A SURVEY OF OKLAHOMA RENTAL ARRANGEMENTS, 1970-71

By

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PREFACE

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CHAPTER I

INTRODUCTION

Leasing of land in Oklahoma has played a key role both in the organization and operation of farms in the state's agricultural economy. Thousands of farm operators lease either all or part of the land they operate each year. In 1964, approximately 36 million acres of farmland were divided among 88,726 farms.[1] Forty-eight percent (43,457) of these farmers leased either all or part of the land they operated. Historically, those farmers leasing all lands operated have declined since 1934. The distribution of part-owners has increased over time reflecting that leasing continues to play a key role in planning the farm organization. In view of the large capital requirements for commercial farms, leasing may gain additional importance in the future.[2]

Lease arrangements, especially the terms of the lease and the rental rates, are important to the lessee in that a given rental arrangement may determine how he allocates his resources which in turn influences the income obtained from the leasehold. The fact that 48 percent of the farm operators lease some land indicates that leasing plays a key role in the total state agricultural economy. Every farm lease, to a greater or lesser extent, sets the pattern of farming operations for each farm involved.[3] Often, conditions are stipulated in a lease with respect to the crops to be grown and the livestock stocking rate. The rental arrangement, because of the length of the contract,

and inequitable sharing of costs involved, may cause the operator to limit the amount of variable inputs, thus decreasing the productivity of the leasehold. Also, short-term leases may discourage both owners and tenants from implementing soil conserving practices which may have a long-term influence on the income potential for individual leaseholds and the state's agriculture sector as a whole. Because leasing involves a substantial portion of state farm operators, there may be an undesirable effect on both the cost and income aspects of each farm enterprise unless leases are drawn to encourage efficiency and capital investment.

Today's farm operator must constantly adopt new technology and utilize improved management techniques to improve efficiency in order to maintain a given level of income. The control of adequate resources is essential to becoming more efficient. Land acquisition constantly poses the problem of whether to buy or lease. The norm of debt free ownership has become less predominate as farm operators have accepted the challenge of maintaining and increasing the farm income level. Greater farm income and profit maximization, the dual objectives of most commercial farm operations, are affected by the size of the farm; thus leasing practices have been important. Large commercial farm operators, as well as beginning farmers who have insufficient capital for investment, must recognize that tenancy is a useful tool in obtaining efficiency and maximum profit. Complete ownership of land resources may so drain the operators capital resources that capital becomes a limiting resource which may prevent the operator from entering various profitable short term production activities. It would appear, therefore, that leasing will continue to be important, particularly for large commercial farms.

Evidence from the Agricultural Census indicates that the demand for land to lease is increasing. The data compiled in this study also shows that within each sample area surveyed farm operators planned to rent more land to increase the size of their operation. Since the amount of land available is relatively fixed, the competition for leased land will become stronger. Thus, this study of rental arrangements and rental rates was undertaken to gain insight into the prevailing practices that directly affect approximately one-half the farm operators in Oklahoma and indirectly the other half who also may compete as outright buyers.

The Problem

While our culture has long considered tenancy as less desirable than owner-operatorship, tenancy provides the means by which two parties can combine resources to undertake a productive enterprise that otherwise may be impossible. Basically, the lessee provides labor, capital, and management, while the lessor provides land and frequently other capital to an operator (lessee) who otherwise would have a deficient land resource base.

Customs in a community have a tendency to become fixed, and for many areas these established customs largely determine the terms of a given rental arrangement. These fixed rental arrangements are not confined to one area, but are spread across the state involving thousands of farm families and millions of acres.

Land prices, the level of technology, and the cost of inputs have constantly changed and will likely continue to change in the future. Although land may have common characteristics, seldom do two tracts of

land make identical responses to inputs and changes in technology. Yet, the same rental arrangements have been used for many years on different types and qualities of land resources. Thus, rental arrangements need to vary even within homogenous areas to reflect both the quality and quantity of contributions by each party, otherwise problems of inefficient resource use and inequitable leasing arrangements will continue to arise.

Customary rental arrangements interact to create additional problems besides inefficiency and may prevent desirable capital investment. Established rental rates may make it impossible for the lessee and lessor to develop a return maximizing agreement. The resulting effects may have short-run as well as long-run influences on the agricultural resource base of the state. The lessee's management potential is not developed and his financial position may be jeopardized.

Objectives

The overall objective of this study is to describe and analyze existing rental arrangements currently in operation across Oklahoma, and to suggest improvements in leasing practices. More specifically, the objectives are as follows:

1. To study the leasing patterns in Oklahoma.
2. To discover the characteristics of farm operators and land owners.
3. To discover the lease arrangement preferred by lessors and lessees.

Procedure

A number of students enrolled in the College of Agriculture interviewed each farm operator who was farming at least 40 acres within a three mile square area including the students home farm. Students participated to partially satisfy the requirements for a special problem in agricultural economics. The objective of the problem was evaluating their opportunity to farm in their home communities, including the possibility of acquiring land either by purchase or leasing. During the course of the interview, personal characteristics about each operator were collected. Information was collected concerning ownership status, age, education, and experience in farming. The students then determined the leasing arrangements on each leasehold within the three mile square grid. The final requirement was that each student submit a written report revealing any pertinent information not obtained in the survey. For example, many operators reported that there was a growing tendency in their community to change from crop-share to cash rent. Also in his report, the student was instructed to include any information that would make the area an atypical situation. Examples of atypical situations were large irrigated areas and those areas near towns. These factors could possibly influence existing rental arrangements and were carefully edited when trends of leasing patterns were analyzed.

FOOTNOTES

[1]U.S. Department of Agriculture, 1964 Oklahoma Census, Vol. I, Part 36, Selected Census data for 1930 through 1964.

[2]Trends in the number of farms by tenure group and number of acres operated are depicted in Tables III through VI in Chapter IV.

[3]Earl W. Kehrberg and Earl O. Heady, "Leases Can Set the Pattern," Iowa Farm Science, VII (September, 1952), pp. 39-40.

CHAPTER II

FRAMEWORK OF ANALYSIS

This chapter will review the economic implications of leasing arrangements. Since contractual arrangements prescribe the economic framework which determines equity of an agreement between the lessee and lessor, each time a new lease is negotiated the goals of both parties must be recognized. If an equitable rental contract is to be developed, each party must recognize the goals of the other. Tenancy is a means by which two individuals can combine their resources; land, capital, management, and labor to form an efficient production activity that is equitable and profitable for both the lessor and lessee.

Resources are used efficiently within the firm when profits are maximized. One purpose of this study is to determine if given rental arrangements do in fact maximize income. The marginal return principle requires that as long as the return associated with an added resource equals or exceeds the cost involved, the resource should be added to the farm. Thus, if fertilizer is the only variable resource, the principle assumes the rational owner-operator equates his marginal revenue and marginal cost and determines the level of fertilizer which maximizes returns for the land. Many argue that tenancy is inefficient when it leads to a level of input which differs from that of the owner-operator. Others argue that, granted that the level of production of the owner-operator exceeds that of the lessee, an efficient operation can still

exist. An equitable rental arrangement will provide returns to both parties that exceed those they would have received had they not combined resources. In this respect, tenancy is efficient in terms of increased income to the lessee and lessor although the lessee may not produce at the same level as the owner-operator.

For profit to be at a maximum level, four incentive conditions are required. If these conditions are not operating, there is incentive for both the lessor and lessee to attempt to maximize returns to the resources he contributes and, it can be shown, the sum of the returns to each maximized separately is always less than the total when returns are maximized on the combined resources. The four conditions necessary within the leasing arrangement to encourage continued profit maximization are:

1. The lessor/lessee division of variable input must be the same as the division of output obtained from the leased resource.
2. The lessor/lessee division of all products must be the same.
3. Each resource owner must receive the full share of the product earned by each unit of resource he contributes.
4. Each resource owner must have opportunity to receive returns on investments made in one production period even though the returns may not be forthcoming until a subsequent period.

Absence of any one of the conditions needed to encourage efficiency in use of resources on tenant operated farms or tracts can lead to an allocation of resources at other than the profit maximizing level. The following section on share leasing first illustrates the economic principles which explain why the share tenant may in some cases not maximize

returns to land and then shows how cost sharing can push the level of input toward that of maximum efficiency.

Share Leasing

There are several forms of share leasing employed in the agricultural sector with the more common being crop-share, livestock-share, and profit sharing. Although all three forms are different in terms of what share is stressed, the underlying principles are the same. Under any form of share rental, the fractional share of the product paid to the lessor is a variable cost to the lessee, because the amount of rental varies with the level of production. Therefore, only the crop-share arrangement is considered. Under the crop-share lease, the lessor receives a fixed proportion of farm output for each crop produced. The distinguishing characteristic of the share lease is that some risk in the yield and price is shifted to the lessor. For this reason, the lessor may elect to exercise some control in the management aspect of the operation.

Share rents vary from crop to crop and differences occur within each crop depending upon production patterns and differences between individual farms. The findings of this study, Chapter III, show the existing crop-share arrangements in Oklahoma.

To analyze how share leasing can lead to inefficiency, consider the 50-50 share lease without cost sharing. In this lease the lessee incurs all production costs and the lessor receives one-half the output as rent payment. The 50-50 lease takes the following form.[2]

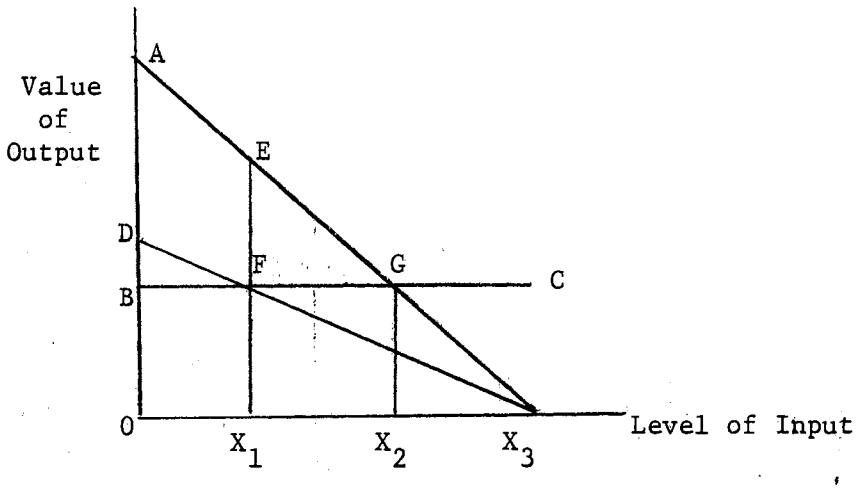

Figure 1. The 50-50 Output Share Lease Without Cost Sharing

In the crop share lease example above line segment AX_3 represents the marginal value product (MVP) of an owner-operator. Line BC represents the marginal factor cost (MFC) of the variable input. Since the tenant receives only half the output of an owner-operator, his MVP would only be half of line segment AX_3 or DX_3.

The owner-operator would like to produce at X_2 level of input where his MVP = MFC. But the tenant would equate MVP and MFC at point F or at level X_1 of input. A landlord, on the other hand, would be happy if the tenant added inputs to X_3. One of the main disadvantages to this leasing arrangement is that it leads to inefficiencies and conflict between the two parties of the lease arrangement. However, if variable cost sharing were also on a 50-50 basis, this would give the tenant an incentive to extend the variable resource to X_2 level of input.

In Figure 2 the lessee's MFC now becomes line segment HM because the landlord shares the cost in the same proportion as output. Thus, the lessee now equates MVP to MFC at point K, and increases the level of input to X_2. The tenant's profits increased from BDF to HDK. But the lessor must now participate in the costs of BGKH for a return equal to

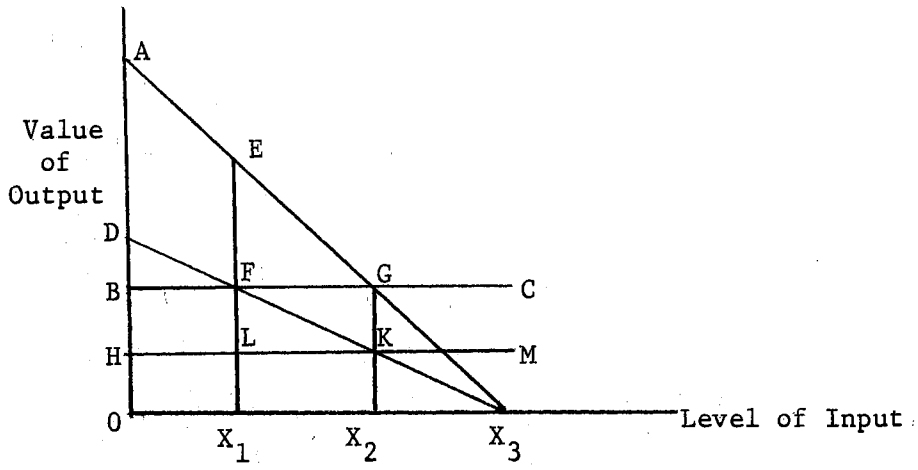

Figure 2. The 50-50 Output Share with Cost Sharing in Equal Proportion

area FEGK. Adams and Rask conclude that the lessor would only be willing to do this if the area FEGK exceeds BGKH.[3] Thus the cost sharing under the crop share lease provides for efficient use of resources, although cost sharing may not be the most profitable for either party.

In a crop-share lease with cost sharing, both parties must agree upon an equitable share rate after considering the anticipated prices to be received and the expected cost of production. As a general rule, costs of production should be shared in the same proportion as output share; although this may vary depending upon the individual situation. The main disadvantage of a crop share lease is that it tends to become fixed and is not changed as conditions change. Thus, it may be advantageous to include in the rental agreement a clause that will permit changes in the lessor and lessee shares in the future. In many cases the cost sharing side of the rental arrangement will be changed with no change in the output share. The result is that inefficiencies and difficulties may occur in later years. Thus, a flexible crop-share contract with cost and revenue sharing in equal proportions is recommended. For example, if the 50-50 output share is not equitable to both the lessee

and lessor, the contract should be structured to allow a change to another share arrangement.

Cash Leasing

The cash leasing arrangement calls for an annual fixed cash payment for the use of a set of land resources. The payment may be made either at the time the lease is made or during the period of the lease. In many cases the cash rent is a lump sum but in many instances the total amount represents rent per acre for cropland, pasture, and facilities. With the cash rent arrangement the lessor usually receives a payment that covers his ownership costs (taxes, depreciation, insurance, etc.), plus a return on his investment. The distinguishing characteristic of the cash lease is that the lessee bears all the risk, and the management role is not shared. While share leases are widely used in Oklahoma, many operators revealed they preferred the cash lease arrangement.

Why would a tenant prefer the cash rent alternative even though it makes him bear more risk? Basically, with a cash lease the lessee allocates his scarce resources the way he decides is the most profitable. A cash rent is a fixed cost to the tenant, and he allocates resources in such a way that year to year profits are maximized. Profits are maximized through time by lease arrangements which provide the operator of the leasehold with a planning horizon commensurate with the organizational problems characteristic of the agricultural resources of the particular area.

Some argue that the beginning farm operators prefer a crop share arrangement which divides risk; but, results of this survey reveal the

opposite. Although the beginning farmer often is limited in capital, cash renting may work to his advantage. For example, assume he cash leases wheat acreage. Under the traditional crop share program he may be forced to harvest the entire crop. But under the cash rent system the tenant may elect, if the potential for increased profits is there, to graze out part or all of the wheat. The cash payment allows him to use his managerial ability in preparing budgets and other managerial tools that will be an asset when he confers with his creditor. The tenant may find credit sources most agreeable when properly budgeted short-term enterprises such as a buy-sell program are examined. The lessor in many cases is also pleased with the situation since he receives a constant income and bears no risk.

The level of cash rent assumes that the average variable cost and the marginal cost curves are identical for the cash tenant and the owner-operator.[4] Figure 3 represents the situation facing the tenant.

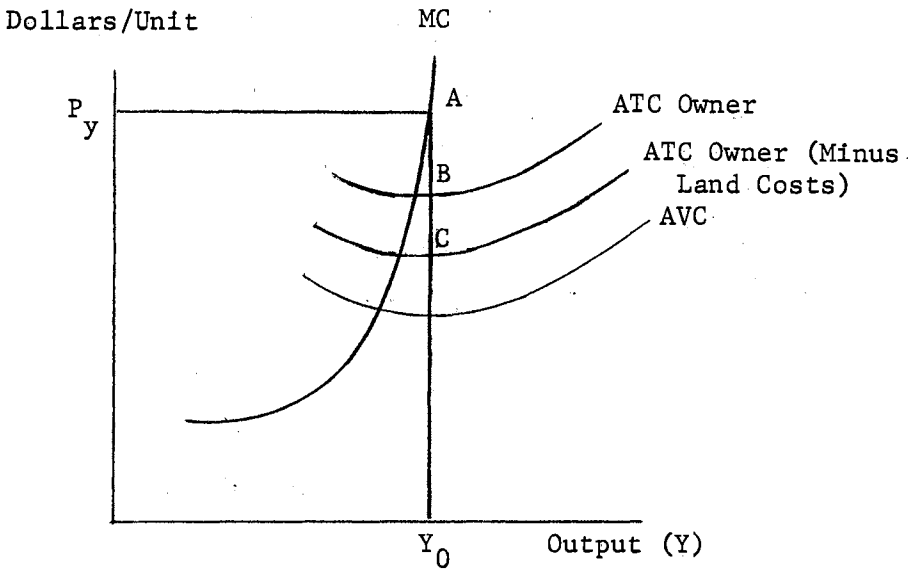

Figure 3. Amount of Cash Rent Charged

Given that the AVC and MC curves are identical, at product price P_y, both would produce at level Y_o. At output level Y_o, the per unit ownership costs to the land owner is shown by line segment BC. Segment AB represents the economic rent attributed to the landlord. Segment AB is the return which the landlord could receive if he elected to become an owner-operator, therefore he acquires BC plus as much of line segment AB as he can barter for. As noted in Chapter I, the demand for land to lease is large, thus the amount of cash rent will approximately equal line segment AC.

An example of one possible method that could be used by the lessee and lessor in determining the level or amount of cash rent is depicted in Table I. The total estimated cash rent should serve as a minimum figure that the lessor would require. The lessee should estimate or budget various production possibilities available in his given situation and determine probable income outcomes. As stated, the demand for land to lease is large, thus the level will approximate line segment AC as revealed in Figure 3.

TABLE I

HYPOTHETICAL EXAMPLE OF DETERMINING CASH RENT

Item	Value of Item	Interest Rate	Estimated Cash Rent
40 Acres Cropland Valued at $225 per Acre	9,000	5.0%	450
120 Acres Pasture Valued at $150 per Acre	1,800	5.0%	900
Buildings and Other Improvements	3,000	5.0%	150
Total Rent Required to Cover Fair Return on Investment			1,500
Land Taxes and Insurance			320
Depreciation on Buildings and Other Improvements			150
Total Estimated Cash Rent			1,970

Crop Share Plus Cash Payment Lease

Under the crop-share plus cash payment lease arrangement, the tenant usually pays the landlord a set percentage of the crops grown plus an additional cash payment. The cash payment is usually paid in one lump sum, and the amount reflects payment for various factors. These factors may include a fixed cash rent payment per acre for hay and pasture acreage, and/or a payment for the use of buildings. For an equitable rental arrangement to exist, these payments should be commensurable to the productivity of these resources to the tenant.

In many cases the lessee is responsible for the ordinary repair on building and fences, and also for soil conserving practices. The lessor is entitled to a fair return for the use of his investments, but the lessee should also be compensated for upkeep, etc. The cash payment provides the means by which a tenant can be compensated, i.e. a lower cash payment.

One disadvantage is that the cash payment for these resources tends to become inflexible. Since cash rental rates have a tendency to lag behind changes in farm prices, a section permitting changes in the cash rent paid should be included in the rental arrangement.[5]

FOOTNOTES

[1]Virgil L. Hurlburt, "Farm Rental Practices and Problems in the Midwest," Iowa Agricultural Experiment Station Research Bulletin 416, (October, 1954), pp. 86-88.

[2]Robert F. Boxley, "Cost-Share Leases Revisited...AGAIN," American Journal of Agricultural Economics, LIII (August, 1971), pp. 529-531.

[3]Dale W. Adams and Norman Rask, "Economics of Cost-Share Leases in Less-Developed Countries," American Journal of Agricultural Economics, L (November, 1968), pp. 935-942.

[4]Doll, Rhodes and West, Economics of Agricultural Production, Markets, and Policy (Homewood, Illinois, 1968), p. 219.

[5]Earl O. Heady, "How to Update Your Lease," Iowa Farm Science, VII (February, 1953), pp. 130-132.

CHAPTER III

PRESENTATION AND INTERPRETATION OF LEASE SURVEY

The overall objectives of this study are to identify leasing arrangements practices in the state, and to provide guidelines for improving leasing practices. A farm survey was conducted to collect information on leasing arrangements and the participants in these arrangements. The questionnaire was designed to obtain information in four related categories: (1) operator characteristics, (2) landlord characteristics, (3) farm leases and practices, and (4) their objectives for continuation of the farm business or the investment in land. The sample consisted of 777 farm operators.

The survey was taken from three mile square grids. Each farm operator of 41 acres or more was included, thus eliminating the need to solicit income information. Each enumerator prepared a grid that indicated the size of each farm and the location of each leasehold. Non-agricultural tracts in each grid such as land for industrial uses, rural residences, and recreation were identified and omitted. Thus, farms surveyed represent land used for agriculture. The range and township of each grid surveyed were determined to indicate the legal description, provide a measure of randomness and to identify the section of the state where it was collected. The information was summarized by crop reporting districts to differentiate between the characteristics of the

operators, landlords, and the leasing arrangements.

Operator Characteristics

The operator characteristics of all tenure groups were obtained to gain insight into their age, education, and years of farming experience. Operator characteristics were broken down as follows: (1) personal characteristics, (2) objective and subjective management characteristics, (3) general characteristics, (4) family characteristics, and (5) the family's demand for future resources within the community. The personal characteristics of 727 male operators and 50 female operators were summarized and are presented in Figures 5, 6, and 7.

The survey revealed that most operators are males, fifty to sixty-nine years old with a high school education. The modal operator worked or lived on a farm most of his life. Data in Figures 5 through 7 reflect the distribution within the sample. Although the survey did not reveal any operators in the 20-29 age group in crop reporting District IV, there were more farmers in the 30-49 age group than in any other district.

Comparing the survey data with data from the Census of Agriculture can establish confidence that the survey data are typical of operators in the state. Analysis of the survey data reveals that the 777 operators farmed 321,995 acres which is an average of 414.4 acres per operator. The 1969 Agricultural Census reports 83,037 farms and 36,007,719 acres in farms or an average of 433.6 acres per farm operator (Table III). The percentage of full owners in the survey is much higher (72 percent to 53 percent) than for the 1969 Census with

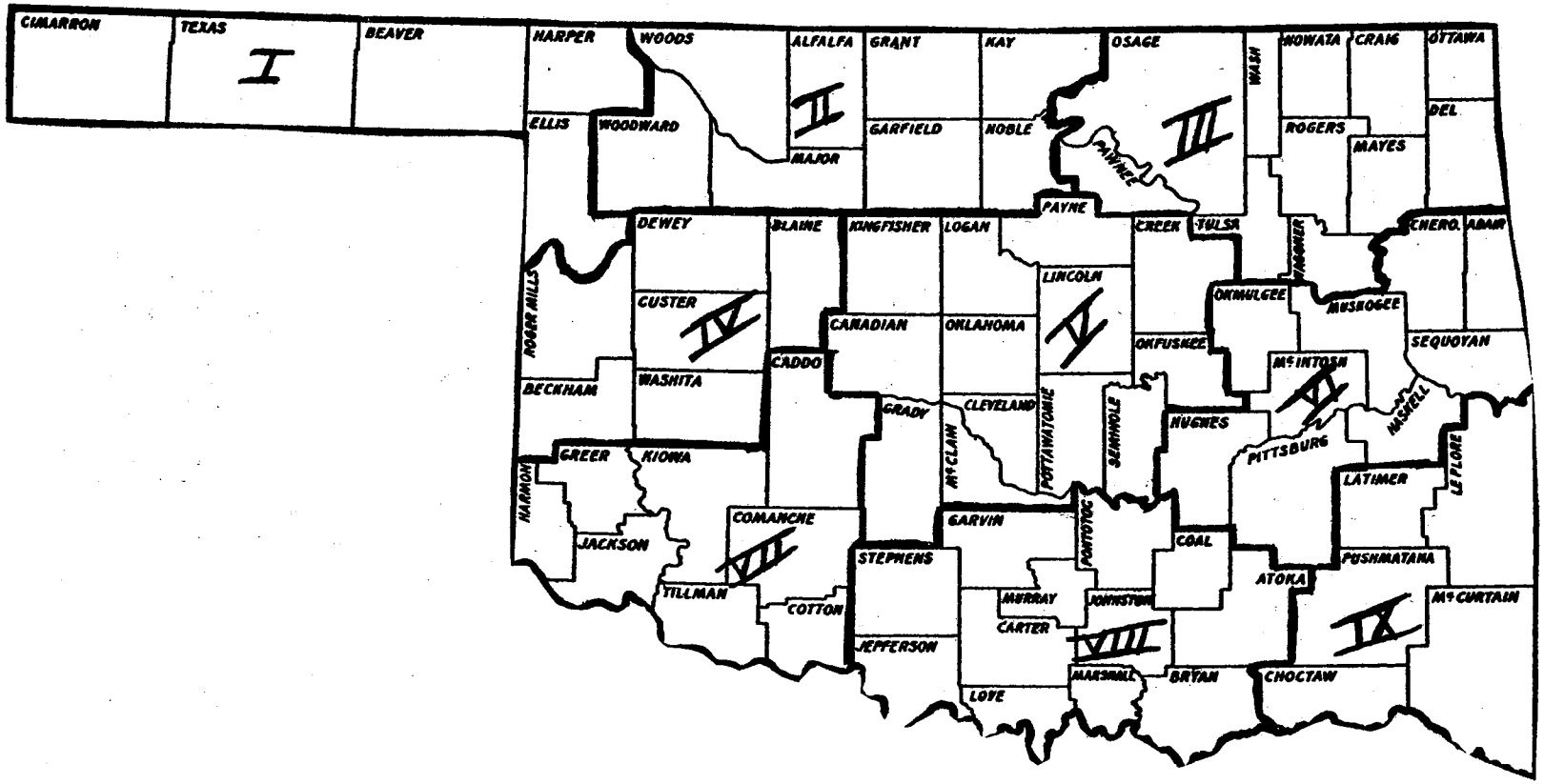

Figure 4. Outline of Crop Reporting Districts

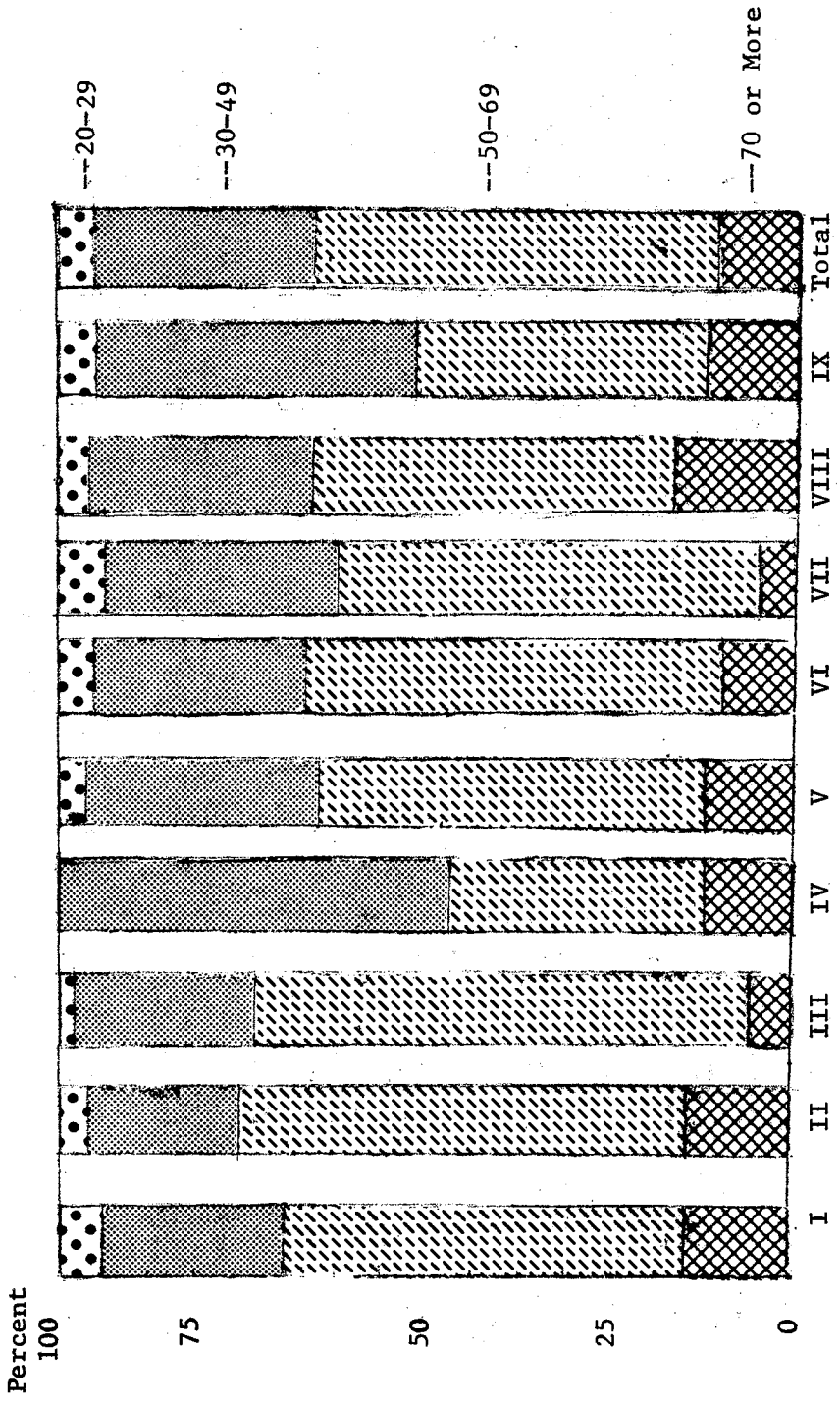

Figure 5. Age Distribution by Crop Reporting District

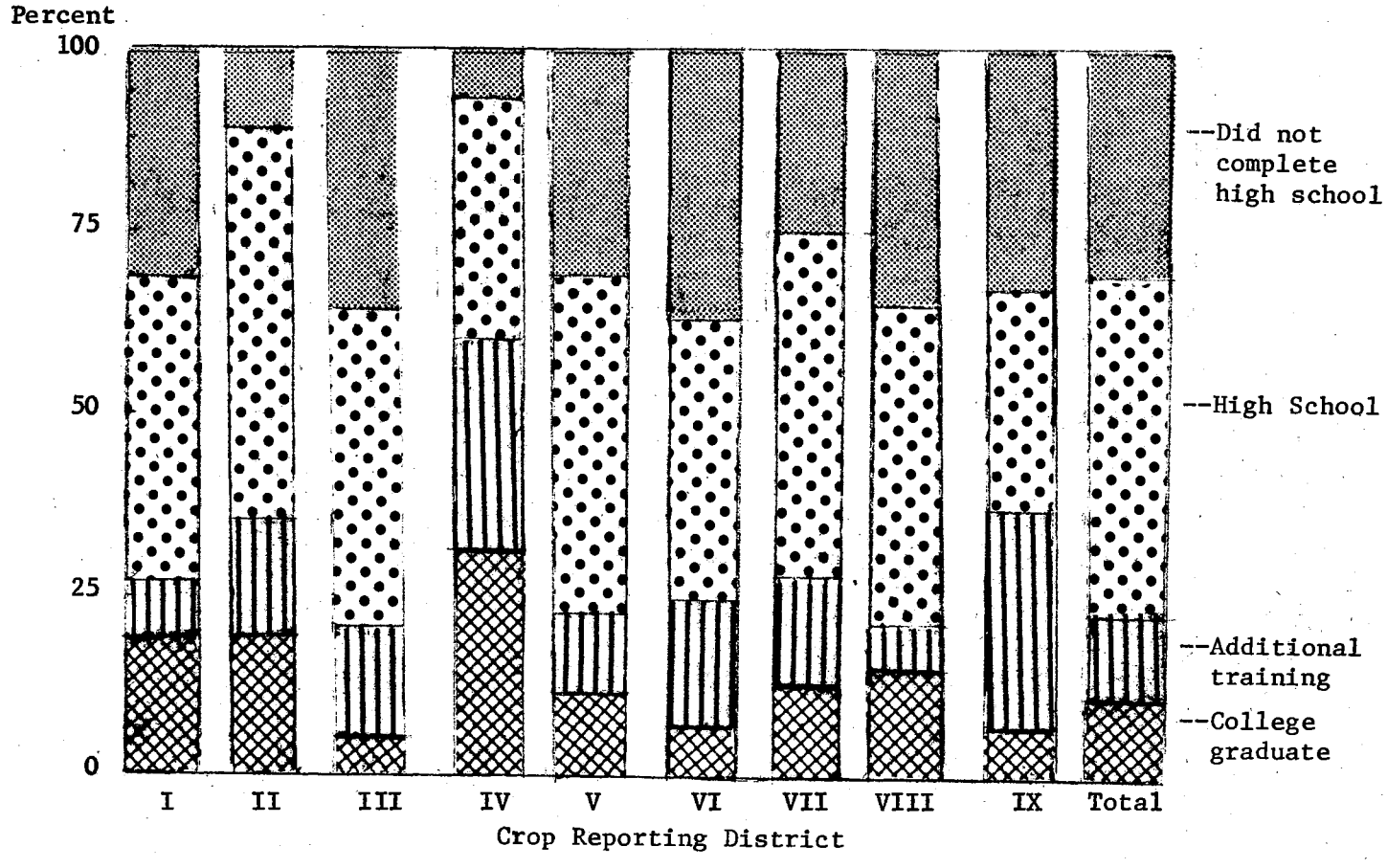

Figure 6. Educational Levels of Farm Operators by Crop Reporting District

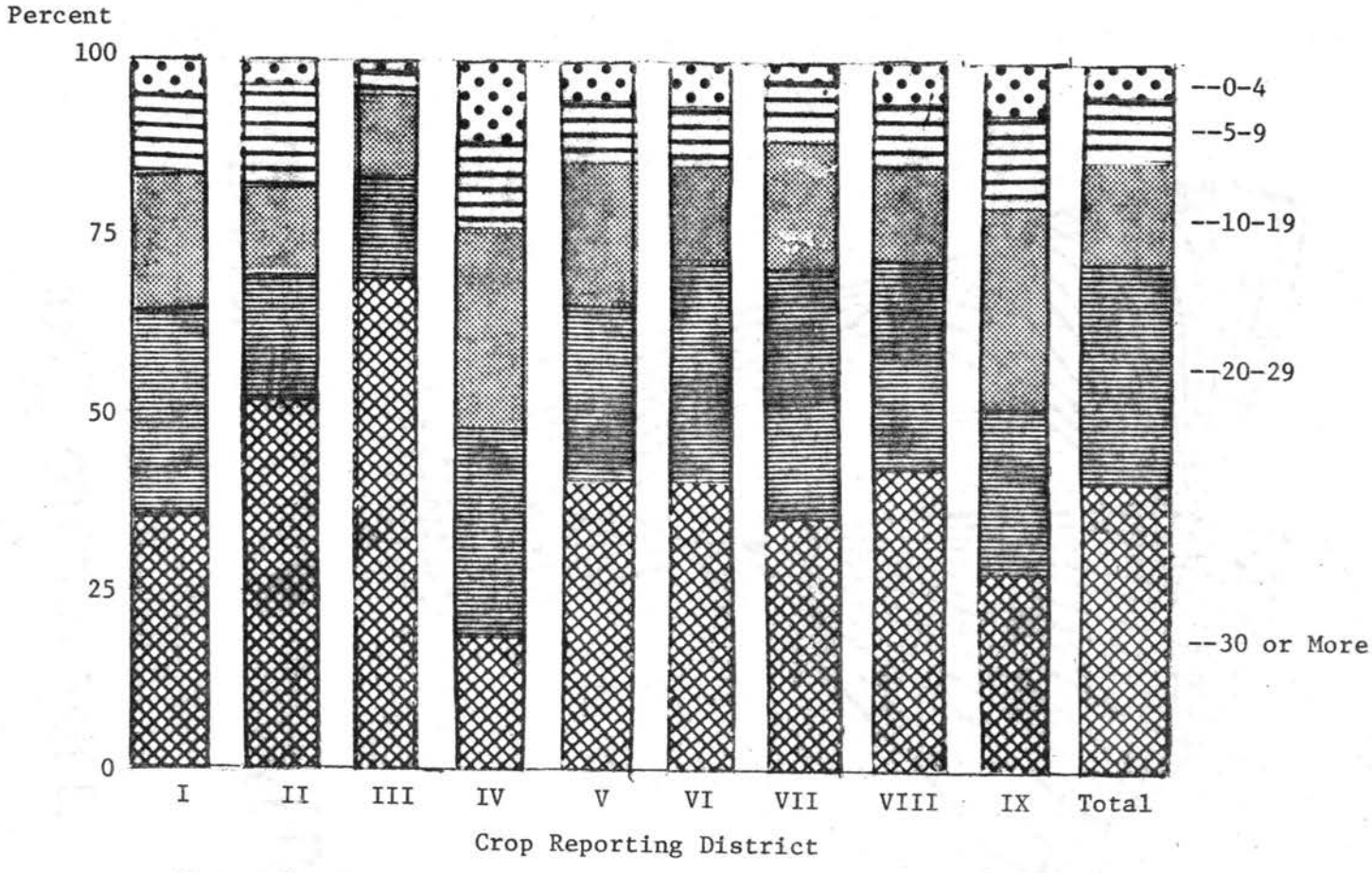

Figure 7. Years of Farm Experience by Crop Reporting District

TABLE II

NUMBER OF OPERATORS AND TOTAL NUMBER OF ACRES OWNED AND LEASED
BY SAMPLE OPERATORS AND CROP REPORTING DISTRICT

Number of Farms and Size (Acres)	Crop Reporting District									Total Survey
	I	II	III	IV	V	VI	VII	VIII	IX	
Total Number of Operators	36	30	65	17	251	115	124	115	24	777
Number of Full Owners	23	20	45	13	220	90	44	91	20	557
Acres Owned	9,030	9,840	13,395	5,650	43,152	33,618	23,018	25,000	5,000	167,703
Average Size	392.6	492.0	297.7	434.6	215.8	373.5	418.5	274.7	250.0	301.1
Number of Part Owners	9	8	7	4	41	20	46	17	4	156
Acres Owned	6,270	9,100	2,420	2,240	13,038	5,770	21,137	5,219	1,360	66,554
Acres Leased	6,212	4,900	5,640	740	13,180	6,739	21,648	5,797	1,520	66,376
Average Size	1,386.9	1,750.0	1,151.4	745	639.5	625.5	930.1	648.0	720	852.1
Percent Leased	49.8	35.0	70.0	24.8	50.3	53.9	50.6	52.6	52.8	49.6
Number of All Tenants	4	2	13	0	10	5	23	7	0	64
Acres Leased	2,280	1,200	3,805	--	3,210	2,599	6,810	1,810	--	21,714
Average Size	570	600	292.7	--	321.0	519.8	296.1	258.6	--	339.3
Total Acres Owned	15,300	18,940	15,815	7,890	56,190	39,388	44,155	30,219	6,360	234,257
Total Acres Leased	8,492	6,100	9,445	740	16,390	9,338	28,458	7,607	1,520	88,090
Percent Leased	35.7	24.4	37.4	8.6	22.6	19.2	39.2	20.1	19.3	27.3

TABLE III

TOTAL NUMBER OF FARMS, SIZE OF FARMS IN OKLAHOMA BY CENSUS PERIODS, CLASSIFIED BY TENURE GROUPS, 1910-1970*

Census Periods	Number of Farms	Average Size	Full Owner		Part Owner		Tenants	
			Number	Avg. Size	Number	Avg. Size	Number	Avg. Size
1910	190,197	151.7	64,884	187.3	20,520	187.3	104,137	119.3
1920	191,988	166.4	69,786	165.3	23,431	296.0	97,836	128.3
1925	197,218	156.6	60,764	152.8	20,462	308.8	115,498	120.6
1930	203,866	165.7	53,647	146.6	24,067	357.5	125,329	130.3
1935	213,325	165.6	58,796	145.5	23,093	376.8	130,661	129.3
1940	179,687	193.6	55,859	140.3	25,227	438.3	97,821	150.9
1945	165,790	219.4	70,669	139.2	27,652	485.8	65,771	173.4
1950	142,246	253.1	63,723	154.1	33,316	479.6	44,727	203.7
1955	119,270	299.1	58,372	174.5	31,418	556.8	28,936	343.3
1960	94,678	378.3	46,466	206.6	29,919	660.5	17,860	301.3
1965	88,726	406.6	44,923	213.6	28,879	698.1	14,578	336.7
1970	83,037	433.6	44,457	248.7	26,868	765.4	11,712	374.2

*The total of tenure classifications does not equal total farms for census period. The farms operated by managers are not included in either tenure classification.

the percentage of part owners and tenants somewhat lower. However, the average size of the farms operated in the three groups showed the same direction of variation.

The survey showed the percent of land leased ranged from 8.6 percent in crop reporting District IV to 39.2 percent leased in District VII with a sample average of 27.3 percent. In summarizing the operators' responses, it was found that 210 (27 percent) expected to expand their operation in the next few years and planned to acquire more land by leasing. Assuming that 27 percent were able to lease 160 acres each, this would require an additional 33,600 acres and the percent leased would increase to 34.2. Thus, in the next few years the average farmer could be leasing approximately 30 to 40 acres of each 100 he operates.

If this occurs, the demand for lease land will increase and put pressure on both land prices and rental rates. This will occur unless a greater number of owner-operators retire than is indicated in the study. Commercial farms have continued to increase in size since the 20's when the mechanization of the agricultural sector sharply increased. The increase in acreage operated per farm was made possible by purchasing or leasing land owned by other owners. Thus, the farmer's need for additional land was met by competing for existing land resources which may partially explain the increase in land prices and rental rates.

Operators are forced to continually become more efficient in production to cover higher costs. Increased efficiency may have taken the form of adopting new technology such as new varieties and more fertilizer to better utilize existing resources. Some may have elected to change the total farm organization in order to obtain a greater return per dollar invested. For example, a farm operator may have decided

to allocate his scarce resources to a dairy operation in order to increase his labor-management productivity.

In most instances, farmers realize that in order to survive they must expand the size of their operation to reduce costs per unit of output. Leasing permits farm operators to obtain a scarce resource, land, but they must also be aware of the constant demand of other commercial operators for additional land to increase the size of their business whether he succeeds in leasing more land largely depends upon the operators managerial ability. The successful manager not only will produce more for the landlord under the share arrangement, but would also be able to pay more cash rent than less efficient operators. Thus, a lessee's performance in the community, and his ability to make landlords greater returns than other renters, will improve his ability to compete for additional lands.

Objective Management Characteristics

The number of operators increasing their size of operation, and the means by which they have increased the size of their units, were considered to be indicators of their management ability. Of the 777 farm operators, 225 increased size by 160 acres or more, 232 expanded enterprises, while only 12 formed either a partnership or corporation to increase size. Three hundred thirty-seven of the 777 operators purchased larger equipment to better utilize their labor supply.

Many operators are forced out of agriculture each year. Of the 777 operators, 192 were in the process of reducing the size of their operation. The manner in which they decreased was essentially the same between crop reporting district, therefore only the total for the study

is presented. The methods of reducing size were: (1) leasing less land, (2) leasing out owned land, and (3) changing the existing operation, i.e. dairy to beef. Included in (3) were 82 operators who had transferred their labor, and likely some capital to off-farm work. Twenty-seven of the 192 leased less land, 40 leased out lands owned, and 43 changed the farm organization to use less labor. It was concluded that the majority of those electing to do additional work off-farm were younger. However, it is possible that these may be the beginning farmers.

Various subjective management characteristics were used to gain insight into the attitudes of the individual operator. Subjective management indicators selected were: (1) the lag-in-time required to change, and (2) were changes profitable. In agriculture the term "innovator" applies to operators who initiate action and stimulate changes. The survey indicated that 21.8 percent could be classified innovators because they made changes faster than others in the community, with 84 percent of the above innovators making changes that proved profitable. Thirty percent made changes long after others, while the remaining operators were considered average. There was evidence that the older operators were generally less likely to be innovators. The majority of the innovators sought changes that required less labor and more capital. A few sought changes requiring less supervision by management, while others attempted to reduce the fluctuations in income.

General management characteristics stressed participation in community leadership, and interest in community action. Although many of the farmers in the survey had large operations and other obligations, 284 or 36.5 percent of those surveyed had taken separate and distinct

positions of leadership in the community. Leadership positions included school board and ASCS Committee members.

An evaluation of the family's future demand for land resources within the community was made (Table IV). The majority of operators planned to continue with their present operation. But those who planned to increase the size of their operation outnumbered those who planned to decrease. As indicated earlier, this excess demand will continue to put pressure on both lease rates and land prices. Therefore, those who plan on enlarging must anticipate these changes and consider alternatives other than leasing or buying of land to increase size.

TABLE IV

OPERATOR ESTIMATES OF FUTURE DEMAND FOR RESOURCES WITHIN THEIR COMMUNITY

Future Demand	Total
1. Will likely increase very much:	
a. this year	35
b. within three years	70
c. within five or more years	105
2. Will likely stay the same:	
a. this year	136
b. next three years	103
c. three or more years	231
3. Will likely decrease	
a. this year	25
b. within three years	56
c. after five years	46

Landlord Characteristics

Landlords were placed into one of three groups, institutions, estates, and individuals. Nine public institutions were reported, 23

life estates, 11 probated estates, and five unprobated estates. The majority, 141 of the landlords, were individuals (Figures 8 through 11).

The average age of the 141 individual landlords in the survey was over fifty years of age (Figure 9). This should force each lessee to examine his planning horizon objectives if his lease is not written and his continued operation is contingent upon a year-to-year renewal. With the death of a landlord, the land becomes the property of the estate. Oral arrangements which have provided security of tenure under individual ownership, are not automatically transferred with the change in ownership. Thus, a written rental arrangement stipulating how the lease is to be handled if the landlord should die protects the farm operator.

Landlords are normally either retired farmers, widowers, or businessmen. Results of this study reveal that approximately an equal proportion of the landlords' occupation are active farmers (Figure 10). Many active farmers are responding to the increasing demand from others to get larger by leasing out their land. Although the time period of this study was restricted to the present landlord situation, the distribution of active farmers as landlords should likely increase. This assumption is supported by the number of farmers that plan to increase size, and the large proportion of older operators who will gradually retire by leasing out their land.

Farm Leases and Practices

Of 79 leases analyzed, only 17 specified that written arrangements were used. Most oral contracts consisted of leases for pasture acreage of 160 acres or less. Written contracts were used on the majority of leases where a large number of acres were involved and these leases were

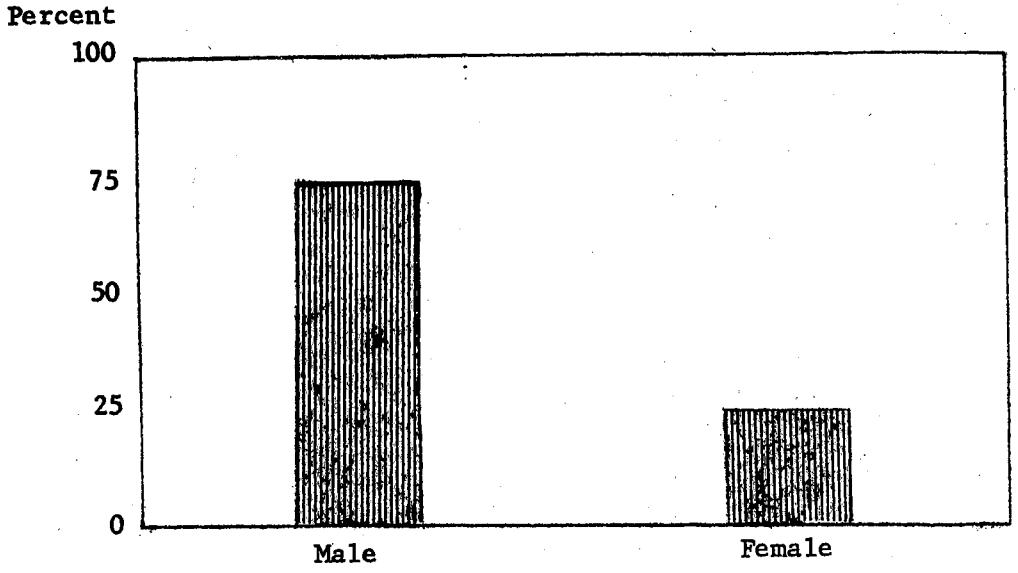

Figure 8. Distribution of 141 Landlords According to Sex

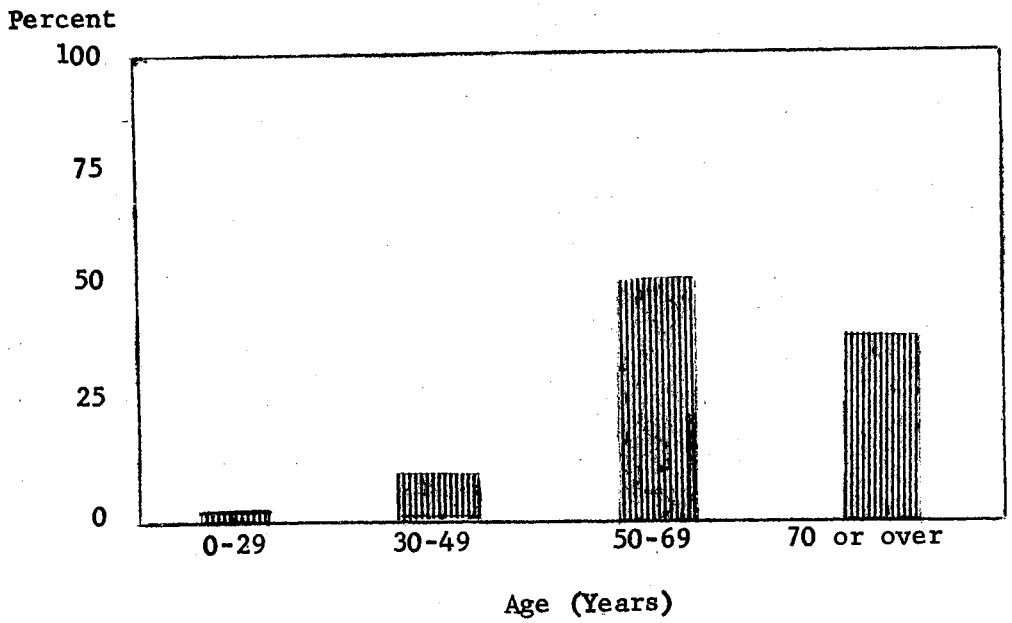

Figure 9. Age Distribution of Landlords

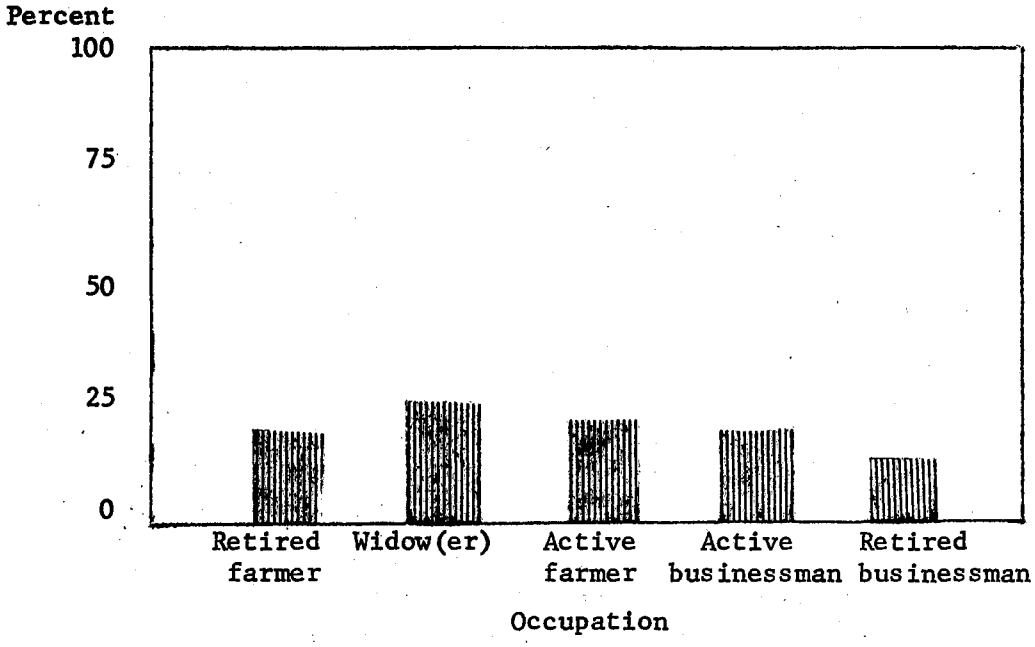

Figure 10. Landlord Sub-Classification

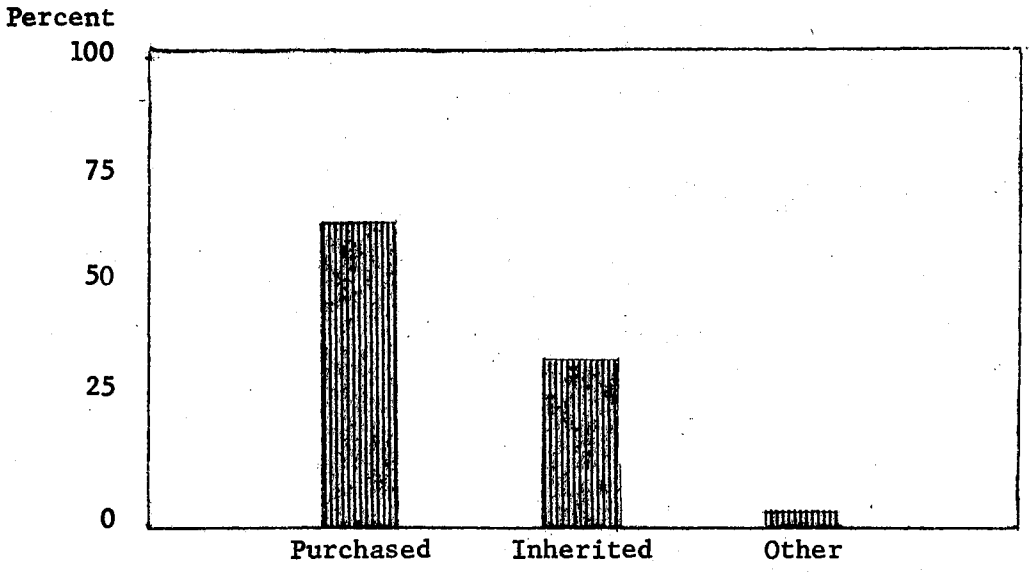

Figure 11. Acquisition of Land by 141 Landlords

far more than one year. The number of acres under the written arrangement for pasture land exceeded the number of acres under the oral contract.

Of 95,335 acres leased in the survey, 20,640 were pasture lands and were cash leased. The cash rental rates reported ranged from $1.00 to $6.00 per acre with an average of $3.27. Cash leases were reported for 6,855 acres of cropland. The rental rates ranged from $5.00 to $30.00 per acre. The average was $10.89 per acre. This range included rentals for both irrigated and dry cropland. Many enumerators did not distinguish between the productivity of the cropland and other factors which would have influenced the rental rates. Thus, irrigated cropland may be expected to cash rent for more than the $10.89 average while non-irrigated land may be expected to cash lease for less than $10.00 per acre.

Crop-share arrangements did not vary significantly from one crop reporting district to the next. Wheat, barley, and grain sorghum leases in this study normally paid the landlord one-third of the crop. Cotton and soybean leases indicated that the landlord's share was usually one-fourth, with a few cases of one-third. Peanut farmers on the non-irrigated lands gave the landlord one-fourth of the crop in most cases reported. No irrigated peanut lands were included in the study.

In the vegetable growing region of Sequoyah County, the survey revealed 2,080 acres leased under the share arrangement with no cash leases reported. The major crops grown and the usual landlord share are: spinach, one-eighth; watermelons, one-sixteenth to one-eighth; mustard greens, one-eighth; kale, one-eighth; and turnip greens, one-eighth. Watermelons, the only vegetable that varied from the one-eighth

arrangement in the survey, had one field of ten acres that reported a rental rate of one-sixth.

It is assumed that the objective of the parties to a lease agreement is to develop an equitable rental agreement. However, the above share and cash arrangements should only be used as a guide as both parties undertake to develop an equitable arrangement. Crop-share and cash rates have a tendency to become uniform within an area but to develop an equitable lease both parties must be willing to vary from the norm.

CHAPTER IV

RENTAL ARRANGEMENTS AND ASSOCIATED LEASE AND TENURE TRENDS

The past and present land tenure situations are shown in Tables V through VIII. The successful farm operator adopts new technology, and uses successful management techniques to generate greater farm income. Oklahoma farm operators as well as others in the United States are not relying upon full ownership to enlarge the size of farms. The number of farms both in the United States and Oklahoma have constantly declined since 1935, while the number of acres in farms have remained relatively constant over time. In Oklahoma 32 percent of the farm operators in 1970 were part owners, and operated about 56 percent of the agricultural land.

The tenure group, all tenants, acquire all their land resource by leasing. In 1935 the number listed as all tenants reached a peak of 130,661 out of 213,325 total farm operators in Oklahoma.[1] Within 35 years there were only 83,037 farm operators, and all tenants had declined to 11,712 farmers. The percentage of farmers who are all tenants in the United States and Oklahoma has constantly declined since 1935 as has the distribution of full owners. Thus, full tenancy as a means of acquiring land declined in importance. Although tenancy as a means of acquiring all land resources has decreased, leasing has definitely become a means of expanding the farm business and a way of providing a degree of

TABLE V

NUMBER OF FARMS BY TENURE GROUPS,
UNITED STATES, 1900-1964

Year	Number of Farms	Full Owner	Part Owner	Manager	All Tenant
			Percent		
1900	5,739,657	55.8	7.9	1.0	35.3
1910	6,365,822	52.7	9.3	0.9	37.0
1920	6,453,991	52.2	8.7	1.1	38.1
1925	6,371,640	52.0	8.7	0.6	38.6
1930	6,295,103	46.3	10.4	0.9	42.4
1935	6,812,350	47.1	10.1	0.7	42.1
1940	6,102,417	50.6	10.1	0.6	38.8
1945	5,859,169	56.3	11.3	0.7	31.7
1950	5,388,437	57.4	15.3	0.4	26.9
1954	4,783,021	57.4	18.2	0.4	24.0
1959	3,707,973	57.1	22.5	0.6	19.8
1964	3,157,857	57.6	24.8	0.6	17.1

TABLE VI

NUMBER OF FARMS BY TENURE GROUPS,
OKLAHOMA, 1920-1969

Year	Number of Farms	Full Owner	Part Owner	Manager	All Tenant
			Percent		
1920	191,988	36.3	12.2	.5	51.0
1925	197,218	30.8	10.3	.3	58.6
1930	203,866	26.3	11.8	.4	61.5
1935	213,325	27.6	10.8	.4	61.2
1940	179,687	31.1	14.0	.4	54.4
1945	164,790	42.9	16.8	.4	39.9
1950	142,246	44.8	23.4	.3	31.4
1954	119,270	48.9	26.3	.5	24.3
1959	94,678	49.1	31.6	.5	18.9
1964	88,726	50.6	32.5	.4	16.4
1969	83,037	53.5	32.4	--	64.1

TABLE VII

LAND IN FARMS, BY TENURE GROUPS,
UNITED STATES, 1910-1964

Year	Land in Farms (A)	Full Owner	Part Owner	Manager	All Tenant
			Percent		
1910	878,798,325	52.9	15.2	6.1	25.8
1920	955,974,367	48.3	18.4	5.7	27.7
1925	924,319,352	45.4	21.3	4.7	28.7
1930	990,111,984	37.6	24.9	6.4	31.0
1935	1,054,515,111	37.1	25.2	5.8	31.9
1940	1,065,113,774	35.9	28.2	6.5	29.4
1945	1,141,615,364	36.1	32.5	9.3	27.0
1950	1,161,419,720	36.1	36.4	9.2	18.3
1954	1,160,043,854	34.2	40.7	8.6	16.4
1959	1,123,378,059	30.8	44.8	9.8	14.5
1964	1,110,187,000	28.7	48.0	10.2	13.1

TABLE VIII

LAND IN FARMS, BY TENURE GROUPS,
OKLAHOMA, 1920-1969

Year	Land in Farms (A)	Full Owner	Part Owner	Manager	All Tenant
			Percent		
1920	31,951,934	36.1	21.7	2.9	39.3
1925	30,868,965	30.1	20.5	4.3	45.1
1930	33,790,817	23.3	25.5	2.9	48.0
1935	35,334,870	24.2	24.6	3.3	47.8
1940	34,803,317	22.5	31.8	3.3	42.4
1945	36,161,822	27.2	37.2	4.1	31.6
1950	36.006,603	27.3	44.4	3.0	25.3
1954	35,678,078	28.5	49.0	2.7	19.7
1959	35,820,868	26.8	55.2	3.0	15.0
1964	36,077,472	26.6	55.9	3.9	13.6
1969	36,007,719	30.7	57.1	--	12.2

flexibility in the farm business organization.

Increased Importance of Rental Arrangements

There are many factors that have been partly responsible for the fact that part owners in 1969 operated approximately 21 million of the 36 million acres in Oklahoma. One reason has been the price of land and the associated cost of investment capital. With higher land prices most farm operators have favored leasing land because of the high opportunity cost of owning. Many tracts of highly productive and even marginal lands in the past have yielded sufficient returns in relation to the price to encourage operators to purchase land if they were financially able. Costs of farm inputs have also increased, but these costs are incurred for relatively short-run periods and are variable. Concurrently the rate of advance in technology has enabled farmers to enlarge their operations at a faster rate than they were able to accumulate capital for investment in land. Thus leasing has replaced purchasing as the primary means of increasing farm size.

Another reason for the increased importance of leasing is related to the number of older operators. As shown in Chapter III, approximately 65 percent of the operators in the survey were at least fifty years old. For the most part, these operators are financially set and as a result are not forced to disinvest land capital. Also, for tax and other reasons they are holding their land assets as investments. Some owner operators retire and lease out their land. Leasing best fits their individual situation in that it keeps the land resource from lying idle and enables them to have an extra income during their retirement.

Many businessmen and large corporations acquire land for various purposes. These land owners, many of whom may have the managerial ability to operate the lands, prefer to lease because it allows them to utilize their capabilities elsewhere. A leasing arrangement objectively developed also insures that their investments are secure or even enhanced. The arrangements provide for upkeep of assets of the farm and provisions are included to assure the land owner that social investments are maximized. These include the soil conservation programs of land clearing and establishing permanent pastures and equally as important, maintenance of and even increasing the base acreage of "allotment" crops.

Agrarianism in the form of land ownership plays a large part in the attitudes of farm operators. The love for land which develops through the years of being associated with the creativeness of the soil is reflected in the provisions made to perpetuate ownership rights. This was reflected in the large number of leased units that were held by estates. These leaseholds were preferred by lessees as the land was either not for sale or was administered by professional personnel. In some cases, the leaseholder inferred that he had a preferential lease.

Another category of land owner that is continually supplying land for lease is the marginal owner-operator. The marginal operator is either unwilling or unable to increase the size of the farm business, because his net farm income has been reduced. Rather than sell the land, this operator has retained ownership, kept the farm home as a rural residence and leased out the land. However, leasing out the land is not always an alternative for those marginal owner-operators who are making sizable annual payments on the farm investment. These owner-operators

usually have five alternatives for operation: (1) continue to produce and disinvest the working assets in the process, (2) increase the size of the farm business with expectations of larger labor-management returns, (3) disinvest all of his capital, or (4) lease the land and disinvest the operating capital (5).

The agrarian attitudes have been deeply implanted and most operators with these values elect alternative one and continue to produce. This alternative has led to a deteriorating capital situation and eventually these operator's land holdings are sold. Therefore, a public policy which enables these owner-operators to avoid the consequence of the first alternative appears overdue. Job training, and the creation of annuities for the owner-operator, using the equity in the farm business would provide an element of economic security to the retiring owner. The transfer of these land resources would elminate creation of an estate and contribute measurably to providing credit to the purchaser.

Electing the alternative of increasing size of the farm business is not a continuous option. It is illogical due to higher land prices to assume that these owner-operators have such an alternative. The needed adjustments must be timely to obtain the greater benefits. Also the changes require both managerial insight as well as new capital. Consequently, it seems that a delay in the decision to expand the size, increases the likelihood that needed capital assets have increased both relatively and absolutely. Also, the marginal productivity of any new capital is not commensurate with capital which was invested earlier. It is not the intent to propose that there is a specific time for adjustments to be made for all operators, but it seems logical to assume that for the individual operator there are periods when decisions must be

made otherwise the opportunity ceases to exist. Most owner-operators who expanded the farm business by leasing may have preferred full ownership and had the credit to purchase land at the market price but land was not available. Indications are that leasing additional land resources by owner-operators will be the primary means of continuing to increase their control over larger amounts of land.

Rental Arrangement Trends in Oklahoma

The majority of the operators included in this study expected to lease additional land. Both the full owner and the part owner tenure groups were planning to lease, and both groups indicated that they preferred a cash lease over the crop share and the crop share-cash lease. Many of the cash leases were for more than one year and the cash rent paid seemed to be greater than the crop share rent equivalent for these leases. The conjecture is that lessees are willing to pay more rent for the longer-term cash lease. Also, the percent of crop share plus cash rent leases will increase. This is supported by associated trends contained in Figures 12 through 14. Although this information is for "all"-tenants,[2] the conclusion is that part owners will also use rental arrangements in approximately the same proportion. The tenants and part owners surveyed in this study supported this assumption. As revealed in the tables, both the proportion of the number of farms and land in farms operated under the cash and share-cash arrangements have increased.

The percentage of share leases declined while the proportion of the share-cash group increased for cropland harvested. Cash leasing has been used extensively in the pasture and marginal cropland areas.

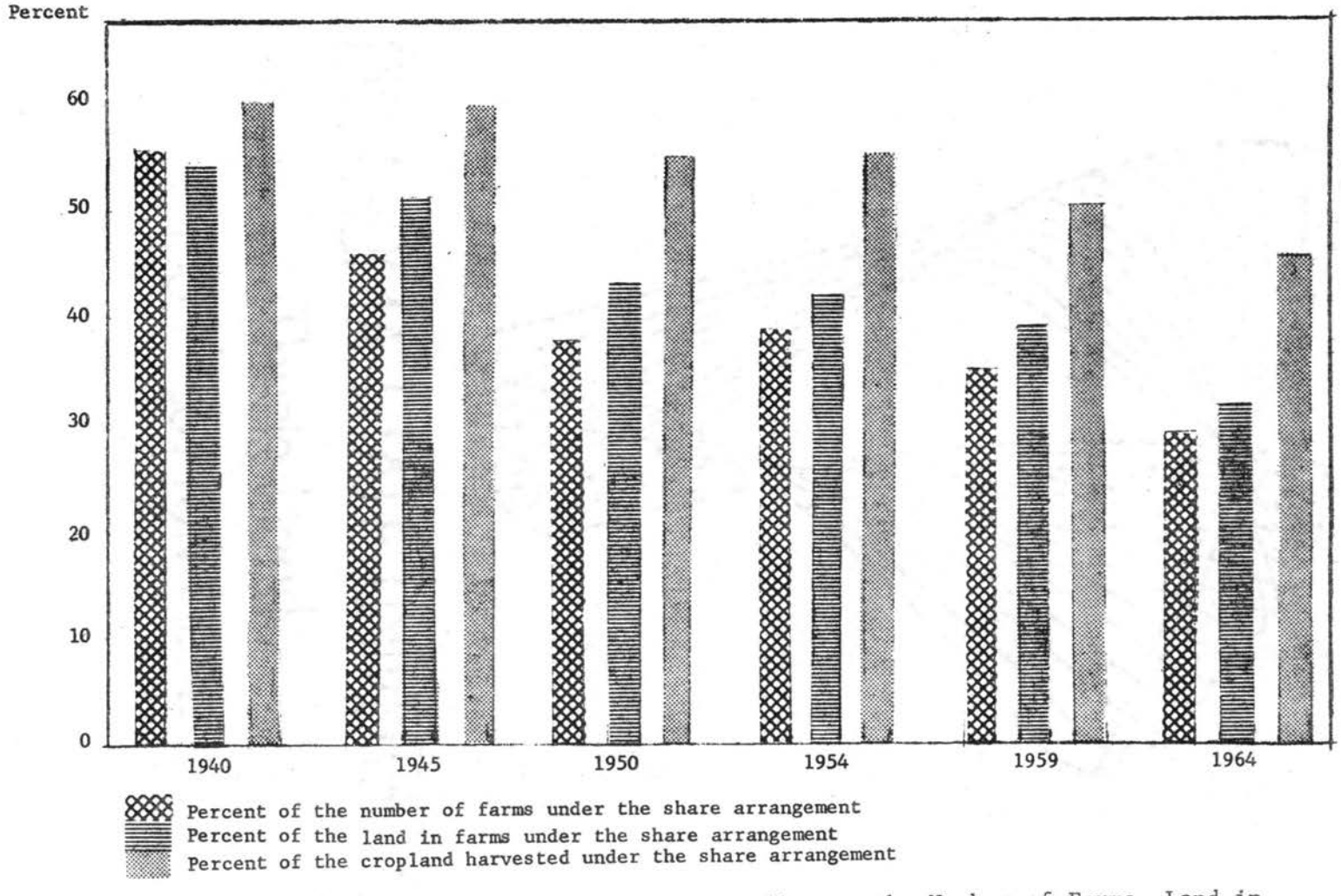

Figure 12. Distribution of Share Leases According to the Number of Farms, Land in Farms and Cropland Harvested by "All" Tenants, Oklahoma, 1940-1964

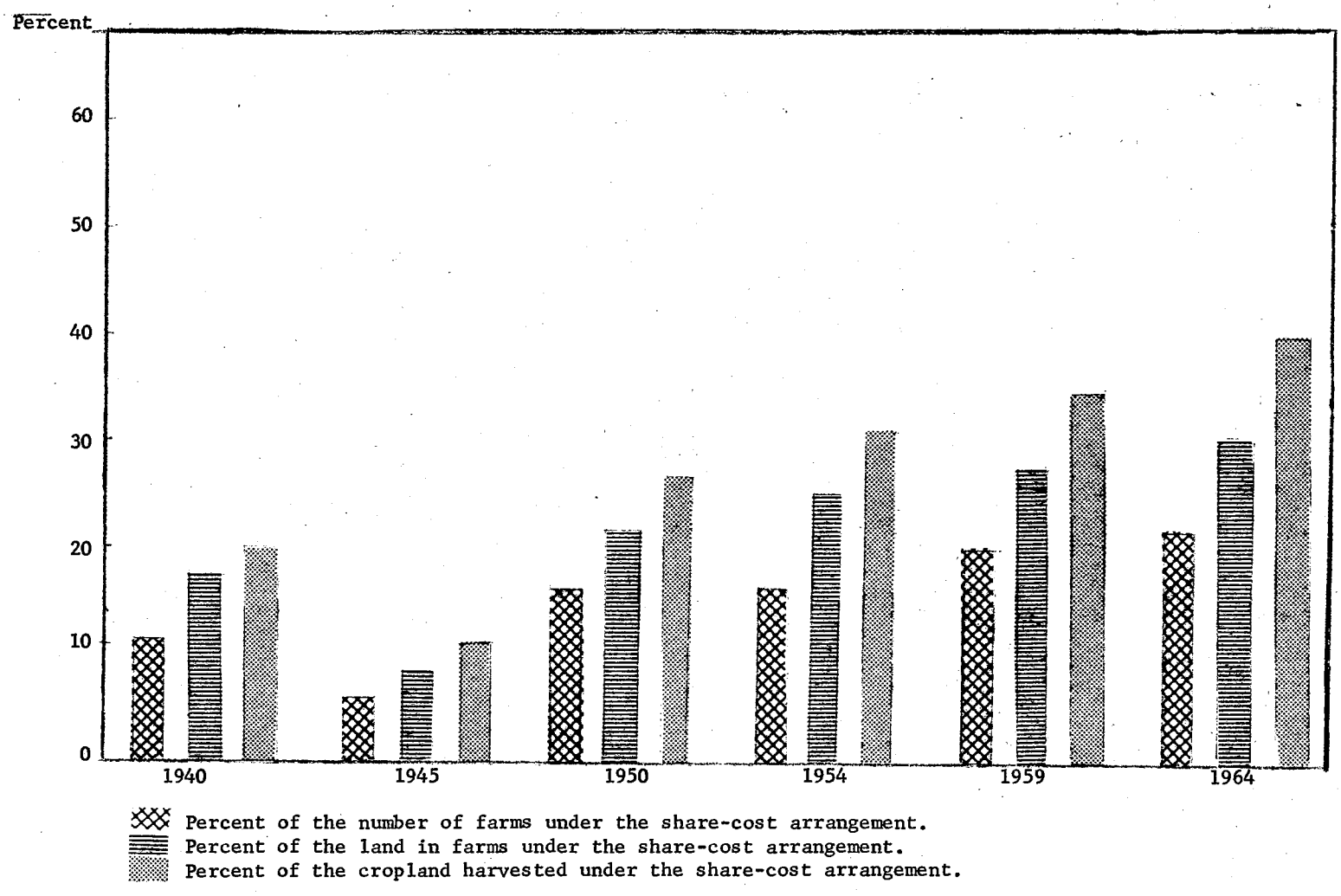

Figure 13. Distribution of Share-Cash Leases According to Number of Farms, Land in Farms and Cropland Harvested by "All" Tenants, Oklahoma, 1940-1964

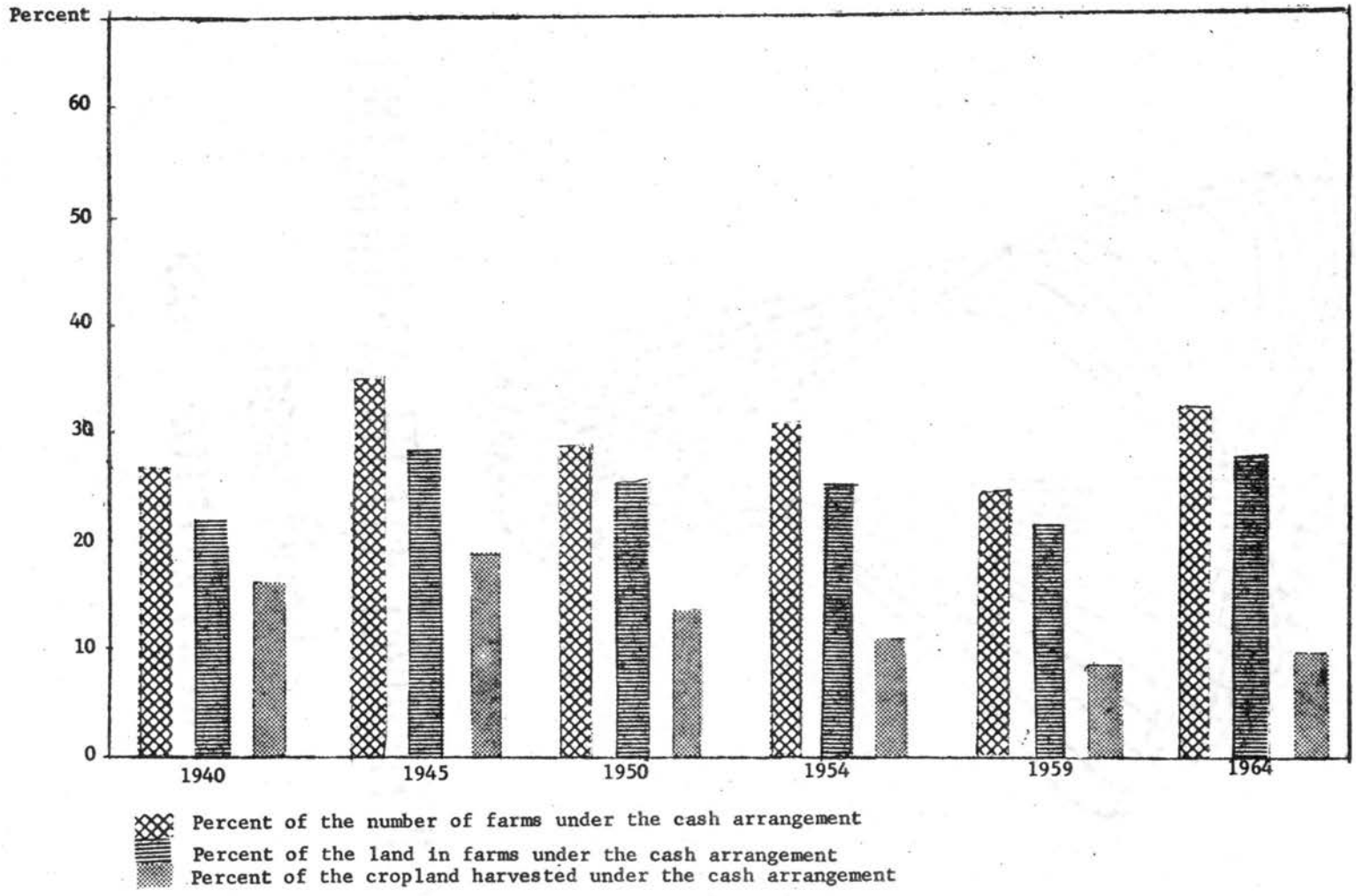

Figure 14. Distribution of Cash Leases According to the Number of Farms, Land in Farms and Cropland Harvested by "All" Tenants, Oklahoma, 1940-1964

As stated earlier, this survey revealed that most operators and landlords prefer the cash rental arrangement over the cash-share arrangement.

Cash rents also have a tendency to lag behind changing prices,[3] therefore, changes from existing share arrangements will be slow. Future leases likely will be dominated by the cash lease. This probably will evolve slowly from the share-crop to the share-crop cash, and then to the cash rental arrangements. There apparently are several advantages to cash lease arrangement over the others: (1) flexibility of operation, (2) a longer planning horizon, (3) security of tenure and stability of investment income. The change will take many years, but will come eventually if present desires of landlords and tenants remain as revealed in this study. This conclusion is also reinforced by the historical data. Share leases gradually declined while the share-cash group has increased.

The cash lease has advantages for the landlords as they do not share in the risk from weather, prices, nor is the rent affected by mismanagement. Theoretically, the cash rental covers ownership costs, upkeep, insurance, taxes, and depreciation, and a return on investment capital. The amount of returns expected by landowners is beyond the scope of this study, however the cash rental arrangement allows ownership to be separated from management and does not require owners to continually evaluate management. Thus, absentee owners, second and third generation owners likely will resort to cash rents, and engage professional managers to negotiate the rental arrangements.

The beginning farmer whose capital is limited, appears to be handicapped by the cash rental arrangements. However, this assumption may not be justified if a credit base has been established. The

established farm operator as well as the beginning farmer have found that the cash lease allows them greater freedom in resource use. The graze-out prerogative was frequently cited by farmers as an example. In addition, the cash lease permits the innovator to make timely changes in organization and operations. Those operators who have relied upon institutional and private capital for investment and operating funds will have less difficulty in preparation of farm budgets.

A Model Rental Arrangement

The agricultural sector has become a complex business with specialists in the full use of high speed computers to generate optimum production activities. Yet the fundamental basis upon which a model rental arrangement can exist requires mutual trust and respect between the lessee and lessor. This relationship does not have a proven guide that can be followed for success, but the initial foundation is laid by the performance of the lessee within the community.

In communication, a source attempts to channel a message to a receiver. Effective communication exists when both parties are able to convey ideas back and forth with understanding. Developing rental arrangements is a form of communication. In the beginning stages of developing a rental agreement, both parties must communicate at the bargaining table. The effectiveness of the arrangement which is developed will depend largely upon the communicating ability and skill of both the lessee and lessor.

Before reaching the bargaining table, the lessee should do his homework. The lessee should research existing crop share and cash rates existing in the community. Rental arrangements may differ within crop

reporting districts, but practices presented in Chapter III can be used as a guide. The lessee should estimate costs and returns from the tract being considered to evaluate how much he would be willing and able to pay.

To avoid landlord misunderstandings, the lessee should attempt to pay an equitable share rate or cash rent to all landlords. If the rental arrangement is cash, a specific rate for each type of land leased should be indicated. Differences in rent should be allowed for improvements, soil fertility, or other items that aid or hinder the productivity of the land. Productive lessor-lessee relationships are the responsibility of both parties, but the survey provided no insight into this problem area other than that lessees preferred cash rentals.

The length of the lease may vary, but a recommended practice is to initially strive for a three to five year written lease. Improving soil fertility, establishing bermuda, and other productive practices may require several years to yield returns, thus a period longer than one year is needed. After this period, a year-to-year program may be sufficient, provided there is an assurance of stability in ownership.

Leasing, like communication, is a two-way street, i.e., both parties must contribute to the arrangement. The lessor should not feel he is entirely separated from his investment. A section of the Oklahoma farm lease provides for the landlord's reentry and inspection privileges. Informal visits by the lessee if the lessor lives nearby to explain a few practices employed on the farm may help answer some questions the lessor may have. In some cases the lessee may draw on the lessor's many years farm experience to solve some of his day-to-day problems. Simply explaining the operation may reduce differences that may create

problems when the time comes to renew the lease. Contacts such as the visits, or helping start the lessor's pickup on a cold day, may play a big role when negotiating a new lease.

In Chapter II, efficiency of leasing was discussed. Assuming there is an equitable cash rent lease arrangement, the lessee tends to allocate resources in the most efficient manner over time. This can occur only if mutual trust and respect are shared between both parties. Tenancy in the past has been viewed by some owners as only a temporary condition. Trends presented in the tables in this chapter plus the lessee's managerial ability to produce increased returns for the lessor aid in rejecting this hypothesis. Thus, a model rental arrangement implies that the lessee anticipates having the land in the future, therefore he will or should allocate resources in the most efficient manner. An equitable rental arrangement does not have a set form, but may vary from farm to farm and between lessors. The model rental arrangement is equitable to both parties, thus it can be cash, share, or share-cash. Various ingredients as outlined in the next section should guide the parties toward the ideal goal, but communication between both the lessee and lessor is essential.

Written Vs. Oral

The oral lease is widely used, but can create problems. Even agreements within a family can be misunderstood by one of both parties which may lead to disputes and unpleasantness. Although the oral lease is easy to administer, the written lease has many advantages.

The purpose of the written contract is simply to place the facts on paper. The written lease should not be considered a binding contract

if one party feels he is getting short changed. Complete knowledge of the terms of the agreement, and explanations as to what both parties will contribute form the basis for the written agreement. Another advantage is that problems can be avoided due to death of one party.

Appendix A contains the Oklahoma farm lease agreement form contained in O.S.U. Extension Fact Sheet No. 121.[3] This agreement is only an example but should give both parties some idea as to the advantageous ingredients of a written lease. Several of the essential elements which should be included in a written lease are:

1. Name of Both Parties--In the case of estates, attempt to deal with one spokesman. This arrangement may save time and alleviate problems if conflicts arise.

2. Rental Rates--If a crop share lease is practices specify all landlord expenses, if any. Also specify any additional cash cost that is to be paid. Allow for future enterprise changes, i.e. allow for cost and profit sharing if wheat graze-out is employed. This section should thoroughly detail all factors that affect the cost and returns structure of the lease, such that perfect knowledge of both parties is achieved. Much emphasis must be placed on this section to insure an equitable arrangement.

3. Length--Depending upon the individual situation, attempt to obtain a three to five year lease. In this section specify the date this initial period ends, also make provisions for continuation on a yearly basis. If not, detail conditions that pertain to the length of the lease. Many leases starting on January 1 create problems, thus if a different termination date is justified include it in this section.

Also, the length of notice of termination should be stated (usually 90 days).

4. List of Improvements--State the upkeep or repair obligations of both parties. If the tenant pays the landlord a cash payment for use of buildings, specify the amount.

5. Improving the Land--The tenant should continually take soil samples to evaluate soil fertility. Establishing bermuda and other conservation practices should also be considered in this section. Cost sharing obligations of both parties should be stated.

6. Up-to-Date Records--Provision should be made that the tenant will furnish at least yearly data that reveals as close as possible the costs incurred and revenue received from the tract of land. Yield data as close as possible from each field is recommended.

7. Mutual Agreements--This section should place emphasis upon changing conditions. Due to inflation or whatever need may arise both parties may need to add to or take from the agreement. The mutual agreement section should allow both the lessee and lessor the opportunity to change the terms of the agreement if conditions merit a change.

8. Signature--The agreement becomes a contract when it is signed and witnessed. Therefore, the signature is recommended. If a landlord dislikes signing documents, the tenant should use his better judgment. At this stage the tenant should know enough about the lessor to determine if he should insist upon a signature.

The above elements are only a partial listing but should provide a core from which most situations can be handled. Emphasis should be taken to put the facts on paper clearly so that both parties fully understand the workings of the rental arrangement as well as their

obligations. Questions pertaining to the law of contracts and all legal problems that may arise should be referred to a lawyer.

FOOTNOTES

[1]U.S. Department of Agriculture, 1964 Oklahoma Census, Volume I, Part 36, Selected Census data for 1930-1964.

[2]"ALL" tenants acquire their total land resource by leasing.

[3]K. C. Davis, Cecil D. Maynard and D. B. Jeffrey, 'The Oklahoma Farm Lease Agreement,' Oklahoma State University Extension Facts, No. 121, pp. 121-121.3.

CHAPTER V

SUMMARY AND CONCLUSIONS

Part-owner and full tenant operators occupied 69.5 percent of the farm land in Oklahoma in 1964. Leasing of land in terms of combining resources by the lessee and lessor is instrumental in allowing both the part owner and all tenant to achieve his objectives. Share arrangements and cash rental rates tend to become relatively fixed, in that they do not change over time as conditions merit a change. The fixed rate, although equitable at first may become inequitable as costs of inputs rise. Thus, the inability of the lessee and lessor to make changes creates unfavorable arrangements that are inequitable to either the lessee, lessor, or both parties. Articles by Heady[1] and Schickele[2] have considered the fixity of tenure systems that lead to inefficiency to a greater extent than is presented here.

In Oklahoma, the proportion of share arrangements has constantly declined over time while the share-cash and the cash lease system have gradually increased. The majority of the farm operators surveyed indicated that they favored the cash-rent system over the share and/or the share-cash arrangements. For equitable arrangements to exist, variable input by the lessee must be equivalent to the optimum level which is profitable for the owner-operator. The cash rent system permits the lessee to achieve the same efficient level of inputs as the owner-operator, and maximize returns to all resources including management.

There are many economic forces which are interacting to increase the use of cash rental arrangements. For example, in most cases the lessee pays the lessor one-third of the wheat in Oklahoma and normally incurs all variable input costs such as fertilizer and insecticides. The lessee under this arrangement normally received the wheat pasture to offset the total cash outlay for variable inputs. This relationship has remained basically fixed over time, thus it has been considered as equitable by both parties. But as the profit potential of increasing cattle prices continues, the lessor will demand partial utilization of the wheat pasture. For an equitable arrangement to exist the output share must equal the input cost share. The change will require the lessor to share in more variable input costs while the landlord will receive income from small grain pasture.

Sharing of all input costs has many drawbacks, in that it raises many economic questions such as when to buy and sell, how much fertilizer, how many cattle per acre, etc. In many cases, a third party may be required to answer questions or help settle disputes that are created by the share arrangement. As revealed in the survey, the lessee and lessor will move toward the cash rent system because the how much question becomes the main factor that must be reconciled. Although the lessee bears all the risks, he is able to best engage his labor and capital to obtain a maximum profit. The lessor bears no risk, and can stipulate a maximum number of stockers per acre and a minimum level of fertilizer to insure that the quality of his resource, land, is maintained.

As suggested in Chapter IV, the lessee should strive for a written three to five year contract that permits adjustments of both share and

cash rentals. As leasing continues to increase in importance, the essential ingredients of a rental arrangement, as presented in Chapter IV, should serve as a guide which the lessee and lessor can use to develop a volatile rental agreement that is equitable to both parties.

FOOTNOTES

[1]Earl O. Heady and Earl Kehrberg, "Relationship of Crop-Share and Cash Leasing Systems to Farming Efficiency," Iowa Agriculture Experiment Station Resource Bulletin 386 (May, 1952).

[2]Schickele, Rainer, "Effect of Tenure Systems on Agricultural Efficiency," Journal of Farm Economics, XXIII (February, 1941), pp. 185-207.

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APPENDIX A

STUDENT QUESTIONNAIRE

INSTRUCTIONS

SPECIAL PROBLEM IN AGRICULTURAL ECONOMICS

K. C. DAVIS

This Special Problem in Agricultural Economics is designed to make students enrolled in the College of Agriculture to evaluate the opportunities to farm in their home communities. The opportunities to farm are often concealed within most communities by a complex social-economic structure which are difficult to grasp, and many college graduates seek other alternatives rather than work out the solutions to these problems. The opportunities are concealed in the goals of the present operators and landowners. Thus to understand and properly evaluate the opportunities to farm within a community, these goals must be discovered and used to the beginning farmer's advantage. This must be done systematically and objectively. This survey is designed for this purpose.

Although this survey embraces a three square mile grid, nine square miles, the opportunity to begin farming may lie within a much larger area, a nine square mile grid. The approach to the problem is essentially the same regardless of the size of the area being studied.

PROCEDURE

The student is to make a comprehensive survey of each farm operator in each section of land surrounding his father's farm, a three mile square area. A facsimile of the grid is attached. Each operator

is to be assigned a number. The number one (1) is to be the home farm. Place the letter (O) to the left of the numeral assigned if the land area is owner-operated. Likewise, place the letter (L) before the numeral if the land is leased. In the event that an operator has more than one lease, that is, he rents land from two landowners, place after the numeral the letters (A), (B), (C), etc. For example, operator (3) owns one-half of a section, place (O3) in each quarter he owns and (L3) in each quarter section or fraction thereof which he leases. If he leases two separate areas from one landowners, place (L3) in each area. If he leases two quarter sections on segments thereof from two different landowners, indicate this by placing L3A on that area and L3B on the other. The information needed about these specific leases are to be recorded in the space provided in the schedule.

There are two separate schedules. The General Farm Schedule is organized to record information about an operator and the land area he operates, whether the land is owned, leased, or both. The landlord schedule is designed to provide objective information about each landlord who leases land to operators who are farming in the three square mile grid. It may be necessary in a few instances to refer to the county records to establish the land area of a specific farm and the owners of each segment. A farm of 320 acres may have been farmed by one operator for many years and the general concensus is that he owns all the land or that he leases from one individual, but the records may reveal that he owns 240 and leases 80 which is a part of an estate. Thus, the information recorded must reflect the situation which exists.

The purpose of the survey is to evaluate opportunities to establish oneself within a community and the likelihood of expanding the size of

the farm business in competition with those farmers who are operating the land. This survey like others attempts to assemble information which will provide insight into the objectives of those farm operators who use the land area which you may want to farm. Thus, this type of study differs from one in which only quantitative information is recorded such as acres of legumes, average yields, and similar information. Although much of the information assembled is quantitative, some of it is qualitative. That is, the one doing the study will attempt to assign values to individual's objectives.

The students should assemble all the known quantitative information available, verifying this information from public records when there is a difference reported. Most of this should be obtained through informal personal interviews which is an art. The student will find the farmers hesitant and often evasive of the formal interview approach, but their goals and objectives will be discussed openly if the student uses the informative approach. As a general rule, people will discuss their problems if they find a ready listener. Thus, study the schedules carefully and during any information visit at the trade center and other chance meetings which are in effect arranged by the interviewer direct the conversation towards these problem areas. Since the problems are impersonal and of common interest to you and the farm operator, the student will find that they are discussed openly but not always as objectively as desired, and it may be necessary to "arrange" another contact to remove some of the inconsistencies and ambiguities which arise from failure to properly communicate.

The schedules have been carefully constructed and revised. They must be complete, which requires careful editing by each student

involved. A summary of your findings should be prepared, using the information assembled to support your conclusions.

Farm No._____

Leases_____

Enumerator_____

A GENERAL FARM STUDY

I. Personal characteristics of farm operator.

A. Approximate Age. ☐ (20-29), ☐ (30-39), ☐ (40-49), ☐ (50-59), ☐ (60-69), ☐ (70 or over).

B. Education. ☐ Did not complete high school, ☐ High School, ☐ Some additional training, ☐ College Graduate.

C. Farm Experience. ☐ 0-5 years, ☐ 6-10 years, ☐ 11-15 years, ☐ 16-20 years, ☐ 21-25 years, ☐ 26-30 years, ☐ 31-35 years, ☐ 36-40 years, ☐ 41-45 years, ☐ 46-50 years, ☐ 51 or more.

D. Size of farm operated _____acres.

☐ Acres owned_____. ☐ Acres leased_____. Total acres_____.

II. Objective Management Characteristics (evaluation by enumerator)

A. ☐ Has made progress during last five years.

1. ☐ Increased size of farm by _____acres.
2. ☐ Increased size by expanding established enterprise.
   a. ☐ Increased size by adding one new enterprise.
   b. ☐ Increased size by adding two or more new enterprises.
3. ☐ Increased size of farm by forming a partnership or corporation.

B. ☐ Has purchased large equipment to utilize his labor, and/or hired labor more efficiently.

1. ☐ Which has enabled him to acquire more land either by leasing or purchasing.
2. ☐ Which has enabled him to add other enterprises.
3. ☐ Which has enabled him to enlarge existing enterprises.
4. ☐ Which has enabled him to acquire more land and expand other activities.

C. Has not improved capital position (operations) during the last:

1. ☐ 0-5 years.
2. ☐ 6-10 years.
3. ☐ 11-20 years.
4. ☐ 21-40 years.
5. ☐ 40 or more.

D. Has decreased the size of operations by:

1. ☐ Selling land.
2. ☐ Leasing less land.
3. ☐ Leasing out land he owns.
4. ☐ Changed operations which have reduced cost and income, i.e., from dairy to beef.
5. ☐ Decreased size due to off-farm work.
6. ☐ Other _____

III. Subjective Management Characteristics of Operator

A. Makes change in operations

1. ☐ More quickly than others.
2. ☐ About the same time others do.
3. ☐ Less quickly than others.
4. ☐ About the last person in the community to change.

B. Operator has made change in organization and operation that:

1. ☐ Has generally proven profitable.
2. ☐ Has not yet proven profitable.
3. ☐ Has generally not proven profitable.

C. Operator has made change in organization and operation that:

1. ☐ Requires less supervision by management.
2. ☐ Requires less labor and more capital.
3. ☐ Requires less capital and more labor.
4. ☐ Reduced the level of income and fluctuations in income.

D. Operator has not made changes in operations which are evident.

IV. Evaluation of the operator's and/or members of the family's demand for resources within the community.

A. Will likely increase very much:

1. ☐ This year.
2. ☐ 2-5 years.
3. ☐ 5 or more years.

B. Will likely remain about the same:
   1. ☐ This year.
   2. ☐ 2-5 years.
   3. ☐ 5 or more years.

C. Will likely decrease:
   1. ☐ This year.
   2. ☐ 2-5 years.
   3. ☐ 5 or more years.

V. Operator's family characteristics.

A. Number and sex of all children in the family.
   1. Males: ☐ none, ☐ (1-2), ☐ (3-4), ☐ (5 and over).
   2. Females: ☐ none, ☐ (1-2), ☐ (3-4), ☐ (5 and over).

B. Age of children by sex.
   1. Males: (__) No. 1, (__) No. 2, (__) No. 3, (__) No. 4, (__) No. 5.
   2. Females: (__) No. 1, (__) No. 2, (__) No. 3, (__) No. 4, (__) No. 5.

C. Educational Levels--Grades attained.
   1. Males: (__) No. 1, (__) No. 2, (__) No. 3, (__) No. 4, (__) No. 5.
   2. Females: (__) No. 1, (__) No. 2, (__) No. 3, (__) No. 4, (__) No. 5.

D. Occupation of children who have completed school and are self-educated. (Indicate by number given in B & C above).

	Occupation	Address
1. Males:		
No. (__)	_____	_____
No. (__)	_____	_____
No. (__)	_____	_____
2. Females:		
No. (__)	_____	_____
No. (__)	_____	_____
No. (__)	_____	_____

E. Children of the family who have established themselves within the community.
   1. Male No. (__). ☐ Farming independently of family.
      Male No. (__). ☐ Farming jointly with members of his family.
      Male No. (__). ☐ Farming jointly with members of spouse's family.

2. Female No. (__). ☐ Farming independently of family.
   Female No. (__). ☐ Farming jointly with members of her family.
   Female No. (__). ☐ Farming jointly with members of spouse's family.

F. Children of family who will likely compete for land resources in your area.

1. Males: No. (__), No. (__), No. (__).
2. Females: No. (__), No. (__), No. (__).

VI. Future plans of farm operator.

A. ☐ Expected to continue farming but has no basis for evaluating future plans.
B. ☐ Expected to expand operations.
C. ☐ Expected to continue farming but will likely work off-farm more.
D. ☐ Has indicated that he will retire soon.
E. ☐ Not known.

VII. Remarks.

LAND CLASSIFICATIONS, OWNED AND LEASED

Farm No._____

I. Number of Acres

	Owned	Leased
Cropland	_____	_____
Pasture	_____	_____
a) native	_____	_____
b) improved	_____	_____
c) woodland	_____	_____
Farmstead	_____	_____
	Total Owned_____	Total Leased_____

II. General Description of Land and Soil Types (refer to County Soil Survey)

_____

_____

III. Legal Description of Land(s): Owned and Leased

Owned			Leased		
Sec	Twp	Range	Sec	Twp	Range

IV. Community crop yields and leasing rates

A. Major crops grown and average yield in this community

Crop	Average Yield	Lease Rates	
		Crop-Share %	Cash $
Cotton			
Wheat			
Grain Sorg.			
Barley			

Crop	Average Yield	Lease Rates	
		Crop-Share %	Cash $
Alfalfa			
Soybeans			
Oats			
Peanuts			
Pasture[1/]			
Pasture [2/]			
Pasturing			
Small Grains			

1/ Number of acres per brood cow or stocker on native pasture (8/Bc.) or (4/st.)

2/ Number of acres per brood cow or stocker on improved pastures, bermuda grass, etc. (under crop-share lease column indicate number of months without supplementary feed) See C Remarks.

B. Average Custom Rates and Charges in this Community for:

	Average	Range
1. Combining (per acre or bushel)		
a) small grains	_____	_____
b) grain sorghum	_____	_____
c) peanuts	_____	_____
2. Baling (per bale)	_____	_____
3. Hauling		
a) Hay--per bale	_____	_____
b) Grain--per bushel	_____	_____
4. Plowing (per acre)		
a) Chiseling	_____	_____
b) Disking	_____	_____
c) Moldboard	_____	_____
5. Brush Mowing (per acre or per hour)		
Specify equipment used_____	_____	_____
_____.		
6. Bulldozer work (cost to clear average acre of shrubs, trees, etc.)	_____	_____
7. Bermuda Sprigging (per acre)		
a) Machine	_____	_____
b) Roots	_____	_____
8. Hourly farm wages paid help	_____	_____
9. Custom rates for building fences	_____	_____
a) Five wires, and posts placed each rd.	_____	_____
b) Less than five wires and post placed more than rd.	_____	_____
10. Other, specify.	_____	_____

C. Remarks. General practices over the county or your area: Specifically, what is the pasture management practices, are native pasture and/or improved pastures mowed or sprayed? Do farmers rotate grazing on improved pastures?

_____

_____

_____

_____

_____

_____

I. Classification of Lands by Individually Leased Units

	Lease A	Lease B	Lease C	Lease D
Cropland - acres				
Pasture - acres				
a) Improved				
b) Native				
c) Woodland				
Other (Specify)*				
_____				
Total Acres				

*This may be farmstead and other unusable land area.

Terms of each lease.

Written				
Oral				

Number of years that Operator has had each lease.

II. Rental Rates

Cash	Lease A	Lease B	Lease C	Lease D
Cropland				
Pasture				
Total				

III. Crop Rental Rates Paid by Operator on these Leases

Lease	Cotton LL's Share %	Wheat LL's Share %	LL's Share %	LL's Share %	Additional Cash*
A					
B					
C					
D					
___					

*Additional cash paid for the privilege of pasturing, small grains, house, etc.

IV. Landlord's Share of Operating Expenses - Crop Leases

	Lease A	Lease B	Lease C	Lease D
1. Land Preparation				
2. Seed				
3. Chemicals				
a. Pre-emerpent				
b. Fertilizer [1/]				
c. Insecticides				
4. Irrigation				
5. Harvesting				
a. Combining				
b. Sacking				
c. Hauling				
d. Baling				
(1) grain				
(2) hay				
e. Storage Costs				
6. Fence Repair				
a. Material				
b. Labor				
7. Other (specify)				
8. None Shared				

[1/] If no fertilizer expense on crop leases are shared, indicate whether landowners receive any payment from tenant for the privilege of pasturing small grains.

V. Expected Yields from crops on both Crop-Share and Cash Leases Operated.

Lease No.	Cotton Lint Lbs./A	Wheat Bus./A	Alfalfa Tons/A				Pasture*
1							
2							
3							
4							

*Estimate the number of brood cows that the pasture will carry from May through October.

VI. Was a lease dropped in the last 10 years? ☐ Yes, ☐ No. If yes:

A. ☐ Owner wanted to operate lease.

B. ☐ Lease sold to operator-owner.

C. ☐ Land owner changed lease arrangement.

D. ☐ Was out-bid for lease.

E. ☐ Lease did not fit into farm organization.

F. ☐ Lease too far from headquarters.

G. ☐ Wanted to reduce size of farming operation.

H. ☐ Obtained better lease.

I. ☐ Purchased land and reduced acreage leased.

J. ☐ Other._____

VII. Has it been difficult to obtain leases recently? ☐ Yes, ☐ No.

A. If yes, check these

1. ☐ The owner wanted to lease for cash and you preferred a crop-share lease.

2. ☐ The owner wanted too much rent (either cash or more of the crop than you were willing to pay.)

3. ☐ The owner would not allow lessee to graze small-grains.

4. ☐ The owner insisted on making the operating and organizational decisions.

5. ☐ The owner would not agree to share fertilizer, and other chemical expenses.

6. ☐ The land was leased to a close friend or relative.

7. ☐ The land was leased to an operator who had more equipment.

8. ☐ The lease period was for less time than needed.

9. ☐ The small owners are reorganizing their farms and transferring their labor off-farms.

B. If no, check these

1. ☐ Small owners are retiring and leasing out their land.

2. ☐ Small operators are losing their leases to large operators.

VIII. Has there been a trend toward cash leases in this area? ☐ Yes, ☐ No.

A. If yes, because:

1. ☐ Cash leases for longer terms give flexibility in land use.

2. ☐ Enable operators to plan a long range financial program.

3. ☐ Owners want to be relieved of management responsibilities.

4. ☐ Owners want to stabilize returns from land.

B. No, because:

1. ☐ Owners prefer the short-term cropshare leases.

2. ☐ Operators are reluctant to assume all risks and the financial obligations arising from longer-termed cash leases.

IX. Are rental rates the:

☐ Same, ☐ Higher or, ☐ Lower than five years ago?

Rental rates are higher as a result of:

1. ☐ Too many operators are trying to increase farm size.
2. ☐ Large operators are willing to pay more.
3. ☐ Government payments reduce the risk of paying more rent.
4. ☐ High prices for cash crops and livestock.
5. ☐ Other, (specify)._____

Rental rates are lower as a result of:

1. ☐ Fewer full time farm operators in the area.
2. ☐ Increase in operating cost forced tenants to ask for lower rentals.
3. ☐ Decline in government payments.
4. ☐ Lower prices for cash crops.
5. ☐ Other, (specify)._____

X. Remarks. Indicate here any responses to questions from VI - IX which are not included in those listed.

VI_____

_____

VII_____

_____

VIII_____

_____

IX_____

_____

Farm Operator _____

Lease No. _____

Enumerator _____

LANDLORD CHARACTERISTICS

☐ Individual ☐ Institution ☐ Estate

I. Lease Location: County_____ Sec._____ Twp._____ R. _____.

A. Acres leased from this landlord _____acre.

1. Cropland _____acres, 2. Pasture_____acres.

B. Terms of lease preferred by this landowner.

1. ☐ Written, ☐ Oral.

2. Length ☐ 1 - 2 years, ☐ 3 - 4 years, ☐ 5 - 6 years.

C. Number of renewals by operator on this lease.

☐ 1, ☐ 2, ☐ 3, ☐ 4, ☐ 5.

II. Movement of Machinery and Cattle between farmstead and lease.

A. ☐ Lease adjoins farm:

☐ 1 - 3 miles,

☐ 4 - 8 miles,

☐ 9 - 18 miles,

☐ 19 miles and over.

B. Type of road:

☐ Hard surface.

☐ Improved State or County.

☐ Graded and maintained section line.

C. ☐ Cattle are not moved from farmstead to lease.

☐ Only cattle added in a "buy-sell practice" are used on this lease.

☐ Cattle are transported from farmstead to lease.

☐ Cattle are driven from farmstead to the lease(s).

☐ No cattle or livestock of any type are pastured on the lease.

D. Livestock facilities on this lease:

☐ Fences,

☐ Buildings,

☐ Water.

III. Individuals.

A. Sex ☐ Male ☐ Female

B. Age ☐ 0 - 29, ☐ 30 - 49, ☐ 50 - 69, ☐ 70 and over.

C. Occupation.

☐ Retired farmer, ☐ Widow(er), ☐ Active farmer,

☐ Retired business man--professional person:
☐ Farm experience ☐ Non-farm experience

☐ Active business man--professional person
☐ Farm experience ☐ Non-farm experience

D. How land was acquired.

1. ☐ Purchased ☐ Inherited ☐ Other

2. Approximate date _____year.

E. How many acres does this landlord own in addition to the land leased by operator? (Applies only to individual landlords_____acres.)

1. How many lessees (tenants) in addition to operator are leasing these acres?_____

2. Estimate the importance of income from agricultural leases to this landlord.

☐ Entire livelihood.

☐ More than 75 percent of livelihood.

☐ Fifty percent of livelihood.

☐ Twenty-five percent or less.

☐ Income from farm leases is insignificant in relation to other income.

F. Has owner indicated future plans for this land, and others which he or she may own?

1. ☐ Has priced the land for sale at $_____.

2. ☐ Has turned down bona-fide offers of $_____.

3. ☐ Has indicated interest in farming this lease.

4. ☐ Son or other close relative interested in farming this lease.

5. ☐ Leave as part of estate.

a. ☐ Heir will likely operate this lease.

b. ☐ Heirs will likely not operate this lease.

c. ☐ Owner and heirs will retain ownership because of mineral rights.

G. Is operator related to this landowner? ☐ Yes, ☐ No

IV. Institution. ☐ Managed by professional farm manager

A. ☐ Public, B. ☐ Financial, C. ☐ Trust, D. ☐ Other.

V. Estates.

A. ☐ Life

Age of life estate owner 30 - 49, 50 - 69, 70 and over.

B. ☐ Probated estate.

1. ☐ Has been priced for sale. $_____

2. ☐ Heirs cannot agree on disposition.

3. ☐ Heirs have no intention of selling.

4. ☐ Heirs intentions are not known.

C. ☐ Unprobated estate.

1. ☐ Will not be probated soon.

2. ☐ Will be probated soon and heir(s) will sell.

3. ☐ Will be probated soon and heir(s) will not sell.

4. ☐ Will be probated soon and heir(s) intentions not known.

VI. Rental terms for this lease.

A. Terms of lease Written, Oral

B. Number of years specified by the lease contract[1/]

Indefinite, Year-by-year, _____years

C. Number of years that present operator has farmed this lease_____years.

[1/] If it is an oral lease it cannot be for more than one year but the parties to the contract often have an informal agreement and no period is specified.

VII. Remarks. Your evaluation of the operator-landowner relationship on this lease. For example is there mutual trust, are all their agreements reduced to writing? etc.

VIII. Office Use Only

A. Rental Rate Summary

Landowners Crop Share and Expenses

Crop	Crop-Share	Share of Expenses		
		Kind	Crop	Percent
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

B. Cash Rent

a) Cropland $_____

b) Pasture $_____

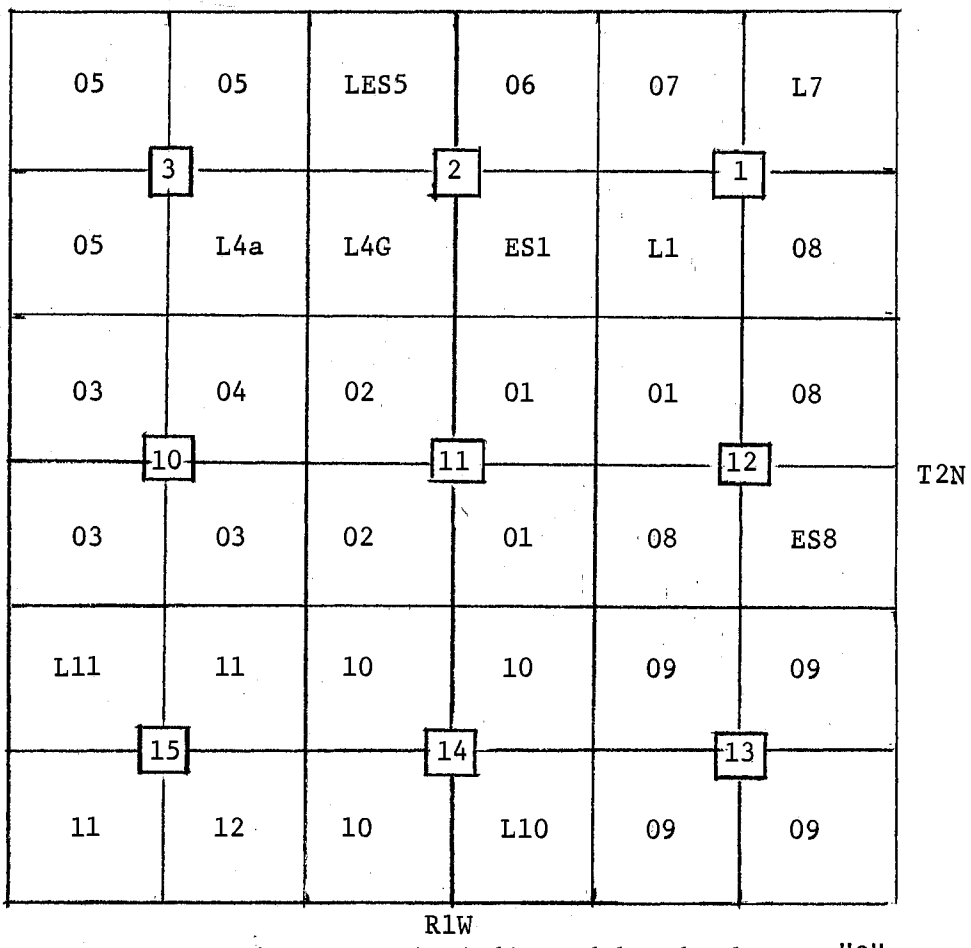
c) Other

_____ $_____

Total this lease $_____

LAND PLANT INDICATING BOTH TENURE

AND SIZE OF FARMS.



Key: Owner-operated acreage is indicated by the letter "O" preceding the number. Leased acreage numeral preceded by the letter "L". ES-1, ES-2, are leases but these acreages are estates. LES-1 indicates life estates which are leased.

Problem: Using the attached plat, locate your farm in the center section, indicate section numbers in the center, also the tenure status of each farm acreage in the eight sections surrounding your farmstead.

APPENDIX B

OKLAHOMA FARM LEASE AGREEMENT

OKLAHOMA FARM LEASE AGREEMENT

I. NAMES OF PARTIES AND DESCRIPTION OF PROPERTY.

This lease is entered into this _____ day of _____, 19____, between _____, landlord, of _____ (ADDRESS) and _____, tenant, of _____ (ADDRESS) hereinafter called the landlord and tenant respectively, under the terms and conditions that follow, a farm of approximately _____ acres, situated in _____ county, Oklahoma, and described as follows:

II. TERM OF LEASE

The term of this lease shall be _____ year (s) from _____ (MONTH) _____ (DAY), 19____, to _____ (MONTH) _____ (DAY), 19____, and this lease 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) day of _____ (MONTH), before the expiration of this lease or any renewal thereof.

III. RENTAL RATES AND ARRANGEMENTS (Options not applicable to be stricken)

Option A. *Crop Share Rent*

As rent the tenant agrees to pay or give shares or quantities of the following crops:

Crop	Approximate No. Acres	Landlord's share	Tenant's share	Distribution of landlord's share
1.				
2.				
3.				
4.				

Option B. *Livestock Share Rent.*

As rent the tenant agrees to pay or give shares or quantities of the following livestock:

Kind	Approximate No. to be kept on farm	Landlord's share	Tenant's share	Distribution of Increase
1.				
2.				
3.				
4.				
Note:				

Option C. *Cash Rent*

As rent or partial rent for the farm, the tenant agrees to pay the total sum of _____ dollars ($_____) per year. Cash rent will be paid at (place) _____, _____, and as follows: (time) _____.

IV. FARM OPERATION.

A. The necessary equipment shall be furnished and farm operating expenses divided between the landlord and tenant as follows:

Equipment	Furnished by Landlord	Furnished by Tenant	Operating Expenses	Proportionate Share Landlord	Proportionate Share Tenant
All Equipment			All Operating Expenses		
Exceptions			Exceptions		

Note:

V. CONSERVATION AND IMPROVED FARMING PRACTICES:

A. *Soil Conservation District Plan for Farm.* The farm is covered in a Cooperative agreement between the landlord and the _____ Soil Conservation District, and the tenant agrees to operate the farm in accordance with the complete soil conservation and land use prepared under the said cooperative agreement.

B. *Conservation and/or other practices.* Payments which can be earned by participation in the Government Farm Programs shall be carried out as follows:

Practice and Extent	*Contributions* Landlord	*Contributions* Tenant	*Share of Government Payments* Landlord	*Share of Government Payments* Tenant
1.				
2.				
3.				
4.				

C. *Other Improved Practices*: Other improved farming practices which the landlord and tenant agree will be mutually beneficial to both parties:

Practices and Extent	Contributions by landlord
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____

VI. IMPROVEMENTS AND REPAIRS

A. The landlord agrees to furnish materials for normal maintenance and repairs to maintain the farm in its customary condition. The tenant will furnish ordinary labor and haul the materials for these repairs, it being mutually agreed that skilled labor will be provided by the landlord.

B. Additional major improvements to be provided by the landlord are as follows:

Kind	Date

C. Construction and Removal of Fixtures by Tenant: With the written consent of the landlord, the tenant may add improvements at his own expense. He shall have the right to remove them even though they are legally fixtures, but shall have no right to compensation for them except as mutually agreed.

D. Compensation to Tenant for Unexhausted Value of Improvements: In event of termination of this lease, the tenant shall be entitled to payment for the unexhausted value of his contribution to the cost of improvements made with the consent of the landlord according to the following schedule:

Proportion remaining unexhausted after:

Improvement	1 Year	2 Years	3 Years	4 Years	5 Years
Rock Phosphate					
Ground Limestone					
Terraces					

VII. RECORDS.

Records on all matters of joint interest shall be kept by the tenant and shall be available to the landlord upon request. The records shall specify the following items:

A. _____ C. _____

B. _____ D. _____

VII. NONPARTNERSHIP AGREEMENT

This lease does not give rise to a partnership. Neither party shall have authority to bind the other without his written consent.

IX. RIGHT OF ENTRY.

The landlord shall have the right, in person or by agent, to enter upon the farm for inspections, repairs, or improvements. In case this lease is not to be renewed, the landlord or the incoming tenant shall have the right before it expires to do plowing or other work on the farm when doing so will cause no damage or interference to the present tenant.

X. ARBITRATION.

If parties to this lease cannot reach an agreement on any matter, or problem, the question shall be submitted to an Arbitration Committee. This committee shall be composed of three disinterested persons, one selected by each party hereto and the third by the two thus selected.

XI. IT IS MUTUALLY AGREED THAT

(a) This lease shall bind and shall inure to the benefits of the heirs, executors, administrators, and assigns of both parties.

(b) If either party willfully neglects or refuses to carry out any material provision, the other party shall have the right, in addition to compensation for damage, to terminate the lease. He shall do so by written notice on the party at fault, specifying the violations of the agreement. If violations are not corrected within 30 days, the lease shall be terminated.

XII. ADDITIONAL AGREEMENTS AND MODIFICATIONS:

Any additions to this contract or changes therein shall be in writing, and when so signed and executed before witnesses and attached hereto shall become a part hereof.

XIII. In testimony whereof witness our hands at_____, Oklahoma, on this_____

day of _____, 19____ A. D.

Witnesses as to both signatures,

_____ _____ (Seal)
(Landlord)

_____ _____ (Seal)
(Tenant)

BETWEEN

_____
(Landlord)

_____
(Tenant)

For _____
(Common name or number of farm)

In _____ County

State of _____

EFFECTIVE

From _____, 19____

To _____, 19____

Renewed _____, 19____

From _____, 19____

To _____, 19____

Lease Form Prepared by
Department of Agricultural Economics
Oklahoma State University
Stillwater, Oklahoma

VITA

Michael Marvin Grider

Candidate for the Degree of

Master of Science

Thesis: A SURVEY OF OKLAHOMA RENTAL ARRANGEMENTS, 1970-71

Major Field: Agricultural Economics

Biographical:

Personal Data: Born in Sulphur, Oklahoma, November 13, 1947, the son of Mr. and Mrs. Oscar Grider. Married Melinda Jo Keesee, January 28, 1968, one daughter, Ginger Rene born April 10, 1972.

Education: Graduated from Davis High School, Davis, Oklahoma in May, 1966; received the Bachelor of Science degree from Oklahoma State University with a major in Agricultural Economics in August, 1970; completed the requirements for the Master of Science degree from Oklahoma State University with a major in Agricultural Economics in July, 1972.

Professional Experience: Research Assistant, Oklahoma State University, January, 1971 to July, 1972.