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ARIZONA FARM LEASES

Agricultural Experiment Station
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AGRICULTURAL EXPERIMENT STATION

Paul Steere Burgess, Ph.D	Dean and Director
Ralph S. Hawkins, Ph.D	Vice-Dean and Vice-Director

AGRICULTURAL ECONOMICS AND RURAL SOCIOLOGY DEPARTMENT

George W. Barr, Ed.D	Agricultural Economist; Head of Department
Elzer D. Tetreau, Ph.D	Rural Sociologist
Ned O. Thompson, M.S	Assistant Agricultural Economist
Mrs. Alberta Hart	Statistical Clerk

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By E. D. Tetreau

SUMMARY

Percentages of farms rented by share lease exceed those rented for cash in three of Arizona's four counties in which are located the major irrigated areas. These are: Yuma, Graham, and Pinal counties with 70, 59, and 54 per cent share leases, respectively. In contrast, Maricopa County leased farms are only 26 per cent under share agreement.

Share leasing is to be found in all of Arizona's major irrigated areas and in the production of all major commodities excepting certain special crops such as lettuce. Many experienced renters prefer share renting as compared with cash, and some landlords likewise prefer this form of rental. The latter generally lives near his farm. Absentee owners do not usually favor share agreements.

Share leases offer important advantages to landlord and renter. In the long run, it is probable that the landlord's returns are higher from share than from cash leasing. This is partly in terms of added compensation for extra expenditure of time in sharing the responsibilities of operating the farm, and partly in the form of added returns for greater investment in livestock, equipment, or permanent improvements. On the other hand, the renter's risk is greatly reduced and his opportunity for progress increased, since in share renting he usually has the benefit of the landlord's advice in the management of the place. This is especially true in case he rents from a successful and progressive farmer.

Share leasing in Maricopa County is almost all 50-50. Graham County share leasing is likewise largely 50-50, but the proportions of 75-25 (renter gets 75 per cent) and other kinds of share leases are greater than in Maricopa County. Just under 40 per cent of Yuma County's farm leases are 50-50 share leases. Nineteen per cent of Yuma County leases provide for a 66⅔-33⅓ division of crops, and 12 per cent share the proceeds otherwise. Pinal County leases are 25 per cent half-and-half share. Another 25 per cent are 75-25, and 4 per cent are other kinds of share leases.

While cash leasing far exceeds share leasing in Maricopa County, three of every four rented farms being taken on cash terms, it is considerably less important in the remaining counties. Cash is paid for about 46 per cent of Pinal County leases, 30 per cent of Yuma leases, and 41 per cent of Graham County leases.

While cash leasing is used more or less in the production of all of the major crops, it is almost exclusively used in rentals for the production of special crops such as lettuce. Generally in cash leasing, experienced farm operators compete for the land. Where cash leasing predominates, the land is usually of a highly productive character with enough water available for intensive crop production.

This landlord and tenant confer often.

Cash leasing tends to discourage the making of permanent improvements on the farm. The landlord is unwilling to go to the necessary expense unless he gets a higher rent, while the renter desires to keep the rent as low as possible. Cash leases may be improved in this respect by including a paragraph on permanent improvements in the rental agreement. This should provide for the making of permanent improvements under specified conditions, reimbursement for the tenant's expenditures to be as rent paid or otherwise, as agreed upon. In the case of cash dairy leases, monthly or quarterly adjustments of cash rentals may be made in line with current prices of butterfat, while leases for cotton production may be adjusted to the cotton market. Improvement of cash leasing consists largely in decreasing the element of risk, and, correspondingly, increasing mutuality of obligation.

Arizona leasing arrangements may be improved by making carefully drawn written agreements; by providing renewal clauses to be used in the case of satisfactory results from a short-term lease; by providing for permanent improvements for which fair compensation will be made to the renter; by providing against loss due to the renter's neglect, in case of which the landlord shall be given the right of entry for the proper performance of operations at the cost of the renter; by providing for the arbitration of differences between landlord and renter; and by cropping provisions which prevent the continuous depletion of the soil.

A leasing agreement should be set forth in clear language easily understood by both contracting parties. It should contain the names of the lessor and lessee and should be signed, witnessed, and dated. In the case of joint ownership of livestock or machinery, or in the case of 50-50 agreements to divide *net* proceeds, the lease should contain the clause "this is not a partnership." It should contain a renewal clause, a section providing for arbitration of differences, and a description of the contributions and duties of each of the contracting parties. A sample flexible farm lease, adapted to the needs of Arizona irrigated farming, is attached to this report.

INTRODUCTION

This report is in no sense intended to be a technical discussion of farm tenure. It is rather in the nature of a brief description of farm leasing arrangements in irrigated areas, with suggestions about making a lease, and with a sample flexible farm lease for the use of those who may want to refer to it as an aid in making satisfactory leasing arrangements. It is intended primarily for the use of owners of land who are unable, for one reason or another, to farm for themselves and for the use of renters of land who want to make the best possible leasing arrangements and who want to improve their position as farm operators. It is hoped that the discussion and the flexible lease form will also be useful to county agricultural agents and extension specialists, to the Farm Security Administration, banks, and insurance companies, as well as other persons interested in the improvement of tenure relations, to the end that land and human resources may be conserved.

The first division of this report deals with the farm leasing agreement. In it are discussed some of the advantages of share leases and of cash leases, and measures for their improvement are suggested. Some points to be remembered in drawing up a lease are also given. The second part of the report describes leasing practices as found in Arizona's irrigated areas.

I.—THE FARM LEASING AGREEMENT

Some Advantages of a Share Lease

The share lease has certain very definite advantages for the landlord and for the land renter. The renter assumes less risk in a share lease than in a cash agreement. At the same time, while the landlord assumes more risk under this form of lease due to changes in prices, etc., he also stands to make well in the case of unusual crop returns and stable prices. In the long run, it is believed that his returns will be higher from share than from cash renting. There is a real advantage to a young renter in a share lease, especially if he rents the land of a successful farmer. He may thus learn a great deal about the details of efficient farm operation, while on the other hand the landlord will have the opportunity to keep in direct contact with farming operations on his land. The landlord may thus contribute the advantage of his experience to the efforts of the young operator, much to the advantage of both.

Share leasing arrangements may easily be framed so as to encourage soil conserving measures and the maintenance of buildings and other improvements in good condition. Since the landlord shares in the crop and livestock returns of the farm, it is more to his advantage to make permanent improvements which will increase the farm's productivity than would appear to be true in the case of continued cash leasing.

The young and ambitious renter may find another advantage in share leasing. This type of farming arrangement generally requires less capital than cash leasing. He is thus permitted to begin farming operations earlier in life than he otherwise would and, if fortunate in being associated with landlords who have made a success of farming, he may become an excellent farmer at much less cost to himself.

Ways to Improve Cash Leases

Most widely used in Arizona's irrigated areas, the cash lease gives the renter the greatest amount of independence in operating the farm. Likewise, with this type of lease goes the greatest amount of risk to the renter. Being the simplest of all lease types, it calls for a minimum of supervision on the part of the landlord. Since, also, the rental to be paid is definite and in the form of cash, this lease is favored by many landlords because there is less chance for controversy than in the case of a share lease. Some tenants favor this type of lease chiefly because they receive all or practically all of the profits of superior management.[1]

Farm owners in certain areas have been able to collect high cash rentals of recent years. Many farms in the Salt River project have brought $30 per acre per year. For these rentals the owners have generally supplied good land, with 2 acre-feet of water. Usually abundant extra water is available.

Some landlords in the Eloy area have rented out farm lands for $20 per acre. In these cases the renters have generally paid pumping costs. Landlords in these rental agreements generally assume the costs of pump repairs made necessary by causes other than the negligence of the renter.

Several influences have operated to make cash leases attractive to the renter. Chief among these are: Agricultural Conservation contracts, which have served to insure the payment of cash rentals; ready cash for the payment of rent made available by cotton companies; and a rising price level. Because of these and, no doubt, other influences, many renters prefer to lease for cash and are willing to bid up the rental rate per acre, thus not only increasing the number of cash leases but also enhancing the earning power of farm land.

Cash leasing arrangements are extensively used by truck crop producers and large cotton farm operators, though not confined to them. Many operators of family farms lease additional land on a cash agreement. For example, many farmers in the Buckeye Water Conservation and Drainage District lease neighboring farms and generally for a cash consideration.

It is believed that cash leasing agreements may be improved so as to protect the interests of both contracting parties as well as to maintain the quality of the land and provide for the upkeep of farm improvements. One way to do this is to insert provisions in the lease that tend to correct certain tendencies of the contracting parties in this type of lease which lead to undesirable results. The

[1]Ned O. Thompson, Assistant Agricultural Economist, unpublished reports of farm management studies.

landlord's unwillingness to make permanent improvements on the farm unless he gets a higher rental and the tenant's desire to keep rentals low may be reconciled by agreement to make permanent improvements under specified conditions, reimbursement for the tenant's expenditures to be made as rent paid or otherwise, as agreed upon. Another clause would provide for the periodic adjustment of cash rentals to current prices of the chief commercial commodity produced on the farm. This is especially applicable in drawing up leases for farms on which dairy production offers the main source of income. Monthly or quarterly adjustments could be made. It is also applicable to leases for cotton production, adjustments to prices being made yearly. An exception would probably have to be made in the case of truck crops such as lettuce, the prices of which often fluctuate sharply within the range of a few weeks. An additional paragraph would provide that, as a consideration, a certain portion or all of the farm must be seeded to alfalfa before the termination of the rental period.

In cash leasing, with control of the cropping system largely or entirely in the hands of the renter, farm owners should take care not to jeopardize their position in relation to federal agricultural conservation programs. For example, a farm owner who rents out part of his land on a cash lease, presumably to a farming corporation which produces special crops and which does not operate on a family farm basis, should specify that no cotton or wheat shall be produced on this land, in case he desires to retain his position as a full participant in the cotton and wheat programs of the Department of Agriculture during the period of the lease. Probably it would be better for him to specify exactly what crops should be planted on the land rented out.

Some Weaknesses in Present Farm Leasing Arrangements

The first obvious weakness in Arizona farm leasing arrangements is the absence in a great many cases of any record of agreement. No written lease is prepared and not even a memorandum of agreement is made out. This practice in some parts of the country might well go on indefinitely, but those districts differ from Arizona's irrigated areas as the mule and plow differ from the general purpose tractor and the four-row cultivator. Subsistence farmers who handle little cash and whose economy is based largely on the use and exchange of locally produced commodities may well continue to farm, or to work out on shares, and make their agreements by word of mouth with little or no disadvantage or difficulty.[2] That is not the case in Arizona's irrigated areas. Supplies, machinery, and help are purchased for cash, and commodities are sold for cash. Moreover, costs are exceedingly high and losses are not slow in accumulating. It is not difficult to see that verbal leasing agreements under Arizona conditions leave

[2]Lauren C. Post, "Acadian Contracts in Southwest Louisiana," *Rural Sociology*, Vol. 6, No. 2, June, 1941, pp. 144-55.

too many details undefined and, at the best, only vaguely understood.

Another weakness, both in verbal and written agreements, is the short term of the lease. Without question short-term arrangements are necessary to allow the contracting parties to look one another over, but the practice extends beyond this practical requirement. This might perhaps be corrected, at least in part, by provisions for renewal of short-term leases and by carefully drawn agreements covering a longer period of time.

Few, if any, Arizona leases provide for the reimbursement of the tenant on account of unused improvements made by him. The absence of this sort of arrangement hastens the deterioration of buildings, fences, etc., on rented farms, and not only brings loss to the owner but tends to depress land values in the community. This weak spot in Arizona leasing agreements may be corrected in carefully drawn, written leases providing for such compensation.

In this connection provision should be made for the housing of regular and seasonal labor. "Part of the business of renting farms," as one Arizonan has put it, "is to insure some means of having pickers on hand to pick the crops grown thereon." Improved housing facilities for seasonal labor may with profit command the careful consideration of landlord and renter in drawing up a lease. The housing of regular labor, while more generally provided, may well be taken into careful consideration in drawing up a lease.

A fourth weakness of Arizona leases consists in the improper protection of the landlord against loss due to the renter's neglect or misuse of land, equipment, or other property owned by the landlord. Leases may be greatly strengthened in this respect by the inclusion of provisions for giving the landlord right of entry upon the premises and the right to attend to the performance of farming operations at the cost of the renter.

Another serious shortcoming of Arizona leases is the lack of provision in leasing agreements for arbitration of differences between the parties to the contract. This may necessitate court action over serious disagreement, involving expense which might otherwise be avoided.

Perhaps the gravest of all shortcomings in Arizona leasing agreements for irrigated farms is their lack of provision for preserving the productivity of the soil. Leases which permit or by reason of their terms require the continuous cropping of every acre are costly in the long run. They are finally detrimental to the renter in their effects upon him as a husbandman, and upon his family in terms of a poorer living. The long-time costs to the landlord are large but immediate returns often blind him to the less evident penalties which nature will ultimately exact.

Form prepared by:
Agricultural Economics & Rural Sociology Department
Arizona Agricultural Experiment Station, Tucson
October, 1941.

ARIZONA FLEXIBLE FARM LEASE

This lease made this.................................. day of.., 19..........., between

.... lessor, of...
(address)

and.. lessee, of...
(address)

WITNESSETH:

1. Description of property.—The lessor hereby leases to the lessee, to occupy and use for agricultural purposes, the following described property located in.. County, State of Arizona, ...

....

....

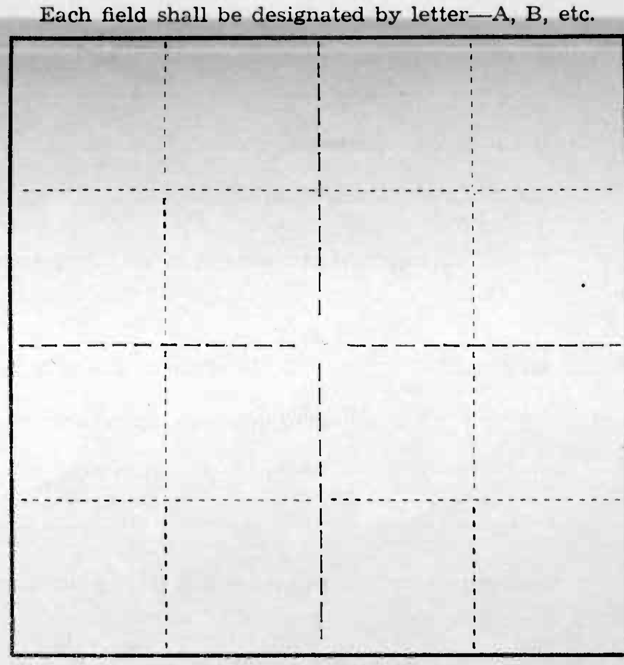
....Sec................T................R................G. & S.R., B. & M.; and consisting of......................acres, more or less, together with all buidings and improvements thereon and all rights thereto appertaining. All this property together is hereinafter referred to as the "farm."

2. Term of lease.—The term of this lease shall be for ....year......, beginning.., 19..........., and ending..., 19............

Termination clause. (To be used only in case the lease is for a period of more than 1 year.) This lease may be terminated on the..day of ....of any year by written
(month)
notice given by either party to the other on or before the ....day of..
(month)
prior to effective date of termination.

Map of Farm

Each field shall be designated by letter—A, B, etc.



3. Rental rates and arrangements.—

Option A.—The lessee, in consideration of the leasing of the farm, hereby agrees to pay the lessor rent for the premises and to provide delivery of commodities and to pay harvesting and other expenses as indicated on Form 1.

Option B.—As rent for the farm, the lessee agrees to pay in cash at the uniform rate of.. ....dollars ($..........................) per acre on...........................acres, payable as follows:.....................................

....

....

....

4. Water costs.—The lessor shall pay...

....

....

and the lessee will furnish, at his own expense, all water and all costs of obtaining water other than that specified above.

5. Description of lessor's equipment.—

A. The farm includes..............................miles of fence as follows:..

....

.... ;

condition being as follows:...

....

Form 1.—(To be filled in if Option A in paragraph 3 is used.*)

Field† (1)	Acres on which rent is to be paid (2)	Crop status at time lease is dated (3)	Crop to be grown first year of lease (4)	Date rent is due (5)	Landlord's share of crop or per-acre cash rent (6)	Landlord's share of straw, cottonseed, pasture, etc. (7)	Arrangements for delivery of crop (8)	Payment of expense‡ (9)
A								
B								
C								
D								
E								
F								

*After the first year of this lease, the provisions in columns 5 to 9, inclusive, will apply to the same crop as during the first year of the lease, unless otherwise provided in the Renewal Clause at the end of this lease form.
†Designations of fields—A, B, C, etc.—shown on map of farm.
‡Show in this column who is to pay special expenses, such as threshing, ginning, twine, baling, seed, crop insurance, etc.

The property also includes........................miles of irrigation ditches, banks and bed being in condition as follows:...............

....

....

B. Barns and sheds on the farm are in..............................repair; the dwelling house is in..............................condition as to roof, walls, floors, windows and doors; and laborers' quarters comprising..............................dwellings are in ....repair.

C. Engines, pumps, tanks, etc., on the farm are as follows (describe as to kind and condition):..............................

....

....

....

D. Other equipment is as follows (describe as to kind and condition):..............................

....

....

....

....

6. **Description of lessee's equipment and credit.**—The lessee is prepared by previous farming experience to carry out the terms of this contract and owns capital equipment as follows:.....................horses, ...mules, ... milk cows, ...other cattle, ...sheep, and..............................

....

....

....

tractors, plows, and other implements as follows:..............................

....

....

....

and cash or credit for production purposes of approximately..............................dollars. Lessee's equipment is not mortgaged, excepting as follows:..............................

....

7. Lessee's duties in operating farm.—

A. The lessee shall furnish all work stock, machinery, and other necessary operating equipment and shall pay all operating costs excepting:

....

....

....

B. Special operating costs such as harvesting, baling, ginning, fertilizer, seed, spray materials, etc., shall be paid or shared as indicated in Column 9, Form 1, above, or as follows:..

....

....

....

C. The lessee shall perform plowing, seeding, irrigating, cultivating, and harvesting at the time and in the manner that conform to standards of good husbandry.

D. Noxious weeds shall be cut and kept under control. Weeds and grass along roads and canals shall be cut. The eradication of noxious weeds requiring extensive operations shall be provided for as follows:..........................

....

....

Rodents and ants shall be kept under control.

Ditches and head gates shall be maintained in good operating condition so as to permit the maximum passage of water to be carried therein.

E. All manure made on this farm shall be hauled out and spread on the fields, and the barnyards shall be cleaned as follows:..

....

....

Any commercial fertilizer used shall be purchased and applied at the lessee's expense, excepting as follows:........

....

....

F. The lessee agrees to grow at least......................acres of alfalfa each year.

Double cropping shall be permitted in fields as indicated (designate by letter as in Section 3, Form 1, above)........ ....with provision as follows:..............................

....

The lessee shall prevent the tramping of fields by livestock when fields are wet or when injury will be done.

G. The lessee agrees to maintain the farm in good condition and repair and to yield possession thereof at the termination of this lease or any renewal or extension thereof in as good order as at the beginning, ordinary wear and tear excepted.

8. Lessee's subsistence.—The lessee may pasture a cow, keep chickens, etc., as follows, and with the following provisions: ....

....

....

....

....

....

9. Improvements and repairs.—

A. The lessor shall pay for all materials he deems necessary for repairs and improvements on the above described farm and for all skilled labor employed at his direction in making permanent improvements and unusual repairs. He shall repair or replace promptly any improvements on the farm damaged or destroyed by conditions beyond the control of the lessee other than ordinary wear.

B. Immediate repairs: In order to immediately place the farm in good condition and repair, the following repairs shall be made by the lessor, or by the parties jointly, prior to.., 19..........., according to the following arrangements:..

....

....

C. Minor improvements: The lessee may, at his own discretion, make minor improvements of a permanent nature which do not detract from the appearance of the premises nor materially change the arrangement of the farm and shall not receive compensation for improvements so made.

D. Permanent improvements: The lessee may, with the written consent of the landlord, at his own expense, make improvements of a permanent nature such as new buildings, additions or major repairs to building, permanent household fixtures and equipment, new fences, wells, water systems, and other improvements of this nature, under the terms of the written consent of the lessor. At the termination or expiration of this lease, the lessee shall be compensated or credited for said improvements by the lessor on the basis of cost to the lessee (including value of his own labor) less agreed deductions for depreciation and use.

E. Removal of improvements: The lessee may, at any time this lease is still in effect, upon written notice to lessor, remove any improvement he has made at his own expense and he shall not be compensated for improvements removed. If removal is made, the ground upon which improvements were erected shall be left in as good farming condition as it was prior to improvement.

10. Compensation for neglect.—In case the lessee's failure to perform plowing, seeding, irrigating, cultivating, and harvesting at the time and in the manner that conform to standards of good husbandry and in the case of extreme negligence permitting unusual deterioration in the land and improvements, such as failure to control weeds, failure to keep irrigation ditches clean, or disrepair of buildings and fences, the lessor may enter the premises and perform the necessary operations or make repairs and charge the costs thereof to the lessee. In case the lessor cannot correct the lessee's negligence, he may claim compensation for unusual deterioration and depreciation in the land and improvements and for loss of crops which have come as a result of the lessee's violation of the provisions of the lease. The actual money value of the damage shall be the amount of the penalty paid by the lessee.

11. Federal agricultural programs.—Modifications in this lease such as are necessary to conform with federal agricultural programs may be agreed upon from time to time. Cash or other benefits received shall be divided between the parties as provided in the programs. Any quota, allotment, or base made to or properly belonging to the farm shall be available to the lessee. If this farm is treated as part of a larger tract, in any federal program, the lessee shall share as provided in the program.

12. Lessee shall not assign lease.—The lessee agrees that he shall not assign this lease or sublet any portion of the farm without the written consent of the landlord; that he shall permit the landlord or his agent to enter the farm at any reasonable time for repairs, improvements, and inspection; and that he shall not commit waste on or damage to the farm or permit others to do so.

13. Lessor is owner of farm.—The lessor states that he is owner of the farm, has the right to give the lessee possession under this lease, and shall, so long as this lease remains in effect, warrant and defend the lessee's possession against any and all persons.

The lessor also agrees to waive statutory lien on his share of the crops, in case the lessee shall desire to obtain production credit.

14. Lease is binding.—The lessor and lessee mutually agree that this lease shall bind and shall inure to the benefit of the heirs, executors, administrators, and assigns of both parties.

In case of failure to carry out any material provision of this lease, notice of termination may be served upon the delinquent party. Termination shall be effective in 30 days, unless the delinquency has been corrected within that time.

The lessor shall compensate the lessee for his interest in any growing crops on the farm in which the lessee has an interest at the termination of this lease, the basis of compensation to be mutually agreed upon or determined by arbitration; or he shall complete the care, harvesting, and sale of such crops, deduct the expenses thereof from the returns, and pay the lessee his proportionate share of the proceeds.

15. Arbitration.—Any differences between lessor and lessee under this lease shall be referred to a committee of three disinterested persons, one selected by each party to this lease and the third by the two thus chosen. The decision of the arbitration committee shall be accepted by and shall bind both parties. The costs of such a committee shall be divided equally between lessor and lessee.

16. Sale clause.—In case the lessor desires to take advantage of a cash offer for this farm, conditioned upon immediate delivery, he shall compensate the lessee for his interest in any growing crops as provided in Section 14, above, and shall make an additional payment as compensation for the extraordinary expenses necessary to be incurred by the lessee, the same to be agreed upon as follows:..

....

17. Lease in triplicate.—This lease is executed in triplicate, one copy to be retained by the lessor to the agreement and two copies to be furnished to the lessee.

This lease supersedes all written or verbal agreements made by the contracting parties prior to the date of this lease and not in accord with it.

In witness whereof, the parties have signed this lease on the date first above written.

Witness.. Lessor.. (Seal)

Witness.. Lessee.. (Seal)

RENEWAL

It is hereby agreed by and between the parties to this lease that it shall continue in full force and effect, or is hereby renewed, for a period of..................year.........., from.., 19.........., to ...., 19.........., in the same form as originally signed or with the following changes and amendments:*

....

....

....

....

....

Signed this..................day of.., 19..........

Witness: ....
(Lessor)

Witness: ....
(Lessee)

NOTE.—All sections not applicable to this lease should be ruled out.

*If Form 1 was used, all needed changes should be indicated.

Points to Be Remembered in Drawing Up a Lease

A written lease should be prepared in clear, nontechnical language and should be as short as practicable. It should contain the names of the contracting parties with their signatures and with the signatures of witnesses. It should be dated. In the case of a 50-50 dairy lease in which the dairy stock is jointly owned, the phrase "this is not a partnership" should be inserted. This precaution is advisable also in the case of a 50-50 cropping agreement if the terms provide that the *net* proceeds are to be divided after all expenses have been deducted. Any other arrangement which takes on a similarity to a partnership should, for purposes of keeping the obligations of the contracting parties distinct and separate, carry a statement indicating that it is not a partnership. The lease should carry a renewal clause permitting the lease to continue in force upon signature of the lessor and lessee; a section providing for arbitration of differences; and a detailed description of the contributions and duties of each of the contracting parties. It is not advisable for the renter to agree to leave on the place the same number of head of livestock or the same number of bushels of grain or other commodities, at the time of the termination of the lease, as were on the place when it was rented. Corresponding amounts and quality in terms of stock and grain are sometimes difficult to measure and dissatisfaction often results from carrying out the details of such an agreement. In making a lease form it is exceedingly desirable to avoid fine print and long involved statements qualifying the terms of the agreement. The terms and conditions of the agreement should be set forth in straightforward, simple language.

In special cases a sale clause may be inserted in the lease form (see attached flexible lease form) providing for release of property by the renter and compensation for his labor and crop prospects. These cases occur when the landlord desires to take advantage of a possible cash offer for his farm conditioned upon immediate delivery.

When buildings are necessary to the continuance of the farm business (as in the case of dairy barns), a clause may be inserted requiring the lessor to carry fire insurance on farm buildings.

A Flexible Farm Lease for Arizona

Attached to this bulletin is a flexible farm lease form which has been prepared for use in leasing Arizona irrigated farms. Each part of the lease is worded and arranged so that its provisions may be adapted to fit the needs of each rental situation. Parts which are not desired or which do not apply to individual cases may be struck out. Blank spaces have been provided in which to write the details of special qualifications or provisions agreed upon.

II.—LEASING PRACTICE IN ARIZONA

The Importance of Farm Leasing in Arizona

At first glance the extent of farm leasing in irrigated areas seems relatively small, though not unimportant. A look at the decennial census figures (1940), which show no separate returns for irrigated farms but lump all returns into county totals, shows 14, 20, 17, and 20 per cent of the farms as operated by tenants in Graham, Maricopa, Pinal, and Yuma counties, respectively. These four counties contain the principal irrigated areas in Arizona. These figures do not appear high in comparison with the national percentage of 39 and some state percentages which are far in excess of the national average. In absolute numbers they mean that of a total of 7,287 farms in the counties containing the four major irrigated areas, 1,357 were rented by operators who farmed only rented land. These were the operators that were counted in arriving at the percentages of tenants given above (Table 1).

Another tenure group must be taken into account, however, when considering the importance of farm leasing in irrigated areas. Something over 900 farm operators are classified as part owners, which means that they operate rented land as well as owned. If these are added to the tenants, the total of renters is brought up to a little over 2,300 (Table 1).

Further increase in the relative importance of renters comes as a result of estimating the numbers of farmers who make all or most of their living from farming and omitting units classified as farms but principally used for residential purposes. The omission of all units of less than 10 acres in size reduces the total number of farms and farm operators in Graham, Maricopa, Pinal, and Yuma counties by 1,500. This considerably increases the relative importance of farm leasing in these counties, since it reduces the total number of farms while making very little change in the numbers of leased places.

Additional evidence of the importance of renters in Arizona's irrigated areas came from a classification by tenure of the acres of crop land harvested in Graham, Maricopa, Pinal, and Yuma counties. Full renters or tenants, while making up about 19 per cent of all farm operators, farmed about the same percentage of the acres of crop land. In contrast, full owners, who comprised 63 per cent of all operators, farmed only 29 per cent of the crop land. By far the greatest acreage in crop land among owners and tenants was found among the part owners (part tenants) who, accounting for 13 per cent of all operators, farmed 38 per cent of all crop land harvested. It should be said in passing that the numbers of farm managers bore a similar relationship to the numbers of acres of crop land harvested as was found among part owners. Thus the men who rented all or part of the land they farmed, while constituting less than one third of all farm operators, tilled considerably more than one half of the land in crops (Tables 1 and 2).

TABLE 1.—FARMS CLASSIFIED BY TENURE OF OPERATOR, 1940,* FOUR COUNTIES, ARIZONA.

Tenure of farm operator	Graham County		Maricopa County		Pinal County		Yuma County		Total	
	No. operators	Per cent	No. operators	Per cent	No. operators	Per cent	No. operators	Per cent	No. operators	Per cent
Full owners	439	64.9	2,916	62.9	864	66.9	408	60.9	4,627	63.5
Part owners	137	20.3	504	10.9	201	15.4	105	15.7	947	13.0
Managers	3	0.4	309	6.7	21	1.6	23	3.4	356	4.9
Tenants	97	14.4	903	19.5	223	17.0	134	20.0	1,357	18.6
Cash	28	4.1	662	14.3	79	6.0	58	8.6	827	11.3
Share-cash	5	0.7	25	0.5	14	1.1	6	0.9	50	0.7
Share	58	8.7	130	2.8	105	8.0	42	6.3	335	4.6
Other	6	0.9	86	1.9	25	1.9	28	4.2	145	2.0
Totals	676	100.0	4,632	100.0	1,309	100.0	670	100.0	7,287	100.0

TABLE 2.—FARM OPERATORS CLASSIFIED BY TENURE WITH ACRES OF CROP LAND HARVESTED, 1939,* FOUR COUNTIES, ARIZONA.

Tenure of farm operator	Acres of crop land harvested, 1939									
	Graham County		Maricopa County		Pinal County		Yuma County		Total	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Full owners	10,931	43.0	69,444	27.2	19,913	25.1	20,911	38.0	121,199	29.2
Part owners	10,359	40.8	102,011	39.9	24,216	30.6	19,459	35.3	156,045	37.6
Managers	108	0.4	44,403	17.4	8,770	11.1	6,385	11.6	59,666	14.4
Tenants	4,015	15.8	39,494	15.5	26,259	33.2	8,339	15.1	78,107	18.8
Cash	698	2.7	23,937	9.4	4,953	6.3	3,097	5.6	32,685	7.9
Share-cash	614	2.4	3,231	1.3	3,516	4.4	357	0.6	7,718	1.8
Share	2,643	10.5	10,904	4.3	16,209	20.5	3,763	6.8	33,519	8.1
Other	60	0.2	1,422	0.5	1,581	2.0	1,122	2.1	4,185	1.0
Totals	25,413	100.0	255,352	100.0	79,158	100.0	55,094	100.0	415,017	100.0

**Agriculture, Arizona, First Series, 16th Census of the United States, 1940.* County Table II.

The conditions of ownership and operatorship make leasing necessary. Some men have come into the ownership of land which for one reason or another they cannot cultivate, while other men who desire to farm prefer to invest in implements and livestock rather than in land. Among those who own land but cannot farm it are persons who have inherited farm property but who are not themselves farmers, aged farmers who can no longer operate their holdings, widows left with a farm on their hands, owners through default on mortgage loans, etc. Then, too, it should not be forgotten that many professional and businessmen purchase farms as investments or because of an ill-defined but nevertheless effective desire to have "something to fall back on," in case of a severe setback in fortune or in health.

On the other hand, many farmers, especially younger ones, find it much to their advantage to rent the land they cultivate so as to permit more extensive operations with a limited amount of capital. The returns on operating capital are generally higher than it is possible to obtain by investing in land, excepting of course in the case of fortunate speculative venture.

In a more localized sense it may be said that Arizona's agriculture must always take account of the scarcity of good land and of water available for irrigation and that measures for their economical use have not by any means been fully provided. It is believed that more carefully planned leasing arrangements will contribute to this end. Then, too, improved leases can contribute a great deal toward making a better farmer out of an inexperienced but willing young tenant. They may also, by stabilizing residence, help the children of tenant farmers to make a good showing in school and in many other ways to make better use of resources locally available. This relates to the quality of the people on the land, which is a basic factor in the development of a permanent and profitable agriculture in Arizona.

Types of Farm Leases Found in Irrigated Areas

The greater number of farms rented in Arizona's irrigated areas are leased for cash. Cash leases are about two and one half times as numerous as share among tenants, taking no account of owners who rent additional land. When considered county by county, using census figures as of 1939, the relative numbers of cash and share leases varied a great deal. Maricopa County cash leases among tenant farmers were five to one as compared with share leases, while Graham County cash leases were only one half as numerous as share leases. Cash leases in Pinal County also were fewer than share leases, the proportions being about three cash to every four share leases. On the other hand, cash leases were the more numerous in Yuma, there being about four cash to every three share leases in that county among tenant farmers (Table 1).

Share leases took on a place of greater importance, however, when acres of crop land harvested (1939) were taken into consideration instead of numbers of farms and farm operators. Taken as a whole, the acreage under share lease, farmed by tenants, slightly exceeded the acreage leased for cash. This came about largely because of the four-to-one superiority of the acreage under share lease over the acreage leased for cash in Graham County and because of a similar but less extreme excess of acreage under share lease in Pinal County. Acres under share leases in the latter county were three times as numerous as under cash leases. In contrast, Maricopa County's acreage under share lease was but one half as large as the acreage under cash arrangements. Yuma County's acreage leased on shares by tenant farmers somewhat exceeded the acreage leased for cash (Table 2).

These results take no account of the farm operators classified in the census as part owners, since the published tables of the Census Bureau give no breakdown of these operators according to type of lease. Also, something over 10 per cent of all tenants made incomplete returns as to their rental agreements. On this account and for other reasons they were not classified as to type of lease and were lumped under the heading "other." The question is, were their leases distributed by type in the same proportions as the tenant farmers' leases that were classified by type? Some light was thrown on the subject by examining the A.A.A. records of 1940 in which participating farmers are reported by tenure. It was thought advisable to use the more recent 1940 figures instead of those used by the census for the crop year 1939. This inconsistency is compensated by the greater usefulness of the more recent figures.

According to these records, about 70 per cent of Yuma County leases, something over 54 per cent of all leasing agreements in Pinal County, and about 26 per cent in Maricopa County were on a share basis. The Pinal County figure almost exactly equaled the percentage of tenants in that county classified as share or share-cash tenants. The Maricopa County results, however, were significantly higher than the 17 per cent of tenants in that county classified as share or share-cash tenants according to the census. It would seem, therefore, that part owners and "other" tenants in Pinal County rented their land very much as did those classified according to type. On the other hand, it seems probable that part owners and "other" tenants in Maricopa County did more share renting than those tenants that were classified by type. Yuma County A.A.A. records, on the other hand, show that participating renters are more than two thirds on a share-lease basis, a result which indicates that a very large proportion of the part owners rent land on shares.

The Chief Subtypes of Share Leases

Share leases fall into two main subtypes, the 50-50 and the 75-25 lease. Under 50-50 leasing agreements, the landlord furnishes the land, pays all taxes, pays for 2 acre-feet of water (or one half of water or power costs), and pays for one half of the cotton picking and ginning costs, as well as one half of the harvesting costs of other crops. Often the landlord also pays one half of the cost of seed. The renter furnishes the stock, equipment, and labor and pays for one half of the cotton picking, ginning, and other harvesting costs. Usually, in the case of alfalfa hay, the renter mows and rakes the crop. Costs of baling and hauling, however, are divided 50-50. Each party gets one half of the crop—that is, one half of the cotton lint, cottonseed, and small grains and alfalfa. The renter more often shares water costs in alfalfa than in cotton production.

Individual 50-50 leasing agreements vary from this pattern in a number of cases. One landlord pays for all tractor fuel and water but meets only one third of the cotton picking costs. Another landlord owns a one half interest in the farming equipment. Still another owns all of the stock and equipment. In another arrangement the tenant pays all water costs. In a number of cases the 50-50 agreement extends to all items beyond the ownership of the land by the landlord and the labor and stock and equipment of the tenant. All expenses, including taxes, are shared 50-50 and the proceeds of the enterprise are divided likewise.

A 50-50 dairy lease would differ somewhat from a cropping lease in that the dairy herd represents an additional investment of considerable importance. In such a lease the landlord usually furnishes one half of the dairy stock, in addition to the land, taxes, and 2 acre-feet of water. He shares one half of all expenses over and above the labor of the renter and the use of the renter's farming equipment. The renter furnishes one half of the dairy stock, all of the labor, work stock, and farming equipment and meets one half of all operating expenses shared with the landlord. The landlord and renter divide the receipts half and half, including the increase from the herd. Essentially this lease tends to base the division of farm proceeds upon a net result, since the landlord shares in a greater proportion of the expenses than in a 50-50 cropping lease. Thus, also, while the renter's investment may be somewhat greater than in the case of a cropping lease, the landlord's investment is also greater, and they both stand a good chance to gain by the added responsibility.

The 75-25 share lease provides that the renter shall receive three fourths of the crop and the landlord one fourth. The renter assumes all costs, the landlord furnishes the land and pays the taxes. In some instances water costs are shared, generally half and half; and in a few cases the landlord pays for all of the water used. In a good many instances, while cotton as the main cash crop is divided 75-25, the alfalfa is divided 50-50. Also, while the renter generally furnishes all of the cottonseed, the case of alfalfa seed is different. In some instances the landlord furnishes all of the alfalfa seed, while in others he furnishes only one half. Generally the cotton is divided both as to lint and seed, but occasionally the tenant gets all of the cottonseed. In some instances, also, the landlord pays one fourth of the cost of picking and ginning, but in these cases he invariably receives one fourth of the seed in addition to the lint. Practically without exception the landlord's share of the cotton crop is delivered free at the gin. Alfalfa is sometimes divided on the field, baled, and sometimes delivered free at a hay shed.

Modifications of the 75-25 share lease are found in each of the major irrigated areas. The 66⅔-33⅓ share lease gives the landlord a larger share of the crop and reflects a greater bargaining power, generally due to superior land. In a 60-40 agreement the landlord gets a still larger share of the crop but pays 40 per cent of the picking and ginning costs and gets seed as well as lint at the gin.

Still another modification is the 80-20 lease in which the landlord's share of the crop is only 20 per cent of the total. This is the division that is sometimes used for the production of long-staple cotton, the production costs of which are higher than for short staple. If used in leasing land for short-staple cotton, it probably indicates poor soil or costly water. Promise of an unduly large share of the crop is necessary inducement to get a renter to take over. In a few cases as much as 90 per cent of the crop goes to the renter.

Occasionally a share leasing arrangement is found in which the renter furnishes nothing but his labor. The landlord supplies the land, water, work stock, implements, seed, etc., and pays all costs. The renter receives 25 per cent of the lint cotton. In effect this is a cropper arrangement and the renter is really a laborer paid in terms of the commodity produced instead of in cash. It should be noted, however, that the Arizona cropper differs from the cropper in the older cotton areas in that he operates a considerably larger enterprise and as a result gets a more valuable first-hand experience in handling work stock, equipment, and acreage. His returns from 25 per cent of the crop on an Arizona farm generally exceed those from the half-and-half share cropping unit in older areas.

A 75-25 division of the proceeds, either net or gross, may not with any degree of practicability be applied to dairy farming. Take the example of a renter who owns a dairy herd, work stock, and implements. His position is roughly analogous to that of the crop renter who seeks out a 75-25 sharing agreement. He cannot afford, however, to pay 25 per cent of the gross proceeds of his enterprise for the use of the land he must obtain, since his ownership of a dairy herd greatly intensifies his farming operations and increases the gross returns for a given acreage of land. Practically it would seem advisable that he rent the land necessary to his plans on a cash arrangement. Again, the matter of farm equipment for his herd comes up and a further step in the direction of practical solution would be to purchase a site for his operations, 10 acres or so, build the necessary farms, fences, dwelling, etc., and rent additional acres on a cash basis sufficient to produce forage and grain. All of this is on the assumption that the dairy farmer in a given locality can produce his feed more economically than he can purchase it and that adequately equipped farms for dairying are not plentiful.

The case of a renter who has managerial ability but lacks capital and who wishes to operate a dairy farm may be considered. He is somewhat in the position of the crop renter who gets a 25-75 lease, the landlord furnishing the land and equipment and paying all expenses. The crop renter gets 25 per cent of the lint cotton for his labor. There is a difference in the dairy farm situation, however, since the additional matter of the oversight and care of the dairy herd requires special abilities and extreme reliability on the part of the renter. The manager-tenant lease seems to fit the needs here better than any customary share lease. According to this kind of arrangement the manager tenant is paid a straight wage such as he would be able to get as a hired man plus a share in the net proceeds of the enterprise, or a stated share of the gross proceeds.[3]

Location of the Different Types of Farm Leases

Cash leases predominate in Maricopa County. They are from three to four times as numerous as share leases in that county and make up about three fourths of all the cash leases in Arizona irrigated areas. They are least numerous and least important in Yuma County, where they are less than one half as numerous as share leases, but take on more importance in Pinal County where there are three cash leases for every four share leases. In Graham County share leases exceed cash but not to the same extent as in Yuma County (Fig. 1).

Share leasing in Maricopa County is almost entirely by 50-50 agreements. All but 7 per cent of the share leasing contracts are thus made. The 7 per cent are 75-25, 66⅔-33⅓ and other share arrangements, 66⅔-33⅓ arrangement being most numerous.

Some share leases are to be found in practically every irrigation district in Maricopa County, but the number in at least one or two districts has considerably decreased during the past 6 or 7 years. On the whole, citrus, alfalfa, and dairy farming are carried on under share leasing arrangements to a much greater extent than cotton production. There is some share leasing in the pro-

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[3]If the share leasing arrangement provides for a division of the net proceeds of the farming enterprise, the items to be taken into account depend upon the type of lease and its terms of agreement. For example: In the case of a 50-50 dairy lease in which the landlord's investment in land and his expenditures for taxes and water are matched against the renter's investment in work stock and implements and the value of his own labor, the dairy herd being owned half and half, the net proceeds will be calculated by subtracting from the gross income an item covering only cash operating expenses. On the other hand, in the case of a manager-tenant lease, the net proceeds are calculated by subtracting from the gross income items covering cash operating expenses, depreciation in buildings, machinery, and other equipment, and interest on the total investment in land, equipment, stock, and machinery. The net proceeds may then be divided according to the terms of the leasing agreement. This procedure will also sometimes apply in the case of a 50-50 agreement which provides for an even division of the net proceeds of the enterprise, each party being credited with his contribution to expenses. For example, an item covering the value of the renter's labor will be credited as a contribution of the renter.

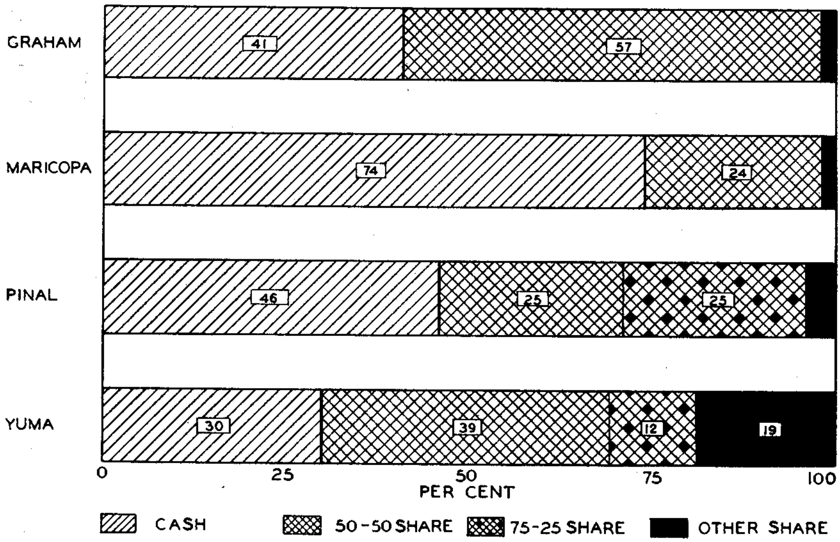

Figure 1.—Types of farm leases in irrigated areas, four Arizona counties, 1940. Looking upon Arizona's major irrigated areas as a whole, 50-50 agreements are most numerous among share leases, while 75-25 agreements are second in importance. Share leasing is used in the production of practically all field crops, while cash leasing is used exclusively in the case of certain special crops such as lettuce. Dairy and livestock share leases are not numerous in Arizona.

duction of other field crops as well. Truck crops, however, are produced entirely on cash leased land, unless operator owned.

Cash and share leases are quite unequally divided in Yuma County, 30 per cent being cash and 70 per cent share agreements. Cash leases are more numerous in the Yuma Valley district than in any other local area, but share leases make up the more important part of the leasing agreements in that area as well as in the others. About 39 per cent of all leases in this county are 50-50 agreements, just under 20 per cent are 66⅔-33⅓ leases, and the remainder are practically all 75-25 leases.

It is probable that drastic reductions in cotton production in Yuma County, especially in the Yuma Valley, where most of the cotton has been produced, have resulted in a considerable reduction in cash leasing. Correspondingly, increases in alfalfa and field crop production (other than cotton) have likely made for an increase in share leasing. Lands leased for truck crops were always taken on a cash basis, and some recent increases in lettuce acreage may have represented some changes in the numbers of cash leases. There probably are greater proportions of cash leases in the south Gila than in the Mohawk area in which cash leases are only one fifth as numerous as share leases. The 66⅔-33⅓ leases were largely concerned with the division of the cotton crop, but many of these contained a 50-50 provision for the division of the alfalfa crop. Many 75-25 leases, also largely concerned with the division of the cotton crop, provided for a 50-50 division of alfalfa hay. Fifty-fifty leases were most largely used in renting alfalfa farms, while also constituting an important form of lease for cotton and other field crop production. The relative abundance of water in the Yuma Valley has much to do with the considerable number of 66⅔-33⅓ leases in the county, crop production thus being relatively certain. However, it should be pointed out that the hazards due to insects and plant diseases have been large in comparison with other areas. In this kind of agreement the tenant often assumes the entire cost of water as in the case of 75-25 leases.

Share leases are more generally used than cash in Pinal County, the percentages being 54 and 46, respectively. About 46 per cent of all share leases are 50-50 agreements, and an exactly equal percentage are on a 75-25 basis. The remaining 8 per cent of all share leases make a 66⅔-33⅓ division of the chief cash crop, with a few miscellaneous share arrangements counted in.

Few cash leases and few 50-50 share leases are to be found in the western part of the Casa Grande Valley in Pinal County. The 75-25 leases predominate, with a considerable number of 66⅔-33⅓ leases. It should be pointed out that in other counties as well as in Pinal County, the tenant holding a 66⅔-33⅓ lease generally pays all of the water charges and other costs, with the exception of one third of the costs of picking and ginning the cotton, which the landlord pays.

Most of the cash leasing in Pinal County occurs in the Eloy area. Highly productive land and large operating units characterize this area.

Much share leasing is done in the eastern part of the Casa Grande Valley. This area extends, roughly, north from a line about 7 miles south of Coolidge, then eastward to the limits of irrigated land. Fifty-fifty arrangements are most numerous in this area. A great many 75-25 leases are made here and some 66⅔-33⅓ agreements as well.

On the whole, then, farms operated under cash lease in Pinal County are concentrated in the Eloy area, share leases with a 75-25 division of crops predominate in the western part of the Casa Grande Valley, and 50-50 share leases predominate around Coolidge and eastward. It is probable that the relative scarcity of gravity water during recent years in the main part of the valley has done much to encourage share rather than cash leasing. On the other hand, the pumping area around Eloy has been relatively certain of a water supply, though costly, a feature which together with the productivity of the soil has tended to encourage cash leasing and large scale operation.

Just about three of every five leases in Graham County are share agreements. What cash leases there are in the Safford Valley are largely for farms located near Safford, and of these the greater number lies up the valley from Safford. Share leasing is pretty well distributed over the valley, with 50-50 agreements far in excess of all other kinds.

All in all, taking Arizona's major irrigated areas as a whole, 50-50 agreements are most frequently to be found among share leases, with 75-25 agreements being second in importance. Fifty-fifty agreements are used in leasing both cotton and alfalfa lands, while 75-25 leases apply more strictly to the production of cotton and other field corps. Rentals for the production of long-staple cotton are practically all made on an 80-20 basis. Dairy and livestock share leases are not extensively used in Arizona (Fig. 1).

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