



Current Report

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Oklahoma Cropland Rental Rates: 2010-11

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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 August of 2010 are reported here. Respondents were individuals contacted through the Oklahoma Cooperative Extension Service who agreed to complete periodic surveys plus recipients of a mailing by the Oklahoma Agricultural Statistics Service. Approximately 160 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 14 years (Table 1). Average lease sizes ranged from 175 acres in eastern Oklahoma to 399 acres in Northcentral Oklahoma. Most tenants and landlords in Oklahoma appear to be satisfied with their lease agreements. Fifty-eight percent of respondents with cash lease agreements and 50% of respondents with crop share agreements classified their leasing agreements as either good or excellent from a standpoint of fairness. Twenty-seven percent of respondents with cash lease agreements and 33% of respondents with crop share agreements classified their leasing agreements as adequate from the standpoint of fairness.

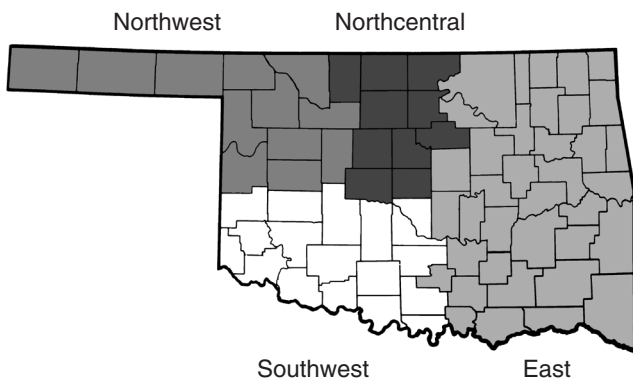


Figure 1. Regions Used in Reporting Farmland Leasing Survey Results

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 southwestern region of the state, averaging \$33.12 per acre, compared to \$29.04 to \$32.68 in other regions of the state (Table 2).¹ The range in reported rental rates was from \$10 to \$75 per acre. The state average of \$31.78 decreased more than \$1 per acre compared to the 2008 average of \$33.14. While this was true in most regions as well, southwestern Oklahoma was an exception with the average increasing from \$31.91 per acre in 2008 to \$33.12 per acre in 2010.

Figure 2 shows the distribution of responses (98) for dryland wheat cash rental rates. None of the respondents reported a rental rate less than \$10 per acre, 10% reported a rental rate between \$10 and \$19 per acre, 28% reported a rental rate between \$20 and \$29 per acre, 36% reported a rental rate between \$30 and \$39 per acre, 19% 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 less than wheat at \$27.90 per acre while dryland alfalfa averaged significantly higher than wheat at \$41.61 per acre. (Note that there were only 6 responses on both grain sorghum and 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.² In crop share leases statewide, the tenant on average receives around 2/3 of dryland wheat, alfalfa, or grain sorghum, while paying that or 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.

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 AGEC-214 and AGEC-215.

Figure 3a shows the distribution of survey responses regarding the tenant's share of production. Figure 3b shows 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 and lime costs. Chemical applications in particular are frequently paid entirely by the tenant. 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. The results for hay are similar to crops in that the tenant typically pays all seed, harvesting (cutting, raking and baling) and hauling costs. Though the tenant typically pays 2/3 or all of the fertilizer, herbicide, insecticide and chemical application costs, the proportion of tenants paying 100% is much higher for fertilizer and insecticide on hay than other crops.

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 2001-2010 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>

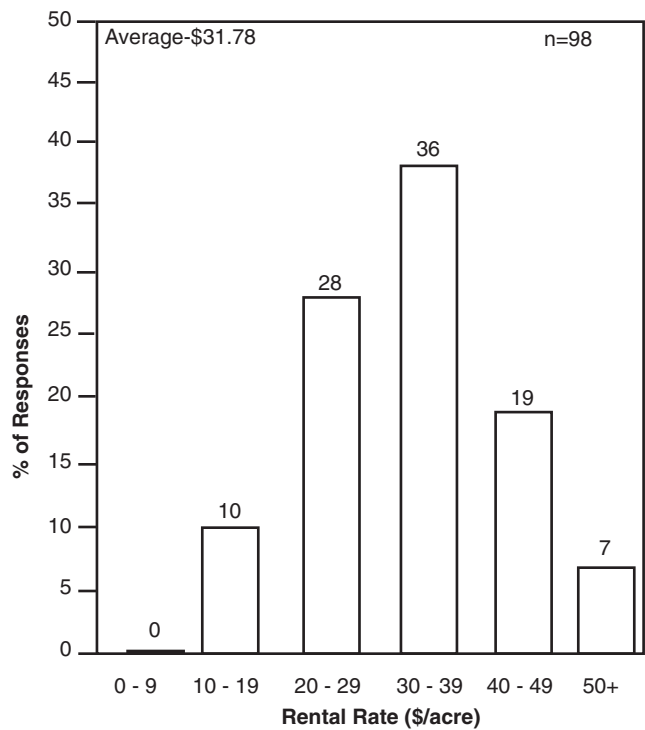


Figure 2. Relative Frequency of Responses for Dryland Wheat Cash Rental Rates, 2010.

Table 1. Crop Cash Agreement Statistics by Region, 2010-11.

	<i>Northwest</i>	<i>Southwest</i>	<i>Northcentral</i>	<i>East</i>	<i>State</i>
			<i>Acres in Lease</i>		
Average	375	378	399	175	357
Range	20-1,440	16-1,740	38-1,588	10-1,300	10-1,740
			<i>Average Years Lease Held</i>		
Average	16	15	11	14	14
Range	2-35	2-100	1-30	1-52	1-100
Number of Observations	25	36	33	15	109

Table 2. State Crop Cash Rental Rates, 2010-11.

	<i>Cash Rent per Acre</i>		
	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
Dryland Wheat			
Northwest	\$29.04	\$10-55	26
Southwest	\$33.12	\$15-75	33
Northcentral	\$32.68	\$10-70	32
East	\$31.61	\$13-60	7
State	\$31.78	\$10-75	98
Dryland Grain Sorghum	\$27.90	\$15-45	6
Dryland Alfalfa	\$41.61	\$20-80	6
Other Dryland Crops ¹	\$42.81	\$25-80	13
Other Irrigated Crops ²	\$61.25	\$30-100	4

¹ Other dryland crops (number of observations in parenthesis) include annual forages (3), soybeans (5), corn (4), and cotton (1).

² Other irrigated crops (number of observations in parenthesis) include grains (3), and alfalfa (1).

Table 3. Crop Share Lease Provisions (Tenant's Share), 2010-11.

	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
Acres in Lease	332	11-2,000	84
Average Years Lease Held	17	1-65	75
<i>-----Tenant's Share of Receipts (Percentage)-----</i>			
Dryland Wheat	67	50-84	71
Dryland Alfalfa	68	67-75	13
Dryland Grain Sorghum	69	67-84	9
Other Hay	65	50-75	14
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>
Crop			
Seed	96	50-100	70
Fertilizer	72	50-100	75
Herbicide	81	50-100	70
Insecticide	79	50-100	59
Chemical Applications	86	50-100	67
Harvesting	97	50-100	65
Hauling	97	50-100	52
Irrigation Energy ²	—	—	—
Lime Application ¹	63	0-100	25
Cotton Ginning and Processing ²	—	—	—
Hay and Other			
Seed	90	50-100	8
Fertilizer	79	50-100	14
Herbicide	83	50-100	14
Insecticide	83	50-100	11
Chemical Applications	83	50-100	15
Cutting	92	50-100	26
Raking	92	50-100	26
Bailing	92	50-100	26
Hay Hauling	94	50-100	14
Irrigation Energy ²	—	—	—
Lime Application ¹	57	0-100	5

¹ 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.

² Insufficient information.

Table 4. Average Gross Cash Rent (Dollars per Acre) for Cropland, Selected States, 2001-2010.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Oklahoma										
Dryland	27.00	27.00	27.50	30.00	29.00	28.00	27.00	28.00	28.00	28.00
Kansas										
Dryland	36.00	36.00	36.00	37.50	38.50	39.00	41.00	42.50	43.50	43.50
Irrigated	72.00	70.00	68.00	72.00	73.00	74.00	82.00	92.00	89.00	95.00
Missouri										
Dryland	65.00	66.00	70.00	76.00	79.00	79.00	79.00	80.00	90.00	94.00
Texas										
Dryland	21.00	21.00	21.00	23.70	23.00	23.00	23.00	24.00	25.00	26.00
Irrigated	53.00	53.00	55.00	56.00	57.50	62.00	65.00	80.00	77.00	75.00

Source: Agricultural Statistics Service, Oklahoma Agricultural Statistics 2010, USDA/NASS, Oklahoma Department of Agriculture, <http://www.nass.usda.gov/ok/>.

Figure 3a. Relative frequency of responses for items in cropland share agreements, 2010-11.

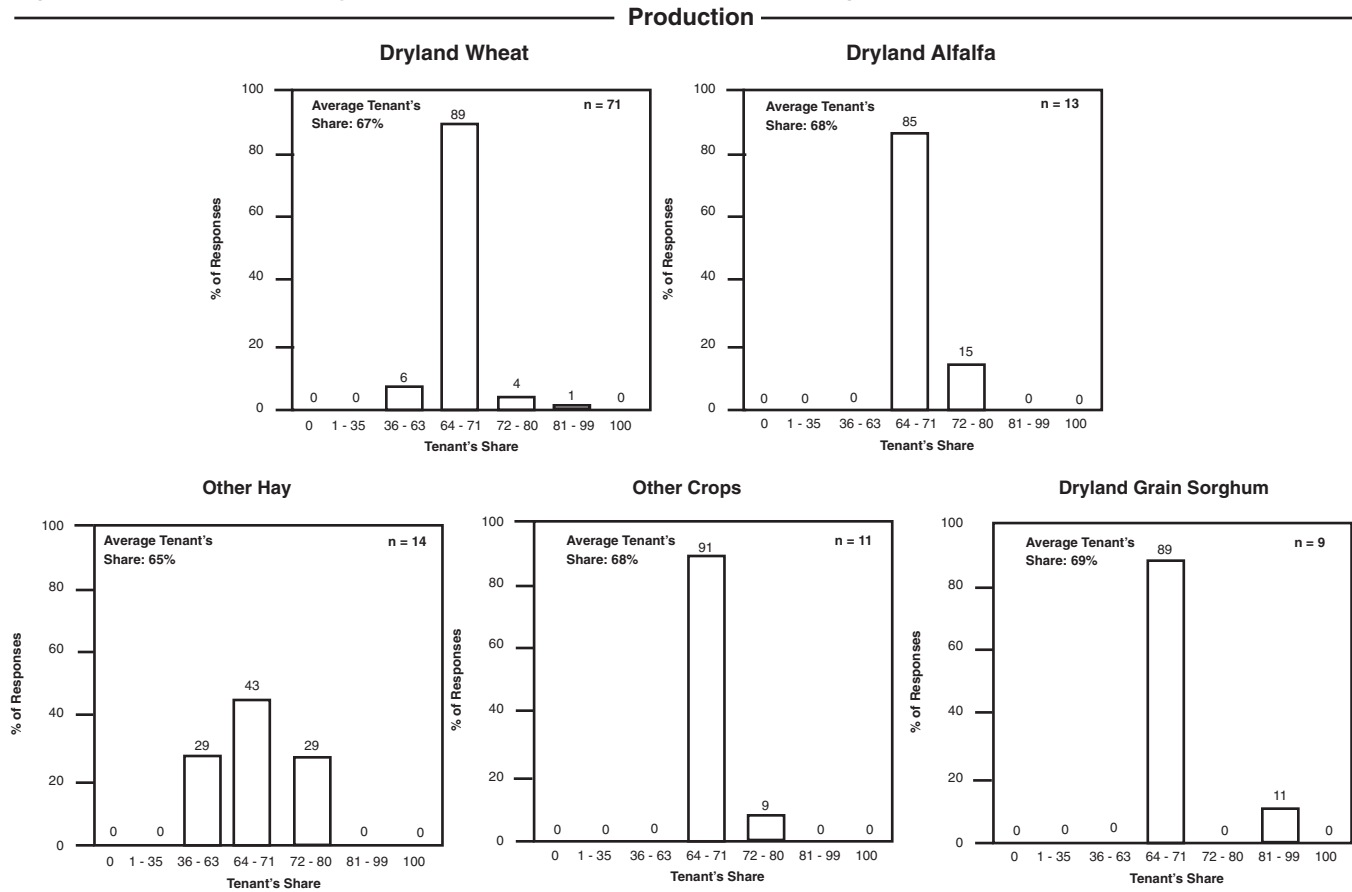


Figure 3b. Relative frequency of responses for items in cropland share agreements, 2010-11.

Crop Inputs and Expenses

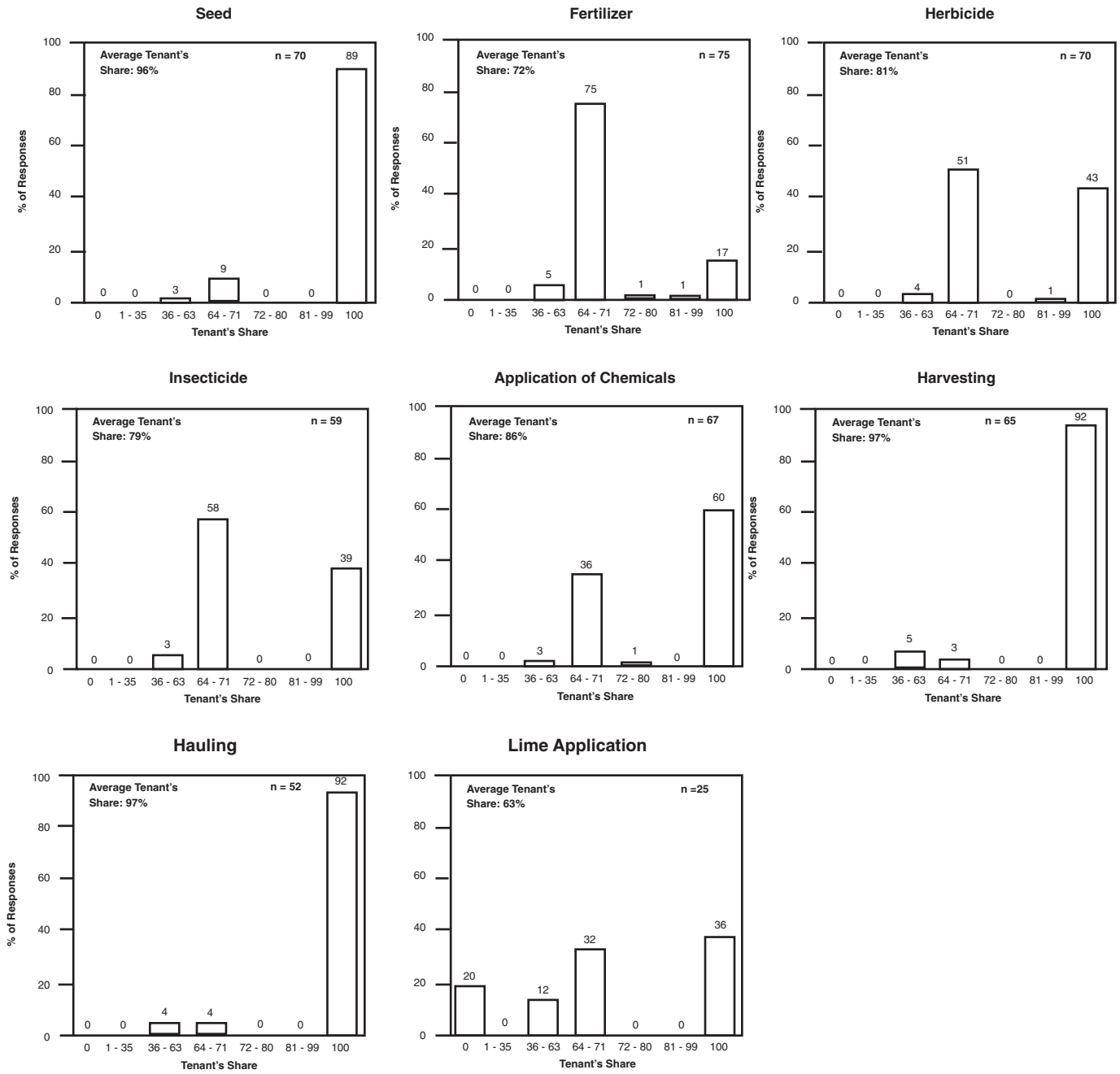
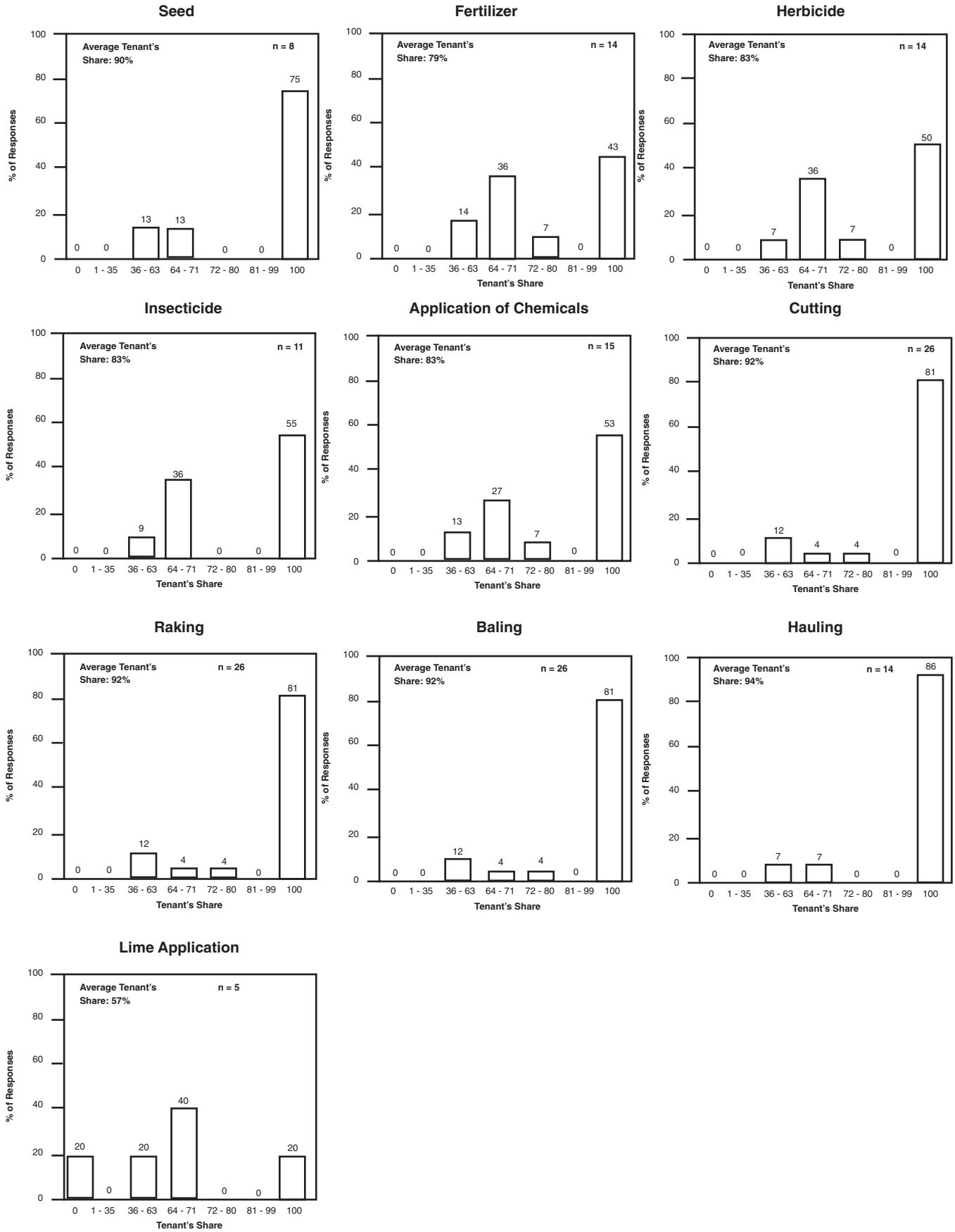


Figure 3c. Relative frequency of responses for items in cropland share agreements, 2010-11.

Hay Inputs and Expenses



The Oklahoma Cooperative Extension Service

Bringing the University to You!

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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:

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 - 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.
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