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FARM LEASES IN IOWA

AGRICULTURAL EXPERIMENT STATION
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Ames, Iowa

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FARM LEASES IN IOWA*

BY O. G. LLOYD

Farm tenancy in Iowa is a live question because already a large percentage of the farms of the state are operated by tenants and because there has been a rapid increase in the number of farms rented from year to year. The opinion is quite generally held that one can tell a rented farm by its dilapidated buildings, poor crops and worn out land. It is also quite generally believed that there is something wrong with the existing system of farm leases as a whole. The fact is that many of the best managed and most successful farms are operated by tenants and in general it may be stated that out of experience have come several methods of leasing which seem to provide for good farming and a fair division of returns between the land owner and tenant.

These general facts were brought out in an investigation prompted by the general interest in farm tenancy and the rapid increase of rented farms operated by year to year tenants. Director C. F. Curtiss of the Iowa Agricultural Experiment station planned to undertake this investigation and secured the cooperation of the United States Department of Agriculture in an effort to get at the truth about farm tenancy and to determine what constitutes a satisfactory farm lease. In other words, the purpose of the investigation was to learn what the landlord and tenant each should furnish and what each should receive in a lease which calls for profitable farming and a fair division of the farm returns.

What is profitable farming and what is a fair division of farm returns can be determined either by a system of cost accounts or by making a farm management survey. The latter method was chosen for the investigation reported in this bulletin. The facts and figures presented were secured from a study of 114 different farms in representative sections of the state. Many of the most important conclusions from this first survey have been confirmed by two similar investigations made later.

In this bulletin the farms studied have been classified in various ways, so that the reasons why some farms pay better than others might be disclosed. To learn what is a fair division of the farm returns a careful study of land prices, rental rates and the rate of interest on time deposits and farm mortgages has been included. The bulletin also presents the methods of renting in use in Iowa and copies of leases are presented which call for a fair division of the farm returns as shown by the study. These leases have borne the acid test of experience for more than a dozen years and are used on very successful farms in Iowa.

*Many of the essential facts of this investigation were presented in a paper read by the author before the American Farm Management association in November, 1913, and published in the association proceedings for 1913.

MEANING OF A SATISFACTORY LEASE

A satisfactory lease from the farm management viewpoint is one which calls for profitable farming and a fair division of the farm returns between the landlord and the tenant. What is profitable is determined by sorting farms into groups according to size of farm, or any other important factor, to learn what effect it has on the labor income. Farms with the best organization are the most profitable. A fair division of the returns between the landlord and the tenant includes a measure of all that each receives from the farm. In recent years an unusual advance in the price of land makes the proper valuation of land an important consideration, for it is a question whether the landlord can expect the current interest rate, as rent, on such a high market price.

The subject of satisfactory leases is easily divided into three parts: first, what a satisfactory lease requires for profitable farming and what is a fair division of the farm returns between the landlord and the tenant; second, which methods of renting will encourage the most satisfactory leases, and, third, copies of satisfactory leases and a discussion of the essential features.

METHOD USED IN OBTAINING DATA

During the spring months of 1913 a personal visit was made to 114 tenant farms and questions were asked the landlord and the tenant concerning all the expenses and receipts of the farm business for the crop year 1912.

Crop yields and prices of farm products in 1912 were normal, but the average income on these 114 farms is higher than the state average. To study different methods of renting representative areas of the state were chosen. Only a few farms were visited in each locality. All farms were necessarily omitted where tenants had remained but one year on the same farm. It is probable, in not being able to visit all the farms in each community, that those farms which were chosen were better than the average.

DEFINITIONS

The data will be more easily and clearly understood if the following definitions are kept in mind:

Capital includes the value of all property, such as land, farm buildings, live stock, feed, seed, tools and cash necessary to operate the farm.

Working capital comprises the value of all farm property included as capital except the value of land and permanent improvements, such as buildings, drainage, etc.

Receipts include all proceeds from the sale of farm products, pay for work off the farm and increase in inventory. Increase in

the price of land was not included except where permanent improvements were made.

Expenses include all purchases and expenditures and decrease in inventory.

Farm income is the difference between receipts and expenses. It represents what was earned by the farmer and his capital working together.

Labor income is the amount the tenant earns without the help of his capital and represents wages for manual labor and profits for management. Capital is charged at the mortgage rate of 5½ per cent on the market price.

A SATISFACTORY LEASE CALLS FOR PROFITABLE FARMING AND A FAIR DIVISION OF RETURNS

I. PROFITABLE FARMING.

Profitable farming is dependent on the successful management of a large and difficult business. That fact stands out when a study is made of the records of many farms, some of which pay better than others. It will be found in such a study that profit depends on the amount of capital employed, on the size of the farm, on the amount of work horses and tools used per acre, on the amount of man labor per acre, and on the type of farming.

As capacity to do a large amount of work and to have it done at a low cost are important, the size of the farming business and its influence on profit will be considered first.

Size of Business.

TABLE I.—EFFECT OF SIZE OF BUSINESS ON TENANT'S LABOR INCOME.

Total Capital	[No. of Farms]	Tenant's [Labor Income]
Less than \$20,000	17	\$ 466
\$20,000—\$29,999	34	1084
\$30,000—\$39,999	28	1286
\$40,000—\$49,999	9	1253
\$50,000—\$59,999	16	1750
\$60,000 and over	10	2476

The records gathered from 114 tenant farms visited in this investigation show that the largest farm business produces the highest labor income. That is, when farms are classified according to size of business as in table I, it appears that farms with a capital of \$60,000 and over make five times the labor income obtained on farms with less than \$20,000 capital, after all expenses are paid, which includes rent, 5½ per cent interest on the ten-

ant's capital, and an allowance for unpaid family labor. All the 114 tenant farms included in this table follow general live stock or grain farming.

The greatest losses occur on farms with a large business, but the chances are better to obtain the largest labor income on such farms. The larger the business which is well managed, the lower the cost of production and marketing and the higher the labor income. But even though the cost of production and marketing were larger on farms with the larger business, there might be so many more dollars invested that a small profit on so much capital would leave a higher labor income than a larger profit on each dollar in a smaller business.

From 1900 to 1910 there was an increase of about 4 acres in the average size of the Iowa farm. This tendency to increase the size of the farm is stronger than the increase in the size of the farm indicates. During the decade from 1900 to 1910 drainage converted many fairly large ranch holdings into smaller cultivated fields. Had there not been a strong tendency to increase the size of the farm in other parts of the state the census would have shown a decrease instead of an increase in the size of the average Iowa farm.

Not all of the increase in the size of farms is due to a larger farm being more profitable from a productive standpoint, for

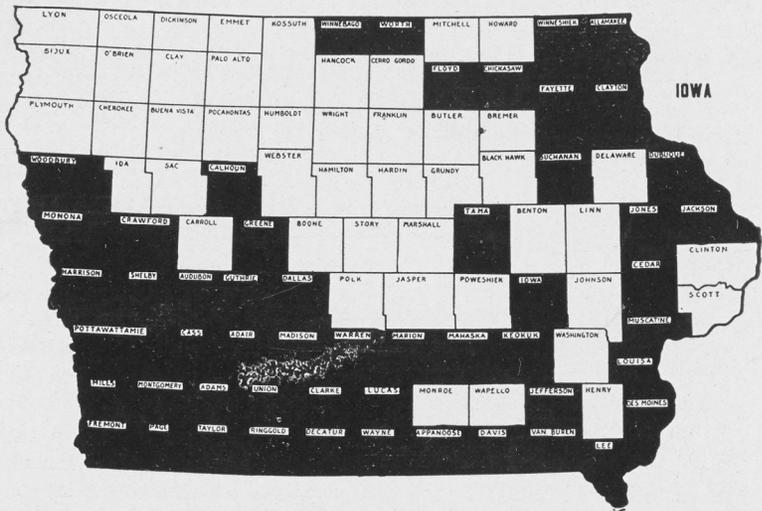


Fig. 1. The average per cent increase in the size of farms from 1900 to 1910 was 3.1 acres. The increase in the size of farms has been greater in the southern and eastern parts of the state. The light counties had less increase than the average, and the shaded counties had more increase than the state average.

there is evidence of speculation playing an important part. The increase in the size of the average Iowa farm from 1900 to 1910 is due entirely to the increase in the size of tenant farms, many of which are in the hands of speculators. These owners are more interested in the advance in the price of land than in a higher rent obtained by good farm management. While farms operated by owners and managers decreased in size from 1900 to 1910, the size of the average tenant farm increased 16 acres. Fig. 1 shows this increase was in those regions where speculation was most in evidence.

Granting that farms with the larger business produce the higher labor income, it is important to determine the proper proportions of land, labor and working capital which should be associated. In other words, what is the proper degree of intensity of culture? Should farms be larger or smaller? Should more or less working capital and man labor be used per acre? As the landlord always furnishes the land, and the tenant usually furnishes the working capital, i. e., work horses, machinery, feed, etc., and man labor, the amount of each that should be used is one of the most vital features of a satisfactory lease.

Value of Work Horses and Tools per Acre.

TABLE II. EFFECT OF DIFFERENT AMOUNTS OF WORK HORSES AND TOOLS ON LABOR INCOME WHEN FARMS ARE FIRST SORTED ACCORDING TO SIZE OF FARM.

Size of Farm.	No. of Farms	Work Horses and Tools per acre	Av. Work Horses and Tools	Tenant' Labor Income
100 to 174 acres.....	12	Less than \$10	\$ 7.43	\$ 736
	15	\$10 and over	13.62	1233
175 to 259 acres	23	Less than \$7	5.55	1096
	21	\$7 and over	9.91	1379
260 to 499 acres.....	16	Less than \$6.50	4.31	1313
	18	\$6.50 and over	8.11	1588

In each group of farms of the same size those farms with the more work horses and tools per acre produced the higher labor income. Comparing the three groups of farms of different size, the labor income increases directly with the increase in the size of the farm. It is generally conceded that more work horses and tools per acre are required on small farms than on large farms as shown in table II, but it is not generally recognized that the use of more work horses and tools per acre is profitable on large as well as small farms.

One reason for more work horses and tools per acre being profitable is the greater relative advance in recent years in rent than in the price of work horses and tools. Therefore, it is cheaper to use a large amount of horse and tool labor to each acre of land.

It is probable that more brood mares or labor saving machinery would add to the profits of the farm. One of the most urgent needs of the farmer's wife, according to a report from every county in the state, is "power to run washing machine and churn." Both in and out of doors more labor saving machinery can be profitably used. As the tenant furnishes not only the work horses and tools, but also the man labor, the profitable amounts that should be used on each acre will be shown in the following table.

Man Labor per Acre.

TABLE III. EFFECT OF DIFFERENT AMOUNTS OF MAN LABOR ON LABOR INCOME WHEN FARMS ARE FIRST SORTED ACCORDING TO SIZE OF FARM.

Size of Farms.	No. of Farms	Man Labor per Acre.	Average Man Labor per Acre.	Tenant's Labor Income
100 to 174 acres.....	12	Less than \$4	\$3.15	\$ 792
	15	\$4 and more	4.97	1188
175 to 259 acres.....	24	Less than \$3.75	2.97	1173
	20	\$3.75 and more	4.47	1302
260 to 499 acres.....	16	Less than \$3.50	2.66	1345
	13	\$3.50 and more	3.92	1731

In each group of farms of the same size, those farms with the more man labor per acre produced the larger labor income. Value of man labor includes wages for hired labor and cost of board and the value of labor done by the operator and his family.

Various parts of the state differ so much in the value per acre of man labor used that no sweeping generalization can be made for all farms. In some of the best improved farming regions there is danger of using more man labor than is most profitable. The largest farms did not use so much man labor per acre as did the smallest farms, yet the labor incomes were the highest on the largest farms. This is partly due to the largest farms using man labor more profitably than the smallest farms.

According to a recent report from farmers and their wives, "scarcity of hired help" and "scarcity of skilled hired labor" are two of the foremost problems of the farmer. It isn't a question of high wages, but one of getting contented help in the field and in the home who are capable and willing to do the work. The most contented and skilled hired help is often paid on the share plan. That is, the farm laborers are guaranteed a fair salary and receive a share of the profits after all expenses of the

farm business, including interest on the investment, have been subtracted. Where unskilled day laborers can be used to good advantage, some farmers make arrangements with city labor bureaus and by phoning have help sent to them on short notice. As a rule, this kind of workmen is not profitable, for most of the farm work requires more skill and judgment than these laborers possess.

From the two preceding tables it is clear that capital and labor can be used more efficiently if the farms are larger and if more working capital and more man labor per acre are employed.

Type of Farming.

TABLE IV. RELATION BETWEEN TYPE OF FARMING, CROP YIELDS AND LABOR INCOME.

Animal Units* per 100 acres.	No. of Farms	Average Animal Units per 100 Acres	Per Cent of Receipts from Crops	Yield of Corn	Ten- ant's Labor Income
Less than 6.7.....	7	5.0	88.1	35	\$485
6 to 10	17	8.1	75.4	43	736
10.1 to 20	45	13.9	45.5	47	1215
More than 20	45	27.8	13.5	54	1649

* An animal unit is a cow, horse, 5 hogs, 7 sheep or 100 chickens, based on the amount of feed consumed and the amount of manure produced.

The live stock farms produce the highest yields of corn and the largest labor income. The last group of farms, with five times more animal units per 100 acres than the first group, produces one-half more corn per acre and three times the labor income.

On those farms where nearly 90 per cent of the receipts come from the sale of crops, very little grain is fed to live stock. It must be kept in mind that profits in live stock as compared with crop farming depend on the relative prices of meat and grain. Data obtained in Iowa for the crop years 1910* and 1913** indicate that live stock farming was more profitable than crop farming. While this was true for the years in which records were taken, it does not hold that this is always the case, as was clearly shown in the latter part of 1915, when war prices so influenced the price of grain and meat that it was unprofitable to feed cheap stock high priced grain.

Data from the two surveys referred to above also indicate that yields are higher on live stock than on grain farms. Soil

*Bull. U. S. Dept. of Agriculture 41.

** Unpublished Iowa data.

conservationists claim that 16 cents worth of soil fertility is sold with every bushel of corn, but if fed to live stock about 5 cents worth of fertility is sold from the soil. Present money returns are not only the greatest on live stock farms, but the highest long time average returns are obtained where conservation of fertility is indicated by the maintenance of high yields.

Farmers, generally speaking, now realize the necessity for following a more definite cropping system in order to maintain yields. In more than 800 reports, from farmers in every county of the state, "lack of a definite cropping system to maintain yields" was regarded as one of the foremost problems of farmers. A higher per cent of the tenants than of owners of farms emphasized this point. The tenants realize that their difficulties increase from year to year, when the rent is gradually advancing in price and the yields are decreasing. For the small amount of labor furnished at a greater cost they obtain a smaller amount of grain. Live stock farming provides a more complete use of man and horse labor during the year than grain farming. By giving more constant use to labor, the farm products are produced at a lower cost and farming is more profitable.

The more diversified the farm business, the smaller the risk. A farmer should never "carry all his eggs in one basket." Live stock usually adds two or more enterprises to the farm, thereby lessening the risk to that extent. In case of extremely low prices for corn or oats, he may feed the cheap feeds at a profit to dairy cows, beef cattle or hogs.

Iowa's location with respect to markets makes live stock more profitable than grain farming. Transportation is much higher on 100 pounds of corn or oats than it is on the pork or beef made from this feed. The higher value per pound of meat than of grain enables the Iowa farmer to pay transportation to Chicago and compete with the Illinois live stock farmer better than he can compete with the Illinois grain farmer.

Years of Occupancy.

TABLE V. RELATION BETWEEN TENANT'S CAPITAL, LABOR INCOME AND YEARS OF OCCUPANCY.

Tenants' Capital	No. of Farms	Average Tenant's Capital	Tenant's Labor Income	Years of Occupancy
Less than \$1,000	9	\$ 697	\$ 357	2.7
\$1,000 to \$2,999	41	2166	834	3.4
\$3,000 to \$4,999	41	3770	1367	4.4
\$5,000 to \$6,999	14	5602	1791	5.2
\$7,000 and over	9	10540	2918	6.0

Tenants with the most capital make the largest labor income and remain on the same farms the longest period of years. While "money makes money," one reason for its doing so is long tenure on the same farm. Ben Franklin's saying, "Two moves are as bad as a fire," is as true now as it was in his day.

The roaming farmer regards a large amount of capital as a positive hindrance to him, for at moving time he must either sell at a sacrifice or move at heavy expense.

Such a wanderer cannot hope to make a large labor income for he lacks the work animals, tools and productive live stock for successful farming. He cannot afford to seed clover or alfalfa or follow a cropping system which will maintain high yields, for he does not intend to stay long enough to reap the benefit of such work. He is a grain farmer who works hard during the summer but sells all his grain at harvest time and does very little until the following spring, except trade horses and do a few chores about the barn.

One reason for the shifting of tenants who have small capital is the fact that the majority of them are young men who wish larger farms as they accumulate sufficient capital and experience to operate a larger business. The stock share method of renting enables the young tenant without adequate capital and mature experience to operate a large business from the beginning. This method will be discussed later in connection with different methods of renting. Briefly, the five tables just given show that:

Farms with double the amount of total capital produced double the amount of labor income.

The advance in the price of land caused owners to enlarge their farms in order to get the rise in price.

Large farms used labor more efficiently than small farms and had less per acre, but in each group of farms of the same size those with the highest labor cost made the highest labor income. It is probable that farms in well improved areas may employ more labor in "gentleman farming" than is most economical.

Live stock farms with about four times as many animal units per acre as grain farms made about four times the labor income and produced one-half more corn per acre.

The group of tenants with five times the capital of the smallest capital group remained on the same farms nearly three times as long and made more than eight times the labor income.

II. FAIR DIVISION OF RETURNS.

Present Division Between Landlord and Tenant.

A satisfactory lease not only calls for profitable farming to insure the highest returns, but it also requires a fair division of these returns between the landlord and the tenant.

The fairness of the returns is best measured in terms of

net income. The net income of the tenant is his labor income and the living the farm furnishes him, such as free house rent, garden, poultry, meat and dairy products. The landlord's net income includes rent and the advance in the price of land.

TABLE VI. DIVISION OF THE REAL INCOME AS SHOWN BY CAPITAL AND FARM RETURNS.

	Tenant	Landlord
Number of farms	114	114
Average capital	\$3710	\$33767
Farm income	\$1470	\$ 1256
Interest at 5½ per cent*.....	\$ 204	
Labor income	\$1266	
Living furnished by the farm**.....	\$ 485	
Landlord's per cent on investment....		3.72%
Per cent annual increase in the price of Iowa land from 1850 to 1910.....		4.70%
Net income of tenant	\$1751	
Net income of landlord		8.42%

* Mortgage rate in Iowa for year 1912 taken from unpublished data.

** Farmer's Bulletin 635, entitled, "What the Farm Contributes Directly to the Farmer's Living."

The present net income of the tenant is about \$1,750, or more than three times the net income of the farm laborer, while the net income of the landlord is about 8½ per cent, or more than double the present time deposit rate of 4.1 per cent. These are adequate returns to both the landlord and the tenant for the use of labor and capital and as pay for the risk and management each assumes.

Element of Chance in Returns.

Through a long series of years the productive value of land will about equal its market price. In other words, the cash rent will pay a time deposit rate on the market price of land and the share rent will pay a mortgage rate. The risk and trouble of collecting a time deposit is certainly no greater than collecting cash rent. The investment in farm mortgages and the collection of interest rates certainly afford no more risk and trouble than the supervision and collection of share rent.

Most Iowa farm owners hold land primarily for profit and not for sentimental reasons. If they believed they could make more money by selling their farms than by holding them, they would sell the farms. This question was asked more than 800 farmers: "If you believed you could make more money in the city than in the country, how many of you would sell your farms?" With but few exceptions, all said they would sell their farms if by so doing more money could be made.

If most of the Iowa farm owners believed land would not advance in price, they would sell at the market price and put the money on interest. They could get 4.1 per cent on time deposits

or $5\frac{1}{2}$ per cent on farm mortgages at a time when cash rent is 2.30 per cent and share rent is 4.28 per cent. At present the land owners believe the advance in the price of land will make up the difference between the cash rent and the time deposit rate, or between the share rent and the farm mortgage rate of interest. They prefer to hold their land on this speculative basis rather than sell at the market price and put their money out on interest.

Proof that the element of risk is greater each year is shown in a decreasing cash rental rate, although the time deposit rate has remained about the same. For instance, according to reliable survey data, the cash rental rate for Iowa in 1910 was 2.76 per cent; in 1912 it had fallen to 2.30 per cent, while in 1913 it was less than 2.20 per cent. In other words, the land had advanced in price more rapidly than the rent and the difference between the productive value of land and its market price was becoming larger and larger.

Speculation and Farm Tenancy.

The question may be asked, "If the tenant is getting adequate returns, why is the per cent of tenancy increasing?"

There are many causes, but the principal one is speculation. According to the census, the price of Iowa farm land advanced 118 per cent from 1900 to 1910, or more than doubled in market price. Owners continue to hold land for the increase in price, regardless of the low rental value. It has been a common occurrence for land to pay less than 3 per cent on the investment and within a year's time advance 20 per cent in price. An exceptional case is known of a farm changing hands five times during the year. Although the rent was less than 3 per cent on the first sale price of \$65.00 and no improvements were made during the year, the last sale price of the land was \$135.00 per acre.

A rise in the price of land and an increase in the size of the farm business are two causes for an increase in tenant farms. When land rises in price so rapidly that the rent does not nearly pay a mortgage rate of interest, it is a question whether a tenant should attempt to buy land and pay the larger rate or remain a tenant until the two rates are more nearly equal.

Information concerning the amount of farm tenancy was first collected by the census in 1880. At that time 24 per cent, or less than one-fourth, of the Iowa farms were rented. In 1910, 37.8 per cent, or nearly two out of every five, were rented farms. While farms managed by owners and managers decreased in size and number from 1900 to 1910, tenant farms increased in size and number 16 acres and in number 2.9 per cent. Fig. 2 shows that the high-

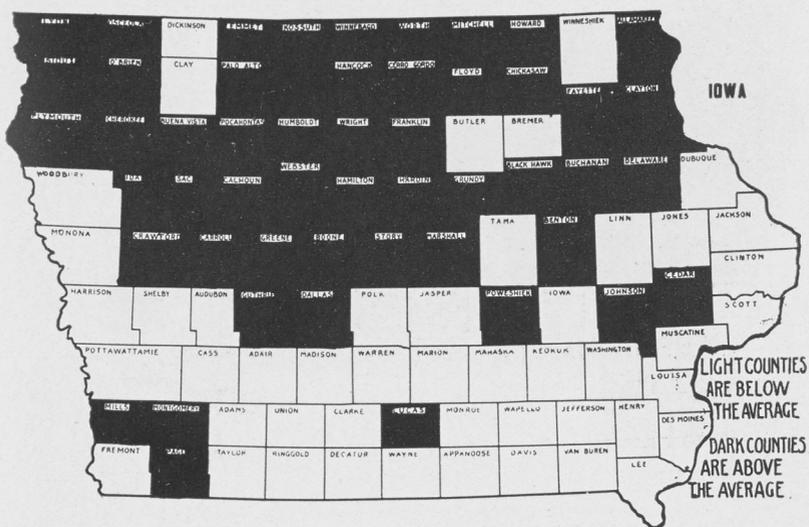


Fig. 4. Average per cent increase in farm tenantry from 1900 to 1910 was 2.9%. The highest per cent of increase in tenantry has taken place in the northern part of the state and especially in north-central Iowa, where considerable drainage has recently been done.

est per cent of tenancy is found on land that has risen most in price during the past ten years.

The highest per cent of tenancy is not only found on land which is rapidly rising in price, but also on the recently drained areas of north central Iowa, where grain farming predominates. The map, fig. 4, indicates that the section where grain farming is practiced is in the heart of an area where during the past decade the greatest increase in tenancy has taken place.

Speculators who help the swamp lands of north-central Iowa as large stock ranches are now draining the land and dividing it into cultivated fields, which they rent to tenants.

Speculation in land and increase in rented farms in north-central Iowa are both largely due to the nature of the soil. Until recently, much of this level country has needed draining and has been used largely for pasture, only the higher land being dry enough to cultivate. During recent years a marvelous change has taken place. From \$10 to \$35 per acre has paid all expenses for tiling and outlet, thereby more than doubling the productive value of the land. One year after drainage this black, fertile soil has produced abundant yields of corn and oats and has continued to do so with only faint signs of depletion. This simple grain farming has required little supervision on the part of the landlord and has paid immediate returns in grain rent, besides prom-

have at the present time, compared with the past?

An increase in tenancy is generally associated with an increase in poverty, whereas actual conditions may point to an increase in wealth. While the ideal tenure is each man tilling his own soil, the incentive that pride of ownership gives to industry is often not so important as the promise of larger returns on rented land. The prosperity of the farmer is better measured in terms of the wealth he accumulates than in the kind of tenure he follows.

During recent years the rapid advance in the price of land and the increase in the size of the farm have made ownership of an average farm far more significant than in the past. Now an average farm sells for nearly five times the price of an average farm 25 years ago. Today the rent from an average farm supports a family comfortably. Twenty-five years ago it was necessary for all the members of the family to add their labor to the work of the farm in order to get the same income they get today without labor.

To obtain greater economic independence requires more years of saving before ownership now than formerly. Hence, the age of ownership today is about six years later in life than it was 25 years ago. Farmers make their first payment on land now at the age of 34, while 25 years ago ownership was obtained at 28 years of age. While ownership is now postponed to a later period in life, the net worth of the present owner at the time of purchasing is nearly three and one-half times the net worth of the purchaser 25 years ago. So while it requires much larger savings now to make the first payment on a farm, the tenant accumulates wealth much faster now than he did formerly.

Reliable data from 350 Iowa farms indicate that farmers who acquired ownership during the four years from 1911 to 1915 have been accumulating wealth from the earnings of the farm and the advance in the price of land at the rate of more than \$6,000 a year, while those who acquired ownership 25 years ago have accumulated wealth at the rate of less than \$2,000 per annum. In other words, farmers who have acquired ownership during the past four years have accumulated wealth annually three times as fast as the average farmer who obtained ownership 25 years ago.

Until recent years it is probable that the Iowa farm owner had no better opportunities of accumulating wealth than an Iowa farm tenant. From 1850 to 1900 Iowa farm land advanced in price from \$6.09 per acre to \$43.31 per acre. During the same period, a time deposit at 4 per cent compounded annually would have accumulated to \$43.37. It is probable that the average farm owner invested most of his surplus earnings in farm improvements, such as clearing and draining the land, in building and

repairing roads, bridges and farm buildings and in adequately equipping and operating the farm. He earned a living and the advance in the price of land while a tenant who preferred interest to the land, rented instead of owning land. He made a living and was able to leave his money on interest. By 1900 each \$6.09 had accumulated to \$43.37, while the farm owner's land was worth \$43.31 per acre.

Much of the wealth, however, which has been acquired recently has come from an advance in the price of land. When threatened with foreclosure, farmers have been able either to renew the mortgage or to sell the farm. Land has been such excellent security and so readily saleable that the average mortgage placed at the time of purchase is as large now as it was on the day of purchase.

During this period of expansion a large share of the present indebtedness is due to more adequate equipment for successful farm management. Farmers have preferred to pay the mortgage rate of $5\frac{1}{2}$ per cent and use their surplus earnings for equipping and operating the farm, rather than pay off the indebtedness and be short of capital.

Men who have acquired ownership during the past four years started with about \$12,000. Of this amount about \$4,000 on an average was inherited, leaving about \$8,000 as the savings during the period of farm laborer and farm tenant, which, together now equal about 15 years. The average farm cost about \$22,000, which left a mortgage of about \$10,000 to be assumed by the average purchaser. With the help of his \$12,000 the purchaser was able to pay the interest on the mortgage, pay all other farm and living expenses and accumulate wealth at the rate of \$6,000 per year. On the other hand, the average young man without capital or inherited wealth who goes in debt for the entire purchase price of an average farm and expects to pay for the farm from its earnings will require about fifty years to make all the payments. But this is not the method usually followed by the prospective farm owner. First as a farm hand and later as a tenant, he accumulates the necessary experience and capital, which enable him to pay for about one-half of the purchase price of the farm, thereby acquiring ownership in a reasonable length of time.

The situation cited above is due largely to the difference in the market price and the productive value of land. This is more evident when rental and interest rates are compared. Tenants make adequate returns for the use of their labor and capital because they pay a rental rate which is little more than half the mortgage rate of interest. This rental rate enables them to make sufficient savings for the first payment on land, but if they were paying the mortgage rate as rental on the present market price of

land they could not acquire ownership in a reasonable length of time.

This unhappy situation is not necessarily due to the present interest rates. If these rates were lowered they would likely cause an advance in the price of land. The difficulty lies in the capitalization of the anticipated rise in land values. People are very optimistic concerning the future price of farm land and have added part of the future value to the present price. This has caused land prices to advance more rapidly than rent and resulted in widening the gap between the market price of land and its productive value as measured in terms of the difference between the interest and rental rates.

If land were owned as a home and not as a speculative investment, the market price of land would more nearly equal its productive value and the rental rate would more nearly equal the mortgage rate of interest. The value of land would then depend on its annual producing power rather than on its probable advance in price. Land would be valued according to the capitalization of its rent and would be low enough in price to enable the farmer to pay for it from the annual earnings of the land.

Today the returns from the farm are divided equitably between the landlord and tenant and are sufficient to enable the tenant to acquire ownership of a farm in a reasonable length of time. The regrettable feature of the situation is the element of chance brought about by speculation, which could be abolished if more of the farmers regarded the farm as a permanent home, not only for the accumulation of capital, but the best place to retire from active work.

There is a natural transition from a farm hand to a landlord. This transition is through tenancy and land ownership. When the farm hand has accumulated sufficient capital and experience to furnish the necessary equipment and management of a farm he becomes a renter. His next step is to acquire the capital and supervision necessary to make the first payment on a farm and so manage the farm to make the remaining payments. By long and arduous labor he acquires clear title to his farm. Then he wishes to turn over the responsibility of the labor to younger shoulders, at the same time retaining part of the supervision of the farm. The very best place for him to retire is on the farm. There he can build the fine house he would otherwise place in the city. Being relieved of the physical farm labor, he will have more time and energy for assisting in the management of the farm. By living on the farm he can keep in closer touch with its interests, and will do far more for the promotion of the rural interests than would be the case if he were living in the city without employment, prestige and friends.

In summarizing, these facts stand out:

There is a reasonably fair division of the net income of the farm at the present time.

Tenants receive a net income of about \$1,750, or more than three times the net income of a farm hand. This income is not only an adequate return for their labor and management, but is also sufficient to help them to make the first payment on a farm and acquire ownership in a reasonable length of time.

Landlords receive a net income of about $8\frac{1}{2}$ per cent, or more than double the time deposit rate of the state. The larger part of this net income, however, is advance in the price of land and, therefore, involves a large element of risk.

Speculation in land is largely responsible for the difference between the market price and the productive value of land. Speculation is best measured by the difference between the interest and the rental rates.

Cash rental rates in Iowa have fallen from 2.76 per cent in 1910 to 2.30 per cent in 1912, and down to less than 2.20 per cent in 1913, during which period of time the deposit rate has remained at 4 per cent and the mortgage rate at $5\frac{1}{2}$ per cent. In other words, land has advanced in price at a more rapid rate than rent, due to an anticipated rise being added to the present price.

Speculation in land will largely cease when the farm is regarded as a permanent home and its value depends more on its yearly earning power and less on what others believe it will advance in price. Then the productive value of land will more nearly equal its market price and the rental rate will more nearly equal the interest rates.

Farms can be bought from their annual earnings and the tenant will not have been forced to accumulate so much capital at the time of ownership. It will enable him to buy earlier, thereby increasing the number of tillers of their own soil—the ideal tenure.

SATISFACTORY METHODS OF RENTING ARE ASSOCIATED WITH PROFIT- ABLE FARMING

I. THE VARIOUS METHODS OF RENTING.

A study of the relation between methods of renting and a fair division of the returns on profitable farms will indicate the advantages of some methods of renting over others.

In general, there are two systems of renting in use in Iowa, cash and share. An important difference between them is that a larger proportion of capital is furnished and a larger risk is assumed by the cash tenant as compared with the share tenant.

Under these two general systems, four different methods of renting farms are followed, with modifications of each as a result of bargaining. In all the methods the landlord furnishes a house, a garden spot and most of the permanent improvements. He makes the repairs of and the additions to the farm buildings and pays the taxes and insurance on all his property. On the other hand, the tenant generally furnishes all the labor, including work horses and machinery.

The highest per cent of share-tenants is found on the cheaper soil areas of the southern and northeastern parts of the state. Renting on shares includes stock-share renting and this form of leasing, although radically different from crop-share renting, was included as share-renting by the bureau of the census.

Cash Renting.

In cash renting, a certain price per acre, or lump sum for the entire farm, is paid. As the tenant guarantees to pay the rent, regardless of the season, he assumes supervision of the farm and furnishes all the working capital necessary to operate it. This includes man and horse labor, machinery, tools, feed, seed and all the live stock kept on the farm. Occasionally the landlord encourages the production of hay by supplying grass seed, or he may furnish a manure spreader as an inducement to the tenant to use the farm manure to the best advantage. Hay land is sometimes rented for two-thirds the price paid for grain land in order to encourage the keeping of livestock. The average cash rent is about \$5 per acre. The landlord takes an interest in furnishing building material and repairs according to his desire to have live stock on the farm. The tenant usually hauls building material for permanent improvements and the tiles used in

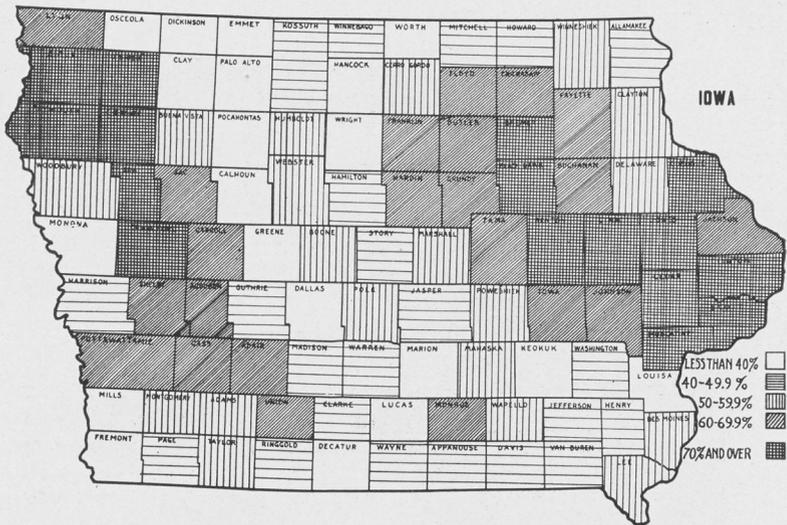


Fig. 7. Location of Cash-Rented Farms. The per cent of all tenants who were cash tenants in 1910 was 52.8 per cent, or more than one-half of all the tenants. The per cent is higher on the more valuable land in the western part of the state and in the dairy region of the northeastern section.

draining the farm. As a result of bargaining, many modifications are found.

Share-Cash Renting.

In share-cash renting, a certain price per acre or a lump sum is paid for hay and pasture land and a share of one-third to one-half of the crop is given for the use of the grain land. The share going to the landlord varies with the productivity of the land and the certainty of getting a crop. The landlord furnishes the real estate and most of the material and skilled labor used in making necessary improvements. He pays the taxes on his property and occasionally furnishes part or all of the grass seed. The tenant furnishes all the working capital and labor used in operating the farm and pays all operating expenses, including all of the twine and threshing bills. Due to the heavy expenses of seed, twine and threshing, the tenant generally pays a smaller share of the small grains than he does of corn. The small grain is divided at the time of threshing and the corn is divided either before or at the time of husking or measured in the crib. The contract usually calls for grain to be delivered at the nearest market, subject to the landlord's instructions.

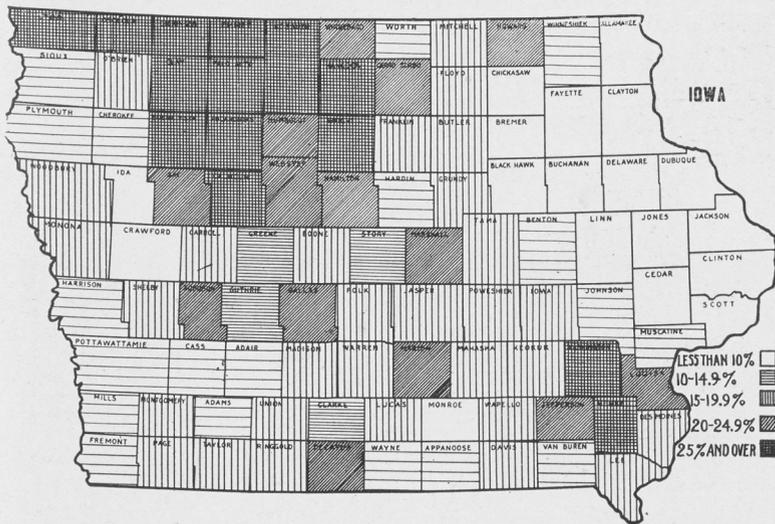


Fig. 8. Location of Share-Cash Rented Farms. The per cent of all tenants who were share-cash tenants in 1910 was 17.2 per cent. Where the soil has been poorly drained and where the risk has been high, tenants have preferred to pay a share of the grain crops and cash for hay and pasture land.

Bushel Renting.

In bushel renting, the tenant contracts to sell all his corn to the landlord at 15 cents per bushel. If the tenant furnishes all the working capital, the landlord agrees to pay him 20 cents per bushel for the corn. The tenant pays cash for a few acres of corn the landlord allows him for feed. In case the landlord permits him to raise any small grains, he pays one-half or two-thirds. Hay is seldom grown on bushel rented farms. Where tenants furnish their own work horses they are compelled to erect most of the farm buildings themselves.

On bushel rented farms the landlord is a cattle feeder and wants the grain from the farm for his livestock. A central farm operated by the owner is usually down in grass and it is used partly for pasture in summer and for feeding purposes during the winter. By having one set of buildings on the central farm, the landlord is able to economize labor and building material for the keeping of live stock. The landlord takes an active part in the supervision of the farm and often furnishes a large share of the working capital. He also advances credit to the tenant for living and operating expenses. While most of the corn raised on bushel-rented farms is fed on the land belonging to the landlord, the corn is hauled off the farms where it is produced and fed on a central farm, where one set of buildings is used for keeping all the stock. Generally, the manure is not returned to the land that produced the corn, but is hauled out on the land near the feed lot.

II. RELATION OF METHODS OF RENTING AND PROFITABLE FARMING.

Size of Business.

TABLE VII. RELATION OF METHOD OF RENTING TO CAPITAL, SIZE OF FARM, WORK HORSES, TOOLS AND MAN LABOR PER ACRE.

Method of Renting	Total Capital	Size of Farm (Acres)	Value of Work Horses and Tools per Acre	Value of Man Labor per acre
Stock-share	\$42,832	261	\$8.18	\$3.7
Cash	\$42,545	277	9.05	3.7
Share-cash	\$27,440	201	7.65	3.7
Bushel	\$24,882	160	6.32	3.2

Stock-share rented farms have the largest capital, but the size of farm and the amount of work horses and tools per acre are combined most profitably on cash-rented farms. In tables II and

III large farms are shown to be more profitable than small ones. Large farms are shown not to require so much horse, tool and man labor per acre as small ones, yet in each of the three groups of farms of the same size, those with the more horse, tool and man labor per acre are the more profitable.

Cash rented farms have the largest acreage, the highest value of work horses and tools per acre, and an amount of man labor per acre, equal to that used on stock-share and share-cash rented farms. This combination is more profitable than that used on any other type of rented farms. It is probable that all leased farms, especially those rented for share-cash and by the bushel, would be more profitable if the business were larger, and if the size of the farm and the horse, tools and man labor per acre were increased.

There is a conflict of interest between the share landlord and the share-tenant with respect to the amount of horse, tools and man labor that should be applied to each acre. The rent received by the share landlord varies with the amount of labor used on each acre. Double the labor per acre at the expense of the share tenant and the landlords rent is increased while the tenant's expense may exceed the value of his share of the product. The cash tenant on the other hand applies labor liberally to each acre, since he gets the entire product before paying the rent while the share-tenant will stop before the cost of labor equals the value of his share instead of the total value of the product.

Live Stock Farming and Yield of Corn.

TABLE VIII. RELATION BETWEEN METHODS OF RENTING, TYPE OF FARMING AND CROP YIELD.

Method of Renting	Animal Units per 100 Acres	Per Cent Using Manure Spreader	Per Cent Receipts from Crops	Yield of Corn
Stock-share	22.2	79.6	16.2	53
Cash	12.7	42.9	47.6	46
Share-cash	9.9	9.4	63.5	44
Bushel	6.8	0.0	92.1	41

The most livestock is kept and the highest yields of corn are obtained on stock-share rented farms.

Better use is made of manure if handled by a manure spreader and eight out of every ten stock-share rented farms have them while none is owned on the bushel-rented farms. When only about 16 per cent of the receipts come from the sale of crops most of what is raised on the place is fed. This is what is done

on stock-share farms, while on bushel rented farms there were less than 7 animal units to every 100 acres, the yield of corn was 41 bushels per acre and more than 92 per cent of the receipts were derived from the sale of grain.

High corn yields not only signify conservation of soil but also more efficient use of capital and labor. Previous tables showed less horse and machinery labor was used on stock-share than cash-rented farms, yet the former produced 7 bushels more corn per acre than the latter.

Stock-share renting, as the name implies, is particularly adapted to live stock farming. The landlord who wishes to maintain or improve the standard of the herd has a much better opportunity to do so if he owns an interest in it and retains part of the management of the herd. The stock-share method also encourages the keeping of live stock by making the landlord's capital more available, for instead of being taken to the city much of it is retained on the farm. A live stock tenant requires about double the amount of capital used by the share-tenant. Many tenants would keep live stock if they had the capital to do so. The stock-share landlord not only furnishes one-half the productive live stock but often furnishes part or all of the remaining capital necessary to operate the farm most profitably.

Years of Occupancy.

TABLE IX. RELATION BETWEEN YEARS OF OCCUPANCY, LABOR INCOME, TENANT'S CAPITAL, FARM BUILDINGS AND HOUSE UNDER DIFFERENT METHODS OF RENTING.

Method of Renting	Tenant's Capital	Tenant's Labor Income	Years of Occupancy	Farm Buildings	House
Stock-share	\$3800	\$1291	4.3	\$2310	\$1347
Cash	5852	1729	4.8	1262	988
Share-cash	2726	1121	3.1	879	630
Bushel	1108	579	2.5	636	557

The larger the capital and labor income, the longer the tenants remain on the farm. Adequate farm buildings encourage live stock farming which requires a longer tenure to make it profitable than does grain farming. A comfortable home is an inducement for a tenant to remain a longer period than he might if the house were very unsatisfactory. Young tenants in their first attempts to find satisfactory farms are apt to shift more often than older ones, yet stock-share tenants, who are generally younger than cash and share-cash tenants remain on the same

farm nearly as long as the former and considerably longer than the latter.

According to the 1910 census about half of the Iowa tenants shift yearly from one farm to another. This is the result of conditions and not because the tenants enjoy moving. They leave one farm for another either through choice or because they are compelled to do so. If done through choice it is either because they have the roving spirit or because they can better their condition by moving onto a more desirable farm, which to them generally means a larger farm or a bigger business. If forced to move, the farm may have been sold, the landlord moved on it himself, the rent raised or the tenant told that through carelessness, inefficiency, dishonesty etc., he could not re-rent the farm. While the method of renting is not directly a controlling factor of any of these causes the extension of the use of the stock-share method is most likely to prevent these causes occurring. There is less occasion for a stock-share tenant to shift, for he is at once provided with a large business and sufficient working capital to make shifting very expensive and unnecessary.

It is not likely that he will be forced to move for stock-share landlords are not short time speculators in farm land. They are in the business for rent and not primarily for the advance in the price of land. They believe in maintaining high crop yields by following a definite cropping system and the keeping of live stock. They provide adequate farm buildings that the profits of the farm may be increased and thereby the rent enlarged. Since fellowship as well as business harmony is an asset the welfare of the tenant's family is recognized and a comfortable home is provided. Speculation in land, an advance in rent (which is generally the cause of shifting) does not affect the stock-share tenant for this method of renting largely adjusts itself to a change in prices. In other words, leases that have been in operation for twenty-five years without the provisions being changed are very satisfactory today. This is because the cost of labor has advanced at about the same rate as the rise in the price of the land and the tenant and the landlord are still furnishing their proper share in the farm business.

Long leases will not prevent shifting so effectually as will a change in the attitude of the landlord and the tenant toward a more stable agriculture. So long as landlords and tenants exploit the soil for the highest present returns regardless of the future effect on crop yields, a long tenure is impossible. It is far better to recognize the rights of the soil, regard the farm as a home and permanent investment and use a lease calling for a year to year tenure which leads to permanency if satisfactory to both parties at the end of each crop year.

The intent and not the letter of the contract governs the

length of tenure. Out of 114 tenants the one who remained on the same farm the longest period or 26 years had a yearly verbal contract that had been in force the entire period. According to unpublished data on 337 owner farms in Iowa, nearly 7 out of every 8 have owned the same farm for an average period of 13 years. Even a higher per cent of those who obtained ownership between 21 and 25 years ago own the same farms today. Yet, a record of transfers of property last year shows that 18 per cent of the farms in an Iowa county exchanged hands. That method of renting which induces a more permanent agriculture by providing sufficient capital and supervision to adequately equip and operate the farm will be more effective than a long lease.

Equipment and Supervision.

TABLE X. THE USE OF THE STOCK-SHARE METHOD OF RENTING SHOULD BE ENCOURAGED.

Method of Renting	Age of Tenant	Age of Landlord	Per Cent of L. L.'s Who Live on Farm or in Adjoining Towns	Per Cent of L. L.'s Capital in Buildings	Farm Capital Except Land & Buildings
Stock-share	37	55	77.8	9.4	\$6,433
Cash	42	60	57.1	6.1	5,240
Share-cash	41	52	68.8	6.1	2,726
Bushel	36	65	82.8	4.8	1,843
Average	39	56	71.9	7.6	5,133

Generally, landlords are middle aged men who live on the farm or in an adjoining town. If they take an active part in the supervision of the farm, they provide better farm buildings and more adequate capital for operating the farm.

While most tenants are young men, the average age of the tenants is raised by some aged men, who, through misfortune, are still renting land. At the average age of 56 years, the landlords are at the most productive period of their lives. As about three-fourths of them live on their rented farms or in an adjoining town, their capital and experience should be used. This can best be done under a system of renting which enables them to retain part of the supervision of the farm and share directly in the net profits. The stock-share method of renting is practical.

Farmers in some of the dairy counties in the northeastern part of the state estimate that from one-third to one-half of the rented farms in their counties are leased on the stock-share plan.

As the landlord takes an active part in the buying and selling, he should live near the farm. From a recent survey of 525 tenant farms, more than 17 out of every 20 landlords live within

12 miles of their farms, while 2 out of every 3 live on the rented farms or in adjoining towns. Between the ages of 50 and 60 the landlord is capable of managing the farm business as well or better than at any time in life. Having obtained his rich fund of experience and having lived so many years on the farm, he naturally wishes to keep in touch with the farm work, if some one will assume the responsibility of the manual labor.

Present economic conditions make the use of the stock-share method of renting a necessity. The advance in the price of land, the increase in the size of the farm, and the necessary equipment and labor to properly manage it require about \$6,000, or more capital from the tenant than he unaided can furnish. The landlords are generally prepared to advance some credit to the tenant, but as they have little supervision of the farm business under the cash and share-cash plans, they do not wish to assume the risk of poor management and the farm business is not so profitable. The stock-share landlord has an interest in the productive live stock, obtains one-half of the net receipts and often advances all the money to buy the stock. Sometimes he takes the promissory note of the tenant for much of the working capital necessary to properly equip and operate the farm.

The average tenant between the ages of 25 and 35 years lacks the experience to manage such a large and intricate business. Yet, under the cash and share-cash methods he assumes most if not all the buying and selling, as well as the management of field work. The stock-share method enables the tenant to give most of his time to production such as field work and feeding, etc., while the landlord can use his time in buying and selling, etc. Data taken from Iowa farms indicate that farm buildings on stock-share rented farms are the most used and are the most adequate for keeping live stock. Landlords generally are very slow in making permanent improvements if they have no assurance that the buildings will be used and proper care taken of them.

From previous tables it has been shown that stock-share renting encourages the most profitable types of farming and maintains the fertility of the soil. It is desirable for further reasons. Too often the landlord and the tenant work against each other rather than for one another. Stock-share renting helps to break down this barrier and replace it with co-operative effort. Every dollar made for the farm business is shared equally and the advance of the interests of one means prosperity for the other. These common interests promote fellowship and confidence and the farm business is not only profitable but pleasurable.

By obtaining freedom from most of the heavy labor of the farm, the "old people" are given greater liberty to come and go as they choose, yet by retaining some supervision of the farm its

interests can be better conserved and their lives made more happy. The landlord associates freely with other men and has a greater opportunity to learn when, where and what to buy and sell. In this way he retains the prestige of being an authority on farm subjects, is interested in improving the farm and is a booster and co-operator in the interest of the farm.

Two principal reasons for the success of stock-share renting are adequate capital and capable supervision furnished by the landlord. When the stock-share tenant accumulates adequate capital and capable supervision so the assistance of the landlord is no longer needed, it is to the interest of the tenant to rent for cash. In assuming more risk and supervision he acquires more liberty in equipping and managing the farm and obtains a larger labor income. It may be necessary for him to move to another farm, for the stock-share landlord will probably wish to follow the same method of renting and will not care to rent for cash.

III. FAIR DIVISION OF THE FARM INCOME.

TABLE XI. TENANT'S LABOR INCOME AND LANDLORD'S PER CENT ON INVESTMENT UNDER DIFFERENT METHODS OF RENTING.

Method of Renting	No. of Farms	Tenant's Labor Income	Landlord's Per Cent on Investment	Tenant's Labor Income at 4.1% Rental Rate
Stock-share	54	\$1291	4.1	\$1291
Cash	21	1729	2.3	1156
Share-cash	32	1120	4.1	1120
Bushel	7	578	4.4	683

The most profitable farming and the most satisfactory division of the farm income are on stock-share rented farms. The difference between the size of the labor income and the amount of the rental rate is due to some methods of renting encouraging more profitable farming than others, and a fairer division of the farm income; it is also due to a difference in the amount of risk and supervision assumed.

Assuming the average time deposit rate of the state to be a satisfactory rental rate under the stock-share plan and charging this rate on farms under all methods of renting, the highest labor income is obtained on farms under the stock-share plan. This method of renting calls for the most profitable farming, and bushel-renting for the least profitable. The stock-share landlords receive 44 per cent more rent than the cash landlords. This

difference more than covers the risk and supervision assumed by the stock-share landlord and is a relatively cheaper rent. The share-cash landlords receive the same rental rate as the stock-share landlords, although the latter assume risk of live stock as well as crops, and aid much more in the supervision of the farm. The share-cash rent, therefore, is relatively higher than the stock-share rent.

The bushel landlords receive a little higher rental rate than the stock-share landlords, although the risk is less and the supervision about the same.

From year to year, share-rental rates vary with the income of the farm. The difference between these rates and the cash rental rate represents an estimate of the extra risk and supervision assumed by the share-landlord. For the crop year 1912, none of the other methods of renting have as fair a division of the farm income, nor call for as profitable farming, as the stock-share method. Land is a partner in the business and is so recognized by the stock-share lease. It is to the interest of both the tenant and the landlord to conserve the fertility of the soil in order to obtain high crop yields at the smallest expense.

Summarizing the data which show that satisfactory methods of renting are associated with profitable farming and a fair division of the returns:

That method of renting should be more generally used which supplies adequate capital and capable supervision to equip and manage the farm.

In stock-share renting the landlord provides half or more of the productive live stock, retains part of the supervision and divides the net receipts; the cash tenant pays a certain price per acre or "lump sum" for the farm; in share-cash, a share of the grain and cash for hay and pasture land is paid, while the bushel tenant receives 15c per bushel for all the corn he raises.

Stock-share and cash rented farms have more than one-half larger business than farms under the other methods of renting and have one-fourth larger farms and more labor per acre.

Stock-share rented farms have three times the number of stock kept on bushel rented farms and obtain one-third higher corn yields.

Tenants remain on the same farm the longest time when renting under the cash and stock-share plans. On these farms approximately a half more capital, one-fourth more labor income, twice as valuable farm buildings and three times as valuable a house are found as on other rented farms.

Most landlords are comparatively young and live near their farms. On stock-share rented farms, 50 per cent more capital in buildings is used than on other rented farms, and more than 20 per cent more capital other than land and buildings.

That stock-share rented farms are more profitable than others is shown by assigning the time deposit rate to all farms and measuring the difference in labor income.

Considering the risk and trouble in each method of renting, the stock-share method is more fair than any of the other methods of renting.

SATISFACTORY LEASES OF A SATISFACTORY METHOD OF RENTING

I. COPY OF A LIBERAL STOCK-SHARE LEASE.

Date.

Made this 28th day of February, A. D. 19....., by and between ofCounty, Iowa, lessor, and ofCounty, Iowa, lessee.

Description of Land.

WITNESSETH: That said lessor has this day leased to said lessee, their heirs and assigns, the following land, to-wit:

.....

Acres.

Type of Farming.

This leasing arrangement is known as "Share Plan," and the premises to be used as grain, stock and dairy farm principally.

Length of Lease.

For the term of years, term commencing March 1st, 19....., and ending March 1st, 19....., on the following terms and conditions:

The Following Will Be Furnished and Shared by:

Both lessor and lessee taken together will go by the firm name of

Lessor.

Will furnish above described farm, including the improvements thereon, and material for needed repairs and improvements.

Lessee.

Will furnish all the machinery, tools, harness, and do all work and hire and pay all help necessary to properly care for the crops and stock on premises above described. Will also furnish coal for threshing, make all repairs and improvements where skilled labor is not required, and will haul all material to the farm and will board extra help. Lessee is to deliver to market all produce. All free of cost to lessor. Lessee also agrees to plant and care for one acre, or more, of potatoes. Can have reasonable amount of land for garden and potatoes, milk, poultry and eggs for family use only.

Company.

..... & Co.

Will furnish all the livestock, consisting of horses, cattle, hogs and sheep. There shall be 20 cows or more kept on the farm. Will furnish poultry, seed grain, seed corn, grass seed, feed, salt, one separator and one manure spreader. Will pay service fees, taxes, insurance, expense of repairs to wind-mill and waterworks, also all expense of twine and threshing bill. For hauling milk and cream when not hauled by lessee. Milk and cream checks to be divided by purchaser. Each shall share equally in all the proceeds from the sale of stock, grain produce, etc., from the farm. The butter used by each to be taken out of their one-half. Proceeds from the sale of potatoes, poultry, eggs, all fruit on the farm to be half and

half, each to gather their own share. All business of
 & Co. in the way of payments and
 receipt shall be through the Bank of

Noxious Weeds to Be Destroyed.

Lessee further covenants and agrees that he will farm said land in a good, farmlike and workmanlike manner; that he will commit no waste nor suffer injury to be done to the premises; that he will allow no noxious weeds to go to seed on said premises, but will destroy the same, and will keep the weeds and grass cut in the roads adjoining the land.

Manure to Be Scattered Where Most Needed.

That he will draw out and scatter on said premises on or before December 1st of each year, where most needed, all manure being and made on said premises up to December 1st next preceding the end of the term, and that in default of so drawing out and scattering manure he will allow and pay to lessor as further rent the sum of \$50.00 Dollars for each year that such default shall occur.

Acres to Be Left Plowed.

That he will leave as many acres plowed on said premises at the end of his term as he finds plowed when he takes possession, and in default of so doing he will pay to lessor \$——— an acre for each acre short of such number.

Care of Premises.

That he will keep the buildings, fences and other improvements on said premises in as good repair and condition as the same are when he goes into possession, or as good as they may be put in during said term; that he will not assign his lease or sub-let any part of said premises without the written consent of lessor first had; that he will not bring mortgaged property on said premises without the consent of said lessor; that he will not sell or remove any of the crop from said premises without the consent of lessor.

Surrender Possession in Case of Default or at End of Lease.

That in case he shall, from any cause, neglect, refuse or be unable to properly prepare said land, sow, plant, cultivate, harvest or care for any and all crops to be raised on said land, said lessor, his agents, heirs or assigns, may at their option, upon twenty-four hours notice to lessee, enter upon said premises and take possession thereof and of the crops growing or being thereon, and properly care for the same and sell the same, and the proceeds remaining after payment of the rents, cost and expense and damages shall go to lessee; that he will surrender possession of the stubble land, for the purpose of plowing, in the fall preceding the termination of this lease, as soon as the crop has been removed from the same; that he will surrender possession of said premises at the end of the term, or sooner termination thereof, and if immediate possession be not given, that he will pay lessor, or assigns, the sum of \$10.00 for each and every day possession is thus withheld as liquidated damages for non-surrender.

Lien on Property of Lessee for Amount Due Lessor.

That a failure to keep and perform any of the agreements hereinbefore mentioned shall, at the option of said lessor, or assigns, operate as a forfeiture of this lease and terminate the term, and lessor may take possession of the premises at once without process of law, or he may bring an action at law

for possession, said lessee being, from the date of such failure, a tenant holding over after the expiration of his term; that in consideration of this lease, and the agreements herein contained on the part of the lessor, said lessee covenants and agrees to pay said rent and keep and perform the agreements hereinbefore set forth, hereby covenanting that said rents as well as other moneys due from him to said lessor for plowing, or damages, or otherwise, shall be and hereby is declared and made a perpetual lien on any and all crops, stock and other personal property of lessee at any time kept, had or used on said premises, whether the same are exempt from execution or not, such lien to attach from the commencement of the term.

Lessor's Right of Entry at Any Time.

Said lessor reserves the right of himself, his employes or assigns to enter upon said premises at any time for the purpose of viewing the same or making repairs or improvements thereon, the same not to interfere with the occupancy of the lessee; and reserves the right to himself or agent to enter upon said premises for the purpose of plowing the stubble land, from which the crops shall have been removed, in the fall preceding the termination of this lease.

How Division Shall Be Made at End of Lease.

At the end of the term of this lease an accounting shall be had between the respective parties hereto, and the produce, stock, etc., upon said farm belonging to & Co. shall be equally divided and if a proper settlement cannot be made in this way, all parties hereto agree to having a public sale on the premises for the purpose of dissolution. After all debts of & Co. and the expenses of having the sale are paid, the proceeds to be equally divided.

Liability of Each Party.

Neither party shall have the right to bind the other by any contract outside the scope of this agreement, or by any purchases made within the scope of this agreement except with the consent of the other.

Signed

The above contract is similar to a dozen or more contracts which are now in use in the vicinity of Hudson, Iowa. For more than a decade this type of contract has remained about the same and continues to meet the approval of both landlords and tenants.

II. COPY OF A CONSERVATIVE STOCK-SHARE LEASE.

Date and Names of Parties.

This indenture made and entered into this 19th day of August, 190....., by and between, party of the first part, lessor, and, party of the second part, lessee, Witnesseth:

Description of Land.

That the first party in consideration of the agreements and stipulations hereinafter mentioned to be kept and performed by the second party, has leased and does by these presents

rent and lease unto the second party, the following described real estate situated in the County of Sac and State of Iowa, to-wit:

..... containing acres.

Length of Tenure.

To have and to hold the said premises unto said second party from the first day of March, 19....., to the first day of March, 19....., being a term of years.

What First Party Furnishes.

The first party will furnish one-half of all seed grain to be sown on said farm during the period of this lease. He will furnish one-half of the feed which may be bought for feeding the cattle and hogs which are owned in common by the parties hereto, and if it should become necessary to hire pasture land for the stock of the parties, each party shall pay for one-half of same. The first party will furnish all posts, wire and fencing material that may be needed upon said premises during said term, either for repairing the fences now on said land or for building new fences.

What Second Party Agrees to Do and Furnish.

The second party agrees to plow, sow, plant, cultivate and till said land in a good, workmanlike manner and in good season and to allow no weeds of a noxious characetr to go to seed thereon and especially to allow no cockle burrs to go to seed and to harvest all crops in their proper season and without waste, to thresh all small grain at his own expense exclusively and store the same and market the same, or any part thereof, without expense to the first party at such time or times as the parties hereto may mutually agree upon; to furnish all labor that may be required in properly conducting said farm and in caring for crops raised thereon and caring for, feeding and marketing all live stock upon said farm as hereinafter mentioned; to haul all material used upon said farm for repairing or building fences or repairing buildings which may be furnished by the first party and to do all labor in connection with the repairing and building of fences and repairing of buildings which may be needed in the operation of said farm upon the plan contemplated in this agreement; to furnish all teams, harness, implements and machinery necessary to the proper conduct of said farm and care of crops and stock in every way, and generally to do all labor which in any manner pertains to the business contemplated in this agreement.

Restrictions of the Number of Cows and Work Horses the Tenant Shall Keep and the Division of Their Increase.

The lessee may keep and own not to exceed eight head of work horses and no other horses, except by consent of first party. In case colts are raised on said farm, the lessor shall have a half interest in the same and shall pay one-half the stallion service. The lessee shall have the right to keep on said premises two cows for his own exclusive use and in which the lessor shall have no interest, but the increase of the same shall belong to the parties hereto, each owning a half interest therein.

Agreement Concerning the Destruction of Weeds, Breaking Up of Sod and Seeding Down of Land.

The lessee shall mow the road adjacent to said farm and fence rows by the 15th day of August each year.

He shall seed down forty acres of land each year and break up from the sod the same number of acres, the land to be so seeded down and broken up to be designated by the lessor.

Number, Sale and Purchase of Live Stock Held in Common

The parties to this agreement shall furnish the usual and ordinary amount of cattle and swine that should be kept on said farm, each furnishing one-half in value of the same, which shall be owned in common, each an undivided one-half interest therein; no cows shall be kept except as hereinbefore provided; said stock shall be kept on said premises and such of said stock as the parties may agree upon from time to time shall be fattened and sold at such times as may be agreed upon, but nothing shall be bought or sold except by the mutual agreement of the parties hereto.

When Stock or Crop Products Are Sold and How the Money Is to Be Divided (or invested).

Whenever any cattle, hogs, grain, corn or hay or any other product of said farm shall be sold, the proceeds shall be equally divided between the parties, or, if agreed upon, it may be again invested in other stock, grain or material for the common use and benefit of the parties. All of said stock shall be fed from the common produce of said farm and such feed as may from time to time be purchased by the parties.

How Final Settlement Shall Be Made.

At the expiration of this lease all produce of said farm and all property owned at that time in common by the parties shall be equally divided between them, or be sold and the proceeds divided or part sold and part divided as they may agree; but if they shall fail to agree at that time upon a sale or division of said property, then each shall select a referee or arbitrator, who, if unable to agree, shall select another and they three shall make such division of said property as to them shall seem equitable, giving each party one-half of the same.

Restriction Concerning Number of Poultry and Distribution of all Farm Manure.

The second party shall have a right to keep not to exceed one hundred hens on said place for his exclusive use, but shall keep no other poultry of any kind; he shall haul out all manure on said farm at the time of taking possession and all that shall accumulate thereon up to the first day of Nov., 19.....

Lessor Reserves Right of Entering Land.

The lessor reserves the right to enter said land to make improvements thereon and to plow and till the same after the crops are harvested.

Prompt Deliverance of Property in Good Condition.

At the expiration of said term, said lessee shall peaceably surrender and yield up said rented premises, with appurtenances, unto said lessor in as good order and repair as the same are now, reasonable wear and tear and casualties which may happen by fire or otherwise only excepted, and to forfeit and pay the sum of ten dollars per day for each and every day which said land shall be held beyond the expiration of this lease.

Sub-letting Forbidden.

The lessee covenants with said lessor that he will not release or sub-let said premises or any part thereof without the written consent of the lessor.

Indemnity Clause, in Case of Default to Carry Out Agreements.

In case the lessee shall fail to perform his agreements or any of them herein contained, then the first party shall have a right to hire any person or persons he may see fit to perform the agreements of the second party and all expense incident thereto shall be charged up against the share of the second party and paid out of the same, or the first party, in case of a violation of the terms of this agreement by the second party, shall have a right to cancel this lease and agreement for the remaining year or years after such violation. In case the second party shall fail to keep down the cockle burrs that may grow on said farm and fail to prevent them from going to seed, the first party may employ any person or persons he may see fit to mow or plow the land where the same may grow or to weed out from growing crops such cockle burrs and the expense of such labor shall be charged against the second party and taken out of his share or interest in the property owned in common.

Signed:

.....

This lease may be called a conservative stock-share contract. It can be applied successfully under average conditions because it includes the essential details of an iron clad contract and yet does not restrict the tenant or the landlord in any way that would prevent them from making the highest profits.

III. *PRINCIPAL PROVISIONS OF A SATISFACTORY LEASE.*

The average rental contract is so "hide-bound" with tedious legal phrases that most of the landlords and tenants do not understand what they are signing. A contract is simply an agreement between the landlord and the tenant concerning what each shall furnish and what each shall receive.

As the tenant takes possession of the land, the landlord protects his property by requiring the tenant to do certain things and restricting him from doing other things. The more supervision the landlord retains the less need for restrictions. Most of the restrictions are found in the printed form of the lease and refer to the management of the farm and the indemnity in case any of the agreements are not carried out. The more skillful and reliable the tenant, the less necessity exists for outlining the details of farm management and indemnity in case these provisions are not fulfilled. It is generally conceded that the dishonest tenant is in a position where he can obtain or destroy more than the landlord can regain, regardless of the precautions taken by the landlord to protect his interests. The following are the most necessary provisions of a satisfactory rental contract:

Proper Amounts of Capital and Labor Which Should Be Used.

The lease should state the specific type of farming to be followed and the amounts of labor and capital to be used on the farm. The average lease has a minute description of the land, but often omits the kind of farming to be done and the proper amounts of labor and working capital to be used on the farm. In stock-share renting, the land expense is supposed to equal the labor expense so all other expenses are shared and the net receipts divided. It is very evident that the more intensive the type of farming, the more labor will be required. If modifications are not made in the contract to meet these differences, insufficient labor is provided for the most profitable farming or the tenant is not getting all that is due him. The landlord's rent increases directly with the amount of labor used. The tenant's labor income increases directly with the amount of labor used until about one-half of the value of the product equals the cost of labor. This is because all the labor is furnished at the tenant's expense, while he obtains only one-half of the net receipts and after a certain amount of labor has been applied to each acre the returns become smaller for each additional amount of labor used. Where the dairy farms are smaller, more cows are kept per acre than the average, and the landlord usually furnishes the entire herd, including the bull. Where the tenant lacks sufficient funds for providing adequate man, horse and tool labor, they should be provided in order that the proper intensity of culture will be used.

Cropping System That Will Maintain Yields.

Long tenure on the same farm cannot be expected unless the lease requires a cropping system which will maintain or increase yields. Landlords and tenants become dissatisfied when yields decline. When the yields fall, other things remaining the same, the rent decreases and the price of land declines. The tenant gets less for the same labor and capital he uses per acre and refuses to pay the same rent. The tenant accuses the landlord of having infertile land, and the landlord censures the tenant for his poor farming. The highest long time average returns come to tenants and landlords who follow a definite cropping rotation that will maintain or increase yields.

Promise of Long Tenure.

It is estimated that three out of every four Iowa tenant farms are leased from year to year. Probably one-third of these

tenants have the express understanding that their tenure will be continued from year to year if mutually satisfactory to both parties and the land is not sold. The other two-thirds of these year to year tenants either have an implied understanding or no agreement at all of a tenure for more than one year.

Short time speculators invariably use one year leases containing the sale clause. As the rent and the price of land advance, they are free each year to raise the rent or sell the farm. As a rule, they know very little about farming and direct or allow methods that exploit the land. On such places tenants have uncertain security of tenure and therefore fail to equip the farm with the necessary tools and livestock to operate it most successfully. Thus handicapped, neither the tenant, the landlord nor society are getting the highest returns from the farm.

At the present price of land, tenants and landlords will be compelled to look more and more to good farm management for fair returns on the investment. Farms cannot be managed with any success and be operated by year to year tenants and short-time speculators. Tenants must be assured that they can remain more than one year if satisfactory to both parties and land must be regarded as a home or a long time investment.

Reward for Unexhausted Improvements.

Perhaps there is no important provision in the average contract that is so neglected as the one which calls for a reward to the tenant and the landlord for the unexhausted improvements made on the farm. This provision protects the honest tenant and the landlord from the unscrupulous ones. Often the tenant is unable to get necessary improvements made on the farm, unless he offers to do a large share of the unskilled labor of making the improvements. If he is paid for the extra labor he has no claim on the farm. However, that is not generally the case, and the tenant looks to the greater productivity of the farm as a reward for his unexhausted improvements.

To obtain these extra profits, time is the essential element. Take, for instance, a poorly drained farm. The tenant figures that each year he could raise 10 bushels of corn more to the acre if the land were tiled. He volunteers to haul the tile and fill the ditches if the landlord will put in the drains. The first year's increased corn crop is not sufficient to pay the tenant for the extra labor, but at the end of the first year another tenant offers a trifle more rent and gets the farm. If the incoming tenant were to pay the outgoing tenant the value of the unexhausted improvements, the latter's rent would not be so high. But the landlord used the improvement as a lever, not only to increase

the rent according to the amount he had expended, but to increase the rent enough to include the amount due to the old tenant. In other words, the outgoing tenant found that the rent was raised so high that instead of getting back the value of his extra labor he was actually asked to pay again for the improvements he himself had made. In a spirit of revenge the outgoing tenant determines to get even with the next landlord by beating him when ever he can.

Take another case where a landlord has taken pride in erecting adequate buildings and conserving the fertility of the soil. A tenant gets possession of the farm and exploits the farm for every cent he can extract from it, regardless of the effect on the appearance or value of the farm. Buildings and fences are not kept in repair and are sometimes torn down and used for fuel; grain crops are chiefly grown, and a very small amount is fed to live stock. Such a tenant does a good farm about as much harm as a fire or a tornado, yet when he moves off the farm, the landlord must stand all the losses.

Every contract should contain a provision which will reward a tenant for the improvements he makes (by the approval of the landlord), and penalizes him for all he destroys or takes from the soil, wear and tear by natural agencies and crops expected.

Fair Division of the Returns.

Any contract that is lasting must be based on a fair division of the returns to the tenant and the landlord. Either the landlord or the tenant may take unfair advantage for one year, but dissatisfaction soon arises and trouble begins. Contracts have remained satisfactory for more than 35 years, notwithstanding changes in the prices of farm products, rise in land values, increase in wages and variations in the rate of interest, but contracts have not been in use long where the division of the returns was not equitable.

Payment for Inefficient Use.

The contract should not only provide for the most profitable use of the factors of production, but it should also contain an indemnity clause in case of failure to carry out the agreements of the contract. The average Iowa farm requires a large investment and fair returns are to be expected regardless of the use or misuse of such a large amount of capital. A banker would not hesitate to ask for gilt edge security in case the tenant wished to make a loan of 1 per cent or less of the value of the farm. Yet, the tenant is responsible for rent, which on the average is more

than 3 per cent of the value of the farm. As the rent depends on the effort the tenant makes to fulfill the contract, the indemnity clause will spur the tenant on to do his best.

IV. *TYPICAL SUCCESSFUL STOCK-SHARE RENTED FARMS OPERATED UNDER FARMING SYSTEMS FOUND ON FOUR WESTERN SOIL AREAS.*

The particular farms discussed under this heading were chosen because they represent, on different soil areas, the size of business, type of farming and kind of management that most of the farms should be following to obtain highest returns to landlord and tenant and to conserve the fertility of the soil.

Detailed data for each farm indicate how the capital should be invested, the receipts to be expected and the expenses to be paid in order that fair profits may be secured and high yields maintained.

GENERAL LIVE STOCK FARM.

Skillful buyers and feeders find it profitable to combine the feeding of beef cattle with dairying and hog raising. This adds one more enterprise to the farm and increases the chances of success.

	Capital Invested in the Farm Business			
	Tenant		Landlord	
	April 1		April 1	
	1912	1913	1912	1913
Real estate		\$	\$50775	\$51000
Machinery and tools.....	654	604		
6 horses	1050			
7 horses		1400		
12 cows	330	390	330	390
2 heifers	40	45	40	45
5 calves	30	37	30	38
1 bull	37	25	38	25
48 steers	960	1320	960	1320
2 colts	125		125	
20 brood sows	220	250	220	250
65 other hogs	335		335	
77 other hogs		537		537
130 chickens	32		33	
150 chickens		37		38
Feed and supplies	573	571	573	571
	\$4386	\$5216	\$53459	\$54214
Increase in investment	830		755	

CROPS

Corn for grain, 85 acres, 4675 bu.
Oats, 30 acres, 1800 bu. sold for \$290.
Hay, 40 acres, 60 tons.

The farm from which the accompanying figures were secured is located near Hudson, in Black Hawk county, and consists of 225 acres of land, valued at \$200 per acre. The soil is a medium black loam and the topography is gently rolling. Only 15 acres are used for farmstead, roads and waste land, and more than half of the farm area is in hay and pasture in rotation. The crop rotation is corn, clover seeded down with barley, hay and pasture.

Receipts	Tenant	Landlord
Milk	\$ 309	\$ 309
Eggs	50	20
Oats	145	145
Steers	2750	2750
Hogs	842	842
Increase in investment.....	830	755
	<u>\$4926</u>	<u>\$4821</u>
Expenses	Tenant	Landlord
Labor and board.....	\$ 439	\$
Machinery and repairs.....	10	
Building, fences and drains		375
Horseshoeing	5	
Seeds	9	9
Twine	12	
Feed and feed grinding.....	23	23
Threshing	32	
Barrels, bags, crates		9
Insurance	9	20
Insurance on owned property	10	185
Purchases—1 horse	150	
steers	1150	1150
	<u>\$1849</u>	<u>\$1771</u>

There are more than 33 animal units per 100 acres and less than 5 per cent of the total farm receipts are obtained from the sale of farm crops. The crop yields and the milk receipts are better than the average. The hog receipts are fair and the beef cattle returns are excellent. Although the total expenses are high, the receipts are higher proportionately and a large farm income is the result.

Summary	Tenant	Landlord
Average capital	\$4801	\$53837
Receipts	4926	4821
Expenses	1849	1771
Income from capital and labor.....	3077	3050
Interest on capital at 5½%.....	264	2961
Labor income	2813	
Landlord's per cent on investment....		5.7%

Some might say this large income was due chiefly to speculation in buying, feeding and selling beef cattle and the farm should not be credited with all the income. The success of all the operations of the farm depends on the foresight and judgment of the farmer. If buying feeders can be adjusted into his system of farm management to better advantage than raising feeders, the farmer should do that which pays him the highest returns.

On this farm the landlord has good judgment in buying and selling and the tenant is a careful feeder. This combination of talent is utilized for mutual benefit.

After allowing 5½ per cent interest on the tenant's capital and pay for family labor and all other expenses except his own labor, the tenant made a labor income of \$2,813, besides the living the farm furnished him.

Although part of the farm is within the city limits and its price and taxes are influenced by city values, the landlord received 5.7 per cent net on his investment, besides the increase in the price of land.

It is not customary for the stock-share tenant to furnish all the work horses and machinery and also pay the entire twine and threshing bills, yet this tenant shares many little expenses other tenants do not generally pay and by so doing co-operates with a fair minded and capable landlord.

This tenant has a family of four, including himself and wife. The children are under 16 years of age. The tenant has been a renter for 7 years and all of that time has been spent on this farm.

BEEF CATTLE FARM.

This is one of three farms which a very capable landlord supervises under the stock-share method of renting. It is located near Sac City, where the topography is rolling and the soil is a rather heavy black loam. Some would say the farm is in the Missouri loess area, while others contend it is part of the Wisconsin drift area.

	Capital Invested in the Farm Business			
	Tenant April 1 1912	1913	Landlord April 1 1912	1913
Real Estate	\$	\$	\$25626	\$25600
Machinery and tools	670	758		
6 horses	1110			
7 horses		1000		
1 stallion	300	500		
8 cows	200		200	
9 cows		270		270
5 heifers	62		63	
3 heifers		45		45
7 calves		42		42
1 bull	30		30	
2 bulls		70		70
39 steers	803		803	
37 steers		1422		1423
2 colts	75	150	75	150
12 brood sows	150		150	
20 brood sows		300		300
74 other hogs	370		370	
48 other hogs		480		480
100 chickens	30	30	30	30
4 ducks	1		1	
Feed and supplies	242	439	242	439
	\$4043	\$5506	\$27590	\$28849
Increase in investment	\$1463		\$ 1259	

CROPS

Corn for grain, 55 acres, 3025 bu.
 Corn, 1000 bu., from rented land.
 Oats, 25 acres, 1150 bu.
 Hay, 30 acres, 45 tons.

One quarter section owned by the landlord was not a large enough farm and an adjoining eighty acres was rented for cash. This made a larger farm than the average of Sac county.

To simplify matters and to obtain a more accurate record of the operations of the business, no attempt was made to list the rented land. The rent was charged against the business and all receipts credited to the business.

Receipts	Tenant	Landlord
Milk	\$ 85	\$ 85
Eggs	90	
Corn	210	210
Timothy seed	25	25
Horse	145	
Beef cattle	2410	2410
Hogs	991	991
Poultry	46	46
Increase in investment	1464	1259
	\$5466	\$5026
Expenses	Tenant	Landlord
Labor	\$ 206	\$
Machinery	164	
Buildings and drains		75
Feed and grinding	130	130
Horseshoeing and veterinary	15	
Seeds	4	4
Twine	6	6
Threshing	9	9
Fuel and oil for farm work	1	1
Insurance		6
Cash rent on adjoining 80 acres at \$5 per acre	200	200
Taxes on owned property	3	50
Purchases—Beef cattle	1809	1810
Brood sows	306	306
Chickens	2	2
	\$2855	\$2599

Eight per cent of the total receipts were obtained from the sale of farm crops and a trifle more than 33 animal units were kept for every 100 acres of land. The yield of crops was fair, but the large income was obtained from the efficient handling of live stock and the economical use of horse and man labor.

Although the expenses were high, the receipts increased faster than the expenses per acre and resulted in high profits per acre and per farm. This gain from the buying, feeding and sale of live stock cannot be attributed particularly to either party. The landlord is an experienced farmer and stockman. At the age of 56 he still takes an active part in supervising the farm operations and assumes almost complete control of the buying and the selling of live stock.

The tenant worked seven years as a farm hand for the landlord on this farm before he began renting. Since that time he has been renting five years, which makes twelve years on the same farm.

This tenant had a record of all the transactions of the farm and could quickly obtain information concerning its past opera-

tions. A good system of bookkeeping makes possible easy and correct settlements at frequent intervals.

Summary	Tenant	Landlord
Average capital	\$4775	\$28220
Receipts	5466	5026
Expenses	2855	2599
Income from capital and labor	2611	2427
Interest on capital at 5½%	263	1552
Labor income	2348	
Landlord's per cent on investment.....		8.60%

After subtracting the expenses of the farm, including the value of family labor and interest on his investment, the tenant had a labor income of \$2,348 for his year's work. Add to this labor income the value of rent, milk, poultry, eggs and garden products for a family of five, or about \$485, and the net income of this tenant is obtained. The landlord's per cent on his investment was 8.6 per cent, or besides the rise in the price of land he received 5½ per cent net on his investment and had \$875 as pay for the extra supervision he gave this farm.

DAIRY AND HOG FARM.

This dairy and hog farm is typical of northeastern Iowa farms in that over 90 per cent of the total receipts is obtained from live stock and its products. By owning pure bred sires, the dairy and hog herds are improved and sufficient stock is raised each year to consume all the coarse forage and most of the grain crops.

This farm is located about five miles from New Hampton in the rich, glaciated, dark, sandy loam of the Iowan Drift area. It is one-half larger than the average farm in Chickasaw county and the price of land is about an average for the dairy region, or \$110 per acre. The land is gently rolling and requires little artificial drainage.

	Capital Invested in the Farm Business.			
	Tenant April 1 1912	1913	Landlord April 1 1912	1913
Real Estate	\$	\$	\$26455	\$26400
Machinery and tools	814	777	174	157
6 horses		900		
7 horses	980			
4 colts	400			
5 colts		625		
17 cows			850	
20 cows				1300
1 bull			90	100
9 heifers	112		113	
12 heifers		180		180
18 calves	162		162	
17 calves		170		170
12 calves	30	42	30	42
200 chickens	50	50	50	50
21 brood sows	262	315	263	315
Feed and supplies	440	373	440	373
	\$3250	\$3432	\$28627	\$29087
Increase in the investment.....	\$ 182		\$ 460	

CROPS

Corn for grain, 60 acres, 3300 bu.
 Oats, 45 acres, 2250 bu., 500 bu. sold for \$135.
 Barley, 10 acres, 400 bu., 200 bu. sold for \$80.
 Hay, 36 acres, 50 tons.

One-fourth of this 240 acre farm is used for pasture in rotation, while less than one-half of the total area is used for growing corn and small grains. The crop rotation is corn, oats, corn, oats, clover, hay, pasture. The crop yields are better than the average for that region and hogs show high returns. The receipts for milk are disappointing and indicate a weakness in the quality or in the management of the herd.

Receipts	Tenant	Landlord
Milk	\$ 400	\$ 400
Eggs	60	15
Oats	67	68
Barley	40	40
Horses	175	
Bull		90
Cattle	355	355
Hogs	925	925
Chickens	12	12
Increase in investment	182	460
	\$2216	\$2365

Expenses	Tenant	Landlord
Labor and board	\$ 530	\$
Machinery and repairs	41	
Buildings, fences and drains.		155
Feed and feed grinding.....	39	39
Corn shredding	24	24
Horseshoeing, breeding fees.	23	
Seed	4	
Twine	10	10
Threshing	27	27
Fuel and oil for farm work..	4	4
Insurance	3	10
Taxes on owned property...	8	84
Purchases—1 bull	713	453

Although the receipts are not large, the expenses are so small that the landlord obtains a rate of 6.65 per cent on his investment, besides the increase in the price of the land. There are nearly 25 animal units for every 100 acres and less than 5 per cent of the total receipts are obtained from the sale of crops. In other words, the fertility of the soil is conserved and high crop yields can be expected in the future.

Summary	Tenant	Landlord
Average capital	\$3341	\$28857
Receipts	2215	2366
Expenses	713	453
Income from capital and labor.....	1502	1913
Interest on capital at 5½%.....	184	1587
Labor income	1304	
Landlord's per cent on investment...		6.63%

In addition to a labor income of \$1,304, the farm furnished a living, valued at \$500, to the tenant family of eight.

HOG FARMING.

Located on a good road out of Malvern, in Mills county, the landlord is contented to live on the farm and help his son operate it on the stock-share plan.

Both live in commodious homes, equipped with most of the modern conveniences. Other farm buildings exceed \$2,500 in value and the working capital per acre is almost double the average for the 114 surveyed farms.

	Capital Invested in the Farm Business			
	Tenant April 1		Landlord April 1	
	1912	1913	1912	1913
Real estate			\$28176	\$28000
Machinery and tools	\$ 986	\$ 951	986	951
10 cows	300	375	300	375
2 heifers	30		30	
6 heifers		90		
4 steers	74	167	74	167
1 bull		50		
6 horses	480		480	
5 horses		400		400
2 colts		100		100
47 brood sows	658		658	
32 brood sows		480		480
120 chickens	60	60	60	60
Feed and supplies.....	289	638	289	638
	<u>\$2877</u>	<u>\$3311</u>	<u>\$31053</u>	<u>\$31311</u>
Increase in the investment.....	\$ 434		\$ 258	

CROPS.

Corn for grain, 55 acres, 3025 bu.
Cats, 20 acres, 1000 bu.
Alfalfa, 12 acres, 42 tons.

The crop yields are all considerably above the average and indicate the fertility of the soil is being maintained. The landlord believed the high hog receipts were largely due to the success of pasturing brood sows and young hogs in alfalfa fields.

Receipts	Tenant	Landlord
Milk	\$ 25	\$ 25
Eggs	65	65
Cows	60	60
Heifer	37	38
Horse	72	73
Hogs	1427	1427
Chickens	100	100
Increase in investment	434	258
	<u>\$2220</u>	<u>\$2046</u>
Expenses	Tenant	Landlord
Labor	\$	\$
Machinery	120	
Fences		30
Feed and grinding	368	368
Horseshoeing and veterinary	5	2
Seeds	15	15
Twine	3	3
Threshing	17	17
Fuel and oil for farm work..	2	2
Insurance	1	3
Taxes on owned property....	54	54
Purchases—1 bull	42	43
2 colts	75	75
2 hogs	15	15
	<u>\$717</u>	<u>\$ 627</u>

The expenses are comparatively low. The tenant makes a labor income of over \$1,300 and the landlord over 4½ on his investment above the living the farm furnished them.

The landlord pays for one-half of all the expenses on the farm except labor, also all the material and skilled labor for permanent improvements. The tenant pays one-half of the taxes on all the farm property, besides half of all other expenses.

Summary	Tenant	Landlord
Average capital	\$3094	\$31182
Receipts	2221	2045
Expenses	717	627
Income from capital and labor.....	1503	1418
Interest on capital at 5½%.....	170	1715
Labor income	1333	
Landlord's per cent on investment.....		4.55%

The landlord is 52 years of age and assumes part of the supervision and physical labor of the farm. The tenant has operated the farm for five years under this contract and both he and the landlord are satisfied.

GENERAL FARM.

This farm is located four miles from Humeston, in Wayne county, in one of the leading timothy seed areas of the United States. The region is included in the Southern Iowa Loess and consists of black loam soil, with a gently rolling topography. This farm of 240 acres is about 50 per cent larger than the average for the county and is valued at \$100 per acre. Less than half of the farm was in corn and small grain, although the waste and woodland did not exceed 11 acres. Nearly one-third of the farm area was used for permanent pasture, while 38 acres produced hay and timothy seed at the rate of one ton of hay and 7 bushels of seed per acre.

	Capital Invested in the Farm Business			
	Tenant		Landlord	
	1912	1913	1912	1913
Real estate	\$	\$	\$22612	\$24000
Machinery and tools	428	641		105
13 cows	260		260	
8 cows		220		220
3 heifers		52		53
13 calves	65		65	
3 calves		15		15
1 bull	22	30	23	30
4 steers	50		50	
5 steers		75		75
5 horses	482		483	
3 horses		256		257
6 colts	205		205	
10 colts		507		508
65 ewes	195		195	
58 lambs	58	203	58	203
8 brood sows	79		79	

5 brood sows		50		50
37 other hogs	47		48	
53 other hogs		164		165
75 chickens	38	38		
5 turkeys	6	6	7	7
Feed and supplies	144	262	144	263
	<u>\$2079</u>	<u>\$2519</u>	<u>\$24229</u>	<u>\$25951</u>
Increase in the investment	440		1722	

CROPS.

Corn for grain, 47 acres, 2115 bu.
 Winter wheat, 35 acres, 666 bu.; 666 bu. sold for \$532.
 Oats, 35 acres, 1750 bu.; 600 bu. sold for \$156.
 Hay, 38 acres, 38 tons.
 Timothy seed, 38 acres, 266 bu.; 262 bu. sold for \$370.

The timothy seed yield is more than an average, while the other crops are below the average of the 114 surveyed farms. Like other stock-share rented farms, considerable live stock is kept and less than one-third of the total receipts come from the sale of farm crops. Yet, less live stock per acre is kept and a higher per cent of the total receipts come from crops than is the case on the average stock-share rented farm.

Diversity of crops lessens the risk and utilizes the man and horse labor to such good advantage that the cost of labor, working capital and machinery per acre was less and the crop acres, per work horse were more than the average of the 114 farms, while the net returns per dollar of total labor were nearly three times that of the average for the 114 farms.

Receipts	Tenant	Landlord
Eggs	\$ 65	\$
Winter wheat	266	266
Oats	78	78
Seeds	185	185
Cows	152	153
Heifers	95	95
Calves	7	8
Steers	300	300
Horses	212	213
Ewes	126	126
Hogs	200	200
Chickens	25	
Turkeys	39	40
Increase in investment	440	1722
	<u>\$2190</u>	<u>\$3386</u>

Expenses	Tenant	Landlord
Labor and board	\$ 246	\$
Machinery	280	113
Buildings, fences, drains....		1500
Feed and feed grinding....	16	16
Horseshoeing, breeding and veterinary fee	17	13
Seeds	17	17
Twine	9	9
Fuel and oil for farm work..	4	4
Threshing	43	43
Insurance	9	24
Taxes on owned property....	6	71
Purchases—Calves	16	16
Steers	29	29
Turkeys	14	15
	<u>\$706</u>	<u>\$1870</u>

More intensive farming might have lowered the net returns per dollar of labor, yet it would have left a larger surplus or gain. It will pay the landlord and tenant to increase the working capital and labor per acre.

Summary	Tenant	Landlord
Average capital	\$2299	\$25090
Receipts	2190	3386
Expenses	706	1870
Income from capital and labor.....	1484	1516
Interest on capital at 5½%.....	126	1380
Labor income	1356	
Landlord's per cent on investment....		6.03%

Considering this was the tenant's first year on the farm and the landlord did not take a very active part in the supervision, the income from capital and labor is very satisfactory. The tenant made a labor income of \$1,356 besides the living furnished him by the farm, while the landlord received over 6 per cent on his investment, besides the increase in the price of the land.

WHAT DETERMINES CHOICE OF METHOD OF RENTING.

From the viewpoint of the farm as a whole, the stock-share method of renting is the most satisfactory. This method is also the most satisfactory in encouraging a type of farming which calls for adequate permanent improvements and provides for maintaining high crop yields. It also requires closer co-operation between landlord and tenant than any other method and is the most profitable for tenants who lack capital to adequately equip and operate the farm and who are less capable in buying and selling than the landlord.

Less than one out of ten tenants rent on the stock-share plan, when it would be profitable for five out of ten to choose this method in preference to any other form of renting. There are four principal reasons for so few farms being rented on the stock-share plan:

First, is the tenant's and landlord's dislike for any method of renting which requires common counsel or close co-operation. The tenant chafes under the landlord's supervision, and the landlord distrusts the ability and integrity of the tenant. This friction between landlord and tenant can be wiped away by adopting a method of renting which will be most profitable and most pleasurable to both. Not all tenants and landlords who would be benefited by choosing this method can do so because they are not capable of doing team work. The Golden Rule attitude is the kind that wins. Men are "small fry" who work un-

der a handicap year after year when by co-operating they may improve materially their incomes and live happier.

Second, is the force of custom which firmly establishes a system of renting which has received the impetus of an early start and discourages any new method of renting, although economic conditions might have so changed that the new method would be far more profitable than the old. Share-cash renting is more widely used in Iowa than stock-share renting, yet the latter is far more applicable to present conditions which have created many young, capable landlords with adequate capital who might supply the much needed capital and supervision to the young and inexperienced tenants who do not have either. In localities where stock-share renting has been given a fair trial, it has generally succeeded and there is a stronger tendency in its favor than for other methods of renting, notwithstanding the force of custom which retards it from being more generally used.

Third is the lack of information about the stock-share method of renting. While most farmers, perhaps, have heard of such a method of renting, there are only a few who have any assurance what an equitable stock-share lease would be on a particular farm. This lack of information concerning the stock-share plan has caused many farmers to choose other methods of renting about which they had more definite knowledge.

Fourth, is the competition of landlords to get good tenants and of tenants to get good farms and good landlords. The most fairminded and capable landlords who own the best farms can usually dictate the method of renting which will be most advantageous to them, while the honest, industrious and capable tenants can usually dictate the method of renting which is their choice. Competition largely determines the method of renting to be followed unless the landlord or the tenant has something exceptional to offer. At present land prices, landlords and tenants must see to it that farm products are raised and marketed at a lower cost or the tenant will not be able to pay a rent which will justify the landlord owning land. On those farms where competition can be eliminated through high efficiency on the part of landlords and tenants, conditions will remain satisfactory, but choice of method cannot exist where keen competition prevails and both landlords and tenants are opposed to any scheme which requires closer co-operation and results in higher efficiency.

CONCLUSIONS.

Speculation in land for the advance in price is largely the cause for an increase in tenancy. Many farms have fallen into the hands of short time speculators, who rent the farms subject to sale. Such tenants are uncertain of living on the farm more

than a year and extract from the farm everything they can get. As a result, the buildings are generally in need of repair and the land is foul with weeds and depleted with continuous cropping of corn.

Some advocate the long lease as a remedy for the yearly shifting of tenants, but this is no remedy so long as speculation continues, for landlords will not rent for more than one year at a time. The more effectual method is to supply the tenant with capital and supervision in a type of farming which will make it profitable for the landowner to hold his land and a disadvantage for the tenant to move.

The stock-share method of renting supplies the necessary capital and supervision. While about one-half of the tenants in some counties rent on this plan, not more than 10 per cent of the tenants of the state follow this method. It is quite probable that one-half of the tenants and landlords of the state would find this method of renting more satisfactory than any other method. After the tenant has accumulated sufficient capital to adequately equip and operate the farm and is as capable as the landlord in managing the farm, he should change from stock-share renting to cash-renting.

The most successful farms require about \$6,000 of tenant's capital, unless farms are rented on the stock-share plan, when a smaller amount of capital is needed, as the landlord furnishes one-half or more of the productive live stock. It is probable that by using the stock-share in place of the bushel and share-cash methods of renting the net receipts of the farms would be increased at least 10 per cent, the farms better improved and the yields of corn maintained.

The increase in the amount of Iowa tenancy does not signify the farmers are not obtaining financial independence as rapidly now as they did years ago. In fact, the opposite is nearer the truth. An Iowa farm is now priced at nearly five times its market value twenty-five years ago. The land is mostly in the hands of small holders, who have received the rise in price and are now able to live from the rent. These landlords are comparatively young men, who have nothing to do unless they retain part of the supervision of the farm.

Landlords should build comfortable and permanent homes on the farm and during recent years an increasing number are doing so. The attitude of owning land as a home and permanent investment will be encouraged somewhat by the more general use of the stock-share method of renting. Such conditions break down the unkind feeling between landlord and tenant and leads them to work in co-operation for higher net profits, for the welfare of the farm and the development of both the town and the country.