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THE STOCK-SHARE LEASE¹

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TENANCY IN KANSAS

Kansas ranks high among the states in the percentage of farms operated by tenants. The agricultural census of 1940 revealed that approximately 45 of every 100 farms were tenant operated. The percentage of all farms operated by tenants in Kansas was exceeded in only 12 other states. This proportion of tenancy sometimes is taken as an unfavorable sign and some persons would like to abolish tenancy. Tenancy in itself is not undesirable. Farms should be available to rent. It gives the farm boy with limited capital and no land a valuable and desirable method of progressing toward farm ownership. With the present organization of American agriculture, a shortage of farms to rent would be a serious problem. This does not mean that tenancy brings only benefits and no problems. Many of the rented farms in Kansas present serious problems. The solution of these problems is not to be found in the abolition of tenancy

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but correction of the evils that exist in it. The stock-share lease offers an opportunity for the correction of many of these evils on Kansas farms.

REASONS FOR INCREASED USE OF THE STOCK-SHARE LEASE

PROFITS

The stock-share lease provides for joint ownership of livestock by the landlord and tenant, both sharing in the farm receipts and expenses. The landlord's interest in the livestock insures that they will be an important part of the farm business. Almost invariably the stock-share leased farm returns greater profits to both landlord and tenant than would be obtained under other methods of leasing.

PERMANENCY OF AGRICULTURE

Any improvement in agriculture which makes it possible for farmers to maintain a stable farm business is an asset to that industry. The stock-share lease provides such a possibility. One of the most serious indictments of crop-share and cash leasings is the "mining of the soil." Under crop-share leasing the landlord is interested primarily in the crops grown and has little immediate interest in the keeping of livestock. The tenant is handicapped in the keeping of livestock because few feed crops are grown and the acreage of pasture usually is restricted. On the cash-leased farm there usually are few buildings and little other equipment suited for keeping livestock. Consequently, little livestock may be kept on crop-share or cash-rented farms. The keeping of livestock helps maintain the fertility of the soil—an important factor in maintaining a permanent agriculture and a stable, wholesome community.

PERMANENCY OF TENURE

The shifting of tenants from farm to farm is a costly and undesirable feature of tenancy. The United States Department of Agriculture estimates that at least sixty to seventy million dollars is spent annually by the moving of tenants and that the direct and indirect cost to landlords is at least that great. In addition to the cash costs, there is an immense loss in inconveniences, foregone opportunities, hardships endured, and loss of self-respect which cannot be measured in terms of money. The tenants shift about, either because of inability to agree with the landlord or in the hope of finding better conditions on another farm. Conditions on the rented farm seldom change for the better while the tenant is there. Approximately one-fifth of the tenants in Kansas move every year. As a consequence, they do not become a constructive part of the communities in which they live. Ordinarily they accumulate little property and do not feel justified in taking an active part in community activities and enterprises. Institutions, such as schools, and

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churches, and farm organizations suffer because of the failure of tenants to support them.

The tenant on the stock-share leased farm is engaged in a long-time enterprise. The landlord and tenant cannot begin the business and quit to advantage in a year or two. It is to the mutual interest of both to build up a herd. This frequently takes the better part of a life-time. As a consequence, both landlord and tenant are interested in maintaining their relationships as long as possible. The usual stock-share lease continues for many years. This gives permanency of tenure and the tenant feels justified in taking a part in community activities.

Permanency of tenure should not be confused with the term of the lease. Most stock-share leases are written for terms of three or five years with provisions that they will be renewed at the end of the term if satisfactory to both parties, and that they may be terminated at the end of any year if, at a specified time in advance, written notice is given. Approximately four-fifths of leases of all types are made for one year or are year-to-year agreements. The important thing is not the term of the lease but whether or not it is continued year after year so that long-time tenure results. A stock-share lease encourages the continuation of the lease and in this way provides long-time tenure with its many advantages.

MAINTAINS INTEREST OF LANDLORD IN COMMUNITY

Many of the landlords of Kansas farms are retired farmers or residents of near-by towns. The retired farmer was at one time a definite part of the community in which his farm is located. The rural business man who is a landlord usually has had and should continue to have an interest in the community. The stock-share lease encourages the landlord to maintain his interest in the community since its development has a direct effect upon the returns he gets from his farm and also may determine whether he can retain a desirable tenant. The products of the farm are owned jointly and may be sold through cooperative community enterprises. This gives the landlord a direct interest in the development of such enterprises.

The landlord of the usual stock-share-leased farm visits the farm frequently. This takes him into the community and keeps him in touch with things that are going on. In this way he is more certain to continue his interest in community affairs and to encourage the tenant to take part in such affairs.

The retired farmer who moves out of the community frequently loses contact with its affairs. Since he has just reached the point where he can devote time to community enterprises, he really owes it to the community to participate. The stock-share lease keeps his interest in the community and insures his aid in furthering community enterprises which demand more time than can be given by farmers actively engaged in the business of farming.

ADVANTAGES AND DISADVANTAGES OF THE STOCK-SHARE LEASE

ADVANTAGES

One of the greatest advantages of the stock-share lease is that it enables the ambitious tenant or son of a retiring farmer, who has little capital, to start in the farm business with a well-rounded organization. His chances for success are materially better than if he started with a crop-share or cash lease. Since the keeping of livestock necessitates certain improvements, the landlord will be more willing to provide these improvements. It is to his advantage as well as that of the tenant to do this. On many crop-share and cash-rented farms the lack of improvements limits the number of livestock that the tenant may keep. A stock-share lease usually permits the tenant to operate at full capacity. Too many times this is not true when a crop-share lease is used. The tenant's risk is reduced under the stock-share lease in that the landlord shares in the investment and also shares in the risk of poor crops and low prices. In addition, the tenant stands to profit by the experience and knowledge of the landlord. In the case of retired-farmer landlords, and those experienced in the farming business, this may be a considerable contribution.

The stock-share lease is advantageous to the landlord because it is conducive to maintenance of soil fertility. In the keeping of livestock more of the less soil-depleting feed crops are grown. The production of manure, which should be spread on the fields, also helps in maintaining soil fertility. Low-quality crops may be marketed through the livestock at considerably more profit than would be possible otherwise. In contrast to other types of leases, the stock-share lease gives the landlord a better assurance of collecting the rent and, in addition, the possibility of greater profits if the farm is operated successfully. To many landlords the opportunity to have a voice in the management of the farm is considered a distinct advantage.

DISADVANTAGES

While in many respects the stock-share lease is superior to other types of leases, it is not without disadvantages. To the well-qualified tenant it means that he must share the results of his special abilities or extra labor with the landlord.

The stock-share lease requires more time for supervision by the landlord. He also has a larger investment and assumes more risk than he would under either a crop-share or a cash lease. However, the larger investment may enable him to obtain a more desirable tenant. The fact that the landlord's rental depends upon the income and, hence, fluctuates is looked upon by some landlords as a disadvantage even though there is a probability of greater returns over a period of years.

**CONDITIONS FAVORABLE TO STOCK-SHARE
LEASING**

LIVESTOCK FARMING

The stock-share lease assumes that livestock can and will be an important part of the farm business. The agriculture of most sections of Kansas is favorable to this. Those sections of the state in which livestock farming is not practiced to any considerable extent would do well to consider the importance of livestock in the farm business.

ACQUAINTANCESHIP OF LANDLORD AND TENANT

The stock-share lease is advisable only when the landlord and tenant have confidence in the honesty and integrity of each other. A good landlord who is a party to a stock-share lease advises with the tenant concerning farm practices. This can be done with full understanding when the two are well acquainted. While the farm business under a stock-share lease legally may be a partnership, this does not detract necessarily from the desirability of this type of lease. Strangers, prudently, hesitate to engage in a business where the relations are so intimate, the contributions so substantial, and the contacts so frequent.

LANDLORD'S KNOWLEDGE AND EXPERIENCE

The stock-share lease assumes that the landlord and the tenant will work together in planning the farm business. This can be done to the best advantage when the landlord is familiar with farming and is well acquainted with conditions on the farm. This leads to a sympathetic understanding of the problems involved and the difficulties encountered. Under the stock-share lease the landlord is contributing much more toward handling the business than he would under either a crop-share or a cash lease. This contribution can be worthwhile only when the landlord has a good knowledge of farming conditions and a satisfactory acquaintance with the conditions on the farm. Again, the retired farmer who is leasing a farm that, he formerly operated is one of the best landlords. His suggestions often prove of great value to the tenant.

RELATED LANDLORDS AND TENANTS

Approximately 30 percent of the rented farms of Kansas are operated by relatives of the owner. The tenant is a son, a son-in-law, or has some other relationship to the landlord. Such conditions are favorable for the adoption of the stock-share lease. This is particularly true in case a farmer retires and turns his farm over to his son. The stock-share lease is especially well adapted to these conditions and, as will be pointed out, it prevents sacrifices of the farm business which would frequently result to the disadvantage of both father and son. Use of the stock-share lease has increased mate-

rially in the last decade, and the increase has been largely on those farms where landlords and tenants are related.

EXPERIENCES IN OLDER REGIONS

The stock-share lease is most common in the older sections of the United States, particularly where livestock farming is the usual type. There are two factors which encourage this. One is the stability of the agriculture which comes with the keeping of livestock. The other is the increasing number of farms being transferred from one generation of owners to the succeeding generation. It is highly desirable that competent young men be encouraged to stay on farms. The development of a satisfactory father-son business relationship can contribute much to the maintenance of a permanent agriculture. Many sections of Kansas are losing the first generation of farmers. As the second generation takes up the farms of its fathers, the stock-share lease may be expected to become more important and to be more frequently used. Conditions within Kansas are particularly favorable for the more widespread adoption of the stock-share lease.

LIMITATIONS OF STOCK-SHARE LEASES

EXPERIENCE OF LANDLORD

The stock-share lease usually is inadvisable where the landlord is not familiar with farming in the community. The business relations necessitate a direct contribution on the landlord's part. Lack of knowledge of farming conditions by the landlord frequently leads to misunderstanding and difficulties. Most women landlords are not qualified for entering a stock-share lease because they lack the knowledge and experience of farm management. If stock-share leasing is attempted where the landlord is not familiar with farming in the community, it should be clearly understood at the outset that the chances for success are not so favorable as they would be if the landlord were familiar with the conditions.

RESIDENCE OF LANDLORD

A landlord living at a considerable distance from the farm is not in a position to carry out his part of the contract. The conditions most favorable for the success of a stock-share lease are those where the landlord resides near enough to the farm to visit it at least once or twice a month. In this way he is familiar with conditions on the farm and thoroughly understands why certain business procedures are necessary; also he is available for consultation on any matters of policy affecting the business. This is of material importance in cases where the landlord is familiar with farming conditions and has had years of experience in conducting a farm. The tenant, who usually is a younger man, will do well to avail himself of the advice which such a landlord can give.

In some instances the disadvantage of nonresidence may be overcome by the landlord if he has a capable agent look after his interests.

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KIND OF FARMING

The stock-share lease is not intended for farming where the chief enterprises are crops. The stock-share lease does not contemplate the production of wheat alone. Neither does it contemplate truck farming or fruit growing where livestock are not included. The stock-share lease contemplates livestock farming and should not be expected to satisfy conditions where livestock is not an important part of the farm business.

INSTITUTIONAL LANDLORDS

The stock-share lease is not adapted to institutions which are handling foreclosed farms with the intention of selling them in the near future. Livestock farming is a long-time enterprise. The selling of the farm while the tenant is in the process of building up a herd would disrupt the program and might result in considerable loss if the tenant could not find another farm suitable for carrying on his business. The tenant must be assured of security of tenure for a period of years sufficient to enable him to realize the benefits of his labor. The institution which is operating the farm as a long-time investment might well consider a stock-share lease. In most cases it will be more profitable, provided the institution has the services of a competent agent.

BASIC ASSUMPTIONS OF A STOCK-SHARE LEASE

The basic assumption of the 50-50 stock-share lease is that the land and buildings, furnished by the landlord, will be equal to the tenant's contribution of labor, machinery, and power. Other items necessary to the farm business are furnished equally. All returns are shared equally. This assumes that the cost of labor, machinery, and power required to operate the farm is approximately the same as the value of the use of the land and buildings. This is merely an approximation and is not true under all conditions. On individual farms it may be necessary to make adjustments in the contributions to have an equitable lease. In many cases the landlord should pay a part of the power or hired labor cost. In other cases the tenant should furnish more than the customary contributions.

FACTORS AFFECTING THE CONTRIBUTIONS OF LANDLORD AND TENANT

TECHNOLOGICAL CHANGES IN AGRICULTURE

The customary arrangement of the stock-share lease was developed in the days when most of the farm power was supplied by horses. The investment in machinery was relatively low. Horse-drawn machinery was less expensive than the present power machinery. The feed for the horses often was taken from an undivided portion. In reality the landlord was furnishing one-half the feed for the work stock. It was customary for the tenant to

furnish the machinery and the expenses connected with it. In the shift from horse-power to tractor power the tenant often continued to furnish the machinery and the accompanying expense for fuel, oil, and grease for the tractor. Where formerly the landlord furnished one-half the feed for the horses, he now often does not consider furnishing one-half the fuel, oil, and grease for the tractor. The shift to tractor power also necessitated an increase in the tenant's investment in other machinery. Machinery investment per crop acre in Kansas is considerably higher now than it was when the customary arrangements of the stock-share lease were developed. This has tended to increase the tenant's contribution to the business.

FERTILITY OF THE SOIL

Where less fertile land is farmed, the cost of the labor, machinery, and power may be greater than the value of the use of the land and buildings. On the more fertile farms the opposite condition may be true. The fertility of the soil usually is reflected in the value of the land. The direct influence which the value of the land has on the landlord's contributions will be discussed later.

INTENSITY OF THE FARM ORGANIZATION

The intensity of the major enterprises on the farm is a determining factor in the labor necessary to operate the farm. It is obvious that a dairy herd of 30 cows requires considerably more labor than a herd of 30 beef cows. Poultry raising is much more intensive than sheep raising. Likewise, certain crops require more labor and machinery than others. These facts must be considered. They materially affect the contributions of the landlord and tenant. It cannot be expected that a stock-share arrangement which may have been successful for one type of organization will be of equal success on a farm with a different organization.

INVESTMENT IN IMPROVEMENTS

The investment in improvements which is a contribution of the landlord may include such items as buildings, drainage tile, terraces and windmill. The value of some improvements, such as drainage tile and terraces, is reflected in the value of the land. The extent of the improvements often determines the kind of farm organization which can be established. It is to the advantage of the tenant to have a well-improved farm. If the farm is well improved, the tenant may make a greater profit. If the farm is poorly improved, the possibility of profits may be limited. Consequently, the extent of the improvements is a factor which influences the landlord's contribution and should be considered in determining the terms of the lease.

SIZE OF THE FARM BUSINESS

The size of the farm business may be measured by the total acres in the farm, the productive area, units of livestock, the labor used, total income, net income, total expense, and by other methods. The purpose for which the measurement is to be used determines the method of measuring the size. If the ratio of cropland to pasture is held constant, as the total acreage is increased on land of similar quality, and the same type of farm organization used, it may be said that one farm is larger than another.

When used in this sense, the size of the farm has an effect on the proportion of expense paid by the landlord and tenant.

Following is a summary of the percentage contributions of landlord and tenant, calculated by farm budgets, under the customary 50-50 stock-share lease for three sizes of farms with a ewe flock as the most important enterprise.

Total acreage in farm	Number of ewes	Landlord's contribution	Tenant's contribution
80	50	45.5	51.5
240	100	46.7	53.3
400	150	43.8	56.2

This shows that as the size of the farm increases the tenant would pay a proportionately larger part of the total contribution. The total expense increases with an increase in the size of farm, but this increase is not shared equally by the landlord and the tenant. The tenant furnishes a larger proportion than the landlord. An analysis of the expense items showed that the larger proportion furnished by the tenant was due chiefly to the items hired labor, fuel, oil, grease, and board for hired labor.

The same tendency exists to a greater degree on dairy farms. This is to be expected since dairying is an intensive enterprise and requires more labor in comparison to the less intensive enterprises. Other types of organizations have varying degrees of influence on the contributions of each party. This fact should be recognized when drawing up the lease and, if necessary, adjustments should be made in the terms of the contract.

EQUITABILITY OF THE STOCK-SHARE LEASE

One of the essentials of a good lease is that it should be fair to both parties. A lease is equitable when the landlord and the tenant share in the income in the same proportion that each shares in the expenses. If the income is not divided in this proportion, there will be dissatisfaction and undesirable relationships. The tenant who is not getting his full share will be dissatisfied. When the opportunity presents itself, he will move to another farm on which he can get a better arrangement. The landlord who is not getting his full share usually can get another tenant. There is a tendency for the

better landlords to attract the better tenants. That explains why some landlords contend that all tenants are irresponsible. They usually get only the undesirable tenants because they are undesirable landlords. The good tenant will hesitate to undertake the operation of a farm for such a landlord because he knows the arrangement is unfair and he can do better. The poor tenant may take it because he does not expect to live up to the terms of the lease.

Each farm presents different problems. Some of the more important reasons for this have been discussed. In the past, the stock-share lease has been based largely on custom. While these customary arrangements may have been equitable at the time they were established and for farms in general, some adjustments usually are needed for individual farms. The interaction of the various factors affecting equitability makes it almost impossible to draw up a set of provisions for all of the possible combinations. Since farms differ, it is better to test the fairness of the lease on each farm. This can be done by calculating the contributions of the parties to the lease. Before drawing up the lease, it is desirable that both parties be in agreement on any controversial points. It is difficult to tell in advance whether or not a lease will be equitable. If possible, it is more desirable to make provision in the lease for monthly or quarterly settlements with the final settlement at the end of the year. However, most landlords and tenants like to know in advance what each will be expected to contribute and what share of the income each will receive. To facilitate this a farm budget may be used.

A farm budget is a plan for the use of land, buildings, equipment, livestock, man and horse labor, and other resources available on the farm, from which are computed the probable expenses, receipts and income of the farm business for a year or for any other period of time. In preparing a budget, estimates can be made from past experience or from records on the farm. Publications containing information regarding farm budgets are available from the United States Department of Agriculture. The Kansas State College Extension Service also has a circular, entitled "Planning the Farm Business and Family Living," which is helpful in preparing a farm budget.

CUSTOMARY ARRANGEMENTS OF THE STOCK-SHARE LEASE AND TEST OF FAIRNESS

In testing the fairness of a stock-share lease, the customary division of investments and expenses usually is taken as a general guide. If it appears, after the calculations have been made, that the customary arrangements do not make an equitable lease, adjustments may be made in the contributions of the landlord and the tenant.

A form, such as Table 1, is convenient for listing the contributions of the landlord and tenant. On this form are listed the various items of investment and expense. There may be others which need

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TABLE 1.—Form for listing contributions of landlord and tenant

	Landlord's Share	Tenant's Share	Total
Interest on investments:			
Land.....			
Buildings.....			
Machinery and equipment.....			
Work stock.....			
Productive livestock.....			
Feeds and supplies.....			
Cash to operate farm.....			
Cash expenses:			
Livestock purchased.....			
Feed purchased.....			
Crop expenses.....			
Livestock expenses.....			
Fuel, oil, and grease.....			
Machinery expense.....			
Machine work hired.....			
Hired labor.....			
Building repairs.....			
Insurance on buildings.....			
Insurance on personal property.....			
Taxes:			
Real estate.....			
Machinery and equipment.....			
Work stock.....			
Productive livestock.....			
Feeds and supplies.....			
Miscellaneous.....			
Noncash expenses:			
Operator's labor.....			
Family labor.....			
Board for hired labor.....			
Depreciation:			
Buildings and improvements.....			
Machinery.....			
Work stock.....			
Home-grown feed for work stock.....			
Products used in home.....			
Total cost.....			
Percent contributed by each.....			

to be added; possibly some of those listed may not be needed for every farm. It may be desirable to make some of the items more detailed.

The following is a list of the customary provisions of the stock-share lease, with an explanation of the method of calculating the contribution of the landlord and the tenant to the farm business in testing the fairness of the lease. While this test often is not made by a majority of landlords and tenants, it is a desirable procedure and may avoid much dissatisfaction, misunderstanding, and undesirable relationships.

INVESTMENTS OF THE FARM BUSINESS

The investments in real estate and working capital are contributions to the farm business. The party furnishing each of them should be credited accordingly. This may be done by allowing an annual interest charge on the value of the investment.

Land and Buildings. — The landlord usually furnishes the land and buildings. The valuation placed on the land should be based on the true agricultural value of that land. In some instances the purchase price or the potential selling price may depart considerably from the true agricultural value, especially if some speculative aspect is involved. This adds nothing to the productive power of the land as far as the tenant is concerned.

The value of the buildings may be determined by estimating the actual worth of the buildings to the farm. Alternative valuations are the actual cost minus depreciation or the cost of replacement.

The rate of interest allowed should be approximately the same as that which could be obtained from comparable investments. Sometimes the rate used is that charged on first mortgages by loan agencies. The rate of interest on real estate which is used in this work at the Kansas Agricultural Experiment Station is 4 percent a year. Both the value of the real estate and the rate of interest should be mutually agreed upon by the landlord and tenant.

Machinery and Work Stock. — The machinery and work stock usually are furnished by the tenant. There are many variations in the ownership of these items. Many landlords who are retiring from the farming business retain ownership of the machinery and tools, but the tenant purchases any new machines. In those sections of the state where power machinery such as tractors, combines, threshing machines, ensilage cutters, and other similar equipment are used extensively the landlord frequently owns a share of the machinery, or contributes part of the expense of operation or of operation and maintenance of these machines.

The value of machinery and work stock may be determined by taking the purchase price minus depreciation, or market value, or the cost of replacement. The value used should be that which appears most reasonable and accurate to both parties.

Productive Livestock. — Ownership of livestock other than work horses usually is shared equally by landlord and tenant. This is

highly desirable. There should be no division in the numbers owned by each. Ownership of each animal should be joint. The welfare of each animal thus becomes of mutual interest to the landlord and the tenant. In cases where the tenant has limited financial backing and the landlord has sufficient reserves, the landlord may take a note for the tenant's share of the livestock. This protects both parties from a possible disruption of the business by a temporary reverse in which the tenant might be forced to liquidate his share through default of the obligation. While it is undesirable, it is possible to have unequal ownership of the livestock. The tenant may gradually accumulate one-half interest by the replacement of the original stock with the increase in which there is joint and equal ownership. This complicates the determination of the equitability of the lease. The party having sole ownership of a part of the livestock is entitled to interest on this share of the investment as well as the share owned equally and should be credited with all expense such as taxes and insurance which he must furnish. The owner of such an undivided share should receive all of the proceeds from the sale of this original livestock.

Livestock should be valued at a fairly conservative price in line with the earning power of the particular class of livestock and long-time market price. These items should not fluctuate from year to year with the markets, as any profits or losses incurred from this type of investment are reflected through their production.

Feeds and Supplies.—It usually is necessary to carry on hand throughout the year a certain quantity of feeds and supplies. It probably is not justifiable to allow interest on feed which is fed to livestock from which it is assumed a profit will be made through sale of the livestock or livestock products, and grains held for future sale from which it is assumed a profit will be made as a result of an increase in price. However, interest is allowable on feed held for work stock and on other feed where it is customary to carry a reserve throughout the year. The investment in this other feed should be based on the average quantity customarily carried on hand as a reserve feed supply in the conduct of the business. Any other supplies which are ordinarily carried on hand should also be classed as an investment. The value of feed and supplies should be determined by the going market price.

Cash to Operate Farm.—If it is necessary for either party to carry a cash reserve to meet current farm expenses, he should be credited with this contribution. The fact that these funds cannot be put in some form of investment with the possibility of drawing interest makes this a contribution to the farm business. But this usually is not an important item. The current income ordinarily is sufficient to meet current expenses.

Working capital (machinery and work stock, other livestock, feeds and supplies, and cash to operate the farm) is of a less permanent nature than real estate and the rate of interest usually is higher to compensate for this. Six percent a year is used for work-

ing capital by the Kansas Agricultural Experiment Station. The interest rate used by the landlord and the tenant should be mutually agreed upon by both parties before drawing up the lease.

OTHER EXPENSE ITEMS

A determination of the expenses is necessary for the test of fairness. The expense items are divided into cash and noncash expenses. These expenses may be estimated or determined by past records, or from a budget of the farm business.

CASH EXPENSES

Livestock Purchased.—The livestock purchased should be divided into two classifications: (a) Those that are purchased for a more or less permanent investment such as a breeding cow herd or a ewe flock, and (b) those purchased with the intention of a comparatively quick turnover with the expectation of a profit on these animals themselves. Steers to be wintered or fattened, lambs to be fed, and stock hogs to be fattened are examples of livestock which would be in the second group.

Only the purchase of livestock in the second classification should be entered as livestock purchased. The purchase of livestock in the first classification should be added to the investment in livestock, and interest should be credited to the one making the investment.

Under the customary 50-50 stock-share lease the purchase of all productive livestock is shared equally. Work horses ordinarily are furnished by the tenant and are classed as an investment. However, in some instances horses are produced for sale or purchased for resale. In these cases they should be classed as productive livestock and handled in that manner. The amount entered for livestock purchased should be the actual amount paid for the livestock.

Feed Purchased.—The cost of feed purchased ordinarily is shared equally between the landlord and the tenant. The cost of transporting the feed to the farm may be included in the cost of feed or entered as either livestock expense or trucking expense if it is hired.

Crop Expense.—Crop expense should include such items as seed, seed treatment, twine, and threshing. In the usual stock-share lease crop expenses are shared equally.

Livestock Expense.—Expenses incurred in connection with the productive livestock usually are shared equally. This includes veterinary expense, breeding fees, and the like. Expenses on the work stock usually are paid by the tenant if he owns them.

Fuel, Oil, and Grease.—When horses were the most prevalent source of farm power it was customary to feed them from an undivided portion of feed. In reality, the landlord was furnishing one-half of the feed. However, as tractors replaced horse-drawn implements, fuel, oil, and grease were considered as machinery expense. The tenant ordinarily furnished all the machinery expense, so the entire burden of these items was shifted to him. Many landlords have recognized this and now furnish one-half the cost of fuel, oil,

and grease for the tractor. Recent studies show that in many cases the sharing of this item of expense contributes to the fairness of the lease.

Machinery Expense.—Under the usual arrangement where the tenant owns the machinery, he furnishes the repairs and upkeep for it. There are many variations in the ownership and expense of machinery. These variations can be accounted for in calculating the contributions, and credit should be given to each party for his contribution.

Machine Work Hired.—The cost of machine work hired usually is shared equally between the landlord and the tenant. It usually is not necessary to record this as a separate item since most of the machine work hired logically can be classed as either crop expense or livestock expense. However, it sometimes is convenient to record it as a separate item.

Hired Labor.—The tenant ordinarily furnishes all hired labor required to operate the farm. The cost of hired labor varies considerably from farm to farm, depending upon the nature and extent of the organization. In cases where the lease is shown to be inequitable this is one of the items in which an adjustment can be made most easily. The cash cost of board for hired labor usually is furnished by the tenant. It may be included in the cost of hired labor or classed as a separate item.

Building and Improvement Repairs.—It is customary for the landlord to furnish all repairs and improvements on the buildings and the cost of skilled labor required for making the repairs and improvements. The tenant is expected to furnish the labor for unskilled work. Fences and windmills should be included in the improvements.

Taxes and Insurance.—Each party to the contract usually pays the taxes and insurance on his share of the property. For example, the landlord pays the taxes on the land and buildings and on any machinery owned by him and one-half the taxes on the livestock owned equally. The tenant, in turn, pays the taxes on his share of the livestock and on machinery and equipment which he owns. Taxes are shared equally on grain, feed, or other materials on hand that are owned jointly. The same provisions apply to insurance. Insurance on crops usually is shared.

NONCASH EXPENSES

There are a number of contributions which do not involve an actual cash payment. Nevertheless, they are definite contributions to the farm business and each party should be credited with his share. Since these items cannot be determined so objectively as the cash expenses, the rates at which they are to be calculated should be mutually agreed upon by both parties.

Operator's Labor.—The value of the operator's labor should be conservatively estimated. It should be based on the going farm

labor wage and should be approximately the wage paid a married, hired man. It should not include wages for management. The return for management is realized from the profits of the business.

Family Labor.—In many cases members of the tenant's family perform considerable labor on the farm. While this does not involve a cash payment, it is a contribution and often avoids the necessity of hired labor. The value of family labor should be based on going wages of labor of a similar nature.

Board for Hired Labor.—The tenant usually boards the hired labor. In addition to the cash cost previously mentioned, board for the hired labor usually includes home-grown products which are as much a contribution as the cash cost since they take the place of cash items. Whichever party furnishes these products should be credited with the contribution. Products used in the home are discussed more fully in a later section.

Depreciation.—Depreciation is classed as an item of expense. The party bearing this expense should be credited with it. There are several standard methods of calculating depreciation. The simplest method is "straight line" depreciation, in which the amount allowed each year is a fraction or percentage based on the expected life of the object. For example, if a building is expected to last twenty years, one-twentieth (5 percent) of the value of the building would be allowed as depreciation each year. Any one of the generally accepted methods of calculating depreciation may be used.

Home-Grown Feed Fed to Work Stock.—In most stock-share leases work stock is fed from an undivided portion of feed. In reality, each party to the lease is furnishing an equal share of the feed. However, there are variations—either the tenant or landlord may furnish all of the feed or the shares may be unequally divided. The value of home-grown feed fed to the work stock should be the going market price at the farm.

Products Used in Home.—In many stock-share leases the tenant is allowed, free of charge, the garden products, truck, milk, poultry and eggs, and other farm products used for the living of himself and his family. If poultry production and dairying are not major enterprises of the farm business, the tenant often is permitted to keep a limited number of hens and several milk cows. If there is any surplus to sell, he usually receives all of the income. The poultry and dairy cows usually are fed from undivided feed. However, it usually is best to own the poultry and dairy stock jointly and to share equally in the expenses and in the income from them.

If the tenant receives produce from a jointly-owned enterprise and the landlord receives none, the landlord actually is furnishing one-half the produce and should be credited with this. If the tenant feeds his own stock from undivided feed, the landlord actually is furnishing, one-half the feed and should be credited accordingly. The value of farm produce or feed should be based on the going market price at the farm.

THE STOCK-SHARE LEASE

TABLE 2.—Contributions of landlord and tenant

	Landlord's Share	Tenant's Share	Total
Interest on investments:			
Land	\$917		\$917
Buildings	205		205
Machinery and equipment		\$275	275
Work stock		5	5
Productive livestock	70	70	140
Feeds and supplies	39	39	78
Cash to operate farm			
Cash expenses:			
Livestock purchased	2,160	2,160	4,320
Feed purchased	588	588	1,176
Crop expenses	148	148	296
Livestock expenses	356	356	712
Fuel, oil, and grease		460	460
Machinery expense		288	288
Machine work hired	86	86	172
Hired labor		677	677
Building repairs	50		50*
Insurance on buildings	84		84
Insurance on personal property			
Taxes:			
Real estate	345		345
Machinery and equipment		33	33
Work stock		1	1
Productive livestock	28	28	56
Feeds and supplies	4	4	8
Miscellaneous	166	166	332
Noncash expenses:			
Operator's labor		300	300
Family labor			
Board for hired labor		300	300
Depreciation:			
Buildings and improvements	91		91
Machinery		311	311
Work stock		8	8*
Home-grown feed for work stock			
Products used in home (1/2 of total)	165		165*
Total cost	\$5,502	\$6,303	\$11,805
Percent contributed by each	46.6	53.4	

* These were not given in the records, but are estimates.

EXAMPLE OF TEST OF FAIRNESS

An example of the test of fairness for a stock-share lease is shown in Table 2. The figures are taken from records on a 406-acre farm in south central Kansas for 1940. The major enterprises were a herd of 30 purebred beef cows and the feeding of 110 steers and 57 pigs. No building repairs were shown for this particular year's business so the average for 1935-1940 was used. The depreciation on work stock and the value of home-grown feed fed to work stock are estimates.

If this farm were operated under the customary stock-share lease with the income divided equally, it would be inequitable. The tenant would bear \$6,303 of the total expense, while the landlord would bear \$5,502. The labor of the operator is valued at a conservative rate. A higher rate would make a greater disparity in total contributions. The basis of the stock-share lease is that the expenses shall be shared equally if the income is to be divided that way. Adjustments can be made which will make the contributions approximately equal. If the cost of fuel, oil, grease, machinery expense, and taxes on machinery were shared equally, the landlord's share of expenses would be \$5,892 compared to \$5,912 for the tenant. This would make the contributions sufficiently equal that the income could be divided on a 50-50 basis. The sharing of the expense of fuel, oil, and grease is becoming more common, and some investigators in this field are of the opinion that at least the major machinery repairs should be shared equally. This particular lease also could be adjusted by the landlord's sharing in the cost of hired labor.

DRAWING UP THE LEASE

FORM AND CHARACTERISTICS

The renting of a farm constitutes a contract. It is an agreement whereby each party agrees to furnish certain items of investment and expense in return for which he will receive a share of the income. It is a good business practice to put all such contracts in writing. A farm lease should be written. While it is not necessary to put a lease in writing to make it legal, there are many reasons why it should be written. No attempt will be made to enumerate all of these reasons. If the lease is not written, one must rely solely upon his memory for the provisions of the lease. This always leaves room for misunderstanding. A written lease will not, in itself, guarantee satisfactory relationships, but it will reduce the chances for disputes and misunderstanding.

The provisions of the lease should be stated clearly, concisely, and simply. The lease should include the date upon which it is made, the term of the lease, and the specific date upon which it will terminate.

The usual stock-share lease is written for a term of three or five years, with the provision that it will be continued if satisfactory to

both parties. Since it is possible that adjustments may have to be made to meet changing conditions, a shorter term—even a one-year term—often is used. As was pointed out, the term of the lease should not be confused with the length of tenure. The term may be for a short period, but by renewals the length of tenure may be long. A stock-share lease should be planned on a long-time basis.

In every legal contract the parties involved should be clearly designated. The landlord usually is referred to as “the party of the first part,” the tenant as “the party of the second part.”

A description of the farm is essential. The legal description should be given, together with any common descriptive terms.

It is well to have a provision stating the limit to which one party may obligate the other. In case of a violation this clause probably will not hold against the claims of a third party. However, it will act as a restraining influence with responsible parties and it may give either party grounds for charges against the other party if the provision is violated.

The share of each investment to be furnished and the share of all expenses to be paid by each party to the lease should be clearly stated. These shares can be determined best by using the customary arrangements as a general guide and testing the fairness of the lease before drawing it up. If the lease proves inequitable, adjustments can be made in the contributions to make it as fair as possible to both parties. It may seem troublesome to consider the numerous contributions while drawing up the lease, but they usually must be considered sooner or later during the term of the lease and it is better that an understanding be reached beforehand. This may prevent a serious breach of relationships later.

It is important to include a provision stating the division of income. In most stock-share leases the returns from all farm products are divided equally between the landlord and the tenant. It is inadvisable to make any departure from this unless it is impossible to make adjustments in the contributions so that it is definitely known that the contributions are not being shared equally. To divide the income in any shares other than 50-50 is to depart from complete mutuality of interests in the products produced. The goal should be an equal sharing of the contributions toward the expense of the business and equal sharing of the income.

There are other provisions pertaining to the operation of the farm and conduct of both parties that should be in the lease. It is well to state definitely the extent to which the tenant and/or landlord will be permitted to use farm products for personal use.

The contract usually contains provision for the keeping of records and accounts by the tenant. If all transactions go through the bank, the bank account may be sufficient. However, it is desirable to keep a complete account. There are two such account books prepared by the Extension Service in cooperation with the Department of Agricultural Economics of Kansas State College. The Kansas Farm Account Book is satisfactory in all respects. It gives definite

information concerning the conduct of the business and is distinctly useful in making subsequent plans. Also, it is useful in determining income and expenses for the purpose of reporting incomes for taxation purposes. Copies of this book are usually available at the office of the county agent. The Kansas Farm Bureau-Farm Management Association Account Book is even more useful and desirable. While the cost is more, it includes everything in the Kansas Farm Account Book and, in addition, the fee includes the services of a field man and the summarization and analysis of the records at the close of the year.

The contract may contain specific statements of the acreage of each crop to be grown. This is particularly true of the acreage to be kept in permanent pasture or in alfalfa and other relatively permanent crops. If the term of the lease is for a number of years, changing conditions and circumstances probably will necessitate a change in the cropping plans. For this reason, an annual supplement may be used, in which is set forth the plan for the crops each year.

The usual lease contract stipulates that the tenant shall perform the various operations in accordance with the best approved practices of the region. Such a provision is desirable and should be stressed at the time the contract is entered into. Both landlord and tenant gain by good farming. The contract usually contains provision that the tenant is to haul all manure and spread it upon the fields where most needed.

Provision for the division of property at the termination of the lease usually is included. Much of the property, particularly the livestock, is owned jointly. The contract usually provides that any division satisfactory to both parties may be made; but if they cannot agree, a definite plan for the division is to be followed.

If the farm is offered for sale by the landlord, the tenant frequently is given first option on the purchase.

Two of the most perplexing problems of tenancy are compensation to the tenant for unexhausted improvements and unreasonable disturbance and compensation to the landlord for damages done by the tenant. The solution of these problems would probably do more than any other one thing to correct the evils of tenancy. Many tenants make no effort to maintain the fertility of the soil, keep up the buildings, or improve the farmstead. The carrying out of such practices is directly beneficial to the landlord as well as the tenant. They improve the productive power and appearance of the farm. In too many instances the result is the raising of the rental, because of bidding up by other tenants, or the sale of the farm. The tenant too often does not benefit from the improvements he makes. Consequently, there is little incentive for him to make them. Long-term leases have been advocated as a solution to this problem. The long-term lease is helpful to a certain extent but entirely inadequate. Changing circumstances and conditions often make it necessary to change the lease arrangements. Even though the term may be for a long period, when the end approaches and there is doubt of renewal the tenant may exhaust all the improvements he has made.

This insecurity of tenure can be overcome largely by a fair compensation for unexhausted improvements and unreasonable disturbance. This would assure the tenant at least partial compensation for his labor and management and would encourage him to use desirable farm practices and to make it possible for him to operate much as if he were an owner-operator. Compensation to the landlord for damages caused by the tenant is of equal importance as compensation to the tenant for unexhausted improvements. Many leases now contain provisions which specify the items for which either party can claim compensation.

After the lease has been carefully drawn up it must be signed properly by both parties.

ADAPTATIONS OF STOCK-SHARE LEASES

TENANTS WITH LITTLE OR NO CAPITAL

Frequently the tenant does not have the capital for his usual share of the investment under a stock-share lease. This may occur when a father wishes to turn his farm over to his son. The son has little to contribute other than his labor. A stock-share lease is desirable, but the son does not have the funds to invest in the livestock and equipment. Under such conditions landlords who are willing to take a chance on the tenant and by so doing maintain the farm business in a good condition may start the tenant on the stock-share basis by taking the tenant's note for his share of the investment. The livestock and equipment which the tenant thus acquires may be offered as security on the note. The note should run for the term of the lease and should bear a conservative rate of interest payable annually or semiannually. Provision should be made whereby payments on the principal can be made at any interest-paying date.

To determine the tenant's share in the investment, a value must be placed on the farm property, particularly the property of which the tenant is to assume complete or joint ownership. This may be appraised by agreement between the two parties concerned or it may be appraised by disinterested parties. Some definite plan should be agreed upon and the values assigned should be specific and clearly understood. This method has advantages for both the landlord and the tenant, particularly where the arrangement is between a father and a son. The business goes on much as it had been conducted before the father left the farm. The landlord's risk is not increased beyond what it would be with the same tenant if the landlord retained complete ownership. The interests of the landlord and tenant should be kept as nearly mutual as possible. The tenant should receive a share of the income, including the increase in livestock, in the same proportion that he contributes toward the total expenses.

A plan sometimes used is for the landlord to furnish all of the livestock and retain complete ownership. Obviously, it is necessary

to provide for maintaining the herd. For example, if all other factors are furnished according to the customary arrangements and it is desired to divide the returns equally, the landlord could not be expected to furnish the livestock unless there was some provision for maintaining the herd. This may be done by replacing the old stock from the increase which is produced. The increase, however, is owned jointly by both parties so the returns from the sale of the old stock are divided and the landlord still retains ownership of the breeding herd including the younger animals which replace the old ones. Such an arrangement presents many opportunities for disagreement. A particularly fine young animal may be raised and the question arises as to whether it is to be retained in the breeding herd or to be sold. If it is retained in the breeding herd, the tenant does not share directly in the value of this young animal. If the animal is sold, the tenant immediately gets a share of the returns. Much of this difficulty can be avoided by adopting the stock-share lease as outlined or by the tenant giving the landlord a note for one-half interest. The tenant will then gain by retaining the animal in the herd as well as by selling it. The landlord's interests would be along the same lines.

Another arrangement is sometimes used whereby the tenant gradually accumulates one-half interest in the livestock. This is done by replacing the original stock from the increase in which the tenant has one-half ownership. In this case the landlord would receive all the returns from the sale of the original stock which he owned until the tenant had acquired one-half ownership in the stock. Under this arrangement the landlord would be furnishing a somewhat larger contribution than is customary up to the time the tenant had acquired one-half interest in all of the stock. It probably would be necessary for the tenant to furnish some additional contribution ordinarily furnished by the landlord to make the lease equitable. This arrangement also presents opportunities for disagreement and depends upon the ability of the two parties to "get along."

These methods of adapting the stock-share lease to the needs of the tenants who have little or no capital gives the young man an excellent opportunity to start in business. Also, it preserves a farm business as a going concern which may have required years for the landlord to establish. They are especially commendable for the use of fathers who are turning their farms over to their sons.

FATHER TAKING SON INTO BUSINESS

This assumes that the father is going to take an active part in conducting the work of the farm. A father may wish to take his son into the farm business but may not wish to relinquish active participation. He may want to give the boy a share in the business and to work out an agreement that will be fair to both of them. The young man going into the business can profit by the advice of his father. He has an opportunity to get started much younger than would be possible if such an arrangement were not made. The

father retains the boy's interest in the farm and, in turn, is in a position where he need not retire from farming to give the boy an opportunity. If he wishes to do so, he can retire at a later date without seriously affecting the conduct of the farm business.

The conditions favorable for such an arrangement are found on farms that are large enough for two men. On smaller farms such an arrangement is not advisable, for there would be reduced opportunity for both, and the arrangement probably would not be profitable.

The stock-share method of dividing the investments, the expenses, and the receipts may be used as a basis for a satisfactory agreement. If the son lacks capital, any one of the arrangements described in the preceding section may be used. The most desirable, from the standpoint of complete mutuality of interest, is for the son to give his father a promissory note and pay interest for his share of the investment. If the son is able to assume one-half of all investments, exclusive of land and buildings, and contribute one-half of the expenses that ordinarily are furnished by a tenant, a fairly simple arrangement can be made. In this case the father would be considered as landlord and as such would be entitled to one-half of the income. Father and son together would be considered as co-tenants entitled to equal shares in the tenant's income. This would mean that the father would be entitled to three-fourths and the son to one-fourth of the total farm income.

There are many variations in the ownership of livestock and machinery, ranging from equal ownership by father and son to those cases where the son is unable to furnish anything but his labor. If the son furnishes nothing more than his labor he should receive a share of the total farm income proportionate to the share that the value of his labor bears to the total contributions of operating the farm for a year. For example, if the value of the son's labor amounts to 20 percent of the total contribution he should receive 20 percent of the total farm income. The contributions may be calculated as explained in the "test of fairness." The value of the son's labor may be determined by mutual agreement between the father and son. It should be not less than what it would cost for hired labor to replace the son.

SUGGESTED LEASE FORMS

Following are two forms of stock-share leases. Form A is simplified to meet the requirements of a stock-share lease which follows the customary arrangement. It is recognized that many leases vary from this arrangement. Form B is a flexible lease which can be adapted to nearly any variation. There are blank for filling in the share of investment and expense to be furnished by each party. These shares should be decided upon before the lease is drawn up. It is advisable to calculate the contributions of the landlord and tenant on a form such as Table 1. This should show whether or not any adjustments are necessary in the customary arrangements to make the lease equitable.

Form A

KANSAS STOCK-SHARE LEASE

PART I—Date and Designation of Parties:

This agreement is made this.....day of....., 19....., by and between..... of....., landlord, and..... of....., tenant.

PART II—Description of Farm:

In consideration of the agreements and stipulations hereinafter mentioned in this lease, the landlord hereby leases to the tenant the following described property:acres, more or less, located in..... county, state of....., known as thefarm, together with all buildings and improvements upon it. In addition, the following repairs and improvements shall be completed on or before....., barring unavoidable delays:.....

The farm is legally described as follows:.....

PART III—Term of Lease:

The term of this lease shall be.....years, commencing on the..... day of....., 19....., and ending on the..... day of....., 19....., and shall continue in effect from year to year thereafter until written notice of termination is given by either party to the other on or before the.....day of..... before expiration of this lease or any renewal.

PART IV—Limitation of Commitment:

Neither party shall have authority to obligate the other without written consent, excepting in cases of purchases or sales of less than \$.....

PART V—The Landlord Agrees:

- 1. To furnish the above described farm, including the improvements thereon.
- 2. To furnish material for needed repairs and improvements on above described farm.
- 3. To furnish skilled labor for making needed repairs and improvements on above described farm.
- 4. To pay all taxes and insurance on his share of the farm property.
- 5. To place the farm in a habitable and tenantable condition at the beginning of the lease.

THE STOCK-SHARE LEASE

- 6. To replace buildings destroyed by fire or accident as soon as practicable, or to make suitable adjustments in rental payments.
- 7. To warrant and defend the tenant's possession against any and all persons as long as this lease remains in effect.
- 8. Additional agreements:.....
.....
.....

PART VI—The Tenant Agrees:

- 1. To furnish all work stock, machinery, tools, and harness necessary for proper care of the crops and livestock on the farm described above, except.....
.....
- 2. To furnish all repairs on machinery, tools, and harness, except.....
.....
- 3. To furnish all fuel, oil, and grease for the machinery and tools, except.....
.....
- 4. To do all work and hire and pay all help necessary for proper care of the crops and livestock on the farm described above.
- 5. To make all repairs and improvements where skilled labor is not required.
- 6. To board all extra help.
- 7. To deliver all produce at local market or shipping point free of cost to the landlord.
- 8. To pay all taxes and insurance on his share of the farm property.
- 9. To keep an accurate account of all receipts and expenditures.
- 10. To farm said land in a good farm-like and workman-like manner.
- 11. To commit no waste nor injury to the premises.
- 12. To keep the buildings, fences, and other improvements on said farm in as good repair and condition as the same are when he goes into possession, reasonable wear and depreciation excepted, or as good as they may be put in during said term.
- 13. To haul out and scatter on the fields where most needed, at least once a year, all manure made and produced during the term of this lease excepting that produced during the three months prior to its termination.
- 14. To assign or sublet no part of the farm, stock, or crops without written consent of the landlord.
- 15. To allow no noxious weeds to go to seed on the farm or on roads adjoining it.
- 16. To cut no live trees except by permission of the landlord, but to use only dead or down timber not suitable for saw logs or posts.
- 17. To sell or burn no straw or cornstalks grown on the farm except by permission of the landlord.
- 18. To allow the landlord to enter the premises at any reasonable time to inspect the property, and to work and make improvements as he shall deem expedient, provided such entry and work on the part of the landlord does not interfere with the tenant's carrying out the regular farming operations.
- 19. To surrender peaceably possession and occupancy of the premises at the termination of the lease.

20. Additional agreements:.....

PART VII—Mutual Agreements:

1. The landlord and tenant will each furnish one-half of the productive live-stock, consisting of the following:.....
.....
.....
2. The landlord and tenant will each furnish one-half of all seeds needed for seeding field crops on said farm. Each will pay for one-half of all feed which must be purchased, one-half of all expenses on livestock owned in common, one-half of all expenses for twine and threshing and one-half of all other expenses not otherwise provided for in this agreement.
3. The landlord and tenant shall agree annually on whether or not the farm shall be operated to comply with the provisions of the Agricultural Conservation Program.
4. The landlord and tenant shall agree upon what livestock, crops, and other farm products are to be sold and the approximate time at which they shall be sold.
5. The landlord and tenant shall agree upon what livestock and other items shall be purchased and the approximate time of purchase.
6. Neither party shall bring livestock which is not a part of the farm business as provided by the terms of this agreement, on the farm during the period of the lease, nor enter into any contract or agreement affecting the farm business in any way without the consent of the other.
7. All livestock shall be fed from the common produce of the farm and such feed as may be purchased from time to time by the parties.

PART VIII—Rent and Division of Farm Income:

1. Each party shall share equally in all proceeds from the sale of livestock, crops, or other farm products, except as provided for in section 3 below.
2. Settlement of the current accounts shall be made on.....
.....according to the terms of this lease.
3. The tenant may take a reasonable amount of land for garden and potatoes and, from the undivided product, milk, cream, poultry, and eggs for family use only. The tenant may have pork, beef, or mutton for family use not to exceed.....pounds live weight. If meat is used in excess of these amounts, one-half of the value shall be charged to the tenant and credited to the landlord, calculated at market price for live weight. If the poultry is not jointly owned, the tenant shall be permitted to keep up tohens for his own use and disposal and they may be fed from the undivided crop. If the dairy cows are not owned jointly, the tenant shall be permitted to keep up to.....cows for his own use and disposal and they may be fed from the undivided crop.

PART IX—Nonfulfillment:

1. If either party shall fail in any respect to carry out any of the provisions of this lease, the other shall serve written notice demanding redress within _____ days, and if redress is not given may hire the same done or do it himself and the cost shall be paid by the party failing to carry out said provisions; or if redress is not made in the period specified above, the other party shall have the power to terminate this lease in addition to compensation for damages caused by reason of such breach. Such termination shall become effective thirty (30) days after written notice of termination specifying the delinquency has been served on the delinquent party.
2. If the tenant fails to carry out his agreements and is unable or unwilling to redress the landlord, the landlord may take possession of the premises and all of the property owned jointly and care for same until settlement can be made. Such settlement shall be according to the terms of this lease.

PART X—Final Settlement at Termination of Lease:

At the termination of this lease:

1. Property separately owned shall be taken or disposed of at will by the owner thereof.
2. All seed, feed, and supplies jointly owned shall be divided upon the basis of respective interests, and the tenant shall leave the landlord's share on the farm.
3. Livestock jointly owned shall be divided or disposed of in any of the following ways which may be agreed upon:
 - (a) Either party may sell his interest to the other at such a price and upon such terms as may be agreed, or
 - (b) The tenant shall divide each class of livestock, as cows, steers, calves, hogs, poultry, etc., into two groups and the landlord shall take his choice of the two groups of each. In case the two groups cannot be made of nearly equal value, the difference in value shall be decided upon before the choice is made, or
 - (c) The livestock shall be sold and the proceeds therefrom shall be divided or disposed of upon the basis of the respective interests of the two parties.
4. If in connection with any of the jointly-owned classes of property the parties prefer to set aside the plans given above, it is agreed that one party (to be determined by agreement or lot) shall place a value upon the entire amount of the respective jointly-owned classes of property and the other shall have the option of either selling his share or buying the share of the party who makes the valuation.

PART XI—Compensation for Improvements, Removal of Fixtures, and Compensation for Damages to the Farm:

1. If the tenant, at his own expense and with authorization of the landlord, makes improvements upon buildings, fences, water supply or sewage systems, permanent household fixtures, ponds or lakes, drainage or terrace systems, or other improvements of this type, he shall receive a reasonable compensation for the unexhausted value of such improvement at the termination of the lease.
2. The tenant shall have the right to remove any buildings and fixtures which he has placed upon the farm at his own expense and with authorization of the landlord, at any time within sixty (60) days after the termination of the lease, provided he leaves the ground from which such improvements are removed in as good condition as before.

3. The landlord shall reimburse the tenant for plowing done in excess of the area plowed at the beginning of the lease (.....acres) at \$..... per acre; or the tenant shall pay the landlord at the same rate if plowing left is less in area than at the beginning of this lease.
4. The landlord shall reimburse the tenant for acres in grass and legumes in excess of amount found in similar condition at the beginning of the lease, (.....acres) at \$.....per acre; or the tenant shall pay the landlord at the same rate if such land is less in area than at the beginning of the lease.
5. Improvements totaling less than \$..... in amount may be made without consent of the landlord, provided the tenant gives him written notice.....days before the improvement is made, stating the improvement to be made, location, date when it is to be made, estimated cost, and the approximate rate of depreciation.
6. At the termination of the lease, the tenant shall pay to the landlord a reasonable compensation for any damages to the property for which the tenant is clearly responsible. Damage resulting from ordinary wear and depreciation or from causes beyond the tenant's control shall not be recoverable.
7. Each party shall present to the other all such claims in writing at the termination of the lease.

PART XII—Arbitration:

Any difference between landlord and tenant shall, upon request of either party, be submitted to arbitration. The arbitrator shall be one disinterested person agreeable to both parties; or the landlord and tenant each shall select one disinterested person and these two so selected shall jointly select a third disinterested person. The decision of the arbitrator(s) shall be binding upon the parties except if a matter of law or a sum exceeding \$..... is involved.

PART XIII—Additional Agreements:

.....
.....
.....
.....

PART XIV—Signatures:

Witnesses:..... (Landlord)
..... (Tenant)

STATE OF....., COUNTY OF....., ss.

On this.....day of....., A. D. 19.....,
before me....., a notary

THE STOCK-SHARE LEASE

public in and for the county of....., state of
....., personally appeared

.....
to me known to be the persons named in and who executed the foregoing in-
strument, and acknowledged that they had executed the same as their volun-
tary act and deed. My commission expires.....
19.....

.....
Notary Public in and for said county.

Form B

KANSAS STOCK-SHARE LEASE

PART I—Date and Designation of Parties:

This agreement is made this.....day of.....,
19....., by and between.....
of....., landlord,
and.....
of....., tenant.

PART II—Description of Farm:

In consideration of the agreements and stipulations hereinafter mentioned
in this lease, the landlord hereby leases to the tenant the following described
property:.....acres, more or less, located in.....
county, state of....., known as the
..... farm, together with all buildings
and improvements upon it. In addition, the following repairs and improvements
shall be completed on or before.....,
barring unavoidable delays:.....
.....

The farm is legally described as:.....
.....
.....

PART III—Term of Lease:

The term of this lease shall be.....years, commencing on the
.....day of....., 19....., and ending on the
.....day of.....19....., and shall continue
in effect from year to year thereafter until written notice of termination is
given by either party to the other on or before the.....day of
.....before expiration of this lease or any
renewal.

PART IV—Limitation of Commitment:

Neither party shall have authority to obligate the other without written consent, excepting in cases of purchases or sales of less than \$.....

PART V—Investments:

The following investments shall be furnished by the parties to this lease in the shares as designated in the columns at the right:

	Share to be furnished	
	Landlord	Tenant
1. All machinery, equipment, tools, and harness necessary for proper care of the crops and livestock on the farm described above.....		
except.....		
2. Work stock, the number not to exceed.....		
head.....		
3. Productive livestock:		
(a) Cattle, consisting of not less than.....		
nor more than.....head.....		
(b) Hogs, consisting of not less than.....		
nor more than.....head.....		
(c) Sheep, consisting of not less than.....		
nor more than.....head.....		
(d) Poultry, consisting of not less than.....		
nor more than.....head.....		
4. Feed raised on the farm which is necessary for the livestock.....		

THE STOCK-SHARE LEASE

PART VI—Expenses:

The following expenses shall be shared by the parties to this lease in the shares as designated in the columns at the right. It shall not be necessary for each party to pay his share of each item, but payment may be made by either party with settlement according to Section 2, Part VII.

	Share to be furnished	
	Landlord	Tenant
1. Purchase of additional livestock other than work stock		
2. Purchase of work stock		
3. Purchased feed		
4. Twine		
5. Seed:		
(a) Alfalfa		
(b) Other field crops		
(c) Temporary pasture		
(d) Permanent pasture		
6. Ground limestone delivered at.....not in excess of.....tons or less than..... tons annually, as may be agreed upon by both parties		
7. Commercial fertilizer consisting of.....to be delivered at.....not in excess of.....tons or less than.....tons annually, as may be agreed upon by both parties		
8. Other crop expenses as follows		
.....		
.....		

	Share to be furnished	
	Landlord	Tenant
9. Veterinary fees, serums, etc.:		
(a) For work stock		
(b) For other livestock		
10. Breeding fees:		
(a) For work stock		
(b) For other livestock		
11. Other livestock expense as follows:		
12. Marketing expense		
13. Machine work hired		
14. Fuel, oil, and grease for farm work		
15. Machinery repairs		
16. Ordinary hired labor		
17. Board for hired labor		
18. Skilled labor necessary for repairing and making permanent improvements		
19. Materials necessary for repairs and improvements on above described farm		
20. Taxes:		
(a) Real estate		
(b) Machinery and equipment		
(c) Work stock		
(d) Other livestock		
(e) Feeds and supplies		
21. Insurance:		
(a) Real estate		
(b) Work stock		
(c) Other livestock		
(d) Crops		
22. Other expenses as follows:		
.		
.		
.		

PART VII—Rent and Division of Farm Income:

1. As rent for said farm and in consideration of the respective contributions of the two parties, as set forth in this lease, all income or receipts from the sale of livestock, livestock products, crops and other income from operation of the farm will be divided and distributed between the two parties as designated in the columns at the right:

	Share of income and livestock increase	
	Landlord	Tenant
(a) Sale of livestock		
(b) Sale of livestock products		
(c) Sale of crops		
(d) Sale of		
(e) Ownership of livestock increase:		
(1) Work stock		
(2) Other livestock		

2. Settlement of the current accounts shall be made on.....
according to the terms of this lease.

3. The tenant may take a reasonable amount of land for garden and potatoes, and, from the undivided product, milk, cream, poultry and eggs for family use only. The tenant may have pork, beef, or mutton for family use not to exceed.....pounds live weight. If meat is used in excess of these amounts, of the value shall be charged to the tenant and credited to the landlord, calculated at market price for live weight. If the poultry is not jointly owned, the tenant shall be permitted to keep up to.....hens for his own use and disposal and they may be fed from the undivided crop. If the dairy cows are not owned jointly, the tenant shall be permitted to keep up to.....cows for his own use and disposal and they may be fed from the undivided crop.

PART VIII—Landlord's Duties:

The landlord agrees:

1. To place the farm in a habitable and tenantable condition at the beginning of the lease.
2. To replace buildings destroyed by fire or accident as soon as practicable, or to make suitable adjustment in rental payments.
3. To warrant and defend the tenant's possession against any and all persons as long as this lease remains in effect.

PART IX—Tenant's Duties:

The tenant agrees:

1. To keep an accurate account of all receipts and expenditures.
2. To farm said land in a good farm-like and workman-like manner.
3. To commit no waste nor permit injury to the premises.
4. To keep the buildings, fences, and other improvements on said farm in as good repair and condition as the same are when he goes into possession, reasonable wear and depreciation excepted, or as good as they may be put in during said term.
5. To haul out and scatter on the fields where most needed, at least once a year, all of the manure made and produced during the term of this lease excepting that produced during the three months prior to its termination.
6. To assign or sublet no part of the farm, stock, or crops without written consent of the landlord.
7. To allow no noxious weeds to go to seed on the farm or on roads adjoining it.
8. To cut no live trees except by permission of the landlord, but to use only dead or down timber not suitable for saw logs or posts.
9. To sell or burn no straw or cornstalks grown on the farm except by permission of the landlord.
10. To allow the landlord to enter the premises at any reasonable time to inspect the property, and to work and make improvements as he shall deem expedient, provided such entry and work on the part of the landlord does not interfere with the tenant's carrying out the regular farming operations.
11. To surrender peaceably possession and occupancy of the premises at the termination of the lease.

PART X—Mutual Agreements:

1. The landlord and tenant shall agree annually on whether or not the farm shall be operated to comply with the provisions of the Agricultural Conservation Program.
2. The landlord and tenant shall agree upon what livestock, crops, and other farm products are to be sold and the approximate time at which they shall be sold.
3. The landlord and tenant shall agree upon what livestock and other items shall be purchased and the approximate time of purchase.
4. Neither party shall bring livestock which is not a part of the business as provided by the terms of this agreement, on the farm during the period of the lease nor enter into any contract or agreement affecting the farm business in any way without the consent of the other.
5. All livestock shall be fed from the common produce of the farm and such feed as may be purchased from time to time by the parties.

PART XI—Nonfulfillment:

1. If either party shall fail in any respect to carry out any of the provisions of this lease, the other shall serve written notice demanding redress withindays, and if redress is not given may hire the same done or do it himself and the cost shall be paid by the party failing to carry out said provisions; or if redress is not made in the period specified above, the other party shall have the power to terminate this lease in addition to compensation for damages caused by reason of such breach. Such termination shall become effective thirty (30) days after written notice of termination specifying the delinquency has been served on the delinquent party.

2. If the tenant fails to carry out his agreements and is unable or unwilling to redress the landlord, the landlord may take possession of the premises and all of the property owned jointly and care for same until settlement can be made. Such settlement shall be according to the terms of this lease.

PART XII—Final Settlement at Termination of Lease:

At the termination of this lease:

1. Property separately owned shall be taken or disposed of at will by the owner thereof.
2. All seed, feed, and supplies jointly owned shall be divided upon the basis of respective interests, and the tenant shall leave the landlord's share on the farm.
3. Livestock jointly owned shall be divided or disposed of in any of the following ways which may be agreed upon:
 - (a) Either party may sell his interest to the other at such a price and upon such terms as may be agreed, or
 - (b) The tenant shall divide each class of livestock, as cows, steers, calves, hogs, poultry, etc., into two groups and the landlord shall take his choice of the two groups of each. In case the two groups cannot be made of nearly equal value, the difference in value shall be decided upon before the choice is made, or
 - (c) The livestock shall be sold and the proceeds therefrom shall be divided or disposed of upon the basis of the respective interests of the two parties.
4. If in connection with any of the jointly-owned classes of property the parties prefer to set aside the plans given above, it is agreed that one party (to be determined by agreement or lot) shall place a value upon the entire amount of the respective jointly-owned classes of property and the other shall have the option of either selling his share or buying the share of the party who makes the valuation.

PART XIII—Compensation for Improvements, Removal of Fixtures, and Compensation for Damages to the Farm:

1. If the tenant, at his own expense and with authorization of the landlord, makes improvements upon buildings, fences, water supply or sewage systems, permanent household fixtures, ponds or lakes, drainage or terrace systems, or other improvements of this type, he shall receive a reasonable compensation for the unexhausted value of such improvements at the termination of the lease.
2. The tenant shall have the right to remove any buildings and fixtures which he has placed upon the farm at his own expense and with authorization of the landlord, at any time within sixty (60) days after the termination of the lease, provided he leaves the ground from which such improvements are removed in as good condition as before.
3. The landlord shall reimburse the tenant for plowing done in excess of the area plowed at the beginning of the lease (.....acres) at \$......per acre; or the tenant shall pay the landlord at the same rate if plowing left is less in area than at the beginning of this lease.
4. The landlord shall reimburse the tenant for acres in grass and legumes in excess of amount found in similar condition at the beginning of the lease, (.....acres) at \$......per acre; or the tenant shall pay the landlord at the same rate if such land is less in area than at the beginning of the lease.
5. Improvements totaling less than \$......in amount may be made without consent of the landlord, provided the tenant gives him writ-

ten notice.....days before the improvement is made, stating the improvement to be made, location, date when it is to be made, estimated cost, and the approximate rate of depreciation.

- 6. At the termination of the lease, the tenant shall pay to the landlord a reasonable compensation for any damages to the property for which the tenant is clearly responsible. Damage resulting from ordinary wear and depreciation or from causes beyond the tenant's control shall not be recoverable.
- 7. Each party shall present to the other all such claims in writing at the termination of the lease.

PART XIV—Arbitration:

Any difference between landlord and tenant shall, upon request of either party, be submitted to arbitration. The arbitrator shall be one disinterested person agreeable to both parties; or the landlord and tenant each shall select one disinterested person and these two so selected shall jointly select a third disinterested person. The decision of the arbitrator(s) shall be binding upon the parties except if a matter of law or a sum exceeding \$..... is involved.

PART XV—Additional Agreements:

.....
.....
.....
.....
.....

PART XVI—Signatures:

Witnesses:..... (Landlord)
..... (Tenant)

STATE OF....., COUNTY OF....., ss.

On this.....day of....., A. D. 19....., before me.....a notary public in and for the county of....., state of....., personally appeared..... to me known to be the persons named in and who executed the foregoing instrument, and acknowledged that they had executed the same as their voluntary act and deed. My commission expires....., 19.....

.....
Notary Public in and for said county.

Blank forms similar to the above may be obtained by writing the Agricultural Experiment Station, Manhattan, Kansas.

SUMMARY

Many persons look upon farm tenancy as an evil. However, tenancy in itself is not undesirable. It offers the young man with limited capital an opportunity to get started in the farming business at a much earlier age than would be otherwise possible. It provides a stepping stone whereby he can accumulate the funds necessary to become an owner. While tenancy is not inherently bad, some undesirable features have arisen in connection with it. Chief among these is the "mining of the soil." The reason for this can be traced directly to the insecurity of tenure of a great number of tenants. Many other undesirable features contribute directly or indirectly to the decrease in fertility of the soil. Of the various types of leasing arrangements the stock-share lease offers the greatest possibility of correcting the most outstanding evils of tenancy.

The basic assumption of the stock-share lease is that the value of land and buildings furnished by the landlord is equal to the value of labor, power, and machinery furnished by the tenant. Other ordinary expenses of the farm business are shared equally.

The principal factors affecting the contributions of landlord and tenant are technological changes in agricultural production, fertility of the soil, intensity of the farm organization, investments in the farm business, and size of the farm business. The combinations of these factors which are found on farms are in such varying proportions that it is doubtful if any two farms are exactly alike. A considerable proportion of the stock-share leases in Kansas do not follow the customary 50-50 arrangement. Many of them make some variation in the investment in working capital or sharing of the expenses.

Farm budgets may be used to determine the contributions of landlord and tenant. General farm budgets are useful in determining the effect of various factors on the contributions of the parties and for comparison of different arrangements. However, due to the fact that farms differ and there is considerable variation from the customary arrangements, the application of any rules in regard to the equitability of stock-share leases that might be derived from general farm budgets would be limited in their application to individual farms.

It is necessary to determine the contributions of the landlord and tenant on each farm before an accurate statement can be made about the equitability of a stock-share lease for that farm. In testing the equitability of a stock-share lease the customary 50-50 arrangement usually is used as a guide. The contributions that each party makes may be determined by a farm budget for that specific farm, from past records of the farm business or from estimates. A farm lease is said to be equitable when the income is divided in the same proportion that each party contributes toward the expenses incurred in obtaining that income. If it is desired to divide the income 50-50, each party should contribute 50 percent of the expenses.

If it is found, upon calculation of the contributions, that the parties are not contributing in the same proportion that the income is to be divided, adjustments may be made in the contributions or in the division of income. It is more desirable to divide the income 50-50 if possible and, if necessary, make adjustments in the contributions so that each party is contributing approximately 50 percent.

In drawing up a stock-share lease it is important that the proper legal procedure and form be used. The lease should be written. The provisions should be stated clearly, concisely, and simply.

The stock-share lease is adapted to ambitious tenants with little capital who wish to get started in a well-rounded farm business. It is especially adapted to the son or some other relative of a retiring farmer. However, it is by no means limited to relatives. Various arrangements can be made if the tenant does not have sufficient funds for his full share of the investment. The most desirable arrangement is for the landlord to take the tenant's note for his share of the investment. This will give a complete mutuality of interest and allow the income to be divided equally. The landlord's risk is not increased beyond what it would be with the same tenant if the landlord retained complete ownership. The tenant should pay interest on the note, and if the business is successful he will, in time, be able to pay off the note.

The stock-share lease also is especially adapted to an arrangement whereby a father takes his son into the business with him. This assumes that the father is going to remain active in conducting the work of the farm.

Under this arrangement the father is in reality the landlord of the business and the father and son together are co-tenants. Therefore if the son can furnish one-half of the usual tenant's share of the investment, he would be entitled to one-half of the usual tenant's share of the income. This would amount to one-fourth of the total income. The father would be entitled to one-half of the total income as landlord and also one-half of the usual tenant's share as co-tenant with the son. This would amount to three-fourths of the total income.

The stock-share lease is not adapted to all farms of Kansas. This type of lease contemplates the raising of livestock. In some sections of the state livestock raising is not practiced to any great extent. In those sections the people might well consider the possibility of increasing livestock production. In addition to the adaptation of the farm itself there are other factors which should be taken into consideration before adopting the stock-share lease. Among these other considerations are the landlord's knowledge and experience in farming, the nearness of his residence to the farm, and the ability of both parties to "get along" with each other.

The more widespread use of the stock-share lease on those farms where conditions are favorable would do much to correct the evils

THE STOCK-SHARE LEASE

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of tenancy. It necessitates a long-time plan. The tenure of the tenants is more secure. They take a greater interest in community affairs and in the upkeep of the farm. As a result, the fertility of the soil is better maintained. All of these things help to develop a more permanent agriculture and a more stable, wholesome community.

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