



# Current Report

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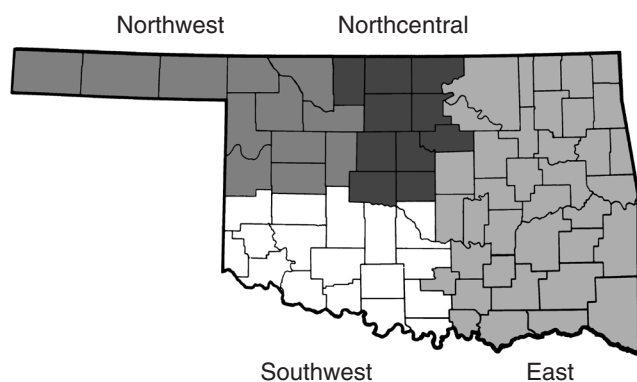
## Oklahoma Cropland Rental Rates: 2012-13

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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 2012 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 270 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 15 years (Table 1). Average lease sizes ranged from 209 acres in eastern Oklahoma to 550 acres in Northcentral Oklahoma. Most tenants and landlords in Oklahoma appear to be satisfied with their lease agreements. Sixty-eight percent of respondents with cash lease agreements crop share agreements classified their leasing agreements as either good or excellent from a standpoint of fairness. Twenty-two percent of respondents with cash lease agreements and 24% 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 north-central region of the state, averaging \$38.48 per acre, compared to \$28.10 to \$32.19 in other regions of the state (Table 2).<sup>1</sup> The range in reported rental rates was from \$15 to \$67 per acre. The state average of \$32.80 increased more than \$1 per acre compared to the 2010 average of \$31.78. Northwestern and southwestern areas reported slight regional declines, however.

Figure 2 shows the distribution of responses (128) 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, 30% reported a rental rate between \$20 and \$29 per acre, 31% reported a rental rate between \$30 and \$39 per acre, 23% reported a rental rate between \$40 and \$49 per acre, and 9% of the respondents reported a rental rate of \$50 or more per acre.

Dryland grain sorghum average rental rates were less than wheat at \$29.66 per acre while dryland alfalfa averaged significantly higher than wheat at \$41.00 per acre. (Note that there were only 7 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.<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 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.

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

- <sup>1</sup> Averages reported are the simple average of rates reported by the respondents. They are not weighted by acres in the lease agreement.
- <sup>2</sup> Advantages and disadvantages of different types of lease agreements are discussed in OSU Extension Fact Sheets AGEC-214 and AGEC-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 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. Although the tenant typically pays 2/3 or all of the fertilizer, herbicide, insecticide and chemical application costs, the proportion of tenants paying 100% is higher for fertilizer 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 2003-2012 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

To help educate landlords and tenants with equitable lease agreements and current best management practices, visit the Oklahoma State University (OSU) Ag Land Lease website at <http://www.aglandlease.info> or <http://www.aglease.info>. A joint effort between OSU's Plant and Soil Sciences and Agricultural Economics Departments, the website contains a wide assortment of farm management spreadsheet tools, lease information and forms, rental rate and land value resources, legal and tax considerations plus the latest production practices in Oklahoma.

Specific addresses for the several referenced North Central Farm Management Extension Committee (NCFMEC) publications are:

Crop Share Rental Arrangements For Your Farm, NCFMEC-2 at <http://aglandlease.info/wp-content/uploads/2012/05/Crop-Share.pdf>

Fixed and Flexible Cash Rental Arrangements For Your Farm, NCFMEC-1 at <http://aglandlease.info/wp-content/uploads/2012/05/Fixed-and-Flexible.pdf>

Pasture Rental Arrangements, NCFMEC-3 at <http://aglandlease.info/wp-content/uploads/2012/05/Pasture-Rental.pdf>

Recent Oklahoma school land lease auction information is also available through the Real Estate Management Division of Commissioners of the Land Office at <http://oklaosf.state.ok.us/~clo/>.

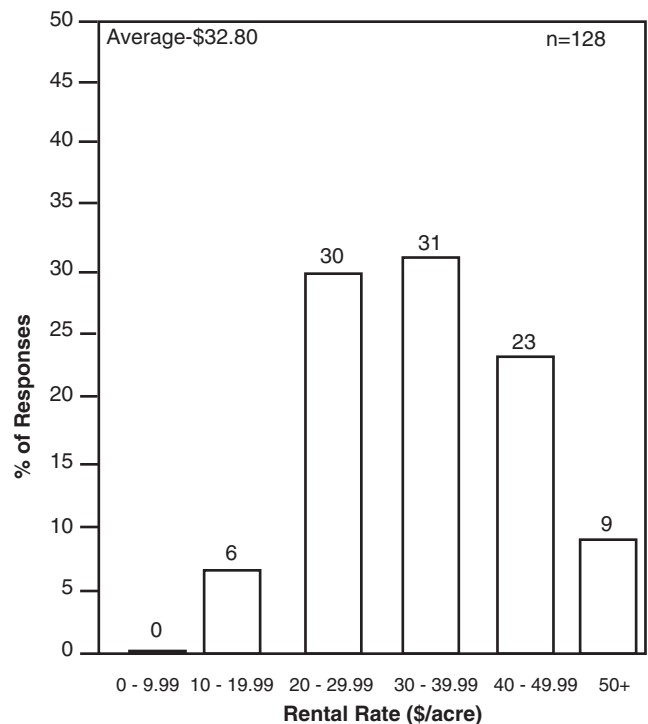


Figure 2. Relative Frequency of Responses for Dryland Wheat Cash Rental Rates, 2012.

**Table 1. Crop Cash Agreement Statistics by Region, 2012-13.**

	<i>Northwest</i>	<i>Southwest</i>	<i>Northcentral</i>	<i>East</i>	<i>State</i>
			<i>Acres in Lease</i>		
Average	486	523	550	209	443
Range	80-1,920	16-2,225	26-6,500	30-1,100	16-6,500
Number of Observations	45	57	41	46	189
			<i>Average Years Lease Held</i>		
Average	18	16	15	11	15
Range	1-50	2-100	1-55	1-60	1-100
Number of Observations	39	55	37	44	175

**Table 2. State Crop Cash Rental Rates, 2012-13.**

	<i>Cash Rent per Acre</i>		
	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
Dryland Wheat			
Northwest	\$28.10	\$15-49	32
Southwest	\$32.07	\$15-55	45
Northcentral	\$38.48	\$20-55	34
East	\$32.19	\$20-67	17
State	\$32.80	\$15-67	128
Dryland Grain Sorghum	\$29.66	\$16-45	7
Dryland Alfalfa	\$41.00	\$30-50	7
Other Dryland Crops <sup>1</sup>	\$39.38	\$23-95	20
Other Irrigated Crops <sup>2</sup>	\$66.25	\$38-100	6

<sup>1</sup> Other dryland crops (number of observations in parenthesis) include annual forages (6), soybeans (6), corn (4), cotton (2) and other small grains (2).

<sup>2</sup> Other irrigated crops (number of observations in parenthesis) include grains (3), alfalfa (2) and cotton (1).

**Table 3. Crop Share Lease Provisions (Tenant's Share), 2012-13.**

	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
Acres in Lease	373	15-3,520	138
Average Years Lease Held	16	1-60	126
<i>-----Tenant's Share of Receipts (Percentage)-----</i>			
Dryland Wheat	66	50-75	106
Dryland Alfalfa	67	50-75	12
Dryland Grain Sorghum	66	50-75	13
Other Hay	63	50-90	16
Other Crops	69	67-75	8
<i>-----Tenant's Share of Expenses (Percentage)-----</i>			
	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
<b>Crop</b>			
Seed	97	50-100	107
Fertilizer	75	50-100	113
Herbicide	83	50-100	105
Insecticide	81	50-100	93
Chemical Applications	87	50-100	103
Harvesting	96	50-100	91
Hauling	95	50-100	49
Irrigation Energy	93	67-100	9
Lime Application <sup>1</sup>	64	0-100	41
Cotton Ginning and Processing	84	67-100	9
<b>Hay and Other</b>			
Seed	93	67-100	9
Fertilizer	77	50-100	16
Herbicide	76	50-100	13
Insecticide	69	50-100	10
Chemical Applications	86	50-100	14
Cutting	93	50-100	34
Raking	93	50-100	34
Bailing	93	50-100	34
Hay Hauling	88	50-100	29
Irrigation Energy <sup>2</sup>	—	—	—
Lime Application <sup>1</sup>	43	0-100	7

<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, 2003-2012.**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Oklahoma</b>										
Dryland	27.50	30.00	29.00	28.00	27.00	28.00	28.00	28.00	28.00	31.00
<b>Kansas</b>										
Dryland	36.00	37.50	38.50	39.00	41.00	42.50	43.50	43.50	44.00	52.50
Irrigated	68.00	72.00	73.00	74.00	82.00	92.00	89.00	95.00	105.00	119.00
<b>Missouri</b>										
Dryland	70.00	76.00	79.00	79.00	79.00	80.00	90.00	94.00	101.00	103.00
<b>Texas</b>										
Dryland	21.00	23.70	23.00	23.00	23.00	24.00	25.00	26.00	28.00	25.00
Irrigated	555.00	56.00	57.50	62.00	65.00	80.00	77.00	75.00	77.00	79.00

Source: Agricultural Statistics Service, Oklahoma Agricultural Statistics 2012, USDA/NASS, Oklahoma Department of Agriculture, <http://www.nass.usda.gov/ok/>.

**Figure 3a. Relative frequency of responses for items in cropland share agreements, 2012-13.**

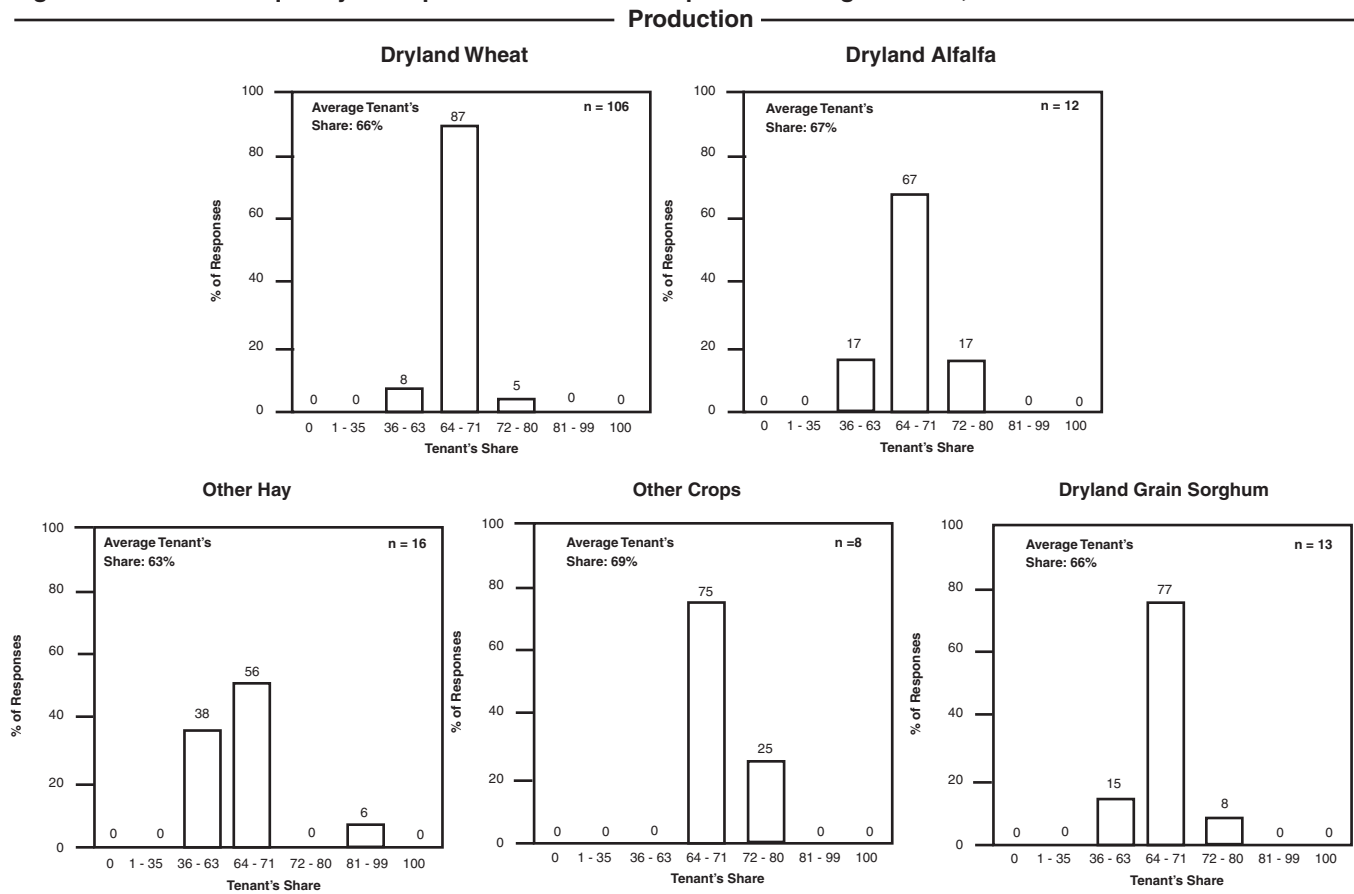
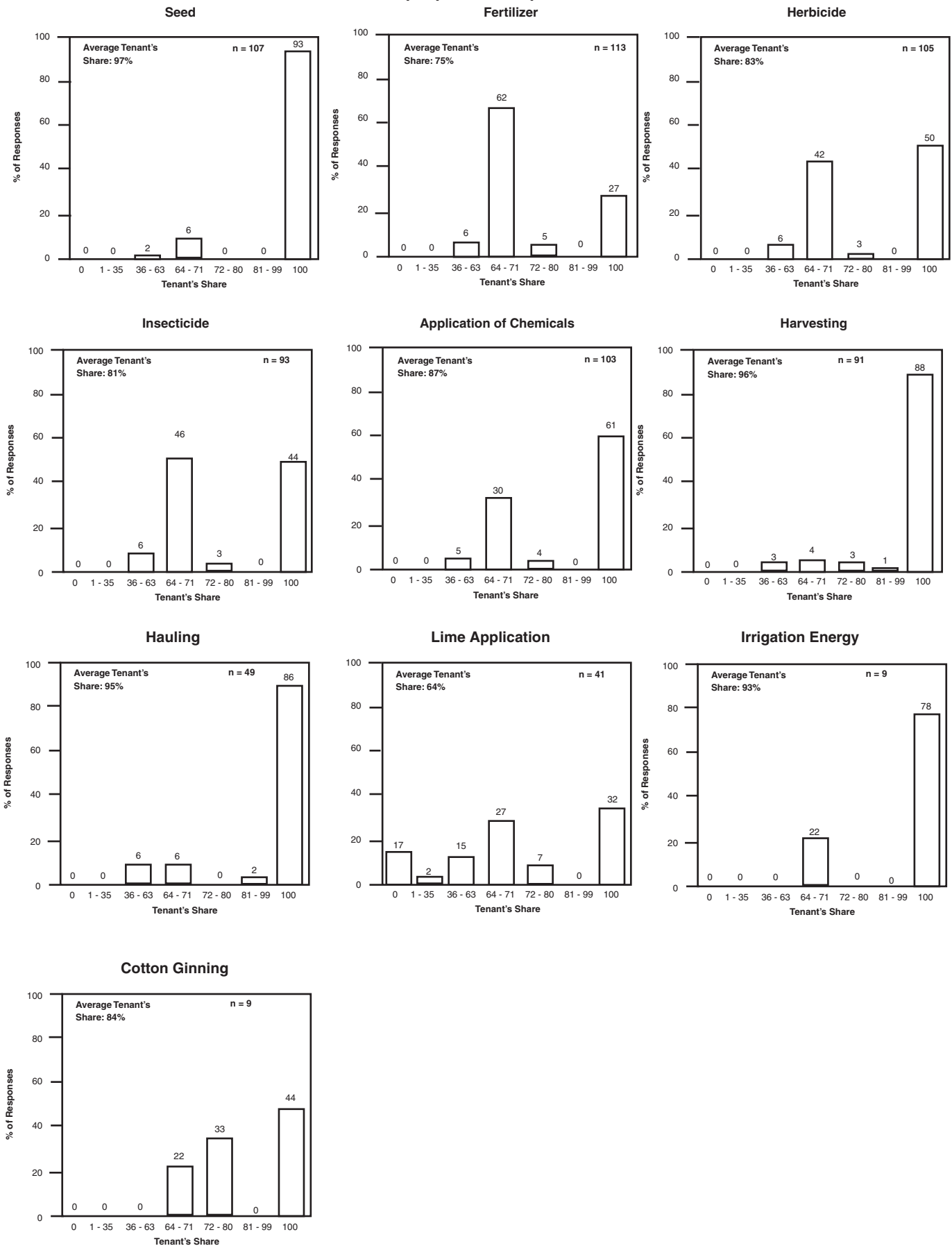
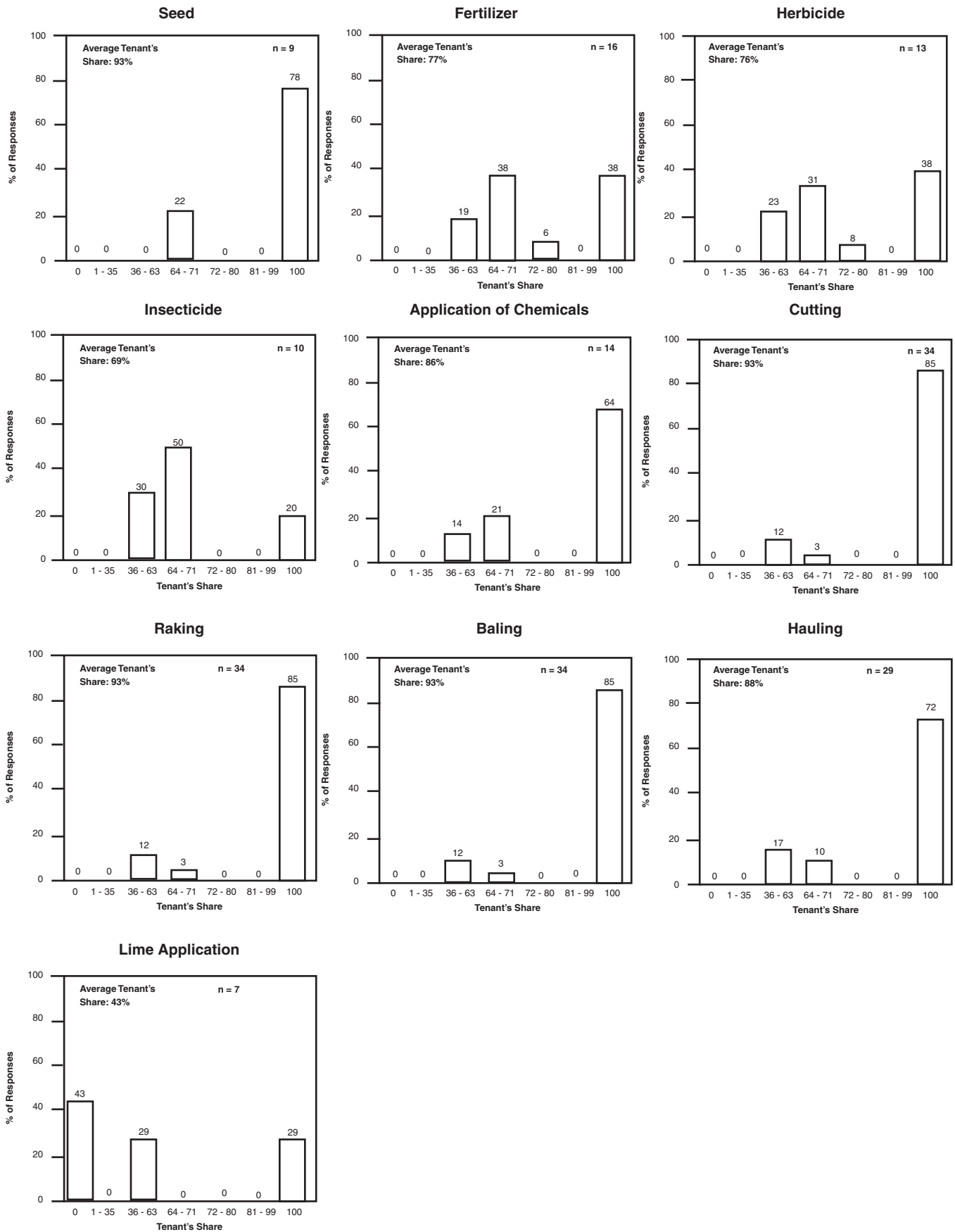


Figure 3b. Relative frequency of responses for items in cropland share agreements, 2012-13.

Crop Inputs and Expenses



**Figure 3c. Relative frequency of responses for items in cropland share agreements, 2012-13.**  
**Hay Inputs and Expenses**



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The Cooperative Extension Service is the largest, most successful informal educational organization in the world. It is a nationwide system funded and guided by a partnership of federal, state, and local governments that delivers information to help people help themselves through the land-grant university system.

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.

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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

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