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16. Abstracts  A recent survey indicates that the pattern for farm lease contracts between tenants and landlords follows traditional land rental arrangements. However, there is more evidence of lease negotiations. Contracts range from almost purely crop-sharing leases in the western wheat/summer fallow regions to almost purely cash leases in the New York and Pennsylvania dairy regions. The most common agreement on share-rented acres and the most common rental on cash-rented acres are summarized for 35 States.				
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# U.S. Cropland Rental Practices

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Extension farm management specialists, surveyed in 1978, identified the most common agreement on share-rented acres and the most common rental on cash-rented acres (table 1). Agreements were identified for 35 States in which grain, oil, and cotton crops are an important part of the agriculture. Lease information is provided for subregions in which a tenth or more of the land is devoted to major field crops.

A one-page mail questionnaire was sent to the head farm management specialist at each of 35 land-grant colleges and experiment stations. Some follow-up telephone calls were made. Some added information was obtained from recent brochures and bulletins on rental arrangements in several of the survey States (see references at end of this report).

For details on rental arrangements see table 1. Share agreements are predominant in the Western States, the ratio of share-to-cash leases decreases gradually as one moves eastward, and cash leases are dominant in the Eastern States.

Certain States in which grain crops, oil crops, and cotton are not an important industry were not included in the survey. Similarly, some subregions within the survey States were omitted if acreages of these crops were relatively insignificant. The lease arrangements in table 1 are the ones most commonly employed in the specified area.

Material presented here is used in the Firm Enterprise Data System (FEDS), Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture, in making cost estimates covering the land charge. Land rental is generally the greatest single cost item for an operator renting all or part of the land. Even if the operator owns the land, it is necessary, for cost accounting purposes, to allocate an appropriate charge to the land input. The information provided should be useful to persons who employ farm budgeting as a tool in analyzing U.S. agriculture.

## FACTORS AFFECTING RENTAL ARRANGEMENTS

Farm land-rental arrangements are increasingly being negotiated between tenant and landlord to arrive at mutually satisfactory arrangements. For example, when the tenant is given responsibility for establishing a stand of alfalfa (or where the existing stand is poor), the share to the owner may be a relatively small 20 percent of hay cuttings. If, on the other hand, the owner provides a field with a good existing stand, he may ask for a larger share, probably 25 percent. Similarly, a tenant may be asked for only a 20-percent share of a wheat, corn, or bean crop raised on irrigated land. But, if potatoes or sugar beets are grown, he may be asked to increase the landlord's share to 25 percent. Demands made on the land by the latter two crops are so depleting that these crops can be grown on the same field only once in 3 years. The landlord requires a higher rental to compensate for added loss of soil nutrients and soil structure when potatoes or sugar beets are grown.

Higher quality land usually brings a higher rental. In poorly drained regions of Michigan, for example, tilled land brings a higher rental return than untilled lands. Good central Corn Belt land commands \$100 in cash rental per acre, while droughty West Texas land may rent for only \$8 per acre. In certain Missouri and Minnesota crop-share agreements, the landlord does not share harvesting and hauling costs on

land valued around \$1,500 to \$2,000 per acre. On lower valued land, he does share in these costs.

Types of contracts range from almost purely crop-share leases in the western wheat/summer fallow regions to almost purely cash leases in the New York and Pennsylvania dairy regions. Rental arrangements involve varying degrees of risk assumed by the tenant. Where the tenant-operator is subject to crop losses from drought, hail, or other elements, a crop-share type of agreement in which the landlord shares in the risk is usually proposed. As the probability of crop loss decreases and as the operator is assured of a steady income (as in dairy farming), cash rent usually replaces most of the share-rent contracts.

Major movements in farm product prices also may have a bearing on the types of leases employed. There was a flurry of interest in cash rents in some wheat areas during 1974-75 when wheat prices climbed to high levels. North Dakota and Oklahoma were among the States in which some landlords tried to quickly replace conventional share agreements with a cash lease and thus capture a more equitable proportion of the higher returns from wheat acres. With a return to lower and more uncertain prices, cash rentals have been reduced (from \$50 per acre to \$25-\$35 per acre in Oklahoma). There may be a gradual shift back to crop-share agreements.

Another type of rental arrangement has surfaced, apparently in response to recent crop price fluctuations. It is a flexible cash-lease agreement in which the rental depends on the ultimate price for which the crop sells. In this arrangement, the landowner is assured of at least a specified minimum cash rent. If a predetermined share of the crop should bring more on the open market than the agreed upon minimum, the landlord receives the larger amount. Some flexible cash rental arrangements are found in Washington, Idaho, Oklahoma, Minnesota, Missouri, and Illinois.

#### TYPICAL RENTAL ARRANGEMENTS

The 1/3-2/3 share rental agreement was the most common lease reported by the survey respondents. For a one-third share of the crop, the landlord contributes the land input and often a share of other inputs. With this degree of flexibility in cost sharing, it is possible to negotiate agreements which allow for differences in quality of land, climate, and other factors. Generally, the greater the probability of incurring low yields or crop failures, the more the landlord tends to contribute toward cost sharing. In turn, this improves the chances for the tenant to earn a profit and, thus, remain in business.

Small grains and sorghum on western drylands tend to come under some variation of the 1/3-2/3 crop-share contract. The 1/4-3/4 agreement, in which the landowner usually contributes the land factor only, is also retained in some of the higher risk regions, especially in North and South Dakota.

In the humid East and on irrigated land, the present share agreements provide the landlord with anywhere from 20 to 50 percent of the crop returns. The landlord tends to share in the operating costs in about the same proportion as the receipts. Share-lease agreements in the East are less attuned to risk, and cash-rental arrangements become more common when such hazards as drought present less threat to the crop outcome.

The 50/50 share-lease agreement is the second most typical agreement being used. It is especially prevalent throughout most of the Corn Belt, where there is less chance that a tenant will earn an income too small for his business to survive. The question is more nearly one of the landlord earning an adequate return on his high-priced land. The bargaining positions may be as in the Minnesota and Missouri cases

quoted earlier: the landlord pays half the harvesting costs on lower valued land, but the tenant has to pay all harvesting costs on land with a higher market value.

The 1/3-2/3 lease becomes the dominant pattern along much of the outer rim of the Corn Belt. In two segments of this perimeter, there is a transitional type of share agreement--a 40/60 arrangement in which the landlord receives two-fifths of the crop and his contribution to costs is intermediate between the 1/3-2/3 and the 50/50 arrangements. The two segments are where the Northern Plains adjoin the Corn Belt and where the Mississippi River Delta region adjoins southern Illinois. In the first of these segments there is a distinct belt where the 40/60 lease is dominant; it extends through south-central and southwestern Minnesota, southeastern South Dakota, and along a three-county wide belt south through eastern Nebraska. On the other hand, in southern Illinois, the 40/60 arrangement does not dominate anywhere; it simply exists along with the 1/3-2/3 arrangement in the transition area.



Table 1--Rental arrangements for specified crops, by State and region, 1978

Regions, State, and crop	Annual rent		Share-rent agreements: Items contributed by landlord in addition to the land
	Share	Cash	
	Percent	Dollars	
WEST			
Washington:			
Wheat-fallow region; wheat	33	--	0-33 percent of fertilizer. In longer term leases, operator pays all expenses except fuel and hail insurance and costs of the chemicals for perennial weeds. In short-term leases, landlord pays a proportionate share (same as his share of the crop) of the cost of fertilizer.
Palouse region; wheat, barley, peas	33	40-60	33 percent of fertilizer.
Columbia Basin; wheat, corn, beans	20-25	55-85	Irrigation wells, pumps, power units, and distribution system.
Oregon:			
Wheat-fallow region; wheat	33	--	0-33 percent of fertilizer.
Willamette Valley; wheat, barley	33	40-100	33 percent of fertilizer.
Irrigated land; wheat, corn, beans	25	100-120	Irrigation wells, pumps, power units, and distribution system.
Idaho:			
Northern; wheat, barley, peas	33	30-60	33 percent of fertilizer.
Southern; grain	33	--	33 percent of seed and fertilizer; irrigation wells, pumps, power units, and distribution system.  In usual Pacific Northwest agreements involving irrigation, tenant pays electricity for water distribution.
California:			
Sacramento Valley; wheat, barley	33	--	0-33 percent of fertilizer; 100 percent of irrigation wells and pumps.
sorghum	25-33	--	Same as for wheat and barley.
rice	33	--	0-33 percent of herbicides; 33 percent of fertilizer, insecticides, fungicides, custom application of chemicals and drying; 100 of canals.
San Joaquin Valley; wheat	20-25	--	Irrigation wells and pumps.
barley	25-33	--	Irrigation wells and pumps.
cotton	25	--	25 percent of ginning; 100 percent of irrigation wells and pumps.  Very little land in California is cash rented for grain and cotton crops.

See note at end of table.

Continued--

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State, and crop	Annual rent per acre		Share-rent agreements: Items contributed by landlord in addition to the land
	Share	Cash	
	Percent	Dollars	
Arizona:			
Maricopa County; cotton:	--	125	
Pinal County; cotton	--	45-60	Crop-share leases are rare in Arizona. Very little land, if any, is rented for small grains.
Southwestern; cotton, vegetables	--	130-150	
GREAT PLAINS			
Montana:			
North Central; wheat, barley	33	--	0-33 percent of fertilizer; 33 percent of crop insurance.
North Eastern; wheat, barley	33	--	33 percent of crop insurance.
South Central; wheat, barley	33	--	Landlord pays no crop insurance, but receives one-third of any insurance payments.
			Number of cash leases relative to share leases are small, and cash rents vary considerably.
North Dakota; grain, flax:	33	14-50	Usually none.
			50/50 crop share agreement is also used in north-eastern third of the State. Landlord contributes one-half of fertilizer, pesticides, combining and crop insurance, and all of seed. Crop returns are shared equally by the tenant and landlord.
South Dakota:			
Western; wheat	33	12-50	Usually none.
Northeastern; grain, flax	33	15-25	33 percent of fertilizer and chemicals.
Southeastern; corn	50	35-75	Half of seed, fertilizer, pesticides, custom application of chemicals and sometimes custom harvesting.
			The 1/4-3/4 sharing arrangement is also used on lesser quality land in North and South Dakota; landlord usually contributes only land.
Nebraska:			
Southwestern; wheat, rye	33	20	33 percent of fertilizer, insecticides, fungicides, custom application of chemicals, hauling, and drying.

Continued--

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State, and crop	Annual rent per acre		Share-rent agreements: Items contributed by landlord in addition to the land
	Share	Cash	
	Percent	Dollars	
Nebraska--Continued			
South Central:			
Dryland; corn, wheat, sorghum	40	40	40 percent of fertilizer, pesticides, custom appli- cation of chemicals, hauling, and drying.
Irrigated land; corn	40	100	Same as previous entry; 100 percent of irrigation wells and pumps; 40 percent of irrigation fuel.
Eastern; corn	40	45	40 percent of fertilizer, pesticides, custom appli- cation of chemicals, hauling, and drying.
Southeastern; sorghum, wheat	40	45	40 percent of fertilizer, pesticides, custom appli- cation of chemicals, hauling, and drying.
			Also 50/50 share-lease agreements for irrigated corn. Landlord pays 50 percent of seed, fertilizer, pesticides, hauling, drying, and irrigation fuel, and 100 percent of irrigation wells, pumps, power units, and distribution system.
Colorado:			
Eastern; wheat	33	--	Usually none.
South Central; barley	33	--	Usually none.
Northeastern; corn	50	--	Half of fertilizer, pesticides, spraying, and har- vesting (if custom done); 100 percent of irrigation wells, pumps, power units, distribution system; 0-100 percent of irrigation fuel.
Kansas:			
Western; wheat	33	--	33 percent of the fertilizer.
corn	50	65	All irrigation wells; half of fertilizer, pesti- cides, drying, irrigation pumps, power units, dis- tribution system, and fuel.
Southwestern:			
Dryland; sorghum	33	15	33 percent of fertilizer.
East Central; wheat, sorghum	33	28	33 percent of fertilizer and pesticides.
Eastern; wheat	33	25	33 percent of fertilizer.
Southeastern; sorghum	33	28	33 percent of fertilizer and pesticides.
soybeans	33	30	33 percent of fertilizer and pesticides.

Continued--

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State, and crop	Annual rent		Share-rent agreements: Items contributed by landlord in addition to the land
	per acre	Share	
	Percent	Dollars	
Oklahoma:			
Western;			
wheat, barley, sorghum, corn	33	25-35	33 percent of fertilizer and pesticides. (In the wheat areas)
cotton	25	--	25 percent of fertilizer, pesticides, and ginning.
dryland peanuts	25	--	25 percent of fertilizer, pesticides, combining, drying, and hauling.
irrigated peanuts	40	--	40 percent of fertilizer, pesticides, combining, drying, and hauling; all of irrigation water, pump, and motor.
Eastern;			
soybeans	33	--	33 percent of fertilizer and pesticides.
sorghum	33	--	33 percent of fertilizer, pesticides, and combining.
Texas:			
High Plains; wheat, sorghum	33	8	33 percent of fertilizer, insecticides, fungicides, custom application of chemicals, harvesting, hauling, and drying.
Dryland; cotton	25	15	25 percent of fertilizer, insecticides, fungicides, custom application of chemicals, and ginning; 100 percent of irrigation wells and pumps.
Irrigated; cotton	25	25	25 percent of irrigation wells and pumps.
Rolling Plains; wheat, sorghum	33	8	Same as High Plains.
Dryland; cotton	25	12	Same as High Plains.
Irrigated; cotton	25	25	Same as High Plains.
Blackland;			
wheat, sorghum	33	12	Same as High Plains, except drying is not needed.
cotton	25	15	25 percent of fertilizer, insecticides, fungicides, custom application of chemicals, and ginning.
Coastal Bend;			
sorghum	33	20	Same as in Plains and Blackland.
cotton	25	25	25 percent of fertilizer, insecticides, fungicides, custom application of chemicals, and ginning.
rice	14	--	14 percent of fertilizer, pesticides, custom appli- cation of chemicals, harvesting, hauling, drying, irrigation pumps, and irrigation fuel.

Continued--

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State, and crop	Annual rent per acre		Share-rent agreements: Items contributed by landlord in addition to the land
	Share	Cash	
	<u>Percent</u>	<u>Dollars</u>	
CORN BELT			
Minnesota:			
Western;			
wheat, barley, oats, flax	33	45	33 percent of fertilizer and herbicides; 0-33 per- cent of insecticides, fungicides, custom applica- tion of chemicals, and handling.
sunflowers	33	50	Same as wheat, plus 0-33 percent of drying.
Southern; corn, soybeans	50	70-100	Half of seed, fertilizer, pesticides, application of chemicals; shares in harvesting of lower valued land; usually all of fuel and power for drying corn.  In 50/50 agreements, tenant usually makes the first corn or soybean haul. Landlord pays share of later hauls.
Southeastern; oats	50	60	Half of seed, fertilizer, pesticides, and custom application of chemicals. Tenant usually provides first haul; then sharing.
Iowa:			
Western;			
corn	50	75	Half of seed, fertilizer, pesticides, and drying for corn; 0-50 percent of hauling.
soybeans	50	70	Same as corn.
oats	50	--	Half of seed, fertilizer and pesticides; 0-50 percent of the harvesting and hauling.
Central;			
corn	50	98	Half of seed, fertilizer, and pesticides; 0-50 per- cent of hauling.
soybeans	50	85	Same as corn.
Eastern;			
corn	50	90	Half of seed, fertilizer, pesticides, and corn drying; 0-50 percent of hauling.
soybeans	50	85	Same as corn.
oats	50	--	Half of seed, fertilizer, and pesticides.  Wide variation in cash rentals, because of differ- ences in soil types and yield potential.
Missouri:			
Northern;			
corn, soybeans	50	50	Half seed, fertilizer and spreading, and pesticides and spreading; cash costs of corn drying.
wheat	50	35	Half of seed, fertilizer, insecticides, fungicides, and custom application of chemicals.

Continued--

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State, and crop	Annual rent		Share-rent agreements: Items contributed by landlord in addition to the land
	per acre		
	Share	Cash	
	Percent	Dollars	
Missouri (continued)			On land valued from \$1,500 to \$2,000 per acre, land- lord does not share harvesting and hauling costs; on lower valued land, shares in these costs.
Bootheel; soybeans	33	50	33 percent of fertilizer, insecticides, fungicides, and irrigation fuel; operating costs of wells and pumps for use with center pivot system.
cotton	25	40-70	25 percent of lime, fertilizer, insecticides, fungi- cides, and ginning.
Wisconsin:			
Southern; corn, soybeans	50	--	Half of seed, fertilizer, pesticides, harvesting, hauling, and drying.
oats	50	--	Half of seed, fertilizer, pesticides, custom appli- cation of chemicals, and grass seed.
Illinois:			
Northern; corn	50	80	Half of seed, fertilizer, pesticides, and drying; 25 percent of custom application of chemicals; 25 percent of harvesting; 10 percent of hauling.
soybeans	50	80	Half of seed, fertilizer, and pesticides; 25 percent of custom application of chemicals; 40 percent of harvesting; 10 percent of hauling.
oats	50	70	Half of seed, fertilizer, and pesticides; 100 per- cent of legume and grass seed.
Central;			
corn	50	90	Half of seed, fertilizer, pesticides, and drying; 25 percent of harvesting.
soybeans	50	90	Half of seed, fertilizer, and pesticides; 35 percent of harvesting.
wheat	50	90	Half of seed, fertilizer, and pesticides; 35 percent of harvesting.
Southern;			
corn	33	45	33 percent of fertilizer, insecticides, and fungi- cides; 20 percent of herbicides.
soybeans	33	40	33 percent of fertilizer, insecticides, and fungi- cides; 16 percent of herbicides.
wheat	33	40	33 percent of fertilizer, insecticides, and fungi- cides; 16 percent of herbicides; 50 percent of legume and grass seed.

Continued--

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State, and crop	Annual rent		Share-rent agreements: Items contributed by landlord in addition to the land
	per acre		
	Share	Cash	
	Percent	Dollars	
Michigan:			
Southern;			
corn	33	35	Usually none.
soybeans	33	30	Usually none.
wheat	33	25	Usually none.
			Cash rental for corn is higher than for soybeans, because area includes the Saginaw Valley for corn; few soybeans are grown in this productive valley.
Indiana:			
Northern;			
corn, soybeans	50	--	Half of seed, fertilizer, pesticides, and drying; 0-50 percent of custom application of chemicals and harvesting. The tenant hauls from field to bin or elevator; if stored, the landlord pays around 5 cents per bushel on his one half to haul from bin to elevator.
wheat	50	--	Half of seed, fertilizer, insecticides, fungicides, and drying; 0-50 percent of custom applications of chemicals and harvesting.
Southern;			
corn, soybeans	50	--	Same as northern Indiana.
wheat	50	--	Same as northern Indiana.
Ohio:			
Western;			
corn	50	75	Half of seed, fertilizer, herbicides, harvesting, and drying.
soybeans	50	75	Half of seed, fertilizer, herbicides, and harvesting.
wheat	50	75	Half of seed, fertilizer, and harvesting.
MIDSOUTH			
Kentucky:			
Western;			
corn	50	65	Half of seed, fertilizer, pesticides, custom appli- cation of chemicals, and drying.
soybeans	50	60	Same as corn.

Continued--

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State, and crop	Annual rent per acre		Share-rent agreements: Items contributed by landlord in addition to the land
	Share	Cash	
	Percent	Dollars	
Arkansas:			
Eastern;			
soybeans	25	28-35	None.
cotton	25	45	25 percent of seed, fertilizer, and ginning.
rice	33	65-110	33 percent of seed, fertilizer, and pesticides; plus irrigation wells, pumps, and power units.
Tennessee:			
Western;			
soybeans	25	35	None.
cotton	33	40	33 percent of fertilizer and ginning.
Mississippi:			
Delta;			
soybeans	20	30	None.
cotton	25	55	25 percent of seed, fertilizer, and ginning.
rice	25	50	100 percent of irrigation wells, pumps, power units, and distribution system.
Northeast;			
soybeans	25	25	25 percent of seed and fertilizer.
cotton	25	40	25 percent of seed, fertilizer, and ginning.
			There is only a small amount of rice produced on rented land.
Alabama:			
Northern;			
soybeans	25	22-35	25 percent of seed, fertilizer, and herbicides.
cotton	25	25	25 percent of fertilizer and ginning.
Louisiana:			
Northeastern;			
soybean	25	35-45	None.
cotton	20	60-75	None.
Southwestern; rice	20	60-70	20 percent of water (if water is bought).
Southern; sugar-cane	20	75-90	None.
NORTHEAST			
New York:			
Area of Lake Ontario;			
corn, wheat	--	15-40	

Continued--



Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State, and crop	Annual rent		Share-rent agreements: Items contributed by landlord in addition to the land
	Share	Cash	
	Percent	Dollars	
Pennsylvania:			
Southeastern;			
corn	33	40-45	33 percent of fuel bill.
wheat, oats, barley	33	20-25	33 percent of fuel bill.
			Most of Pennsylvania is cash rented.
Maryland:			
Eastern Shore; corn,	50	35	Half of seed, fertilizer, and herbicides; 100
soybeans			percent of lime.
Delaware; corn, soybeans	50	45-62	Half of seed, fertilizer, lime, pesticides,
			harvesting, hauling, and drying.
SOUTHEASTERN			
Virginia:			
Coastal Plains;			
corn	50	20-120	Half of seed, insecticide, fungicides, and drying;
			100 percent of fertilizer.
soybeans	50	15-90	Half of seed, insecticides, and fungicides; 100
			percent of fertilizer.
North Carolina:			
Coastal Plains;			
corn	33	50	33 percent of seed, fertilizer, insecticides, fungi-
			cides, harvesting, hauling, and drying.
soybeans	33	50	33 percent of seed, fertilizer, insecticides, fungi-
			cides, custom application of chemicals, harvesting,
			and hauling.
cotton	40	40	Half of pesticides, harvesting, hauling and ginning;
			100 percent of seed and fertilizer. Little cotton
			is cash rented.
West Central; wheat	25	15	100 percent of lime.
South Carolina:			
Coastal Plains;			
corn	50	26	Half of phosphorus, potassium, pesticides, and
			drying; 100 percent of seed, nitrogen, and lime.
soybeans	50	26	Half of seed and fertilizer; 100 percent of
			pesticides and lime.
cotton	20	40-50	None
			Landlord and tenant each contribute about \$100 for
			corn production and \$83 for soybean production.
			This agreement is the one most commonly recommended,
			not necessarily the most commonly employed.

Continued--

Table 1--Rental arrangements for specified crops, by State and region, 1978--Continued

Regions, State, and crop	Annual rent		Share-rent agreements: Items contributed by landlord in addition to the land
	per acre		
	Share	Cash	
	Percent	Dollars	
Georgia:			
Coastal Plains;			
corn	--	40	Share arrangements for the limited acreage share-rented are varied and difficult to ascertain. There
soybeans	--	30	are many family-related situations and other
cotton	--	40	peculiar arrangements that defy description.
Alabama:			
Coastal Plains;			
corn	33	10	33 percent of fertilizer.
soybeans	25	20-40	25 percent of seed, fertilizer, and herbicides.

Where there are no entries in the cash rental column, no data were available. Either there had been no instances of cash rental agreements, or the survey respondent was unable to supply a rate estimate.



THIRD CLASS

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