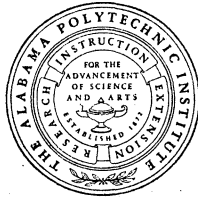


FARM RENTAL
ARRANGEMENTS
in Alabama's Piedmont



AGRICULTURAL EXPERIMENT STATION
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FARM RENTAL ARRANGEMENTS *in Alabama's Piedmont*¹

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TENANCY SERVES a number of useful purposes in the agricultural economy. Farmers with limited capital may find it more advantageous to rent farms and use their own capital for equipment and operating expenses, than to operate smaller or inferior farms as owners. They as owners would have limited equipment, a heavy debt load, and attendant high financial risk.

Tenancy may be an alternative to working as a hired farm hand. It may enable retired or disabled farmer-owners to continue to obtain income from their farms. In addition, it may permit certain landowners to attain fuller utilization of land, machinery, equipment, buildings, and other resources.

Although there are useful purposes in tenancy, there are also numerous problems. The usual informal 1-year lease leads to frequent moves by tenants. This handicaps development of good farming systems. Often new crops, mechanization, and improved practices are adopted slowly, if at all. The result is low incomes. Growing out of low incomes to tenants and landlords is the neglect of homes, farm buildings, land, and fences. A landlord may be reluctant to make improvements for fear that the tenant will move. Possibly some tenants regard their mobility as an advantage in bargaining with

¹ This study was conducted in cooperation with the Southeast Land Tenure Research Committee. This Committee is composed of representatives from the Agricultural Experiment Stations of Alabama, Florida, Georgia, North Carolina, South Carolina, Tennessee, and Virginia; the Farm Foundation, Chicago; and the Agricultural Research Service, United States Department of Agriculture.

² Resigned. The author expresses his appreciation to the farmers and landlords who contributed the information on which this study was based, and to members of the Southeast Land Tenure Research Committee and the Department of Agricultural Economics, Agricultural Experiment Station of the Alabama Polytechnic Institute for their suggestions and encouragement.

the landlord. Frequent moves also make for lack of interest in community affairs on the part of tenants.

PURPOSES OF STUDY

Purposes of this study were: (1) to determine farm leasing practices in the Piedmont Area of Alabama; (2) to determine relationships that exist among farm organization, income, production efficiency, and principal types of tenure in this area; and (3) to evaluate probable effects of leasing practices on efficiency and income.

REGION STUDIED³

Data for the study were obtained by visiting 370 farm tenants and owners in these seven counties of Alabama's Piedmont Area: Chambers, Clay, Cleburne, Coosa, Lee, Randolph, and Tallapoosa.

The area is generally rolling to hilly with a large portion of the area badly eroded. The roughest land has been left in trees with pines predominating.

Population in 1950 was almost 180,000 with more than two-thirds rural. About 60 per cent of the farm operators work off farms in textile, lumber, or other industries.

Farms average well over 100 acres, but less than 20 per cent of this area is harvested cropland. Cash receipts from the sale of farm products are low.

Tenants made up 57 per cent of all farmers in 1940 and 35 per cent in 1950. The decrease occurred largely in share and "other" classification of tenants.

TYPICAL RENTAL ARRANGEMENTS

Several types of rental agreements were found to be common in the Piedmont. These, in most cases, were similar to rental arrangements that exist in other parts of Alabama.

CASH RENT

Under a cash rent agreement, a fixed cash sum is paid, most often annually, for use of the farm. The landlord has little or no control of operations. He is generally expected to maintain buildings in satisfactory repair.

³ For more detailed characteristics of the Piedmont Area of Alabama see Alabama Agricultural Experiment Station Bulletin 286, "Alabama Agriculture, Its Characteristics and Farming Areas."

STANDING RENT

A standing rent agreement calls for a fixed payment of a commodity, usually lint cotton, made annually. A common rate is one bale per "plow" — a plow being 20 to 25 acres of cropland or the amount that can be cultivated with one mule.

SHARE RENT

With a share rent arrangement, such cash costs as fertilizer, seed, and poison, as well as receipts, are shared between landlord and tenant. One-fourth share leasing is most common, with some one-third renting for crops other than cotton. On some individual items of expense, the sharing basis varies among communities.

SHARECROPPER

Sharecroppers operate on a one-half share basis. Usually, landlords direct their operations, although some make most of their own management decisions. No cases of the so-called "square halves" or "new way" cropping were found. In this type of arrangement croppers furnish power and equipment, while landlords furnish all fertilizer.

There are many individual variations in all types of lease arrangements studied in the Piedmont Area.

LEASE CHARACTERISTICS AND PROVISIONS

Of the 162 tenants and part owners included in the study, there were 45 croppers, 42 share tenants, 31 cash tenants, 21 part owners, 13 standing renters, and 10 miscellaneous tenants. The proportion of tenancy in the sample was 34 per cent (excluding part owners as tenants).

Only 15 out of 163 leases were written.⁴ A few tenants signed "rent notes." In almost 90 per cent of the cases, the lease was for 1 year (January 1 through December 31). In six cases, an advance notice of 3 months or more was required if the lease was not to be extended another year (automatic renewal clause).⁵ (See Appendix Table 1.)

⁴ One tenant rented land from two landlords.

⁵ Some features of leases, especially written leases and automatic renewal clauses, may have been, in some cases, the result of Farmers Home Administration and veterans' on-the-farm training programs. No attempt was made to separate these.

The average occupancy of tenant farms was 6.2 years (4.7 years for white and 7.8 years for colored tenants) as compared with 15.6 years for owner-operators. Standing renters showed the longest occupancy and cash tenants the shortest.

In many cases, landlords and tenants were uncertain about provisions of their lease. Seven leases included a provision for reimbursing tenants at termination of occupancy for the unexhausted value of certain improvements made by them. Housing for poultry (usually home-use flocks) was provided by landlords on 52 of the farms; on other farms, tenants usually put up whatever housing was used for poultry.

Materials and skilled labor for dwelling repairs were nearly always provided by landlords. However, where common labor was adequate, tenants provided it in 24 per cent of the cases.

No cases were reported of any provision for selection and operation of an arbitration committee to settle points of disagreement that might arise. Such a provision could reduce the need for court proceedings or early termination of the lease following a disagreement.

One outstanding characteristic of rented farms was the absence of commercial livestock. Almost all productive livestock found was on a home-use basis.

Apparently tenancy arrangements in the area discouraged livestock farming. The problems of improved pastures, fences, perennial crops, livestock housing, and other necessary or desirable practices are difficult for farmers to resolve under usual lease arrangements. Though there are ways in which these problems might be overcome or reduced, no tenant farms were found that were overcoming them sufficiently to have developed livestock farm organizations.

A number of tenants indicated a desire to add or expand certain livestock enterprises such as beef. They usually stated that lack of capital or some other reason was preventing them from putting their ideas into effect. Few recognized tenancy or leasing arrangements as an obstacle.

There was a higher proportion of cotton farms and a smaller proportion of subsistence farms among tenants than among owner-operators. None of the tenant farms had commercial livestock enterprises; 16 per cent of the owner-operator farms were livestock-type.

AMOUNT OF RENT PAID

Rent paid by cash tenants ranged from \$33 to \$400 per farm;

the median was \$100. When figured on the basis of acreage for farms of 30 acres or more (excluding woodland), rent paid varied from 96 cents to \$3.79 per acre, with the median being \$2.00. The percentage earned on investment by landlords ranged from -20.8 to 11.3 per cent, with a median of 1.5 per cent.⁶

Of the 13 standing renters in the study, 12 paid 1 bale of lint cotton as rent and one paid 400 pounds of lint cotton. Assuming cotton prices at 40 cents per pound, standing rent varied from \$2.22 to \$6.67 per acre, with a median of \$4.30 per acre for farms of 30 acres or more, excluding woodland. Correspondingly, rate earned on investment by landlords ranged from 0.5 to 28.2 per cent. The median rate earned was 6.9 per cent.

The rate earned on investment by landlords of share rented farms varied from -28.2 to 143.0⁷ per cent with a median of 2.6 per cent. On cropper farms, landlords earned from -16.3 to 61.3 per cent on their investment.⁸ The median was 11.5 per cent.

EVALUATING LEASE CHARACTERISTICS

To establish a system of evaluating leases for this study, five qualities or characteristics of leases were used. These were: clarity, security, flexibility (of farm organization under the lease), equitability, and rent-income ratio stability (whether rent varied with farm income).

CLARITY OF LEASE

Clarity of lease refers to the leasing arrangements being definite and clearly understood by both landlord and tenant. It also means that definite provisions exist that pertain to problems that may arise.

If each party knows his privileges and obligations, he is likely to take action more promptly to cope with problems. For instance, if a fence needs repairing and terms of the lease are complete and clear, the party responsible is more likely to repair it.

Clarity tends to promote better relations between landlords and tenants. Probably much misunderstanding is due to a lack of clarity.

⁶ One farm had abnormally high building repair expenses. In this study, repairs were not considered as adding to value (although remodeling, extending, or overhauling were considered as adding to value).

⁷ The landlord's share included 5 bales of cotton as well as corn from a 60-acre farm valued at \$15 to \$20 per acre.

⁸ Loss was due to crop failure.

To this extent, clarity should contribute to longer tenure and less mobility among tenants.

Clarity can be obtained by discussion and agreement on the provisions of the lease. A written lease often helps to attain clarity, and will furnish a definite record for reference.

SECURITY OF TENURE

Security of tenure is the certainty or assurance of future occupancy of the farm. The degree of security on rented farms varied widely. Some tenants or landlords did not know at Christmas whether the rental arrangement would be continued the following year. In other cases there was a lease with the term or period covering the remainder of the tenant's lifetime. Tenants usually cannot expect to attain the degree of security of mortgage-free owners. However, the security on many tenant farms was very low, and probably could be improved to advantage of both tenants and landlords.

Security of tenure is important to encourage sound, long-range planning of the farm organization. Occupancy for many years may be necessary to realize full benefits of regular crop rotation, soil conservation measures, and some kinds of crops or livestock. Tenants who are uncertain about how long they would remain on the same farms may be hesitant or unwilling to follow certain practices, such as use of lime or slag, pasture improvement, adequate maintenance of fencing, minor building repairs (which tenants might normally be expected to make), proper terrace maintenance, planting legumes (especially perennials), planting fall-seeded crops, and livestock production. If landlords are not certain how long tenants will stay, they may be reluctant to keep buildings and improvements in proper repair for fear their property may be vacant for some time between tenants, or that tenants, not expecting to remain long on their property, may neglect or abuse the property.

One way to attain more security is to make a lease for a period of years. However, there are probably many tenants, as well as landlords, who do not want to commit themselves to a long period, at least not without a provision that would permit them to terminate or cancel the lease upon reasonable notice before expiration of its full term. For this reason, it has been frequently recommended that 1-year leases with an automatic renewal clause be used. It may read something like this: "Unless one party shall give written notice

to the other party by the first day of August⁹ of his intention to discontinue the lease arrangement at the end of the then current lease year, the lease shall automatically be in force for another year, and from year to year in the future, and the same provisions shall hold." Under this arrangement, tenants would know on August 1 whether to make plans for fall-seeded crops and another year, or whether to begin looking for another farm. If tenants were leaving, this would give landlords more time to find other tenants. It would also reduce their chances of having the farm vacant for a year, or of getting undependable tenants because of lack of time to find better ones.

FLEXIBILITY OF ORGANIZATION

Flexibility of farm organization under the lease refers to freedom or ease with which operators may change enterprises, practices, or machinery and equipment.

As conditions change, alert farmers find it desirable to make certain adjustments or changes in order to make best use of farm resources. Farmers who quickly detect the need for a change and can make the change have an advantage over other farmers and are likely to be considerably more successful. However, if leases tend to retard such changes, tenants and landlords may be handicapped.

If acreages of crops or numbers of livestock are stated in the lease, this tends to increase rigidity of farm organizations. On share leases, even if acreages of crops are not stated, there is likely to be a retardation of change because of landlords' expectations of their shares of the usual crops, such as cotton and corn. Also, under share arrangements that are customary in the Piedmont Area, there is no provision for sharing livestock production. Thus, any shift toward livestock is likely to be retarded.

Under sharecropper arrangements, with landlords furnishing equipment and power and tenants furnishing labor, mechanization is likely to be retarded. A tractor and equipment reduces the labor required, which is the cropper's contribution. Hence, under usual arrangements, landlords' expenses would be increased and sharecroppers' contributions decreased; consequently, landlords are reluctant to mechanize. Although adjustments may be made to compensate for this, custom resists change.

Maximum flexibility of operations for tenants may be most easily attained under cash or standing rent arrangements, in which tenants

⁹ Or some other date as may be mutually agreed upon.

can usually make changes as they see fit as long as they do not damage or alter improvements on their landlord's property.

EQUITABILITY

Equitability or fairness refers to each party sharing in the proceeds as he contributes to the business. For example, if the value of the landlord's inputs to the farm business is one-fourth of the total inputs (inputs or contributions of both landlord and tenant), it is considered fair that the landlord get a corresponding share, one-fourth, of the total value produced on the farm. Equitability is also involved in the division of costs and returns for individual practices, such as fertilizing, poisoning insects, and using quality seed.

A lack of equitability may cause one party to lose interest because of low returns, or to feel cheated, and may cause friction between landlord and tenant. A lack of equitability on individual practices, such as fertilizing and poisoning, may mean that the party who is assuming the unduly large share of cost may be inclined to skimp on that practice.

Total returns to the business must be ample in order to have satisfactory returns to both parties. If returns are low because of small size, improper organization, or poor practices, it may be impossible for both landlord and tenant to get "fair" returns.

Although there are other methods of estimating the rental rate for an individual farm, the only aggregate test that will stand up under economic analysis is the supply and demand relationship. This will apply in an area where there is adequate information available to all interested persons on what property is available for rent, what rental rates are, and which persons are seeking to rent farms.

Such conditions as a large number of tenants looking for farms when only a few are offered for rent would indicate that rental rates are too low. Raising rental rates would tend to encourage landlords to develop their land for rental use, and would tend to discourage less efficient and less interested tenants who might find better employment elsewhere. This would leave the few available farms for the more able and industrious tenants.

On the other hand, if there are few tenants looking for farms and many vacant farms for rent, it suggests that rents are too high. Lower rents would encourage landlords to make other uses of their property in some cases, such as timber production. Lower rents would tend to attract more tenants, and perhaps encourage tenants to operate

larger units. To landlords, the choice may be between lower rents and farms vacant part of the time. Although lower rents would mean lower property values for present landlords, the investment of future landlords would be lower in consideration of the lower rent, so that their returns would be in line.

However, farms vacant and for rent may sometimes mean other adjustments in agriculture are needed besides lower rents. It may indicate a need for a different type of agriculture, larger units, mechanization, or other adjustments which might be necessary to permit farmers in the area to realize adequate incomes.

RENT-INCOME RATIO STABILITY

Rent-income ratio stability refers to the relationship between amount of rent and tenants' incomes in different years. If rents are lower when incomes are lower and higher when incomes are higher, the rent-income ratio stability is said to be high. But if the amount of rent is fixed regardless of tenants' incomes, the rent-income ratio stability is low.

A high rent-income ratio stability means less risk to tenants, since rental payments are reduced in adverse years, and are of less hardship. On the other hand, landlords get a larger return during good years when tenants' incomes are higher.

Sharecropper or share rent leases have high rent-income ratio stability, because the value of rent to landlords varies with both yields and prices. Standing rent leases have an intermediate rent-income ratio stability; the value of rent varies with prices, but not with yields. Cash rent leases with a fixed sum of money to be paid have the least rent-income ratio stability. However, cash rental arrangements can be made flexible by using a formula to calculate the amount of rent. Such a formula may include the price of some farm commodity, some combination of prices, or some price index, and a state- or nation-wide yield estimate for one or more crops.¹⁰

¹⁰ An example of a flexible payment arrangement for a cash lease on a cotton farm might be: $R = 3.3 YP$ (R equals amount of rent, 3.3 is a factor to be determined in the beginning by agreement between landlord and tenant, Y is the state average yield of lint cotton, and P is the state seasonal average price of lint cotton). What this formula means is that the amount of rent will be equal to the value of lint cotton from 3.3 acres at the state average yield and price for that year. Using the figures for 1950 in the formula (Y, the Alabama average yield, December 1 estimate, was 209 pounds per acre, while P, the Alabama seasonal average cotton price, December 1 estimate, was \$0.401) the rent would be \$276.57. A higher or lower rent would be obtained, of course, if landlord and tenant selected in the beginning a factor higher or lower than 3.3 to use in the formula.

LEASE SCORES

Based on data from the farms studied, various points that indicate degree of clarity, security, flexibility, equitability, and rent-income ratio stability were evaluated in a lease scoring system. The first four characteristics were given equal weight in the scoring system; the last one was given approximately one-half the weight of each of the others. The maximum possible score was 100, or 89 in the cases of share and cropper leases. Scores ranged from 30 to 75.

Average scores by types of leases are given below:

<i>Type of lease</i>	<i>Average score</i>
Cash	53
Standing rent	53
Share rent	45
Cropper	43
Miscellaneous	52
	48
All leases	48

These scores were low because of the prevalence of oral arrangements; lack of long-term leases or automatic renewal clauses; misunderstanding or lack of knowledge of lease provisions; mobility; lack of compensation, damage, and arbitration provisions; and other causes.

Relative scores for each point on which leases were evaluated are reported by type of rental agreement in Table 1.

TABLE 1. RELATIVE EVALUATION SCORE BY TYPE OF LEASE, PIEDMONT AREA OF ALABAMA, 1950

Item	Kind of tenant			
	Cash	Standing	Share	Cropper
Number of tenants	31	13	42	45
Evaluation point:				
Clarity.....	>Average	<Average	>Average	Average
Security.....	>Average	<Average	>Average	Average
Flexibility.....	Very high	Very high	Low	Low
Equitability.....	>Average	>Average	<Average	Average
Rent-income ratio stability..	Very low	<Average	High	High

Note: The ">" sign used above means "greater than" or "above;" the "<" means "less than" or "below."

RELATIONSHIP OF TENURE FACTORS TO PRODUCTION EFFICIENCY AND INCOME

Production efficiency is affected by many factors other than leasing conditions and provisions. However, a number of lease factors were studied to determine their over-all relationship to certain measures of efficiency.

Labor efficiency, measured in terms of man work units per man-

year of labor,¹¹ was more than twice as great for owner-operators as for standing renters (Appendix Table 2). Rank from highest to lowest was as follows: owner-operators, part owners, share tenants, cash tenants, miscellaneous tenants, multiple-unit farms, croppers, and standing rent tenants. Crop yields also were lowest on standing rent farms and highest on farms operated by owners.

Four measures of production efficiency (man work units per man year of labor, crop yield index, livestock returns above feed costs per work unit of livestock, and proportion of cropland idle) were studied in their relationship to over-all lease scores. Only feed efficiency showed increases with higher lease scores.

Four measures of income were studied in relationship to rental arrangements. These were whole farm net earnings, landlords' net farm earnings, rate landlords earned on investment, and operators' labor earnings per month of labor.

Whole farm net earnings varied from an average of \$1,377 for croppers to \$512 for the miscellaneous group of tenants (Appendix Table 3). The average for all tenant farms was about the same as for owner-operator farms. Landlords' net farm earnings were highest on cropper and lowest on cash rented farms.

Operators' labor earnings per month were related to over-all lease scores when adjustments were made for variations in earnings due to differences in education of operators and labor efficiency.

RELATIONSHIP OF FACTORS OTHER THAN TENURE TO PRODUCTION EFFICIENCY AND INCOME

Larger farms, without regard to tenure, had higher labor efficiency and higher crop yields than smaller farms. Also, the larger the farm the greater were crop yields. Percentage of idle cropland per farm was less on larger farms (Appendix Table 4). In this case, size was measured in terms of productive man work units.

Whole farm net earnings increased as size of farm increased. In general, the same was true for operators' net earnings per month. Size also was a multiplication factor in increasing landlords' net farm earnings and rate earned on investment (Appendix Table 5).

¹¹ This figure was calculated by dividing the size of farm in productive man work units by the estimated amount of labor in man-years used. The size of farm in productive man work units was calculated by multiplying the amount of each productive enterprise by normal labor requirements in terms of 10-hour days for that enterprise, and totaling for all enterprises on the farm. Thus, the higher the figure (productive man work units per man-year of labor), the greater the labor efficiency.

Value of farm capital, another measure of size, also showed a direct relationship to labor efficiency, crop yields, and whole farm net earnings (Appendix Table 6).

Formal education of farm operators was found to be associated with whole farm earnings and operators' labor earnings per month (Appendix Table 7). The more years of schooling, the greater were labor efficiency and crop yields.

Production efficiency and income varied by type of farm regardless of rental arrangement. Labor efficiency was highest on beef and the miscellaneous group of farms (Appendix Table 8). It was lowest on cotton and subsistence farms. Crop yields were highest on poultry farms. The proportion of idle cropland was lowest on dairy farms.

Whole farm net earnings for subsistence farms were less than half of those for other types of farms. For poultry and "other" types, whole farm net earnings were twice those of the average. Landlords' net earnings and rate of return on investment were highest on cotton farms (Appendix Table 9). This may have been due to the landlords providing supervision and credit on the cropper units found among cotton farms.

WHICH KIND OF RENTING BEST?

Cash leases are best suited to farmers with superior managerial ability and adequate financial resources. Under this arrangement, tenants have greater freedom in operating their farms than under most other types of leases. Any extra returns they can obtain by better management go to them as operators. Since landlords get no share of the production, they are usually indifferent about what tenants do, as long as the property is not abused. This helps remove one possible area of conflict between landlords and tenants, i.e., deciding what and how to produce.

On the other hand, there are certain disadvantages in cash leasing. The fixed amount of rent is an obligation to be met regardless of yields or prices, and it may be a hardship during adverse years. Landlords may not be as interested in maintaining the productivity of their farms as they would were they getting a share of the production. Inexperienced operators usually do not have the benefit of their landlords' managerial help as would generally be available under a share arrangement. Also, landlords usually do not finance any of the farm operating expenses, and tenants with limited capital might have difficulty getting adequate credit elsewhere.

Standing renters have about the same advantages as cash renters. In addition, they have some protection against price fluctuations. Also, in some cases, a disadvantage may lie in the fact that custom may have fixed standing-rent rates so strongly that they do not always accurately reflect the rental market. For instance, conditions might warrant an increase of \$40 in cash rent, but it is less probable that landlords and tenants would talk of raising or lowering standing rent by, say, 100 pounds of lint cotton.

For **share renting**, advantages and disadvantages are very much the opposite of those for cash renting. Probably the biggest advantages of share renting lie in getting some financial assistance and managerial help from landlords, although this is not always the case, and in the rental payment varying with the degree of success of the year's farming operations. Therefore, share renting is best suited to operators who have their power, machinery, and equipment, but who are not experienced managers, and who have limited operating capital.

Among the disadvantages, landlords may insist on certain crops being grown that tenants might not choose. Any extra returns tenants get by good management must be shared with landlords. Since extra payments for housing and other facilities are not common, landlords may have relatively little interest in maintaining these facilities in good condition unless necessary in order to get or keep good tenants. Share renting may put more of a burden or responsibility on landlords for supervision than some are willing to take.

Sharecropping is best suited to farmers having very little or no capital, and who are not experienced and capable operators. In such cases, the nearest alternative may be as a hired farm laborer. Many landlords and croppers seemed to prefer the arrangement of sharing crops rather than working for wages. It gives croppers more incentive to do a good job. It may permit croppers to receive extra returns during good years, as compared to returns for hired labor. At the same time, landlords' or owners' commitments to croppers are reduced during bad years (being one-half of whatever net returns are obtained). This reduces landlords' risks, and by sharing crops, croppers may be able to get larger returns on the average than would be possible by wages. Often croppers receive loans or advances of credit from landlords for food, clothing, medical needs, and other personal items. The relationship between landlords and croppers is complex and difficult to evaluate or to compare with other tenure arrangements.

There seems to be a trend for owners to keep persons who work part time as hired hands and part time as croppers. Some owners state that they keep these persons primarily as a source of hired labor and let them "work a crop" on halves in order to hold them. This arrangement is most frequent where owners are adding livestock to their farm organizations. Many of these combination hired hand-croppers seem to attach considerable value to the privilege of working a crop, perhaps because of the rather speculative anticipation of a lump sum return in the fall harvest season.

SUMMARY

The objectives of this study were to determine and evaluate the farm leasing practices in the Piedmont Area of Alabama.

The most common tenancy arrangements were cropper and share, followed in order by cash, part owners, standing, and miscellaneous arrangements. Most leases were oral, 1-year agreements with no definite renewal arrangements. Most of them did not provide for any compensation to tenants for improvements, and none provided specifically for compensation to landlords for abuse of property. In most cases, landlords furnished both materials and labor for dwelling repairs that were made.

The average occupancy of farms was 6.2 years for all tenants (4.7 years for white tenants, and 7.8 for colored) as compared with 15.6 years for owner-operators.

There were no livestock farms among tenants. Livestock was a major source of income for about one-sixth of the owner-operators. Among tenants, the proportion of cotton farms was much greater and the proportion of subsistence farms was somewhat less than among owner-operators.

Five general characteristics of leases were used in evaluating and scoring. These were: Clarity, security of tenure, flexibility of farm organization under leases, equitability, and rent-income ratio stability (whether rent varied with income). The scores on these five characteristics were totaled to give over-all lease scores.

Production efficiency, in general, was higher on larger farms. It varied among types of farms; it was generally higher on livestock farms, and lower on crop and subsistence farms. Operators with more formal education had greater production efficiency.

In labor efficiency, owner-operators were highest, with part owners, share tenants, cash tenants, croppers, and standing renters

following in order. Ranking was much the same in crop yields; in proportion of cropland idle, owner-operators were highest, with cash tenants, standing renters, part owners, share tenants, and croppers following in order. The lease characteristics scores were not related to production efficiency in most cases.

Whole farm earnings were related to size of farm and formal educational level of the operator. Among the three main types of rented farms, rates earned on investment by landlords were: Cotton, 13.7 per cent; general, 9.2 per cent; and subsistence, 2.0 per cent. After allowing for differences in education and labor efficiency, there was a positive relationship between operators' labor earnings per month and over-all lease scores. This was traced to lease clarity scores. None of the scores on the other four lease characteristics was related to this earnings measure.

Landlords' net farm earnings were higher on farms having low scores on lease flexibility and on equitability. However, it is presumed this may have been due to differences in types of leases (cash leases, with lower landlords' earnings, having higher flexibility scores) and size of farm (the types of leases having low equitability scores being on farms somewhat larger than average).

CONCLUSIONS

A clear understanding or clarity of leasing arrangements between landlords and tenants is important. Discussion between landlords and tenants on the terms or provisions of rental arrangements and the use of written leases help improve clarity. Vagueness in leases puts a heavy burden on the compatibility of personalities of landlords and tenants. Clear, specific, and detailed rental contracts are not substitutes for sound character in landlords or tenants, but in many cases they may be an aid in improving landlord-tenant relations. Care must be taken, however, to ensure that written leases are complete and that their provisions are acceptable to both landlords and tenants. Also, when one party suggests a written lease, care must be taken that the other party does not become suspicious or consider it an affront to his integrity.

Other characteristics of leases (security, equitability, flexibility of farm organization under leases, and rent-income ratio stability) were not found to be important in this area. This could mean that these characteristics were unimportant, or, perhaps more likely, that they

were overshadowed by other factors independent of rental arrangements.

The absence of livestock farms among tenants indicated that there was something about rental arrangements that retarded adjustments or changes. It could not be determined whether it was insecurity of future tenure, the problem of dividing costs of necessary improvements and facilities, or some other factor or factors that were retarding needed and desirable changes in farm organizations.

Farms were too small and farm capital was inadequate for efficient and economical units. For the area as a whole, these limiting factors seemed to be more critical than leasing problems. Accordingly, one of the problems facing tenants and landlords, as well as owner-operators, is to enlarge their farms and to use more capital. Ways of enlarging farms include adding land, consolidating farms, clearing or improving land, producing more intensive crops, and increasing livestock production. Using more capital includes the use of more machinery and equipment, more livestock, and more fertilizer and insecticides, as well as more land. These needs should be kept in mind by both tenants and landlords when deciding on provisions to be included in leases.

APPENDIX TABLE 1. SELECTED CHARACTERISTICS OF 370 FARMS,¹ BY TENURE, PIEDMONT AREA OF ALABAMA, 1950

Item	Unit	All tenure groups	Owner-operators	Multiple-unit farms ²	Part owners	Cash tenants	Standing renters	Share tenants	Croppers	Miscellaneous tenants	Other ³
Number of farms.....	No.	370	183	20	21	31	13	42	45	10	5
Type of farm:											
Subsistence.....	Pct.	47	53	25	38	74	7	45	20	70	60
Cotton.....	Pct.	33	19	35	38	20	93	38	80	30	20
General.....	Pct.	9	9	20	19	3	0	17	0	0	0
Dairy.....	Pct.	4	7	10	0	0	0	0	0	0	20
Poultry.....	Pct.	3	5	0	0	0	0	0	0	0	0
Beef.....	Pct.	2	3	5	5	0	0	0	0	0	0
Other ³	Pct.	2	4	5	0	3	0	0	0	0	0
Colored (negro) farmers.....	Pct.	25	15	10	38	35	62	19	53	60	0
Formal education of farmers.....	Yr.	6.9	7.6	8.3	5.9	6.1	4.4	6.2	5.2	3.3	10.4
Age of operators.....	Yr.	49	50	54	49	46	51	44	46	49	38
Occupancy of present farm.....	Yr.	11.8	15.6	23.7	7.9	5.1	9.6	5.3	6.2	7.0	7.2
Total farm capital ⁴	Dol.	3,603	4,086	7,647	3,560	2,921	1,825	2,509	2,308	2,482	2,533
Open land.....	Acres	68	69	172	76	55	38	61	38	84	49
Productive man work units.....	No.	190	184	355	198	143	174	195	183	156	156
Farms having tractors only.....	Pct.	4	5	0	10	3	0	0	2	0	0
Farms having tractors & workstock.....	Pct.	10	11	25	5	6	0	5	13	0	20
Farms having workstock only.....	Pct.	84	80	75	85	91	100	95	85	100	60
Net earnings, whole farm.....	Dol.	1,090	1,125	*	694	978	1,241	1,116	1,393	637	885
Lease:											
Written.....	Pct.	9	-----	-----	14	13	8	12	0	20	-----
Renewal clause.....	Pct.	4	-----	-----	5	6	0	5	2	0	-----
Term 2 years or more.....	Pct.	7	-----	-----	10	19	8	5	0	0	-----
Compensation clause.....	Pct.	4	-----	-----	14	10	0	2	0	0	-----
Damage clause.....	Pct.	2	-----	-----	0	3	0	7	0	0	-----
Arbitration clause.....	Pct.	0	-----	-----	0	0	0	0	0	0	-----

¹ These farms are not a random sample, since part owners and tenants were sampled at a rate about 20 per cent greater than owner-operators and multiple-unit farms. ² Owner-operators with croppers. ³ Includes truck, hog, crops other than cotton, and miscellaneous. ⁴ Total farm capital excludes value of dwelling and woodland. ⁵ Not comparable. ⁶ Includes rent free and owners renting very small tracts of additional land.

APPENDIX TABLE 2. RELATION OF LABOR EFFICIENCY, CROP YIELDS, AND PROPORTION OF CROPLAND IDLE TO TENURE, 337 FARMS, PIEDMONT AREA OF ALABAMA, 1950¹

Tenure	Farms	Labor efficiency (work units per man-year)	Crop yields	Proportion of cropland idle
	<i>Number</i>	<i>Number</i>	<i>Index</i>	<i>Per cent</i>
Owner-operators	183	204	109	23
Multiple-unit farms (owner-operators with croppers)	20	133	98	27
Part owners	21	186	92	9
Cash tenants	26	158	93	17
Standing renters	10	88	86	13
Share tenants	30	179	90	9
Croppers	37	128	88	5
Miscellaneous tenants	10	144	78	22
TOTAL OR AVERAGE	337	181	100	18

¹ Feed efficiency did not show significant differences among tenure groups.

APPENDIX TABLE 3. RELATION OF WHOLE FARM NET EARNINGS AND LANDLORDS' NET FARM EARNINGS TO TYPE OF LEASE, 345 FARMS,¹ PIEDMONT AREA OF ALABAMA, 1950²

Type of lease	Farms	Whole farm net earnings	Landlords' net farm earnings
	<i>Number</i>	<i>Dollars</i>	<i>Dollars</i>
Cash	43	909	22
Standing rent	13	1,241	136
Share rent	45	1,127	100
Cropper	46	1,377	341
Miscellaneous	15	512	84
All leases	162	1,092	149
Owner-operators	183	1,125	-----

¹ The 20 multiple-unit farms (owner-operators with croppers) were omitted because the data were not comparable.

² Operators' labor earnings per month and rates earned on investment by landlords did not vary significantly among tenure groups.

APPENDIX TABLE 4. RELATION OF SELECTED PRODUCTION EFFICIENCY¹ AND INCOME MEASURES TO SIZE OF FARM AS MEASURED BY PRODUCTIVE MAN WORK UNITS, 337 FARMS OF ALL TENURE GROUPS, PIEDMONT AREA OF ALABAMA, 1950

Size ^a (productive man work units)	Farms	Labor efficiency (work units per man-year)	Crop yields	Proportion of cropland idle	Whole farm net earnings	Operators' labor earnings per month
	Number	Number	Index	Per cent	Dollars	Dollars
27- 77.....	42	165	95	34	357	45
78- 107.....	42	168	94	26	501	25
108- 132.....	42	138	94	22	668	30
133- 158.....	41	156	100	12	913	54
159- 189.....	43	213	98	15	1,004	74
190- 230.....	41	172	105	16	1,494	106
231- 288.....	43	189	102	10	1,413	63
289-1,728.....	43	254	112	12	2,361	88
TOTAL OR AVERAGE	337	181	100	18	1,093	60

¹ Feed efficiency was not found to be related to size of farms.

² Farms were arrayed according to size, then divided into eight groups of approximately equal numbers; this caused unequal class intervals.

APPENDIX TABLE 5. RELATION OF LANDLORD'S NET FARM EARNINGS AND RATES EARNED ON INVESTMENT BY LANDLORDS TO SIZE OF FARM AS MEASURED BY PRODUCTIVE MAN WORK UNITS, 162 TENANT AND PART OWNER FARMS, PIEDMONT AREA OF ALABAMA, 1950

Size (productive man work units)	Farms	Landlords' net farm earnings ¹	Rates earned on investment by landlords ¹
	Number	Dollars	Per cent
27- 77.....	11	-37	0.4
78- 107.....	19	19	1.6
108- 132.....	25	100	6.5
133- 158.....	26	173	9.2
159- 189.....	23	119	7.4
190- 230.....	19	75	6.7
231- 288.....	21	305	16.0
289-1,728.....	18	355	14.0
TOTAL OR AVERAGE	162	148	8.1

¹ Simple averages; note that in first group of farms, landlords' net farm earnings were negative (minus), while percentage earned on investment was positive.

APPENDIX TABLE 6. RELATION OF SELECTED PRODUCTION EFFICIENCY AND INCOME MEASURES¹ TO TOTAL FARM CAPITAL,² 337 FARMS OF ALL TENURE GROUPS, PIEDMONT AREA OF ALABAMA, 1950

Total farm capital ² , ³	Farms	Labor efficiency (work units per man-year)	Crop yields	Whole farm net earnings
	<i>Number</i>	<i>Number</i>	<i>Index</i>	<i>Dollars</i>
\$ 247- 1,059.....	42	124	67	468
1,060- 1,581.....	41	154	106	875
1,582- 2,092.....	43	183	80	831
2,093- 2,456.....	42	176	95	1,232
2,457- 3,032.....	42	142	109	1,027
3,033- 3,816.....	42	182	100	1,014
3,817- 6,178.....	43	237	124	1,261
6,179-48,628.....	42	263	120	2,035
TOTAL OR AVERAGE.....	337	181	100	1,093

¹ Feed efficiency, proportion of cropland idle, and operators' labor earnings per month did not show significant differences related with total farm capital.

² Total farm capital excludes value of dwelling and woodland.

³ Farms were arrayed according to amount of farm capital, then divided into eight groups of approximately equal numbers of farms; this caused unequal class intervals.

APPENDIX TABLE 7. RELATION OF SELECTED PRODUCTIVE EFFICIENCY AND INCOME MEASURES¹ TO FORMAL EDUCATION OF THE FARM OPERATOR,² 337 FARMS OF ALL TENURE GROUPS, PIEDMONT AREA OF ALABAMA, 1950

Years of school	Farms	Labor efficiency (work units per man-year)	Crop yields	Whole farm net earnings	Operators' labor earnings per month
	<i>Number</i>	<i>Number</i>	<i>Index</i>	<i>Dollars</i>	<i>Dollars</i>
0, 1	33	135	76	867	37
2, 3	32	175	89	978	40
4	36	152	87	872	58
5	34	154	88	1,157	65
6	37	160	91	858	31
7	24	164	107	1,174	98
8	38	183	105	1,136	48
9	24	211	115	1,370	94
10, 11	31	211	115	1,242	84
12-17	37	273	123	1,561	82
Unknown	11	147	163	506	32
TOTAL OR AVERAGE	337	181	100	1,093	60

¹ Feed efficiency and proportion of cropland idle were not found to vary significantly with education.

² Includes croppers, in cases of sharecropper arrangements.

APPENDIX TABLE 8. RELATION OF SELECTED PRODUCTION EFFICIENCY¹ AND INCOME MEASURES TO TYPES OF FARMS, 337 FARMS OF ALL TENURE GROUPS, PIEDMONT AREA OF ALABAMA, 1950

Type of farm	Farms	Labor efficiency (work units per man-year)	Crop yields	Pro- portion of cropland idle	Whole farm net earnings	Operators' labor earnings per month
	<i>Number</i>	<i>Number</i>	<i>Index</i>	<i>Per cent</i>	<i>Dollars</i>	<i>Dollars</i>
Subsistence	155	180	92	24	622	44
Cotton	111	152	98	12	1,407	78
General	31	202	108	17	1,225	50
Dairy	15	235	127	8	1,706	48
Poultry	10	192	145	19	2,155	174
Beef	6	271	116	11	1,371	-58
Other ²	9	321	133	25	2,500	147
TOTAL OR AVERAGE	337	181	100	18	1,093	60

¹ Feed efficiency was not found to be significantly different among types of farms.

² Included truck, hog, crops other than cotton, and miscellaneous.

APPENDIX TABLE 9. RELATION OF LANDLORDS' NET FARM EARNINGS AND RATES EARNED ON INVESTMENT BY LANDLORDS TO TYPE OF FARM, 162 TENANT AND PART OWNER FARMS, PIEDMONT AREA OF ALABAMA, 1950

Type of Farm	Farms	Landlords' net farm earnings	Rates earned on investment by landlords
	<i>Number</i>	<i>Dollars</i>	<i>Per cent</i>
Subsistence	68	10	2.0
Cotton	80	272	13.7
General	12	91	9.2
Beef and miscellaneous	2	270	5.4
TOTAL OR AVERAGE	162	149	8.3

