



# Current Report

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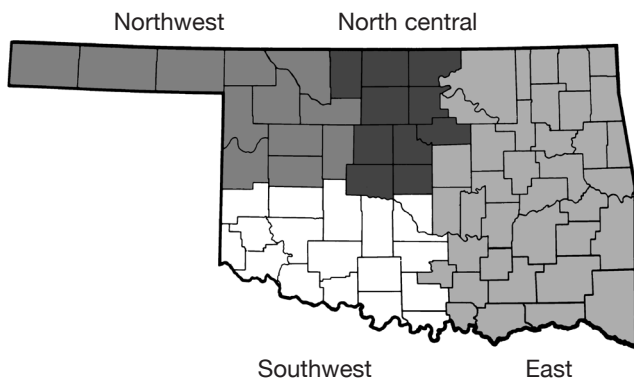
## Oklahoma Cropland Rental Rates: 2008-09

**Damona Doye**  
Regents Professor and Extension Economist

**Roger Sahs**  
Extension Assistant Specialist

Rental agreements and rates are influenced by the landowner's costs, the tenant's expected earnings, previous rates charged, competition for the land, government programs, tax laws, and the non-agricultural economy. The results of a statewide farmland leasing survey conducted in November of 2008 are reported here. Respondents were individuals contacted through the Oklahoma Cooperative Extension Service who agreed to complete periodic surveys. In addition, questionnaires were sent as part of a mailing by the Oklahoma Agricultural Statistics Service. Approximately 220 surveys were returned with useable data. Figure 1 shows the regions of the state used in reporting survey results: northwest, southwest, north central, and east.

On average, crop cash lease agreements had been in effect for 13 years (Table 1). Average lease sizes ranged from 223 acres in eastern Oklahoma to 633 acres in northwest Oklahoma. Most tenants and landlords in Oklahoma appear to be satisfied with their lease agreements. More than 60% of the respondents classified both their cash and crop share leasing agreements as good or excellent from the standpoint of fairness. Twenty-one percent of respondents with cash lease agreements and 27% of respondents with crop share agreements classified their leasing agreements as adequate from the standpoint of fairness.



**Figure 1. Regions Used in Reporting Farmland Leasing Survey Results**

### Cropland Cash Rental Rates

Cash leases require a fixed payment, typically cash (or infrequently, a specified yield such as 10 bushels of wheat). Survey results document some regional differences in rental rates and average sizes of tracts rented. Cash rental rates for dryland wheat were highest in the eastern region of the state, averaging \$36.44 per acre, compared to \$30.28 to \$34.78 in other regions of the state (Table 2).<sup>1</sup> The range in reported rental rates was from \$10 to \$80 per acre. The state average of \$33.14 increased more than \$3 per acre compared to the 2006 average of \$29.93.

Figure 2 shows the distribution of responses (122) for dryland wheat cash rental rates. None of the respondents reported a rental rate less than \$10 per acre, 6% reported a rental rate between \$10 and \$19 per acre, 24% reported a rental rate between \$20 and \$29 per acre, 40% reported a rental rate between \$30 and \$39 per acre, 24% reported a rental rate between \$40 and \$49 per acre, and 7% of the respondents reported a rental rate of \$50 or more per acre.

Dryland grain sorghum average rental rates were almost the same as wheat at \$32.71 per acre while dryland alfalfa averaged significantly higher than wheat at \$43.69 per acre. (Note that there were only 7 responses on grain sorghum rates and only 17 responses on dryland alfalfa rates, thus the averages and distributions are less reliable than they would be with more observations.)

### Cropland Share Rental Rates

In a crop share lease, certain costs are often shared in the same proportion that production is shared.<sup>2</sup> In crop share leases statewide, the tenant on average receives around 2/3 of dryland wheat, alfalfa, or grain sorghum, while paying slightly more of the fertilizer, herbicide, insecticide, and chemical application expenses (Table 3). On average, the tenant pays nearly all seed and harvesting (combining, hauling, cutting, raking, baling) expenses.

Figure 3a shows the distribution of survey responses regarding the tenant's share of production. Figure 3b shows

1 Averages reported are the simple average of rates reported by the respondents. They are not weighted by acres in the lease agreement.  
2 Advantages and disadvantages of different types of lease agreements are discussed in OSU Extension Fact Sheets F-214 and F-215.

the distribution of responses for the tenant's share of crop inputs and expenses. These graphs indicate that the tenant typically pays either 2/3 or all of the fertilizer, herbicide, insecticide, chemical application, lime costs, and energy inputs associated with irrigation. The graphs also show that the tenant typically pays all seed, harvesting, and hauling costs. Figure 3c shows the distribution of responses for hay inputs and expenses.

### Other Lease Terms

Many lease agreements specify terms and conditions beyond the rental rate, which affect the value of the lease and the "real" rental rate. For instance, tenants may or may not be allowed to hunt, harvest pecans, graze cattle, cut timber, use buildings, improvements, and lease out hunting privileges. Lime application costs or similar costs for improvements in which the benefits are shared over a number of years may be shared by the landlord and tenant, or if the tenant pays for them initially, repaid by the landlord at a fixed rate per year. Tenants may be required to maintain fences, spray weeds annually, provide liability insurance, share oil field damages, maintain terraces, and leave strips of grain in the field for game. Landlords may provide a well and water, fencing material, or land for a mobile home. Tenants may ask for several months notice if the landlord wishes to terminate the lease agreement. In some cases, leases contain an option to buy with rental payments applied to the purchase price.

### Historical and Regional Perspective

Table 4 provides historical data on pasture rental rates for Oklahoma, Kansas, Arkansas, and Texas for 1999-2008 as reported by the USDA National Agricultural Statistics Service.

### Concluding Comments

"Fair" rents must be negotiated between tenant and landlord. Regional or state average rental rates may be used as a beginning point for discussion and negotiation of rental rates. However, differences in land quality, improvements, and restrictions on land use can greatly impact the value of potential leases. Likewise, differences in family living expenses and hired labor costs can be substantial for different operations, affecting the maximum rental bids.

New legal restrictions and liability factors may instigate changes in future farm lease agreements. Some farm management firms include language that explicitly requires the tenant to be a good steward of the land. The tenant is expected to follow label restrictions in the use of pesticides,

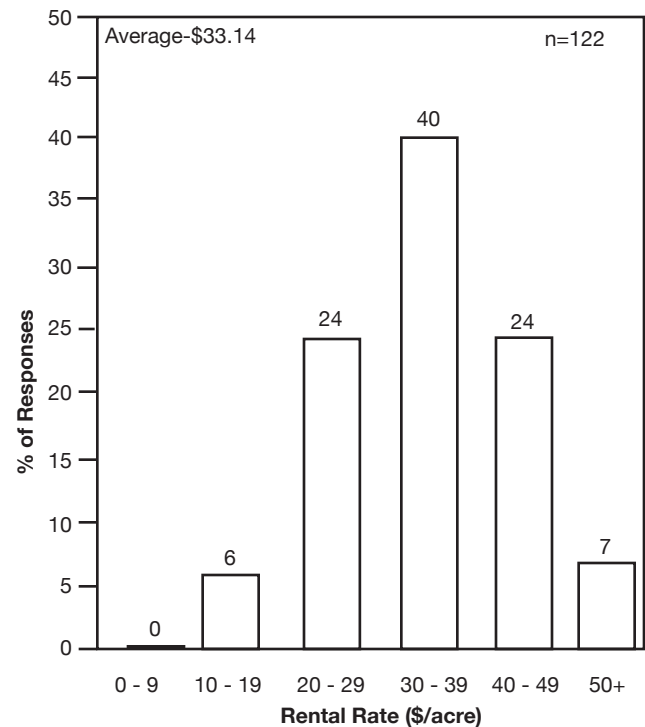
to remain in compliance with the farm's conservation plan, and to dispose of wastes in a manner approved by the Environmental Protection Agency. Some leases already stipulate precisely what fertilizers, pesticides, and seed may be used on the property. Both landlords and tenants must be aware of changing environmental laws and regulations to avoid potentially costly liabilities.

### Related Publications

Visit <http://www.osuextra.com> and select OSU Fact Sheets, and then choose Departmental List, Agricultural Economics, Farm Management (or Agribusiness Management) and the specific Fact Sheet number. Specific addresses for the referenced articles are:

Developing Cash Lease Agreements for Farmland, OSU AGEC-214 at <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1793/AGEC-214web.pdf>

Developing Share Lease Agreements for Farmland, OSU AGEC-215 at <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1778/AGEC-215web.pdf>



**Figure 2. Relative Frequency of Responses for Dryland Wheat Cash Rental Rates, 2008.**

**Table 1. Crop Cash Agreement Statistics by Region, 2008-09.**

	<i>Northwest</i>	<i>Southwest</i>	<i>North Central</i>	<i>East</i>	<i>State</i>
			<i>Acres in Lease</i>		
Average	633	587	587	223	552
Range	45-6,000	16-14,000	31-7,450	30-640	16-14,000
			<i>Average Years Lease Held</i>		
Average	15	14	13	10	13
Range	1-50	1-45	1-50	2-25	1-50
Number of Observations	27	50	49	16	142

**Table 2. State Crop Cash Rental Rates, 2008-09.**

	<i>Cash Rent per Acre</i>		
	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
Dryland Wheat			
Northwest	\$30.28	\$11-80	20
Southwest	\$31.91	\$10-50	45
North Central	\$34.78	\$19-55	46
East	\$36.44	\$22-60	11
State	\$33.14	\$10-80	122
Dryland Grain Sorghum	\$32.71	\$20-55	7
Dryland Alfalfa	\$43.69	\$25-85	17
Other Crops <sup>1</sup>	\$52.26	\$10-150	19

<sup>1</sup> Other crops (number of observations in parenthesis) include dryland annual forages (2), dryland soybeans (4), dryland corn (1), dryland cotton (2), irrigated grains (5), and unspecified (5).

**Table 3. Crop Share Lease Provisions (Tenant's Share), 2008-09.**

	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
Acres in Lease	404	17-5,640	95
Average Years Lease Held	18	1-58	95
----- <i>Tenant's Share of Receipts (Percentage)</i> -----			
Dryland Wheat	66	50-75	89
Dryland Alfalfa	67	50-83	15
Dryland Grain Sorghum	66	50-67	12
Other Hay	63	50-70	15
Other Crops	68	67-75	11
----- <i>Tenant's Share of Expenses (Percentage)</i> -----			
	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
<b>Crop</b>			
Seed	95	50-100	91
Fertilizer	73	50-100	92
Herbicide	79	50-100	88
Insecticide	78	50-100	84
Chemical Applications	87	50-100	87
Harvesting	97	50-100	75
Hauling	96	50-100	38
Irrigation Energy	93	67-100	5
Lime Application <sup>1</sup>	59	0-100	32
Cotton Ginning and Processing	71	67-75	4
<b>Hay and Other</b>			
Seed	80	50-100	11
Fertilizer	79	50-100	17
Herbicide	86	50-100	18
Insecticide	80	50-100	16
Chemical Applications	87	50-100	16
Cutting	97	50-100	30
Raking	97	50-100	30
Baling	97	50-100	30
Hay Hauling	96	50-100	25
Irrigation Energy <sup>2</sup>	-	-	-
Lime Application <sup>2</sup>	-	-	-

<sup>1</sup> Rental shares of 100% of the crop for the tenant or zero percent of expenses are generally special situations, usually reflecting concessions or unusual circumstances in another part of the lease. However, as lime improves the soil and this improvement is retained by the landlord if the lease is terminated, it is not unusual for the landlord to pay all lime expenses.

<sup>2</sup> Insufficient information.

**Table 4. Average Gross Cash Rent (Dollars per Acre) for Cropland, Selected States, 1999-2008.**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Oklahoma</b>										
Dryland	27.00	26.00	27.00	27.00	27.50	30.00	29.00	28.00	27.00	29.00
<b>Kansas</b>										
Dryland	35.00	35.50	36.00	36.00	36.00	37.50	38.50	39.00	41.00	45.00
Irrigated	66.00	67.00	72.00	70.00	68.00	72.00	73.00	74.00	82.00	88.00
<b>Missouri</b>										
Dryland	59.00	62.00	65.00	66.00	70.00	76.00	79.00	79.00	79.00	85.00
<b>Texas</b>										
Dryland	18.00	21.00	21.00	21.00	21.00	23.70	23.00	23.00	23.00	25.00
Irrigated	49.00	53.00	53.00	53.00	55.00	56.00	57.50	47.50	53.00	55.00

Source: Agricultural Statistics Service, Oklahoma Agricultural Statistics 2008, USDA/NASS, Oklahoma Department of Agriculture, <http://www.nass.usda.gov/ok/>.

**Figure 3a. Relative frequency of responses for items in cropland share agreements, 2008-09.**

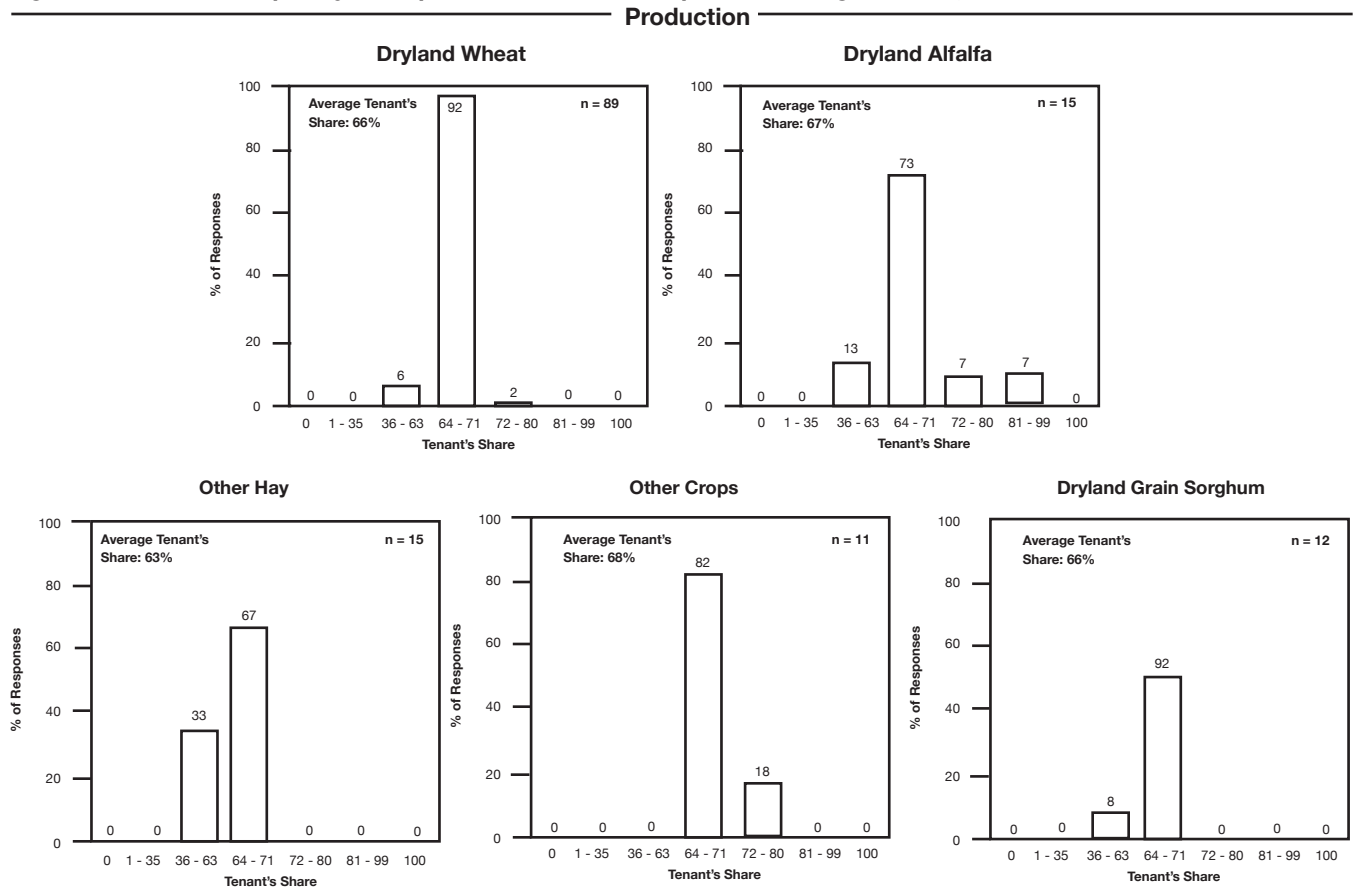


Figure 3b. Relative frequency of responses for items in cropland share agreements, 2008-09.

Crop Inputs and Expenses

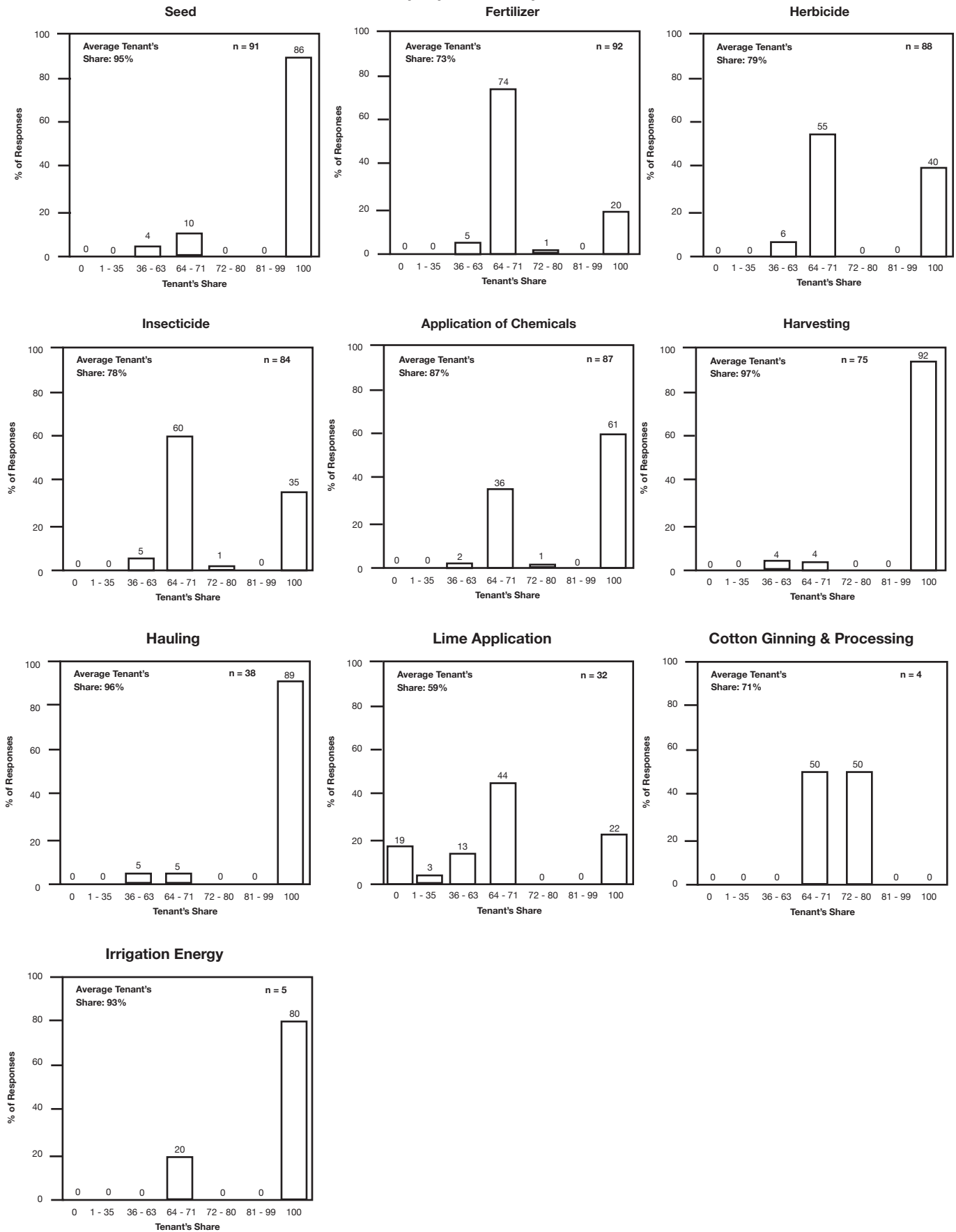
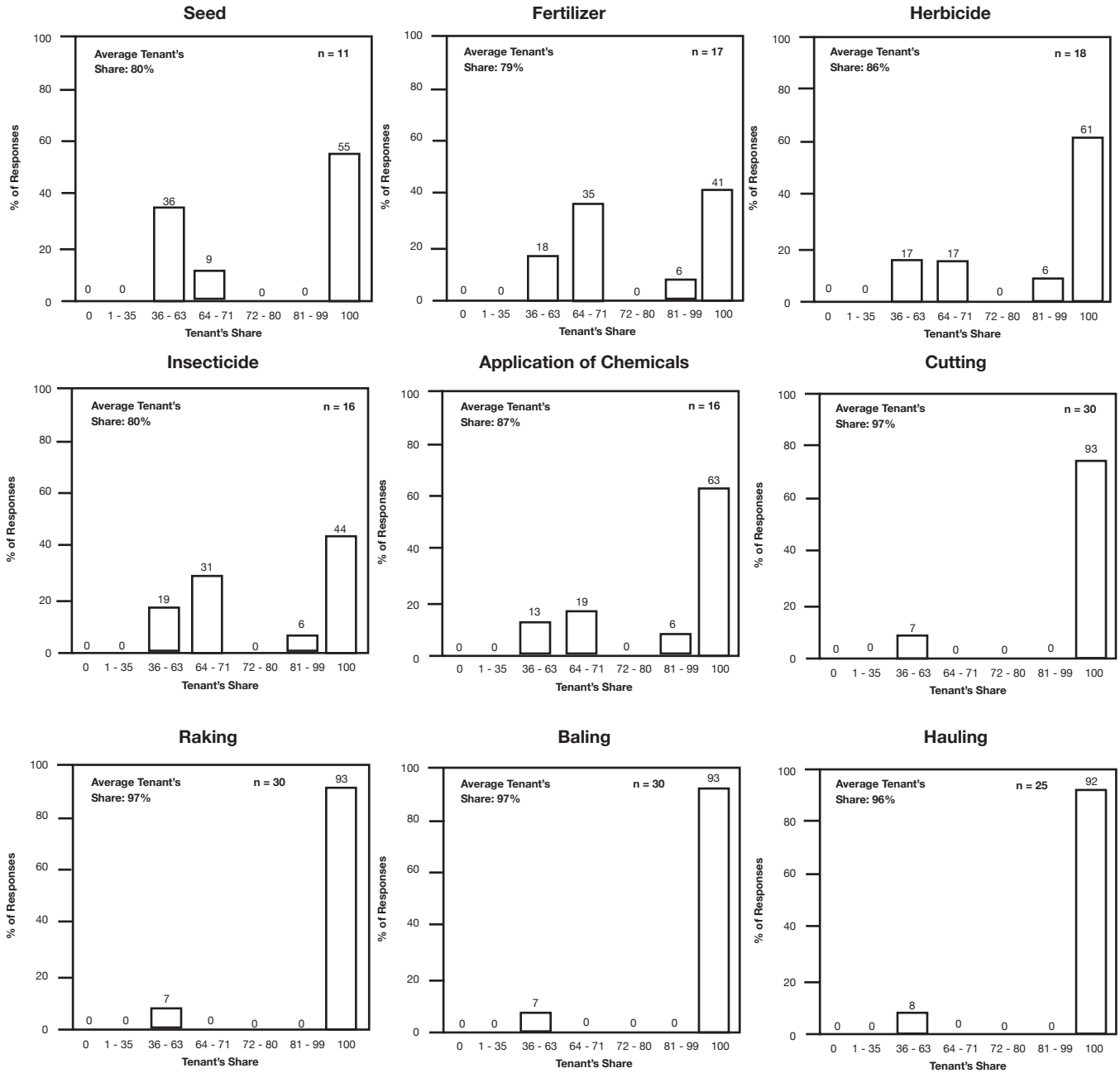


Figure 3c. Relative frequency of responses for items in cropland share agreements, 2008-09.

Hay Inputs and Expenses



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Extension carries out programs in the broad categories of agriculture, natural resources and environment; family and consumer sciences; 4-H and other youth; and community resource development. Extension staff members live and work among the people they serve to help stimulate and educate Americans to plan ahead and cope with their problems.

Some characteristics of the Cooperative Extension system are:

- The federal, state, and local governments cooperatively share in its financial support and program direction.
- It is administered by the land-grant university as designated by the state legislature through an Extension director.
- Extension programs are nonpolitical, objective, and research-based information.
- It provides practical, problem-oriented education for people of all ages. It is designated to take the knowledge of the university to those persons who do not or cannot participate in the formal classroom instruction of the university.
- It utilizes research from university, government, and other sources to help people make their own decisions.
- More than a million volunteers help multiply the impact of the Extension professional staff.
- It dispenses no funds to the public.
- It is not a regulatory agency, but it does inform people of regulations and of their options in meeting them.
- Local programs are developed and carried out in full recognition of national problems and goals.
- The Extension staff educates people through personal contacts, meetings, demonstrations, and the mass media.
- Extension has the built-in flexibility to adjust its programs and subject matter to meet new needs. Activities shift from year to year as citizen groups and Extension workers close to the problems advise changes.

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