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SECTION IX: NO. 4

# FARM LEASING IN NORTH DAKOTA

ARLYN R. STAROBA, JEROME E. JOHNSON, and BILLY B. RICE\*

RENTING LAND is an important way North Dakota farmers acquire and control needed resources. About 60 percent of the farm operators rent all or part of their land resources, and they operate almost three-fourths of the land in the state. Renting facilitates changes in farm size without the purchase of land. Farm leasing provides the flexibility needed to adapt to constantly changing agricultural conditions.

The information herein came from a mail survey of farm renters in six widely separated North Dakota counties. The 1973-74 study involved 704 questionnaires reporting on over 1,300 leasing arrangements. Fifty-seven percent of the leases were crop-share, 41 percent cash rent, and 2 percent involved crop-share-cash arrangements. Map 1 summarizes the types of leases by county.

## Crop-Share Leases

The crop-share lease was the most widely used lease type. Contract arrangements specify what crops are to be shared and the proportion of each crop the landlord or tenant receives. It also lists the costs to be shared and the percentage to be paid by each party. The landlord receives a share of the crop as rental payment, and the tenant receives use of the land and a specified percentage of the production.

The 75-25 lease, 2/3-1/3 lease, and 50-50 lease were the most common crop-share arrangements used (Map 2). The decision on which arrangement to use depends on the abilities of the landlord and

the tenant to finance operating costs and their willingness to be involved in the management of the land. Bargaining positions of each party and local custom also affect the decision.

The arrangements for sharing expenses and returns are the same for the crop-share and crop-share-cash leases. Information on the two lease types are combined in Table 1. Ninety percent of the tenants using a 50-50 lease paid half of the fertilizer costs, 6 percent paid all of the cost, and 4 percent paid none of the cost. Fifty-eight percent of the tenants using a 2/3-1/3 lease paid all of the fertilizer costs, 40 percent paid 2/3 of the cost, and less than 1 percent paid for none of the cost. For tenants using a 75-25 lease, 94 percent paid all of the costs of fertilizer, 5 percent paid 3/4 of the cost, and less than 1 percent paid none of the cost. Other expenses reported are summarized in a similar manner.

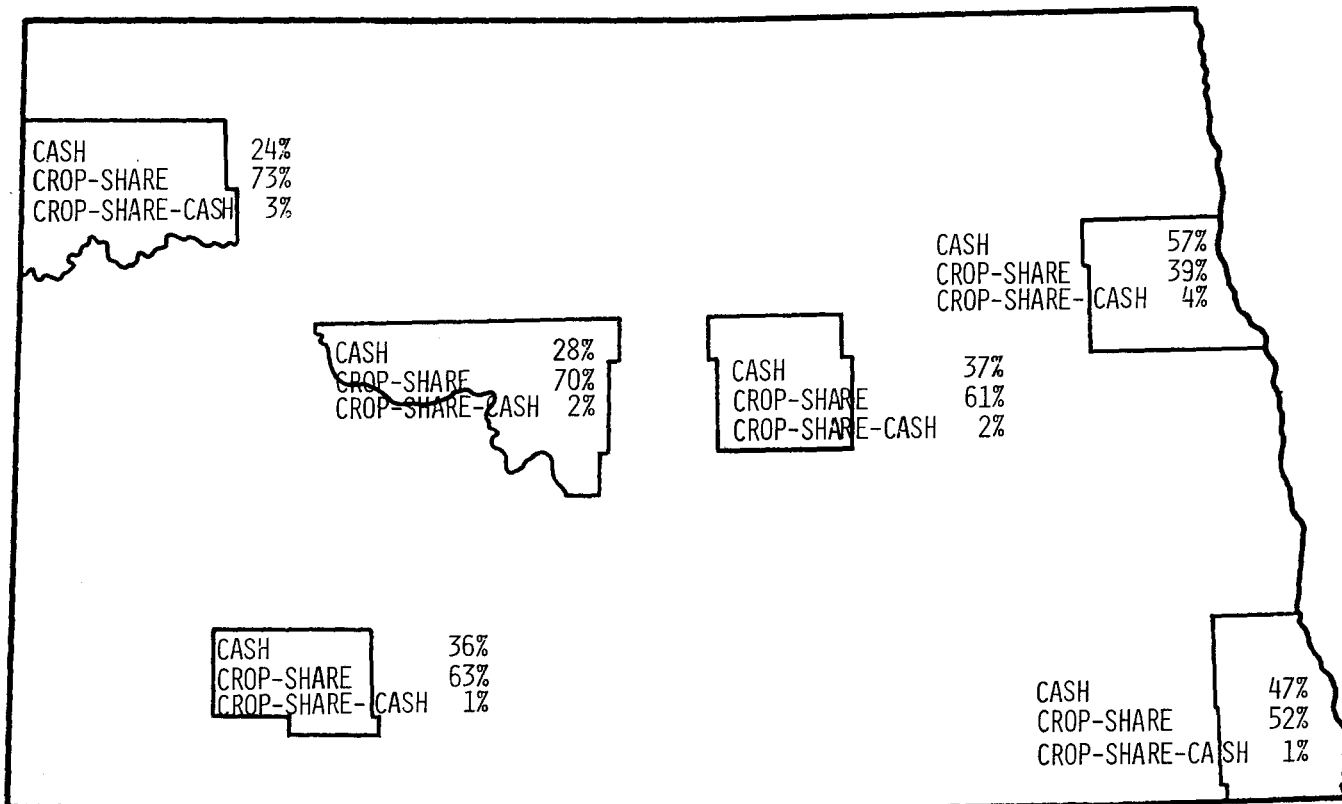
When the 75-25 leasing arrangement was used, the tenant typically paid all expenses other than taxes and received three-fourths of the receipts from crop sales. All counties reported similar arrangements for the 75-25 lease.

The tenant paid all expenses (other than taxes) under a typical 2/3-1/3 share lease. In Richland and Grand Forks counties the landlord also paid one-third of the fertilizer expense. Landlords in Grand Forks County also paid one-third of the crop insurance costs.

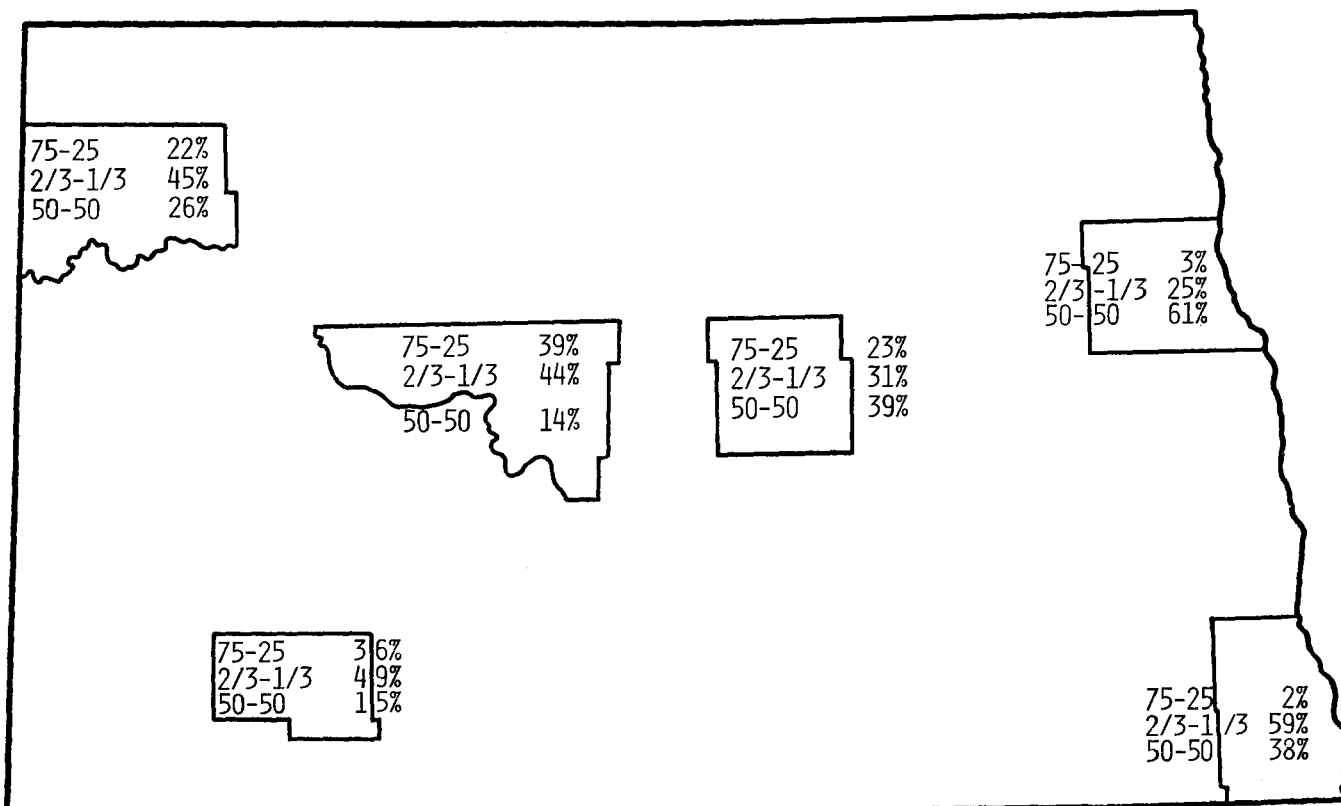
Landlords with a 50-50 crop-share lease generally pay a larger share of the costs. Most landlords paid all seed, taxes, and building repair costs, plus one-half of the costs of fertilizer, weed spray, custom

\*Staroba is assistant in agricultural economics, Dr. Johnson is associate professor in agricultural economics, and Rice is extension farm management economist, North Dakota State University, Fargo.

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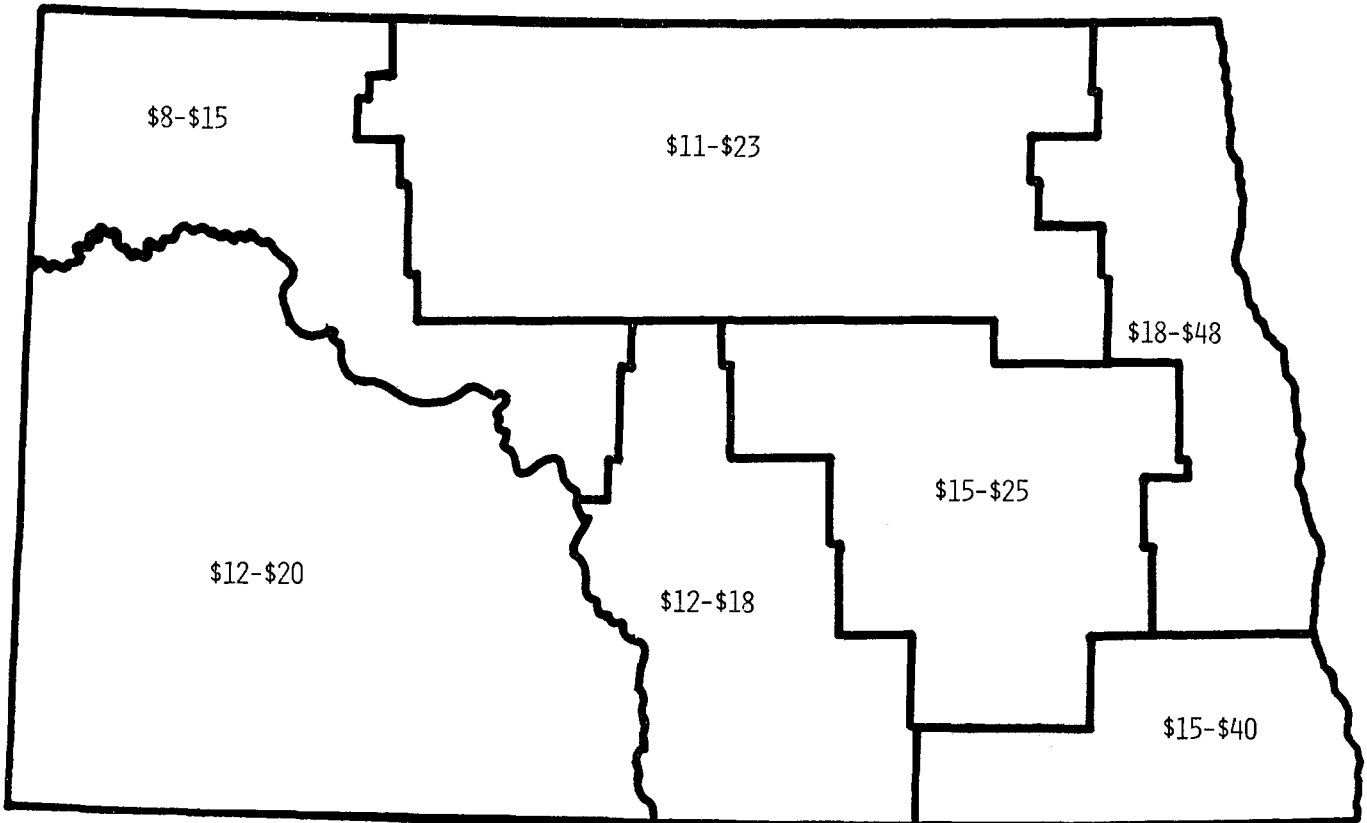


MAP 1. PERCENT OF LEASES BY TYPES IN USE IN 1973-74

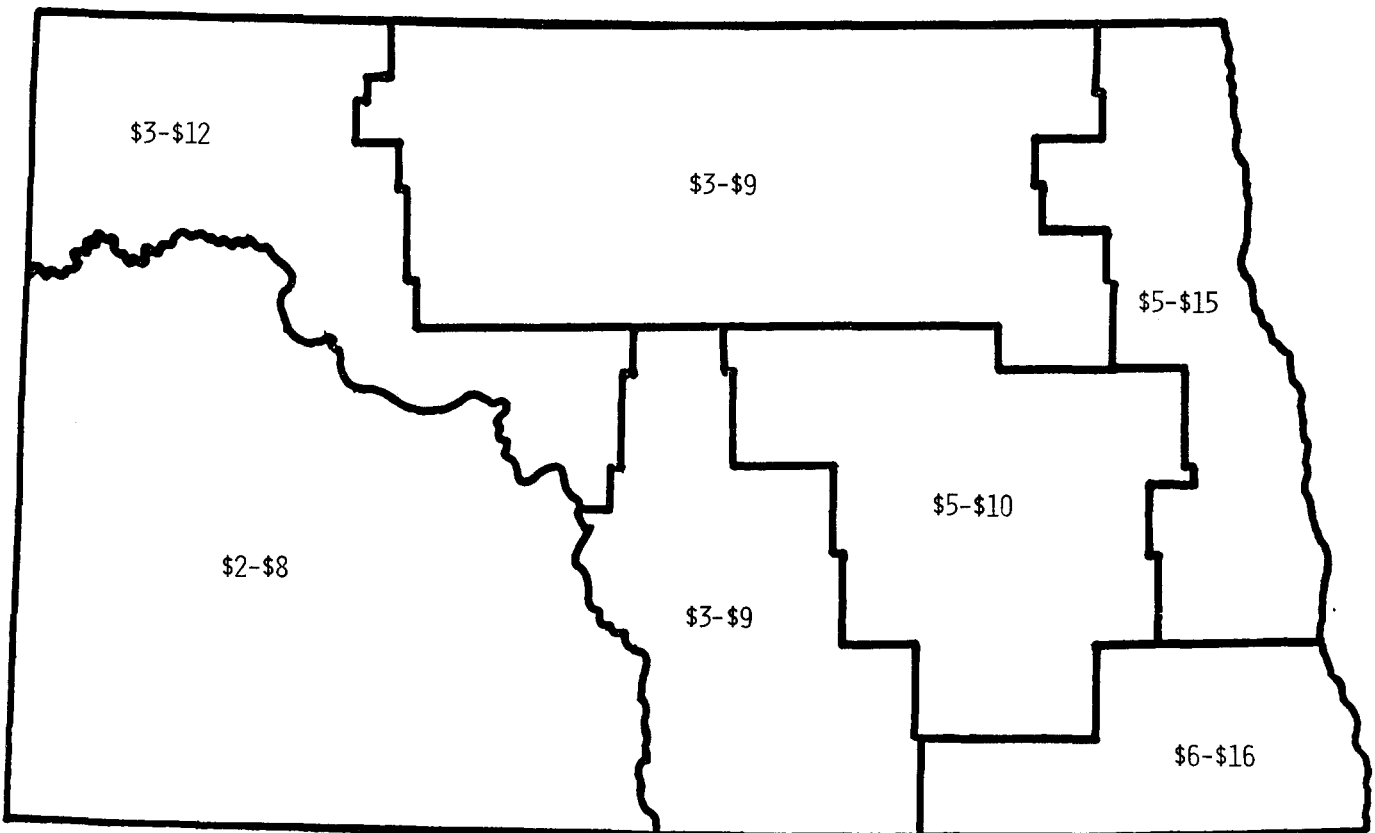


MAP 2. PERCENT OF CROP-SHARE LEASES IN USE IN 1973-74

The total is less than 100% in some cases due to the presence of other share ratios.



MAP 3. CASH RENT PER ACRE--TILLABLE LAND (1974)



MAP 4. CASH RENT PER ACRE--PASTURELAND (1974)

weed spraying, combining, and crop insurance. Averages for Williams County varied slightly because landlords paid one-half of the costs of swathing and grain hauling.

### Cash Rent

Cash rent has become more popular in North Dakota. A tract of land available for cash rent facilitates a bidding process when demand is active. Tenants have greater managerial freedom, which becomes increasingly important as farms become larger and land is rented from more than one landlord. Landlords may prefer cash rent because of the as-

urance of a fixed income from the property. The amount of cash rent paid varied according to the quality of the land, location in the state, and demand. Maps 3 and 4 show the range of cash rents per acre for tillable and pastureland.

Cash rent is related to the market value of the land and is often negotiated as a percentage of market value. Traditionally, this figure has ranged between 7½ percent and 8½ percent. In 1973, it ranged from 9 percent to 12 percent and in 1974 from 9½ percent to 13 percent, reflecting a strong demand by farmers for additional land.

**TABLE 1. AVERAGE TENANT SHARE OF SELECTED EXPENSES FOR CROP-SHARE AND CROP-SHARE-CASH LEASES IN 1973-74**

Expense	% of Tenants on a 50-50 Lease That Paid <sup>a</sup>			% of Tenants on a 2/3-1/3 Lease That Paid <sup>a</sup>			% of Tenants on a 75-25 Lease That Paid <sup>a</sup>		
	All	1/2	None	All	2/3	None	All	3/4	None
	----- percent -----								
Fertilizer	6	90	4	58	40	*	94	5	*
Seed	7	14	79	97	2	*	98	*	*
Gasoline	96	3	*	99	*	*	100	0	0
Weed Spray	21	68	9	76	22	0	97	3	0
Custom Weed Spraying	30	68	*	85	14	0	97	3	0
Swathing	72	25	*	96	3	*	100	0	0
Combining	25	64	0	95	3	0	99	0	0
Grain Hauling	73	23	*	97	2	0	100	0	0
Crop Insurance	33	65	1	58	39	*	81	17	0
Machinery Repair	97	2	*	99	*	0	100	0	0
Building Repair	31	6	63	73	1	25	86	0	10
Fence Repair	72	5	23	92	0	8	95	0	3
Hired Labor	98	1	*	99	0	0	99	0	0

<sup>a</sup> Total is less than 100 percent in some cases because some tenants had a different share arrangement.  
 \* Less than 1 percent.

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