by the landlord, another by the tenant, and a third by the two first chosen. If and when disputes are thus submitted, the decisions of this board shall be binding upon both landlord and tenant.

EXPLANATION OF CASH FARM LEASE

One purpose in the drafting of this and the other leases is to make them fair to both parties. Too many of the leases used by Iowa landlords and tenants are the so-called “landlord” lease type. They are drafted by parties concerned chiefly in protecting their own interests and not particularly solicitous of the interests of the tenant. They contain, therefore, a long list of restrictions and obligations imposed upon the tenant with practically no corresponding restrictions and obligations on the landlord. It seems to be easier for many parties who wish to draw up a lease to get and use one of these stock leases rather than to work out in detail the nature of the bargain which is best in their case and to draft a lease for themselves.

This cash lease and the others in this bulletin are presented primarily as models with the idea that the parties using them will revise them to suit their own needs. Some clauses may need to be eliminated entirely. Other clauses not in the form may need to be supplied, and still others materially modified to suit any specific case.

The cash lease is from the nature of the case a simple one, involving but few provisions.
Terms of payment. Under the caption, "Amount of Rental," should be entered the rate per acre or the total rent for the farm and the dates of the different rent payments. In Iowa generally one payment is made in the fall when crops are harvested and threshed, and another shortly before the end of the farm year, March 1. The idea is that the payments should fall due when the tenant finds it most convenient to pay. In most cases probably some initial cash payment is required when the lease is drawn or when the farm year begins.

Improvements and other obligations of the landlord. Under the caption, "The Landlord Agrees," are certain requirements as to what the landlord shall do in keeping the improvements in repair and in making any new improvements. All permanent investments of this sort should be met by the landlord. However, in order to induce the landlord to make the improvements and also because the tenant will profit by them, certain requirements such as the hauling of material and the performing of unskilled labor in making repairs are imposed upon the tenant. The requirement that the landlord should furnish grass and clover seed is in accordance with the prevailing custom in Iowa. The landlord, who is interested in maintaining the fertility of his soil, is supposed to be willing to offer this inducement to the tenant to keep more land in legumes and to raise more livestock.

Obligations of the tenant. Under "The Tenant Agrees," besides the requirement that he haul material for improvements and that he supply the labor for making repairs, certain provisions are added designed to protect the landlord's property from undue wear and tear, and undue exhaustion of fertility. No definite requirements as to how much livestock he can keep or how much of the different crops he shall grow are imposed, inasmuch as the payment of a cash rent is usually assumed to give the tenant practically complete independence in the conduct of his business. Any or all of these requirements may, of course, be modified to suit the needs of the parties using this form.

Reimbursement. It has been repeatedly suggested that there should be developed in this country a policy of tenant right in the value of unexhausted improvements made by him during his occupancy of the farm, such as has been developed in England and is now embodied in the Agricultural Holdings Acts. It is impossible to do this all at once and impossible to go very far in this direction until the ownership of land is more stable. With land frequently changing hands, as is true in this country, and with no permanent tenant and landlord classes, it is impossible to transplant the English system of landlord-tenant relations to this country. However, it would seem to be practicable for the parties to contract for certain reimbursements and a limited number of provisions are placed in this lease under the caption, "Tenant to be Reimbursed." Some parties may wish to add another provision to those given covering the labor and other expenditures which the tenant may make in repairs and improvements. This point, however, is perhaps sufficiently covered in the parts of the lease referring to improvements.
Arbitration. Another reform in landlord-tenant relations which has been much preached is arbitration. The chief difficulty in this direction is the fact that under our law parties cannot contract themselves out of the right to appeal to the courts on the interpretation of contracts. The law does stipulate, however, that if the parties agree to arbitrate they may be held to the findings of the arbitrators. For these reasons the arbitration provision in this and the following leases does not attempt to require the submission of disputes to arbitration, but the provision is inserted in order that the practice of arbitration may be encouraged in place of the more customary law suit.

THE GRAIN SHARE FARM LEASE

GRAIN SHARE FARM LEASE

This agreement is made this----------------day of-----------------
19---, between ---------------------------hereinafter called the landlord, and-------------------------------- hereinafter called the tenant.

Description of Farm

For and in consideration of the rental specified below, the Landlord hereby leases to the tenant, his farm of-----------------------acres, known as the-------------------------------------------------Farm, located in----------------------County, State of-------------------, together with all the buildings and improvements upon it. The legal description of said farm is as follows:-----------------------------

Length of Lease

The length of this lease is for one year from March 1, 19----, to March 1, 19----, and to March first thereafter from year to year until notice to the contrary is given by either party to the other in writing before--------------------------Preceding the end of such crop year.

Amount of Rental

The tenant will pay to the landlord as rental for the above described farm: ________________ part of all corn raised---------------- part of all oats raised, ________________ part of all---------------- raised, ________________ part of all---------------- raised,

The tenant will also pay a cash rent of:

----------------------dollars for all land in-----------------------;
----------------------dollars for all land in-----------------------;
----------------------dollars for all land in-----------------------;

The landlord will provide storage space on the farm for all of the tenant's grain and, if space is available, the landlord may store his grain also on the farm at his own risk. The tenant agrees to deliver the landlord's share of the grain to the elevator or car at---------------- without any expense of hauling to the landlord, provided the landlord shall not designate for this work a season when the tenant is occupied with urgent farm work. The landlord agrees to give the tenant the opportunity to purchase all or a part of his share at the price paid by the----------------------elevator at----------------------at the time the landlord is ready to sell his grain.

The cash rental payments shall be made as follows:---------------------

The Landlord Agrees

1. To furnish to the tenant the above described farm together with all improvements upon it and to put all buildings, fences, and other improvements in repair at the beginning of the lease and to keep
them in repair during the life of this lease, except as hereinafter provided. (See paragraphs 6 and 7 under “the tenant agrees”).

2. To pay for all material for construction of new fences and for the repair of fences and buildings made necessary by ordinary wear and depreciation during the life of this lease, and to pay for all the labor needed in building new permanent buildings and fences.

3. To pay for all material and labor used in tilling, ditching and otherwise permanently improving the farm, except as hereinafter provided (See paragraph 6 under “the tenant agrees”).

4. To furnish all grass and clover seed.

5. To make certain new improvements as follows: --------------

6. To pay all taxes and insurance on the farm and its improvements.

7. --------------------------------------------------------------

The Tenant Agrees

1. To assign or sublet no part of the farm without written consent of the landlord.

2. To pay all the operating costs of the farm except those hereinafter specified to be paid by the landlord.

3. To haul and spread upon the fields jointly determined by tenant and landlord, all manure produced on the farm, cleaning up the premises at least once a year.

4. To burn no straw or other roughage produced on the farm, but to return such material to the soil either in its natural state or as manure.

5. To cut no live trees on the farm except by permission of the landlord.

6. To haul to the farm all fencing and building material for repairs and improvements when purchased by the landlord, provided such materials be utilized on the farm at a time to enable the tenant to profit by them to the extent of at least one season’s use during his tenure of the farm.

7. To furnish the labor for all ordinary repairs during his tenure of the farm and to build all temporary fences.

8. To board all extra help employed by the landlord for making improvements on the farm at-------------------cents per meal.

9. To follow a system of farming and methods of tillage that will conserve the fertility of the soil and the general productivity of the farm. To this end he agrees to cut and destroy all noxious weeds according to law, to bring no seed or feed upon the premises until such material is known to be free from all noxious weed seed, to take reasonable care to prevent soil-washing, to follow a crop rotation such that not less than-------------------per cent of the cropped acres shall be in some leguminous crop, and to maintain sufficient livestock to consume not less than------------------per cent of his share of the hay and feedable grain crops raised on the farm; provided the landlord shall furnish shelter and other improvements ample for the proper care of this amount of livestock. He further agrees in all respects to care for the landlord’s property in such manner as to return it at the termination of the lease in as good condition as to fertility of soil and condition of improvement as at the beginning, ordinary wear and depreciation excepted.

10. To surrender peaceably possession and occupancy of the premises at the expiration of the lease.

11. -------------------------------
Tenant to Be Reimbursed

When this lease is terminated on March 1 of any year by notice as hereinbefore provided the landlord shall reimburse the tenant:

1. For plowing left in excess of the area plowed at the beginning of the lease at $------------------per acre; provided if the plowing left is less in area than at the beginning of the lease the tenant shall reimburse the landlord at the same rate.

2. For clover sod to be plowed for crops the following season in excess of that found in similar condition at the beginning of the lease at the rate of $------------------per acre provided that the tenant pay the landlord at the same rate if such land is less in area than at the beginning of the lease.

3. For barnyard manure and other fertilizer, at the rate of $------------------per ton which the tenant has produced or purchased and upon which he has not realized by one year's crop; provided he has duly compensated the landlord for similar benefits which he may have received on taking possession of the farm.

4. The tenant shall present his claims for such reimbursements in writing at least------------------days before the termination of this lease.

Non-fulfillment: Right of Entry

The landlord reserves the right to enter and view the premises at all reasonable hours.

If either party shall fail in any respect to carry out the provisions of this lease, then the other may hire the same done and the costs shall be paid by the party failing to carry out said provisions.

Arbitration

If dispute shall arise over any of the provisions of this lease, the parties may agree to refer the matter to a board of three arbiters, one chosen by the landlord, another by the tenant, and a third by the two first chosen. If and when disputes are thus submitted, the decisions of this board shall be binding upon both landlord and tenant.

EXPLANATION OF GRAIN SHARE LEASE

This lease is designed for a model for use where crop share renting still prevails. It contains the year to year tenure provision as do the other leases. It is also designed to be a "two party" contract rather than a "landlord" lease.

Amount of rental. Under the crop-share system of renting in Iowa, the pasture and frequently the hay land are rented for cash. The lease becomes in reality then a combination grain-share and cash lease. The form provides for stipulating the amount of this cash rent and for the dates of payments the same as in the cash lease.

The important consideration of this portion of the lease is the fractional share of crops to be given to the landlord as rent. The prevailing shares in Iowa are one-half for corn and from two-fifths to one-half for oats, depending on the locality, the productiveness of the land, the risk from crop failure, etc. There appears to be no good reason for sticking to these particular shares under all cases, except that it is the easiest thing to follow the prevailing practice. It is hard to see any good reason why parties drawing up a crop-share lease should not make an appraisal of the value of the land, the value of the tenant's labor, machinery used, etc., and then determine
the relative share each is to receive upon this basis. Probably, however, most parties will believe that they are unable to arrive at a safe division by this method and will want to adopt the prevailing share.

Delivery of grain at the elevator or on the farm is required of the tenant, in accordance with prevailing practice. The tenant is usually in a better position to do this than is the landlord, since he has teams and equipment whereas the landlord usually has not. The provision that the landlord shall not require the delivery of the grain at a time when urgent farm work is taking the attention of the tenant is important. Requiring the landlord to give the tenant opportunity to purchase his share of the feed crops is designed to encourage livestock raising by the tenant. This particular provision will doubtless need a good deal of modification in specific cases.

Obligations of the landlord imposed in this lease are quite closely similar to those imposed by the cash lease.

Obligations of the tenant. The usual restrictions designed to protect the landlord’s improvements and the fertility of his land are made in this lease. The requirements for the hauling of material and the provisions with reference to these requirements are the same as in the cash lease.

Type of farming. Under share renting it is usually assumed that the landlord shall exercise at least equal control with the tenant in determining what crops shall be grown and what land shall be devoted to pasture. In some cases the landlord alone dictates the crop system. Paragraph 9 of the “Tenant agrees” section is drawn with the idea that the parties shall participate on about equal terms in determining the type of farming. No provision is made for the statement of just how many acres of the different crops shall be grown, although these things are frequently included in a share rent contract. If it is desired to include them in using this lease, they may be written into this paragraph or under “Amount of Rental” in the early part of the lease.

In determining the percentage of cropped acres that shall be kept in legumes and the percentage of the feedable crops used on the farm, due consideration should be given to the kind of land in the farm, the improvements on the place which will facilitate livestock farming and to the relation between the prices of grain and of livestock. The tenant should not be compelled to feed his crops at a loss. It is a matter of common observation that at certain times livestock prices are so low that losses result from feeding. At other times the reverse is true. The tenant should be given a considerable amount of leeway in this respect.

Reimbursement. The provisions for reimbursement in this lease are identical with those in the cash lease.

**THE STOCK-SHARE PARTNERSHIP AGREEMENT**

**STOCK-SHARE PARTNERSHIP AGREEMENT**

This agreement, made this ___________ day of ___________, 19____, between ___________________________, landowner, and ___________________________, operator: WITNESSES the following specifications:
I. Length of Agreement

This agreement covers the term of one year from March 1, 19----, to March 1, 19----, and to March 1 thereafter from year to year until notice of discontinuance is given by either party to the other in writing before August 1, preceding the end of the then current farm year.

II. Management

Landowner and operator shall be known hereinafter by the firm name of_____________________. All payments and receipts shall be made through the____________________Bank. Both parties shall cooperate fully in the management of the farm. The operator shall neither buy nor sell farm products or livestock for the firm to the value of more than $____________without the consent of the landowner. The farm business shall be organized and managed in a good, husbandlike manner for livestock farming with a view to obtaining the largest net returns consistent with maintaining the fertility of the soil through the use of legumes, barnyard manure, and commercial material such as lime, phosphates, etc., as the Firm shall determine. The operator shall follow as closely as possible a system of crop rotation consisting of_____________________, modifying it only as made necessary by market, weather, and soil conditions. As nearly as possible, the operator shall seed down______ acres each year and break up approximately the same area.

III. Land

The landowner agrees to furnish to the partnership during the life of this agreement, the use of his farm of_____________ acres, known as the_____________farm, located in_____________township, ______________County, Iowa, together with all buildings and improvements upon it, legally described as follows:

He further agrees to pay all taxes and insurance on the land and improvements and to pay for all new improvements and repairs made upon land and buildings during the life of this agreement except as hereinafter specified. (See Section XVII.)

IV. Labor and Equipment

The operator agrees to furnish all the labor needed in the operation of the farm and board at his own expense all hired labor used on the farm except as hereinafter specified. He agrees to furnish all implements, machines, and tools and to pay all taxes, insurance, and repairs on the same.

V. Livestock

The following livestock shall be furnished by the firm, contributed by the two partners in equal value:

1. Horses sufficient to furnish adequate power to do the farm work. It is agreed that______________ horses are needed.
2. Approximately_____________brood sows.
3. Approximately_____________ milk cows.
4. Approximately_____________ ewes.
5. Approximately_____________ hens and other poultry, as the partners shall agree.
6. Sires, consisting of______________
   (Specify classes and breeds.)
7. Stockers and feeders, when the parties shall so agree, in such numbers and classes as shall be decided by the parties.

VI. Feeds and Supplies

All feeds and seeds and all supplies such as dips, sprays, etc., destined for use in farming operations which are on hand at the opening of each farm year shall be furnished by the Firm, contributed
by the two partners in equal value. All such feed, seeds and supplies, and all unsold products and increases in live stock on hand during the farm year shall be considered as the property of the Firm until division of profits is made as hereinafter provided.

VII. Equalization of Ownership

The value of the interest in livestock, feeds and supplies purchased by the Firm from either of the partners shall be set off against the other and the differences owed by one partner to the other paid in cash or equivalent.

VIII. Improvements and Repairs

The landowner agrees to furnish the necessary material and the operator to haul the material and provide the necessary unskilled labor to make improvements and to keep buildings, fences and tiling in good repair. The landowner shall pay for the necessary skilled labor used in making repairs and improvements and pay the operator at the rate of $__________ per week for the board of such skilled laborers.

IX. Marketing

The operator agrees to deliver to the local market as a part of the regular work of the farm, all crops, livestock and livestock products which are to be marketed. Whenever any crops, livestock, or other products are sold the proceeds shall be deposited in the bank to the credit of the Firm and, if agreed upon, may be reinvested in other stock, grain or supplies for use in the business of the Firm.

X. Fertilizer

The operator shall haul out all manure when made, if possible. In any case, it is to be hauled out entirely every spring and fall and spread upon such fields as the landowner shall direct. The operator shall haul limestone, phosphate, and other fertilizer material furnished by the landowner or by the Firm, and distribute the same upon the fields as the landowner shall direct.

XI. Weeds

The operator shall destroy all noxious weeds on the premises according to law in time to prevent their seeding and shall keep the weeds and grass mowed along all fence lines and in the roads adjoining the land.

XII. Operating Expenses

All operating expenses, except those specified above as payable by landowner or tenant, shall be paid by the Firm. These shall include expenditures for threshing, shelling, clover hulling, shredding, silage cutting, seed, feed, stockers and feeders, veterinary service, breeding fees, taxes and insurance on property of the Firm and all other outlays which the Firm shall determine upon in the operation of the farm. All feeds, supplies, and young stock produced on the farm shall be used as the Firm shall deem necessary in the business.

XIII. Division of Returns

The net income shall be divided between the two partners in the proportion of__________-percent to the landowner and__________-percent to the operator. The net income for this purpose shall be determined as follows: The total income of the Firm shall be determined by adding to the total sales for the year all increase in the inventories of the property owned by the Firm. The total expenses of the Firm shall be determined by adding to the expenditures of the Firm all decreases in inventories of the property owned by the Firm. The difference between total income and total expense, as thus determined, is the Firm's net farm income to be divided. Cash receipts may be shared as received throughout the year, but at the end of
each year settlement shall be made between the parties. For purposes of this division and settlement detailed inventories of all the property of the Firm shall be taken as of March 1st of each year, in which seed, feed, and supplies shall be valued on the basis of market price and livestock shall be valued at a fair sales price on the farm. Complete records shall be kept by the operator of financial transactions involving the Firm and of the production of crops and livestock. For these purposes the “Farm Business Record” or similar system shall be used. At the beginning of each farm year adjustment shall be made as provided in Section VII so that the property of the Firm shall be contributed in equal shares by both parties.

It is provided, however, that the operator may take from the undivided product sufficient milk, cream and eggs for use in the farm household and that he shall have all the produce of orchard and garden, including sufficient potatoes for use in the farm household.

XIV. Final Settlement
To effect a final settlement either party may name a sum which he will either give for the undivided one-half interest of the other party or which he will take for his own undivided one-half interest in crops and livestock. The other party may then either buy or sell a one-half interest at this price. Or, if either party shall not care to purchase the entire undivided one-half interest of the other party, nor to sell his own entire undivided one-half interest, he may put a valuation upon the livestock by individuals or in groups and upon the separate crops. The other party may buy or sell an undivided one-half interest in any or all crops or stock at this valuation. If any crops or stock remain unsold they may be sold on the market or at an auction, and the proceeds divided.

XV. Reimbursements for Unexhausted Improvements
In case of the termination of this lease before the operator shall have secured the just benefits from any expense he may have in good faith put upon the place, the landowner shall reimburse him to the amount such expense would benefit an incoming operator.

The operator shall be reimbursed for commercial fertilizer or for clover or other crops seeded and not yet harvested, unless he is allowed to harvest such crops after the termination of this contract. The operator shall also be reimbursed for any work put upon buildings, fences, or other improvements, with the consent of the landowner, if at the expiration of the term of this agreement he shall not have had the use of such improvements and repairs during at least one season. He shall present in writing his claims for such reimbursements upon the termination of this lease.

XVI. Forfeiture in Enforcement of Agreement
If the operator shall fail to perform any labor or fail to take care of the farm as provided in any of the covenants of his agreement after due notice has been given, the landowner may hire others to perform such labor or repair the damage due to such neglect, and charge the cost of such labor or the amount of such damage, or both, to the operator, the amount of such charge to become a prior lien on the operator’s teams and machinery and on his undivided one-half interest in the productive stock and crops. In such case the landowner shall have the right at once to re-enter and take full possession of the farm and the operator shall peaceably vacate the premises.

XVII. Liability
Neither party shall have the right to bind the other by any contract outside the scope of this agreement.
XVIII. Arbitration

If dispute shall arise over any of the settlements provided for in this lease, the parties may agree to refer the matter in dispute to a board of three arbiters, one chosen by the landowner, another by the operator, and the third by the two first chosen. If and when disputes are thus submitted, the decisions of this board shall be binding on both landowner and operator.

EXPLANATION OF STOCK-SHARE PARTNERSHIP AGREEMENT

This contract, strictly speaking, is not a land lease. It creates a business partnership with the landowner and the operator as co-partners. The landowner contracts to furnish to the partnership his farm and the operator agrees to supply the labor and equipment. They agree jointly to furnish the livestock and to pay the operating expenses, or rather these operating expenses are to be paid by the partnership before a division of net returns is made between the parties.

The general idea of stock-share farming is that of a rather close association between the landowner and the farmer, both in the furnishing of the means of farming and in the operating of the business. It is assumed that the close relations will make for better farming and better care of the land, since it unites the interests of the parties instead of antagonizing them so far as the operation is concerned. Another idea is that livestock farming rather than the more exploitive crop selling farming shall be encouraged. There is no doubt that where the parties are of the right sort that this type of leasing does go a long way in the direction indicated. It is, of course, impossible completely to eliminate conflicting interests between the parties. There is room for argument as to the proportional division of the returns and as to the relative amounts of contributions which each party should make to the business.

This contract, since it creates a legal partnership, is designed to be used by those parties who do not fear incurring the obligations of unlimited liability which go with the partnership relation. It is supposed that fathers and sons and other related parties will find this a desirable contract, since ordinarily these people trust each other and desire a closer business relationship than is possible without the partnership. This contract should not be used by parties who do not desire this close relationship and who cannot trust each other to this extent. The next contract to be presented, "The Stock-Share Farm Lease," is designed for other parties who desire to develop the stock-share business.

Management. Section 2 of this contract provides that the two parties shall share equally in the management of the farm. Of course, the operator will have to look after the details of the day to day running of the business to a greater extent than the landowner can possibly do, but in determining policy and in all matters of planning the two parties are assumed to work together and in equal authority.

This provision provides for an elastic type of organization. A flexible program of cropping and keeping of livestock is laid out because the parties will doubtless want to modify these things in accordance with prevailing conditions or prices and season. It is
well, however, to have a definite general policy with reference to crop rotations and the amount of livestock to be kept. The provisions under Section 5, designating approximately how many head of the different classes of livestock, should be considered with reference to only one year’s business and should be held subject to change if the contract is continued from year to year.

Obligations of the parties. This contract provides that the land and improvements and expenses connected with them shall be furnished by the landowner and that the labor and general equipment shall be furnished by the operator. The work animals are to be furnished jointly. This practice varies in the different parts of the state. Where the land is highly productive, the usual practice is to have the tenant furnish the work stock. If parties using this form desire this arrangement, it should be specified in Section 4 and eliminated from Section 5. This is after all really a matter of adjustment. If one party furnishes more or less of the means of farming, it may be compensated for by changing the proportion of net returns which he is to receive. Other provisions of the lease impose upon the operator the usual requirements for the maintenance of improvements and the fertility of the land.

Division of net returns. This contract provides that the partners shall share the net returns after the joint expenses have been paid. These net returns are to be divided between the two partners in proportions to be determined on the basis of the relative values of contributions made by each party. This is, if the value of the use of the land and improvements furnished by the landlord is equal to the value of the labor and machinery used furnished by the tenant, then the returns after all joint expenses have been deducted should be divided equally. However, if the contributions of one party exceed those of the other party, a corresponding division of the net returns should be made.

It is probably true that most parties using this lease will still cling to the 50-50 division because they are afraid they cannot figure out a more equitable basis in advance. This hardly seems justifiable, however, since appraised values can be placed upon the contributions of each party. This sort of thing should be easy, particularly in cases where the parties are keeping an accurate record of the business from year to year and have the previous year’s figures on which to base their calculations. If such figures could be made the basis of determining shares, it would probably lead to much more fairness in the division of returns from rented farms.

Final Settlement. In areas where stock-share farming has become very prevalent, a good many cases of disagreement arise between the parties over the division of the jointly owned property when they come to divide this property at the expiration of the contract. The methods of division provided for in this lease are those most commonly used. There is nothing to prevent the parties from specifying other means of division and substituting them for those given if they think best.

Reimbursements. A somewhat different provision for reimbursement of operator for work and other investments which he has made
in improvements and in fertilizing, clover crops, etc., is made in this contract from those provided in the cash and grain-share leases. This is prompted by the closer relations between the landowner and operator for which this contract provides. Here again the parties may in some cases wish to make extensive modifications.

Enforcement of Agreement. The usual provision for the enforcement of agreement which is put into most farm leases is included in this partnership contract. There is some doubt as to whether it can be enforced to the extent that it could be under a regular farm lease.

Liability. Section 17 supplies a safeguard which is provided by law and perhaps is not necessary in this contract. It simply means that one party is not responsible for the debts assumed by the other party unless such debts are contracted in connection with the partnership business. In other words, the joint unlimited liability of a partnership does not extend beyond the obligations arising out of the partnership business itself.

Arbitration. Section 18 provides the same sort of arbitration arrangement which is included in the cash and grain-share leases.

Affidavit and registry. It is a matter of wisdom for the parties to go before a Notary Public and have their signature to the contract acknowledged and then to have the contract registered with the County Recorder just as deeds and mortgages are registered. This serves as so-called constructive notice to outside parties as to the legal nature of the business which they are carrying on.

THE STOCK-SHARE FARM LEASE
(Non Partnership)

STOCK-SHARE FARM LEASE

This contract, made on the____day of__________, 19____, by and between________________ of______________Iowa, landlord, and________________ of____________Iowa, tenant, Witnesses: That said landlord hereby leases to said tenant his farm of_________________________ acres, legally described as follows: ___________________________________________ situated in_______________________ Township____________County, Iowa, together will all buildings and improvements upon it, to occupy and use for farming purposes for the period of one year beginning March 1, 19____, and from year to year thereafter until notice of discontinuance be given by either party in writing before August first, preceding the end of the then current farm year;

Upon the following terms and conditions:

SECTION I. The landlord hereby agrees:

1. To lease to the tenant the above described farm, to put all buildings, fences and other improvements in repair at the beginning of the period covered by this lease and to keep them in repair during the life of this lease, except as hereinafter provided. (See Paragraphs 5 and 7 of Section II.)

2. To furnish all material for construction of new fences and the repair of fences and buildings made necessary by ordinary wear


4The author is indebted to Prof. L. S. Forest of the Law Department of Drake University for aid in drafting this lease and to Mr. R. R. Bateson for an examination of it and an opinion of its legal aspects.
and depreciation during the tenant's tenure, and pay for all the labor needed in building new permanent fences and buildings.

3. To pay for all material and labor used in tiling, ditching and otherwise permanently improving the land, except as provided in Section II. (See Paragraph 5 of Section II.)

4. To make certain new improvements as follows:-----------------------

5. To pay all taxes and insurance on real estate.

SECTION II. The tenant hereby agrees:

1. To manage the farm in a careful and creditable manner, following in general the crop rotation, the tillage practices, and the animal husbandry methods recognized as best in the locality. While it shall be the general policy to raise crops primarily to feed to livestock, the tenant as manager shall modify the crop and livestock program from time to time to suit conditions of market and weather with a view of securing highest returns.

2. To furnish labor sufficient to operate the farm as above stated.

3. To furnish all the necessary implements, machines and tools for the operation of the farm and pay for the repairs of this equipment.

4. To haul to the local market all such grain, livestock, or other products raised on the farm as shall be destined for market.

5. To haul to the farm all feed and other supplies purchased by the landlord or the tenant for use on the premises as well as all fencing and building material for repairs and improvements when purchased by the landlord; provided such fencing and building material are to be utilized on the farm at a time to enable the tenant to profit by them to the extent of at least one season's use during his tenure of the farm.

6. To haul out the manure, spreading it on such fields as shall be designated by the landlord, cleaning up the premises in the spring and fall of each year.

7. To furnish the labor for all ordinary repairs on buildings and fences during his tenure of the farm and to build all temporary fences.

8. To cut and destroy all noxious weeds according to law, to take reasonable care to prevent soil-washing, and in all respects to care for the landlord's property in such manner as to return it at the termination of the lease in as good condition as to fertility of soil and condition of improvements as at the beginning, ordinary wear and depreciation excepted.

SECTION III. It is further agreed that:

1. All livestock, including work-animals, dairy cows, breeding stock, stockers and feeders, and poultry, shall be owned in common in equal undivided shares by landlord and tenant. All stocks of feed and other supplies on hand at the beginning and during the term of the lease shall likewise be owned jointly and in equal shares. This joint ownership shall be arranged by appraisal—prior to the beginning of the lease term—of the property contributed by each party. The party furnishing property to the higher value shall be compensated by the other party to an amount sufficient to give equal joint ownership. If either party should wish to purchase any property that he might wish to add to the jointly owned property, he shall purchase the same in his own name and upon his own account, and if the other party later approves, it is agreed that the purchaser will then resell a one-half interest therein to the other party at one-half the price he paid for the same.
2. The landlord shall reimburse the tenant to the extent of one-half of all necessary operating expenses borne by the tenant (except those named in Section II) involving cash outlay or equivalent, such as for threshing, shelling, shredding, silage-cutting, feed grinding, twine, veterinary service, breeding fees, feeds, seeds, fertilizer, dip, spray material, and taxes on jointly owned property; provided, that if by agreement with the tenant, the landlord shall have made expenditures of a similar nature (excepting those specified in Section I) the tenant shall likewise reimburse him to the extent of one-half; but neither shall have authority to bind the other in any contract with third parties.

3. The tenant shall set aside and pay to the landlord as rent for the above described real estate, and as payment for the use of his share of the jointly owned property, an amount equal to ___________ per cent of the gross income from the farm. The gross income shall be understood to consist of the proceeds from the sale of all grain, livestock and other products marketed plus the increase in inventory value of the jointly owned property accruing during the farm year.

4. The gross income as defined above is not liable for any debts or expenses, but each party hereto is liable on his own account and in his own name for whatever materials and services he must furnish as hereinbefore provided, including their respective shares of those purchases and expenses described in Paragraphs 1 and 2 of Section III. Each party shall keep account of all expenditures for purposes set down in Paragraphs 1 and 2 of Section III made by him and the other party shall reimburse him as hereinbefore provided, on or before the end of the farm year.

5. In all matters involving the sale of jointly owned property, and incurring of expenses as described in Paragraph 2 of this Section, neither party is authorized by this agreement to act without the consent of the other. Neither party shall purchase anything, nor make any contract, except in his own name and on his own account.

6. It is provided, however, that the tenant may take from the undivided product sufficient milk, cream and eggs for use in the farm household, and that he shall have all the produce of orchard and garden, including sufficient potatoes, for use in the farm household.

SECTION IV. At the termination of the lease the jointly owned property shall be divided as follows:

1. The tenant shall divide each class of livestock, as cows, steers, calves, hogs, poultry, etc., into two groups and the landlord shall take his choice of the two groups of each. In case the two groups cannot be made of nearly equal value the differences in value shall be agreed upon before the choice is made.

2. All hay, grain, fodder, and other feeds and all supplies jointly owned shall be divided by measure and the tenant shall leave one-half on the farm.

3. Tenant shall leave all straw on the farm without compensation.

4. If the parties mutually agree the above described plan of division shall be set aside and the tenant shall set a value on the entire amount of jointly owned property on the basis of which he will either sell his undivided one-half interest or buy that of the landlord, at the option of the latter.

5. By mutual agreement one or the other of these methods may be applied in the division of any portion of the jointly owned property.
SECTION V. When this lease is terminated on March 1 of any year by notice as herein provided, the landlord shall reimburse the tenant:

1. For plowing done in excess of area plowed at beginning of lease, at $___________ per acre; provided tenant pay landlord at same rate if plowing left is less in area than that at the beginning of lease.

2. For clover sod to be plowed for crops the following season, in excess of amount found in similar condition at beginning of lease at $___________ per acre; provided the tenant pay the landlord at the same rate if such land is less in area than at the beginning of lease.

3. -----------------------------------------------

4. The tenant shall present all such claims in writing at the termination of the lease.

SECTION VI. If the tenant shall fail to carry out any provision of this lease, it shall be the right of the landlord to enter upon and take possession of the premises and all the property jointly owned, and care for same till settlement can be made, which shall be done according to the terms of this lease, in so far as they are applicable under such condition.

SECTION VII. If dispute shall arise over any of the settlements provided for in this lease, the parties may agree to refer the matter to a board of three arbiters, one chosen by the landlord, another by the tenant, and the third by the two first chosen. If and when disputes are thus submitted, the decisions of this board shall be binding on both landlord and tenant.

SECTION VIII. The landlord hereby reserves right of entrance upon the premises at all reasonable hours in order to work and make improvements as he shall deem expedient; provided such entry and work on the part of the landlord does not interfere with the tenant in carrying out the regular farming operations.

EXPLANATION OF STOCK-SHARE LEASE

This stock-share contract is drawn with the special purpose of avoiding the possibility of legal difficulties which may, and occasionally do, arise thru partnership, while retaining the advantages which come from the stock-share method of renting. There are many cases in which the parties are so situated and sufficiently in agreement on business matters as to make stock-share farming the most desirable, but they do not care to be so closely tied up as a partnership would tie them. While the partnership may be suitable for most cases involving father and son, or other relationship, it probably is undesirable in practically all cases in which the parties are not related.

There is a good deal of misunderstanding as to just what constitutes a partnership in a legal sense and what obligations it puts upon the partners. The most important phase of the partnership as it affects farm landlords and tenants is that of joint liability for the debts of the business. The courts have uniformly held that all the members of a partnership are "agents" for the firm and for each other with reference to the partnership's business. That is, all members of the firm have the right to bargain for the firm and all members are held equally liable for the debts contracted by any member, provided the debts were assumed in connection with the partnership busi-
ness. For example, if a landowner and a farm operator were really in partnership the operator might hire a man to work on the farm in question and, failing to pay him, the hired man could sue the landowner and the court would recognize his claim against the landowner as legal. Or the landowner might go in debt for livestock which he was to furnish to the business and his partner, the operator, would be equally liable with him for the payment. It must be said that such difficulties arise in only a very small percentage of all the cases of stock-share farming because most parties know each other well enough to be satisfied as to the other's business integrity before entering the deal. But occasionally trouble does arise and when it does it is so serious that every measure should be taken to prevent it.

Because the objections to partnership are legal in nature, landlords and tenants who want to keep clear of it should understand, before they draw their contract, just what the courts consider a partnership to be, in order that they may avoid setting up such a relationship thru their contract. One legal expert says that the most essential element in partnership is "co-ownership of net profits." Out of this principle arise the other frequently mentioned proofs of partnership such as mutual agency, joint control of the business, etc. If two or more individuals are associated in a business venture in such a way that they jointly own the net profits arising from the business, they are partners in the legal sense and because they are joint owners of the net profits they share in the control of the business and are agents one of the other so far as the partnership enterprise is concerned. It is because of this joint ownership and control of net profits, also, that our Iowa supreme court holds that for a business to be a partnership the owners must share not only profits but losses.

It is well here to point out certain things which do not in themselves make a partnership. For instance, joint ownership of property is not, in itself, partnership in the legal sense. Neighbors may own a thresher or other machinery together and not endanger themselves in the way of joint liability. Neither is the mere giving and receiving of a share of the income for the use of land, or other property, or for labor, partnership. The courts have long held that profit sharing as a feature of a wage system does not make the employer liable as a partner with his employees.

One point always regarded as important by the courts in interpreting a contract, such as a farm lease, is the intention of the parties. If only the landlord and tenant were involved their intention—expressed in the lease—not to form a partnership might be sufficient. But frequently outside parties are involved as creditors, employes, etc., and for the protection of these outside parties who may deal in good faith with one of the parties supposing him to be a legal agent of a partnership, the courts hold that they cannot merely say that they do not intend to be partners and thus control the situation. If they provide for a certain business adjustment between themselves which, whether they know it or not, contains all the elements of a partnership, then of course it is a partnership and they may be held to all the obligations of partners.

In view of these legal aspects of the partnership relation, special
effort has been made in drafting this lease to avoid creating a partnership. First, the tenant is named as the manager of the business. There is no joint control of the business as such. Of course the landlord, as joint owner of certain property, retains a share of the control of that property but this does not give him joint control with the tenant of the business as a whole. In the second place, the lease expressly provides against mutual agency by stipulating that purchases of jointly owned property cannot be made by one party without consent of the other, that neither party has authority to bind the other in contracts with third parties, and that all expenditures made by either party shall be in his own name and on his own account. Finally, it is provided that the landlord shall be paid his rent and other renumeration, not by a share of the net profit after certain losses or expenses are deducted but by a percentage or fractional share of the gross income. For these reasons parties using this contract, who wish to avoid partnership obligations, should be very careful in modifying or changing the essentials of these provisions. As an added precaution the lease when drawn and signed should be acknowledged before a notary public and registered in the office of the county recorder. This registration is in effect a notice to outside parties as to the nature of the contract and thus helps to protect each party to the lease against claims of the other's creditors.

It should be definitely understood, in connection with this or any other share renting contract, that there can be no absolute certainty in advance as to what the court will do if a case under the contract should get into court. Much depends upon the particular circumstances under which the case arises and the way in which the case is brought and defended. However, it is important to note that the Iowa supreme court has always taken care to uphold the relation of landlord and tenant rather than partnership when dealing with farm cases. It has never yet held that a farm rent contract created a partnership even in cases of stock-share renting; and several such cases have been passed upon. The decisions in other courts have not been so uniform but quite generally they have held against the claim that share renting is partnership.

This lease provides for the same general adjustments and the same type of farming as the "Stock-Share Partnership Agreement." However, the landlord retains considerably less active participation in the running of the farm than does the landowning partner under the other contract.