Miscellaneous Series #30

COLORADO FARM LEASES

What are the customary terms for renting Colorado farms?

By

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in cooperation with
Colorado Extension Service

Fort Collins, Colorado

October 1937

(6384)-37

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Source of Data

The Colorado Experiment Station has studied tenant data from farm survey records, from detailed farm accounting records, from interviews with interested parties, and from special questionnaires distributed through the cooperation of the Colorado Extension Service.

This mimeographed report is offered as a brief summary of the important lease terms in various parts of the state. The Experiment Station will welcome information dealing with methods of leasing and tenant problems which are not included in this report. It is our purpose to prepare a more complete bulletin which will be published later.

Methods of Leasing

Colorado farms are rented on a share basis, except in rare instances. Cash rent is used chiefly for grazing land or for small areas used for fruit or truck crops. Colorado farmers believe that the share system permits both landlord and tenant to share in risks such as weather, pests, and prices.

Eastern Plains Area

A questionnaire sent to the county committees in the fall of 1937 resulted in the following as representative replies:

Shares paid the landlord in the better dry farming areas or on improved land were 1/3 of all grain crops, beans, or sorghum. On less improved farms 1/4 was the customary share of crops paid as rent.

The expenses reported for landlords were real estate taxes and the materials needed to repair buildings and fences. Some landlords paid their share of threshing costs.

Estimates as to prevailing cash rent varied in the plains country. In the driest areas land for grazing was renting for taxes or an estimated 6 to 8 cents per acre. In other counties the price quoted was from 15 to 25 cents per acre. Dry farm crop land was quoted as renting from 50 cents to $1.00 per acre cash rent.

A few reports on methods of renting livestock suggested 1/2 the milk, butterfat or increase as the most common rent for cattle and hogs. In some instances it was reported that the landlord furnished either all the cattle and all the hogs or 1/2 the cattle and 1/2 the feed for the cattle, when receiving 1/2 the increase.

Tenant data summarized by the State Land Planning Specialist of the Farm Security Administration were quite similar as to lease terms.

Northern Colorado Irrigated Area

In the irrigated areas of the state there was greater variation, owing to more complicated cropping conditions.

The studies reported for northern Colorado show that the prevailing share lease gave the landlord 1/3 of the corn, grain, beans, potatoes, and vegetables;

1/4 of the sugar beets; and 1/2 of the alfalfa. In some counties this was modified to 1/5 of the sugar beets and 1/4 of the potatoes and beans, and vegetables.

The most variable condition of share leases in this area is the one dealing with aftermath pasture, straw, and sugar-beet tops. Where tenant and landlord feed on a share basis such feeds are used without any question as to ownership. On farms where the tenant does the feeding these by-products are used by the tenant without question, and the landlord benefits from improved yields from use of manure. On farms where the landlord does the feeding, he uses these by-products without paying the tenant for them but allows the tenant to pasture his workstock and milk cows.

Some landlords introduce another variable where they own several farms, asking 1/3 of the sugar beets on highly productive farms close to the loading stations and reducing that to 3/10 or 1/4 for the farms which are less productive or are farther from the loading station.

Under the customary lease the landlord furnishes the real estate and water taxes, 1/2 the cost of extra water hired or pumped, all the alfalfa seed, a share of the sacks for potatoes, and all the buildings and fence cash-repair costs. Frequently the landlord pays the labor cost of these repairs, except in the case of minor labor used in fence repair.

Little or no share renting is done with livestock, except where lambs and cattle are fed on a share basis.

In recent years some men have used a modification of the crop share lease in which the landlord furnishes all the seed grain and secures a 1/2-share of the grain as rent. Other landlords are paying for all seed, and for 1/2 of the direct crop costs, such as beet-contract labor, threshing, sacks and spraying, and taking a 1/2-share of all crops.

Very little cash renting was reported in northern Colorado. From $8 to $10 per acre for farm land and $2 per acre for irrigated pasture land seemed to be the prevailing rates.

The customary share lease in northern Colorado (i.e., 1/3 of the grain and vegetables, 1/4 of the sugar beets, and 1/2 of the alfalfa) is a reasonably fair lease. Records on farms using this lease and extending over the years 1922 to 1935, inclusive, show instances where either tenant or landlord was securing some advantages, and other instances where both profited. Some years neither showed any profit. The differences seem to be due to the kind of crops grown, yields and prices, and methods of handling the winter feeding operations.

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

Long-time landlord earnings on share-rented farms in this area seem to be from 3 to 4 percent on the prevailing market prices of irrigated farms.

Arkansas Valley Irrigated Area

In the Arkansas Valley there is considerable variation in methods of share leasing. These variations have resulted from the uncertain conditions of the past 10 years.

In general, the landlord receives 1/3 of the corn and grain, with a tendency for the landlord to pay 1/3 of the threshing; 1/4 of the sugar beets, beans, and tomatoes; 1/5 of the market cantaloupes and 1/4 of the seed cantaloupes; 1/2 of the alfalfa; and 1/5 or 1/4 of the onions, depending on the method of sharing expenses. With a 1/5-share the landlord furnishes no onion expense. In recent years the landlord has received 1/2 of the value of all aftermath pasture, straw, or beet-top pasture.

The landlord usually furnishes all irrigation water, both regular and extra, all the alfalfa seed, and all cash costs of repairs. Some landlords furnish all the seed for corn and small grain, and let the tenant pay all threshing costs, with the share remaining 1/3 as indicated.

One interesting modification in methods of leasing in the Arkansas Valley has been the introduction of a sliding-scale share payment for sugar beets, depending on how completely the tenant fulfills the landlord's instructions concerning the use of farm manure for sugar beets. A 1/5-share is taken where the tenant fulfills the contract, a 1/4-share where he does not, and a variable share between these two extremes in proportion to the percentage of sugar-beet land manured as requested by the landlord.

Cash rents in the Arkansas Valley, when reported, varied from $8 to $15 per acre, with $10 for alfalfa pasture and $1 for seep pasture.

Very little share renting of livestock was reported. The landlord receives 1/2 of the dairy products or calves, grown poultry, or hog increase where he has furnished the original livestock.

In the parts of the Arkansas Valley where water shortage has been most acute, and where incomes have been most uncertain, landlords have in some instances charged cash rent for the use of buildings or pasture and share rent for the crops, or have increased the share of crops taken as rent. These changes have been made in order to secure some return to the landlord to help pay taxes, when the tenant has feed for his "cow, sow, and hen" but no salable crops to divide with the landlord.

<u>Western Slope Irrigated Area</u>

The Western Slope irrigated area reports are similar to those of the other irrigated areas in most respects. Landlords receive 1/3 of the corn, grain, beans, and potatoes; 1/2 of the alfalfa; 1/4 of the cantaloupes; and 1/5 of the sugar beets. Fruit is handled under more variable conditions. In some instances the landlord pays 1/2 of the spraying and package cost and receives 1/2 the crop. In other cases the landlord pays none of these costs and receives 1/4 to 1/3 of the crop.

The landlord pays 1/3 of the costs of sacks and all irrigation charges, alfalfa seed costs, and costs of material for repairs to buildings or fences. In some cases the landlord pays for all seed grain and receives 1/2 the crop. A few reports indicate that the landlord pays for phosphate fertilizer in the same proportion that he shares in the crop to which the fertilizer is applied.

Cash rents vary from $3.50 to $7.50 per acre for crop land and are about $2 per acre for irrigated pasture.

The landlord receives 1/2 the increase or product where he furnishes dairy cattle or hogs.

San Luis Valley

No one method of share leasing is used throughout this valley. For instance some landlords pay 1/2 of the contract labor; 1/2 of the sacks; 1/2 of the winter sorting; and receive 1/2 the potato crop. Other landlords pay 1/4 the potato sacks and winter sorting; and receive 1/4 the potato crop. Others settle on a 1/3-share basis. Some landlords pay 1/2 the seed; 1/2 the threshing; and receive 1/2 the grain. Others receive 1/3 or 2/5 the grain, and the tenant pays all expenses. Field peas and alfalfa are usually shared 1/2 each. The landlord furnishes all alfalfa seed, and all cash repairs to buildings and improvements.

Some livestock is rented on a 50-50 basis. There is a tendency toward a general 50-50 base in which landlord and tenant share all cash expenses 1/2 each, and share all crops 1/2 each, except alfalfa, for which the landlord receives 2/3, and vegetables, for which the landlord receives 1/3.

Cash rent for irrigated farms varies from $2.50 to $6 per acre, depending upon the productivity of the land. Special vegetable land may bring several times this amount.

Northwest Colorado Area

This is chiefly a range livestock area where cash rent for state or private grazing lands is the common practice. Prevailing rent varies from 10 to 25 cents per acre for grazing land. Little or no livestock renting is found in this area. There is some cash renting of dry crop land and of irrigated pasture land, but this is on an experimental basis, and rates have not been established as yet.

Irrigated farms are rented for 1/3 the grain and 1/2 the hay.

Dry land crop rent is mostly on a share basis, with the landlord receiving 1/4 the grain and 1/2 the hay, or in some instances 1/3 of the grain. Some tenants are renting land temporarily for the payment of taxes or for keeping up the fences.

Some owners who wish to find tenants have furnished all machinery, including a tractor, and paid 1/2 of all cash costs for the tractor; or have furnished all the machinery and workstock, and received 1/2 of all crops produced. Others have offered to accept 1/5 of the grain if they can secure reliable tenants. Landlords seldom pay any expense other than taxes.

These variations indicate a condition of adjustment on lands formerly used for grazing and now under crop.

Southwest Colorado

Irrigated farms are rented for 1/3 the grain, beans or potatoes, 1/2 the fruit and 1/2 the hay. The landlord furnishes all the alfalfa seed; sacks and twine in the same share as he receives the crop; and materials for repairs to buildings and fences.

Dry farms customarily rent for 1/4 the grain and beans, and 1/2 the hay.

Cattle are leased by landlords for 1/2 the increase.

There is very little cash renting in this area, except grazing, which is handled on a per head basis at the rates charged by the Grazing Administration or National Forest Service.

Special Methods of Leasing

The general methods of leasing previously discussed are those most commonly found.

Special methods occur where landlords have more than usual interest in the operation of the farm, for example, where the tenant is a son or other relative of the landlord, or where the landlord wishes to "stake" a tenant to a start. Under these conditions landlords may furnish some or all the machinery or workstock, and some or all the productive stock. Each of these is usually a special case worked out by the parties concerned. Their success depends upon the high degree of cooperation and goodwill which exists between landlord and tenant. Office records in the Department of Economics and Sociology trace the history of some of these leases. Invariably the son, when he "has got on his feet," owns his machinery and livestock and goes onto a customary basis of share rental.

There is, however, much to be said for a partnership or stock-share lease. For this reason the following discussion by L. A. Moorhouse, Colorado State College, is included in this report.

Stock-share renting is a method of leasing in which the landlord and tenant participate in the ownership of all or part of the productive livestock. This form is sometimes referred to as a 50-50 lease, or the shares are sometimes designated as half and half. These expressions mean that the landlord and tenant share expenses and receipts in the same proportion. In order to obtain a proper understanding of this type of contract a brief explanation will be given regarding the separate and joint contributions of the respective parties.

The Landlord's Part: The landlord agrees to furnish the farm and improvements which are described in detail in the contract. He also agrees to supply any material which may be required for repairs from time to time. It is stipulated further that he will employ specialized labor which may be necessary in making these improvements. The landlord pays the taxes on real estate and improvements, and he provides for the premiums on such insurance as he may elect to carry on buildings and personal property owned solely by him. Sometimes the agreement lists certain specialized equipments which are to be furnished by the landlord.

The Tenant's Part: The tenant, on the other side, agrees to provide all the machinery, harness, and tools necessary to farm the premises properly; he also furnishes the workstock, and he provides all man labor required in the operation of the farm. It is generally customary for the tenant to haul all material which the landlord purchases for use in caring for repairs and improvements on the farm. The agreement may specify that skilled labor may be employed for making repairs and improvements on the farm. The agreement may specify that skilled labor employed for making repairs will be given board by the tenant at a specified rate per meal.

Investment and Expenses Shared Jointly: The landlord and the tenant agree to share jointly and equally the investment in all livestock other than work horses noted above. This investment may include productive livestock such as dairy cows, beef cattle, sheep, swine, or poultry, or perhaps a combination of two or more groups. All feed purchased or pasture hired is shared jointly. This is true also of such items as veterinary charges, breeding fees, and other incidental livestock expenses on stock owned in common. In the purchase of clover and grass seed, seed wheat, oats, and barley, the expense is borne jointly; likewise, payments for threshing, silage cutting, hay baling, insurance, and taxes on personal property owned in common or carried on a 50-50 basis.

<u>Division of Farm Income</u>: The landlord and tenant agree under this form of contract to share equally the proceeds from the sale of livestock, including poultry. They consent to share equally the proceeds from the sale of grain, hay, and other crops. The division of the proceeds from the sale of milk and cream is on a 50-50 basis. This arrangement also obtains in the settlement of returns from the sale of eggs, fruit, potatoes, or garden truck. If the landlord and tenant use products from the farm such as butter, eggs, fruit, etc., a record should be made showing the quantities and prices at which these are taken so that the necessary deductions may be made from the shares of either party in making final settlement. The contract usually contains a provision relating to the amount of farm produce which may be used by the tenant. If more than these amounts is consumed, the value should be determined, and the necessary credits should be entered in the joint account.

<u>Advantages of Stock-Share Lease</u>: This type of lease encourages the use of productive livestock on the farm. Farm-organization and farm-management studies have shown that the combination of suitable livestock enterprises with crop enterprises has a tendency not only to increase the farm income but also to improve the productiveness of the land. This form of lease makes it easier and safer for the tenant to engage in this type of farming, inasmuch as less capital is required by the tenant, and a more permanent tenure is usually the result. Furthermore, it gives the landlord, who may desire to retire gradually from the business, an opportunity to continue the type of farming which he has supervised in the past and which he is positive will result in a more profitable return than a system which emphasizes crop production solely.

As stated earlier, the author will appreciate any information as to methods of leasing or problems not covered in this report.