Ag Decision Maker

File C2-30
December 2008
www.extension.iastate.edu/agdm

Crop-Share Leasing Provisions

Although a farm tenant and landowner are free to include whatever provisions they wish in a lease contract, many people want to know what practices are customary or common in their region. Practices that are widely followed are usually considered to treat landowner and tenant fairly. However, individual circumstances may justify arrangements that are different from the majority of cases. Any lease must be evaluated as a whole, not by its individual parts. The general principle to follow is to divide the crop (and other income) in the same proportion as total costs are shared.

Although leasing practices tend to be stable, changes do occur because of changes in agricultural technology and economic conditions. A 2007 survey by the Department of Economics at Iowa State University was conducted to find out more about current leasing practices in Iowa. Responses were received from a representative sample of over 500 landowners throughout the state.

Nearly all the responses (93 percent) reported a 50/50 division of both the corn crop and the soybean crop between the landowner and tenant. Table 1 below shows how the various costs were divided. By far the most common pattern was for the cost of seed, fertilizers, lime, herbicides, and other pesticides to be divided evenly between the parties.

Some tenants paid all the costs of having fertilizer or pesticides custom applied, but most of the time costs were split evenly. No doubt this practice is encouraged by the fact that many dealers include the cost of custom application and applicator rental in the same billing as the cost of materials.

About half of the respondents surveyed said the landowner and tenant had an equal voice in choosing which crops to grow. The tenant alone usually made the decisions about what seed, fertilizer, and pesticides to use, however.

Table 1. Portion of costs paid by owner (percent of acres for each item). [1]

Materials	Owner pays none	Owner pays 25-49%	Owner pays 50%	Owner Pays 51-99%	Owner pays 100%	No answer given
Seed	2%	4%	88%	0%	3%	3%
Herbicide	3%	4%	83%	0%	5%	5%
Insecticide	0%	3%	87%	0%	5%	5%
Fertilizer	1%	3%	88%	0%	4%	4%
Lime	1%	3%	67%	1%	15%	13%
Grain drying	3%	4%	77%	3%	3%	10%
Application of Materials						
Fertilizer, custom applied	14%	1%	64%	0%	3%	18%
Pesticide, custom applied	13%	1%	57%	0%	2%	28%

Management Decisions	Tenant Decides	Both Decide	Owner Decides
Choice of crop	47%	52%	1%
Choice of fertilizer	73%	25%	1%
Choice of seed	74%	22%	3%
Choice of pesticide	81%	19%	0%

[1] Percentages may not add to 100% due to rounding.

. . . and justice for all
The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Many materials can be made available in alternative formats for ADA clients. To file a complaint of discrimination, write USDA, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Jack M. Payne, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

IOWA STATE UNIVERSITY
University Extension

Mike Duffy
extension economist
515-294-6160, mduffy@iastate.edu