Good Farm Lease Fair To Owner And Tenant, Mgt. Specialist Says

About this time of year, landlords and tenants begin thinking about the renewal of their leasing agreements for the coming crop year. Usually they are most concerned about determining the amount of rent, according to W. T. McAllister, extension farm management specialist at the University of Delaware.

The landlord and tenant should share in the income of the farm in the same proportion that each party contributes to the operation, management and investment of the farm business, McAllister believes. The actual amount in terms of dollars or share of farm income will vary widely depending upon the individual circumstances.

The landlord pays the cost of ownership of the land and buildings, including a charge for interest on the investment and an annual charge for upkeep and depreciation of buildings, fences, tax ditches and other capital improvements. The tenant, on the other hand, pays for interest, depreciation and upkeep for capital items he supplied The cost of his labor is also a tenant contribution Whoever made the management decisions, landlord or tenant, could include this among his contributions.

The easiest way to handle current production expenses, such as fertilizer, gasoline, seed, taxes, repairs and custom work, is to list them all and then cross off those to be shared equally. The expense items that the landlord and tenant pay for separately are estimated, using the farm account book as a guide.

Add up all the expense contributions of each party, and divide the income according to the percentage each party puts into the business, McAllister recommends "For instance, suppose that the landlord's expenses total $4,000 and the tenant's total $6,000 The fair way to divide the income from the farm would be 40 percent to the landlord and 60 percent to the tenant" If the parties want the customary 50-50 share arrangement, an adjustment can be made in the division of the expenses so that each is paying 50 percent of the expenses

It has been customary for the landlord to furnish the land and buildings and for the tenant to furnish the machinery and labor, with the production expenses shared equally However, this type of lease is not likely to be well-suited to modern farms, McAllister points out "Out-of-pocket cash expenses are greater today than 25 and 50 years ago, and the investment in machinery is likely to be much greater in proportion to the land values than in past years"

Of course a good lease will not substitute for a good farm that s large enough to yield a satisfactory income. It takes the very best of farm management to make a living and pay rent in addition The lease should not make it impossible for the tenant to follow good management plans.

Many leases require the tenant to plant a certain acreage of wheat, which is a cash crop with relatively small profits. In most cases, both the landlord and tenant would be better off if that land were used to grow a more profitable crop. Another example is the dairy farmer who has a 50-50 crop share lease. The tenant may want to grow hay and pasture, but the landlord prefers cash crops because he shares in them and not in the dairy. A good lease would make it possible for the landlord and tenant to work together for their mutual interests, McAllister believes.

Although many of the farm leases today are verbal arrangements, McAllister recommends a written agreement because it gives both parties certain legal assurances, and the very act of writing it out causes each party to consider closely the provisions and limitations. "It does not need to be a fancy, highly legal-appearing document. It is much more important that it is clear and fair to both parties," he says.

Most of the leases used are out-of-date and in need of revising, according to McAllister. "Both the tenant and the landlord stand to gain when a good up-to-date lease is used. After all, if the tenant cannot make a living, the landlord will not have much for his investment either."

Retailer Exemptions From Meat Inspection Tightened By USDA

The U.S. Department of Agriculture has amended its meat inspection regulations to tighten provisions under which meat dealers are granted "retailer exemptions" from federal meat inspection.

The new amendments which become effective March 11, will require many meat dealers, now exempted from federal inspection of meat products retailed across state lines would, at the very least, result in a loss of 50 cents income per hundredweight of lines to hotels, restaurants and institutional consumers, to obtain federal meat inspection services.

Consumer and Marketing Service meat inspection officials explained that the Federal Meat Inspection Act of 1906 made provisions to exempt from federal inspection requirements those retail meat dealers and butchers—usually located near state borders — who sell meat directly to "consumers" across state lines.

To qualify for such an exemption under the previous regulations, retail meat dealers had to sell at least 50 percent of their meat and meat products directly to "consumers" Once exempted, they were permitted during any week to ship to "consumers" across state lines, without federal inspection, not more than 5 carcasses of cattle, 25 of calves, 20 of sheep, 25 of lambs, 10 of swine, 20 of goats, or 25 of goat kids, or the equivalent of fresh meat. In addition, they could ship an unlimited volume of processed meat products.

While the term "consumers" was not defined, it has been construed to include restaurants, hotels, boarding houses, or similar institutions as well as household consumers when applied to these provisions.

These retailer exemptions were originally intended to be of assistance to small retail meat dealers, C&MS officials said. However, in the absence of specific qualifications, the retailer exemption privilege has been extended to large volume suppliers over the years.

To bring the "retailer exemption" privilege back to the original intent, C&MS proposed the new amendments to the regulations last November.

Under the amended regulations, a firm still must sell more than 50 percent of its meat and meat products directly to "consumers" (including hotels, restaurants, etc.) to qualify for exemption. In addition, the firm's average weekly sales volume — including all its subsidiaries and branches — during each quarter of a calendar year cannot exceed 35,000 pounds of fresh meat and 20,000 pounds of processed meat products.

The new amendments thus add average weekly sales volume to the qualifications for exemption, as well as including the sales of all subsidiaries and branches of a firm in computing this volume.

-FARMERS-

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