FARM TENANCY ON THE MARCH

By L. A. Moorhouse

Western Farm Life - Dec. 15, 1937

American agriculture is gradually moving in the direction of insecurity, partly as the result of our present methods of leasing farm lands. That is the opinion of not a few agricultural leaders as they note the upward trend in the number of tenant farms in many regions of the United States today.

In former years, it was generally conceded that tenancy as an institution provided the means for getting into the hands of those individuals who were in a position to cultivate the land most successfully. Tenancy also served as an agricultural ladder which permitted the young farmer to climb by successive steps, beginning with the lower round known as the wage hand, through the cropper stage, thence to share and cash renting, and perhaps in turn to the stock-share lease to a point where he was able to purchase and own the farm which he operated.

Has this road to farm ownership been blocked temporarily? Are certain changes in our leasing systems necessary in order to facilitate the movement from the tenant to the owner class? A discussion of problems in this field should provide a better understanding of relationships which exist. The process of education should lead in turn to a correction of those mistakes which may have been made within recent years. Those who have the welfare of agriculture at heart are anxious to examine the facts in the case so that intelligent action may grow out of this analysis.

Figures compiled by the United States census of agriculture show that in 1880 with slightly more than 4,000,000 farms reporting, one out
of every four was operated by a tenant. Fifty-five years later, in 1935, census records from nearly 7,000,000 farm operators show almost 3,000,000 of this number, or 42 per cent, classified as tenant operators. Thus within a half century, the total number of farms in the United States had increased from 4,000,000 to about 7,000,000, while the percentage of farms operated by tenants had changed from 26 per cent in round numbers to 42 per cent.

Tenancy in the United States

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of farms</th>
<th>Farms operated by tenants</th>
<th>Tenancy percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1880</td>
<td>4,008,907</td>
<td>1,024,601</td>
<td>25.6</td>
</tr>
<tr>
<td>1900</td>
<td>5,737,372</td>
<td>2,024,964</td>
<td>35.3</td>
</tr>
<tr>
<td>1920</td>
<td>6,448,343</td>
<td>2,454,804</td>
<td>38.1</td>
</tr>
<tr>
<td>1930</td>
<td>6,288,648</td>
<td>2,664,365</td>
<td>42.4</td>
</tr>
<tr>
<td>1935</td>
<td>6,812,350</td>
<td>2,865,155</td>
<td>42.1</td>
</tr>
</tbody>
</table>

Tenancy in Colorado

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of farms</th>
<th>Farms operated by tenants</th>
<th>Tenancy percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1880</td>
<td>4,505</td>
<td>584</td>
<td>13.0</td>
</tr>
<tr>
<td>1900</td>
<td>24,700</td>
<td>5,581</td>
<td>22.6</td>
</tr>
<tr>
<td>1920</td>
<td>59,934</td>
<td>13,763</td>
<td>23.0</td>
</tr>
<tr>
<td>1930</td>
<td>59,956</td>
<td>20,692</td>
<td>34.5</td>
</tr>
<tr>
<td>1935</td>
<td>63,644</td>
<td>24,840</td>
<td>39.0</td>
</tr>
</tbody>
</table>

The most significant increase during 5½ decades occurred from 1890 to 1900, a march of approximately 7 per cent. This rather abrupt change has been explained in part by the fact that there was a severe depression in the nineties and farm operators who had purchased land prior to the period of low prices were compelled to relinquish ownership.

It should also be noted that many individuals who had taken up land in the Middle West following the Civil War had reached an age at which they could no longer be expected to bear "the heat and burden of
the day." Consequently, they were depending upon their sons to assume responsibility and carry on as tenants. These two factors appear to supply an explanation for the expansion in tenant farming in the 10-year period prior to 1900. Perhaps it should be pointed out that the average figures which have been given for the country as a whole do not show the perceptible march that has taken place in many counties throughout the nation. There are counties in Colorado where the tenancy percentage is well beyond 60; in other parts of the United States this figure has been exceeded.

In Colorado, there were relatively few farms in 1880, and the percentage operated by tenants was not significant. By 1900, the total number of farms had climbed to around 25,000, and slightly more than one fifth of this number was operated by tenants. It is of interest to note that the total number of farms had increased to around 60,000 by 1920, and at that time only 23 per cent or less than one quarter of this number was operated by tenants. During the 10-year period 1920 to 1930, Colorado farmers made a distinct march into the tenancy group; the increase was 11\% percent. This was greater than the increase reported for the country as a whole in the nineties.

Can this change be explained on the same basis as the upward trend in the nineties? There was certainly a depression in the twenties with low prices which had a detrimental influence upon agriculture, and this undoubtedly forced many farm operators who bought farms during the war period to become tenant operators. Perhaps the other factor, namely, age of farm operator, may not have been so pronounced as in the earlier period, but it is safe to say that it influenced results to a certain
degree. Since 1930, there has been a further increase or march in the
direction of more tenant operators in Colorado. The 1929-32 depression
without question contributed to this movement.

Is a certain percentage of tenancy a good thing from the economic
standpoint? It is argued that a high percentage of tenancy does not lend
to the development of schools and community enterprises, and further that
the tenant system allows farm buildings to deteriorate and soil fertility
to decline. If these points are true, are we facing a waning civilization,
particularly in those areas which possess large numbers of tenant farm
operators?

It appears to be true that there is a rather direct relationship
between the type of farming and the degree to which tenancy has developed
in a given region. If major attention is given to the production of cash
crops, like wheat, corn and cotton, the percentage of tenancy will probably be
much higher than in areas where dairy farming is conspicuous, where beef
cattle are produced, or in sections devoted primarily to orchard fruits.
If this is true, perhaps consideration should be given to a modification
of some of our types of farming. Without question, any obstructions found
in the road leading from tenancy to ownership should be removed so that
the agricultural ladder may once more come to be effective in promoting
active movement from occupancy as a tenant to ownership of the land.
RENTING ON THE SHARES

By L. A. Moorhouse

Western Farm Life—Jan. 1, 1938

The time of year has again arrived when it becomes necessary for the landlord and myself to draw up another lease contract, writes a reader of The Western Farm Life. "I want to rent on the shares, whereby I will furnish equipment and work stock, while the landlord will get his rent by taking a portion of the crops harvested," continues the reader. "Kindly tell me some of the principal features of renting on the shares and how the various crops are divided."

It is not an easy task to supply definite answers to this reader's inquiry. There is considerable variation in the types of share leases or contracts used in different regions of the West. Much depends upon local factors and customs, as well as the crops produced. There may be some consolation to him to learn that in point of numbers, share rental is the most important class of tenancy. Moreover, renting on the shares supplies several commendable advantages both for the landowner and for the tenant.

One of the chief reasons for the popularity of share rental among landlords is associated with the greater control which this system gives them over their farms, in comparison with a cash rent system. Another advantage, from the standpoint of the landlord, may be found in the fact that under this system the landowner realizes every year a rental which is directly proportionate to the production and prices of that year. Since his profit bears a direct relation to the success with which the farm is handled, it provides the incentive to give more freely of his ex-
perience and capital towards the improvement and proper management of the farm than would be the case, if it were operated by a cash tenant.

Under the share system certain benefits also accrue to tenants. Men who have little capital and have had limited experience can often do no better, while acquiring these advantages, than to take a farm on shares from a competent landlord who is prepared to supply a part of the working capital and who exercises considerable supervision and who agrees to share the risks of the business. This close relationship between landlord and tenant under a share system frequently develops into an arrangement whereby the farm may ultimately be operated under what is known as a stock share agreement.

Under the customary share lease in northern Colorado, the landlord furnishes the real estate and pays water taxes. He assumes one-half the cost of extra water hired or pumped, buys all of the alfalfa seed, supplies a share of the sacks for potatoes, and meets all the building and fence cash repair costs. Frequently, the landlord pays the labor cost of these repairs, except in the case of minor labor used in the upkeep of fences.

The landlord receives one third of the corn, grain, beans, potatoes and vegetables; one fourth of the sugar beets and one half of the alfalfa. In some counties it is customary to give one fifth of the sugar beets and one fourth of the potatoes, beans and vegetables.

Records on farms using the ordinary share rental system and extending over the years 1922 to 1933, inclusive, include some instances where either tenant or landlord secured some advantage, but in other instances both individuals profited through this type of contract. In
some years neither individual showed any profit. The differences seemed to be due to the kind of crop grown, yields and prices, and methods of handling the winter feeding operations.

For the farm as a whole the customary shares are quite satisfactory, but either tenant or landlord does have some advantage with the shares on individual crops. This causes some differences of opinion between tenants and landlords as to the most desirable method of share cropping.

In Colorado’s Arkansas Valley, according to records available, there appears to be considerable variation in the methods of share leasing. In general, the landlord receives one third of the corn and grain, with a tendency for the landlord to pay one third of the threshing. The landlord is given one fourth of the sugar beets, beans and tomatoes, one fifth of the market cantaloupes, one half of the seed cantaloupes, one half of the alfalfa, and one fifth or one fourth of the onions, depending on the method of sharing expenses. With a one fifth share, the landlord furnishes no onion expense.

In recent years the landlord has received one half of the value of all aftermath pasture, straw or beet-top pasture. In parts of the Arkansas Valley, where water shortage has been most acute and where incomes have been most uncertain, landlords have, in some instances, charged cash rent for the use of buildings or pasture and share rent for the crops, or have increased the share of crops taken as rent. These payments have been required in order to help pay taxes, when the tenant has received feed for his “cow, sow and hen,” but has provided no salable crops to divide with the landlord.
In the San Luis Valley of Colorado no one method of share leasing is used throughout the area. For instance, some landlords pay one half the contract labor, one half the sacks, one half the winter sorting, and receive one half of the potato crop. Other landlords furnish one fourth the potato sacks and winter sorting, and receive one fourth of the potato crop. Others settle on a one third share basis. Some landlords pay one half the seed, one half the threshing, and receive one half the grain. Others receive one third or two fifths of the grain and the tenant pays all expenses. Field peas and alfalfa are usually shared one half each. The landlord buys all the alfalfa seed and meets all cash repairs to buildings and improvements.

The Western Slope irrigated area in Colorado, according to recent studies, appears to follow other irrigated sections in most respects. Landlords receive one third of the corn, grain, beans and potatoes; one half of the alfalfa, one fourth of the cantaloupes, and one half of the sugar beets. The landlord pays one third of the cost of sacks and assumes all irrigation charges, alfalfa seed cost, and costs of material for repairs to buildings or fences. In some cases the landlord pays for all seed grain and receives one half the crop.
RENTING ON A 50-50 BASIS

By L. A. Mccorhouse

Western Farm Life – Feb. 1, 1938

Stock share renting is a method of leasing farm land in which the landlord and tenant participate in the ownership of all or part of the productive livestock. This form is sometimes referred to as a 50-50 lease, or the shares are sometimes designated as half and half. These expressions mean that the landlord and tenant share expenses and receipts in the same proportion.

This form of lease makes it easier and safer for the tenant to engage in livestock farming, inasmuch as less capital is required by the tenant and a more permanent tenure is usually the result. Furthermore, it gives the landlord, who may desire to retire gradually from the business, an opportunity to continue the type of farming which he has supervised in the past and which he is positive will result in a more profitable return than a system which emphasizes crop production solely.

Mr. Landlord furnishes the farm and improvements which are described in detail in the contract. He also supplies any material which may be required for repairs from time to time. It is generally stipulated that he will employ specialized labor, if it is necessary to make extra improvements. The landlord pays the taxes on real estate and improvements, and he provides for the premium on such insurance as he may elect to carry on buildings and personal property owned solely by him. Sometimes the agreement lists certain specialized equipments which are to be provided in order to insure more efficient operation for specified enterprises.

The tenant, on the other hand, furnishes all the machinery,
harness and tools necessary to farm the premises properly. He also provides the work stock and is responsible for all man labor required in the operation of the farm. (Some exceptions may be made in the case of crops requiring an unusual amount of labor.)

It is generally customary for the tenant to haul all material which the landlord purchases for use in making repairs and improvements on the farm. The agreement may specify that skilled labor be employed for handling these repairs and improvements. If this is the case, the tenant agrees to board the labor, but provision is made for fair compensation to cover these meals.

Landlord and tenant share jointly and equally the investment in all productive livestock other than work horses. This investment may include one or more of the following groups: Dairy cows, beef cattle, sheep, swine or poultry. All feed purchased or pasture hired for such livestock is shared jointly. This is true also of such items as veterinary charges, breeding fees and other incidental livestock expenses on stock owned in common.

In the purchase of alfalfa and grass seed, seed wheat, oats and barley, the expense is borne jointly. Likewise, payments for threshing, silage cutting, hay baling, insurance and taxes on personal property owned in common are carried on a 50-50 basis.

The landlord and tenant share equally, under this form of contract, the proceeds from the sale of livestock, including poultry. They share equally the proceeds from the sale of hay, grain and other crops. They divide the proceeds from the sale of milk and cream on a 50-50 basis. This arrangement also obtains in the settlement of returns from the sale
of eggs, fruit, potatoes or garden truck.

If the landlord and tenant use products from the farm, such as butter, eggs or fruit, a record should be made showing the quantities and prices at which these are taken, so that the necessary deductions may be made from the shares of either party in the final settlement. The contract usually contains a provision relating to the amounts of farm produce which may be used by the tenant. If more than these amounts should be consumed, the value must be determined and the necessary credits can then be entered in the joint account.

Under this form of lease, the landlord retains an active interest in the management of the farm. The stock share agreement permits him to obtain the services of a desirable tenant, who alone, would not have the necessary capital to operate the farm profitably. The sharing of investment and operating expenses makes it possible to increase the number of productive livestock on the farm.

The livestock, in turn, will provide an additional outlet for the coarse grain, hay and fodder produced on the farm, and more farmyard manure will be available for the maintenance of soil fertility. Farm management studies have shown that the combination of suitable livestock enterprises with crop enterprises has a tendency not only to increase the farm income, but also to improve the productiveness of the land.

With this type of contract the risk is less than under other kinds of leases, because the rent is based upon the net income of the farm. Since the stock share contract is in the nature of a partnership, and in view of the fact that the returns are usually larger under this form, the landlord is generally more willing to make improvements from year to year. This close relation permits the tenant to gain valuable
experience in livestock farming under the guidance of a successful owner. If the tenant so desires, he can climb the agricultural ladder more rapidly under this form than by using the more common methods of rental.

In developing the stock share lease there is, of course, an obligation on the part of the tenant to keep an accurate record of the farm business so that the relationship between himself and the landlord may be clear and unmistakable at all times. This record should involve a careful inventory of all livestock and equipment owned in common, and it should be taken at the beginning and again at the end of the year.

All expenses should be properly listed and described so that the division of these items may be borne in accordance with the contract. Likewise, all sales should be recorded accurately, taking particular care to set down quantities, prices and total amount received. With detailed information of this character available, complete summaries may be set up at the end of each year.
WHAT A FARM LEASE SHOULD INCLUDE

By L. A. Moorhouse

Western Farm Life - March 1, 1938

A rural lease should set forth directly and definitely the contributions which are to be made by the landlord. It should include a detailed statement with respect to the duties and responsibilities of the tenant. It should indicate any privileges that are to be accorded to the landlord or to the tenant. It should describe rather minutely the farming practices that are to be employed. If any reservations or guarantees are to be made by either party, they should be stated clearly and concisely in the lease form. And if any penalties are to be imposed for failure to carry out the contract or any part of it, they should also be made a part of the lease.

The written lease is more satisfactory than a verbal one. Life is uncertain and someone else may have to take the place of one of the contracting parties. Furthermore, a written lease is likely to be more carefully considered by both parties and certainly the actual terms will be defined with much greater precision. Moreover, it will serve as a memorandum for the guidance of both parties, and the more important considerations are not so likely to be forgotten.

In cases where an oral agreement is used, it is often necessary to adjust and readjust certain items during the year. Such changes may lead to misunderstandings between landlord and tenant. But under a written lease these differences are not so apt to arise, consequently there will not be the same occasion for friction.
Leases should contain the names and formal designations of the landlord and tenant. They specify the number of years the agreements are to run and will indicate the dates of beginning and ending. A good lease will suggest the manner by which the lease is to be terminated or renewed, and it will contain a brief description of the real estate in question, including the name of the farm, boundaries and location with respect to township, range, county and state. And finally, it will carry a complete description of other property which is associated with the real estate in the lease.

The lease will show the right of entry by the landlord. He may want to inspect buildings and other equipments, crops and livestock, make repairs and improvements. Or he may want to work in connection with crops which are to be grown the following year, such as preparation of land for fall wheat, fall plowing for grain or other crops, and for other purposes.

A landlord may desire to set aside certain buildings for his own personal use, and he may wish to put into the lease reservations and restrictions concerning the use of pasture, fruit, timber, gravel beds, and the like. He may also wish to designate the bank in which undivided funds are to be kept or deposited, with agreement as to the disposition or use of these funds.

In some parts of the country the most common guarantee of the tenant is not to sublet any part of the farm. This clause prevents the leasing of any land for a purpose which might deplete the fertility of the soil, or leasing to someone who refuses to accept responsibility for the control of weeds and the good care of the property. The tenant also agrees to yield possession at the termination of the lease; to farm no
outside land or do outside work provided the farm in question requires full time for its best operation. He agrees to see that all land is handled in an efficient manner; to keep fences, buildings and other like equipment in good condition, and to maintain the premises in necessary and proper repair provided the landlord furnishes the material. And last, the tenant will deliver the landlord's share of crops to elevator, beet dump or other marketing point.

Many landlords who have operated their farms through a period of years have adopted crop practices which they believe will assist in the conservation of soil fertility and will in turn provide better yields than haphazard methods of cultivation. As a result of this experience, they may desire to insert in the lease the approximate acreages that are to be set aside for the production of grain, cultivated crops, alfalfa and pasture crops, provided livestock is kept on the farm.

The landowner may also insist upon the hauling and distributing of farm manure from year to year. He may require the tenant to make direct use of straw and other vegetable matter, rather than have these materials burned, and he may insert specifications for the use of fertilizer. These are a few of the operations and cultural practices which may constitute a part of the lease.

A landlord, upon failure of the tenant to comply with the contract, may take active possession of the farm. If the tenant fails to pay rent the landlord may enter and take legal possession of the tenant's property. The latter has prior lien on crops until all rent is paid, and provision should be inserted with reference to the costs of enforcing contract so that this expense may become a part of the collectible rent. The terms of the lease should, of course be binding upon the heirs and assigns.
In spite of all the care that may be given to the wording and phrasing of a farm lease contract, there must be a proper understanding between the two parties in order to eliminate unnecessary argument. A spirit of fairness should permeate all business transactions.

Perhaps the landlord should select his tenant with special regard to such personal qualities as honesty, good nature, experience and efficiency. He should also see to it that the tenant can obtain the necessary capital and equipment to operate efficiently.

In order to obtain and hold a tenant having these desirable qualities, the landlord can well afford to make numerous minor concessions in the contract. It is perhaps needless to say that a good tenant may need to consider the characteristics of his landlord. It takes two agreeable individuals to carry out a contract.
SPECIAL PROBLEMS WITH FARM LEASES

By L. A. Moorhouse

Western Farm Life - March 15, 1938

Renting farm land involves many problems because of variations in the respective contributions made by landlord and tenant. For instance, the tenant may be a relatively young man who does not have available any work stock or farm machinery, or he may be an individual who has had several years' experience in operating farms as a tenant.

If he has been successful, he may own all of his working equipment, some productive livestock, and a sufficient balance in the bank to permit him to rent on a cash basis. Obviously, the method of renting farm land to the first individual will not be the same as the method employed in the second case. These differences, then, give rise to questions of procedure in developing a lease to suit each particular party. The agreement should be developed to care for the interest of the landlord and tenant in a fair and impartial manner.

Let us take the case of a tenant who has little or no equipment of his own, and yet he wishes to make a beginning in the operation of a farm. The manager-tenant type of contract might be considered.

Under this type the landlord furnishes the farm fully equipped to a manager-tenant, who is paid a stipulated wage corresponding to what he might be able to earn as a hired man. Labor is the only contribution he makes to the operation of the farm but, if he is an enterprising, energetic manager, his services may be worth more than the stipulated wage. In such case the landlord may provide a bonus by sharing the net receipts of the business.
Net receipts for any given year can be calculated by subtracting from the gross income all expenses, which include changes in inventory values, a fair allowance for depreciation on buildings, machinery and other equipment, and a reasonable rental charge for the use of the investment. The final division of the net receipts between the landlord and tenant will depend upon the size of the farm, the interest allowance to the owner, and the opportunity which the owner wishes to give the tenant. In regions where this form of lease has been in operation it has been customary to divide the net receipts one half to each party.

The crop share lease is popular with both tenants and landlords. It provides that the tenant give the landlord a share of all the grain crops and, if feed crops are produced, provision is made for sharing these. Under some agreements the tenant gives the landlord a share of all the grain crops, pays cash rent for the pasture and hay land, and if there are other crops not included under these classifications, he may pay a stipulated sum of money in addition. Under other agreements, the tenant is limited in the land to be used for hay and pasture and pays no cash rent, but gives the landlord a share of all crops produced.

In cases where the tenant provides the necessary working equipment, customary shares for the landlord include one third of the corn, grain, beans, potatoes, and vegetables, one fourth of the sugar beets, and one half of the alfalfa.

In some counties these shares have been modified to include one fifth of the sugar beets and one fourth of the potatoes, beans, and vegetables. In cases where the tenant does not own his equipment, and it is necessary for the landlord to provide work stock and machinery, these shares would need to be modified somewhat.
Under a strictly grain system of farming the usual division of income is one third to the tenant and two-thirds to the landlord on good grades of land, under conditions where the tenant has a reasonable assurance of producing a crop every year. In the plains area of eastern Colorado the tenant usually assumes considerable risk due to wide variations in rainfall, drought through certain periods, damage by hail or wind, and by insect infestation. With these difficulties in view, the tenant should receive somewhat more than the customary third in those cases where equipment is provided by the landlord. This share might perhaps approximate 40 per cent of the crop, or even more.

If the landlord has a tenant who is entirely reliable in every respect an arrangement might be made whereby the tenant is given an opportunity to acquire a full interest in the working equipment during a period of 2 or 3 years. Such an agreement would involve a careful inventory and a fair valuation on the work stock and farm machinery. The landlord could then charge a fair rate of interest on this valuation and the tenant could be given an opportunity to make payments on this equipment as he is able to save from his share each year.

Under this agreement the landlord would receive the customary shares such as one third of the corn, grain, beans, potatoes and vegetables, one fourth of the sugar beets, and one half of the alfalfa. The suggested arrangement is merely a device which will permit the tenant to purchase and pay for the working equipment used on the farm.

In cases where the landlord desires to participate with the tenant in the ownership of the productive livestock maintained on the farm, stock-share renting might be considered. This is a method in which the landlord and tenant own a part or all of the productive livestock
on a 50-50 basis. This type of lease encourages the use of productive livestock on the farm, and has in many instances brought better returns to the landlord and tenant than the customary grain system of farming. Even under this type it may be necessary for the landlord to give the tenant some assistance in those cases where he has not had an opportunity to acquire a full ownership in his working equipment.