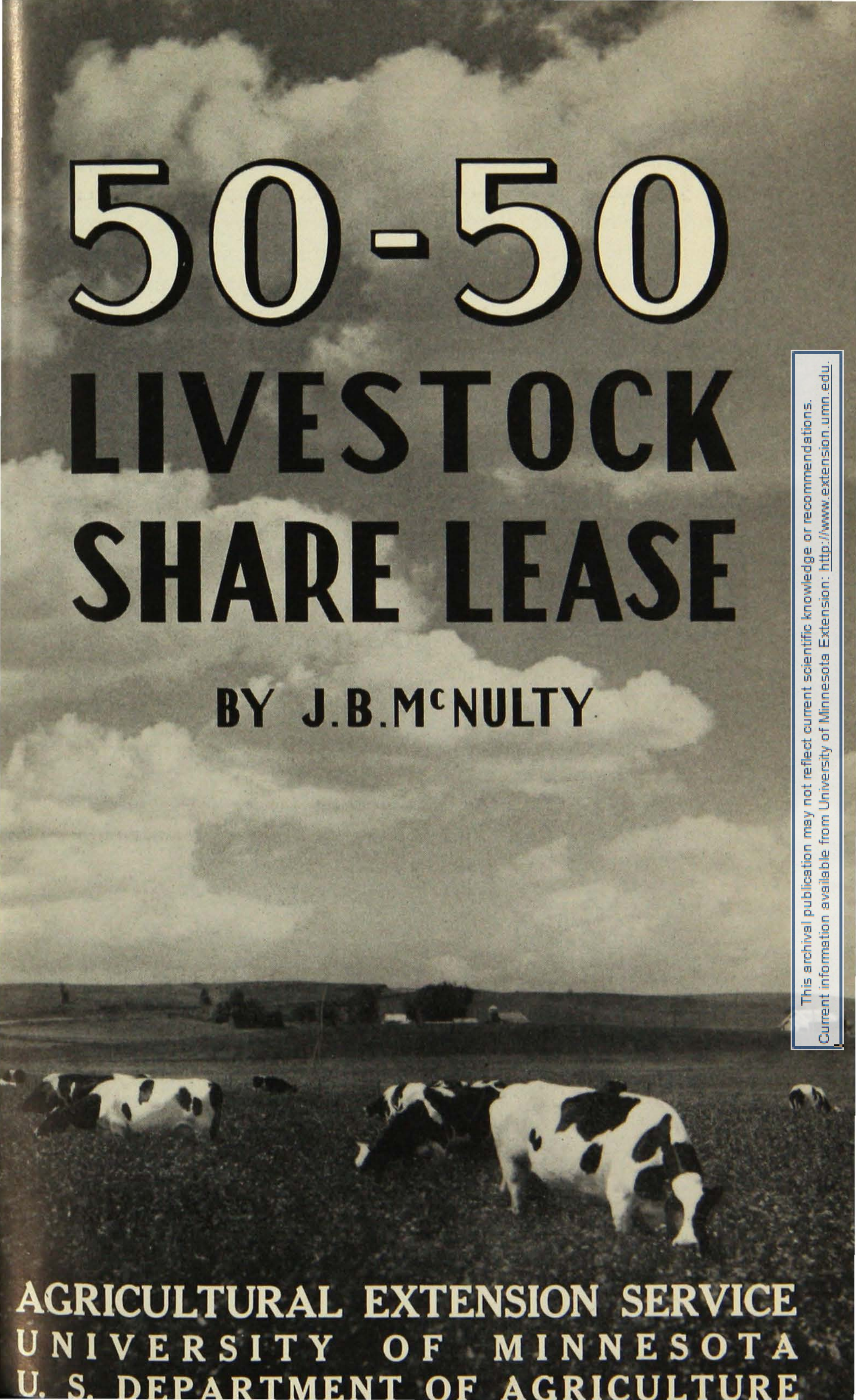
50-50 LIVESTOCK SHARE LEASE

BY J.B. McNULTY



AGRICULTURAL EXTENSION SERVICE
UNIVERSITY OF MINNESOTA
U. S. DEPARTMENT OF AGRICULTURE

WHAT IT IS—The 50-50 livestock share lease is an arrangement under which the tenant and landlord usually own an undivided half interest in all the productive livestock and share all the receipts from the farm equally.

The landlord provides the land and improvements, and the tenant furnishes machinery, horses, and labor. Some other expenses are shared equally. Considerable variation from these usual terms, however, may be needed under some conditions.

WHO MAY USE IT—This type of lease is not suitable for all or even a majority of Minnesota farmers. In many instances, however, both the tenant and landlord find it the best arrangement they can make.

The 50-50 livestock share lease may be advantageous to young farmers with limited capital, and also to landlords who have had farm experience and who can spare the time needed for supervision.

The tenants who are well equipped with livestock and machinery and who have very few debts are likely to prefer the crop share or cash lease.

Unless the landlord secures a tenant who is sucessful with livestock, some other type of lease will prove more satisfactory than the 50-50 livestock share lease.

WHY DISAGREEMENTS MAY ARISE—Disagreements may arise in this type of lease because both parties have a common interest in livestock, crops, sales, and several important expense items. Adjustments, therefore, may be needed more frequently with the 50-50 livestock share lease than with other standard types of leases.

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The 50-50 Livestock Share Lease

J. B. McNulty

DRAWING up a 50-50 livestock share lease that will prove satisfactory to both parties requires a clear understanding of the subject and very careful planning. Most 50-50 livestock share leases are drawn up with the expectation that the deal will last for many years. Frequently, however, tenants and landlords, particularly those without experience, do not understand or at least fail to appreciate that there are more questions on which disagreements may develop with the 50-50 livestock share lease than with other standard types of leases.

This results, in part, because both parties have a common interest in the livestock owned jointly, the feed produced, and the cash sales from the livestock and livestock products. The tenant and landlord also share some important expense items. Just what constitutes a fair share of these under different situations may become a source of friction unless a definite understanding is reached and included in the lease.

The usual terms and suggestions on some of the important problems on which special agreements may be needed in drawing up a 50-50 livestock share lease are given in this bulletin.

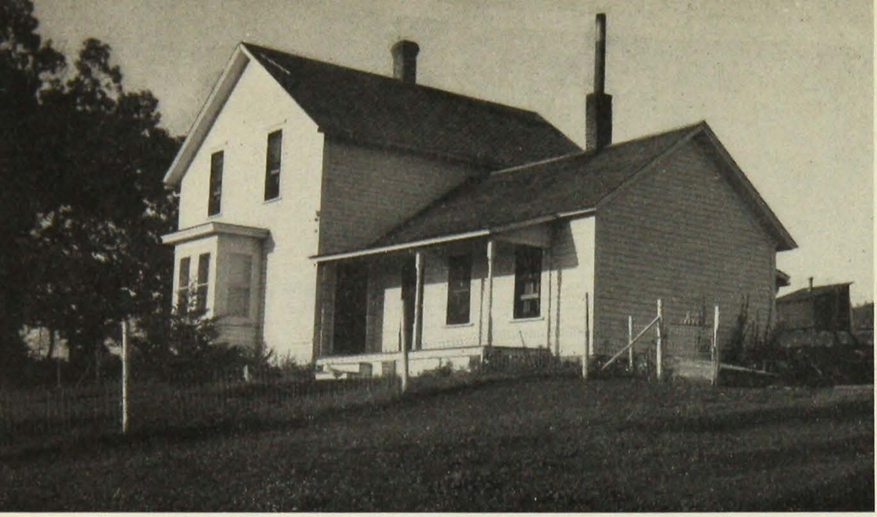
A large group of Minnesota landlords and tenants recently questioned about their experience with the 50-50 livestock share lease were quite generally agreed that good relationships between the tenant and the landlord are even more important for success with 50-50 livestock share leases than with other leases.

Farming Knowledge Necessary

Among a number of essentials for satisfactory relationships, honesty and knowledge of farming were most frequently mentioned. One landlord who had used the 50-50 livestock share lease for many years was discontinuing its use because of the difficulty of securing tenants who were successful with livestock and because of the relatively great amount of time required for assisting the tenant in planning and supervising the farm business. Nevertheless many expressed a preference for the 50-50 livestock share lease. This suggests that, under certain circumstances (see General Suggestions, page 18) and under leasing arrangements that are equitable to both parties, the 50-50 livestock share lease may prove more satisfactory than other types of leases.

Terms May Vary

A leasing arrangement between a tenant and a landlord is equitable when the income is shared in the proportion



A Comfortable Home - -

Fig. 1. A reasonably comfortable house helps a landlord secure and keep a good tenant. This is a house on a southeastern Minnesota farm rented to the same tenant for the past 20 years under a 50-50 livestock share lease.

that each party contributes to the cost of obtaining the income. The 50-50 livestock share lease, for example, assumes that each party contributes one half to the cost and receives one half of the income. All tenants, however, are not equally well equipped for operating a particular farm. Nor are they all equally capable as farm operators.

On the other hand, all landlords are not equally well informed on farming nor equally capable of assisting the tenant in planning the farm operations and business. Furthermore, farms vary in the productivity of the land, the per cent of all land that is tillable, the condition and adequacy of the buildings and fences, and in other respects. Variations from the usual terms of the livestock share lease as described in this bulletin may, therefore, be needed to establish an equitable leasing arrangement between a tenant and a landlord on a particular farm.

Contributions of Tenant and Landlord

THE TENANT'S CONTRIBUTION

1. All or most of the machinery including repairs.

2. All of the horses plus veterinary expenses for the horses.

3. One half of the cattle, hogs, and sheep. As explained on page 13, the landlord may, under certain conditions, furnish all the milk cows.

4. All of the chickens. The number is usually limited to 100 or less.

5. The labor of the tenant and his family; also all hired labor including extra labor needed for threshing, silo filling, and ordinary repairs for fences, buildings, or other permanent equipment. The tenant boards the labor.

6. General supervision of the farm.

Well-Kept Buildings - -

Fig. 2. Under the 50-50 livestock share lease, good buildings providing satisfactory housing are very important although good land is even more necessary. These buildings are on the same farm as the house shown on page 4.

THE LANDLORD'S CONTRIBUTION

1. The land and improvements. The taxes on land and improvements and the fire and other insurance on buildings are paid by the landlord. If additional crop land is rented, the landlord pays the rent. All material for repairs on buildings and fences or other permanent equipment is furnished by the landlord. Skilled labor for repair jobs is furnished by the landlord.

2. One half of the cattle, hogs, and sheep. As explained on page 13, the landlord may, under certain conditions, furnish all of the milk cows.

3. Some supervision of the farm.

EXPENSES SHARED EQUALLY

1. Seed (other than grass seed), feed, spray materials, commercial fertilizer applied to corn in the hill or row, sheep shearing, veterinary expenses for livestock owned jointly, twine, machine costs of threshing, silo filling, corn shredding, and feed grinding. If grass seed is produced on the farm, the seed needed for the farm is taken from the undivided seed.

2. Purchased feeder cattle, hogs, and sheep.

3. Taxes and insurance on livestock owned jointly.

4. Hail insurance on crops.

5. Fire insurance on feed, grain, hay, and silage.

6. Cow testing or farm management association dues. The tenant should be credited with one half of the cost of the board furnished the cow tester or route man on a basis of cost to the tenant. In the case of the cow tester, an arrangement whereby in consideration for furnishing the board, the tenant pays one third and the landlord two thirds of the annual fees, is fair.

7. Tractor fuel usually shared equally. Occasionally the landlord specifies the maximum number of gallons of fuel for which he will pay. This encourages the use of horses, usually fed out of undivided feed.

Problems Requiring Special Consideration

GRASS SEED

The landlord usually furnishes the grass seed. However, in some instances, particularly on highly productive land, the cost of the grass seed is shared equally. Where the tenant shares the cost of the grass seed, the lease should contain a provision for compensating the tenant if he does not remain on the farm long enough to get the full benefit of his investment in the seed.

Determining Tenant's Share

To illustrate the method used in calculating the amount due the tenant, let us assume that the tenant and landlord agree that alfalfa is to be plowed up every 3 years and that the tenant's share of the cost of alfalfa seed is $1.50 per acre. The landlord, if alfalfa were seeded in 1940, would pay the tenant in full for his investment in the seed ($1.50 per acre) if he did not remain on the farm to harvest the crop in 1941. If the tenant moved away after the 1941 crop was harvested, he would receive two thirds of his investment in the seed or $1.00 per acre. A tenant remaining on the farm until the 1942 crop was harvested would receive payment for one third of his investment or 50 cents per acre. A tenant remaining on the farm for 3 years or until the 1943 crop was harvested, would receive no compensation from the landlord.

If the alfalfa seeding were so poor that it became advisable to plow it up before a crop of alfalfa was obtained, or if a stand is obtained and it should winterkill or otherwise be lost, the tenant would receive no compensation for his share of the expense even though he moved prior to the end of the three-year period.

USE OF FERTILIZERS

Limestone

In the low lime areas, finely ground limestone is frequently used for new seedings of alfalfa or sweet clover. Spreading limestone requires more man and horse labor than seeding small grain. Special equipment also must be provided. It costs 25 cents per acre to rent a limestone spreader. A fair arrangement under a 50-50 lease would have the landlord furnish the spreader and the limestone delivered on the farm, and would have the tenant do the spreading. If the tenant ceased to operate the farm before the first year's crop was harvested, he would be paid for labor expense in applying the limestone.

Occasionally the tenant pays for one half of the limestone. If the usual amount of pulverized limestone (2 to 3 tons per acre) is spread, 10 to 12 years may elapse before all of the benefits from the limestone are exhausted. The benefits to the soil will, however, be more during the first half than during the latter half of this period.

A suggested basis for compensating the tenant is to divide the cost equally among the first 5 crop years following the liming. If the tenant's share of the cost of the limestone were $20.00 and he remained on the farm one year, the landlord would pay the tenant for 80 per cent of his investment, or $16.00. After 2 years the tenant would receive 60 per cent or $12.00; 3 years, 40 per cent or $8.00; 4 years, 20 per cent or $4.00. After 5 years he would receive no compensation.

The English custom would require either the landlord or the oncoming tenant to pay the tenant who is leaving the farm for the exhausted value of the limestone. Although this plan has not been used to any extent in the United States, it may be used more in the future.

Commercial Fertilizers

Commercial fertilizers, particularly phosphate, increase yields and improve the quality of legume, corn, and grain crops on much of the land in Minnesota. The number of years for which some beneficial effects may be expected from broadcasting a commercial fertilizer depends upon the kind and amount used, type of soil, moisture, and other conditions.

Sometimes the tenant agrees to pay a share of the cost of commercial fertilizers used on small grain or alfalfa. These leases should take into consideration that, with fertilizers in which either phosphate or potash is the chief ingredient, benefits ordinarily are spread over several years. The benefits may be roughly estimated to be one half for the first, one fourth for the second, and one fourth for the third year.

For example, if the tenant's share of the fertilizer were $20.00 and if the tenant remained on the farm long enough to harvest one crop, the landlord would repay the tenant for one half of his expense, or $10.00. If the tenant remained long enough to harvest the second crop, he would receive one fourth or $5.00. After three crops, the tenant would receive no compensation.

If a commercial fertilizer is applied in the row to potatoes or corn, most of the benefits come in the first year, and so the tenant is not entitled to compensation for future benefits.

The basis of settlement for the tenant's expense for fertilizer and limestone as well as the amount to be applied should be clearly stated in the lease.

POULTRY AND LIVESTOCK

Poultry

Because poultry requires more labor in proportion to income than other livestock, the tenant should not be expected to share the receipts equally with the landlord. Moreover, an accurate accounting of eggs used in the house and sold requires much detailed work. Disputes may, therefore, arise even though the tenant has acted in good faith.

A customary arrangement is to permit the tenant to own a flock (25 to 100 chickens) and to have all of the receipts. Feed produced on the farm is used for the chickens. Supplementary feeds and special equipment such as portable brooder houses or poultry fences not on the farm are provided by the tenant.

The lease should contain a clause permitting the tenant either to remove the equipment within 60 days after the expiration of the lease or to sell the equipment to the landlord on a basis agreed upon when the lease is drawn. If the lease expired when the ground was frozen, the tenant should be given the right to remove the equipment on or before May 1. This, of course, would necessitate a clause in the lease with the oncoming tenant specifying that the previous tenant had the right to come on the farm for this purpose.

Horses

Both the landlord and the tenant benefit if there are enough horses to get the work done in good season. Tenants are sometimes permitted to raise enough colts to maintain the work stock, to pasture such colts without charge, and to use undivided feed. The number of colts to be raised should be specified in the lease and special provision made if colts other than those needed for replacement are to be raised.

Raising horses for sale is the exception rather than the usual practice under a 50-50 lease in Minnesota. Colts or horses other than those needed for replacement, if raised, are owned jointly, and for such colts the landlord pays the service fee for the stallion. Colts are fed out of undivided feed and grazed on pastures provided by the landlord.

Sheep

As stated previously, the usual arrangement is for the landlord and tenant to have an undivided one-half interest in the sheep as well as in the cattle and hogs. Often, however, the tenant is unable to furnish his one-half interest. One of the following three plans helps the tenant smooth over this difficulty.

Tenant May Give Note—If the tenant does not have enough capital to provide his share of the breeding flock, the landlord sometimes sells the tenant a one-half share in the sheep on a note secured by a chattel mortgage.

Tenant May Get One-Half Increase—In other instances the landlord furnishes all of the sheep and gives the tenant an undivided half interest in the increase. In this plan the tenant eventually owns a one-half interest.

Ewe lambs used to replace old or non-productive sheep, or sheep that die, are selected from undivided ewe lambs, tattooed or ear notched, and owned jointly by the landlord and tenant. The landlord gets all of the receipts from the sales of the sheep that were in the flock at the start. All other receipts are shared equally.

When all of the sheep in the flock at the start have been replaced from ewe lambs selected from the increase, the landlord and tenant each have an undivided half interest in the flock. Thereafter the sheep are handled on the usual 50-50 basis.

To illustrate this plan let us assume that there were 50 sheep in the landlord's flock at the start and that it is good sheep management to replace 20 per cent or 10 of the sheep with ewe lambs each year. Since the tenant would have an undivided half interest in all of the increase, he would have an undivided half interest in the 10 ewe lambs used for replacement. On this basis the tenant would acquire an undivided half interest in the 50 sheep in 5 years.

Under this arrangement the landlord would be making a somewhat larger contribution than is customary up to the time the tenant had acquired a one-half interest. It is therefore reasonable for the tenant to pay all of the costs of shearing, dipping, and treating for worms until the landlord has disposed of the bulk of the ewes originally furnished by him. Sheep and lambs need to be dipped once and treated for worms twice a year. In case any new fences for sheep or repairs on the sheep shed are needed, the tenant might be required to furnish the labor under this plan.

Compared to most other plans for starting a tenant in the sheep business, this plan is simpler and less likely to result in disagreements especially when the lease has been terminated.

Landlord May Retain Ownership— In contrast with the foregoing plan, another plan under which the landlord furnishes and retains possession of the breeding flock, is sometimes used. All sheep that die as well as all old or unprofitable sheep sold, are replaced with undivided ewe lambs. All receipts including sales of original ewes are shared equally.

Over a period of years ewe lambs have a higher market value than other sheep. Recently[1] fat lambs weighing around 85 pounds had a market value of $6.50-$7.00 per head in contrast to solid-mouthed breeding ewes with a market value of about $4.00-$5.00 per head. The landlord, who owns all the sheep, is likely to favor rigid culling to reduce death losses and to maintain the flock at a high level of productivity. However, replacing old sheep with ewe lambs reduces sales of lambs of which the tenant receives one half. Consequently the tenant is likely to favor holding replacements at a minimum, and therefore this plan may prove unsatisfactory.

[1] August 1, 1939.

Dividing the Livestock

The lease should provide for an equitable distribution of all livestock owned jointly by the landlord and tenant when the lease is discontinued. A common procedure is for the tenant to divide each kind of livestock into two lots and to permit the landlord to choose one lot of each kind of livestock.

Another method is to request the services of an arbitration committee to make a division that is fair to both parties. If the tenant and landlord fail to agree upon either of the two methods mentioned, all livestock may be sold at auction and the net proceeds divided equally.

ADDITIONAL PASTURE LAND

It is customary for the landlord to pay the rent on any additional land rented for pasture. However, in emergencies where the pasture and feed supplies are likely to be inadequate and where, through the renting of additional land, cash purchases of feed may be reduced or eliminated, tenants sometimes pay one half of the rent of the additional pasture land.

USING FARM PRODUCE

It is customary to allow the tenant enough milk, cream, garden crops, and potatoes for table use. Tenants are allowed to cut dead or waste timber for fuel. If there is an abundance of timber on the farm, the tenant may be allowed to cut some live timber, if needed, to make an adequate supply of fuel. If there is no timber for fuel, or if the supply is limited, the landlord ordinarily assumes no responsibility for the tenant's fuel.

Meat Divided Equally

All livestock butchered (except chickens) is divided equally between the tenant and the landlord. If the landlord does not want his share, the tenant pays the landlord an amount equal to one half of the market value of each animal butchered.

The tenant purchases the butter for his family. Ordinarily he does not supply the landlord's family with potatoes or other garden crops.

MORTGAGING JOINT PROPERTY

A provision, restraining either tenant or landlord from mortgaging all or any part of the livestock, feed, or other equipment owned jointly, without the consent of the other party, should be included in the lease.

Mortgage Pledges Property

A mortgage pledges the property as security for a note. Inability to meet terms of the note might result in the sale of the property mortgaged. If the property were sold at public sale, the owner of the unmortgaged property might become a joint owner with a party not of his choosing or he might be obliged to purchase the share of the other party. Moreover, sale of mortgaged property would be likely to interfere with carrying out the terms of the lease.

WORK WITH JOINTLY OWNED EQUIPMENT

For such work as silo filling, threshing, corn shredding, and feed grinding, where equipment is owned jointly, the tenant may furnish the tractor, and the landlord the silo filler, grain separator, corn shredder, or feed grinder, or pay the rental cost of these implements. Fuel costs for the tractor are usually shared equally.

Cost Based on Local Rate

If one party furnishes all of the equipment, the other party pays the owner of the equipment one half of what it would cost to hire the work done. Costs are based on the lowest rate available in the community. The exact arrangement that will be equitable for sharing the expenses of these types of work is likely to vary somewhat between farms. It is important, therefore, that the tenant and landlord include in the lease a definite plan for handling these expenses.

OTHER PROBLEMS

Electricity

The tenant usually pays the cost of the electricity used for the household purposes and maintains the fixtures used for the household. He also pays for the electricity for the chicken and brooder houses if he gets all of the income from the poultry.

On many farms the cost of the electricity used for other purposes is so small that the tenant pays all of the costs of the electricity or obtains some concession from the landlord to even up the deal. But if a large part of the total income is obtained from the sale of dairy products, the cost of electricity (or gasoline if a gas engine is used) for the cream separator and milking machine is shared equally.

Since two meters would be required to make separate charges for the electricity used for household and farm purposes, the tenant and landlord usually estimate the share of the cost of electricity that each should pay. Sometimes the landlord limits the amount that he will pay to a certain maximum. Employees of the company supplying the electricity may assist in making an estimate of the amount of electricity used for farm purposes.

Pump and Windmill

On farms where a pump or both a pump and a windmill are needed for an adequate water supply, the landlord provides and maintains this equipment except for repairs that can be made by unskilled labor. However, expenses incurred because of the tenant's negligence are usually paid by the tenant.

Board for Landlord or Landlord's Help

The landlord pays for this expense. In special cases where the landlord furnishes help for such work as threshing or silo filling, the tenant may furnish the board without charge.

Taking Over and Leaving the Farm

RECORD CONDITION OF EQUIPMENT

Most leases require that the tenant leave the buildings or other permanent equipment in as good repair as when he took possession. Therefore the number and condition of such equipment as screens, storm doors, water tanks, and cow stanchions should be noted in the lease; also the condition of the pump, windmill, barn doors, windowpanes, or other parts of the permanent equipment. It is well to note whether there is a hayfork rope and the condition of the rope. The lease might, for example, contain such statements as the following: (1) There are 15 window screens, three screen doors, and three storm doors on the house, all in good repair. (2) All of the windows of all of the buildings are in good repair except for six broken panes in the chicken house, etc.

SUPPLYING FEED AND LIVESTOCK

The tenant usually purchases a one-half interest in the feed on hand when he takes possession. If the tenant does not have enough livestock, he may buy enough of the landlord's to give him a one-half interest in the livestock owned jointly.

If the tenant lacks the capital for the purchase, an arrangement whereby the tenant agrees to leave an equivalent amount of feed or livestock when he gives up possession is sometimes made.

Good Pasture Necessary -

Fig. 3. Good livestock and good pastures help both the landlord and the tenant under the 50-50 livestock share lease.

If the deal, however, results in an exchange of a poor for a good quality of grain or feed, it may be difficult to make an equitable settlement. Soft corn or light oats, for example, are worth much less than sound corn or heavy oats for either feed or sale.

Changes in the age or physical condition of a specified number of cows, heifers, sows, or ewes during the period the tenant is on the farm may cause a significant difference between the value of the livestock acquired by the tenant when he takes possession and that left on the farm when he gives up possession. Some difficulties may be encountered in making this adjustment.

MAKE CAREFUL INVENTORY

The possibility of disagreements in "settling up" at the expiration of the lease is greatly reduced if a careful inventory is made of the livestock, feed, or other jointly owned equipment when the tenant takes possession. The number, breed, and approximate age of each kind of livestock, as well as the bushels of grain, tons of hay, and feet of silage in the silo or silos, should be recorded.

The approximate weight of the hogs, feeder cattle, or feeding lambs is also an important part of the inventory.[2]

Information on determining the amount of ear corn at varying moisture levels in a crib and small grain in a bin from measurements is given in the appendix of this bulletin. See pages 19 and 20.

[2] You may check your estimate on cattle, hogs, and sheep by making some simple measurements described in Extension Folder No. 70, "Livestock Weights From Measurements," which may be obtained from the county agent or the Bulletin Room, University Farm, St. Paul.

Over-Grazed Pasture - -

Fig. 4. Rough, over-grazed pasture reduces income of both landlord and tenant. Good livestock with insufficient pasture is little better than poor livestock.

FINANCING THE TENANT'S SHARE

If the tenant is unable to purchase his share of the feed or livestock, serious consideration should be given to an agreement under which the landlord would sell the feed or livestock to the tenant and take a note secured by a chattel mortgage for the unpaid balance. Such an agreement might further stipulate that the tenant would retire the note by paying the landlord a definite per cent of the tenant's share of each cream check and of the hog sales. Or the agreement might specify that the tenant would assign a certain number of pounds of butterfat out of each cream check, plus a certain number of pounds of pork, when sold, to the landlord.

If the landlord wishes to get a particular tenant who is worthy but who cannot provide his share of the cows, the following arrangement might be mutually advantageous to both parties.

The landlord furnishes all of the cows at the beginning; the tenant gradually replaces one half of the cows with his one-half share of increase. Eventually the herd is owned on a 50-50 basis.

This arrangement would encourage a good tenant to do his best because he would gradually acquire some cows of his own. The landlord would get all of the receipts from the sale of cows that were on the farm when the tenant took possession as well as one half of the increase. Extra costs incurred by the landlord in the early years of the lease would include depreciation on one half of the cows plus interest on his extra investment in the cows.

The livestock record kept by each party should identify each animal. For this, color markings, ear tags, or tattooing may be used.

Factors Influencing the Relative Advantages of the Landlord and the Tenant

INCOME FROM DAIRYING

In the production of hogs, labor costs make up less than 10 per cent, while in butterfat they make up 30 per cent of the total.[3] This indicates that the tenant's share of the expense is much more in the case of butterfat than in the case of pork. Yet, under the 50-50 lease, all receipts are shared equally. The equitability of a 50-50 livestock share lease is, therefore, influenced by the proportion of the income received from different livestock enterprises.

Landlord Often Furnishes All the Milk Cows

It is equitable and customary on farms where a large part of the total income is derived from dairy cows for the landlord to furnish all of the milk cows.

CHICKENS AND TURKEYS

Chickens and turkeys in small flocks are livestock enterprises for which labor constitutes a relatively high part of the total cost of production and are, therefore, not well suited to share leasing.

Data obtained on a limited number of farms in Winona county for the 3-year period, 1936-38,[4] suggest that the cost of producing one hundred pounds of turkeys would be distributed approximately equally under the following arrangement. Landlord and tenant pay one half of the cost of the feed and poults; tenant furnish the labor; landlord furnish all other equipment such as the brooder house, brooder stove and fuel, range shelter, and roosts. Flocks ranged from 500 to 1,500 with an average of 700 turkeys per flock.

With chickens, however, if the cost of feed and baby chicks were shared equally,[5] the tenant furnishing the labor and the landlord paying all other costs, the tenant would be paying somewhat more than one half of the cost of keeping the chickens. Flocks ranged from 100 to 400 with an average of 140 hens per flock. Although women contribute much of the labor for raising chickens and turkeys on many farms, the proportion of the total that is furnished by women is undoubtedly greater for chickens than for turkeys.

If chickens are raised on shares, an accurate record of the amount of poultry and eggs used in the home is ordinarily required. These circumstances tend to make the problem of working out a satisfactory plan for handling poultry on a share basis somewhat more difficult for chickens than for turkeys.

As stated, the information in the preceding paragraphs is based on data obtained from moderate size flocks of chickens. Data are not available on flocks of one thousand or more chickens; therefore, definite information on the

[3] Mimeographed report 108, Division of Agricultural Economics, University of Minnesota, U.S.D.A. cooperating, June, 1939, pages 8 and 15.

[4] Mimeographed Report 107, Division of Agricultural Economics, University of Minnesota, 1938.

[5] Ibid.

Poor Fields Unprofitable - *Fig. 5. Floods have seriously damaged this field. Land on which uniformly good crops cannot be expected is a distinct disadvantage to the tenant.*

relative contributions of the landlord and tenants where large flocks of chickens are kept cannot be given. It appears likely, however, that large flocks of chickens would tend to reduce the tenants' disadvantage.

INTENSIVE CROPS

Intensive crops such as potatoes and hybrid seed corn require much more labor than grain, corn, or hay crops. An acre of barley in Winona county,[6] for example, required an average of 8.8 hours of labor for the 4-year period of 1935-38. Man labor accounted for 14 per cent of the total cost. Labor requirements for intensive crops were not obtained in Winona county. But in Polk county,[7] where potatoes are produced on a large scale, an acre of potatoes required 34 hours of man labor for the 3-year period 1926-28. Man labor was 38 per cent of the cost of producing potatoes in Polk county for this 3-year period.

Cost of Additional Labor Shared

An equitable arrangement for handling intensive crops on a share basis will, therefore, require the landlord to pay his proportionate share of the additional costs for labor. Where sugar-

[6] Mimeographed Report 106, Division of Agricultural Economics, University of Minnesota, 1938.

[7] Mimeographed reports on "Cost of Crop Production," Polk County, for years 1927-28. Division of Agricultural Economics, University of Minnesota.

beets, for example, are rented on a share basis, the cost of seed, commercial fertilizer, hand labor, and hauling the beets to market is frequently shared on the same basis as the receipts from the sale of the beets. More satisfactory relationships between landlords and tenants are likely if land on which intensive crops are to be grown is rented for cash.

UNDESIRABLE FARMS

Owners of undesirable farms are very likely to find it necessary to furnish all of the cows in order to get a good tenant.

Some of the reasons for farms being undesirable to a tenant are as follows: acres of tillable land too few; land expensive to work because of stones or stumps; land unproductive because it is sandy, eroded, or badly infested with creeping jenny, leaf spurge, or other noxious weeds.

In some instances, the landlord may even up the deal by furnishing some equipment such as manure spreader, cream separator, or milking machine. Experienced landlords suggest concessions of this kind as preferable to changes in the usual one-half share of the receipts.

Handling the Farm Transactions

The most common method is the following: Landlord and tenant each pay one half of the usual joint-expense items at the time of purchase. Joint expenses in the case of minor items are paid by either tenant or landlord as convenient or as provided in contract.

Separate checks, in equal amounts, payable to the landlord and tenant, are issued for all major sales including monthly receipts for cream, cheese, or milk. One check payable to either the tenant or landlord, as agreed upon, is issued for minor sales. Sales and purchase slips in duplicate are obtained by the party handling the sale or purchase.

BALANCE PREPARED MONTHLY

A balance of expenses and sales is prepared regularly each month and a written memorandum, with sale and purchase slips attached, is made of the "account to date." Balances due either party are then settled promptly. Writing the sentence "for settlement of all claims to date" on checks, issued by either party to balance the account, reduces the chance of difficulties in settling up at the close of the year. It is quite customary for the lease to contain a clause which stipulates that sales or joint expenses in excess of an amount agreed upon at the time the lease is drawn, shall require the consent of both parties. This tends to reduce misunderstandings.

JOINT BANK ACCOUNT

Sometimes all receipts and expenses are handled through a joint bank account. Where this plan is used, the landlord usually reserves the right to write checks on the account. Minor expense and sale items may be handled by tenant. Accounts are balanced and "settlement to date" is made monthly.

Advantages and Disadvantages Compared with Other Standard Types of Leases

The 50-50 livestock share lease is superior to other leases in many ways, but at the same time it has some disadvantages.

ADVANTAGES

To the Tenant

1. Requires less capital because the landlord furnishes one half of the productive livestock.

2. Reduces risk of being unable to pay the rent in poor crop years or when prices are low.

3. Increases prospects of getting the landlord to provide the improvements needed to increase the farm income. Reduces problem of getting enough grass seed, particularly alfalfa.

4. Gives tenant the benefit of the landlord's experience in farming and of the landlord's knowledge of the particular farm. This is not always appreciated by tenants.

5. Simplifies the problem of working out satisfactory arrangements between the tenant and the landlord for participating in the present agricultural conservation program.

To the Landlord

1. Encourages the production of livestock and maintains fertility through a liberal supply of barnyard manure and a larger acreage in pasture and hay, particularly legumes.

2. Reduces probability of being unable to collect the rent in poor crop years or when prices are low.

3. Increases the amount of rent received, particularly if the tenant is successful with livestock and if livestock prices are reasonably satisfactory.

4. Increases the probability of the landlord getting a return from his investment in the improvements.

5. Gives the landlord a voice in the management of the farm.

6. Simplifies the problem of satisfactory arrangements between tenant and landlord for compliance with the present agricultural conservation program.

DISADVANTAGES

To the Tenant

1. High returns resulting from skilled or extra work with livestock shared equally with the landlord.

2. If the landlord lacks experience in farming or an understanding of modern farm management practices, the tenant may be unable to obtain the highest possible income from the farm.

To the Landlord

1. Requires much more time for supervision.

2. Does not provide for definite rental income annually.

3. Since the landlord furnishes one half of the productive livestock, his investment in the business is larger and his risk is greater especially if a tenant should prove to be undesirable.

General Suggestions

CLOSE COOPERATION ESSENTIAL

Livestock share leases require closer cooperation between the landlord and tenant than other types of leases. The probability of successful relationships is greatly increased if the parties have known each other for a long time, and if their previous relationships with others have been reasonably successful. Unless each party has unqualified confidence in the honesty of the other party at the start, successful relationships cannot be expected.

Under a livestock share lease, the ability of the tenant to do a good job with livestock is of great importance to the landlord. From the tenant's point of view, it is of the utmost importance that the landlord have a good understanding of the farming business and that he have a reputation for fairness in his dealing with others.

Livestock share leases are particularly suited to retired farmers and to farm-minded business and professional men who live in the community where the farm is located. They are not suited to absentee, institutional, or most women landlords.

THE "NO PARTNERSHIP" PROVISION

To make clear that the contracting parties do not intend or construe the terms of the lease as creating a partnership, it is customary to insert a no partnership clause in 50-50 livestock share leases. The following is an example: "This lease shall not be deemed to give rise to a partnership relation and neither party shall have authority to obligate the other without written consent, except as stipulated in this contract."

THE ARBITRATION COMMITTEE

Most problems may and will be settled by mutual agreement between the landlord and the tenant. However, if the tenant and the landlord fail to agree, the arbitration committee is suggested as a much more satisfactory method of settling a disagreement than an appeal to the courts. The following is an example of a satisfactory type of arbitration clause:

> It is mutually agreed that in case any disagreements as to payments due or performance of terms arise under this contract, such disagreements are to be referred to a committee of three, each party having full opportunity to present his case to the committee. Each party to the contract will select one of the arbitrators, and the two chosen will select a third. Each party will pay the arbitrator selected by him. The third arbitrator shall be paid jointly but the total cost of his services shall not exceed $__________. The written findings of the arbitration committee shall be furnished to each party and be mutually binding.

Appendix

MEASURING CORN

In making an inventory of corn, the number of bushels of ear corn is obtained by dividing the number of cubic feet by 2½. For a crib 24 feet long, 6 feet wide, and 8 feet high, the calculation is as follows:

24 ft. × 6 ft. × 8 ft.=1,152 cubic feet
1,152 cubic feet ÷ 2.5=460 bushels

The above calculation assumes that both the corn cobs and the corn kernels have dried down to 14.5 per cent moisture or less and that, at this moisture level, 70 pounds of ear corn will yield 56 pounds of shelled corn, i.e., yield 80 per cent shelled corn. But in drouth years or in years when the corn is frosted before it is fully mature, ear corn dried down to 14.5 per cent moisture yields less than 80 per cent shelled corn. If we assume, for example, that 70 pounds of ear corn yields only 49 pounds of shelled corn, then one bushel of ear corn will be equal to forty-nine/fifty-sixths or seven eighths of a bushel of shelled corn. The correct amount of shelled corn in the crib assumed is therefore seven eighths of 460 or 402 bushels.

At husking time the moisture content of corn cobs is higher than that of corn kernels. Therefore, until the moisture content of ear corn (cobs and kernels) has declined to 14.5 per cent, somewhat more than 70 pounds of ear corn will be needed to equal 56 pounds of shelled corn. Because of this, if amount of shelled corn in a crib is to be calculated on a cubic foot basis, more than 2½ cubic feet will be required for one bushel of ear corn. If the number of cubic feet required for one bushel of corn is assumed to be in direct proportion to the number of pounds required per bushel at different levels of kernel moisture, the number of cubic feet required to equal one bushel of corn is as shown in table 1.

Under average conditions, ear corn with 25 per cent moisture is safe for cribbing.

The following is an illustration of how the data in table 1 may be used to calculate the number of bushels of corn of 17 per cent moisture in a crib 24 feet long, 6 feet wide, and 8 feet high:

24 ft. × 6 ft. × 8 ft.=1,152 cubic feet
1,152 cubic feet ÷ 2.59=445 bushels

Table 1—Number of pounds and cubic feet of ear corn (at varying moisture levels) at husking time required for one bushel of 14.5 per cent moisture ear corn*

Per cent of moisture at husking time†	Pounds of ear corn required to yield 56 lbs. of shelled corn of 14.5 per cent moisture	Cubic feet of ear corn required to yield 56 lbs. of shelled corn of 14.5 per cent moisture
14.1-15	71.8	2.50
15.1-16	73.0	2.54
16.1-17	74.4	2.59
17.1-18	75.7	2.64
18.1-19	77.1	2.69
19.1-20	78.4	2.73
20.1-21	79.8	2.78
21.1-22	81.2	2.83
22.1-23	82.6	2.88
23.1-24	84.0	2.93
24.1-25	85.7	2.99

* Data supplied by Dr. I. J. Johnson, Department of Agriculture, Division of Agronomy and Plant Genetics, University of Minnesota.

† Because the moisture content of shelled corn is easier to determine than that of ear corn, the data in table 1 is based on the moisture content of shelled corn.

This is 15 bushels less than a crib the same size, with corn 14.5 per cent moisture, would contain as shown by the earlier calculation.

SMALL GRAIN

The number of bushels of all kinds of small grain in a bin may be estimated by dividing the number of cubic feet by 1¼. Assuming that a particular bin were 12 feet long, 10 feet wide, and 8 feet high, the calculation is as follows:

12 ft. × 10 ft. × 8 ft.=960 cubic feet

960 cubic feet ÷ 1¼=768 bushels

This estimate of 768 bushels is reasonably correct provided the grain is of standard or legal weight. But since the weight of small grain is seldom the same as and may vary significantly from the standard weight per bushel, it is advisable to weigh a bushel of the grain to be measured. A bushel of oats, for example, that weighed 28 pounds would be equivalent to seven eighths of a bushel of oats of standard weight (32 pounds).

If the bin used in the preceding illustration be assumed to contain oats, the correction may be made as follows:

768 bushels × ⅞=672 bushels

Oats that weighed 36 pounds per bushel would be equivalent to 1⅛ bushels of oats of standard weight. If the 768 bushels be multiplied by 1⅛, the corrected estimate is 864 or 192 bushels more than for the oats weighing 28 pounds per bushel.

Further Information

For more general information, see Bulletin 188, "Farm Tenancy and Leasing" by J. B. McNulty. This bulletin discusses other types of leasing, including the straight cash lease and the "crop share" lease. Besides this it reviews the present tenancy situation in Minnesota. Bulletin 188 may be obtained from your county agent or from the bulletin room, University Farm, St. Paul.

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