



Current Report

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Oklahoma Pasture Rental Rates: 2008-09

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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 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 360 surveys were returned with useable data. Figure 1 shows regions of the state used in reporting survey results: northwest, southwest, north central, and east.

Most tenants and landlords in Oklahoma appear to be satisfied with their lease agreements. About 64% of the respondents classified their leasing agreements as good or excellent from the standpoint of fairness with an additional 22% classifying their agreements as adequate.¹ Survey results document some regional differences in rental rates and average sizes of tracts rented.

Pasture Rental Rates

Common methods of renting pasture include:

1. rate per acre,
2. fixed rate per hundredweight per month,
3. flat rate per pound of gain, or
4. share of gain or profit.

In addition to factors previously mentioned—the landowner's costs, the livestock owner's expected earnings, and previous rates charged—the kind and quality of pasture, fences, location, and water also influence the pasture rental rate. Negotiations determine the type of agreement and the relative weight given to different factors.

Rental rates for native, Bermuda, and other pasture are listed in Table 1. The state average rental rate for native pasture was \$11.18 per acre per year with responses ranging from \$2 to \$40. This average was up slightly from \$9.80 in 2006. Native pasture rental rates were lowest in northwest Oklahoma at \$8.53 per acre and highest in north central Oklahoma at \$12.97 per acre. Figure 2 shows the distribution of per acre rates reported for native pasture in Oklahoma.

The state average rental rate for Bermuda pasture was \$17.20 per acre, up \$1.96 per acre from the previous survey, with responses ranging from \$5 to \$50. Again, rates were lowest in northwest Oklahoma and highest in northcentral Oklahoma. Figure 3 shows the distribution of per acre rates reported for Bermuda pasture in Oklahoma.

Pasture rental rates for small grain pasture averaged \$0.44 per pound gain and \$2.72 per hundredweight per month for winter grazing (November through March) (Table 2).² While the fixed rate per hundred weight was slightly less than 2006, the flat rate per pound of gain increased 10 cents. However, with only nine observations these differences may not be significant.

Pasture lease agreements may assign responsibility for checking livestock, providing salt and minerals or supplemental feed or pasture, and repairing fence to the tenant or landlord or both. Table 3 summarizes the distribution of survey responses by type of pasture: small grain winter grazing, small grain grazeout, and other pasture (includes native, Bermuda, and other improved pasture). Generally, the livestock owner

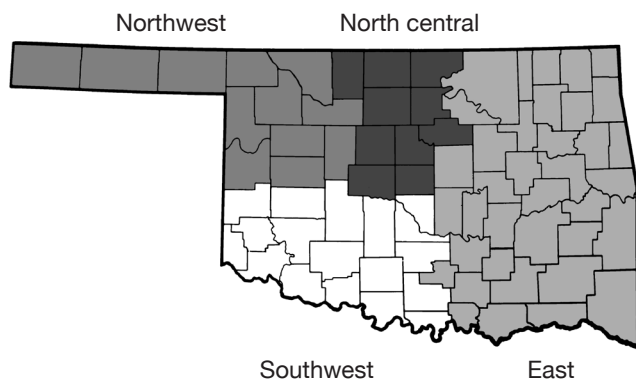


Figure 1. Regions Used in Reporting Farmland Leasing Survey Results.

¹ Advantages and disadvantages of different types of lease agreements are discussed in OSU Extension Fact Sheets F-214 and F-215.

² Averages reported are the simple average of rates reported by respondents. They are not weighted by acres in the lease agreement.

was responsible for checking livestock and providing salt and minerals and supplemental feed or pasture for all types of leases. In small grain winter grazing leases, the pasture producer was typically responsible for fencing material and labor plus fertilizer.

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. Tenants may or may not be allowed to hunt, harvest pecans, cut timber, use buildings or other improvements, and lease out hunting privileges. Lime application costs or similar costs for improvements in which the benefits are returned 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 or clip 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.

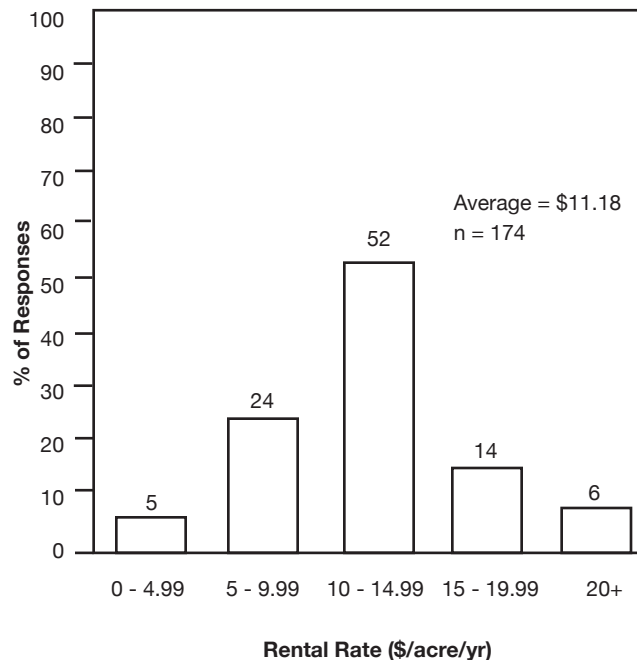


Figure 2. Relative Frequency of Responses for Native Pasture Rental Rates.

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 and 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 call for changes in future farm lease agreements. Some farm management firms include language requiring that the tenant will be responsible for following label restrictions in the use of pesticides, for remaining in compliance with the farm’s conservation plan, and for disposing of wastes in a manner approved by the Environmental Protection Agency, etc. 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>

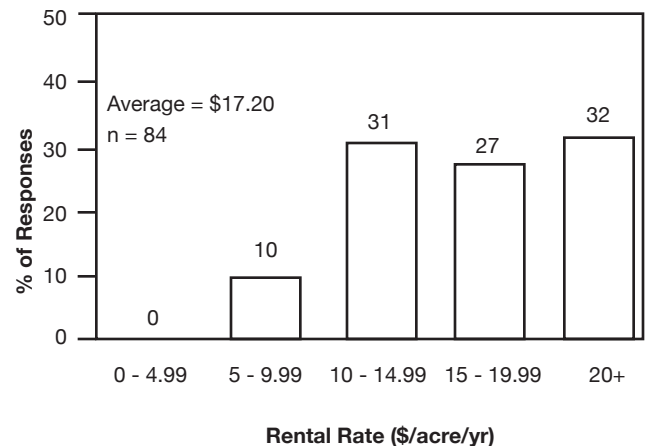


Figure 3. Relative Frequency of Responses for Bermuda Pasture Rental Rates.

Table 1. Cash Rental Rates for Pasture, 2008-09.

	Native Pasture				Bermuda				Other Pasture					
	Northwest		Southwest		North		Southwest		North		Southwest		East	
	Average	Range	Average	Range	Average	Range	Average	Range	Average	Range	Average	Range	Average	Range
Acres in Lease	1,273	744	399	588	713	156	442	362	374	373	325	693	490	
Average	35-14,720	40-12,500	21-3,000	30-6,500	21-14,720	50-382	54-1,600	41-1,080	10-1,650	10-1,650	120-800	55-3,500	18-3,500	
Range	2-40	1-50	1-48	1-45	1-50	3-40	2-64	1-30	1-30	1-64	2-40	2-20	2-40	
Average Years Lease Held	14	14	14	14	14	13	15	10	11	12	18	8	12	
Average	2-40	1-50	1-48	1-45	1-50	3-40	2-64	1-30	1-30	1-64	2-40	2-20	2-40	
\$/acre/year	\$8.53	\$10.81	\$12.97	\$11.63	\$11.18	\$14.90	\$16.88	\$20.50	\$16.82	\$17.20	\$15.83	\$21.93	\$17.10	
Average	3-23	4-20	3-35	2-40	2-40	8-30	5-50	10-35	6-45	5-50	12-25	12-30	6-30	
Range	30	54	44	46	174	7	21	12	44	84	6	7	17	
No. of Observations														
Stocker Steers														
Stocking Rate (Acres/hd)														
Average	-	4.0	4.5	3.0	4.0	-	-	-	-	2.4	-	-	-	
Range	-	1-10	2-10	2-4	1-10	-	-	-	-	1-4	-	-	-	
No. of Observations	-	6	8	4	20	-	-	-	-	5	-	-	-	
Grazing Season (Months)														
Average	-	7.0	5.6	-	6.2	-	-	-	-	8.3	-	-	-	
Range	-	3-12	3-9	-	3-12	-	-	-	-	5-12	-	-	-	
No. of Observations	-	9	8	-	22	-	-	-	-	6	-	-	-	
Cows with Spring Calves														
Stocking Rate (Acres/hd)														
Average	17.6	10.4	7.4	6.1	10.6	-	4.0	3.5	4.6	3.9	-	-	10.0	
Range	8-45	4-30	1-15	2-10	1-45	-	2-10	1-8	2-12	1-12	-	-	4-20	
No. of Observations	15	21	14	13	63	-	8	8	14	33	-	-	6	
Grazing Season (Months)														
Average	9.0	9.6	8.9	8.4	9.0	7.8	9.1	7.0	8.7	8.4	-	-	9.1	
Range	5-12	4-12	6-12	4-12	4-12	5-12	6-12	3-12	3-12	3-12	-	-	5-12	
No. of Observations	19	27	17	22	85	4	11	9	19	43	-	-	9	

- Insufficient observations.

¹ Predominate Old World Bluestem.

² Predominate Fescue.

Table 2. Small Grain Pasture Rental Rates, 2008-09.

	<i>Winter Grazing (November - March)</i>	<i>Both Winter Grazing and Grazeout (November - May)</i>
Acres in Lease		
Average	327	287
Range	25-1,500	10-1,946
Average Years Lease Held		
Average	11	13
Range	1-50	1-45
\$/lb of gain		
Average	\$0.44	\$0.41
Range	\$0.32-0.62	\$0.30-0.55
Number of observations	9	6
\$/cwt/month		
Average	\$2.72	*
Range	\$2.50-3.00	*
Number of observations	9	*
\$/acre/season		
Average	\$31.69	\$28.84
Range	\$10.00-70.00	\$10.00-141.00
Number of observations	17	45

* Insufficient observations.

Table 3. Responsibility of Parties in Pasture Lease Agreements, 2008-09 (percent of responses).*

	<i>Small Grain Winter Grazing</i>				<i>Both Winter Grazing and Grazeout</i>				<i>Other Pasture</i>			
	<i>Pasture Producer</i>	<i>Livestock Owner</i>	<i>Both</i>	<i>No. Obs.</i>	<i>Pasture Producer</i>	<i>Livestock Owner</i>	<i>Both</i>	<i>No. Obs.</i>	<i>Pasture Producer</i>	<i>Livestock Owner</i>	<i>Both</i>	<i>No. Obs.</i>
	<i>(percent)</i>				<i>(percent)</i>				<i>(percent)</i>			
Checking livestock	14	65	22	51	17	60	23	83	11	80	8	290
Salt and minerals	10	78	12	51	17	65	17	81	11	82	7	286
Fencing materials	41	45	14	51	25	52	23	81	28	59	13	283
Fencing labor	41	49	10	51	21	57	22	81	17	72	11	283
Fertilizer cost	47	37	16	51	29	51	20	79	15	76	9	266
Supplemental feeding	22	69	10	51	20	63	16	79	10	83	7	281
Supplemental pasture	21	75	4	48	20	63	17	75	10	82	7	259
Water	47	47	6	51	29	49	22	79	25	65	10	281
Death loss	10	76	14	50	13	68	19	79	9	83	8	277

* Totals may not add to 100 due to rounding.

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	<i>\$/acre</i>									
Oklahoma	8.30	7.80	8.30	8.50	8.50	9.00	9.00	8.50	9.50	10.00
Kansas	13.30	12.80	12.60	12.60	12.60	13.20	13.40	13.70	14.50	15.50
Missouri	18.50	20.00	22.50	23.00	23.50	26.00	27.00	26.00	26.00	29.00
Texas	6.90	6.00	7.20	7.40	7.80	7.80	8.30	8.10	8.30	8.70

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

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