



Current Report

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Oklahoma Pasture 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 290 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 60% of the respondents classified their leasing agreements as good or excellent from the standpoint of fairness with an additional 27% classifying their agreements as adequate.¹ Survey results document some regional differences in rental rates and average sizes of tracts rented.

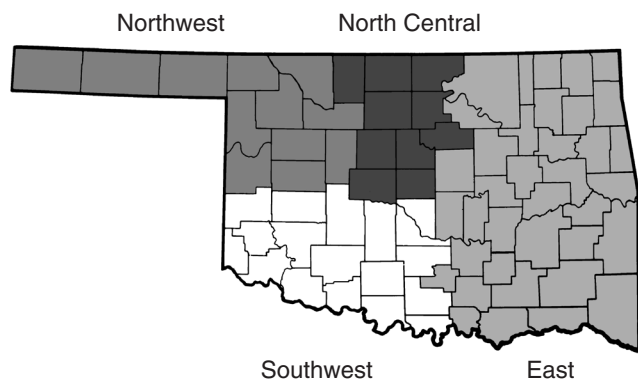


Figure 1. Regions Used in Reporting Farmland Leasing Survey Results.

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

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, etc. — 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 \$11.61 per acre per year with responses ranging from \$3 to \$28.² This average was up slightly from \$11.18 in 2008. Native pasture rental rates were lowest in northwest Oklahoma at \$10.07 per acre and highest in north central Oklahoma at \$13.04 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 \$16.61 per acre, down \$0.59 per acre from the previous survey, with responses ranging from \$5 to \$40. Rates were lowest in southwest Oklahoma and highest in north-central Oklahoma. Figure 3 shows the distribution of per acre rates reported for Bermuda pasture in Oklahoma.

Pasture rental rates for small grain pasture averaged \$0.39 per pound gain and \$2.75 per hundredweight per month for winter grazing (November through March) (Table 2). While the fixed rate per hundred weight was slightly higher than 2008, the flat rate per pound of gain decreased 5 cents. However, with limited 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 was responsible for checking livestock and providing salt and

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

minerals and supplemental feed or pasture for all types of leases. In addition, the livestock owner bears death losses. In small grain winter grazing leases, the pasture producer was typically responsible for fencing material and labor plus fertilizer. When small grain pasture is both winter grazed and grazed out, the livestock owner is more likely to be responsible for fertilizer costs.

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 2001-2010 as reported by the USDA National Agricultural Statistics Service.

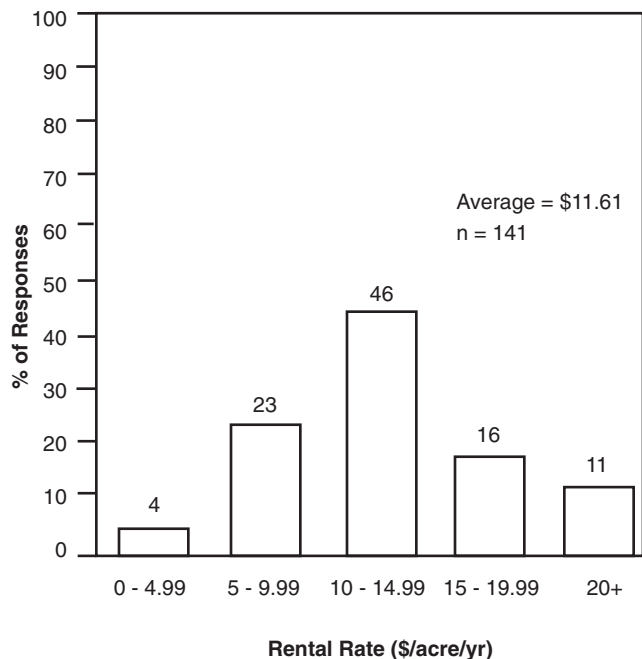


Figure 2. Relative Frequency of Responses for Native Pasture Rental Rates.

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>

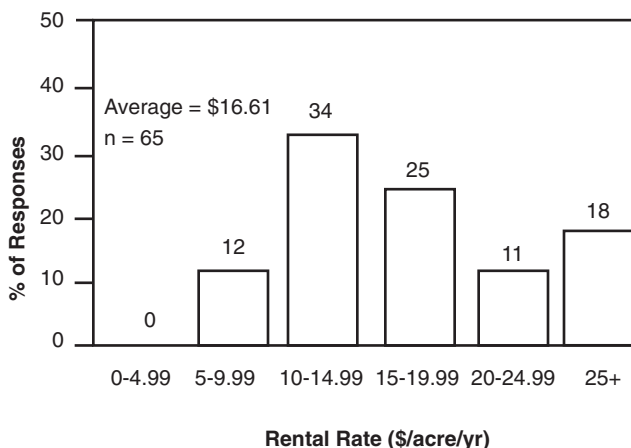


Figure 3. Relative Frequency of Responses for Bermuda Pasture Rental Rates.

Table 1. Cash Rental Rates for Pasture, 2010-11.

	Native Pasture				Bermuda				Other Pasture									
	Northwest		Southwest		North		Central		East		State		Southwest ¹		East ²		State	
	Average	Range	Average	Range	Average	Range	Average	Range	Average	Range	Average	Range	Average	Range	Average	Range	Average	Range
Acres in Lease	909	435	411	748	382	290	421	384	382	676	671	382	382	40-1,159	35-3,800	20-3,800		
Average	42-4,660	20-1,900	50-3,500	20-14,000	29-1,738	20-1,060	30-2,460	20-2,460	29-1,738	30-2,460	20-2,460	40-1,159	35-3,800	20-3,800				
Average Years Lease Held	13	13	8	13	13	13	10	11	13	10	11	12	14	14	14	14	14	14
Average	1-42	1-50	1-40	1-50	1-35	1-25	1-30	1-35	1-35	1-30	1-35	4-25	1-50	1-50	1-50	1-50	1-50	1-50
\$/acre/year	\$10.07	\$11.04	\$13.04	\$11.61	\$13.95	\$19.42	\$16.80	\$16.61	\$13.95	\$16.80	\$16.61	\$12.60	\$25.31	\$16.10	\$25.31	\$16.10	\$16.10	\$16.10
Average	3-22	3-25	5-24	3-28	5-30	10-40	6-40	5-40	5-30	6-40	5-40	9-18	13-45	5-45	13-45	5-45	5-45	5-45
Range	40	34	19	48	15	14	34	65	15	34	65	5	8	20	8	20	20	20
No. of Observations																		
Stocker Steers																		
Stocking Rate (Acres/hd)																		
Average	4.2	4.3	4.4	4.3	1.3	4.3	-	2.5	1.3	-	2.5	-	-	2.3	-	2.3	2.3	2.3
Range	2-7	3-5	2-8	2-8	1-2	3-6	-	1-6	1-2	-	1-6	-	-	2-3	-	2-3	2-3	2-3
No. of Observations	5	4	5	16	4	3	-	8	4	-	8	-	-	3	-	3	3	3
Grazing Season (Months)																		
Average	6.3	6.2	5.3	6.4	5.1	6.3	-	5.7	5.1	-	5.7	-	-	6.0	-	6.0	6.0	6.0
Range	4-12	4-8	4-8	4-12	3-9	3-10	-	3-10	3-9	-	3-10	-	-	5-8	-	5-8	5-8	5-8
No. of Observations	6	5	8	22	4	3	-	8	4	-	8	-	-	3	-	3	3	3
Cows with Spring Calves																		
Stocking Rate (Acres/hd)																		
Average	11.6	9.2	4.8	9.4	6.8	3.6	6.8	6.0	6.8	6.8	6.0	-	-	5.3	-	5.3	5.3	5.3
Range	3-23	2-15	2-8	2-23	1-12	3-5	3-12	1-12	1-12	3-12	1-12	-	-	3-8	-	3-8	3-8	3-8
No. of Observations	18	13	5	51	8	5	9	22	8	9	22	-	-	3	-	3	3	3
Grazing Season (Months)																		
Average	8.8	9.9	7.9	9.2	8.8	8.5	9.5	9.1	8.8	9.5	9.1	-	10.3	8.0	-	10.3	8.0	8.0
Range	4-12	5-12	5-12	4-12	6-12	5-12	3-12	3-12	6-12	3-12	3-12	-	9-12	6-12	-	9-12	6-12	6-12
No. of Observations	24	17	7	70	8	6	15	29	8	15	29	-	3	7	-	3	7	7

- Insufficient observations.
¹ Predominantly Old World Bluestem.
² Predominantly Fescue.

Table 2. Small Grain Pasture Rental Rates, 2010-11.

	<i>Winter Grazing (November - March)</i>	<i>Both Winter Grazing and Grazeout (November - May)</i>
Acres in Lease		
Average	424	325
Range	20-2,500	10-2,700
Average Years Lease Held		
Average	12	13
Range	1-50	1-50
\$/lb of gain		
Average	\$0.39	\$0.48
Range	\$0.35-0.50	\$0.40-0.65
Number of observations	9	6
\$/cwt/month		
Average	\$2.75	*
Range	\$2.50-3.00	*
Number of observations	4	*
\$/acre/season		
Average	\$25.28	\$31.64
Range	\$10.00-38.44	\$8.00-120.00
Number of observations	14	34

* Insufficient observations.

Table 3. Responsibility of Parties in Pasture Lease Agreements, 2010-11 (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	19	71	10	42	21	67	12	52	9	84	7	237
Salt and minerals	21	71	7	42	21	71	8	52	9	85	6	236
Fencing materials	49	39	12	41	46	40	14	50	32	53	15	235
Fencing labor	39	54	7	41	31	52	17	52	19	69	12	236
Fertilizer cost	50	33	17	42	31	59	10	51	13	78	9	222
Supplemental feeding	24	71	5	42	19	71	10	52	8	86	6	236
Supplemental pasture	30	65	5	37	27	67	6	49	9	85	5	222
Water	44	44	12	41	40	50	10	50	29	61	9	232
Death loss	10	79	10	39	8	79	13	52	8	85	7	237

* Totals may not add to 100 due to rounding.

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

	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$/acre</i>									
Oklahoma	8.30	8.50	8.50	9.00	9.00	8.50	9.50	10.50	10.50	11.00
Kansas	12.60	12.60	12.60	13.20	13.40	13.70	14.50	15.50	15.50	15.50
Missouri	22.50	23.00	23.50	26.00	27.00	26.00	26.00	26.00	25.00	24.00
Texas	7.20	7.40	7.80	7.20	6.20	6.10	6.20	6.50	6.20	6.10

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

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