FATHER AND SON FARMING AGREEMENTS
IN SOUTH CENTRAL MICHIGAN

Thesis for the Degree of M. S.
MICHIGAN STATE COLLEGE
Harry Stanley Wilt
1950

This is to certify that the

thesis entitled

Father and Son Farming Agreements
in South Central Michigan

presented by

Harry S. Wilt

has been accepted towards fulfillment
of the requirements for

M. S. degree in Farm Management

E. B. Hill
Major professor

Date November 29, 1950

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FARMER AND NON-FARMER ATTITUDES

IN SOUTH CENTRAL MICHIGAN

By

Terry Stanley Hilt

A THESIS

Submitted to the School of Graduate Studies of
Michigan State College of Agriculture and Applied Science
in partial fulfillment of the requirements
for the degree of

MASTER OF SCIENCE

Department of Agricultural Economics

1950

THESIS

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Appreciation is expressed to the county agricultural agents who assisted in locating successful father and son farm partnership operations.

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CONTENTS

LIST OF TABLES

FATHER AND SON FARMING AGREEMENTS IN SOUTH CENTRAL MICHIGAN

Harry Stanley Wilt

INTRODUCTION

Farming in 1950 is big business. A generation ago, 120 acres was considered a fairly large farm in Michigan. Forty and 60 acre farms were quite common, but today one must search to find an efficient commercially operated 80-acre general farm. A 120-acre farm is a small operation today, and unless very intensely operated will not afford full employment for more than one man. Many Michigan farms have been increased to 160, 240 acres, or larger, in order to more effectively use modern machinery and equipment. Such size units generally become two-man farms.

Many jobs on a farm require more than one man, and two-man units are quite generally recognized as being more efficient than a one-man operation. This means the operator must depend on hired help or family labor to supply the equivalent of an extra man. With employment opportunities in industry and a 40-hour work week, labor is attracted to the city. The difficulty of employing capable help to do farm work almost eliminates that possibility.

This point is well illustrated by the case of a young Michigan farmer operating several hundred acres with large dairy, poultry, and cash crop enterprises. His family is too young to help with the farm work. His operations are such that he needs two full-time men in addition to himself. Recently, one of his employees, who was receiving the use of a house, fuel, lights, milk, eggs, meat, and a garden spot, in addition to cash wages of $200 per month, left to take a job in the factory. The hired man admits he won't be able to save much by working and living in the city, but he has only to work 40 hours per week and is out of work in the middle of the afternoon.

Family help may prove a partial answer to this problem, but unless farm boys are kept interested in the farm and can see a future for themselves there, they too are attracted to the regular pay and short working hours offered by industry. When this happens, the father is often unable to operate the farm in an efficient manner.

On the other hand, a young man who attempts to operate a farm alone may be under-financed, and forced to spend some of the most productive years of his life operating a unit of inefficient size.

Most farmers take considerable pride in their achievements, and hope to have heirs who will carry on with their plans and ideals when they are no longer able to take an active part in the operation of their farms. The actual shifting of responsibility and ownership from one generation to the next presents several problems, and offers a real challenge to those interested in the future well-being of agriculture. In many instances, such a shifting of responsibility and ownership is made possible by having the son* work into the farm business and later assume full responsibility for its operation. In this shifting of responsibility from one generation to the next, many adjustments in the farm home and business are necessary.

This report presents information about situations where father and son working agreements are being used successfully to shift farm operating responsibility smoothly from one generation to the next,

*The term, son, as used throughout this report is intended to include son-in-law, grandson, or non-related junior-members of a farm business arrangement.

and with a minimum loss in farm productive efficiency.

Need for the Study: The problem of developing some type of working agreement arises whenever it appears desirable for a son to farm in cooperation with his father. This appears to be a common problem in most types of farming or ranching areas in the United States. Interest in this problem is increasing, and in nearly every state thought is being given to methods of helping fathers develop satisfactory working relationships with their sons.

During the past 15 years, vocational agricultural teachers and agricultural college workers have been receiving an increasing number of requests from fathers and their sons for help in planning suitable farm operating agreements, or improving those already in operation. As farms become more highly mechanized, it is possible for the farm family to operate a somewhat larger business. This, coupled with the large investment required for a young man to operate an economical size unit, may be reasons for the increased interest in farm family working agreements and the demand for help in planning them.

Scope of the Study: The field of study dealing with father and son relationships on the farm is of considerable scope from the standpoint of time. It divides itself into three distinct periods in the life of the son:

(1) The pre-partnership stage has its beginning early in the life of the son. As a small child, the son begins to develop habits of sharing experiences with his father. Later, 4-H Club and F.F.A. projects are begun. These programs may be expanded until the son has acquired considerable experience and has built up a sizeable equity in livestock and equipment.

(2) The partnership stage includes the period from the time the son is through school and ready to devote full time to farming operations, and that period in the father's life until he ceases to take an active part in the operation and management of the farm. It is during this period when father and son are both active in the operation of the farm business. Both are contributing labor, capital, and management. Some type of farm operating agreement which provides for a fair distribution of farm income to father and son is important during this period.

(3) The post-partnership stage begins when the father retires from active participation in the farm business, and the son assumes full responsibility for operating the farm business as a tenant or owner.

For the purpose of this report, consideration will be limited mainly to the second period, or partnership stage. A discussion of problems in the pre-partnership and post-partnership periods will be included only as they have a direct bearing on the problems during the partnership period.

That period which precedes the actual partnership arrangement is an important one. It is worthy of major emphasis. In it, the foundation for successful partnerships may be laid or the opportunity to build them may be lost. If a father and son fail to develop satisfactory working relationships during this period, the possibility of later trying to work together amiably is limited.

Also of great importance and perhaps even more difficult to do anything about, is that period when the father ceases to make much contribution to the father and son farm operating arrangement.

Turning the reins over to younger hands is not easy for some fathers. It is also difficult for the son to tell his father that he is no longer able to make a contribution. Arrangements for the son to take over the operation of the farm in the post-partnership period should be considered at the time an operating agreement is set up.

Objectives of the Study:

(1) To determine the nature of successful father and son farm operating agreements in an effort to discover possible strong points and weaknesses in them.

(2) To develop ideas for improving father and son farm operating agreements based on the experiences of successful arrangements studied.

Hypothesis: Certain conditions are considered essential to the successful operation of father and son farm business agreements. It is believed that these conditions apply to father and son farm operating agreements on farms in south central Michigan.

It is believed that in successfully operated father and son operating agreements in south central Michigan the following conditions exist:

(1) Both the father and son and their families are interested in farming.

(2) That separate housing is provided for each individual family.

(3) The father and son and their families are able to work together and get along well with each other.

(4) The father and son both feel that working together is a desirable arrangement for both of them.

(5) The son shares fully in a knowledge of the farm's operation

and finances.

(6) The farm business is large enough to provide sufficient income for a satisfactory standard of living for both the father and the son and their families.

(7) Father and son apply good farm management practices including a system of farm records.

(8) The entire farm business is included in the operating agreement.

(9) A definite operating agreement is followed.

(10) The farm operating agreement is in writing.

PROCEDURE

Review of Literature: Letters were mailed to all of the states requesting literature on the subject of father and son farming relationships. It was felt that ideas from other states might have real value in developing an improved working agreement.

Replies were very gratifying and while only a limited number of states were able to supply a bulletin on the subject, much mimeographed material, particularly agreement forms, was made available. In addition, staff members of several colleges expressed interest in the study, and indicated a need for further information on the subject in their respective states. Such correspondence helped point out the great importance of the problem, and gave increased encouragement to work toward its solution.

There was a great deal of similarity in the farm business operating agreements used in different states. A number of states referred to Professor E. B. Hill's work here in Michigan as outstanding. They were using Michigan Bulletin 330 as a guide for much of their effort to develop satisfactory father and son farm operating agreements.

Several states were writing publications, and others had just recently released publications dealing with father and son farm operating agreements. Many of the plans try to avoid the liability of partnerships, some try to develop a type of agreement which will not be interpreted as a partnership. Others make a statement in the agreement that is is not the intent of the agreement to establish a partnership, and that neither party shall be liable for debts or obligations incurred by the other without written consent.

It seemed to be the opinion of most workers that farm operating agreement plans served only as a guide, and that some alterations are necessary for most situations. A plan could be worked out by the father and son with some help from an extension specialist, or other person qualified to advise the parties.

The Sample: Personal interviews with a number of fathers and sons who were working together in the operation of their farms seemed to be the most desirable way to gather information about father and son operating agreements in south central Michigan.

It was decided to restrict the study to farms where father and son were both devoting full time to the farming and sharing in the expenses and/or income of the farm business. The possibility of including both successful and unsuccessful cases in the study was considered.

Although it might seem desirable to discover why some father and son operating arrangements have failed, it appeared inadvisable to attempt such a study in view of the difficulties which were likely to be encountered. People usually do not care to discuss their failures. Many such arrangements were likely of such short duration that little could be gained from a study of them. It was believed that in many instances the son had left the farm and would not be available to present his side of the story.

A study of the characteristics of successful father and son farm partnerships appeared to offer the most satisfactory approach. Information about successfully operated farm partnerships in south central Michigan would be applicable anywhere in the state. Fathers and sons in this area, as well as other parts of Michigan, could be encouraged to consider carefully the essential characteristics of the successful father and son partnerships included in this study.

It appeared unnecessary to have the cases included in the study representative of any particular group. It was important to locate situations in which father and son were working together successfully under a definite farm business operating agreement. Their location appeared relatively unimportant.

County agricultural agents were asked for a list of names of fathers and sons who were working together successfully, and would be willing to cooperate in supplying information about their farm business arrangements. In formulating such a list, the county agricultural agents were undoubtedly influenced not only by the fact that these fathers and sons were successful farmers, but also good citizens and community leaders.

Methods Used: From the lists of father and son partnerships supplied by the county agricultural agents, about 75 farm calls were made. On 52 of these farms, a partnership appeared to exist. That is, father and son were both active in the business and operating under a rather definite farm business operating agreement. Both were contributing labor, personal property, and a share of farm expenses. Both were receiving income from part or all of the farm business. Questionnaires were completed on 52 farms.

A feature of the questionnaire which aided materially in getting complete information is that it is divided into three separate parts. Part I relates to general information about the farm and business agreement. Part II includes questions of a more personal nature to be answered by the father. Part III is very similar to Part II, except that questions are directed to the son. Where more than one son was included in the business agreement, each son was asked to fill out a separate copy of Part III.

All questions in Part I were asked of either the father or son or preferably both. By the time Part I of the questionnaire was completed, the respondents were fairly well warmed up to the situation and ready to answer the more personal questions in Parts II or III. By supplying the father with a clipboard and a copy of Part II of the questionnaire, he was able to answer, without embarrassment, the questions which related to his son's activity in the business. Similarly, the son with another clipboard could answer the questions in Part III pertaining to his relationships with his father in the farm business. This procedure appeared to put both father and son at ease.

In situations where no definite arrangement appeared to exist, questions were asked to discover any unique features of the arrangement and why a more satisfactory arrangement was not being used. It was discovered that in some instances where an operating agreement was believed to exist, the son was only working for wages or an indefinite allowance. Information about such cases is included at various points in this report along with information from the 52 farms on which more complete information is available.

[illegible]

General Information: Of the farm operating arrangements studied in south central Michigan, over [illegible] percent were situations where a father and one or more sons were working together. In two cases, a son-in-law and a son were operating with the father. There was one case each of a father and son-in-law, grand-father and grand-son, and a mother and son operating together. The father and son had been working together under a definite arrangement for an average period of six years with a range of from one to 17 years.

There was an average of 3.5 children in the father's family, two of which were sons. On 38 percent of the farms, the son was an only son and in 13 percent of the cases this only son was the only child. Fathers averaged 53 years and sons 21 years of age when they began a definite business arrangement. The youngest father was 38 and the oldest father 76 when the operating agreement began. The youngest son began at 14 and the oldest at 32 years of age.

At the beginning of the operating agreements, 94 percent of the fathers were married and six percent were widowed. Thirty-one percent of the sons were married before, and 36 percent after the operating agreement began. About one-third of the sons were single. The marriage of sons who were married after the operating agreement began took place on an average of 3.3 years after the operating agree-ment was put into effect.

The number of sons included in the operating agreement in 75 percent of the cases was one; in 21 percent, two sons; and in only 4 percent of the instances, three sons. The writer is acquainted with one family where four sons are working together with their father in a very satisfactory arrangement.

Of the 67 sons included in this study, 32 percent were only sons, 24 percent were oldest sons, 30 percent were youngest sons, and only 14 percent were between the oldest and the youngest son. A range in age of ten years between fathers operating with the oldest son, or only son, and those operating with the youngest son was quite significant. This is shown in Table 1.

Table 1. Average Age of Father and Son at the Beginning of the Farm Operating Agreement

Son included in the farm operating agreement	Age at the beginning of the operating agreement	
	Father	Son
One son in agreement:*		
oldest son	49.1	21.8
only son	49.6	20.6
youngest son	59.0	20.9
Average all sons	52.5	20.7

*Includes only cases where one son was in the farm business operating agreement with the father.

The type of farming followed by the farmers in this study was mostly of a general type. There were some dairy cattle on 98 percent of the farms. Poultry and swine also played a fairly important role on these farms, while beef cattle and sheep were of minor importance. On one farm, fruit was a major enterprise.

The prevalence of dairy on these farms was due to a combination of several factors: 1) the sons seemed to take real interest in the dairy herd; 2) labor was available to take care of dairy cattle; and 3) the dairy enterprise was comparatively profitable and afforded a regular income for the farm families. A division of the milk check was the most common method of providing the families with cash for current living expenses.

All fathers in this study owned at least 40 or more acres of land. Thirty-one percent of the sons owned an average of 95 acres each. Fathers supplied 74 percent of the land and the sons 26 percent. Of all the land operated by fathers and sons, 78 percent was owned land and 22 percent rented.

Table 2. Percent of Fathers and Sons Supplying Owned and Rented Land and the Acres Contributed by those Supplying Land

Land supplied by	Owned land		Rented land	
	Percent supplying	Average acres supplied	Percent supplying	Average acres supplied
Father	100	177	48	58
Son	31	95	54	46

Table 3. Average Acreage and Percent of Land Supplied by Father and Son on 52 Farms in South Central Michigan

Land supplied by	Owned land		Rented land		Total land	
	Acres	Percent	Acres	Percent	Acres	Percent
Father	177	82	28	47	205	74
Son	38	18	32	53	70	26
Total farm	215	100	60	100	275	100

Ninety-five percent of the original holdings of these 52 farms had been in the family over 20 years. Four farms had been in the family over 100 years. In those cases where the farm had been in the family for many years, there was considerable interest, especially on the part of the father, to have the son continue on the farm.

Interest in Farming: An interest in farm work and farm living, not only by both the father and the son, but also by their wives, is a very important factor in the success of any farm business agreement. It takes real enthusiasm for a job to become highly successful. Several fathers and mothers told of trying to interest their son in some other type of work. The son was very definite in his decision to farm and would consider nothing else. If any member of either family lacks interest, the load for other members of the family will be heavier, and discord is likely to result. A son who farms because his parents want him to farm, or one who farms because there are no better opportunities open at present, will be less likely to do a satisfactory job of keeping up his end of the load. A father who wants his son in the business in order that he may devote time to other interest, or one who has ceased to be interested in future progress, will not be able to keep up with the business activity of the farm and may even retard progress of the farm operations.

Where a father spends little time on the farm, his knowledge of farm activities becomes limited, and his ability to use good judgment on problems is greatly impaired. This becomes a very disturbing factor to many sons. Sons express a strong feeling that fathers in partnership with their sons should be on the job so that they will know what is going on, and be in a position to discuss problems and make decisions based on on-the-scene observations. Some fathers apparently try to help boss the job without knowledge of immediate operating problems.

A son's wife can do much to develop a knowledge and appreciation of farm business operations. Such experience will enable her to use sound judgment in helping make decisions affecting the family, and in offering encouragement to her husband as he goes about daily farm operations. She should have a knowledge of the working agreement, especially of the contributions by her husband and his father, and also the basis for dividing income.

The mother's role is an important one where father and son farm together. In many instances, a mother is able to see the son's point of view better than a father. She may be able to discuss a son's problem with her husband better than the son himself. She is generally more patient with a son than his father. Her attitude toward her daughter-in-law will influence, to a great extent, the success of a father and son farm business agreement.

In the study of father and son farm business arrangements in south central Michigan, 80 percent of the sons indicated that they liked farming better than any other occupation. The other 20 percent indicated that they liked farming as well as any other occupation. Of the sons' wives, 71 percent were farm girls and 29 percent non-farm. In 73 percent of the cases, the sons indicated that their wives were very interested in the farm business. Twenty-seven percent were moderately interested, and none indicated a lack of interest. The wives that were reared off the farm showed a slightly greater interest in the farm than the wives who came from farms.

Some fathers seemed to be interested in getting their sons to take over so they could be relieved of the work and responsibility. Quite a number appeared to be working along on a fairly equal basis. A few fathers appeared to dominate the situation. Some fathers seemed more concerned then their sons about the future well-being of the farms and were very interested in keeping the farm in the family.

Separate Housing for Each Family: Farm families seemed to be very much aware of the desirability of having separate housing for each family. In 95 percent of the cases where the son was married, separate housing was provided for his family. The other 5 percent consisted of widowed fathers living with the son and his family.

In 29 percent of the cases where the son was single, a second house was available at present. In all other instances, it was indicated that a second residence would be available when the son decided to marry. In some cases, a second house would be built on the farm. Others were looking forward to purchasing an adjoining farm with a set of buildings.

Only one son did not live on the farm. No housing was available on or near the farm. He reported the arrangement very unsatisfactory. All fathers lived on the farm. The only mother working with her son lived in an adjoining village, but spent some time at the farm nearly every day. This appeared to work out quite satisfactorily as the mother did no labor on the farm.

Houses of both the fathers and sons were modern. All homes had electricity. Piped running water had been provided in 96 percent of the fathers' homes and 93 percent of the sons' homes. Flush toilets had been installed in 90 percent of the fathers' homes and in 85 percent of the sons' homes.

Frequently, the second house on the farm was older or smaller than the fathers' home. However, a few sons had newer and more modern homes than those of their fathers. In general, the daughters-in-law had almost as modern homes as the mothers who had been keeping house for years.

<u>Ability to Work Together:</u> The ability to get along well and work together was mentioned first and most frequently by fathers and sons as a factor which contributed most to the success of the farm business operating agreement. On the farms studied, 52 percent of the fathers and 59 percent of the sons indicated that they generally agreed. Fathers reported that they differed occasionally in 46 percent of the cases, while 39 percent of the sons felt that they dif-

fered occasionally. Frequent disagreement was reported by only two percent of fathers and sons. It was significant that on 62 percent of the farms fathers and sons, using separate questionnaires, gave identical answers to a question concerning the ability to agree.

An attempt was made to discover whether or not fathers and sons agreed upon the kind and amount of machinery and equipment needed in the farm operations. Eighty-two percent of the fathers and 72 percent of the sons reported that they generally agreed on the question of machinery and equipment. However, they were less consistent in their answer to the machinery and equipment question than they were on general ability to get along. Fathers and sons gave similar answers to this question on only 56 percent of the farms.

The ability of a father and son to talk over things together and consider each other's point of view was frequently mentioned as being important in developing good working relationships between a father and son. Eighty-eight percent of the fathers reported it was very easy, and none reported it was difficult to talk things over with their sons. While 87 percent of the sons reported it was very easy to talk things over with their father, three percent of the sons found it very difficult.

It is the writer's experience that in many cases sons find it difficult to talk things over with their fathers, and in some instances fathers with their sons. Little differences of opinion are kept pent-up inside the individual until they accumulate, and then break out suddenly in a fit of temper. This inability to talk things over may be the result of failure to appreciate the viewpoint of each other. One father suggested that he couldn't tell what the son was thinking about if the boy didn't talk. On the other hand, this father apparently didn't try too hard to discover what a young man his son's age might be thinking about. The father may have helped develop in his son a fear of being criticized or "kidded" about matters which the son asked about or suggestions he made.

Applying the Golden Rule and putting yourself in the other fellow's place were mentioned frequently as important in father and son working relationships. An understanding son put it this way: "A fellow has to remember that it took his father a long time to get where he is today". Often sons fail to recognize this and are too impatient. On the other hand, fathers often fail to realize that their sons have grown up and want to be treated as men.

The father and son and their families must have mutual confidence in each other. They must have faith that the others will always give them full consideration in anything that is done. If at any time that faith in each other is strained or broken, it may be the beginning of serious trouble.

Tears rolled down the cheeks of one father as he told of the wonderful working relationship he had with his sons. His sons did not hear their father make these statements, but on another occasion one of the sons told how his father had helped the boys get started and remarked, "Dad doesn't have anything to worry about. We'll never let him down."

A son in partnership with his father and two brothers remarked, "You learn to give and take. Sometimes things are done the way I think they should be done, and other times I do them the way my father or brothers want them done". From the cases studied, it appears that two or more sons working with their father get along as well or better than where only one son is involved. Where two agree, the third party must abide by the decision except in cases where it's the father voting against the boys, and then apparently in some instances, the father's vote bears a little more weight. In a case of father with three sons, the father reported that he was frequently out-voted, and yet this was apparently one of the very successful father and son operating arrangements studied.

A Belief That Working Together is Desirable: The writer recalls a visit to a farm a few years ago where a son about 18 years of age was at home on the farm without any definite operating agreement. Father and son were working in different parts of the field so it was possible to talk with each one individually. The son expressed a real desire to farm with his father, but wasn't sure whether or not his father wanted him as a partner. A talk with the father revealed that he had always hoped that his son would want to farm, but felt he shouldn't try to influence him one way or another. A few minutes later at the barn with both father and son present, the possibility of a father and son farm operating agreement was discussed. The farm appeared to be large enough, and other conditions were ideal for a father and son operating arrangement. The son reported that the matter was discussed further with the mother around the supper table. The entire family favored the idea, and a very successful father and son operating arrangement resulted.

Unless both the father and son and their families believe that a farm business operating arrangement is to their advantage, dissatisfaction is sure to arise. In the more successful father and son farm business arrangements studied in south central Michigan, both fathers and sons recognized the fact that they were mutually benefitted by working together. Seventy-one percent of the fathers and 67 percent of the sons indicated that they felt they were doing better farming together than they would be able to do farming individually. Twenty-nine percent of the fathers and 31 percent of the sons felt they were doing as well working together as they could by operating individually. None of the fathers and only two percent of the sons expressed a feeling that they could do better operating individually than by working together.

Figure 1. Percent of Fathers and Sons Who Believe They Are Doing As Well or Better in Partnership or That They Could Do Better Operating Their Farms Individually

Doing better	xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx 71 % *** 67 %	
Doing as well	xxxxxxxxxxxxxxxxxx 29 % ******************* 31 %	xxxx Father
Could do better operating individually	None ** 2 %	**** Son

It was interesting to notice that fathers were inclined to think their sons were doing much better than the sons themselves thought they were doing. The sons also were inclined to think that the fathers were getting a better deal than the fathers themselves thought they were getting.

Seventy-seven percent of the fathers felt that having a younger man in the business helped greatly in keeping them stimulated and looking into the future. Twenty-one percent felt that it helped to some extent to have a son to work with, while only one father felt that his son contributed nothing toward keeping him young and looking into the future. Ninety-eight percent of the sons felt that it was an advantage to be able to work with their father, and only one son felt that it was sometimes a hindrance to have his father around.

In order to further test the sons' belief that a farm operating agreement was desirable, the sons were asked this question: "If you were your father's age, and had a son your age, would you want him to go into partnership with you?" Ninety-seven percent answered yes to this question and three percent were not sure.

There were many reasons given for the establishment of a father and son farm operating agreement: 1) Fathers could not do the work alone, 2) hired help could not be depended upon, 3) fathers wanted to help the son get started, and 4) the father wanted to keep the farm in the family. A few mentioned that many farm jobs require two men and that two men can do more than twice as much work as one man.

The reasons given by sons for entering into a farm business operating agreement included: "It was easier to start at home"; "Father was unable to do the work"; "I liked farming and there was no better place to start", and "Dad wanted me to work with him". A few sons pointed out the advantage of large scale operations, and the use of more and larger equipment.

One son said he was working with his father to keep him interested. Apparently the father had lost out almost completely due to ill health and the son was actually helping the father get on his feet again, otherwise the father would have lost all hope.

One father summed up the benefits of such an agreement by saying, "It keeps me from 'drying up' and my son from blowing up". What the father probably meant was that the son, with his youthful ideas, helped keep him up-to-date and the farm operating more efficiently. On the other hand, the adventuresome nature of youth needs the steadying influence of the father's years of experience. When teamed together and working smoothly, these two forces have tremendous potentialities. When allowed to get out of control, they may create a great deal of friction.

There seems to be little doubt that a father and son operating agreement, when properly set up, give both father and son advantages. In many instances, fathers and sons fail to appreciate fully the benefits that are being, or which may be, derived from working together. Fathers need to realize this early, and prepare their sons for the responsibilities which are connected with full scale operation of the farm.

Knowledge of the Business by the Son: If a farm youth is to work with his father in a farm business, he should have a very complete knowledge of the business aspects as well as the technical side of farming.

He should know how much is invested in the farm business, the nature and amount of farm income and expenses, and the financial condition of the farm business. Experience with farm youth in vocational agriculture and college short course classes indicates a gross lack of knowledge of the business aspect of farming. In many instances, this lack of knowledge by the son is not entirely his fault. Fathers are too much inclined to keep business affairs to themselves. If the son is to feel that he is a part of the farm operating team, he must have knowledge of the business and receive his full share of recognition in problems of management.

In 90 percent of the successful father and son farm business arrangements studied, fathers reported that their sons contributed greatly in planning and making decisions in the farm operations. In

10 percent of the cases, fathers reported that they had difficulty in getting their sons to assume responsibility. No cases were reported where fathers felt that the boys wanted to make too many of the decisions.

Two-thirds of the fathers felt that their sons could manage the farm very well alone, while one-third felt that their sons would need some advice from them in carrying on the farm operations. On 65 percent of the farms, fathers rated their sons' ability to manage the farm the same as the sons rated their own ability. Fathers, on 29 percent of the farms, rated their sons higher than the sons rated themselves. In only one instance, a son rated his ability over the rating given him by his father. The sons who were considered by their fathers as being able to take over the farm operations, averaged about three years older than those sons the fathers felt would still need some advice and help in operating the farm.

Both fathers and sons rated 4-H Club, Future Farmers of America, and Michigan State College Short Course training high as factors contributing to the success of their father and son farm business arrangements. Over 80 percent of the sons had 4-H Club experience. Seventy-four percent had been in the Future Farmers of America. Forty-eight percent had completed some Short Course work at Michigan State College. Thirty percent of the sons had been in 4-H Club, F.F.A., and M.S.C. Short Course. Many of the sons mentioned the fact that it was through their 4-H Club and F.F.A. projects that they became interested in farming, and began to work with their fathers.

With these agencies playing such an important role in the preparation of farm youth for the responsibilities of farming, it would seem that every effort should be made to include in their respective programs things that will do an even better job of preparing sons to enter farming operations with their fathers. This might well include more stress on the business aspects of farming, and building up an equity which will give the son a good start when it is desirable to begin a father and son farm business operating agreement.

An Adequate Size of Business: The importance of having the farm business large enough to provide income for both father and son and their families cannot be emphasized too strongly. Where money is short, problems are more likely to arise, both within the family and between families. Where the son farms with his father, the son will usually receive more under a farm operating agreement than he did before the agreement began. This means that if the income remains the same, the father may receive less than he did before the operating agreement began. However, when the size of business is expanded and the total income increased, the father's share in many cases is greater than when he was operating individually.

Many sons get married at about the time they enter the farm operating agreement or within a very few years thereafter. Their income requirements are usually increased at that time and continue fairly high for a number of years, especially where there are children. An additional expense is likely to occur where a home for the son and his wife has to be purchased, built, or remodeled.

Some expansion of the farm business is usually necessary. This is frequently done by intensifying operations or by renting or purchasing additional land. Dairy and poultry enterprises are frequently expanded, and other enterprises may become more specialized.

The importance of doing enough business to provide an adequate income for the father and the son and their families was mentioned as a factor contributing to the success of farm business operating arrangements almost as often as the ability to get along well. In many instances, it was necessary to increase the size of business at the time the father and son operating agreement was set up. This was done in several ways: 1) 54 percent added land, 2) 42 percent added livestock, 3) 23 percent added both land and livestock, and 4) in 8 percent of the cases, the son replaced a hired hand.

On 82 percent of the farms, the father and son felt that their present business was large enough to support two families. Twelve percent would like to see it a little larger, and 6 percent felt that their business was definitely too small. Acreage operated and number of men on farms in this study as compared with those of farm accounting farms in Area 5 for 1948-1949 are shown in Table 4.

Table 4. Acres Operated Per Man on Farms with One, Two, and Three Sons as Compared with Farms in Type of Farming, Area 5, 1948-49

Item	Number of sons participating			All farms in the study	Type of farming Area 5
	1	2	3		
Number of farms	40	10	2	52	328
Man equivalent	2.1	3.2	4.0	2.4	1.7
Total acres:					
Per farm	251	341	420	275	220
Per man	120	107	105	114	129
Tillable acres:					
Per farm	199	283	365	220	166
Per man	95	88	96	93	98

It is evident that in the general farming area included in this study, as each additional son enters the farm business, the average size of the farm is increased by a little over 100 total acres. The two farms included in the group with three sons were both in a part of the area having a high percent of its land tillable. There was considerable difference in the two farms represented. One dairy farm had about 70 tillable acres per man, and the other with more cash crop had over 120 tillable acres per man.

In a comparison of the 52 farms with farm accounting farms in Area 5, the farms in this study were larger, and had more men per farm. This resulted in the Area 5 farms having slightly higher acreages per man. The farms in this study had 4.6 more cows, 2.4 more sows, and 81 more hens per farm than farms in Area 5.

In an effort to determine whether or not the financial returns from the farms in this study were adequate to meet the needs and desires of those in the operating agreement, fathers and sons were asked, "How much are you able to save from your farm earnings for investment and future needs?" A satisfactory amount was indicated by 57 percent of the fathers and 72 percent of the sons. Thirty-five percent of the fathers and 28 percent of the sons indicated that they were able to save some, while 8 percent of the fathers found it difficult to save anything. None of the sons reported that it was difficult for them to save. The fathers who reported that it was difficult to save were older men, and none of them enjoyed good health. Working conditions on these farms were below average, and quite likely incomes were inadequate.

One of the reasons given by both fathers and sons for operating together was that larger scale operations were possible, and the ownership of larger pieces of equipment were more justifiable. All farms in the study used tractor power and averaged two tractors per farm. Some idea of the degree of mechanization on these farms is shown in Table 5.

Although farms in this study were fairly well mechanized, there was considerable variation in the degree of mechanization from farm to farm. In a few cases, it is doubtful if the managerial ability of the father and son warranted expansion of the unit to a point where large equipment would be profitable. To some of these fathers, a 120 acre farm seemed a large unit.

Table 5. Percent of Farms Using Various Machines in Their Farm Operations

Machine	Percent using machine
Tractor	100
Milking machine	83
Combine	77
Truck or pickup	71
Corn picker	54
Elevator or grain blower.	54
Forage harvester.	37
Pickup baler.	15
Gutter cleaners	4
Sugar beet harvester.	4

Good Farm Management Applied: Good farm management was evident on most of the farms included in this study. In addition to having between 90 and 100 tillable acres per man, these farms were well stocked with high-producing livestock and were obtaining above average crop yields. D.H.I.A. records were kept on 54 percent of the farms, and the herds reporting averaged 368 pounds of butterfat per cow. Although production records on poultry and hogs were not generally available, these enterprises were considerably above average in size and appeared to be receiving the attention normally devoted to a major enterprise, rather than the lack of attention which is so often a characteristic of minor enterprises.

Farms in this study applied an average of 12 tons of commercial fertilizer annually. This amounted to 108 pounds per tillable acre. An average of 20 acres of legumes were seeded annually as compared with 19.5 acres on Area 5 farms. Thirty-one percent of the tillable land was in hay and pasture compared to 38 percent on the Area 5 farms. Crop yields per acre reported on these farms were at least equal to or slightly higher than for the average of Area 5 farms.

Buildings on 62 percent of the farms were reported in good condition, and 38 percent in fair condition. An attempt was made to determine how efficiently buildings on these farms were being used. Sixty-two percent reported that buildings were adequate to meet the needs for housing livestock and storing supplies and equipment. Conditions were reported as crowded in 17 percent of the cases, and as not being used to capacity on 21 percent of the farms studied.

Farm records were kept on 96 percent of the farms. Although 4 percent reported keeping no formal records, it is quite certain from answers given to other questions that these men did keep some type of record. Records were kept by the fathers in 28 percent of the cases and by the sons in 38 percent of the cases. Father and son cooperated in keeping the records on 28 percent of the farms. The mother or the son's wife acted as bookkeeper in 6 percent of the cases. In one instance, the daughter-in-law had previous business experience. By keeping the farm records, she became very interested in seeing the farm succeed financially. This appeared to be a good way to get the son's wife interested in the farm operating arrangement. The writer is acquainted with several cases where the son's wife was not kept informed of business transactions, and as a result believed that the father was getting more than his share of the farm income. Keeping the son's wife informed and satisfied with the farm business operating agreement appears to be a matter which should not be overlooked.

Sons were asked how well they were satisfied with the type of farming now being followed and what changes they would recommend. Eighty-nine percent of the sons were satisfied, 11 percent not entirely satisfied, and none dissatisfied with the type of farming being followed at present. Several sons wanted to increase the size of the dairy enterprise, others wanted to increase both cropland and livestock or make a few minor changes. Generally, the suggestions offered by the sons appeared to be good ones based on sound thinking. Only one son wanted to change from dairy to beef cattle and sheep. This did not appear to be a very desirable change on his farm.

No definite attempt was made to measure labor efficiency on the farms studied. However, on most of these farms it would appear to be very good, due to the larger than average acreage and heavy livestock load carried. Sons on these farms were young and able to do a lot of hard work. Fathers tended to do the jobs requiring less physical strength. In this way, the capabilities of each man were utilized to the greatest possible extent. A young man's physical strength need not be wasted doing puttery, time-consuming jobs when father is there to help.

Farms included in this study appeared to be sound financially. Sixty-four percent of the fathers reported no debt at the time the farm operating agreement began. Only 20 percent reported more than $1000 indebtedness.

One son pointed out the importance of having cash on hand to take advantage of a good buy or to make a needed purchase. With his father's backing, such deals were possible and a good investment resulted.

Participation in the Entire Farm Business: An arrangement permitting the son to share in the entire farm business has several advantages:

(1) It gives the son an interest in every enterprise on the farm, and helps him to develop an appreciation of the farm business as a whole

(2) It may give the son a more uniform income from year to year than a single enterprise

(3) It greatly simplifies the problem of dividing items of income and expense, especially if the son has an interest in several enterprises

There appears to be quite a common practice, especially in some communities, to have the son share in the income of an enterprise or part of an enterprise. In some cases, this may be the result of expanding a 4-H Club or F.F.A. project. However, the practice had apparently been used for many years before these groups were developed to their present scope. The enterprises shared by the son are usually of a type which is fairly easy to get into, perhaps an enterprise in which the father is not too interested and wants to turn over to the son, or those in which the son has shown a particular interest.

In the bean-producing area of the state, it is quite common for a father to give his son the income from ten acres of beans for his share of the farm income. The father furnishes the land, seed, fertilizer, and equipment, and commonly helps take care of the crop. The son doesn't really gain much business experience from the venture. When questioned about the arrangement, one son admitted that he was naturally more interested in the field from which he was to receive his income than any other field of beans or any other crop on the place. He was more careful in cultivating, hoeing, and harvesting this field than any other. Such an arrangement may have some merit in the prepartnership period. However, the son has little responsibility or opportunity to gain business experience from it.

When the son receives a share of the income from the entire farm business, he is interested in doing a good job with all enterprises. For example, he will be interested in establishing a good seeding of alfalfa so that he will have an abundance of good hay for the dairy herd. He will want to get that hay put up in such a way that he will have quality feed for the herd, because he is receiving a share of the income from the dairy herd as well as the beans or wheat grown on the farm.

In a few cases in this study, father and son were still in the transitional period between the enterprise arrangement and a full partnership in the business. In one instance, the father retained a beef breeding herd which he had spent a lifetime developing and felt he just couldn't give it up. The son-in-law in the farm business operating arrangement liked dairy cattle and was establishing a dairy herd. It is quite likely that as the father grows older and is less able to devote his energy to the beef cattle enterprise, emphasis on this farm will shift from beef to dairy.

In another case, the son held a one-half interest in the dairy and a one-third interest in all other livestock. The son had developed quite a dairy project in 4-H Club work and was not as interested in hogs and beef cattle. Keeping track of expenses and income under this arrangement was difficult. Plans were to work out a program the coming year in which the father and son would share equally the investment in personal property.

It should be kept in mind that while the expansion of 4-H Club and F.F.A. projects into enterprise projects is desirable from the standpoint of giving the son worthwhile experience, and a chance to build up a means for partial financing of an interest in the entire business, some adjustments may be necessary when an operating agreement is set up. The son may have to change emphasis on certain enterprises in order to give proper attention to developing a well balanced farm business. It will be necessary to establish values for the son's livestock and equipment as well as that of the father, in order to determine the extent of their contributions.

Where the son is to share in the personal property, it is well to indicate the share which he eventually hopes to own (e.g., one-third, one-half, etc.). If the son is to own a one-half interest in the personal property, the value of livestock and equipment he has acquired through 4-H Club or F.F.A. projects may be applied as a payment for his half of the combined value of all personal property on the farm, including the son's animals and equipment.

Another adjustment that may be necessary is in the ownership of individual animals. It is recommended that all animals be owned jointly where father and son are farming together. If purebred animals are owned by either father or son, a decision must be made as to how the registration will be handled. Where an entire herd is involved, the expense of transfer might be quite an item. However, if a purebred herd is to be owned in the name of the father and son, it might be well to make the transfer early and avoid having animals in the herd registered under two or three different names.

In one instance, a father was carrying quite a debt load and felt he could not take on additional obligations involving an expansion of the herd when the son entered the business. The son was able to obtain a loan with which to purchase enough dairy cows to match his father's herd. By such an arrangement, the father's holdings were not further encumbered. Under this arrangement, if anything happened to an animal owned either by the father or son, a replacement was made and the expense shared equally by father and son.

FARM BUSINESS OPERATING ARRANGEMENTS

A number of different types of operating arrangements are necessary to meet the varied situations where father and son wish to farm together. An arrangement which may be entirely satisfactory for a boy may not be satisfactory for a young man who is ready to assume the responsibility of operating a farm.

(1) During the prepartnership period such simple arrangements as the following are common:

   (a) A simple 4-H Club or F.F.A. project

   (b) A club project may be expanded to include an entire enterprise as the son matures

   (c) Wages and a share of one or more enterprises

   (d) The son may receive a percent of income from the entire farm business

(2) During the partnership period when father and son are both actively operating the farm together, some type of farm business operating agreement is necessary. A number of such agreements are discussed in detail later in this report.

(3) Later, as the father wishes to take a less active part in the farm business or completely retire from it, some type of rental agreement will probably be a more satisfactory arrangement. If a property transfer arrangement has not already been made, it should be given serious consideration at this point. This period is a critical one for the son. If the father continues as a partner in the operating agreement, he is likely to become over-conservative.

His contribution of labor and management may become less and less until he contributes little or nothing. The father may feel that he needs his farm for security in later years, and refuses to part with it under any terms. In a case where the father is not willing to sell the farm, the son may be wise to purchase other land. In some instances, the son may be able to buy a nearby farm with a set of buildings and live on it while he continues to operate his father's farm.

Types of Farm Operating Agreements: Although there are many kinds of father and son farm business operating agreements being recommended by agricultural leaders today, there is much similarity among them. Most of them have as their purpose suggestions for a fair division of income based on contributions made by a father and son operating a farm business together.

Types of operating agreements suggested include:

(1) Wages and a share of the net farm income. The son's share of the net farm income may be a set percent or it may be based on the percent his contributions are of the total contributions of both father and son as shown in Table 6.

Table 6. Example of a Method of Determining the Share of Income to Father and Son Based on Percent of Contribution by Each Party

Item	Amount	Rate	Contributions for year		
			Total	Father	Son
Contributions					
Land & improvements....	..$25,000	4%	$1,000	$1,000	....
Operating capital.....	.. 16,000	5%	800	600	$200
Labor.................	.. 24 mo.	$100	2,400	1,200	1,200
Total value of contributions......		....	$4,200	$2,800	$1,400
Percent contributed by each party.		....	100	67	33

In the example given in Table 6, the son would be entitled to one-third of the net farm income less the $1,200 he has already received as wages. Change in inventory value of livestock and equipment would also need to be considered, either in the annual settlement or in a final settlement. In most instances, the wage would be guaranteed. In case the son's share was not enough to cover the wage, he would still be entitled to the full amount of his wage. This type of arrangement may be used in situations where the son is young and has not fully decided that he wants to farm, or where he may have very limited capital.

(2) In a plan which is widely used in Michigan, the father and son are each paid for their contributions of real estate, personal property and labor. Farm operating expenses are then deducted and the income remaining is divided between father and son, somewhat in proportion to the responsibility each carries and the management he contributes.

Although it is desirable to have contributions of personal property and labor by father and son about equal, this arrangement may be used when these contributions are unequal. In the early years of such an arrangement while the son is young, his share of the net farm income may be smaller than that received by the father. In later years, as the father's contribution becomes less and the son's increases, the son's share should be adjusted to make it more in proportion to his share of increased responsibility in management.

Table 7 gives an example of how income would be divided in a situation where the father owned all real estate and three-fourths of the personal property. Father and son contribute equally of their labor and management.

Table 7. Example of a Method of Dividing Income Between Father and Son Based on Paying Each Party for their Contributions and Sharing the Balance according to the Contributions each makes to Management

Item	Contributions for year		
	Total	Father	Son
Total cash farm income..............	$15,033		
Total cash farm expenses............	6,953		
Undivided balance.............	$8,080		
Wage allowance			
Father........................		$1,200	
Son...........................			$1,200
Total.........................	$2,400		
Second balance................	$5,680		
Interest charges — Investment — Rate			
Father: Real estate.. $25,000..4 ..		1,000	
Personal..... 12,000..5 ..		600	
Son: Personal..... 4,000..5 ..			200
Total interest....... $41,000.....	1,800		
Third balance to be divided according to management contribution (in this example, 50 - 50)....................	$3,880	$1,940	$1,940
Total income......................	$8,080	$4,740	$3,340

(3) A father and son may work together as co-tenants, with the father assuming the role of landlord as well as one of the tenants. The father and son as co-tenants divide the tenant's share of contributions and income equally, and the father as landlord contributes the landlord's share of expenses and receives his share of income. Such an arrangement may be desirable in situations where the business is large and the son's share of personal property on an equal basis with the father is greater than the son is able to finance.

(4) Another plan in which father and son operate as co-tenants

is one in which the father and son as tenants rent the real estate from the father for cash rent. The father and son share equally in the ownership of personal property and in the labor and management of the farm. Each pays one-half of the tenant's share of farm operating expense and receives one-half of the net farm income. The father as landlord receives cash rent for the farm and pays such landlord's expenses as taxes, insurance, and repairs on farm improvements.

Under any plan, one of the important factors is arriving at a fair value for the contributions of each party. Land and buildings should be listed at their long-time normal market value. This value should not be changed with fluctuations in price. Breeding stock may also be included at its long-time normal value. Market animals, feed, and supplies may be valued using current market prices. Farm machinery may be included at the depreciated values taken from farm records. Interest rates being used currently for real estate and chattel mortgages should be satisfactory for determining the value of contributions of real estate and personal property.

It is suggested that wage rates for the father and son be at the current rate for the community. In setting wage rates, the needs of the families and the ability of the farm to provide income should be considered. If the wage rate is set too high, the current farm income may not take care of it. Families may be getting more than they need to live on and little will be left for division at the end of the year to apply on debts. If the wage allowance is too small, families may have to make unnecessary sacrifices and current living may suffer.

Capital Accumulation: There are several ways suggested by [illegible] a [illegible] business.

(1) The son may put his share of the income into savings or bonds to be used later in purchasing an interest in the business.

(2) The son may receive his share of the increase of livestock and pay for his share of new equipment. By this method he grows into the business and has a limited cash outlay at the beginning of operating agreement.

(3) The son may borrow money and purchase a half interest in the personal property and pay off his indebtedness from his share of farm earnings. Some fathers take the son's note for an amount necessary to give the son an equal interest in the personal property. Where this is done, the son should be expected to make payments to the father just as he would to anyone outside the family.

(4) The father may make an outright gift of a one-half interest in personal property to the son. In some instances, it is simply assumed that the son holds a one-half interest in personal property and income is divided on that basis.

<u>Characteristics of Farm Operating Agreements Studied:</u> Although the farm operating agreements studied in south central Michigan were selected as some of the more successful, many of them left much to be desired when compared with the suggested standards set up by agricultural college farm management workers. For example, it was found that only 19 percent of the cases studied had anything in writing relative to their farm operating agreements. The other 81 percent had only oral agreements, and many of these were rather indefinite and loosely formed.

In about half the cases studied, there appeared to be some definite pattern to the relationship between the contributions made by the father and son and the share of the income each received. There was considerable evidence that many of the farm business operating agreements being used were patterned after the plan proposed by Professor E. B. Hill of Michigan State College in Special Bulletin 330, "Father and Son Farm Partnerships".

In the 48 percent of the cases where it was difficult to detect any definite relationship between contributions and income received, it was quite common for the father to furnish part of the equipment and pay certain expenses. In some instances, the son received a share of the net income. However, it was difficult to discover just how the net income was determined. In other cases, the son received a share of certain enterprises.

In many of the situations where only oral agreements existed, and to some extent where written agreements were used, both the father and son expressed a desire to improve their farm operating agreement. They appeared to be groping for a more satisfactory solution to their problem, and seemed to feel that such a solution must exist just beyond their present sphere of knowledge. Most fathers appeared anxious to be fair with their sons, but were not sure what might be considered a fair deal.

None of the fathers expressed open objection to having a written agreement. One or two indicated that they were getting along fine, and didn't believe a written agreement would help much if a real difference arose between them and their son.

In a few cases, fathers appeared cautious about putting anything in writing. They seemed uncertain about the son's interest and attitude toward the farm business. Several indicated that they had

[illegible] on the [illegible] for a long time, and that the son was getting ahead too rapidly for his own good. This attitude is probably quite natural when we recall that many of these fathers had to weather a depression, and progress was very slow for them. On the other hand, most of the sons were able to take advantage of favorable prices during the war years. A few were receiving G. I. benefits which helped them acquire livestock and equipment. Under such conditions, some of the sons were able to establish themselves in a few years, where their fathers had spent 20 or 30 years of hard work in order to accomplish the same result.

Sons appeared to feel more keenly the indefinite nature of oral operating agreements, and were very much in favor of putting something in writing. In many cases, the son had nothing to show that he owned a share of the livestock and equipment. In one instance, a son had been promised the farm and the father took the attitude that it was the son's farm and he should make any and all improvements. Yet the son had nothing to show that he was to get the farm. If anything should happen to the father, there would be seven other heirs who would likely be waiting for their share.

In another situation, the son worked and helped pay off a substantial indebtedness. He was to receive a half interest in the farm. This son not only had nothing to show for his interest in the farm, but also nothing to indicate that he held a one-half interest in livestock and equipment.

While oral agreements appear to work out satisfactorily for father and son farm business operating agreements, it is only because of the ability of all parties to get along well, and the sincere good intent of the father to treat his son fairly. However, in cases where something happens to the father, the situation may prove disasterous for the son involved, in spite of the father's good intent.

It would appear that every effort should be made to have fathers and sons put their farm operating agreements in writing. This would cause them to be more complete, and would protect the son's interest, to say nothing of removing much of the uncertainty which many sons now face.

It is evident from the small number of written agreements found that few fathers and sons are inclined to draw up a farm business operating agreement themselves. Many of them indicated that they would welcome help in getting the job done. They need someone who is able to help them think their problem through, put in writing the kind of agreement that best meets their need, and then impress on them the need of making adjustments in the agreement from time to time as the situation changes. If this could be accomplished, one of the weakest points of the farm business operating agreement will have been greatly strengthened. At least the element of uncertainty, especially on the part of the son, and the opportunities for disagreement will have been greatly reduced.

Tenure of Agreements: It is generally recommended that father and son farm business operating agreements be continued from year to year as long as they are satisfactory to both parties. They should be revised from time to time and adjustments made to take care of changing situations.

There are many factors which affect the tenure of father and son farm operating agreements. A few of the more important factors include:

(1) The age of the father at the beginning of the operating agreement

(2) The ability of father and son to get along well and work together

(3) The ability of the farm to provide a satisfactory standard of living for both parties

(4) The proportion of farm earnings received by the father and the son

(5) The son's equity in the business at the beginning of the operating agreement

(6) Provision for a second family when a son who is single decides to marry

(7) The farm operating son's future interest in the farm real estate

Most of the father and son farm operating agreements in this study are continued from year to year, apparently with little thought given to terminating them. A few expressed hope that they would continue for many years. The length of time operating agreements in this study had been in force ranged from one to seventeen years. In the latter case, the father was 51 years old and the son 20 when the operating agreement began. This father continued to take a fairly active part in the farm operation for about 10 years. Today, the father is 68 and the son 37 years old. The father is no longer able to do much physical work and actually does not assume many of the managerial responsibilities. It would appear that this father and son farm business operating agreement served its most useful purpose during the first 10 or 12 years of its life. After that, the father had ceased to be active in the business, and the son at 32 years of age was well qualified to take over the [illegible] [illegible]-ment.

There were three cases where the father and son had been operating together for 14 years. In one instance, the father was 51 years old and the son 26 when the farm operating agreement was put into effect. The father is now 65 and the son 40 years of age. During the past 2 or 3 years, this father has slowed up considerably and is taking a much less active part in the operation of the farm.

In another instance, the father was only 40 years old and his son 18 when they began operating together. While this father is only 54 years old now, ill health has practically forced him to retire from farming. The son is aggressive, and at 32 years of age has almost completely taken over the operation of the farm. The father's share of the income has been reduced to one-fourth of the net farm income. This is one of the few cases studied where an adjustment has been made to take care of a situation where the father's contribution of labor and management has been greatly reduced due to his age or ill health. There were a number of other cases where it appeared that some such adjustment should be made. However, this is a difficult thing for the son to suggest, and where the father doesn't recognize a need for such an adjustment it is not likely to be made.

From observations made in this study, it appears as though the average father and son farm business operating agreement serves its best function during a 10 or 12 year period beginning when the son is through school and ready to devote full time to farming, and ending when the father is no longer able to take an active part in the operation and management of the farm.

In this study, the average age of the father was 53 years and the son was 21 years when the farm operating agreement was set up. Thus it seems logical to assume that in 10 or 12 years, or when the father is 63 to 65 years of age, he will begin to think seriously of retiring. By that time, the son will be between 31 and 33 years of age, and should be capable of operating the farm as a tenant or owner.

Where the father is young when his son enters the business with him, it is conceivable that the father and son operating agreement might serve a real purpose for as many as 20 to 25 years. On the other hand if the father is about ready to retire when he takes the son into the business, the farm business operating agreement might be very short lived. In many instances where the father is much past 60 years of age, it is doubtful whether he should enter into a partnership with his son. It will be a short lived relationship at best, and the hazards presented by such a wide span in years between father and son are great.

Parents need to recognize early the importance of getting the son ready to assume the responsibility of operating the farm. Many times they may enjoy greater security in their later years by allowing the son to take over and keep the business operating efficiently, rather than let it decline as is the case with so many older operators.

From the information gathered in this study, it is very evident that 4-H Club, Future Farmers of America work, and Short Course training contributed much to preparing the son to take his place in the father and son farm business operating agreement. It would seem desirable for these services to place even more emphasis on expansion of the enterprise projects, and considering the entire farm business as a unit. This would not only help the son gain greater knowledge of the technical side of farming, but would also help him to build up financial interest preparatory to buying an interest in the farm personal property.

Contributions by Each Party:

Labor: The sons in this study contributed an average of 11.8 months of labor to the farm operation, while the fathers averaged only 11 months on the farm. A number of fathers spent some time in the south during the winter. A few had outside work or interests in the community which took them away from the farm. In a few cases, the importance of having father and son each take a two weeks vacation was stressed. However, few sons actually took that much vacation at any one time. One of the advantages of father and son working together is that it is possible for either of them to have a weekend or a day off on special occasions, and still have some one around to do the chores.

Land and Buildings: Fathers supplied 74 percent and sons 26 percent of the acreage operated by fathers and sons farming together. Table 3 on page 13 shows the amounts of owned and rented land contributed by father and son. On 90 percent of the farms where additional land was rented, fathers and sons rented the land as partners. On 8 percent of the farms, the son rented land to match owned land furnished by the father. On 2 percent of the farms, the father provided all the land both owned and rented.

It was quite common for the father not only to contribute his land and buildings, but also pay taxes, insurance, and repairs on the buildings. In many cases, he received no compensation for his greater contribution of real estate when settlement was made. A few fathers indicated that their son had worked at home all his life, and that the addition of land and any improvements would not have been possible without his help. Another factor taken into considera-tion was that the father did not put in as much time on the farm and was unable to do as much physical work.

In several instances, especially among farmers of German descent, it was difficult to determine the degree of ownership, not only of personal property but also of real estate. The custom is for the sons to continue to farm with their fathers until it is possible to buy a farm for the son. Where there are several sons, everyone works until each son has a farm, or until such time as the family seems to feel that the older sons have made their contribution to the family. Each son eventually receives title to a farm. The young-est son frequently gets the home place. When the father retires, he may move to a nearby village, or occupy a second home on the farm.

Under such conditions, the cooperative family operating arrangement may be terminated as soon as the sons have all been pro-vided with a farm of their own. In many cases, the father and mother retain some acreage from which they receive income as long as they live. The sons continue to work this land for their father in re-turn for the help they received from him in getting started in farm-ing. This arrangement seems to work quite satisfactorily where fami-ly ties are strong and the land is very productive. As land becomes scarce, it is increasingly difficult to locate farms for the sons as one family bids against another for land in the community.

<u>Personal Property</u>: The ownership of personal property by the father and son was much more nearly equal than the real es-tate. Thirty-seven percent of the sons reported that they owned a one-half interest in the farm personal property. Five percent of the sons owned over one-half of the personal property in the farm, 15

percent owned one-third, 14 percent owned one-fourth, and 1[illegible] percent owned less than one-fourth. The other 14 percent owned various other shares, many times owning one-third of one item and one-half of another.

In about 12 percent of the cases studied, fathers still retained full ownership of the machinery and equipment. Father and son were sharing machinery and equipment in some definite proportion on 77 percent of the farms. In about 11 percent of the situations, the father furnished certain machines and the son furnished others. Each received the trade-in value of his own machinery.

In a few instances where the machinery and equipment was not owned jointly, a farm tractor was purchased out of the farm income and given to the son. This arrangement seemed to satisfy the son even though the tractor was used in the farming operations. The son took great pride in owning a tractor, and seemed to feel that he was getting ahead.

Where the son was either buying a share of the equipment or all of the new equipment, fathers received the entire trade-in value of old equipment not owned in common. There appears to be some real merit in this method of handling the ownership of machinery. The father may be a little more willing to get modern equipment when the trade-in of his old machine just about covers his share of the price of a new machine. The son may think the matter over rather carefully before he purchases if he has to put up cash for the entire amount of his share of the purchase price.

In situations where the son owned a definite share (one-fourth, one-half, one-third, etc.) of all personal property, the arrangement seemed to be working quite satisfactorily. Where the son owned one-fifth of the dairy, one-half of the hogs, none of the sheep or poultry, and a few pieces of equipment, the division of expenses and income became very complicated. It was difficult for anyone, including the parties involved, to determine whether or not the agreement was fair to both father and son. The complications involved in making settlements under such arrangements have been previously pointed out in a discussion of the son's sharing in the entire business.

Expenses: Although farm operating expenses are another very important item contributed by father and son, the fact that many of the expenses are commonly paid from the undivided income, they become closely associated with income, and will be considered along with income in the discussion which follows this section.

Division of Expenses and Income: The most common practice followed in dividing expenses and income on the farms studied was for the father and son to pay a set share of the farm operating expenses; for example: one-half, one-third, or one-fourth, and then share in the income in the same proportion.

A 50-50 division of farm operating expenses was most common where father and son shared about equal in ownership of farm personal property. Where two sons were included in the operating agreement, the division was usually either 1/3-1/3-1/3 or 50-25-25, with each son in the latter case paying 25 percent of the expenses and receiving 25 percent of the income. Ownership of personal property in each case was in the same proportion as the division of income.

Although most of the farm expenses and income on many farms were shared as suggested in the Michigan Father and Son Farm Partnership Plan, there were often individual expenses which the father [illegible] For example, 4[illegible] percent of the fathers paid all items of building maintenance and repairs. [illegible] real estate and building items which the father seemed to feel was his obligation. On 4[illegible] percent of the farms, the father reported that he paid all the taxes. In one case, the father rented his farm to the partnership for cash rent. He would, of course, be expected to pay taxes on his property the same as any other landlord. In about 1[illegible] percent of the farms included in the study, the farm operating agreement approached very closely a 50-50 crop and livestock share lease which probably accounts for the father paying taxes and farm improvement expenses.

The division of expenses and farm income on farms in this study is further illustrated in Table 8.

Table 8. Percent of Fathers Paying or Receiving Different Portions of Items of Expenses and Receipts

Item	Percent of fathers under each arrangement (paying or receiving all, 2/3, 1/2, etc.)						
	All	Two-thirds	One-half	One-third	One-fourth	None	Other
Expenses:							
Building maintenance repair & insurance	40	6	19	10	2	4	17
Machinery purchases	12	4	38	12	2	15	17
Machinery operation and repair	13	10	46	10	2	8	11
Taxes	40	8	21	8	2	4	17
Livestock purchases	10	10	48	10	2	2	18
Feed expense	12	12	52	10	2	4	8
Livestock expense	12	12	48	10	2	4	12
Crop expense	13	10	50	10	2	4	11
Hired labor	13	8	44	10	2	12	11
Miscellaneous	12	10	54	10	2	4	8
Receipts:							
Cattle sales	10	10	48	10	2	2	18
Dairy product sales	2	12	50	8	4	4	20
Hog sales	5	15	51	7	2	2	18
Sheep and wool sales	6	13	51	10	3	0	17
Poultry sales	19	10	45	7	2	2	15
Egg sales	19	10	43	7	2	6	14
Crop sales	2	12	48	10	4	0	24
Machinery traded-in	12	4	38	12	2	15	17
Labor off the farm	7	12	43	12	2	10	14
Miscellaneous income	8	8	50	11	3	6	14

[illegible] equipment [illegible] was only [illegible] common were the larger pieces of equipment such as tractors, combines, balers, and corn pickers. In some instances, even before the farm operating agreement began, the son operated one of these machines doing custom work and received the income for himself.

Poultry was frequently the father's enterprise, and he paid for the purchased feed and received the income from meat and eggs. A number of sons expressed a definite dislike for poultry. However, it is an enterprise which the fathers may look after with a minimum amount of heavy work.

Division of receipts and expenses in Table 8 under the heading of "other" included cases where the father's share was 20 percent, 40 percent, 75 percent, 80 percent, or where the father and son each paid expenses and received income from their own livestock or equipment. In two cases where three sons farmed with the father, each son paid 20 percent and the father 40 percent of the expenses. Income was divided in the same proportion as expenses were paid. In one or two cases, the father's share was 75 or 85 percent, and the son's 25 or 15 percent of the expenses and income.

It was difficult in some instances to determine just what was included in expenses in determining the net income from the farm. Where a fairly definite arrangement existed and the Michigan Farm Account Book was used to keep a record of the farm business, this was fairly simple.

Net farm income, as determined in the Michigan Farm Account Book, is that part of the farm income which is left after 1) subtracting from cash farm income, all cash farm expenses, 2) deducting the value of unpaid family labor, and 3) subtracting a net decrease in inventory or adding a net increase in inventory. The value of the operator's labor, the non-farm share of expense for the auto, telephone, and electric bill, and the value of farm products used in the home are not included in calculating the net farm income.

Farm expenses, as listed in the Michigan Farm Account book, include: feed expense; crop expense; custom work hired; labor hired; purchases, repairs, and operating expenses for machinery and equipment; repair and maintenance costs on improvements, and costs of new improvements; taxes; cash rent; livestock expense; livestock purchases; and miscellaneous expenses.

In the Michigan Farm Account book, farm income includes income from: livestock and livestock products sold; crops sold; labor performed off the farm; woodland products sold; custom work done; sale or rental of machinery; insurance collected; buildings or building material sold; cash rent collected; and miscellaneous receipts.

Complete and accurate farm records should be kept if a proper division of income and expenses is to be made. Where farm accounts are lacking, receipts and expenses are often divided as they occur. This involves many transactions and results in little, if any, record being kept of income and expenditures.

Handling Finances: The problem of how finances are to be handled and who is to handle them is one which must be given early and careful [illegible]. A young man likes to have money to spend, and needs to learn early in life how to spend it wisely. There are many cases where a father was a good business man and accumulated quite an estate, only to have his children squander it through unwise spending.

Where father and son farm together, there are usually three distinct purses or accounts. First, the farm business operated by the father and son takes in money and spends it. What is taken in must exceed the expenditures if there is to be anything to divide between the father and son. After farm expenses have been deducted, the remaining income is divided and part of it goes to a second purse belonging to the father, and to a third purse belonging to the son. As soon as a division is made, it is the personal pleasure and responsibility of each to spend his money as he sees fit.

There are two or three ways of handling farm finances where a father and son farm together. One of the most common methods is to divide income as it is taken in, and have each party pay their share of farm expenses. What usually happens is that each party will pay for certain items and at the end of the month, or when the milk check is cashed, a settlement will be made. Bills will be totaled and the one presenting less than his share will have to make up his share of the difference from his personal account.

In some instances, the father may do most of the shopping while the son keeps equipment rolling. In such cases, the father may handle most of the finances, and give the son his share of the income left after current operating expenses have been deducted. This may be a good division of labor, but it fails to give the son as much business experience as he should have.

Another system which may be used is to put all farm receipts into a checking account in the name of the father and son partnership. All bills for fuel, feed, repairs, and other large accounts are paid by check at the end of the month. For small items, a "petty cash" fund may be used, or each party may pay bills from his personal account, and at the end of the month receive a check from the farm partnership for the total amount of bills paid. It will also be necessary to pay each party a wage allowance to take care of current living expenses. The secret of making this system work as with any other system is to remember that there are three distinct accounts. The farm business must be kept separate from personal accounts.

There is a custom that is used by families in certain areas which is apparently a part of the European plan, followed by a number of families of German descent in this study. It is very interesting, but very limited in the use that may be made of it. Under this system, all income received goes into one bank account and is used not only to pay farm operating expenses, but also for all living expenses of the families of the father and son. The writer is familiar with situations where several sons operate with their father under such an arrangement. In one instance, four married sons are in partnership with their father. It is almost unbelievable that harmony could exist under such an arrangement.

In the successful father and son farm operating agreements studied, it was found that the father and son cooperated very well in the problem of handling finances. In 65 percent of the cases, finances were handled by the father and son together; that is, either or both handled transactions. On 21 percent of these farms, a joint farm partnership account was used. Fathers still handled all finances in 21 percent of the cases studied, and on 14 percent of the farms, the son had taken over completely the handling of farm business finances.

It was found that 43 percent followed the practice of dividing income and paying expenses as they occurred; others: once a week, once each month, or a combination of the above methods. It was apparent that some did not have much of any system.

Cash for current living expenses came from a division of the milk check and egg sales at the time of sale, or in weekly or monthly settlements in 92 percent of the cases studied. Only 8 percent of the farms received a specified amount of cash each week or month for their current living expenses.

Arbitration: Although it may rarely be necessary to resort to arbitration to settle matters which cannot be agreed upon by the father and son, it is almost universally recommended that such a provision be included in the farm business operating agreement. Differences which cannot be settled satisfactorily are most likely to occur at the termination of an operating agreement. This is especially true if the agreement is being terminated due to the inability of father and son to work together.

The arbitration provision simply states that if a satisfactory agreement on a settlement between the father and son cannot be reached, the matter will be submitted to an arbitration committee. The father and son further agree to abide by the decision of the committee.

It is customary for the father and son to each select one arbitrator, and the two arbitrators so selected choose a third party. The three then determine a settlement which to them seems equitable to both father and son.

__The Son's Future on the Farm:__ Although the establishment of a father and son farm business operating agreement is a real step toward helping solve the problems of the son becoming established in farming, it leads to another problem also of major importance to the son who remains on the farm.

It is not the purpose of this thesis to get into the problem of family farm transfer. However, the problem is closely related to a study of father and son farm operating agreements, and effects to a great extent the interest of the son and his wife in the farm and their feeling of security.

As the son and his wife work and acquire ownership of personal property, they eventually reach a point where they begin to think about owning a place of their own. If something has not already been done when this point is reached, a decision should be made, not only by the son and his wife, but also by his parents and the rest of the family as to the future ownership of the family farm. If some arrangement cannot be reached which will assure the farm operating son an opportunity to acquire ownership of the home farm under reasonable terms, then it may be to his advantage to consider purchasing another farm. There are too many instances where a son is about ready to retire before he has an opportunity to purchase the home farm. Even then he may have to pay off several heirs.

In situations where an early decision is made by the family as to whether or not the farm is to remain in the family and to whom it should go, the farm operating son is in a much more favorable position. If the farm operating son is to receive the home place after through inheritance or by purchase, he may plan accordingly. If it is not the interest of the heirs to keep the farm in the family, and the farm operating son cannot acquire it under reasonable terms, then he may want to make plans to purchase some other farm.

Of the father and son operating agreements studied in south central Michigan, 84 percent of the fathers indicated that they planned to transfer their farm to the farm operating son. Methods of transfer given included the following: 1) by sale, 3[illegible] percent; 2) by will, 24 percent; 3) by deed, 22 percent; 4) undecided, 14 percent; and 5) in one case the family planned to allow the property to be divided by the regular laws of inheritance.

It was interesting to note that 55 percent of the fathers had acquired their property by outright purchase, 15 percent by paying off other heirs, 9 percent by means of a will, and 6 percent by gift. The remaining 15 percent inherited their property but failed to indicate by which method it was inherited.

Of those farms which had been in the family for [illegible] years or more, the method of transfer most commonly used was sale of the farm to the son. The next most common method was for the son to pay off the other heirs. A will was only reported in two instances. Acreages transferred were generally small. Frequently that part of the farm which had been in the family for many years was only [illegible] or 100 acres.

With the increase in size of present day farms, it is entirely possible that fathers may be more willing to sell at least a part of the farm to the son when he reaches a point where he is ready to invest in land. In a number of cases, the size of business has been increased by the addition of a piece of land owned by the son.

<u>Legal Implications:</u> As interest in farm partnerships increases,

attention is being focused on the amount of liability being assumed by father and son under the law governing partnerships. Although there apparently have been very few cases in the courts where farm partnerships were involved, the matter is significant enough to warrant careful consideration by those interested in the formation of father and son farm partnerships.

There are three principal ways in which a farm business may be operated:

(1) Individually: A person operating his farm as an individual conducts his own dealings with others. He receives all of the income from the business, and is liable for his own losses.

(2) A Partnership: Where two or more parties find it is to their mutual benefit to operate a business together, a partnership is formed. When this is done each partner becomes liable for certain acts of the other. A dishonest or careless partner may, by his acts, cause the other to lose everything. For this reason there are those who hesitate to enter into a partnership agreement.

(3) A Corporation: For a large business, the formation of a corporation may be desirable. When one or more people join together in a corporation under the laws of the state, each party assumes liability only to the extent of his share in the business unless he signs notes as an individual.

When does a partnership exist? It is often quite difficult to determine whether or not a partnership exists. The Uniform Partnership Act states: "A partnership is an association of two or more per-

[illegible] to carry on as co-owners a business for profit". Although the statutes are rather vague in their interpretation of the act, decisions of the courts may be helpful in determining the existence of a partnership.

The courts have held that the intent of the parties is a controlling factor in determining whether a partnership exists. It is not altogether the intent of parties to operate or not to operate as partners, but also their intent to do business under such an arrangement that the requirements of a partnership have been met that are considered by the courts.

(1) Although the Uniform Partnership Act does not state specifically that sharing arrangement creates a partnership, the courts have tended to classify such arrangements as partnerships.

(2) Co-ownership alone does not create a partnership. However, co-ownership of tangible property plus an intent to carry on a joint business venture has been interpreted as being a partnership.

(3) Sharing of profits has been held by the Wisconsin Supreme Court to determine the existence of a partnership. Profits paid as rent or remuneration for services rendered do not establish a partnership.

(4) Sharing of losses as well as profits has also been ruled as sufficient indication that a partnership exists. Many authorities, however, feel that even though all losses may be borne by one party a partnership exists.

It appears that from past interpretation of the courts that many father and son operating agreements fall into the classification a partnership, [illegible] fact that:

(1) Management is shared by the father and son.

(2) The intent of the father and son is to carry on a business venture together for mutual benefit.

(3) The father and son share in the profits and losses of the business.

Under conditions where father and son farm business operating arrangements are such that there is a possibility that the courts might rule that a partnership exists, it is well for all parties to be aware of their liability.

(1) <u>Contract liability</u>: Where a partnership exists, any contract made by either partner in conjunction with the usual operation of the farm business may subject the assets of the other partner (non-partnership as well as partnership) to any debt created by such a contract.

The unlimited contract liability of partners in a father and son farm business agreement, however, is not as serious as it might first appear. The father and son should be able to get along well and have faith in the honesty and integrity of each other before entering into a partnership agreement.

The close working relationship makes it possible to control finances in a fairly safe manner, and to acquaint merchants with terms of the partnership contract. The purchase of any large item by either party may be investigated rather easily. Such factors combine to minimize the dangers of unlimited contract liability in a father and son farm partnership.

(2) Tort liability: A tort is a wrong, injury or damage, or infringement of civil or private rights. A partner is liable for torts committed by partners while carrying on the business of a farm partnership. Many torts may be insured against, and the tort liability of the partners reduced.

Many lease agreements include a disclaimer of the existence of a partnership. Although some courts have given weight to such an expression, the express terms of the contract may not always hold in court. It is possible that such provisions might be interpreted as an effort to avoid the liabilities of a partnership which the parties realize has been created in fact.

If parties do not care to assume the liabilities connected with a partnership contract, it is probably best for them to try to set up an arrangement which is clearly in some other category. In doing this, it may be necessary to sacrifice some of the advantages offered by a partnership.

One possibility is for the son to work as a hired hand and have the father assume all managerial responsibility. The son might even receive a share of the gross income from certain enterprises or from the entire farm and still be considered an employee. Under such an arrangement, the son must sacrifice a part in the management.

As the father gets older and wishes to retire, some type of landlord-tenant relationship might be worked out. However, it will be necessary for the father to turn over completely the management of the farm to the son.

Even under an employer-employee relationship, the employer is bound by the acts of the employee on contracts entered into within the scope of the business. The same is true of tort liability. An employor is liable for the torts of an employee committed while acting in the usual course of his employment.

Under some types of lease, where the landlord retains some managerial authority, the landlord may be liable for torts committed by the tenant as agent under authority of the landlord.

The law provides for a "limited" partnership which limits liability to the amount of capital invested by the limited partner plus his share of the profits. The "limited" partner takes no active part in the business. This type of arrangement appears to offer little to a solution of the father and son partnership problem.

The formation of a partnership is a contract between two or more parties. The partnership contract is equally valid whether written or oral. The first element of any contract is the necessity that all parties be competent or capable of doing business. A person under 21 years of age cannot bind himself on a contract except for necessities. When you deal with minors, there is danger of your side of the contract being enforced, without your being able to enforce his part of the contract.

Although real legal responsibilities do exist when father and son farm together, the problem is probably much less serious than with non-related parties. A recent survey among county agricultural agents in Michigan disclosed only one case where a lawsuit resulted from an act of a son in partnership with his father. Details on this case were not available. It is not certain that this suit was the result of the son being in partnership or whether the father would have been sued although no partnership existed.

In view of the limited possibility of parties in a father and son farm partnership suffering loss through the unlimited liability assumed in a partnership, many fathers will undoubtedly continue to take their sons into business with them. The many advantages of working together under a partnership type of operating agreement appear to be worth taking some risk. However, adequate insurance and care in avoiding unnecessary risk should be a part of every arrangement. This is especially true where father and son are operating together under any agreement which might be interpreted to be a farm partnership.

SUMMARY

Interest in father and son farm operating agreements appear to be increasing. Increased mechanization has resulted in larger farms and with them have come the problems of large investments and labor requirements. Father and son farm operating agreements make it possible to share these large investments, and provide dependable labor to carry on the farm operations.

Young men are able to operate highly mechanized units with high debt paying capacity, which helps them become established in farming more quickly. Older men are able to continue their farm operations on a high level of efficiency for a number of years beyond the peak of their productive lives on the farm.

The groundwork for successful farm business operating agreements is laid in early years through 4-H Club and F.F.A. or similar activities. They serve a definite period in the lives of father and son. Later, they should be replaced by an arrangement in which the son takes over the operation and ownership of the farm.

In this thesis, essentials of father and son farm business operating agreements are reviewed and the characteristics of successful father and son farm partnerships on 52 south central Michigan farms discussed.

Information on this subject obtained from other states pointed out the nationwide scope of the problem. There were many features of operating agreements presented by the different states which were very similar. The Michigan agreement developed by Professor F. B. Hill provides as desirable a single arrangement as any presented. It is very flexible and may be used to meet the needs of most situations.

As a means of studying the characteristics of successfully operated father and son farm partnerships, county agricultural agents were requested to submit a list of fathers and sons who were, in their estimation, working together successfully. About 75 of these farms were visited. It was discovered in some instances that no operating agreement existed. However, on 52 farms a questionnaire was completed and the characteristics of this group of more successful farm operating agreements studied.

On these farms, fathers averaged 53 years and the sons 21 when they began a definite agreement. They had been working together under this agreement an average of 6 years. Thirty-two percent of the sons were only sons, 24 percent oldest sons, 30 percent youngest sons, and 14 percent were between the oldest and youngest son.

General farming predominated, with major emphasis on the dairy enterprise on most farms.

On 95 percent of the farms, the original holding has been in the family more than 20 years. Four farms had been in the family more than 100 years.

Fathers and sons and their families showed real interest in farming on most of these farms. City bred wives of the sons indicated slightly greater interest in the farm than the farm reared wives.

Separate housing was available in 95 percent of the cases where sons were married. The other 5 percent were situations where a widowed father made his home with the son and his wife. In all cases, some provision was being considered for separate housing for the single son when he married.

Fathers and sons and their families, with few exceptions, were able to work together as a team. They agreed very well on the kind and amount of machinery needed and on the type of farming followed.

Seventy-one percent of the fathers and 67 percent of the sons indicated that they felt they were doing better farming together than they would be able to do farming individually. Only 2 percent of the sons and none of the fathers expressed a feeling that they could do better operating individually.

Seventy-seven percent of the fathers felt that having a young man in the business helped greatly in keeping them stimulated and looking into the future. Ninety-eight percent of the sons felt that it was an advantage to them to be able to work with their fathers.

Two-thirds of the fathers felt that their sons could manage the farm very well alone. On 65 percent of the farms, fathers rated their son's ability to manage the farm the same as the sons rated their own ability. On 29 percent, fathers rated their sons higher than the sons rated themselves. In only one instance a son rated his ability over the rating given him by his father.

Farms in the study averaged larger in size than the average of farm accounting farms in type of farming Area 5. Tillable acres per man were about the same for one, two, and three son partnerships, but averaged 5 acres per man lower than the average of Area 5 farms due to the larger number of men in the partnership. The farms in this study carried 4.6 more diary cows, 2.4 more sows, and 81 more hens per farm than farms in Area 5.

Although farms in this study were fairly well mechanized on the average, there was considerable range in the degree of mechanization from farm to farm.

Good crop yields and high production per unit of livestock was common on the father and son operated farms. Labor efficiency appeared to be average or above, and was obtained as a result of large acreage and intensive livestock production.

Most sons participated in the entire farm business. Others were working in that direction.

In about one-half of the cases studied, the general plan used was that of paying all farm operating expenses, and then dividing the remaining income between the father and son. Fathers frequently assumed the expense for farm improvements and taxes. In one instance, a father and two sons operated as co-tenants and cash rented a farm from the father, one from the older son, and a third from a neighbor. The remaining cases were varied, but in most instances the father and son each paid certain expenses or a share of them, and received all or a share of income from individual enterprises.

Although written agreements are considered essential to the success of a father and son farm partnership agreement, 81 percent of the cases studied had only oral agreements. Many of these were rather loosely formed and were probably one of the weakest elements of the working arrangements studied.

Few fathers and sons feel capable of drawing up a farm business agreement. Tailor-made agreements are necessary for each individual situation. There is a real need for someone to help father and son think their problem through, and then put in writing the type of agreement which best meets their need.

The son's future on the farm should be considered at the time an operating agreement is contemplated. Father's intentions are generally very good, but he frequently fails to put matters in writing, and leaves the son unprotected and with a feeling of insecurity.

Although the liability imposed on members of a partnership by the Uniform Partnership Act is probably not as serious where father and son farm together as with strangers, it is real and should be considered by both father and son planning to farm together.

Father and son farm business operating agreements offer real advantages to fathers and sons under conditions which are favorable to their development. It should not be assumed, however, that they will work under all conditions where a father and son are on a farm together. If most of the conditions which have been shown to be characteristic of successful father and son farm operating agreements cannot be met, it is doubtful if such an arrangement will be successful. It is also doubtful whether a father who is much past 55 years of age should enter a partnership with his son. The arrangement will be short-lived at best, due to the father's advenced years. The range in age between father and son which may exist with a father that age is an additional hazard which must be overcome.

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[illegible]

PART I

Questions in this section may be answered by either [illegible]

GENERAL INFORMATION

County ______________________ Date ______________________

1. Type of farming ______________________ Date partnership began ____________

2. Relationship of partners: ______________________ ______________________

PERSONAL AND FAMILY DATA

3. Age of partners now: Father ____, Son ____, ______________________

4. Age of sons in the family: ____, ____, ____, ____, ____, ____, ____

5. Age of daughters in the family: ____, ____, ____, ____, ____, ____

6. Marriage status of partners: Beginning of partnership At present

	Beginning of partnership	At present
Father....		
Son......		

7. Year of sons marriage ____

SIZE OF BUSINESS

8. To what extent was it necessary to increase the size of business at the time your partnership was set up? ______________________

9. Acres operated by the partnership at present: Total ____, Tillable ____.

10. Acres supplied by:

	Father	Son	
Owned land.			
Rented land.			

11. Major crops: Acres of wheat ____, Navy beans ____, Sugar beets ____, Potatoes ____, ____________, ____________.

12. Livestock: Head of dairy cows ____, Beef cows ____, Sows ____, Hogs ____, Breeding ewes ____, ____________.

13. Do you believe that your present business is large enough to sufficiently support a farm partnership.
( ) Yes, ( ) No, ( ) Not quite large enough.

14. Work performed off the farm by: Days per year. Type of work

	Days per year	Type of work
Father...		
Son......		

15. Work on the farm by: Father ____ months, Son ____ months, ____________.

16. Total man equivalent on the farm: ____

17. Soil Improvement

(___) Tons of commercial fertilizer applied this year.
(___) Acres of legumes seeded this year.

Farm Crops

(___) Hay and pasture acreage on tillable land.
(___) Oat yield, (___) Wheat yield, (___) Navy bean yield.

Livestock

(_____) B.F. per cow, (_____) Eggs per hen, (_____) __________
(___) Member DHIA, (___) Member ABA, (___) Use [illegible] sires.

Machinery - Special item used on this farm.

(_) Farm tractor(s) - No.____.
(_) Field Forage Harvester.
(_) Grain or Hay Elevators.
(_) Sugar Beet Harvester.
(_) Milking Machine.
(_) Gutter cleaner.
(_) Pick-up Baler.
(_) Corn picker.
(_) Combine.
(_) Truck.

Buildings on this farm.

Condition: (_) Good, (_) Fair, (_) Poor.
Use: (_) Crowded, (_) Adequate, (_) Not being used to capacity.

Farm Records

(_) Yes, (_) No. Record kept by:____________________

Type of record:______________________________

HOUSING FACILITIES

18. Do the partners live on the farm: Father (_) Yes, (_) No, Son (_) Yes, (_) No.

19. Are separate housing facilities available for each partner? (_) Yes (_) No.

20. Are housing facilities modern?

	Father		Son	
Electricity............	(_) Yes,	(_) No.	(_) Yes.	(_) No
Running water.........	(_) Yes,	(_) No.	(_) Yes.	(_) No.
Inside toilet and bath	(_) Yes,	(_) No.	(_) Yes,	(_) No

21 Do you have a written agreement? ( ) [illegible]

22 Types of agreement:

( ) Partners share in the income in proportion [illegible] of real estate, personal property, [illegible]

( ) Partners pay certain expenses [illegible] in proportion to their contributions [illegible]

23 Division of expenses:

Item	[illegible] Father	[illegible]	[illegible]
Building maintenance, repair and insurance			
Machinery purchases			
Machinery operation and repair			
Taxes			
Livestock purchases			
Feed expense			
Livestock expense			
Crop expense			
Hired labor			
Miscellaneous expense			

24 Division of income:

Item	[illegible] Father	[illegible]	[illegible]
Cattle sales			
Dairy products sales			
Hog sales			
Sheep and wool sales			
Poultry – Meat			
Eggs			
Crop sales			
Machinery traded in			
Miscellaneous income			
Labor off the farm			

25 At what times are settlements made?

( ) At time of sale, ( ) Each month, ( ) Annually

26 What type of wage allowance or cash [illegible] to provide the partners with money to meet current living expenses?

27 Are finances for the farm business handled by

( ) the father, ( ) the son, ( ) a joint [illegible] ( ) other means?

A STUDY OF FATHER AND SON FARM PARTNERSHIPS

Part III

Questions to be answered by the father.

Please indicate with a check mark (✓) in the bracket provided, the statement which you feel most correctly answers the question as applied to your partnership. Answer other questions in the blanks provided.

DESIRABILITY OF A PARTNERSHIP

28. Do you feel that you are doing as well, or better in partnership or do you believe you could do better operating individually?
( ) Better, ( ) As well, ( ) Could do better operating individually.

29. Do you feel that your son is doing very well, just fair, or could he do better farming by himself?
( ) Very well, ( ) Just fair, ( ) Could probably do better by himself.

30. To what extent do you feel that having a young person like your son to work with keeps you stimulated and looking into the future?
( ) To a great extent, ( ) To some extent, ( ) Has no effect.

31. How much money are you able to save from your farm income for future needs?
( ) A satisfactory amount, ( ) Save some, ( ) Find it difficult to save much.

32. Would you mind indicating the extent of your farm debt on real estate and personal property at the beginning of your partnership? Just place a (P) for personal and an (R) for real estate in the bracket in front of the amount which comes nearest to your indebtedness at the beginning of your partnership.

( ) 0. - $ 999.	( ) $5,000 - $5,999.	( ) $10,000 - $10,999.
( ) 1,000. - 1,999.	( ) 6,000 - 6,999.	( ) 11,000 - 11,999.
( ) 2,000. - 2,999.	( ) 7,000 - 7,999.	( ) 12,000 - 12,999.
( ) 3,000. - 3,999.	( ) 8,000 - 8,999.	( ) 13,000 - 13,999.
( ) 4,000. - 4,999.	( ) 9,000 - 9,999.	( ) ______ - ______

33. What was your reason for going into partnership with your son?

____

34. If you found it necessary to discontinue your partnership, would you
( ) Operate your farm alone, ( ) Rent the farm, ( ) Or sell the farm.

ABILITY OF PARTNERS TO GET ALONG WITH EACH OTHER

35. How easy is it for you to talk things over with your son?
( ) Very easy, ( ) A little difficult, ( ) Quite difficult.

36. How often do you talk things over with your son?
( ) Each day, ( ) Once a week, ( ) At least once each month.

37. Do you find that as partners, you
( ) Generally agree, ( ) Differ occasionally, ( ) Frequently disagree?

[illegible] How well [illegible]
( ) Son [illegible]
( ) It is difficult to get your son to [illegible]
( ) Son wants to make too many [illegible]

39. How well do you agree with your son on the kind [illegible] needed on the farm?
( ) Generally agree, ( ) Differ [illegible]

[illegible]

40. How much knowledge of the farm business [illegible]
( ) He could manage the farm very well [illegible]
( ) He would probably need some advice [illegible]
( ) He would need to know considerably [illegible] over.

41. Do you feel that 4H club work, F.F.A. [illegible] experiences of your son have contributed to the [illegible] will you please list them in order of importance.

____

42. How many years has the home farm been in the [illegible] ( )

43. What method(s) were used in transferring the farm [illegible] the next? ____

____

44. Do you plan to transfer your farm to your partner [illegible] ( ) [illegible] ( ) [illegible]
If yes, do you plan to make the transfer by [illegible] ( ) [illegible] ( ) [illegible] ( ) Gift,
( ) Deed with life lease, ( )(other) ____

Explain: ____

____

ESSENTIALS OF A SUCCESSFUL [illegible]

45. Would you mind listing the conditions that you consider most essential for a successful father and son farm partnership?

____

____

____

____

____

____

A STUDY OF FATHER AND SON FARM PARTNERSHIPS

PART III

Questions to be answered by the son.

Please indicate with a check mark (✓) in the bracket provided, the statement which you feel most correctly answers the question as applied to your partnership. Answer other questions in the blanks provided.

INTEREST OF SON AND WIFE IN THE FARM

46. Do you like farming as well or better than any other occupation?
(_) Better, (_) As well, (_) Not sure.

47. Was your wife a farm reared girl? (_) Yes, (_) No.

48. How interested is your wife in the farm business?
(_) Very interested, (_) Moderately interested, (_) Not very interested.

DESIRABILITY OF A PARTNERSHIP

49. Do you feel that you are doing as well or better in partnership, or do you believe that you could do better operating individually?
(_) Better, (_) As well, (_) Could do better operating individually

50. Do you feel that your father is doing very well, just fair, or would he do better farming individually?
(_) Very well, (_) Just fair, (_) Could do better operating individually.

51. Do you feel that having a person like your father to work with is
(_) An advantage, (_) Of little benefit, (_) Sometimes a disadvantage.

52. How much money are you able to save from your farm income for investment?
(_) A satisfactory amount, (_) Save some, (_) Difficult to save.

53. What was your reason for going into partnership with your father?

____

54. If you were your father's age and had a son your age, would you want him to go into partnership with you?
(_) Yes, (_) Not sure, (_) No.

55. INVESTMENT IN THE BUSINESS

55. Would you mind indicating the approximate value of your farm property at the beginning of your partnership?

Value of land______, Stock and equipment________, Cash________________________.

56. What method did you use to finance your part of the farm investment?
(_) Savings, (_) Bank loan, (_) Note to your father (Non-interest, interest)

(_) (other) ____

57. What percent of the farm personal property do you now own?

(_) 25%, (_) 33 1/3%, (_) 50%, (_) ________.

[illegible]

59. How easy is it for you to [illegible]
( ) Very easy, ( ) A little difficult, [illegible]

[illegible] Do you find that as partners you
( ) Generally agree, ( ) Differ occasionally, [illegible]

60. How much do you feel that you have to say about [illegible]
( ) All you should, ( ) Should have more, ( ) [illegible]

61. How well do you agree with your father on the kind [illegible]
needed on the farm?
( ) Generally agree, ( ) Differ considerably, [illegible]

62. How well satisfied are you with the type of [illegible]
your partnership?
( ) Well satisfied, ( ) Not entirely satisfied, [illegible]

63. If not satisfied, what changes would you [illegible] ______________________

____

[illegible] OF [illegible]

64. How much knowledge of the farm business do you [illegible]
( ) Could manage the farm very well al[illegible]
( ) Would probably need some advice from your fa[illegible]
( ) Would need to know considerable more before [illegible]

65. How many of the following experiences have you h[illegible]
( ) 4H Club, years___, ( ) F.F.A., ( ) [illegible]

66. Do you feel that any of the experiences in No. 65 [illegible] to the success of your partnership? If yes, please list in [illegible] of [illegible].

____

ESSENTIALS OF A SUCCESSFUL FARM PART[illegible]

67. Would you mind listing the conditions that you con[illegible] most [illegible] for a successful father and son farm partnership?

____

____

____

____

____

____