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How to Use the New County share Rent

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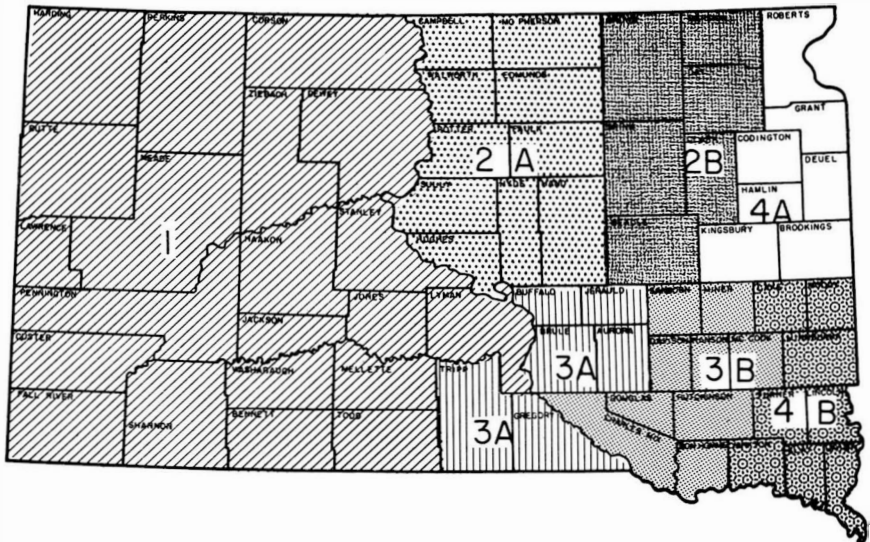
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how to use the new **COUNTY SHARE RENT**



**ECONOMICS DEPARTMENT
AGRICULTURAL EXPERIMENT STATION
SOUTH DAKOTA STATE COLLEGE, BROOKINGS**

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How to Use the New COUNTY SHARE RENT

By RUSSELL L. BERRY
Associate Professor of Economics

Why should farm landlords and tenants consider the new county share rent? First we will compare this rental method with the familiar crop share rents. Then we will discuss how to use it.

SIDE EFFECTS OF SHARE RENTS

Share rents are the most popular rental method in South Dakota. Over 80% of the farmers pay some share of crops as rent. Share rents are popular because the cash value of the rent varies with both crop yields and crop prices. This popularity is well deserved. However, the share rent has some unfortunate "side effects."

The main difficulty is that the way the tenant farms affects the amount of the landlord's rent. Because this is true, the landlord may feel compelled to take a strong hand in the management of the farm. This often creates "hard feelings," and short tenure. Some landlords avoid these difficulties by simply telling the tenant "Now the farm is yours. You do a good job and pay a fair rent and you can keep the farm as long as you want it." Even if this is not said, the tenant knows that it is true. He must farm to please the landlord or lose the farm. Under the usual share rent this is the only fair way to operate.

COUNTY SHARE RENTS ELIMINATE SIDE EFFECTS

Rents can vary with yields and price without the unfortunate side effects. This is possible under the new county share rents. Here the rent varies with the county average yields of the crops rather than the yields of the farm being leased. Because the tenant's management has little or no effect on the county average yields, the landlord has freedom from worry about the tenant's farming. Thus the landlord is more likely to keep the tenant year after year.

The tenant also benefits. Because the landlord is less concerned about the details of his farming, the tenant has more freedom of management. His chances of keeping the farm are improved and he is likely to take more interest in improving the farm and following good soil conservation practices. This also benefits the landlord. Thus both the landlord and tenant enjoy the benefits of share rent leases without their unfortunate side effects.

HOW TO CALCULATE THE COUNTY SHARE RENT

First, determine the normal county share rent for the farm being leased. As an example, for the Sterling Farm referred to in figure 1,

the normal county share rent would be calculated as shown in table 1.

Second, decide what share of the normal gross returns would be a fair county share rent.

The Sterling Farm's actual one-third crop share rent averaged \$12.80 from 1943 to 1960. But when the rent is compared with the \$10 in table 1, three things should be kept

Table 1. How the Normal Share Rent Is Calculated

Normal crops	Normal acres	Normal yields, bu.	Normal prod., bu.	Expected prices	Normal gross returns
Corn	100	31	3,100	\$ 1.00	\$3,100
Oats	50	36	1,800	.60	1,080
Flax	70	12	840	3.00	2,520
Alfalfa	10	1.7 T.	17 T.	15.00	255
Total	230 (10 acres fence, roads, etc.)				\$6,955
Normal gross returns per acre ($\$6,955 \div 230$).....					\$ 30
Landlord's one-third share (33%).....					10
Landlord's two-fifths share (40%).....					12

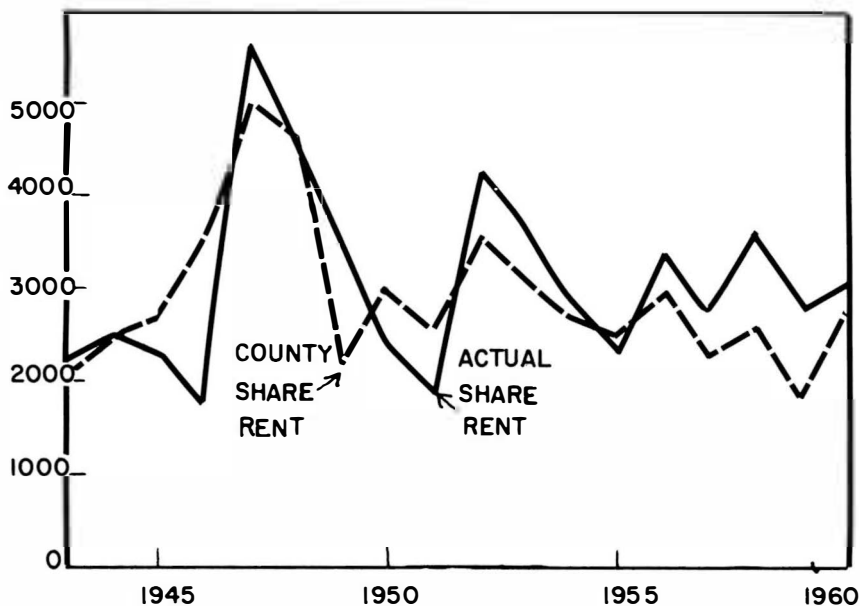


Figure 1. County share rent varies much the same as the usual share rents. The solid line shows the actual crop share rent for the "Sterling Farm" in Brookings County for 18 years—1943-60. Had the county share rent been used, rents would have varied as shown by the dotted line.

The difference is that the actual crop share varies with the yields on the farm being leased, while the county share varies with the county average yields. Tenant's management has little effect on county share rent.

in mind: 1) The Sterling Farm's average yields were higher than the county average yields, 2) Prices during this 18-year period were considerably higher than those used in the table and which can be expected for the next 3-5 years, and 3) The landlord shared fertilizer costs that he would not share under county share rents. Hence, it is not surprising that the rents were higher than those which could be expected under county share rents in the next few years.

Also, because the Sterling Farm

is more productive than the average farm in the county, its rent should be higher than a one-third share—say 35 or 40%. If set at 40% (two-fifths share), his rent would be \$12 per acre. Since many farms in Brookings County rent for this share, this seems fair when county average yields are being used. If the farm were less productive than the average, then the rent should be less than the average share—say between 25 and 30%.

See figure 2 for a comparison of the two rents on a central South Dakota farm.

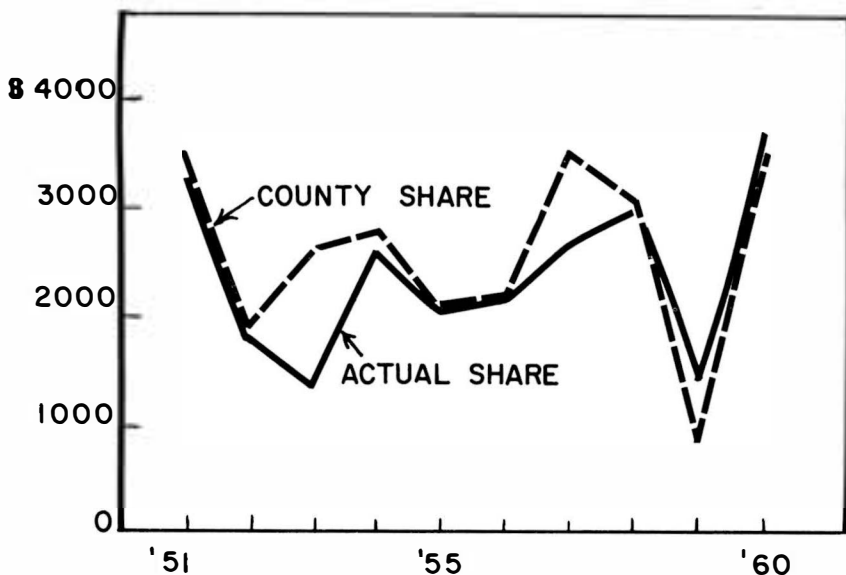


Figure 2. Comparison of actual crop share and county share rent on a central South Dakota farm. Solid line shows the actual crop share rents received by a landlord for 370 acres of cropland on the "Belle Plaine Farm" in Spink County for 10 years—1951-60. Broken line shows how closely a county share rent would have followed the actual share rents.

Part of the difference is due to the tenant's management and part to local growing conditions. Under the county share rent the landlord's rent cannot be affected by the way the tenant farms nor by his honesty in dividing the crops.

SELECTING THE NORMALS

Normal Crops. Choose those that are most popular in the county. The most popular crops by economic areas are shown in table 2. Substitute the more popular crops for those that have relatively small acreages. The county average yields on minor crops may be less reliable than for the more important crops.

Remember that the tenant will be free to grow any crops he considers desirable, whether or not they are listed as normal crops. The landlord may, if he wishes, set a minimum acreage of legumes to be grown, or perhaps a maximum acreage of row crops, but this is not recommended.

Normal Acres. This should be the acres of each normal crop usually grown on the farm. The larger the acreage of high profit crops such as corn, wheat, or flax listed as normal, the higher will be normal gross re-

turns and the lower should be the share. Hence, care should be used in listing both the acreage and yields of the normal crops.

Normal Yields. Use the county average yields for the past 10 years or more. The 20-year average yields are shown in table 3. Remember that the lower these yields are, the more frequently they will be exceeded in the years ahead and the more likely rents will be above normal.

Landlords will find it to their advantage to have the yields set low because they can then claim a larger share of the gross returns. Tenants will have the advantage when they are set higher than justified because the landlord should then claim a smaller share. The problem is to set it just right. The best solution is to use at least a 10-year average yield published by the South Dakota Crop and Livestock

Table 2. Most Popular Crops in South Dakota by Economic Areas, 1961

Crop	State	Area 1	Area 2a	Area 2b	Area 3a	Area 3b	Area 4a	Area 4b
	%	%	%	%	%	%	%	%
Corn	26	7	17	19	29	43	27	51
Oats	22	12	19	18	21	30	25	29
All wheat	20	35	37	28	14	4	9	2
Alfalfa	15	27	14	12	23	12	11	9
Flax	4	1	3	6	*	2	16	1
Barley	4	5	3	9	3	2	5	2
Sorghum	3	4	1	1	6	5	1	1
Rye	2	1	2	4	1	1	1	*
Soybeans	1	*	*	*	*	*	2	4
All other crops	3	8	4	3	3	1	3	1
Total cropland	100	100	100	100	100	100	100	100

Source: South Dakota Crop and Livestock Reporting Service: *S. D. Agriculture, 1961.*

*Less than .5%; wild hayland was excluded.

Reporting Service for the county in which the farm is located.

Normal or Expected Prices. Select those that can be expected in the next 3 years or more. Perhaps the best guide is the prices of the last 2 or 3 years. These can be obtained from the South Dakota Crop and Livestock Reporting Service at Sioux Falls. Do not use a long-time average price that includes abnormal prices unless you have good reason to believe that they are likely to occur within the next few years.

Average prices received by South Dakota farmers in 1962 per bushel: corn \$.96, wheat 2.08, oats .55, barley .78, rye .91, flaxseed 2.85, soybeans 2.25, and baled hay \$14 a ton.

When the landlord and tenant have agreed upon the county share,

the normal crops and acres to be used in calculating the normal rent, these figures may be entered in the lease form as shown in figure 3.

Normal Quality. The grain's normal quality was not specified in figure 3 because the South Dakota Crop and Livestock Reporting Service reports the average price for all grades sold. The normal quality or grade of the crops must be specified when the prices are secured from an elevator, newspaper, or farm magazine since they usually quote prices by grades. Often only grade No. 2 or better is reported. Because the tenant probably will not be able to produce No. 2 corn or No. 1 wheat each year, the prices may need to be adjusted downward by a few cents per bushel when these grades are used.

Table 3. Average Crop Yields per Acre, 20 Years, 1941-60, in South Dakota

Areas and counties	Corn bu.	Oats bu.	Barley bu.	Flax bu.	Winter wheat bu.	Spring wheat bu.	Alfalfa hay tons
Area 1 av.	15.5	25.5	19.8	6.3	18.8	11.6	1.08
Bennett	15.4	25.1	18.8	6.3	21.5	11.0	1.23
Butte	26.8	33.1	27.4	7.5	18.3	15.4	1.75
Corson	15.0	25.5	19.3	6.6	13.7	11.5	.97
Custer	16.6	25.7	18.1	5.2	18.0	12.5	.96
Dewey	14.0	24.5	18.6	5.8	13.2	11.2	.90
Fall River	15.9	23.9	18.9	5.7	19.5	11.6	1.18
Haakon	14.3	23.7	18.6	5.2	20.7	11.2	.86
Harding	14.8	24.8	20.2	6.5	15.1	11.5	.95
Jackson	12.6	23.3	17.9	5.5	19.4	10.8	.84
Jones	13.8	24.8	17.7	5.1	16.3	10.9	.95
Lawrence	21.7	31.1	25.0	7.0	19.8	16.6	1.38
Lyman	17.5	27.2	19.4	6.5	17.1	12.1	1.02
Meade	15.5	25.9	22.1	5.5	19.0	12.5	.97
Mellette	14.0	25.1	17.6	6.0	16.9	10.7	1.06
Pennington	13.5	24.7	19.1	5.4	18.6	11.4	1.12
Perkins	14.4	25.9	20.9	6.2	14.8	11.6	.91
Shannon	13.4	23.3	18.7	5.1	21.2	10.4	1.25
Stanley	13.8	24.4	18.5	6.0	20.6	11.4	1.06
Todd	15.3	23.2	17.0	6.2	17.3	10.6	1.18
Washabaugh.....	12.6	22.9	18.6	5.9	20.9	10.6	1.01
Ziebach	13.1	23.2	18.3	4.7	13.4	11.4	.81
Area 2a av.	18.5	28.2	18.7	6.6	21.4	11.7	1.21
Campbell	19.9	29.5	20.0	6.9	16.5	12.5	1.28
Edmunds	18.2	26.2	19.2	6.2	21.3	10.8	1.19
Faulk	18.3	28.6	18.8	6.8	20.5	11.4	1.09
Hand	18.8	27.7	17.9	6.8	22.3	11.6	1.23
Hughes	16.4	26.3	17.4	5.8	20.3	11.0	1.24
Hyde	18.4	28.3	18.5	6.4	18.3	11.4	1.16
McPherson	19.4	29.0	18.8	6.5	15.7	11.2	1.34
Potter	18.5	30.0	18.8	7.2	20.6	12.4	1.15
Sully	17.4	30.0	17.9	6.3	23.5	11.9	1.14
Walworth	19.1	29.2	19.7	6.9	17.3	12.3	1.29
Area 2b av.	21.9	29.7	20.6	7.8	15.8	12.7	1.33
Beadle	20.6	27.5	17.3	7.7	18.2	11.6	1.36
Brown	21.9	30.6	21.2	7.5	14.7	13.2	1.33
Clark	23.4	30.6	20.7	8.3	15.9	13.0	1.35
Day	23.1	31.8	22.6	7.7	15.1	13.3	1.23
Marshall	24.3	30.9	22.5	8.0	17.6	14.3	1.32
Spink	20.5	28.5	19.5	7.3	14.2	12.0	1.42

Table 3. Average Crop Yields per Acre, 20 Years, 1941-60, South Dakota (Cont.)

Areas and counties	Corn bu.	Oats bu.	Barley bu.	Flax bu.	Winter wheat bu.	Spring wheat bu.	Alfalfa hay tons
Area 3a av.....	19.6	25.4	18.6	7.2	17.8	11.8	1.32
Aurora	22.0	21.9	18.4	7.4	17.6	11.5	1.43
Brule	17.8	24.8	17.7	6.9	18.1	11.8	1.29
Buffalo	17.2	27.6	17.6	6.5	18.3	11.2	1.28
Gregory	20.8	24.6	19.6	7.6	16.4	12.4	1.35
Jerauld	21.3	27.0	19.3	7.5	15.4	12.2	1.36
Tripp	17.5	24.3	18.5	6.7	18.1	11.4	1.26
Area 3b av.....	26.8	28.0	19.8	9.1	17.0	12.2	1.66
Bon Homme ..	30.4	27.3	19.5	8.4	15.8	12.2	1.84
Charles Mix ...	22.8	26.2	19.8	8.4	17.4	12.7	1.64
Davison	25.7	28.4	19.4	8.8	15.6	12.0	1.61
Douglas	25.0	27.4	20.6	8.8	17.9	12.4	1.66
Hanson	27.6	28.6	18.9	9.2	13.8	11.8	1.67
Hutchinson ...	29.6	27.9	18.9	9.0	15.9	12.4	1.72
McCook	29.8	29.6	21.8	9.6	18.3	13.2	1.86
Miner	24.8	28.9	20.3	9.0	14.2	11.6	1.55
Sanborn	24.6	26.7	18.3	8.0	14.7	11.3	1.46
Area 4a av.....	29.9	34.1	23.3	9.3	14.6	14.1	1.65
Brookings	31.5	35.8	25.1	10.4	13.7	14.9	1.72
Codington	24.6	32.2	22.1	8.4	16.5	13.5	1.40
Deuel	31.6	34.9	24.7	10.2	15.3	13.7	1.74
Grant	32.0	33.9	23.8	9.2	15.2	14.1	1.76
Hamlin	27.8	34.6	23.7	9.3	17.6	14.9	1.65
Kingsbury	29.1	32.5	22.0	10.5	14.7	13.7	1.76
Roberts	29.8	34.1	23.4	9.0	13.3	14.2	1.51
Area 4b av.....	37.9	33.1	25.1	11.3	19.0	14.7	2.09
Clay	39.2	29.4	27.4	12.3	19.4	16.4	2.18
Lake	33.5	33.5	24.1	10.7	16.6	14.6	1.94
Lincoln	40.2	34.5	25.8	12.0	18.3	14.9	2.01
Minnehaha ...	38.6	33.8	26.4	11.2	17.8	14.4	2.20
Moody	36.8	34.9	25.7	11.4	18.3	13.6	1.97
Turner	37.2	29.7	22.3	10.5	16.6	14.4	2.01
Union	40.8	34.1	25.7	12.5	19.4	14.4	2.22
Yankton	35.9	31.3	23.5	10.2	18.4	14.2	2.15

Source: South Dakota Crop and Livestock Reporting Service.

Normal Price Period. The month during which the harvest takes place is the normal price period. Landlords who have customarily stored grain for a rise in price will

receive cash they can invest. If they have storage space on the farm or elsewhere, they could accept grain instead of cash rent and hold it for the seasonal rise in prices.

Figure 3. Lease form for entering the normal figures agreed upon.

County Share Rental Method

1. Annual County Share Rent: The tenant agrees to pay as the annual rent for the cropland on the farm described above, the cash value of share or per cent of the annual average county harvested yields as reported for County, South Dakota, by the South Dakota Crop and Livestock Reporting Service, Sioux Falls, South Dakota, for the following normal crops, normal acres, normal qualities, and normal price periods:

Normal crops:	Normal acres:	Normal quality:	Normal Price Periods (inclusive)	
			From:	To:
.....
.....
.....
.....

The prices used in this calculation shall be the prices paid to farmers during the normal price periods of each year of this lease as quoted or reported by

**USE ESTIMATES
FOR TEMPORARY SETTLEMENT**

Because the county average yields are not usually available until March or April of the following year, a temporary settlement is desirable as soon as the crop is harvested.

The landlord estimates as carefully as he can the county average annual yields for each normal crop at harvest time. These estimates are used in place of the average county yield to determine a preliminary rent. The landlord may consult the tenant in making these yield estimates, but this should not be required. The landlord should be free to consult anyone he wishes—this should be his responsibility. If he overestimates the yields, he has to refund the excess rent to the tenant with 8% interest as penalty at the time of final settlement in March or April.

Landlords who live some distance from their farms should arrange to get reliable reports from others on crop yields so the necessary estimate of yields can be made. Elevator men and county extension agents can help provide the information for careful estimates of the yields. The South Dakota Crop and Livestock Reporting Service usually publishes reports on crops during the season. (See Section C2 of the county share rental form.)

**USE OFFICIAL YIELDS
FOR FINAL SETTLEMENT**

The landlord recalculates the

rent as soon as the South Dakota Crop and Livestock Reporting Service publishes the county harvested yields in its annual report. Whatever the results, the landlord notifies the tenant and the tenant has 3 weeks in which to make the final payment without penalty.

If the landlord overestimated the rent, he repays the tenant at once with a penalty of 8% interest. (See Section C3 of the county share rental form.)

TENANT BEARS MORE RISK

Yields on a leased farm could be seriously affected by hail, fire, or flood that may not affect most farms in the county. Thus in some years the county average yield may be fairly good, while the farm being leased has a crop failure due to either natural conditions or management.

The landlord who shares on a county yield basis bears less risk than the share rent landlord. Because he has less risk, the rent should be enough lower to permit the tenant to take out crop insurance against natural hazards. The tenant, of course, bears all the risks of his management. If he does a poor job, he alone suffers. If he does an excellent job, he alone benefits.

COUNTY SHARE RENT LEASE FORM

A suggested form is included in this publication for arranging a county share rent. Complete a form of this type if you wish to try the county share rent.

Form 1A

COUNTY SHARE RENT FARM LEASE*

A lease which contains much of the flexibility of crop share rents and much of the security of fixed cash rents.

THIS LEASE is entered into this day of, 19..... between, landlord, whose address is and, tenant, whose address is

A. PROPERTY LEASED. The landlord hereby leases to the tenant, to occupy and use for agricultural and related purposes, the property located in County, State of, and commonly known as the farm, further described as:

.....
.....
.....
.....

and consisting of acres, more or less, together with all buildings and improvements thereon except

.....
.....

B. TERM OF LEASE. The landlord and tenant agree that the term of this lease shall be year(s) from, 19..... to, 19....., and this lease shall continue in

*Prepared by the Economics Department, Agricultural Experiment Station and Cooperative Extension Service, South Dakota State College, Brookings. Additional copies may be secured free upon request.

effect from year to year thereafter until written notice of termination is given by either party to the other at least _____ months before expiration of this lease or any renewal.

C. RENT TO BE PAID. The landlord and tenant agree that the rent shall be determined and paid as follows:

1. Annual County Share Rent. The tenant agrees to pay as the annual rent for the cropland on the farm described above, the cash value of _____ share or per cent of the annual average county harvested yields as reported for _____ County, South Dakota, by the South Dakota Crop and Livestock Reporting Service, Sioux Falls, South Dakota, for the following normal crops, normal acres, normal qualities, and normal price periods:

Normal crops	Normal acres	Normal quality†	Normal Price Periods (inclusive)	
			From	To
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

The prices used in this calculation shall be the actual prices paid during the normal price periods of each year of this lease as quoted or reported by (Specify South Dakota Crop and Livestock Reporting Service or other source of your choice):

†The normal quality or grade should not be specified when the prices received by farmers as reported by the South Dakota Crop and Livestock Reporting Service are used because these prices represent the average returns for all grades sold.

2. **Preliminary Rent.** Because the county average annual harvested yields are not usually available until March or April of the following year, it is mutually agreed that a preliminary rent shall be determined and paid as follows:

a. **Small grain rent.** At the close of the normal price period for small grains, the landlord shall estimate the county average harvested yields of the normal small grain crops specified above and use the estimated yields to calculate this portion of the preliminary rent. The landlord shall then notify the tenant by certified mail (return receipt requested) that the small grain portion of the preliminary rent is due and the tenant shall pay this portion within 3 weeks of the date of notification.

b. **Row crop rent.** At the close of the normal price period for row crops, such as corn and sorghums, the landlord shall estimate the county annual average harvested yields of the normal row crops specified above and use the estimated yields to calculate this portion of the preliminary rent. The landlord shall notify the tenant by certified mail (return receipt requested) that the row crop portion of the preliminary rent is due and the tenant shall pay this portion within 3 weeks of notification.

3. **Payment of final rent.** When the average annual county yields are published by the South Dakota Crop and Livestock Reporting Service, the landlord shall use said yields to calculate the final county share rent.

a. If the **final** rent exceeds the **preliminary** rent then the landlord shall notify the tenant of the additional rent due, and the tenant shall pay the additional rent, without interest, within 3 weeks of the date that the notice is given.

b. If the **preliminary** rent paid exceeds the **final** rent, then the landlord shall pay the tenant the difference with interest at 8% per annum from the time of payment of the preliminary rent until paid. Should the tenant fail to pay either the preliminary or the final rents in the time specified, he shall pay interest at 8% per annum on the unpaid balance until paid.

4. **Pasture and farmstead rents.** The landlord and tenant mutually agree that, at the time of the payment of the preliminary rent on that the tenant shall pay an additional cash rent for the acres of permanent pasture of dollars per year;

an additional cash rent for the house of dollars per year; and an additional cash rent for barns, sheds, granaries, bins, etc. on this farm of dollars per year; and that upon failure to pay this additional cash rent the tenant shall pay thereon an additional 8% per annum until paid. These rents shall not vary with crop yields or prices.

D. SOIL CONSERVATION. The tenant agrees:

1. To control soil erosion as completely as practicable by strip cropping and contouring and by filling in or otherwise controlling small washes or ditches that may form.

2. To keep in good repair all terraces, open ditches, and inlets and outlets of tile drains, preserve all established watercourses or ditches including grass waterways when seed and fertilizer are furnished by the landlord, and refrain from any operation or practice that will injure them.

3. To use diligence in preventing noxious weeds from going to seed on the farm and to destroy the same and keep the weeds and grass cut or destroyed on the fields, farmstead, roadside, and fence rows. Treatment of weed infestation and cost thereof shall be handled as follows:

.....
.....
.....

4. To plow no permanent pasture nor hayland without the consent of the landlord.

5. To prevent injury to the land by the tramping of fields by livestock or the rooting of hogs.

6. To cut no live trees without the consent of the landlord.

7.

.....
.....

8.

.....
.....

E. MAINTENANCE OF BUILDINGS, ETC. The landlord and tenant agree:

1. That the tenant shall at his own expense keep the buildings, fences, and other improvements on the farm in as good repair and condition as they are when he takes possession, and in as good repair and condition as they may be put during the term of the lease, ordinary wear and tear, loss by fire, or unavoidable depreciation or destruction excepted.

2. That the following materials necessary to put the farm buildings and fences in good repair at the beginning of this lease may be purchased by the tenant with the cost to be paid by the landlord or deducted from the rent:

Kind of Material	Amount of Material	Grade or Quality
-----	-----	-----
-----	-----	-----
-----	-----	-----

3. That the tenant shall secure the landlord's written permission before he: (a) erects or permits to be erected on the farm any nonremovable structure or building or (b) incurs any expense to the landlord for such purpose or (c) adds electrical wiring, plumbing, or heating to any buildings, and, if consent is given, he will make such additions meet standards and requirements of power and insurance companies or (d) house automobiles, motortrucks, or tractors in barns or otherwise violate restrictions in the landlord's insurance policy, which restrictions the landlord shall make known to the tenant.

4. That at the beginning of this lease the following acreages were prepared or seeded as shown and, at the termination of this lease, the rent due or paid shall be adjusted at the rates shown in direct proportion to the changes in acreage.

Acreage Prepared	Kind of Preparation	Adjustment Rate
-----	-----	-----
-----	-----	-----
-----	-----	-----

F. NEW IMPROVEMENTS. The landlord and tenant agree as follows regarding new improvements:

1. The tenant may erect or make improvements of a temporary or removable nature not otherwise provided for below at his own expense and may remove the same during this lease, or a reasonable time thereafter, provided that he leaves in good condition that part of the farm from which they are removed.

2. The landlord shall make at his own expense the following permanent improvements and pay the tenant for his costs in labor and management:

Improvement	Completion Date	Total Cost	Tenant's Cost
-----	-----	\$-----	\$-----
-----	-----	\$-----	\$-----
-----	-----	\$-----	\$-----

3. The tenant shall make the following improvements and will be reimbursed by the landlord for the unexhausted share of his costs when he leaves the farm as indicated in the following table:

Improvement	Completion Date	Estimated Cost		Depreciation Rate (%)
		Total	Tenant's	
-----	-----	\$-----	\$-----	
-----	-----	\$-----	\$-----	
-----	-----	\$-----	\$-----	

Example: Suppose the improvement costs \$2,000 and the tenant furnishes \$1,000 of the cost which is depreciated at 10% per year. Then suppose the tenant leaves the farm 6 years later. In this case the landlord should pay him \$400 for his unexhausted improvement.

G. PROPERTY RIGHTS. The landlord and tenant agree that:

1. **Right of Entry.** The landlord, his agents, employees or assigns shall have the right to enter the property at any reasonable time: (a) to inspect the property, (b) to collect the rent after it is due, (c) to make repairs and improvements, (d) to develop mineral resources, and (e) after notice of termination of the lease is given, to plow, seed, fertilize, and do other crop work which does not interfere with the tenant's farm operations.

2. **No Right to Sublet.** The tenant shall not sublet any part of this property or assign the lease without the written consent of the landlord.

3. **Right of Successors.** This lease shall be binding upon the administrators, executors, heirs, and assigns of both the landlord and the tenant.

H. **OTHER AGREEMENTS.** The landlord and tenant agree that:

1. **Arbitration of Differences.** Any differences between the parties as to their several rights and obligations under this lease that are not settled by mutual agreement after thorough discussion shall be submitted for arbitration to a committee of three disinterested persons, one selected by each party hereto and the third by the two thus selected, and the committee's decision shall be accepted by both parties.

2.

.....
.....

In witness of these agreements the parties have signed this lease on the date first written above:

Landlord's signature:

Tenant's signature:

Witness:

Witness:

Form 1A

COUNTY SHARE RENT FARM LEASE*

**A lease which contains much of the flexibility of crop share rents
and much of the security of fixed cash rents.**

THIS LEASE is entered into this day of, 19.....
between, landlord,
whose address is
and, tenant,
whose address is

A. PROPERTY LEASED. The landlord hereby leases to the tenant, to occupy
and use for agricultural and related purposes, the property located in
..... County, State of
....., and commonly known as the
..... farm, further described as:

.....
.....
.....

and consisting of acres, more or less, together with all
buildings and improvements thereon except

.....
.....

B. TERM OF LEASE. The landlord and tenant agree that the term of this
lease shall be year(s) from, 19.....
to, 19....., and this lease shall continue in

*Prepared by the Economics Department, Agricultural Experiment Station and
Cooperative Extension Service, South Dakota State College, Brookings. Additional
copies may be secured free upon request.

effect from year to year thereafter until written notice of termination is given by either party to the other at least months before expiration of this lease or any renewal.

C. RENT TO BE PAID. The landlord and tenant agree that the rent shall be determined and paid as follows:

1. **Annual County Share Rent.** The tenant agrees to pay as the annual rent for the cropland on the farm described above, the cash value of share or per cent of the annual average county harvested yields as reported for County, South Dakota, by the South Dakota Crop and Livestock Reporting Service, Sioux Falls, South Dakota, for the following normal crops, normal acres, normal qualities, and normal price periods:

Normal crops	Normal acres	Normal quality†	Normal Price Periods (inclusive)	
			From	To
.....
.....
.....
.....
.....

The prices used in this calculation shall be the actual prices paid during the normal price periods of each year of this lease as quoted or reported by (Specify South Dakota Crop and Livestock Reporting Service or other source of your choice):

.....

†The normal quality or grade should not be specified when the prices received by farmers as reported by the South Dakota Crop and Livestock Reporting Service are used because these prices represent the average returns for all grades sold.

2. **Preliminary Rent.** Because the county average annual harvested yields are not usually available until March or April of the following year, it is mutually agreed that a preliminary rent shall be determined and paid as follows:

a. **Small grain rent.** At the close of the normal price period for small grains, the landlord shall estimate the county average harvested yields of the normal small grain crops specified above and use the estimated yields to calculate this portion of the preliminary rent. The landlord shall then notify the tenant by certified mail (return receipt requested) that the small grain portion of the preliminary rent is due and the tenant shall pay this portion within 3 weeks of the date of notification.

b. **Row crop rent.** At the close of the normal price period for row crops, such as corn and sorghums, the landlord shall estimate the county annual average harvested yields of the normal row crops specified above and use the estimated yields to calculate this portion of the preliminary rent. The landlord shall notify the tenant by certified mail (return receipt requested) that the row crop portion of the preliminary rent is due and the tenant shall pay this portion within 3 weeks of notification.

3. **Payment of final rent.** When the average annual county yields are published by the South Dakota Crop and Livestock Reporting Service, the landlord shall use said yields to calculate the final county share rent.

a. If the **final** rent exceeds the **preliminary** rent then the landlord shall notify the tenant of the additional rent due, and the tenant shall pay the additional rent, without interest, within 3 weeks of the date that the notice is given.

b. If the **preliminary** rent paid exceeds the **final** rent, then the landlord shall pay the tenant the difference with interest at 8% per annum from the time of payment of the preliminary rent until paid. Should the tenant fail to pay either the preliminary or the final rents in the time specified, he shall pay interest at 8% per annum on the unpaid balance until paid.

4. **Pasture and farmstead rents.** The landlord and tenant mutually agree that, at the time of the payment of the preliminary rent on
..... that the tenant shall pay an additional cash rent for the acres of permanent pasture of dollars per year;

an additional cash rent for the house of dollars per year; and an additional cash rent for barns, sheds, granaries, bins, etc. on this farm of dollars per year; and that upon failure to pay this additional cash rent the tenant shall pay thereon an additional 8% per annum until paid. These rents shall not vary with crop yields or prices.

D. SOIL CONSERVATION. The tenant agrees:

1. To control soil erosion as completely as practicable by strip cropping and contouring and by filling in or otherwise controlling small washes or ditches that may form.

2. To keep in good repair all terraces, open ditches, and inlets and outlets of tile drains, preserve all established watercourses or ditches including grass waterways when seed and fertilizer are furnished by the landlord, and refrain from any operation or practice that will injure them.

3. To use diligence in preventing noxious weeds from going to seed on the farm and to destroy the same and keep the weeds and grass cut or destroyed on the fields, farmstead, roadside, and fence rows. Treatment of weed infestation and cost thereof shall be handled as follows:

.....
.....
.....

4. To plow no permanent pasture nor hayland without the consent of the landlord.

5. To prevent injury to the land by the tramping of fields by livestock or the rooting of hogs.

6. To cut no live trees without the consent of the landlord.

7.

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8.

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.....

E. MAINTENANCE OF BUILDINGS, ETC. The landlord and tenant agree:

1. That the tenant shall at his own expense keep the buildings, fences, and other improvements on the farm in as good repair and condition as they are when he takes possession, and in as good repair and condition as they may be put during the term of the lease, ordinary wear and tear, loss by fire, or unavoidable depreciation or destruction excepted.

2. That the following materials necessary to put the farm buildings and fences in good repair at the beginning of this lease may be purchased by the tenant with the cost to be paid by the landlord or deducted from the rent:

Kind of Material	Amount of Material	Grade or Quality
-----	-----	-----
-----	-----	-----
-----	-----	-----

3. That the tenant shall secure the landlord's written permission before he: (a) erects or permits to be erected on the farm any nonremovable structure or building or (b) incurs any expense to the landlord for such purpose or (c) adds electrical wiring, plumbing, or heating to any buildings, and, if consent is given, he will make such additions meet standards and requirements of power and insurance companies or (d) house automobiles, motortrucks, or tractors in barns or otherwise violate restrictions in the landlord's insurance policy, which restrictions the landlord shall make known to the tenant.

4. That at the beginning of this lease the following acreages were prepared or seeded as shown and, at the termination of this lease, the rent due or paid shall be adjusted at the rates shown in direct proportion to the changes in acreage.

Acreage Prepared	Kind of Preparation	Adjustment Rate
-----	-----	-----
-----	-----	-----
-----	-----	-----

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