



Current Report

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Oklahoma Pasture 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 630 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 68% of the respondents classified their leasing agreements as good or excellent from the standpoint of fairness with an additional 21% 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, 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 \$12.33 per acre per year with responses ranging from \$3 to \$37.² This average was up slightly from \$11.61 in 2010. Native pasture rental rates were lowest in northwest Oklahoma at \$8.76 per acre and highest in north central Oklahoma at \$14.20 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 \$18.64 per acre, up \$2.03 per acre from the previous survey, with responses ranging from \$6 to \$52. Rates were lowest in southwest 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 \$0.63 per pound gain and was \$0.24 higher than 2010. The average hundredweight per month rate was \$3.38, up from \$2.75 reported in 2010. Unfortunately, there were limited observations due to drought conditions during 2012.

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 most of the terms of the pasture lease, although there are opportunities for sharing by both parties.

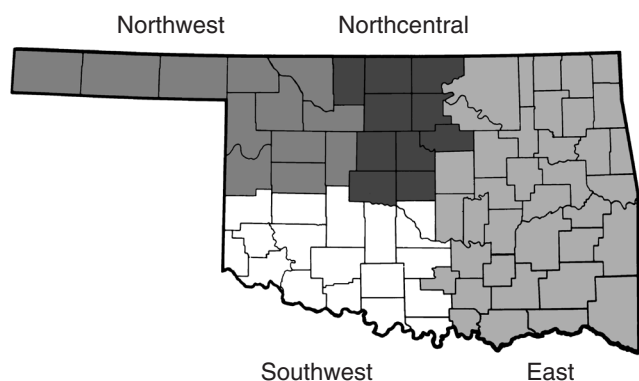


Figure 1. Regions Used in Reporting Farmland Leasing Survey Results.

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

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

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 2003-2012 as reported by the USDA National Agricultural Statistics Service (NASS).

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.

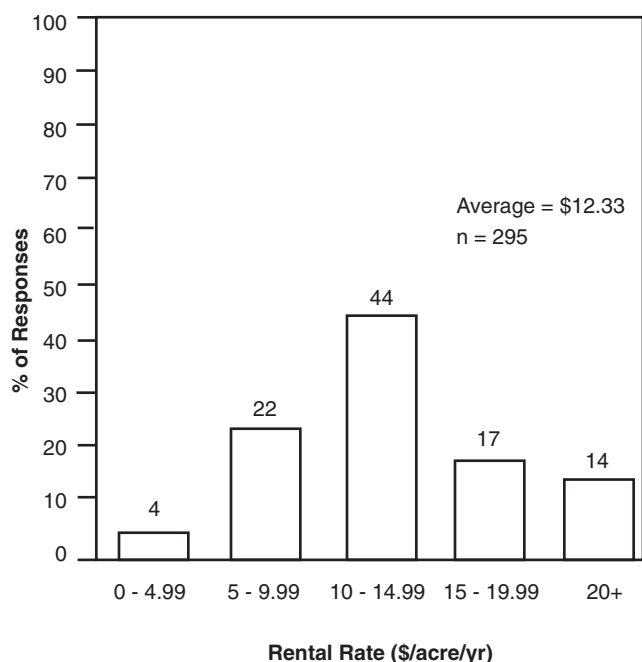


Figure 2. Relative Frequency of Responses for Native Pasture Rental Rates.

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 and

Other Resources:

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, livestock and hunting lease publications 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/>.

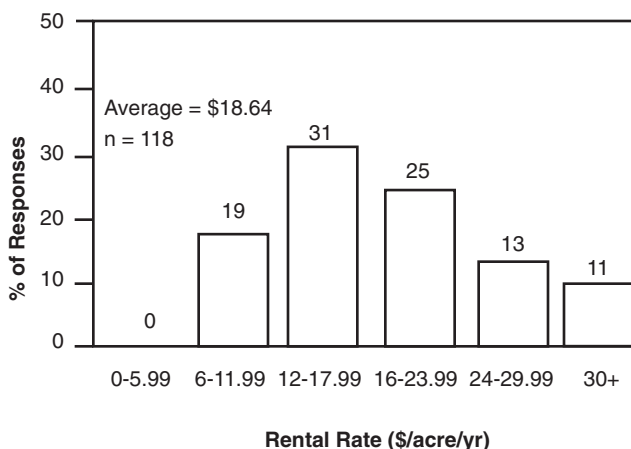


Figure 3. Relative Frequency of Responses for Bermuda Pasture Rental Rates.

Table 1. Cash Rental Rates for Pasture, 2012-13.

	Native Pasture				Bermuda				Other Pasture					
	Northwest		Southwest		North		Central		East		Southwest ¹		East ²	
	Average	Range	Average	Range	Average	Range	Average	Range	Average	Range	Average	Range	Average	Range
Acres in Lease	825	569	343	686	643	365	214	377	367	568	348	734	610	
Average	7-4,000	15-4,500	24-2,000	8-21,240	7-21,240	28-1,700	20-400	8-3,200	8-3,200	160-1,188	20-1,400	10-5,400	10-5,400	
Average Years Lease Held	14	14	14	13	13	10	9	10	10	12	13	13	13	
Average	1-80	1-100	1-50	1-61	1-100	1-33	1-30	1-50	1-50	1-25	1-50	1-36	1-50	
\$/acre/year	8.76	\$12.83	\$14.20	\$13.03	\$12.33	\$17.91	\$20.25	\$18.56	\$18.64	\$11.67	\$19.15	\$22.41	\$19.41	
Average	4-15	4-30	8-37	3-33	3-37	6-35	10-40	6-52	6-52	6-16	8-50	5-60	5-60	
Range	57	62	42	134	295	26	9	81	118	7	10	22	40	
No. of Observations														
Stocker Steers														
Stocking Rate (Acres/hd)	6.7	4.7	4.7	3.8	4.7	-	-	2.0	2.8	-	-	-	5.1	
Average	2-15	3-8	3-6	2-6	2-15	-	-	1-4	1-5	-	-	-	2-10	
Range	5	5	3	10	32	-	-	3	6	-	-	-	3	
No. of Observations														
Grazing Season (Months)	4.9	5.3	-	6.6	5.7	-	-	4.8	6.3	-	-	-	8.0	
Average	4-6	4-7	-	4-12	4-12	-	-	3-6	3-12	-	-	-	6-10	
Range	7	7	-	10	27	-	-	4	7	-	-	-	4	
No. of Observations														
Cows with Spring Calves														
Stocking Rate (Acres/hd)	11.8	10.3	7.4	8.1	9.4	7.2	-	6.0	6.3	-	5.9	3.7	5.1	
Average	2-21	3-26	2-15	2-40	2-40	2-18	-	1-12	1-18	-	2-12	2-5	2-12	
Range	21	25	12	38	96	6	-	28	37	-	4	6	11	
No. of Observations														
Grazing Season (Months)	8.1	9.5	8.7	8.9	8.8	10.0	-	8.6	8.9	-	6.8	8.3	8.1	
Average	3-12	5-12	3-12	3-12	3-12	6-12	-	6-12	5-12	-	4-12	3-12	3-12	
Range	33	34	23	68	158	9	-	48	61	-	4	10	17	
No. of Observations														

- Insufficient observations.

¹ Predominantly Old World Bluestem.

² Predominantly Fescue.

Table 2. Small Grain Pasture Rental Rates, 2012-13.

	<i>Winter Grazing (November - March)</i>	<i>Both Winter Grazing and Grazeout (November - May)</i>
Acres in Lease		
Average	364	304
Range	10-2,000	5-2,000
Average Years Lease Held		
Average	14	10
Range	1-80	1-41
\$/lb of gain		
Average	\$0.63	\$0.64
Range	\$0.30-0.95	\$0.40-0.85
Number of observations	12	9
\$/cwt/month		
Average	\$3.38	*
Range	\$3.00-4.00	*
Number of observations	4	*
\$/acre/season		
Average	\$34.42	\$30.10
Range	\$20.00-68.00	\$20.00-110.00
Number of observations	6	33

* Insufficient observations.

Table 3. Responsibility of Parties in Pasture Lease Agreements, 2012-13 (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	66	15	47	15	71	14	86	10	81	9	522
Salt and minerals	17	74	9	47	14	73	13	86	10	83	7	518
Fencing materials	34	62	4	47	32	49	18	87	20	64	15	515
Fencing labor	34	57	9	47	24	56	20	87	13	74	13	512
Fertilizer cost	43	50	7	46	19	63	19	86	13	77	10	483
Supplemental feeding	20	76	4	46	11	75	14	84	10	83	7	511
Supplemental pasture	23	75	3	40	12	76	12	84	12	82	7	477
Water	38	60	2	47	20	64	16	86	24	67	9	514
Death loss	9	83	9	46	6	76	18	83	9	83	8	505

* Totals may not add to 100 due to rounding.

Table 4. Average Gross Cash Rent (Dollars per Acre) for Pasture Dryland, Selected States, 2003-2012.

	<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>2011</i>	<i>2012</i>
	<i>\$/acre</i>									
Oklahoma	8.50	9.00	9.00	8.50	9.50	10.50	10.50	11.00	11.50	11.50
Kansas	12.60	13.20	13.40	13.70	14.50	15.50	15.50	15.50	16.00	16.50
Missouri	23.50	26.00	27.00	26.00	26.00	26.00	25.00	24.00	25.50	28.00
Texas	7.80	7.20	6.20	6.10	6.20	6.50	6.20	6.10	7.50	6.50

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

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