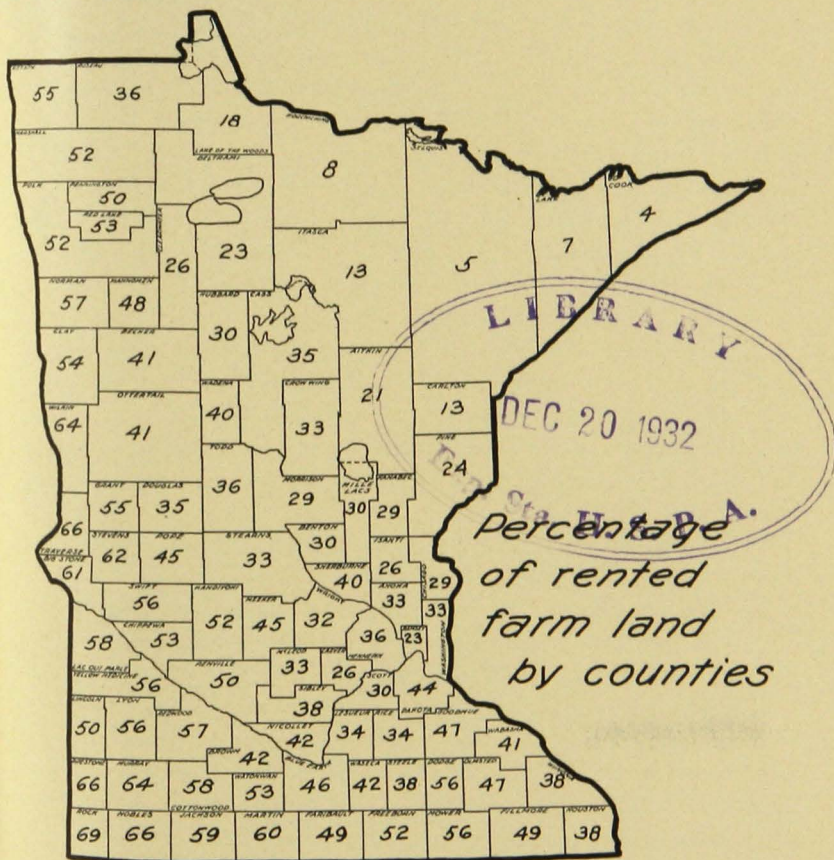


# SUGGESTIONS ON FARM LEASES

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UNIVERSITY OF MINNESOTA  
AGRICULTURAL EXTENSION DIVISION

Published in furtherance of Agricultural Extension, Act of May 8, 1914. F. W. Peck, Director Agricultural Extension Division, Department of Agriculture, University of Minnesota, co-operating with U. S. Department of Agriculture.

## CONCLUSIONS

The 1930 census reports that 45 per cent of the farm land in Minnesota is operated by tenants. There is likely to be a further increase in tenancy. The biggest problem of the landlord is to get a good tenant. If one is to get a good tenant on a poor or weedy farm, it is usually necessary to make concessions. Some of the desirable characteristics of a good tenant are honesty, industry, a disposition to keep the premises neat, ability to finance himself, an active interest in preventing the spread of weeds, and an ability to learn and apply new methods as fast as their merit is established.

The biggest problem of the tenant is to get a good farm. Usually the poor farms rent relatively high compared to the good ones. Good buildings are desirable, but the income is determined largely by the quality of the soil.

The common types of lease in Minnesota are straight cash; crop share, usually with cash rent for hay and pasture; and the 50-50 live-stock. The share lease more or less automatically adjusts itself to a changing price level, but in a period of declining prices, cash rents decline much more slowly than the price of farm products.

Under share leases, in which the tenant furnishes everything, the landlord in the northern part of the Red River Valley usually receives one-fourth of the small grain. In the lower Red River Valley and south to the Minnesota River, farms usually rent for one-third or two-fifths, and a few of the best farms along the Iowa line, at least until recently, have rented for one-half.

The usual small-grain-and-corn share leases are not adapted to truck crops, potatoes, and sugar beets because labor expense is a much larger proportion of the total than with the usual field crops. In the vicinity of Crookston, land rent was only 9 per cent of the cost of growing potatoes but 30 per cent of the cost of a wheat crop.

Livestock leases are adapted to landlords who are farm-minded and who can give considerable time to the supervision of their farms. They are adapted to tenants who would otherwise have difficulty in financing themselves. The labor required of the tenant is greatly increased if dairy cows are a leading source of income, but the expense of the landlord is not proportionately increased.

In northwestern and southwestern Minnesota, about two-thirds of the farms are rented on a year-to-year basis. Under present conditions, where a large number of rented farms are held for sale, it is likely that year-to-year leasing will continue to be the practice with a large proportion of the owners.

Under year-to-year leasing it is desirable to have arrangements in the contract that will encourage the tenant to farm with a long-time

viewpoint. This may be done by inserting in the lease provisions that the tenant may make certain improvements with a provision that he will receive compensation for the unexhausted value of such improvements if he should leave before he has had a reasonable use. Among the items that may be handled in this way are alfalfa, hog and poultry fencing, phosphate fertilizer, and summer fallowing for weed control.

It is customary for the landlord to pay all the taxes. If the lease contains a provision that the tenant is to pay the last half of the taxes IN LIEU of rent, it will greatly stimulate his interest in school district, township, and county governmental activities.

A lease should never be signed by tenant or landlord until each has read the whole contract, including the fine print, and until each is sure that he understands all the provisions. Every feature of the contract should be framed in such a way that it will admit of only one interpretation. Livestock leases that call for leaving the same quantities of feed and livestock on the farm as were found there, frequently give rise to difficulties at time of settlement.

Where such weeds as quack grass, wild oats, sow thistle, spurge, and Canadian thistle are a problem, a control program should be planned before the lease is signed and a summary of the plan should be included.

In the past, tenancy has been regarded as a stepping stone to ownership. Eventually, in many cases, the tenant may become the owner of a good farm, with little or no debt. Under present conditions, many foreclosed farms are offered at what appear to be bargain prices. However, it seems to be the part of wisdom not to take too many chances. If one can have equipment that is clear of debt and can make a down payment of 50 per cent, he should be able to meet his obligations.

### SUGGESTIONS ON FARM LEASES

The status of Minnesota's 185,000 farms as to tenure in 1930, as reported by the Federal census, was as follows:

	Per cent
Owners without mortgage.....	29.1
Owners with mortgage.....	36.7
Owners giving no mortgage report.....	2.5
Farms operated by cash tenants.....	12.5
Farms operated by tenants other than cash.....	18.6
Farms operated by managers.....	0.6
Total .....	<u>100.0</u>

Arrangements between landlord and tenant that are fair to both parties and that give the tenant an incentive to do good farming are of vital interest to Minnesota agriculture. According to the 1930 Federal census, 31 per cent of Minnesota farms are operated by tenants and 23 per cent of the owners rent additional land. Including land rented by owners, 45 per cent of the farm land in Minnesota is operated under

some system of rental. It is likely that there will be further increases in the proportion of rented land.

### Getting a Good Tenant

The biggest problem of the landlord is to get a good tenant. If his farm is capable of producing 40 to 50 bushels of corn and oats in ordinary years, he will fail to get it unless he has a tenant that farms well. Then after he has secured the good tenant, he has the problem of arranging the lease in such a way that the tenant has a strong incentive to put forth his best efforts. There is no certain way of getting a good tenant. There is usually no great difficulty about getting a reasonably satisfactory tenant on a good farm, but if one is to get a good tenant on a farm that has soil naturally poor or that is badly infested with weeds, it is usually necessary to make concessions or to take one who has not yet proved his worth. Under share-leasing, a crop seeded in good season and handled for less than the usual share will net the landlord more grain than a small crop at the usual rate.

Some of the qualities in tenants that landlords usually consider highly important are the following:

1. Strict honesty.
2. Industry and ability to get work done on time.
3. A disposition to keep premises in a neat condition and a willingness to make minor repairs to buildings and fences promptly.
4. Ability to finance himself, and to provide suitable equipment.
5. An active interest in preventing the spread of weeds and in preventing the introduction of new ones.
6. An ability to learn and apply new methods and practices as fast as their merit is established.

Usually the best success in securing a new tenant is by cultivating an acquaintance among local tenants and young men that are likely to want to begin farming for themselves. Under present conditions, some capable farmers who have lost their farms through foreclosure are available as tenants. A landlord who has several farms to rent usually receives numerous applications. Even tho a tenant is not needed at the time, it is well worth while to keep such applicants as seem to be good prospects under observation.

Tenants from a distance usually have considerable to learn about local problems of soil, crop varieties, markets, and climate. Instances have come to our attention in which tenants with excellent recommendations were had from a distance. It later developed that these recommendations were given with a view to helping a tenant to leave a farm where he had not been a success.

When a good tenant has been obtained and has become well established on a farm, the landlord sometimes feels that he could be induced

to pay more rent. As a result, the tenant may have a feeling toward the landlord that results in lessened zeal in looking after the landlord's interests. Sometimes it results in a new tenant. Then the landlord may realize that what counts is the total rent and that an extra dollar or two per acre for the hay and pasture is of small consequence compared to having a capable tenant who is happy on the job.

### Getting a Good Farm

The biggest problem of the tenant is to get a farm with naturally rich soil, a reasonably satisfactory dwelling, and in a community in which the tenant and his family will be happy in their church, school, and neighborhood relations. In addition, it is important to have a landlord who has a reputation for fair dealing with tenants.

Frequently a tenant does not at the beginning fully appreciate the importance of a highly productive soil. Many tenants have made the mistake of accepting a farm with poor soil because the buildings were unusually desirable, or because a silo, a hog house, or a chicken house was particularly desired. A reasonably comfortable and adequate dwelling is highly desirable, also it is desirable to do chores in convenient and adequate buildings. If one can get them in addition to the good soil, so much the better, but one should keep in mind that the income is chiefly produced by the soil. The importance of good soil may be illustrated by an incident that recently came to our attention. In a section where there is a narrow strip of soil along a stream, underlaid with coarse gravel, a tenant on this poor soil was paying one-third of the corn and the small grain as rent, while farmers on near by farms on good soil were paying two-fifths. The neighboring farms might be expected to average 30 to 40 bushels of corn or oats per acre, depending upon the amount of manure applied and the acreage kept in legumes. Inquiry among local farmers developed the fact that the poor farm had never raised a good crop of corn. In dry years the corn crop was a failure; in wet years one might hope for 20 to 25 bushels of corn and about 25 bushels of oats. Three-fifths of 40 bushels is 24 bushels, or more than could be expected as a full crop on the poor farm. A tenant would have had more crop for about the same amount of work if he paid two-fifths of the crop on the good soil compared with having the poor farm rent and tax free. This case may be extreme, but it emphasizes the fact that from the tenant's standpoint he should look first at the number of bushels per acre he will probably receive for his share, and not upon the share of the crop that he pays.

Sometimes a tenant at the beginning can not get one of the better farms in a locality, but one of the rewards for good tenant farming is likely to be an opportunity to get a better farm.

### Kind of Lease

The common types of lease used in Minnesota are straight-cash; crop-share, usually with cash for hay and pasture; and the 50-50 live-stock. In occasional contracts the landlord furnishes everything or nearly everything and receives one-third or two-fifths of the income.

**Straight-cash lease.**—As previously noted, 12.5 per cent of the farms in Minnesota in 1930 were operated under cash leases. This is about 40 per cent of the rented farms. To a capable tenant, the cash lease has the great advantage that it gives him an opportunity to get for himself all the extra yield from good methods. If as a result of superior industry or intelligence, he gets 10 bushels more of corn or small grain than the usual tenant, he gets all these 10 bushels for himself. However, during the last several years, tenants have found that in a period of declining prices, the prices of farm products decline much more rapidly than cash rents. This has made it impossible for a considerable number of tenants to meet their obligations. In general, a tenant should not rent for cash unless he has his equipment clear of debt and can pay the rent without serious inconvenience in an unfavorable year. A possible modification of the cash lease would be to require the tenant to deliver a specified number of bushels of the grains that form the main crop of the farm. For example, the two persons might agree that over a period of years a certain farm might be expected to produce under average conditions, 2,400 bushels of corn and 2,400 bushels of oats. If the customary rent in that locality is one-third of the crop, then the landlord would agree to accept 800 bushels each of corn and oats as his rent plus the usual cash rent for hay and pasture. If the tenant desires an arrangement whereby all the grain is to be kept on the place for feed, they may agree that the tenant is to pay the landlord a cash rent based on the price of grain at the usual time of sale. For example, the rent for oats, barley, and wheat might be based on the average daily price quoted at a specified local elevator in August and September. The corn price might be based on the average in December and January.

Such a system would leave the tenant with an incentive to produce a maximum crop and give him an obligation that he would more certainly be able to pay than one fixed in money. From the landlord's standpoint, it would eliminate all questions as to divisions of the crop and would give him a more certain income than the ordinary crop-share lease, as the tenant would take all the weather risks.

The common share-rental leases in southwestern Minnesota in June, 1930, in which the landlord furnished only the farm, were as follows:

Share to landlord	No. of tenants
One-half .....	23
Two-fifths .....	92
One-third .....	48

On these farms hay and pasture were rented for cash, usually for from \$3.00 to \$6.00 per acre. The farms that reported renting for one-half were nearly all located in Rock, Martin, and Faribault Counties. It is probable that the proportion of farms renting for one-half and two-fifths has decreased since 1930. In the northern part of Red River Valley the tenant usually pays one-fourth of the crop, altho a few of the better farms rent for one-third.

In the region between the northern Red River Valley and the Minnesota River, one-third to the landlord is the most common share, altho in some of the counties immediately north of the Minnesota River part of the most desirable farms are rented for two-fifths.

In the Red River Valley a common method is for the landlord to furnish the seed and pay half the cash cost of threshing and twine. In these cases, the contract should specify whether the landlord is to pay a threshing rate based on an outfit with the operators of the engine and separator as the only help, or whether the owner of the machine furnishes additional help and charges a correspondingly higher rate.

From the tenant's standpoint, it is desirable to let the landlord contribute toward the expense of the crop and take a smaller share, if, owing to weeds, sandy soil, or poor drainage the yield is likely to be low. If conditions are favorable for a good crop, the tenant is likely to gain by giving a smaller share and standing all the expense.

Table 1 shows the tenant's share above seed for each method with various yields when  $1\frac{1}{2}$  bushels of seed wheat is used per acre.

Table 1

**Tenant's Comparative Return in Bushels Under the Half, Third, and Quarter Share Lease**

Size of crop per acre	Half of the crop	Tenant's share	
		Two-thirds of crop less 1.5 bu. for seed	Three-fourths of crop less 1.5 bu. for seed
bu.	bu.	bu.	bu.
6.....	3.00	2.50	3.00
9.....	4.50	4.50	5.25
15.....	7.50	8.50	9.75
20.....	10.00	11.83	13.50

With a 9-bushel crop, as between the one-half and the one-fourth share it is about an even break. If wheat is worth 60 cents, the extra three-fourths of a bushel would be worth 45 cents. This would not much more than offset half of threshing and twine. As yields increase, there is a rapidly increasing margin for the tenant in favor of the one-fourth-share method. Where corn is an uncertain crop, the rent is usually paid in cash, as is that for the hay and the pasture.

**Avoid Customary Crop-Share Leases on Intensive Crops**

In the case of crops that require a large amount of labor per acre, such as potatoes, sugar beets, and truck crops, the crop-share

arrangement as ordinarily applied to corn and small grain is unfair to the tenant, as the labor is a much larger item in the expense than with corn or small grain. For example, cost figures taken by the Division of Agricultural Economics from farms in the vicinity of Crookston for the years 1926-28, inclusive, indicate that an acre of wheat required 7.5 hours of man labor; an acre of potatoes, about 40 hours. Potatoes require more than five times as much labor as wheat. In each case, the landlord's contribution of land would be the same. It is evident that some special arrangement is required when one of these crops with a high labor requirement is raised.

The simplest and one of the most satisfactory methods is to put these intensive crops on a cash-rental basis. If such crops are to be raised on a share basis, the landlord should either receive a much smaller share than in the case of the grain crop, or he should contribute to expense aside from land. In the case at Crookston, land used for potatoes was only 9 per cent of the cost as compared to 30 per cent for wheat. It is obvious that the total expenses, including land rent, should be shared in the same proportion as the crop is to be divided. If one-third is fair rent when the tenant furnishes everything, other expenses should be about double the cash rental value of the land.

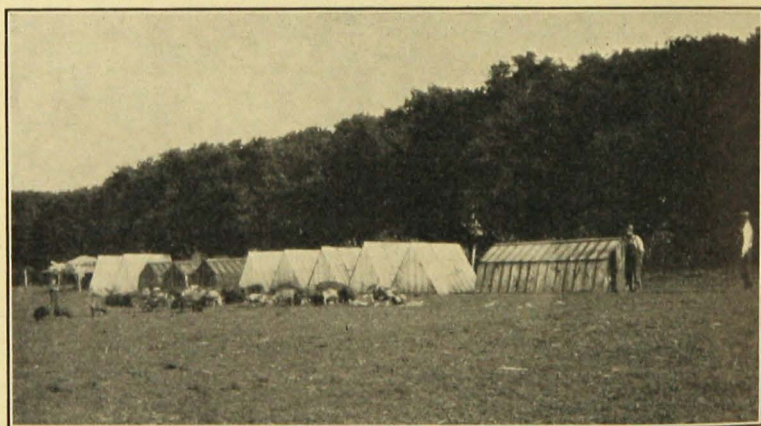


Fig. 1. The Hog Equipment on a Rented Farm in Martin County  
Hogs can be raised successfully on a large scale with such equipment.

### Livestock Leases

Livestock leases are most common in southeastern Minnesota, although some are found in all sections. The livestock lease provides a method whereby the tenant can get a farm with a suitable amount of livestock with a small investment of his own. It may make it possible for the tenant to operate a larger and better farm than would otherwise be



feasible. From the landlord's standpoint, it requires more supervision. It is particularly well adapted to retired farmers, and farm-minded business and professional men who can devote some time to looking after their properties. It is not well adapted to most women, to landlords who live at a distance, or to financial institutions that are handling foreclosed land with a view to selling at an early date.

Until recently it has been difficult in most sections to obtain a man as a tenant under a 50-50 livestock lease who had already proved his worth. Those who had already established themselves as tenant farmers preferred to get all the income from such livestock as they could handle rather than to keep a larger quantity on the 50-50 basis. In most cases, the tenants were wise in so doing. At present capable tenants are to be had in the person of experienced farmers who have had the misfortune to lose their property in the recent price collapse.

In considering a livestock lease, one should keep in mind that the extent to which the products of the farm are fed to dairy cattle has a decided effect on the fairness of any particular arrangement. The customary arrangement is for the cattle, hogs, and sheep to be owned jointly and to be fed out of undivided feed. The tenant furnishes all the labor, horses, and machinery. Purchased feed, purchased seed, purchased livestock, and veterinary services are divided equally. If dairying is the principal business on the farm, the landlord is likely to own all the cows. Each dairy cow requires about 160 hours of man labor. If this labor is figured at 15 cents per hour, the labor per cow would be \$24 a year. If the cows are owned jointly and the feed, except pasture, is owned jointly, these items are automatically divided in the same proportion as the receipts. The landlord is furnishing the barn and he may also be said to furnish the pasture, as the tenant usually puts no labor on it except to repair the fence. In cost accounting records, the barn charge has usually been estimated at about \$10 per cow. If pasture is worth \$6.00 per cow, then the landlord's total contribution to offset the tenant's \$24 worth of labor is \$16. If the landlord furnishes all the cows and if interest and depreciation per cow is figured at \$8.00, the contribution of each party would be equal. On the other hand, if hogs are owned jointly and are fed on undivided feed, the arrangement is fair to both landlord and tenant, as is shown by the following estimates based on cost records kept by the Division of Agricultural Economics in Rock and Nobles Counties 1928 to 1931, inclusive. The prices of labor and feed are adjusted to the May, 1932, basis. Apparently the 50-50 arrangement is fair to both under the prices assumed and with the feed and labor requirements that prevail in Rock and Nobles Counties.

Table 2  
Division of Hog Costs per Hundredweight, Between Landlord and Tenant

	Landlord	Tenant
Concentrates, mostly corn, 500 pounds*.....	\$1.25	\$1.25
Skimmilk, 50 pounds at 20 cents per cwt. ....	0.05	0.05
Pasture and shelter .....	0.13	0.13
Equipment, including shelter.....	0.30	....
Interest on av. value of herd.....	0.05	0.05
Miscellaneous cash items.....	0.10	0.10
Labor, 2½ hours at 15 cents.....	....	0.32
	\$1.88	\$1.90

\* The concentrates include 10 lbs. commercial feeds.

Frequently a tenant enters upon a 50-50 dairy lease with considerable enthusiasm, but as time goes on, he begins to ask for concessions in the way of contributions to the labor expense by the landlord or suggests a reduction in the number of cows. On the other hand, the landlord frequently does not understand why the tenant has more enthusiasm about hogs than about dairy cows.

The general plan of the 50-50 lease was formulated before the days of tractors, trucks, and automobiles. Then all the power was produced on the farm for both field work and road travel. Now horses have nearly disappeared from the road and on numerous farms much of the heavier field work is done with tractors. If oats, corn, and hay are replaced by gas and kerosene, the landlord should share the fuel bill.

#### Length of Lease

In 1930, among 338 farms in southwestern Minnesota concerning which reports were received, about two-thirds were under a one-year lease, and one-third were under a two-to-five-year lease. Among 136 farms in northwestern Minnesota, approximately the same proportion was found.

Among the farms reported as rented for a term of years, probably a large proportion of the leases contained "sale clauses," or a provision whereby the lease could be cancelled in any year by either party giving notice before a specified date.

Frequently a landlord feels that a time lease is a one-sided contract, as the landlord is usually financially responsible and may be held strictly to his contract, while the tenant may have little financial responsibility. Recently tenants who have had term leases on a cash basis have found that a term lease has serious disadvantages during a period of falling prices.

When a term lease is drawn between parties that have not had previous business dealings with each other, it should provide that either party may withdraw from the contract at the end of the first year by giving notice before a certain date, such as August first. It should also provide that either party may withdraw in any following year by

giving notice before August first and making a specified cash payment as compensation to the other party for loss and inconvenience caused by breaking the contract. Ordinarily this payment should be sufficiently large that neither party will take advantage of the clause except when there is a real advantage in so doing, but it should not be so large that it would prevent a landlord from making an advantageous sale or prevent the tenant from taking an opportunity to better himself. Ordinarily, a payment of from 50 cents to \$1.50 per acre for cancelling the contract, depending on the value per acre and the size of the farm, would meet these requirements.

A term lease does not fully meet the problem of giving the tenant the same incentive to good farming as does farm ownership because, for example, a five-year lease after one has been on the farm for three years, becomes a two-year lease, and after one has been on it for four years, it is a one-year lease.

Under present conditions, with the large number of farms that are held for sale when any reasonable opportunity is presented, it is likely that one-year leasing will continue to be the rule. Under such a program, a big problem of the landlord is to keep up the interest of the tenant in a good, long-time farming program that will control weeds and maintain the productivity of the soil.

### Keeping Up Productivity of the Soil

In recent years, it has been found that on the high-lime soils sweet clover is a great help in controlling weeds and maintaining the productivity of the soil. In the Red River Valley a common method is to seed weedy land with sweet clover, then plow the field the following summer before the weed seeds have developed. The field is then kept bare for the rest of the season. This method is effective in restoring weedy and run-down land. There is no advantage in starting the summer fallow until the weeds have headed. If it does not delay plowing and is done before weed seeds are sufficiently mature to grow, there is no objection to cutting a hay crop before plowing under the sweet clover. Some landlords are furnishing sweet clover seed freely and giving a three-year lease with provision that the summer fallow be done the first year. Usually these leases provide that the land may be sold after one crop has been harvested. The tenant may be encouraged to do a thoro job if the sale clause provides that he is to receive a small cash bonus in case he raises only one crop. Sometimes the landlord advances money for fuel and oil that is to be repaid from the tenant's share of the first crop.

Occasionally landlords have a provision in the lease that the tenant is to submit samples of each lot of seed grain and corn to the landlord before a specified date, say March first for grain and April first for

corn. This gives the landlord an opportunity to inspect the seed and, if he desires, to have germination and purity tests made.

Extensive trials by the Division of Soils have shown that many of the black prairie soils give a marked response to phosphate fertilizers, especially on alfalfa, clover, corn, barley, and wheat. When farm products sell at a remunerative price there will be an active interest on the part of the more enterprising landlords in improving their yields through co-operation with the tenant in the application of fertilizer. If fertilizers are used under share leasing, the usual plan is to divide the cost of the fertilizer in the same proportion as the crop is shared. If phosphate fertilizer is broadcast, benefits may be expected over a period of three or more years, so that with a year-to-year lease there should be provision for some compensation to the tenant in case he does not get at least two crops after the phosphate is used.

A landlord can not expect that the livestock business will receive the emphasis under the one-year lease that it would have under a more stable tenure. One capable tenant said to me, "I have been on this place six years. Had I known that I was going to be on this place even for half that time, I would have done a number of things that would have materially increased my income. I have had no alfalfa—the landlord wouldn't buy the seed and I didn't think it was worth while under a one-year lease. Then I would have fixed up the chicken house. My wife would have made the house more livable and I would have taken more interest in looking after the weeds, buildings, and fences." He added, "Maybe if I had done too good a job of fixing up and improving, the place would have been sold and I wouldn't have been here for six years."

### **Giving the Tenant an Incentive to a Good Farming Program**

The logical remedy for some of the uncertainties of our present leasing system seems to be compensation for unexhausted improvements. That is, to give the tenant the right to make certain necessary improvements with the provision that at the termination of his lease he may collect from the landlord for that portion of the investment that has not been used. A few landlords have made arrangements with their tenants whereby the tenant is permitted to seed alfalfa at his own expense with the provision that if he does not stay on the place for a specified length of time—say three years—he can collect pro-rata for the cost of the seed. For example, if the tenant seeded alfalfa at a cost of \$3.00 per acre and moved at the end of the year, he is entitled to a refund of the full \$3.00. If he stays to harvest the crop for one year, he is entitled to a refund of \$2.00. If he harvests the crop for two years, he is entitled to a refund of \$1.00. After he had harvested the crop for three years he is entitled to no refund even tho there is still a good stand.

Financial institutions such as banks and insurance companies frequently object to payments of this kind as it is usually considered poor business practice to have any "contingent liabilities." Contingent liabilities are sums that they may be required to pay under certain conditions. However, contingent liabilities of \$25 to \$400 in connection with a \$5,000 to \$20,000 investment should be a good bargain for the owner if it encourages a worth-while tenant to go forward with a long-time program of soil improvement, weed control, and good livestock management. In most cases in which there is a change of tenants, the landlord could arrange for the new tenant to pay for the unexhausted value of alfalfa seed and fertilizer.

From the landlord's standpoint, a strong case can be made for furnishing sweet clover seed for a reasonable acreage in sections where it does well, as seed is usually cheap and a marked improvement in the crop and assistance in weed control is obtained whether the crop is either plowed under, used for hay, or pastured. In the case of alfalfa, there is also a marked increase in crop yields following alfalfa, except in dry years, but if the crop is left down for from three to six years, not enough land is covered to have much effect on the farm as a whole. Furthermore, the stand may be damaged or killed outright by late cutting or close pasturing. If the tenant furnishes the seed himself he is much more likely to exercise care that the stand is properly cared for. Landlords sometimes feel that the alfalfa crop is well worth while for them if it can be used to smother Canadian thistles. A number of farmers have reported cases in which this weed has been smothered out by getting a good stand of alfalfa. From the landlord's standpoint, if he is furnishing alfalfa seed it may be advisable to seed it in a field that has no fence. This is good protection against close pasturing.

Suggested paragraphs that may be inserted in the blank spaces on the ordinary farm leases are given in the appendix. They may be useful if it is desired to make provision in line with the foregoing suggestions.

### **Stimulating the Tenant's Interest in Local Government**

It is customary for the landlord to pay all the real estate taxes. In sections where the land is largely owned by non-residents, the result is to put the control of school district and township affairs in the hands of those who have comparatively little taxes to pay. The interest of tenants in local government could be greatly stimulated by a provision in the lease requiring the tenant to pay a part of the taxes IN LIEU of certain rents. Tenants are paying all the rent that the farming business will stand. Therefore it would be unfair for the tenant to pay a portion of the taxes except when his tax payment replaces an equal amount of rent. Sometimes when farms are rented for a share of the grain and corn, the cash rent for hay, pasture, and corn fodder is about the

same as one-half the real estate tax. The lease might state that the tenant would be allowed a specified number of acres of land for pasture, hay, and fodder in consideration of payment of the last half of the tax levied in the previous year. For example, the 1932 tax is payable in 1933, one half on or before May 31, and the other half on or before October 31. The cash rent is usually due in the fall so the payment of the last half of the tax would come at about the same time as the cash rent. If the whole farm is rented for cash or if the cash for hay and pasture is materially more than half of the taxes, one could reduce the cash rent by the usual amount of half of the taxes. Some non-resident landlords feel that there is a tendency for the assessment on property owned by non-residents to be higher than on property owned by local voters. The arrangement just described would give the tenant a strong incentive to watch the assessment with a view to making certain that it was a fair one. If it were necessary to appeal to the township or county Board of Equalization, the landlord would have the active co-operation of the tenant.

#### **Make All Points Clear**

Neither a tenant nor a landlord should ever sign a lease until he has carefully read the whole form, including the fine print, and satisfied himself that he understands the meaning of each sentence. In addition, he should carefully consider each paragraph to make sure that each point is absolutely definite and permits of only one interpretation. For example, livestock leases have come to the attention of the writer that provided the tenant was to leave as much livestock and feed on the place as were there when he came. However, the contract failed to specify the particular amount of livestock and feed on the place at the beginning of the contract. Then there is the question as to what settlement is to be made in case a short crop should make it impossible to leave the same quantity. Or in case of a soft corn crop—is 1,000 bushels of soft corn to offset 1,000 bushels of good quality corn left on the place at the beginning? In the case of hogs, one should specify the weight of hogs on the place at the beginning and specify that a like weight and, as nearly as possible, the same number and quality is to be left as were on the place at the beginning. In general, it is desirable to avoid contracts calling for leaving the same quantities as were on the place at the beginning, as even with care there are likely to be difficulties in settlement.

#### **Weed Control Plan Laid Out in Advance**

If there are noxious weeds, the two parties should agree in advance as to the program that is to be followed and, after a decision is reached, a statement of the plan should be included in the contract. If there is a possibility that weeds might need to be mowed in order to comply with

the state weed law, the contract should specify who is to stand the loss. In case of a cash contract, it seems fair that the tenant do the mowing, but that the landlord should lose the rent on such land. In case of share contracts, it seems reasonable that the tenant should do the work and each party stand the loss in the same proportion as they divide the crop.

### Climbing the Agricultural Ladder

In the past, tenancy has been regarded as a stepping stone to ownership. Some started as hired men. Others were assisted by parents to start as tenants. By industry and frugality, a hired man was able to accumulate sufficient capital to start as a tenant in a modest way. If success attended the venture, the livestock was gradually expanded, and, perhaps, the acreage under lease was increased. After good equipment had been secured and some cash accumulated, a farm was purchased under a contract or mortgage plan. Eventually, in many cases, the tenant became the owner of a good farm with little or no debt. However, under the declining price level that has prevailed since the latter part of 1929, the owner of a mortgaged farm found that it required a fixed number of dollars to satisfy interest and principal payments, and it took an ever increasing quantity of butterfat, hogs, cattle, potatoes, wheat, eggs, and other products to get the required dollars. In many cases, capable farmers have lost out in the unequal contest. As a result, foreclosed farms are offered at what appear to be bargain prices, and tenants are sometimes tempted to buy with small down payments. However, it seems to be the part of wisdom not to take too many chances. If one can have equipment that is clear of debt, and make a down payment of 50 per cent, he should be able to meet his obligations, barring prolonged sickness or a series of unfavorable years. It may be true that the farmer of today that has not yet accumulated a load of debt enjoys, in some measure, the same opportunity to become a mortgage-free owner as did the farmer of the 90's. It is certain that the successful tenant or owner of the future will need to have, in addition to the industry and frugality of our forefathers, a much better education. This will not necessarily be acquired in school, but already there is some tendency upon the part of landlords to discriminate against tenants who have shown little inclination to acquaint themselves with the newer knowledge of the control of plant and animal diseases and parasites, the feeding of livestock, and the business principles that underly successful farm management.

### APPENDIX

#### Suggested Provisions Regarding Alfalfa, Clover, and Weeds

The following clauses are provided with the thought that they may be used as the basis for inserting special provisions in line with suggestions contained in

this bulletin in the blank spaces on the usual forms carried by lawyers, country banks, and real estate dealers.

#### **Alfalfa**

The first party (the tenant) may seed up to.....acres of hardy alfalfa at his own expense. In case the first party should not secure a lease for the following year, he will be entitled to the following payments for good stands of alfalfa left on the place; for alfalfa fields that are coming one year old at the completion of the contract \$..... For alfalfa fields that are coming two years old \$..... For alfalfa fields that are coming three years old \$..... The first party will not be entitled to payment for any stands of alfalfa under this clause if the fields are pastured or cut for hay after..... (insert date) of the previous year. Any payment under this clause to be due and payable.....(insert date).

#### **Red, Alsike, or Sweet Clover**

If the landlord is not willing to furnish clover seed, the following clause is suggested: The first party (the tenant) may seed up to..... acres to .....clover at his own expense. The first party will be entitled to payment for clover seeded during the last year of the lease at the rate of \$..... per acre, provided a reasonably good stand is left. Such payment, if any, to be due and payable on.....(insert date).

#### **Hog and Poultry Fences and Equipment**

The first party (the tenant) may seed.....acres for hog pasture and for corn to hog off at a cash rent of \$.....per acre. Party of the first part is to furnish his own fence, if any is used in addition to what is now on the place. Party of the first part may remove fencing and portable hog and poultry houses furnished by himself within 60 days after the expiration of this lease.

NOTE: The lease with the new tenant should contain a clause permitting the outgoing tenant to remove his hog and poultry fencing and equipment within 60 days following the termination of the lease.

#### **Weed Control**

The party of the first part (the tenant) agrees to keep a black summer fallow beginning before..... (insert date) and continuing until ..... (insert date) on.....acres infested with .....(name leading weed, such as quack grass, sow thistle, etc.) in..... (description of land to be summer fallowed as N E 40). In case the party of the first part should not secure a lease for this farm for the year 193.... (insert year following the summer fallow), he is to receive a payment of \$..... Any payment under this clause to be due and payable on ..... 193..... (Payments should usually be due at the end of the lease year.) Party of the first part is to notify second party in writing by letter addressed to.....within two days after completing plowing and after each working with other tillage implements, specifying the date the operation was completed and the kind of implement used. If a black fallow is not kept through the season, the first party will forfeit all claim to compensation.

NOTES: The idea is that the tenant, in case he did not stay to harvest at least one crop following the summer fallow, would receive a sum that would pay him for his work. In case the tenant was obligated to plow back the farm, he would receive pay for the work except plowing.

The report after each operation gives the owner a record as to just how much work has been done. It also gives him an opportunity if he desires to check the quality of the work following each cultivation, and, if the work is not being satisfactorily done, to take the matter up with the tenant.