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farm management

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OUTLINE AND GUIDE FORMS FOR
FAMILY FARMING ARRANGEMENTS

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OUTLINE AND GUIDE FORMS FOR
FAMILY FARMING
ARRANGEMENTS

(Circular 12-47)

Dept. Rural Economics and Rural Sociology, Ohio
State University and Ohio Agricultural Experiment Station

Outline

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INTRODUCTION

Nearly every community contains cases of a father and one or more sons (or sons-in-law, etc.*) working together in some sort of farming arrangement. The experience of some actual cases may be of help to others who are contemplating a farming arrangement among family members, or are seeking to improve a plan already in use.

VARIOUS PLANS OF OPERATION

Representatives of the Department of Rural Economics and Rural Sociology, The Ohio State University and Ohio Agricultural Experiment Station, have visited many jointly-operated farms, in different type-of-farming areas in Ohio, and have studied the details of a number of different arrangements. Based upon these data and experiences, certain observations have been established relative to the success and usefulness of various plans. An outline of various types of plans found in practice follows:

1) Son shares income from one or more enterprises

Arrangements of this type are usually found where a son is still in the apprenticeship period. Many develop from 4-H Club or Vocational Agriculture projects. In some cases the share paid the son is in lieu of cash wages with the important difference that sharing the returns may lead him to exert more effort.

2) Wages and bonuses

The son is paid cash wages by the father. Usually, room, board and laundry are supplied the son without charge but such may influence the amount of wages. Sometimes a bonus is paid if farm income exceeds a certain minimum.

3-6) Shares of net returns (joint operators, 1/4, 1/3, 1/2 and 2/3 shares are most common)

Agricultural share leases generally divide the gross income from sales of crops and livestock enterprises when sold. Many father-son agreements, however, differ from a lease by providing for periodic or annual division of returns

*/The term son represents all members of the younger generation. It includes sons-in-law, daughters, adopted sons and any young person treated as an heir.

on a net basis after all (or a considerable part) of the operating expenses have been paid from a joint bank account.

The four common shares of net returns going to a son or sons are: 1/4, 1/3, 1/2 and 2/3. Such net return is not always profit because depreciation and minor costs were not accounted. At times, more than one basis of sharing may be used in the same agreement, the receipts from different enterprises being determined separately. As a son grows older he often contributes more and receives a greater share of the returns.

7) Partnership (in the legal sense, full or limited)

In some cases all real and personal property will be owned or rented in common, and all income and expenses are shared jointly on a fixed or equal basis. In others, similar shares prevail but the father retains his title to the real estate.

8) Lease by the son, cash and share rent

The son pays for full use of the land and buildings. All income in excess of the rent goes to the son. The father may still work at maintaining his land and buildings while they are rented to the son. The parents may or may not reside with the son and his family.

OBSERVATIONS OF TYPICAL ARRANGEMENTS

Temporary arrangements

Arrangements listed under (1 and 2) above are generally temporary plans for that period during which a son is an apprentice, or when he is in a position to furnish only his own labor, and is not in a position to assume greater individual responsibility. Under Ohio law, children under 21 years of age cannot be held legally responsible under all circumstances.

Joint operators, sharing net returns, requires more records

Under plans (3-6) it was observed that when a father and son choose a plan based upon sharing net returns they not only accept a higher degree of mutual cooperation and responsibility but also are taking the first step toward developing an equal partnership. Until such a partnership is achieved the equity

of the son is being built up and this may result in subsequent changes in the contributions of each. Careful records are needed to keep track of such changes in the shares of each operator.

When several changes in the basis of sharing are made during a business year it also becomes difficult to determine the individual taxable shares of both father and son. For this reason, and in the interests of better records and simplicity, there is an advantage in the son acquiring a definite equity and keeping it during the business year. This can be done by the father taking a note from the son for the purchase of a full $1/16$, $1/8$, $1/4$, etc. share in the personal property used in the joint farming business. When such a note has been paid by the son the process may be repeated until he owns (and contributes to the business) property equal to that of his father.

It is quite possible, however, for any number of different shares to be made part of a joint arrangement and such plans to share net returns may become rather complicated on some farms, especially when several sons participate and are at various stages of acquiring equities in the joint farming business.

It frequently happens that because of such complications and frequent changes in the arrangement the farming records are not well kept and too much depends upon verbal agreements -- with the risk of great confusion in case of an emergency.

In addition, many families neglect to decide in advance whether or not a partnership is intended, and confusion results not only in dealing with others, but also may occur within the family itself should one of the operators meet with an accident or die.

Briefly, it was observed that plans to share net income lack important essentials when they fail to provide for:

- a) an agreement as to the things to be contributed by each person
- b) an equitable division of the annual net cash receipts
- c) the maintenance and improvement of farm property

- d) keeping the agreement fair to all in changing situations
- e) an equitable final settlement when the agreement is terminated
- f) adequate records (to meet any emergency) such as -- a written contract; and inventory; a record of receipts and expenses; and a definite plan for dividing the annual net return
- g) security of tenure for the son without injury to any brothers and sisters or other heirs to the farm real estate
- h) a statement that the joint operators do, or do not, intend to form a partnership in the legal sense

Partnership involves greater responsibility and liability at law

Under plan 7 it was observed that partners, being human, can make a success of the business only after a high degree of mutual understanding and cooperative responsibility are present. Under full partnership, each member is jointly and individually liable for the risks associated with the business. In a lesser partnership the liability of an individual member may be limited at law but few will qualify under this type of arrangement. In many cases, the requirement of full, individual liability for each member results in the exclusion of younger persons from a full partnership arrangement because the risk of his or her acts falls heavily upon the property already accumulated by the older partner. Courts have held that the real estate used by a partnership is the property of the firm, no matter in whose name it stands, and it will be treated as personal property to the extent necessary for the purposes of settling the firm's debts and adjusting equities.

Agricultural leases are relatively simple

Under plan 8 a farm may be leased to the son for a cash rental or by the terms of a customary crop-share or livestock-share lease agreement. It was observed that share leases may be satisfactory when a few side agreements can take care of the circumstances which arise from the fact that the arrangement is within the family. There is a tendency, however, for families to pattern their arrangement after the terms of leases even though the contributions of

father and son often vary somewhat from year to year and both operators furnish some labor, some capital and participate to some extent in the management. These contributions do not conform to "renting on shares" as prevails in local Ohio communities and most leasing plans would therefore, without modifications, be inadequate.

Share leases are customary and in frequent use

It should be recognized that probably a majority of father-son agreements are first patterned after a customary share lease, and are fundamentally a landlord-tenant relationship rather than one of joint operation or partnership. Even though it may be the intention of both parties to develop a very close relationship, many retain a share-leasing arrangement because the merits of a share lease lie in its relative simplicity:

- 1) The property interests of each can be kept separate and be accounted for on a physical basis.
- 2) Because division of the income is on a gross basis the details of bookkeeping are minimized.
- 3) Because leases are in frequent use, custom has defined fairly well the rights and responsibilities of each party.
- 4) The terms of leases can be liberalized and modified to fit many circumstances.

An option to purchase the farm adds security

Because operating under a short-term lease gives a son no more security of tenure on the farm than that of any other tenant not related to the family, some father-son agreements include an option to purchase the farm by the son as an additional feature. Such an option to purchase can be included with any farming agreement and should give a little more protection to the younger man by helping to prevent a sudden liquidation under adverse conditions.

A SUMMARY OF FAMILY FARMING CLASSIFIED
ACCORDING TO THE CONTRIBUTION OF EACH AND
THE CONTRACTUAL RELATIONSHIP INTENDED

Although eight methods of operation have been discussed above, and a ninth plan, Incorporation, is also possible, the various alternatives open to a father and son may be summarized under as few as five basic types of contractual agreements. Four different guide forms, designed to conform to each basic type (exclusive of incorporation) have been developed and are attached to the back of this outline. An outline of five basic types of agreements follows:

WAGES (OR SHARE IN LIEU OF WAGES)

Type I (Contributions) Where son has only his own labor to contribute and does not plan to supply a share of the capital. Father furnishes all else.

(Contract between;) Employer and employee.

(Compensation;) Wages, wage and bonus or a share of returns in lieu of wages.

JOINT OPERATORS, NOT PARTNERS

Type II (Contributions;) Where each contributes labor, capital and management and the intentions are either, --

A) to divide the net receipts in the same proportion that contributions are shared, or --B) to divide the net receipts on the basis of a predetermined share, agreed upon in advance, and to contribute to the business in the same proportions.

(Contract between;) Joint operators with no intention of creating a legal partnership.

(Compensation;) A share of the net returns of the joint farm business.

AGRICULTURAL LEASES

Type III (Contributions;) Where each wishes to contribute what would be contributed under a customary or prevailing lease by a landlord and tenant. Actual contributions depend upon the terms of the lease

used; the father would contribute little or no labor in most cases.

(Contract between:) Landlord and tenant.

(Compensation:) A share (or cash payment, or both) under terms of the lease for father, remainder to son.

Special note: An option to purchase the farm is sometimes made an additional feature of the lease.

PARTNERS FULL OR LIMITED

Type IV (Contributions:) Where each furnishes from the start a fixed share of the labor, management and capital with the intention of joint operation on a full or limited partnership basis. Because contributions and income shares remain fixed under this plan it avoids complicating changes during the business year.

(Contract between:) Partners, either full or limited

(Compensation:) A fixed share of the returns

(Liability:) Each full partner is liable individually and jointly for all risks connected with the business, and at least one partner must be fully liable in any partnership.

INCORPORATED FIRM

Type V (Contributions:) Where the farm is operated as a business corporation the firm furnishes everything.

(Contract between:) Father and son are employees of the firm. Each may or may not also own stock in the corporation with power to select the management of the farm.

(Compensation:) Salaries as employees of the corporation plus earnings on shares owned.

WILLS AND VERBAL AGREEMENTS TO TRANSFER REAL ESTATE LACK SECURITY

In studying actual family farming arrangements it was found that in 60 percent of all cases no agreement had been reached with regard to the eventual transfer of title to the farm real estate other than to permit the farm to

descend by law at the death of the parents. About 27 percent of the families reported the existence of a will which would determine how the farm real estate was to be inherited, and 13 percent had reached a verbal understanding as to the eventual ownership of the farm. As a matter of fact, any will can be changed so long as the maker is of sound mind, and no member of the family need be informed of any change or of the existence of a new will. Likewise, verbal agreements concerning real estate are rarely enforced in a court of law, and if any plan is to withstand the challenge of one of the heirs it should be in writing, and better yet, bear the signatures of those who have or anticipate an interest in the farm real estate.

METHODS OF TRANSFERRING FARM REAL ESTATE

The methods by which real estate may be transferred from one generation to the next are described as follows:

1) The laws of descent and distribution will dispose of real property among the heirs whenever the owner dies without leaving a valid will.

2) An owner may indicate who is to inherit the farm real estate by making a valid will -- but a wife can always choose to ignore a will and take under the law.

3) An owner may transfer title by deed of gift.

4) An owner may transfer title by sale under a deed and mortgage, cash sale, conditional sale (land contract), deed with bond of maintenance, or under an annuity valuation arrangement.

5) An option to purchase under any number of circumstances, including the death of the owner, can be made a feature of a lease or other farming agreement.

A DEED MUST BE DELIVERED TO BE VALID

Any deed, even a deed of gift, is void unless delivered during the lifetime of the giver. Furthermore, the distribution of property by a person within two years before death is construed by Ohio law to be made in contemplation of death and the property is subject to the inheritance tax.

NO SINGLE METHOD IS ALWAYS SUPERIOR

There are many advantages and disadvantages associated with different methods of family farming including the transfer of real estate and no one method is superior under all circumstances. Each family must first decide what their circumstances are and then determine what sort of an arrangement is desired. An attorney trained in legal language can then execute the desired details of agreement.*/

*/ Two publications which include considerable detail about Ohio laws relating to the farm home and farm real estate are:

- 1) "Legal Aspects of the Business of the Home", Bulletin 214, Agricultural Extension Service, Ohio State University, Columbus 10, Ohio.
- 2) "Facts About Legal Safeguards in Buying a Farm", Series No. 45, November, 1946, Dept. Rural Economics and Rural Sociology, Ohio State University, Columbus 10, Ohio.

GUIDE FORMS, FOUR TYPES, JOINT FARMING AGREEMENTS

Circular 12-47

Dept. of Rural Economics and Rural Sociology, Ohio State University
and Ohio Agricultural Experiment Station, Columbus 10, Ohio

Type One.--Where son contributes only his labor

The son has his own labor to contribute but is not in a position to supply, or plan to supply, a share of the capital. Under this circumstance the agreement may be established on a guaranteed wage, or wage plus bonus, basis as provided for in Agreement Form 1.

Type Two.--Where each contributes labor, capital and management

This plan is suitable when the intentions of the parties are either,--
A) to divide the net returns in the same proportion that contributions are shared, or --B) to divide the net returns on the basis of a pre-determined share, agreed upon in advance, and to contribute to the business in the same proportions. It is not intended that this agreement should create a legal partnership. See Agreement Form 2.

Type Three.--Where a share-lease plan is desired

This plan is suitable when the intention of the parties is to create a landlord-tenant relationship based upon a share lease. Where the father contributes none of his own labor this plan is no different from customary or prevailing leases between nonrelated persons. Consult Agreement Form 3.

Type Four. Where joint farming on a partnership basis is intended

Under some circumstances father and son may wish to establish a partnership arrangement whereby it is contemplated that from the start each will furnish a fixed share of the labor, management and capital and each will share in the income accordingly. Because both contributions and the sharing of income are based on a fixed share, the bookkeeping and details of the agreement are simplified but individual liabilities as partners are increased. See Agreement Form 4.

Form 1. -- Agreement to Conduct Joint Farming Operations When Son is to be Compensated With Wages And/Or Bonus

(Names and date) This agreement is entered into this _____ day of _____ 19____ between _____ (father's name) and _____ (son's name) who mutually agree to work together the farm of _____ acres located in _____ (twp.) _____ (County) _____ (State) and operated by _____ (father's name).

TERMS: This agreement is to begin _____ (date) and _____ (son) agrees to devote his full time to regular farm work; to devote part of his time to farm work; (mark out one not applying)

In consideration of the performance of the above work _____ (father) agrees to pay to _____ (son) in addition to room, board and laundry the sum of \$ _____ in regular install-ments _____ (weekly monthly) during the period covered by this agreement.

Description of Bonus Arrangement (if any):

This agreement may be extended for additional periods by mutual agreement noting the new dates, new details and signatures in the margin below. Notice by either party to dissolve this agreement must be given _____ in advance of _____.

Signed _____ FATHER

Signed _____ SON

Form 2. Agreement to Operate a Farm Jointly, on a Non-
Partnership Basis, Under Labor, Management and
Property Share Arrangements

This agreement made this _____ day of _____,
19__ by and between _____ father, and _____ son,
of the County of _____ and State of _____.

Witnesseth:--

Article I. Purpose -

This agreement is for the sole purpose of operating a non-partnership farm business on the following described farm lands, being known as _____ and consisting of _____ acres, more or less, located in _____ Township of aforesaid county and state; and on such other lands as may be purchased or rented.

Article II. Time of Agreement -

This agreement is to begin _____ 19__ at 12 o'clock noon and is to run year after year and can be terminated by either party giving written notice to the other party _____ months in advance, and not later than _____.

Article III. Extent of Agreement -

This agreement shall be binding on the heirs, executors, administrators, and assigns of both father and son in the same manner as on these original parties, except as modified by mutual consent: _____

Article IV. Contributions - (Things to be provided by each person)

A. Labor.--Each party to this agreement shall furnish his own labor as follows: _____

Father = _____ Months per year; Son = _____ Months per year

Rate of pay for own labor (dollars per month): Father= _____ Son= _____

Such wages (or cash advances) shall be paid from joint farm funds to father and son regularly each _____ (week; month; year).

B. Real and personal property.---A beginning inventory of all property owned and contributed herewith by each is attached to and is a part of this agreement. It is agreed that the personal property furnished by father is in money value \$ _____ and by son \$ _____ on this date; and the real property furnished by father is in money value \$ _____ and by son \$ _____ on this date. The value of all property contributed is agreed to be \$ _____, which is the sum of inventory values of real and personal property contributed at the start of this agreement. Real and personal property, contributed under this Section B, Article IV, are to be compensated for at a rate of _____ percent interest for real property and at _____ percent interest for personal property, payable annually, under terms of annual cash settlement to be made as required by this agreement. Changes in inventory are to be accounted for only at the termination of this agreement, except for real estate values as elected under item 2, section E, Article IV.

C. Management.---The following items of responsibility are agreed upon as described:

- (1) General operating plans shall be agreed upon at the start of each year. Adjustments may be made at any time by mutual agreement.
- (2) All financial transactions shall pass through the farm bank account, except that a cash fund not to exceed \$ _____ may be kept to defray small expenditures. All checks on the farm bank account shall be signed by _____ (father)
_____ (son) or _____
_____ (Both parties).

- (3) No chattel mortgage shall be given on any property used in the farm business without consent of all parties to this agreement.
- (4) An inventory of all real and personal property shall be taken at the beginning date of this agreement and become a part of the agreement.
- (5) A strict account of all farm cash income and cash expenses shall be kept by _____ (father) _____ (son). (Use of the Ohio Farm Account Book is suggested). An account shall be kept of all cash advances made to the parties to this agreement.

D. Receipts and Expenses Defined.---

Gross cash income shall include receipts from: livestock and livestock products; crops; used equipment; labor off the farm and other miscellaneous income unless excepted by mutual agreement.

Sales of livestock and equipment owned solely by _____ (father) _____ (son) will-will not

(mark out one) be included in future joint cash receipts. Sales of timber will-will not (mark out one) be included in the joint cash receipts. Rents and royalties arising from mineral rights, sales of easements and rights of way will not be included in the joint cash receipts.

Joint farm expenses shall include expenditures for: rent of additional land; livestock, equipment and tools; supplies, including those for normal upkeep of farm improvements; fertilizer, lime; seeds; feeds and food processing; insecticides; wages and expenses of hired labor; machine hire; machinery repair; gasoline and oil; the farm share of electricity and telephone; interest and principal payments (on jointly borrowed funds only);

and any other farm business expenses paid out of the undivided farm income when so agreed. The purchase and maintenance of automobiles shall be an individual personal expense. Reimbursement from joint farm funds may be made for use of personally owned vehicles in the farm business.

E. Maintenance of Property Defined.---

Title to the real estate contributed shall remain undisturbed in the name of the owner. It is agreed, however, that current maintenance shall be paid out of the undivided farm income to an extent necessary to maintain the real estate in its present condition. Any additional improvement or repairs may be made according to either of the following options: (Mark out one not selected).

Option--(1) The expense of improvement will be financed out of net returns (after wages and interest are provided for), or personal funds on the same basis that net cash returns are shared; in which case each party to this arrangement shall also share in the unexhausted value of such improvement, when this agreement is terminated, or its terms revised, in proportion to the agreed-on share in the net cash returns existing at the time the expenditure was made.

Option--(2) The expense of the improvement will be paid in full by the owner of the land; in which case the inventory value of such real estate shall be increased by a like amount not later than the beginning of the next farm business year.

Article V. Division of annual income -

An annual cash settlement shall be made on the following basis:

A. Net cash receipts (or deficit) shall be the difference between the value of cash receipts for the year and cash expenses as defined for the same period in Section D, Article IV.

B. Deductions shall be made from the net cash income in this order: (a) for wages (or cash advances) to father and son as agreed under Section A, Article IV; (b) for interest on property contributed by each as valued in the beginning inventory under Section B, Article IV.

C. (Option a) After deducting wages and interest from net cash receipts it is agreed in advance that the remaining cash return (or deficit) shall be shared by father _____% and by son _____%.

(Option b) After deducting wages and interest from net cash receipts the remaining return (or deficit) shall be shared in the same proportions that property was contributed and expenses were shared during the period covered by the cash settlement.

D. The following outline is provided for determining the annual cash settlement as described above:

Cash Settlement Between _____ Father and
 _____ Son for Period _____ 19 _____ to _____ 19 _____

Cash receipts minus expenses = Net cash receipts for total farm.				
Item No.	SHARES:	TO TOTAL FARM	TO FATHER	TO SON
1. Net cash receipts	\$		xxx	xxx
2. Wages advanced	\$		\$	\$
3. Interest on property contributed	\$		\$	\$
4. Total wages and interest	\$		\$	\$
5. (Item 1 minus 4) net cash return	\$		a/	a/
6. Total income shares (Item 4 plus 5)	\$		\$	\$

a/ Percentage share of (item 5) net cash return as agreed in Section C, Article V.

E. In any year when a deficit is experienced the deficit shall be covered by (1) a reduction in the rate of interest paid on the inventory value of farm capital, or (2) a proportionate reduction in both interest rate and wages (Mark out whichever does not apply).

F. When this agreement is terminated: (FINAL SETTLEMENT)

- (1) An ending inventory of real and personal property shall be taken to determine (a) the increase or decrease in physical quantity and value of property during the period of joint operation and (b) the value of the final interest of each party.
- (2) The parties to this agreement shall share in any increase or decrease in the undivided personal property in the same proportion; a) used for the current division of the net cash return as stated in (C) above; b) as originally contributed (mark out one).
- (3) The unexhausted value of improvements to real estate made by the expenditure of undivided farm income, and the depletion of improvements arising from use in the farm business shall be shared in the same proportion as the current net cash returns are shared. Differences in value arising from fluctuations in the market price of real estate shall not be shared.
- (4) _____ (father) shall have the option to repurchase from _____
_____ (son) any unpaid-for share in

the personal property sold to him, on the same value basis used in the original transaction less reasonable depreciation charged against the item. The option to repurchase the son's share of jointly owned personal property shall apply up to only the physical amount of such property listed in the beginning inventory, and at the value determined in the ending inventory.

Article VI. Living Arrangements -

Both father and son and their families are to be furnished separate housing if desired. The cost of renting a separate dwelling shall - shall not (cross out one) be shared by both parties as a farm expense. A cost of \$ _____ per month for board and laundry for one party shall - shall not (cross out one) be paid to the party furnishing these items.

Article VII. Additional Topics Covered by This Agreement -

It is also agreed that.....

Article VIII. Arbitration -

If on any specific problems of this joint farming business agreement the undersigned are unable to reach a decision satisfactory to both, the decision is then to be left to three other people, one person selected by each party and these two in turn to select a third person. The decision then reached by any two of these arbitrators shall be binding on both father and son.

Signed _____ father

Witnesses:

_____ mother

_____ son

_____ son's wife

Note: The lease form below suggests points which should be covered in a livestock share lease. Since conditions and circumstances vary widely between individual farms, the terms to make an equitable lease for a particular farm would require variations from these stated in this lease.

Livestock Share Lease

This agreement made and entered into this _____ day of _____, 19__ by and between _____ landlord of _____, Ohio, and _____ tenant, of _____, Ohio.

Witnesseth: That the said landlord in consideration of the agreements and stipulations hereinafter mentioned to be kept and performed by said tenant does hereby lease to the said tenant to occupy and use for agricultural purposes the following described real estate situated in the county of _____, State of Ohio.

Length of Lease

Said tenant to have and to hold the said property subject to the conditions and limitations hereinafter mentioned for a period of one year beginning on March 1, 19__ at 12 m., and ending on March 1, 19__ at 12 m., and from year to year thereafter until written notice is given by either party to the other on or before the first day of September before the expiration of this lease or any renewal.

Landlord's Contribution

The method of renting is known as the livestock share plan. (1) The landlord will furnish the above described farm including the improvements thereon and pay all taxes on said property. (2) He will furnish all posts and fencing materials that may be needed upon said farm, either for repairing the fences now

on said land or for building new fences. (3) He will furnish the labor to build all new permanent fences other than replacements. (4) He will furnish the material and skilled labor necessary for repair to permanent improvements.

Tenant's Contribution

(1) The tenant agrees to farm the land in a husbandlike manner devoting his entire time thereto, and to furnish all labor necessary to successfully operate the farm; (2) to furnish all teams, tractor power, tools, machinery, and motor fuel necessary to properly conduct the farming operations; (3) to keep the buildings, fences, and other improvements in as good repair as they now are, ordinary wear, loss by fire, or unavoidable destruction excepted; (4) to provide the labor for replacing an agreed upon amount of fence each year; and (5) to haul out all manure made on the farm up to December 1, preceding the end of the lease, and spread where it will be to the greatest advantage to the farm.

Joint Contributions

The following investment and expenses shall be shared jointly and equally by the two parties to this lease. (1) All farm seeds to be planted or sown on the farm during the period of the lease, this to include grass and clover seed; (2) feed purchased for feeding the livestock owned in common by the parties hereto, also pasture hire if used by the livestock owned in common; (3) the expense for fertilizer, _____ tons of lime to be applied annually and paid for out of A.A.A. payments, the landlord to pay the cost of trucking to the farm; (4) the machine hire for threshing or combining both small grain and seed, silage cutting, or hay baling; (5) breeding fees and veterinary expense for livestock owned in common; (6) the taxes and insurance on all property owned in common; (7) hauling produce to market to be considered a joint expense; (8) all the livestock kept on

the farm, except horses and hens, shall be owned equally and in common, each party owning an undivided interest therein; (9) all of the livestock to be fed from undivided feed.

Tenant's Privileges

(1) The tenant may keep not to exceed _____ work horses. No other horses. (2) If the tenant wishes to raise colts, the landlord shall pay one-half the breeding fees and own a one-half interest in the colts. (3) The tenant to have the privilege of keeping not over fifty hens and _____ milk cows for his own use, the horses, milk cows, and up to fifty hens to be fed from the undivided home grown feed. If over fifty hens are kept, all shall be kept on the same basis as the other productive livestock. (4) the tenant to have house, garden, and what milk is needed for family use free of charge. (5) Each party is to receive one-half of any jointly owned livestock butchered for family use or to pay the other party market price for his share. (6) The tenant shall have the right to cut firewood out of the woods but he shall take only dead and fallen timber that is not good for lumber.

Division of Receipts

When any livestock owned in common, any milk, wheat, or any other products of said farm are sold or disposed of, the proceeds shall be divided equally between the two parties to this lease. The sale or purchase of jointly owned livestock, materials, or other farm products shall be made only with the consent of both parties to this lease.

System of Farming

(1) It is the intention of the parties to this lease to follow a rotation of _____.

(2) The landlord reserves the right to control the rotation and acreage of crops.

(3) It is the intention to keep approximately the following amount of livestock:

(4) No straw, corn stalks, chaff, manure, or stubble shall be sold or burned or hauled off the farm without the consent of the landlord, but all fed or spread upon the land. (5) The wheat stubble shall not be pastured after October 1.

Care of Property

(1) The tenant agrees to take good care of said premises and to farm said land and look after said improvements in a good, careful, prudent, and farmer-like manner, and to return said property in as good condition as he found it, ordinary wear and tear excepted. (2) The tenant shall maintain the yards in a tidy manner. From May to October he shall mow the yard at least once each month and keep it in a good clean condition.

(3) The tenant shall keep the weeds cut. He shall mow all fence rows and ditches between July 15 and August 15. He shall mow the roadside before the 25th of July.

(4) Wheat sown in the fall of 19__ by the tenant goes with the farm. If the tenant does not stay he is to be paid by the landowner for actual time of seeding and for his share of seed wheat and fertilizer. The tenant agrees to harvest the wheat seeded on the farm at the beginning of this lease, to pay for the twine and one-half of the machine hire for threshing or combining the same, and receive one-third of the wheat.

Right to Make Improvements and Compensation for Damage

The tenant shall make and maintain such improvements as are mentioned in this lease. If the tenant desires to make at his own expense further improvements which are usually provided by the landlord or in part by the landlord, he

shall obtain from the landlord his consent to make the improvement, and mutually agree upon a basis for compensating the tenant for the unexhausted value of such improvement upon the expiration of the lease. Or it may be agreed that instead of compensation the tenant may within sixty days after the termination of this lease remove such structures as he has built, provided he has given notice of his intentions to the landlord at the time of expiration of the lease and provided further that he leaves that portion of the farm from which such improvements are removed in as good condition as it was previous to the construction of such improvement.

At the expiration of this lease the tenant shall pay the landlord a reasonable compensation for any damage to the property for which the tenant is clearly responsible, an allowance being made for depreciation resulting from ordinary use.

Right of Entry

The landlord reserves the right to enter upon said land to inspect or to make improvements thereon and for any or all other lawful purposes in connection with the operation of the farm so long as it does not interfere with the rights of the tenant.

Division of Property at End of Lease

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

Arbitration

It is agreed that violation of this contract by either party shall be just cause for immediately voiding the contract. Differences between the parties of this lease shall be referred to three disinterested persons, one to be chosen by the landlord, one by the tenant, the two thus chosen to select a third. The decision of those three shall be binding.

Yielding Possession at End of Lease

The tenant agrees that at the expiration of this lease he will yield possession of the property to the landlord, without further notice, and that it will be in as good order and condition as when the same was entered upon by the tenant, loss by fire, or unavoidable accident and ordinary wear excepted.

Subleasing

The tenant shall not re-lease or sublet said premises or any part thereof without the written consent of the landlord.

Partnership Not Created

This lease agreement shall not be construed as giving rise to a partnership, and neither party shall be liable for debts or obligations of the other without written consent.

Signed _____ Landlord Date _____

Signed _____ Tenant Date _____

Form 4.--Agreement to Operate a Farm Jointly When a Partnership is Intended

This agreement by and between _____ Father, and

Son(s), entered into this _____ day of

19_____, for the sole purpose of operating a farm business in part-
nership on the following described real estate: _____

located in the County of _____, in the State of _____ and on any
other land said partners shall agree to buy or rent for farming purposes, shall
begin as a business partnership on _____, 19____ at 12 o'clock
noon and continue year after year as long as satisfactory to all parties.

Notice to terminate this agreement shall be given to the other members _____
months before the effective termination of this partnership.

Each shall give his entire labor and management to the farming business
except as follows: 1/ _____

The Father shall furnish real estate valued at \$ _____*/ and the Son(s) shall
furnish real estate valued at \$ _____*/ and each shall pay from his own funds
all taxes, insurance, and costs of new improvements to his own land and buildings.
Father and Son(s) shall each own jointly, on a _____

share basis, all equipment, tools, livestock, feed, and supplies used in the
farming business except as follows: 2/ _____

*/ Mark NONE if no real estate is furnished.

1/ If any partner(s) work(s) off the farm an adjustment can be made in the
amount of wage-allowance advanced to him during that period. Or, one may
prefer to assume a greater share of the cost of hiring labor or of other
specific expenses.

2/ Son can acquire his share by giving the Father a note and/or cash as pro-
ferred. In some cases Father furnishes all livestock and Son(s) receive(s)
a share of the natural increase only.

An inventory shall be taken at the start of this partnership. This inventory record (typical forms for which are provided in the Ohio Farm Account Book available at all County Agricultural Extension Service offices) shall show the ownership, amounts and value of all farm equipment, livestock, feed, crops and supplies on hand and in use by this partnership at its beginning.

All other plans and adjustments shall be made as needed during the farming year if agreed upon by all partners.

All purchases of more than \$ _____ value shall be made only when mutually agreed upon.

All farming business shall be transacted from a joint checking account at the _____ bank.

All checks shall be signed by _____
(name(s) of person(s) selected)

All accounts shall be carefully kept by _____
(name(s) of person(s) selected)

Additional topics covered by this agreement are: _____

Each partner shall be paid an annual return of _____ percent of the beginning inventory value of all real property and _____ percent of the beginning inventory value of all personal property furnished by him for the use of this partnership (see balance C).

The Father shall receive \$ _____ and Son(s) \$ _____
each month as advance cash allowances for own labor to be paid by checks drawn on the joint farm business account, and income from work off the farm done by any partner shall - shall not (mark out one) become part of the cash receipts of the joint farm business. Any partner furnishing board, room and/or laundry to another partner shall - shall not (mark out one) receive payment for these items.

The Father and Son(s) undersigned agree to share the net undivided farm income or Balance D (Balance D is explained below) on a _____ basis. a/

A. Total cash farm receipts.....\$ _____
 Minus total cash farm expenses.....\$ _____
Balance A.....\$ _____

B. Total cash allowances advance, Item B.....\$ _____
 (Advances to Father for labor \$ _____
 Add these { " " Son " " _____
 for { " " " " " _____
 Item B { " " " " " _____
 Balance A minus B.....\$ _____

C. Returns to property for use of same, Item C.....\$ _____
 (To father for real estate \$ _____
 (To son(s) " " " _____ (if any)
 Add these { " " " personal property _____
 for { " " " " " _____
 Item C { " " " " " _____

D. = Item C deducted from A-B balance.....Bal. D \$ _____

Balance D is the net cash return (or loss) to be divided on the basis agreed to immediately above. a/

a/ Annual settlements should be on a cash basis on the theory that each is to be paid on the basis of what was contributed. The final settlement at the end of the partnership contract agreement shall account for the changes in inventory and the division of property shall be made on a physical rather than money-value basis wherever possible.

At the expiration of this agreement, all jointly owned farm property shall be divided on a physical basis, in the same shares as used to divide farm income under a previous section of this agreement, and the Father shall have the option to purchase any Son's share of indivisible property at current market prices for such items.

Also it is further agreed that

When no agreement can be reached, each partner shall choose a representative, and those chosen shall select another disinterested person to arbitrate the dispute. A majority decision by these arbitrators shall be binding on all concerned.

Signed _____ Father
_____ Son
_____ Son
_____ Mother
_____ Son's Wife

Witnesses;

