



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

USDA's Economic Research Service
has provided this report for historical
research purposes.

Current reports are available in
AgEcon Search

(<http://ageconsearch.umn.edu>)

and on <https://www.ers.usda.gov>.



United States Department of Agriculture
Economic Research Service
<https://www.ers.usda.gov>

A
93.44
AGES
9159


States
ment of
ure

Economic
Research
Service

Resources and
Technology
Division

Leasing Farmland in the United States

WAITE MEMORIAL BOOK COLLECTION
DEPT. OF AG. AND APPLIED ECONOMICS
1994 BUFORD AVE. - 232 COB
UNIVERSITY OF MINNESOTA
ST. PAUL, MN 55108 U.S.A.



Agricultural
Economics &
Land
Ownership
Survey

It's Easy To Order Another Copy!

**Just dial 1-800-999-6779. Toll free in the United States and Canada.
Other areas, please call 1-301-725-7937.**

Ask for Leasing Farmland in the United States (AGES 9159).

The cost is \$4.00 per copy. For non-U.S. addresses (includes Canada), add 25 percent. Charge your purchase to your VISA or MasterCard, or we can bill you. Or send a check or purchase order (made payable to ERS-NASS) to:

ERS-NASS
P.O. Box 1608
Rockville, MD 20849-1608.

We'll fill your order by first-class mail.

A
93.44
AGES
9159

Leasing Farmland in the United States. By Denise M. Rogers. Resources and Technology Division, Economic Research Service, U.S. Department of Agriculture. AGES-9159.

Abstract

Land leasing plays a vital role in U.S. agriculture, allowing landlords to receive monetary returns from land they do not wish to operate, and allowing tenants to acquire use rights to land. Agricultural leasing is no longer seen as a temporary step toward full ownership, but as an effective way to gain control of land resources. Leasing can be used to expand or contract the farm operation, to conserve limited capital for financing farm operations, to enhance management flexibility, and to reduce risk. This report examines the extent of agricultural leasing, the characteristics of owners who lease land to others, and the nature of leasing arrangements. It is based on the data file of the 1988 Agricultural Economics and Land Ownership Survey (AELOS), a follow-on to the 1987 Census of Agriculture. AELOS provides information on the ownership of land held by operators and nonoperators of farms.

Keywords: Land tenure, leasing, landlords, cash leases, share leases, risk, women landlords.

Contents

Importance of Agricultural Leasing.....	2
Agricultural Landowners Who Lease Land to Others.....	4
Individual and Partnership Landowners.....	6
Types of Leasing Arrangements.....	8
Cash and Share Leases.....	10
Choice of Lease Type.....	11
The Role of Landlords in the Production Process.....	12
Lease Type and Landlord Participation.....	14

Importance of Agricultural Leasing

Since 1900, the percentage of agricultural land that is leased has consistently exceeded 30 percent. Since 1940, the relative importance of part ownership has increased. Part owners lease over two-thirds of the rented agricultural land.

In 1988, 45 percent of all agricultural land was leased and 41 percent of all farmers operated at least some leased land. Though the percentage of land leased has remained fairly constant over the last century, the composition of renters, by tenure class, has changed. The Census of Agriculture defines three tenure classes of farm operators: full owners, part owners, and tenants. Full owners operate only the land they own. Part owners operate both land they own as well as land they rent from others. Tenants operate only the land they rent from others.

Full ownership has been the dominant tenure class and remains so today, constituting 59 percent of all farm operators (fig. 1). The relative importance of part ownership, however, has increased since 1940. Part owners now make up 29 percent of farm operators; they operate 56 percent of all land in farms. These part owners lease over two-thirds of the rented agricultural land. Tenants, those who rent all the land they farm, are being displaced over time by part owners. Tenant operators made up 39 percent of all operators in 1940. Tenants now constitute only 12 percent of all operators and they operate 15 percent of the land in farms.

The increase in part ownership may reflect farm operators' desire to own some land and to lease some land as a means to adjust production and to spread the risks of farming and investing. Landownership allows farm operators to accumulate equity in the farm, assure security of occupancy, and satisfy an urge to own land that is not necessarily

connected to maximizing income. Farm operators lease land from others for several reasons. Leasing allows operators to avoid tying up equity capital in land and increasing debt loads, reduces risk associated with asset depreciation, and increases management flexibility in overall size of operation and combination of land types. For some farm operators, leasing farmland may provide a means of entering agriculture.

The proportion of land operated under lease is increasing as is the proportion of land leased from nonoperator owners. The increase in the number of nonoperating owners has important implications for landlord contributions to the management of farmland and the types of leasing arrangements used. The growing importance of landowners who are not directly involved in agriculture means that the number of decisionmakers in agriculture may be shrinking more rapidly than farm numbers alone would suggest.

Though agricultural leasing is an important phenomenon nationally, there is significant regional variation in the extent of leasing (fig. 2). Over 40 percent of agricultural land is leased in the traditional farming areas of the Midwest and the Plains. The East North Central (45 percent), West North Central (43 percent), and West South Central (48 percent) regions all have high levels of leasing. Leasing is also common in the Pacific region (45 percent). But agricultural leasing is much less common in other areas, especially those along the eastern seaboard.

Figure 1

Farms and land by tenure, 1988

Full owners dominate in terms of the number of farms, but part owners operate most of the land in farms.

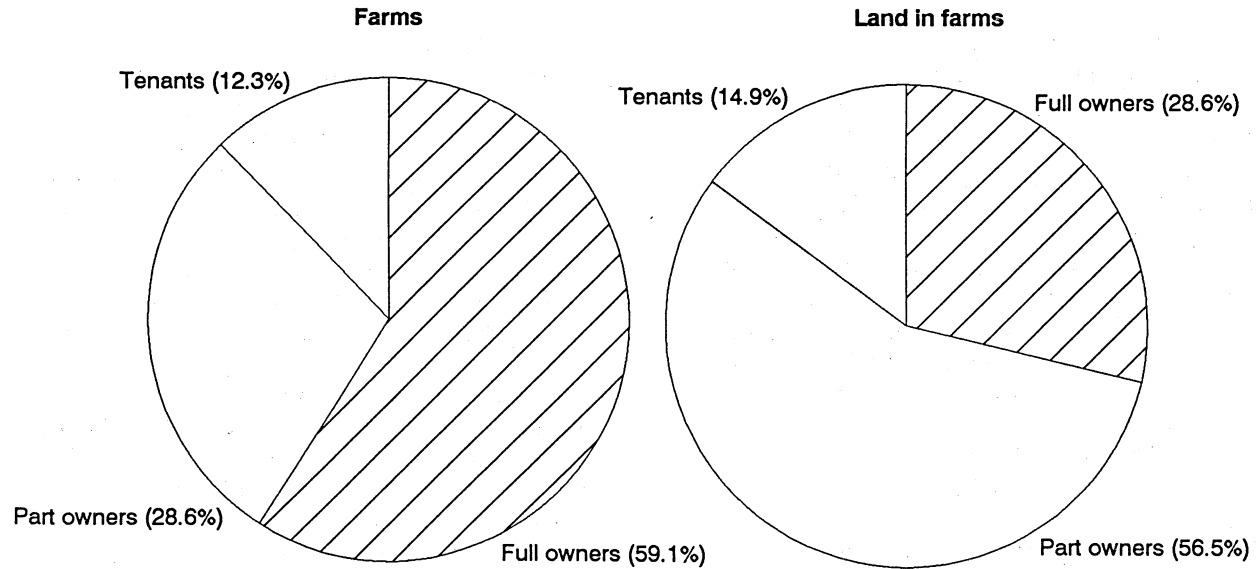
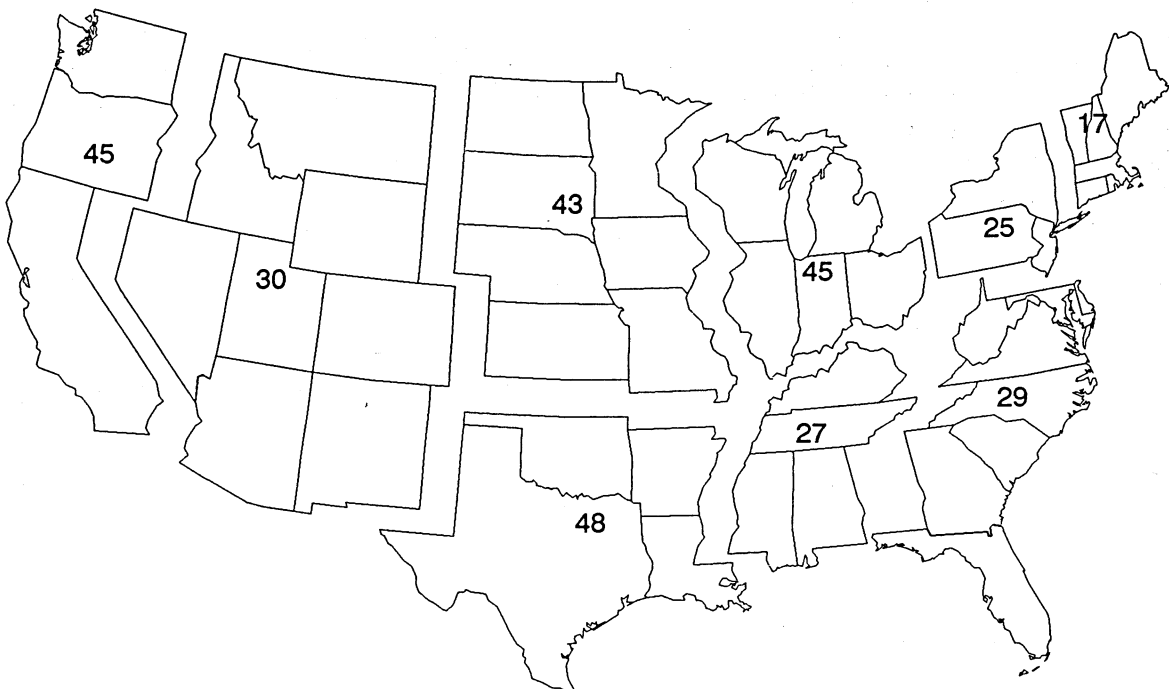


Figure 2

Percentage of land leased by region

Agricultural leasing is more prevalent in the Midwest and the Plains.



Agricultural Landowners Who Lease Land to Others

There are 1.5 million owners of agricultural land who lease land to others. Over 90 percent of the leased land is owned by landowners who are not actively engaged in farming.

Excluding "public" owners (Federal, State, Indian reservations, railroad, and institutional), there are 2.95 million owners of agricultural land in the United States, of which 1.65 million are owner operators and 1.3 million are nonoperator owners. The Census of Agriculture defines a farm operator as a person who operates a farm or ranch, either doing the work or making the day-to-day decisions. Owner-operators may operate all the land they own, or own all the land they operate but rent to others part of the land that is owned. Nonoperator owners do not operate any of the land they own; they lease out all or part of this land.

Three hundred thirty-two million acres of farmland is leased to others, by 1.5 million owners, under 1.9 million leases. Over 90 percent of this land is leased out by nonoperating owners. Owner operators own 495 million acres of land. They operate 93 percent of those acres and lease 33 million acres to others. Nonoperator owners own 338 million acres, of which they lease 299 million acres under 1.7 million leases to others. The 39-million-acre (11 percent) difference between what is owned and what is rented out by nonoperating owners is used for nonagricultural purposes or simply held by the owner but not used.

Almost 70 percent of the 1.5 million owners who lease land to others own less than 180 acres of land. Most landlords (88 percent) lease land to only one tenant. Owner operators, on average, own more land than nonoperator owners. However, nonoperator owners are likely to lease out more land per lease than owner operators. Nonoperator owners lease out land averaging 180 acres, compared with 142 acres for operating owners.

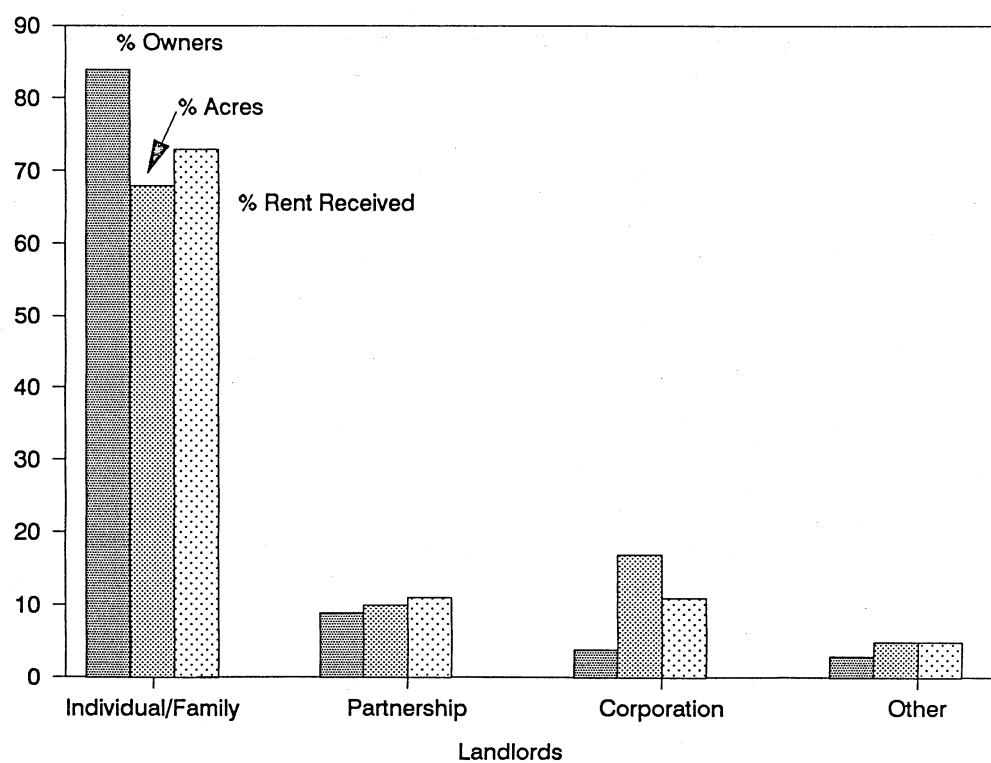
Most of the farm owners (84 percent) who lease land to others are individuals or families. These landowners lease out 68 percent of all acres and earn 73 percent of the total value of rent received (fig. 3). Nine percent of all landlords are partnerships. Corporations, both family- and nonfamily-held, make up only 4 percent of all owners who lease land to others. However, these corporations lease out 17 percent of all acres leased to others and earn 11 percent of the total value of rent received. The "other" organization type consists primarily of trust or estate forms of ownership. Also included are lawsuit judgments and foreclosures. This final category constitutes only about 3 percent of all owners and 5 percent of the acres leased to others.

Figure 3

Type of organization: percent of owners, acres, and rent received

Most of the farm owners who lease land to others are individuals or families.

Percent



Individual and Partnership Landowners

The Agricultural Economics and Land Ownership Survey classified landowners into individual, partnership, corporate, and other owners. The survey provides personal characteristics of individual and partnership owners, who constitute 94 percent of all owners who lease land to others.

Owners who lease land to others are older than the all-owner average (fig. 4): 65 percent of owners who lease out land are 60 years of age or older (versus 49 percent for all owners), and 39 percent are 70 or older (versus 25 percent). Agricultural landlords who are 60 or over account for a disproportionately higher percentage of acres leased, value of land and buildings, and rent received. These percentages decline for landowners who are 70 or older. The decline may be attributed to an increased rate of disposal of land, through sales or transfer to other family members, by older individuals.

Most agricultural landlords are not actively engaged in farming. Only 8 percent of landlords list their primary occupation as operating a ranch or farm. Approximately 90 percent of owners who lease land to others are non-operating owners. Over half of farm landlords are retired, either from farming or nonfarm-related business. This statistic also reflects the age distribution of landowners who lease land to others and the disproportionately large number of these landowners over age 60.

Most individual or family and partnership agricultural landlords live near the land that they rent to others. Thirty-seven percent of these landlords live on the rented farm itself. Over 50 percent live within 5 miles of the rented land. Of those landlords who do not live on the rented farm, over 50 percent live within 25 miles of the rented land, and 25 percent live over 150 miles from the land they rent to others.

Owners of farmland are overwhelmingly white. White landowners make up 98 percent of all owners who lease land to others and they rent out 99 percent of all the land leased by individual or partnership owners. Black

ownership of farmland has declined precipitously over the last decade. In 1978, black landowners owned 6.3 million acres of farmland. By 1988 that figure had dropped to slightly under 2 million acres. However, despite this decline, black landowners still constitute the largest percentage (71 percent) of minority landowners who lease land to others. The additional categories of minority owners who rent land to others include: American Indian (0.1 percent of all landlords), Asian or Pacific Islander (0.2 percent), and other (0.15 percent). Though not counted as a separate race category, 0.36 percent of the owners who lease land to others identified themselves as being of Spanish origin.

Women are an important force in the farmland-leasing market. Forty percent of individual and partnership landlords are women, 31 percent are men, and 29 percent are joint (male and female) landlords (table 1). Women control a large part of the land in the rental market—40 percent of the land rented to others by individual and partnership landlords. These numbers are expected to increase as the farm population continues to age.

Female landlords are older than male landlords. Forty-eight percent of female landlords are 70 or over. Age is likely to affect operator status, and only 7 percent of female landlords operate farms, compared with 10 percent for male landlords and 11 percent for joint landlords. Average landholdings are about equal for female and male landlords (226 and 225 acres, respectively), and they lease out approximately equal proportions of their land. Joint landlords own a little more land, an average of 299 acres. The average value of land and buildings held by women landlords is \$140,000 compared with \$154,000 for men and \$230,000 for joint landlords.

Figure 4

Age distribution of agricultural landlords

Most agricultural landlords are 65 years of age or older

Thousands

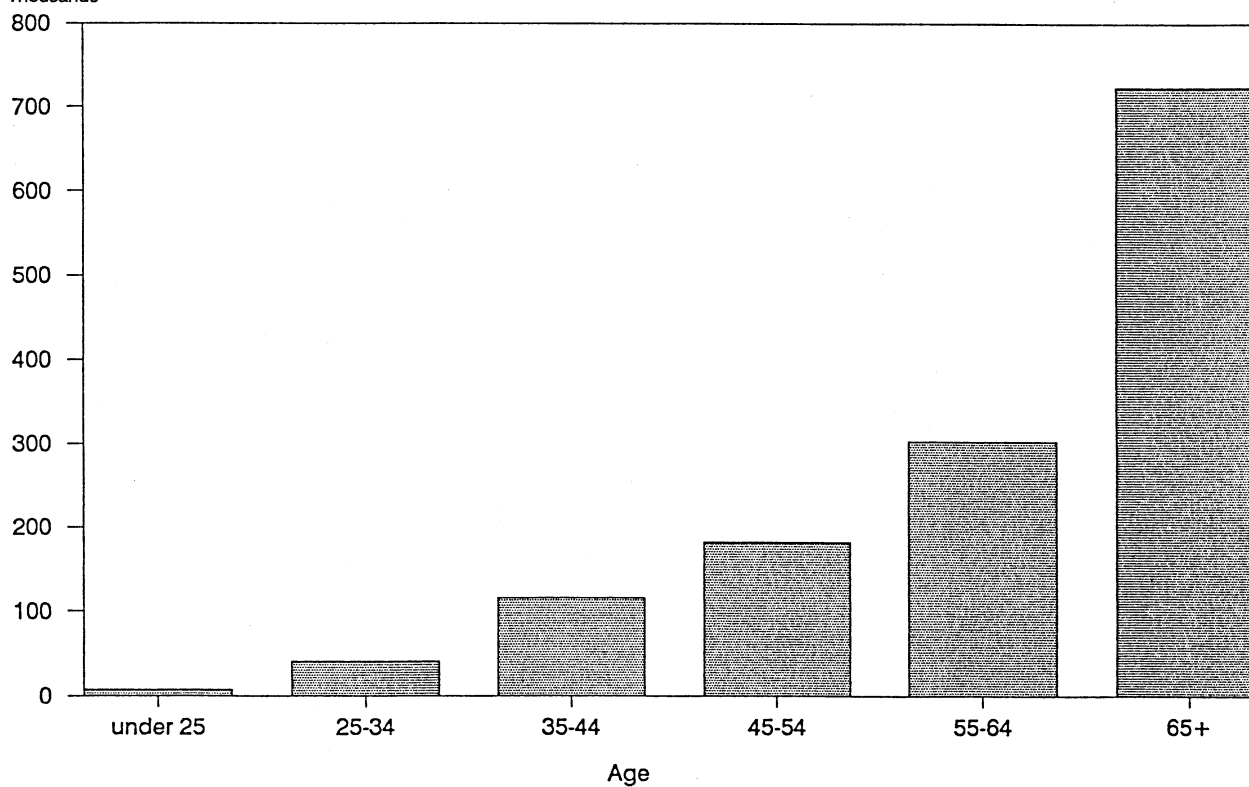


Table 1--Individual/family and partnership landlords by gender

The largest group of agricultural landlords is women.

Gender	Landlord
	<i>Percent</i>
Women	40
Men	31
Joint (men and women)	29

Types of Leasing Arrangements

Various arrangements are available for leasing agricultural land. Cash leases and share leases predominate. Together pure cash and pure share leases make up 94 percent of all leases and 95 percent of all acres leased.

In a share lease arrangement, the tenant pays a specified share of the crop. The landlord shares the risk because the rent paid varies directly with the level of output and the price. Share leases typically allow for greater participation by the landlord in the management of the farm operation and the sharing of expenses between landlord and tenant. Under a cash lease, the tenant makes a fixed cash payment per acre and assumes all the risk associated with fluctuations in the level of output and price. The landlord still must assume the risk of nonpayment of rent by the tenant and the risk that the tenant will abuse the land. Cash/share leases are some combination of cash and share leases. AELOS defines a category of "other" leases, which may include tenants who use the land rent free or in return for a fixed quantity of product, payment of taxes, or maintenance of buildings.

Cash leases are the most common lease type, constituting 64 percent of all leases. Sixty-seven percent of all owners use cash leases and 65 percent of all leased acres are leased for cash rentals. Share leases account for 30 percent of all leases and all acres leased.

Nonoperator owners rely heavily on cash leases--65 percent of their leases and 66 percent of their land. Owner operators employ cash leases for 57 percent of their leases and 59 percent of their acreage. They use share leases for 38 percent of their leases and 32 percent of their acreage. The slightly higher reliance on share leases by owner operators may reflect their active participation in farming.

Some cash leases provide for adjustments in rent payment for unusual circumstances, including drought, hail, adverse weather damage, or exceptional growing conditions where yields are above normal. Adjustments in rent payment allow for the joint assumption of risk by the tenant and landlord and reduce the relative risk-sharing advantages of share leases. Only 6 percent of the cash leases are

adjustable, but 12 percent of acres leased out under cash leases are under adjustable leases.

Rents under share leases would be expected to be higher due to the sharing of expenses between landlord and tenant, the participation of the landlord in farm management, and the additional risk to the landlord. The average gross rent for cash leases is \$27.30 per acre and \$46.44 per acre for share leases. However, these gross rents do not account for the expenses paid by owners. Under cash leases, owners generally pay only for real estate taxes. Under share leases, landowners typically pay a share of the operating expenses.

A part of the difference between rents under cash leases and share leases is a return to the managerial input of the landowner under a share lease. It is likely that any remaining differential between cash rents and share rents is a risk premium paid to landowners for assuming a part of the risk of share leasing.

Lease terms are set through negotiation between landlords and tenants. These negotiations are an important aspect of the market for leased land and are affected by a number of factors. Most landlords (88 percent) lease land to only one tenant, but tenants are more likely to have more than one landlord. For each of the 769,226 farm operators who rented land in 1988 there were approximately 1.9 owners who leased land to others. The difference is due, in part, to the fact that the average farm operation is larger (453 acres) than the average ownership parcel (282 acres). Because tenants typically have more than one lease, they may have a greater knowledge of the market for leased land than landlords. Most agricultural landlords are not actively engaged in farming. Approximately 90 percent are nonoperating owners. Over 50 percent of farm landlords are retired. This detachment from farming probably raises the cost to landlords of learning about the market for leased agricultural land. Tenants' greater involvement

in the leasing market and landlords' detachment from agriculture may give tenants an advantage during lease negotiations.

Share lease negotiations are more complex than cash leases because landlords often share expenses. Resources are used more efficiently when the cost of the variable inputs are shared between the landlord and the tenant in the same proportion as the output shares are divided. In practice, cost sharing depends on negotiation between landlord and tenant. Regional customs and traditions often influence the terms of agricultural leases, especially share leases. Typical landlord shares range between 25 and 50 percent, with shares in the lower part of this range more common on less productive soils.

The percentage of farmland rented under cash leases has increased over the last 20 years, while the percentage of land leased under share leases has declined. The only exception was a slight shift toward more share leases during the economic upheavals and

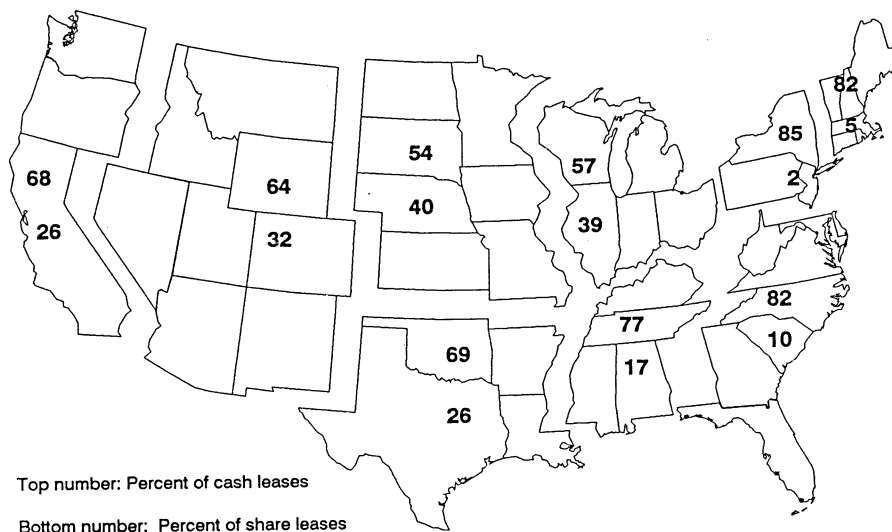
uncertainty in the agricultural sector during the mid-1980's. The increased use of cash leases is associated with a higher percentage of nonfarm-oriented landlords who may be unable or unwilling to contribute the management skills typically required by share leases.

Although most leases are for cash in all nine geographic areas, the proportions of cash and share leases vary widely by region (fig. 5). Cash leases are most predominant in the eastern portion of the United States. In the New England, Middle Atlantic, and South Atlantic regions, 82-85 percent of all leases are cash leases. In these areas, 78-94 percent of gross rentals are earned from cash leases. The lowest incidence of cash leases is in the East North Central and West North Central regions, with 57 and 54 percent cash leases, respectively. Share leases are more common in regions with a higher percentage of leased land. These are the major farming regions of the Midwest and the Plains, specifically, the East North Central (39 percent share leases) and West North Central (40 percent).

Figure 5

Lease type by region

Most leases are for cash in all nine geographic areas, but the proportions of cash and shares vary widely by region.



Cash and Share Leases

Landlords and tenants typically choose either a pure cash or a pure share lease. Share leases involve more active participation by the landlord and the sharing of risk between landlord and tenant.

Share leases generally involve more negotiation, owner supervision, and coordination than cash leasing. This higher level of landlord participation is a disadvantage for landlords who do not want to be actively involved in production decisions. However, some landlords may see the requirement for higher levels of participation as an advantage. Supervision is costly but share leases may allow landlords to protect the value of their land by monitoring farm practices to protect soil fertility and prevent soil erosion.

From the landlord's perspective, share leases involve greater uncertainty and more risk than cash leases. Uncertainty exists because the rent to be paid is not known until the end of harvest. Under a share lease, the landlord must assume more of the risk because, though the landlord benefits from above-average yields or prices, the landlord must also share the risks of poor yields and low prices.

For the tenant, share leases reduce risk. Rents will rise in years with high yields or prices but will fall in years when yields or

prices fall. Tenants may also benefit from increased managerial input from landlords under share leases. Skilled landlords with unskilled or unproven tenants may be more likely to use share contracts. Landlord participation, however, can restrict operator flexibility and independence.

The interest in adjustable cash leases, which can account for such circumstances as adverse weather, may increase in the future. This lease type combines the risk-sharing advantages of share leases with the management flexibility of cash leases. More landlords and tenants may wish to avoid the sharing of farm management responsibilities. Nonfarm-oriented landlords may prefer to avoid participation in farm management, and tenants who lease land from a number of different owners may want to limit the degree of landlord participation in the management of the farm operation. If these tenants and landlords also prefer to share the risk, the adjustable cash lease may be the preferred tenure form.

Choice of Lease Type

Different lease types are associated with age and farming orientation of the landlord, the type of organization, the number of acres owned by the landlord, and the geographic region.

Until the late 1960's, most agricultural landlords were closely associated with farming. Even nonoperator landlords were usually retired farmers or members of farm families. Now, however, 62 percent of landlords are neither engaged in nor retired from any agriculturally related activity. (Despite this disengagement from farming, few landlords use the services of a professional farm management firm. Only 3 percent of all landlords used such services, and there is little difference in the use of professional management services based on the operating status of the landlord.) This change has implications for the choice of lease type. Disengagement from farming tends to increase the use of cash leases. Nonoperator owners are more likely to lease land to others under cash leases than are operating owners. Sixty-eight percent of nonoperator owners use cash leases. They rent 66 percent of their land leased to others under cash leases and 30 percent under share leases. Owner operators rent 59 percent of their leased acres under cash leases and 32 percent under share leases.

Cash leases are more common than share leases for all types of organizations. Over 60 percent of all owners lease land to others under cash leases. Partnerships are slightly more likely than other types of owners to use share leases. Corporations are most likely to use cash leases. Eighty-two percent of leases and 78 percent of corporate-owned land leased to others are under cash leases. AELOS divides corporate owners into family-held and "other than family-held" categories. The family-held corporations are more likely than "other than family-held" corporations to lease land to others under share leases. This probably reflects the closer links to agriculture by the family-held corporations.

Older owners who lease land to others are more likely to lease land under share leases

than are younger owners. All individual and partnership owner age groups have a higher percentage of cash leases and a higher percentage of acres leased under cash leases. The percentage of acres leased under cash leases declines from a peak of 75 percent of all leases for the 25-34 year-old owner group to 59 percent in the 70+ age group. At the same time, the percentage of acres leased under share leases rises from a low of 21 percent of all leases in the 25-34 age group to 35 percent in the 70+ age group.

Owners with very small or very large land holdings who lease land to others tend to have a higher percentage of cash-leased acres. The percentage of cash-leased acres is 76 percent for land owners who own 1-9 acres. This percentage falls to 56 percent for landholdings in the 180-499 acre range and then rises to 76 percent for 2,000+ acre holdings. The incidence of share leases is low for small landholdings: it rises to 38 percent of all leased acres for 180-499 acre holdings, and falls to 20 percent for 2,000+ acres. Share-lease arrangements typically require more owner time and participation. Owners with very small landholdings may not consider it worthwhile to spend the time required under a share lease. It is also possible that owners with small landholdings may be renting to part-owner operators who are more likely to lease land from several landowners. Very large landowners may also be unwilling to incur the managerial costs associated with share leases.

The choice of lease type varies with geographic region. Nationwide, cash leases constitute the majority of leases and the majority of acres leased, but there is significant regional variation in the use of different lease types. Share leases are more common in the agricultural regions of the Midwest and the Plains, and least common in the east.

The Role of Landlords in the Production Process

The extent of landlord participation in the farm operation varies considerably. Landlord participation is influenced by landlord characteristics and the type of lease.

AELOS asked landlords to indicate whether the following five management decisions are made by the landlord, by the tenant, or whether the decision is shared: selection of fertilizer and chemicals, cultivation practices, selection of crop variety or livestock breed, harvesting decisions, and marketing of agricultural products. There is little variation in the division of decisionmaking responsibility between the first four management decisions. These decisions are made in 7-8 percent of leasing arrangements by the landlord alone, in 77-82 percent by the tenant alone, and in 11-15 percent jointly by the landlord and tenant. The division of decisionmaking responsibility for the marketing of agricultural products differs from the other decisions. Marketing decisions were made with more participation by the landlord and less sole decisionmaking responsibility assumed by the tenant.

Landlord characteristics influence the level of landlord participation in management decisions. Most important is the operating status of the landlord. Landlords who operate farms are much more likely to participate in the management of the farmland they lease to others than are nonoperating landlords. Operator landlords are more likely to make management decisions either alone or together with the tenant than are nonoperating landlords. Management decisions are more likely to be made solely by the tenant when the landlord does not operate a farm.

Leasing has long-term implications for the productivity of land. Renters may be less willing than owners to make long-term land-improving or soil-conserving investments, especially if their future tenure is uncertain or they are not compensated in some way for the value of the improvements at the termination of the lease. If renters have less incentive to invest in land, and are not required by landlords to make these investments, and landlords are not active in the management of the farm operation, the longrun productive capacity of the land may suffer.

Studies suggest that landlord participation in the management of the land they rent to others has declined in recent years. Nonoperator landlords, now almost 90 percent of all landlords, are more likely to have neither the experience nor the interest in farming necessary for active managerial participation. They are more likely to leave management decisions to their tenants. This trend may also reflect the desire for independent decisionmaking on the part of the tenant, many of whom rent parcels of land from several different landlords.

The type of organization of the landlord is also associated with the degree of participation of the landlord. Under both individual/family and partnership landlords, management decisions are more likely to be made solely by the landlord or the tenant. Shared landlord/tenant decisions are more common when the farm landlord is a corporation.

Additional information is available on the participation in management decisions by individual/family and partnership landlords. The gender of the landlord apparently influences the degree of participation by the landlord. Women landlords are less likely to make management decisions, either alone or jointly with the tenant, than are male landlords. The level of participation of joint landlords (male and female) in management decisionmaking resembles that of male landlords.

The age of the landlord seems to have little effect on the degree of landlord participation in farm management decisions. Younger landlords (25-44 years) make decisions about the selection of fertilizer and chemicals in 9 percent of all lease arrangements. This percentage drops only slightly for landlords over 70 years. This decision is made solely by the tenant in 73 percent of the leasing arrangements in which the landlord is 25-44, and in 77 percent of the leasing arrangements in which the landlord is over 70.

The location of the landlord is also related to the landlord's participation in the management of the farm operation. Landlords who do not live on a farm (whether the rented farm or another) are less likely to participate in farm management decisions than are landlords who live either on the rented farm or on another farm. There is little variation in the division of decisionmaking responsibilities between landlord and tenant when the rented land is located up to 150 miles from the landlord's residence. However, if the landlord lives over 150 miles from the rented land, landlord participation declines. This distance increases the cost of landlord participation and the landlord is less likely to make decisions either unilaterally or jointly with the tenant, when residing at this great a distance.

Landlords with three or more tenants are less likely to make farm management decisions for their rented land than are landlords with only one or two tenants. Management decisions are more likely to be made solely by the tenant, or by the landlord and tenant together, when a landlord has multiple tenants. A possible explanation for this phenomenon is risk spreading by the landlord. Renting out land involves risk because the landlord does not have complete information about the tenant. This risk increases if the landlord does not participate in the management of the farm operation. By renting to multiple tenants, a landlord can spread this risk without having to participate in management decisionmaking.

Lease Type and Landlord Participation

Under share leases there is greater participation by the landlord in the management of the farm operation.

The type of lease selected is closely related to the degree of landlord participation in management decisions. AELOS data show that under share leases there is greater participation by the landlord in the management of the farm operation as well as the sharing of expenses between landlord and tenant (fig. 6). Cash lease arrangements are characterized by a higher percentage of sole landlord and sole tenant decisionmaking. Share leases are more likely to involve management decisions made jointly by the landlord and tenant.

The exception to this pattern is the decision about the marketing of agricultural products. This decision is made solely by the landlord in 9 percent of cash leasing arrangements but 15 percent of share leases. Tenants make this decision alone in 84 percent of cash- and 47

percent of share-leasing arrangements. Landlords and tenants share this decision under 7 percent of cash and 38 percent of share leases. The increased landlord participation in this decision under a share lease arrangement may be attributable to the fact that under a share lease the landlord receives a share of the agricultural output and benefits directly from successful marketing efforts. Two factors contribute to increased landlord benefits from participation. Under a share lease, tenants have an incentive to understate total production. Landlord participation in marketing decisions may discourage tenants from understating crop yields. In addition, with both the tenant and the landlord marketing crops, there may be economies of scale associated with joint marketing efforts.

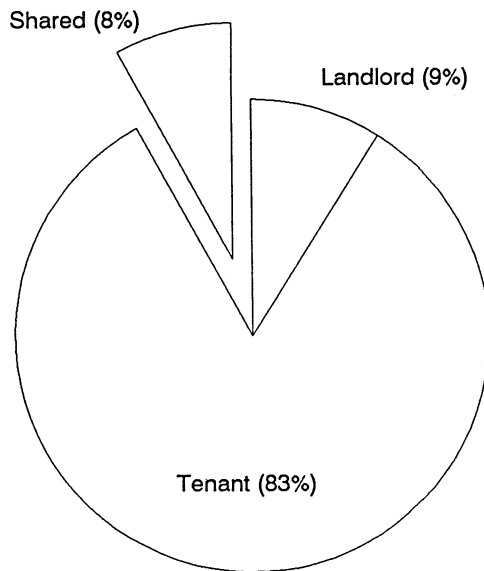
Figure 6

Participation in the selection of fertilizer and chemicals under cash and share leases

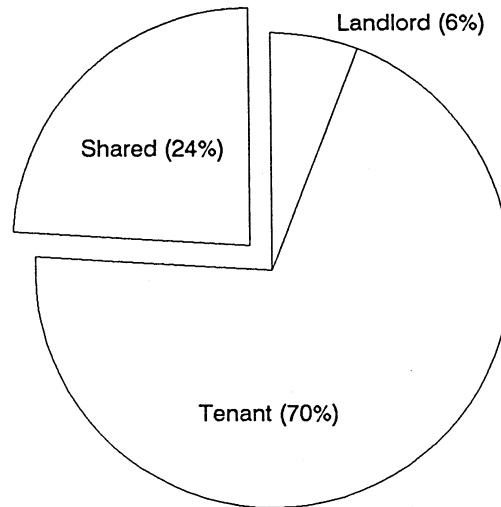
Cash lease arrangements are characterized by more tenant decisionmaking.

Share leases are more likely to involve shared decisions.

Selection of fertilizer and chemicals
under cash leases



Selection of fertilizer and chemicals
under share leases



Acknowledgments

Andy Bernat, John Blackledge, Fred Kuchler, Hyunok Lee, and Gene Wunderlich provided helpful comments and insights on the manuscript. John Jones and Melody Mathis-Pace provided valuable assistance on the manuscript and diagrams.

For More Information.....

about the Agricultural Economics and Land Ownership Survey or other issues addressed in this report, write to Denise Rogers, USDA, Economic Research Service, 1301 New York Ave. NW, Room 408, Washington DC 20005-4788; tel. (202) 219-0425.

Order the First Report in the AELOS Series!

**Just dial 1-800-999-6779. Toll free in the United States and Canada.
Other areas, please call 1-301-725-7937.**

Ask for Owning Farmland in the United States (AIB-637).

The cost is \$4.00 per copy. For non-U.S. addresses (includes Canada), add 25 percent. Charge your purchase to your VISA or MasterCard, or we can bill you. Or send a check or purchase order (made payable to ERS-NASS) to:

ERS-NASS
P.O. Box 1608
Rockville, MD 20849-1608.

We'll fill your order by first-class mail.

U.S. Department of Agriculture
Economic Research Service
1301 New York Avenue, NW.
Washington, DC 20005-4788

