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UNITED STATES
DEPARTMENT OF AGRICULTURE

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LANDLORD-TENANT COOPERATION

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USE OF THE FLEXIBLE
FARM LEASE

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Nearly half of all United States farmers are tenants or sharecroppers.

Approximately a million tenant families move every year.

It costs tenant families an average of at least \$60 or \$70 to move and the total cost to the million families who move each year is at least \$60,000,000 or \$70,000,000. The direct and indirect costs to landlords are at least as great.

A simple and understandable written contract or lease is the first step toward improvement. The Flexible Farm Lease is provided for that purpose.

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LANDLORD-TENANT COOPERATION

Use of the Flexible Farm Lease

NEARLY HALF of all farmers in the United States are tenants or sharecroppers. On January 1, 1935, a million tenant and sharecropper families had been where they were less than 1 year. At least another million families who rent farms for 1 year at a time approach the end of each year without reasonable assurance that they will remain upon the same farm.

This means that 5 million farm people change rented farms each year, and many change communities and change schools. Another 5 million people who rent the same farm for 1 year at a time enjoy little security of tenure.

Moving is an expensive business to both tenants and landlords. Careful surveys have revealed that in the Southern States it costs tenants an average of at least \$50 to move and in the Northern States \$150, or an average of at least \$75 for the entire country. The same surveys indicate that the direct and indirect cost to landlords for each change of tenants is about the same as the cost to tenants.

Most of these changes are made without benefit to either party. From the standpoint of the tenant family the effect of this constant moving is well expressed in the old saying, "Three moves are equal to a fire." From the standpoint of the landlord it might read, "Three changes of tenants usually mean gullied fields and dilapidated buildings."

Thousands of landlords and tenants, knowing these facts, have requested assistance and advice in connection with their tenure arrangements. It is largely in response to this demand that the United States Department of Agriculture, through its various agencies, has undertaken to give more definite assistance to landlords and tenants in their tenure arrangements and relationships. The Department is particularly concerned with indefinite and uncertain tenure arrangements because these have seriously handicapped and retarded the effectiveness of the various governmental programs for the aid of agriculture. It is difficult to rehabilitate those who are always on the move or to conserve the farms on which they live.

Many improvements in the tenure system can be made without greatly changing the system and without disturbing the good relationships which prevail between many tenants and their landlords. Each landlord should select the best tenant he can find for his farm and enter into an arrangement with him which will give the tenant reasonable security of tenure for a number of years. Each tenant should rent the best farm available from the best landlord he knows, settle down, live up to his obligations to the landlord, and "stay put" for a while.

In most cases the first step to be taken by a tenant and his landlord in working out satisfactory arrangements and relationships between them is to put their agreement in writing. At least three-fourths of

all tenants and sharecroppers in the United States have only verbal agreements with their landlords. Most of the disputes and misunderstandings between landlords and tenants arise over minor matters that were not considered in the indefinite verbal agreement between them. And many of these differences and disputes could be avoided by putting their agreements down in black and white, in the form of a written lease.

Changes in our agricultural situation have brought new problems and conditions which are important and confusing to both landlords and tenants. The necessity for soil conservation and soil improvement on most farms, the need for crop rotation over a period of several years, and the importance of introducing livestock or adding to livestock on tenant farms make it all the more important that tenants remain upon the same farm for a period of years and that landlords and tenants put their agreements in writing in the form of a written lease. It is not the solution to all the tenure problems, but in most cases it is the first step.

Just any kind of written lease is not sufficient because there are good leases and bad leases. Some leases have been written to give one party an unfair advantage over the other. A good lease should be in writing, in clear and understandable language, and in good-sized type; should be as fair to one party as to the other; should outline clearly and unmistakably the important details with reference to the operations of the farm, the contributions of each party, and the rates of rent; should give the tenant an opportunity to make a good living on the farm; should set forth definite provisions with regard to the maintenance, repair, and improvement of the farm; and finally, should contain an agreement between the parties that they will arbitrate any differences or disputes.

The flexible farm lease covers these points and contains the important provisions which most good landlords and good tenants seem to desire in a lease, but details and special arrangements must be inserted by landlords and tenants in each case. Blank spaces are provided for that purpose, and at the end of the lease there is a blank section which may be used in adding special agreements or arrangements that are not covered in the lease.

Filling Out and Signing the Flexible Farm Lease and the Flexible Livestock-Share Lease

The following specific suggestions are offered to aid landlords and tenants in filling out and signing the lease:

READ CAREFULLY.—Before starting to fill out the lease, the landlord and tenant should carefully read and discuss the entire lease and the instructions, so that both understand the content and meaning of the lease.

The Flexible Farm Lease

This form is intended primarily for use when the landlord's rent is, at least in major part, a share or specified quantity of the crops or is paid in cash. The Flexible Livestock-Share Lease is intended primarily for use in the leasing of farms on which livestock production is a major enterprise. The following instructions apply to the sections

indicated by number in both forms, except that sections 3 and 4 in the Flexible Livestock-Share Lease are covered by special instructions on pages 7 and 8 of this booklet.

1. *Description of property.*—Description of property may be the name by which the farm is commonly known or may be the description given in the deed.

2. *Term of lease.*—If the landlord and tenant agree upon a lease for several years, as may be desirable in many cases, section 2 will be filled out for the number of years agreed upon. The lease will then be binding for the specified number of years unless written notice of termination is given by either party the specified time before the end of the term. Furthermore, the lease will continue from year to year until written notice of termination is given by either party the specified time before the end of any crop year. The length of notice agreed upon must be specified in the proper blanks in section 2.

Many landlords and tenants will prefer a lease for 1 year, automatically renewable from year to year until written notice of termination is given by either party a reasonable time before the end of any crop year. Under such an agreement section 2 will be filled out for 1 year and the length of notice agreed upon will be specified.

Some landlords and tenants may prefer to make the lease for 1 year with no promise beyond the end of the year. In that case, section 2 will be filled out for 1 year and the rest of the section may be stricken out.

If the lease is made for 3 or more years, the period of notice to terminate should be not less than 5 or 6 months so that each party may make satisfactory arrangements for the next year. In the case of a 1-year automatically renewable lease the length of notice should be at least 3 months.

3. *Rental rates and arrangements.*—A careful study of section 3 will indicate the arrangement which best meets the needs for a particular farm. The plan of operation for the farm should be outlined carefully and should take into account the need for the tenant family to produce a living on the farm, the need for reasonable cash returns to both parties, and the need for maintaining and improving the productivity of the land.

Cash-rent rates are frequently based upon optimistic expectations of production and price. In most cases the landlord and tenant will find it most satisfactory to share the returns from the farm each year upon the basis of an equitable division of crops or of income from the farm rather than to follow a fixed rate of cash rent in good years and bad years alike. This may be accomplished through the regular crop-share rent arrangement or the share-cash arrangement. It might also be accomplished through variable or flexible rates of cash rent which would vary from year to year upon the basis of yield and price.

Because of the scarcity of farms and a tendency of tenants to bid against each other for desirable farms, there has grown up in certain localities the practice of paying a "bonus," which usually takes the form of an agreed amount of cash to be paid by the tenant in addition to the rates or shares of rent which formerly prevailed and is frequently covered by a side agreement. The inequity of such a system is obvious and in the end will prove equally detrimental to both tenants

and landlords. Many landlords are finding that tenants who offer highest rents or the largest bonus are frequently least satisfactory and least dependable. All rental arrangements and terms should be included in the written lease.

The rate of rent on land devoted to feed crops to be fed on the farm is usually not as high as the rate on land devoted to cash crops, such as cotton, tobacco, or wheat. Cash crops deplete the soil while the growing of feed crops and the feeding of livestock on the farm are beneficial to the land. Landlords sometimes have difficulty in marketing rent shares of feed crops and therefore find it more satisfactory to accept "cash value rent" on land devoted to the production of feed crops to be fed on the farm. Under this arrangement the tenant will grow the acreage of feed crops which he needs on the farm and at harvest time the landlord and tenant will determine how much of each feed crop will be the landlord's rent share and the tenant will pay the landlord the cash value of that quantity at the local market price. If "cash value rent" is agreed upon for certain feed crops, the crops and acreages will be indicated in the table and the rate of cash value rent will be indicated in column (2) on the proper lines opposite the crops. Cash value rent may be indicated as "cash value one-third" or "cash value one-half," etc. In many cases it may be to the advantage of both landlord and tenant to apply the cash value rent arrangement to the production of feed crops upon a larger scale for feeding to commercial livestock on the farm. Under that arrangement the total acreage of feed crops may be reduced because all the feed will be retained and fed on the farm and the acreage of cash crops or of pasture and hay crops may be increased. In some instances the size of the livestock enterprise may be increased because most of the feed produced on the farm is retained and the landlord's rent share is not moved off and marketed. The "cash value rent" arrangement establishes a variable or flexible rate of rent which is based upon actual production and the prevailing market price each year. It permits the tenant to produce adequate feed supplies and to retain and feed these upon the farm. It relieves the landlord of the difficulty of handling and marketing feeds which are difficult to market.

It is important to the landlord as well as to the tenant that enough corn, oats, hay, and other feeds be produced on the farm for the tenant's livestock. It is even more important, to the landlord as well as to the tenant, that the tenant and his family produce plenty of the many kinds of good foods which a thrifty farm family can produce on the farm to supply their needs throughout the year.

If the tenant has to spend his money for food and feed he usually won't have money to properly finance farm operations. If he must spend his money for food and feed he will usually go without other things which he and his family need. If they must go into debt for food and feed which they could produce on the farm, they may be handicapped by debt from one year to the next.

The plain truth is that the only sure way to have a good living on the farm is to produce it on the farm because if the tenant family doesn't produce plenty of food on the farm they will usually go without a lot of the foods which they need. If they don't produce plenty of feed for their livestock, usually they will feed sparingly and their livestock will go hungry some of the time. Someone has said, "The

man who farms to make money will usually go broke, but the man who farms to make a living will usually make some money."

These things are important to the landlord as well as to the tenant and it will pay the landlord to encourage and assist the tenant in planning and arranging to produce the living on the farm to the fullest possible extent.

Through this procedure many more tenants could, in time, do what some tenants have already been doing to their own great satisfaction and benefit, that is, to finance this year's farming out of last year's savings rather than to finance this year's farming out of the expected receipts from this year's crops. The first and most important step in this process, simple and homely as it may seem, is to produce on the farm all the good things to eat that the family needs and wants, and all the feed that the livestock need. Even a surplus of these things in good years is not a thing to worry about but may be carried over for use in years when not enough is produced.

These are some of the things which should be discussed and planned in filling out the table in section 3. They should be discussed and planned each year in filling out the Annual Supplement to the Flexible Farm Lease.

These suggestions do not apply just to certain sections of the country. There are unsatisfactory tenure arrangements and unsatisfactory living conditions on tenant farms in every State of the Union, to which these suggestions apply.

4. *Farm operation.*—The arrangement as to who will furnish work stock, machinery, feed, seed, etc., will depend upon the type of farm and the circumstances in each case. Under the usual crop-share arrangement the tenant customarily furnishes work animals, equipment, and feed, and furnishes seed for general crops; but in certain localities and types of farming there are exceptions to this arrangement. The landlord customarily shares such costs as fertilizer, lime, seed for meadows and pastures, seed for soil-improving crops and winter cover crops, harvesting, threshing, ginning, baling, twine, spray materials, marketing costs, etc.

Section 4 (c) is important as a means of introducing the production of livestock and livestock products on tenant farms under arrangements which will enable both to share the benefits or income from such livestock. If the tenant is able to own the livestock in full, that is usually the desirable arrangement. The landlord might furnish the livestock under an arrangement by which the tenant receives a share of the increase and products sufficient to compensate him for his labor and feed. The simplest and most common joint arrangement for ownership and production of market livestock and livestock products appears to be a 50-50 joint ownership of the livestock and a 50-50 sharing of all expenses, income, and livestock increase.

5. *Maintenance, repairs, and improvements.*—It is customarily and properly the landlord's responsibility to place the farm in tenantable condition and good repair at the beginning of the tenancy and to furnish necessary materials and skilled labor for normal repairs made by the tenant during his tenancy. It is the tenant's obligation to maintain the farm in as good condition and repair as when he took possession and to haul materials furnished by the landlord for normal repairs. New buildings and other improvements of a permanent

4. *Division of farm income and final settlement.*—The division of income will depend largely upon the arrangements as to ownership of livestock and division of expenses. These details will necessarily have to be worked out in each situation but should be determined upon the basis of arrangements which are found to be fair and equitable under similar circumstances in the vicinity.

Annual Supplement

In most cases it is desirable that a lease be entered into which will continue in effect for a period of several years. In many cases landlords and tenants will want to outline each year the plans under which the farm will be operated, the acreages of crops to be grown, etc. The "annual supplement" form is provided for use each year by landlords and tenants who use the flexible farm lease or flexible livestock-share lease. It enables them to outline the details of farm operation each year without repeating the entire process of preparing and signing a new lease. On the reverse side of this form they may outline a map of the farm designating fields, pastures, etc., for the coming year. If the annual supplements are carefully prepared and are preserved from year to year, they become valuable as a record of the use made of each portion of the farm over a period of several years.

Read and discuss—Get assistance.—The lease should be read and referred to from time to time during the year by each party in order that each may be thoroughly familiar with the provisions and obligations which have been entered into. The lease form has been prepared primarily to help landlords and tenants work together harmoniously and satisfactorily and to avoid misunderstandings or disputes. The flexible farm lease has been written primarily with the view of helping landlords and tenants to keep out of court and to avoid the need for litigation. The lease will not serve these purposes unless it is read and understood by both parties and is honestly and faithfully lived up to by each.

Frequently questions will arise in filling out the flexible farm lease or flexible livestock-share lease which require assistance and advice as to the arrangements that are customary within the locality and that will be mutually fair and equitable to both parties. Helpful assistance and information in connection with such matters can be secured from the county agricultural agent, the county rehabilitation supervisor, the local teacher of vocational agriculture, and from fair-minded landlords and tenants who are familiar with customary arrangements within the locality. Advice with reference to legal questions may be secured from practicing attorneys.

Copies of the Flexible Farm Lease, the Flexible Livestock-Share Lease, the annual supplement, and other forms and related materials published by the United States Department of Agriculture for aiding landlords and tenants in their leasing arrangements may be obtained from the county agricultural agent, from the State agricultural college, or may be obtained by addressing a request to the United States Department of Agriculture, Washington, D. C.