



Current Report

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Oklahoma Pasture Rental Rates: 2016-17

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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 2016 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 330 surveys were returned with useable data. Figure 1 shows regions of the state used in reporting survey results: northwest, southwest, northcentral and east.

On average, rental agreements for native pasture had been in effect for 13 years, 11 years for Bermudagrass and 10 years for other pasture (Table 1). The statewide average lease size was 467 acres for native pasture, 226 acres for Bermudagrass and 204 for other pasture. Median values are provided as an additional measure of the central tendency of the survey response distribution. The median is the value at the midpoint of the survey responses. Survey results document some regional differences in rental rates and average sizes of tracts rented. Figures 1a and 1b show the distribution of statewide responses regarding acres and the years held for native and Bermudagrass pasture leases, respectively.

Most tenants and landlords in Oklahoma appear to be satisfied with their lease agreements. About 65 percent of the respondents classified their leasing agreements as good or

excellent from the standpoint of fairness with an additional 22 percent classifying their agreements as adequate. These levels of satisfaction have remained steady during the past several years.

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, Bermudagrass and other pasture are listed in Table 2. With regards to native pasture, the state average rental rate of \$13.95 per acre increased less than \$1 per acre compared to the 2014 rate of \$13.39.¹ Native pasture rental rates were lowest in northwest Oklahoma at \$10.94 per acre and highest in eastern Oklahoma at \$16.73 per acre. Figure 2a shows the distribution of per acre rates reported for native pasture in Oklahoma.

The state average rental rate for Bermudagrass pasture was \$22.79 per acre, up \$1.74 per acre from the previous survey. Figure 2b shows the distribution of per acre rates reported for Bermudagrass pasture in Oklahoma.

Pasture rental rates for stockers on small grain winter grazing averaged \$0.38 per pound of gain and \$0.45 for leases including grazeout, down sharply from 2014 levels (Table 3). 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 4 summarizes the distribution of survey responses by type of pasture: small grain winter grazing, small grain grazeout and other pasture (includes native, Bermudagrass 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. In

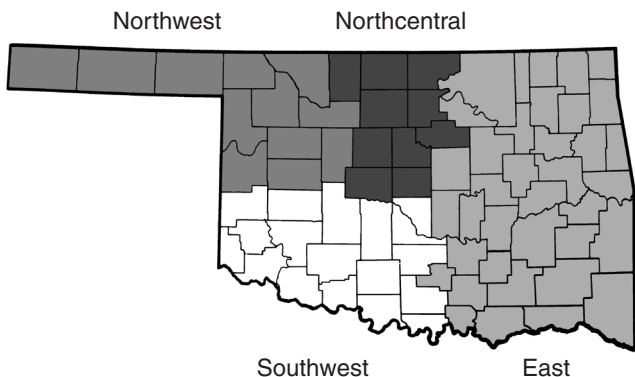


Figure 1. Regions Used in Reporting Farmland Leasing Survey Results.

¹ Averages reported are the simple average of rates reported by respondents. They are not weighted by acres in the lease agreement.

the winter grazing leases, less responsibilities were reported to be shared compared to the 2014 survey, with some responsibilities like fertilizer costs shifted to the pasture producer.

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, Missouri, and Texas for 2007-2016 as reported by the USDA National Agricultural Statistics Service (NASS). County level pasture rental rate data is available at: http://www.nass.usda.gov/Statistics_by_State/Oklahoma/Publications/County_Estimates/index.asp. The next bi-annual USDA Cash Rent Survey will be available with the 2018 release in September 2018.

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 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.

The AgLease101.org website hosts several North Central Farm Management Extension Committee (NCFMEC) publications on leasing including these titles:

- Crop Share Rental Arrangements For Your Farm, NCFMEC-2
- Fixed and Flexible Cash Rental Arrangements For Your Farm, NCFMEC-1
- Pasture Rental Arrangements, NCFMEC-3

In addition to publications, worksheets and free downloadable sample lease forms are available on the site.

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/>.

Table 1. Rental Statistics for Pasture, 2016-2017.

	Native Pasture				Bermuda				Other Pasture									
	Northwest		Southwest		North Central		East		State		Northwest ²		Southwest ²		East ³		State	
Acres in Lease																		
Number of Observations	38	42	27	63	170	31	15	57	105	4	6	19	32					
Average	368	610	409	457	467	257	113	238	226	325	154	211	204					
Median ¹	230	235	200	160	166	-	-	160	-	370	132	-	157					
Average Years Lease Held																		
Number of Observations	36	38	26	60	160	30	15	54	101	4	6	16	29					
Average	13	16	13	12	13	11	9	11	11	15	11	10	10					
Median ¹	9	11	10	10	10	10	-	8	-	15	13	6	8					

- Insufficient observations.
 1 Median values that represent single observations are omitted.
 2 Predominantly Old World Bluestem.
 3 Predominantly Fescue.

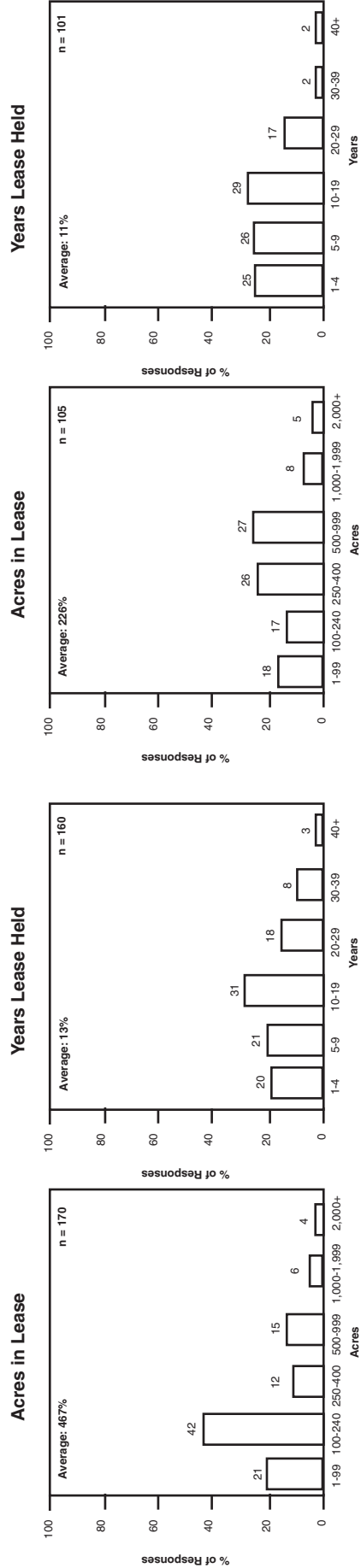


Figure 1a. Relative Frequency for Rental Statistics for Native Pasture, 2016-2017.

Figure 1b.. Relative Frequency for Rental Statistics for Bermudagrass, 2016-2017.

Table 2. Cash Rental Rates for Pastures, 2016-2017.

\$/acre/year	Native Pasture				Bermuda				Other Pasture																																							
	Northwest		Southwest		North Central		Southwest		North Central		East		Southwest ²		East ³		State																															
	Number of Observations	Average	Median ¹	State	Number of Observations	Average	Median ¹	State	Number of Observations	Average	Median ¹	State	Number of Observations	Average	Median ¹	State	Number of Observations	Average	Median ¹	State																												
	31	\$10.94	\$10.00		39	\$12.78	\$12.00		21	\$13.95	\$13.00		50	\$16.73	\$14.50		25	\$20.27	-		14	\$24.55	\$17.50		39	\$23.96	\$20.00		79	\$22.79	-		4	\$17.83	\$10.66		5	\$17.40	-		13	\$25.55	\$20.00		26	\$22.09	\$20.00	

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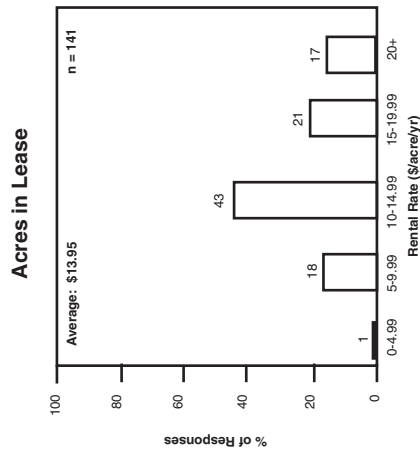


Figure 2a. Relative Frequency of Responses for Native Pasture Rental Rates.

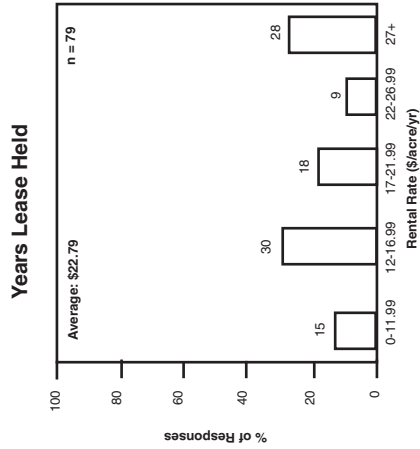


Figure 2b. Relative Frequency of Responses for Bermuda Pasture Rental Rates.

Table 3. Small Grain Pasture Rental Rates, 2016-17.

	<i>Winter Grazing (November - March)</i>	<i>Both Winter Grazing and Grazeout (November - May)</i>
Acres in Lease		
Number of observations	25	41
Average	446	419
Median ¹	-	160
Average Years Lease Held		
Number of observations	23	39
Average	11	11
Median ¹	-	-
\$/lb of gain		
Number of observations	6	11
Average	\$0.38	\$0.45
Median ¹	\$0.35	\$0.45

¹ Median values that represent single observations are omitted.

Table 4. Responsibility of Parties in Pasture Lease Agreements, 2016-17 (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	12	76	12	25	22	66	12	41	10	82	8	289
Salt and minerals	4	88	8	25	27	71	2	41	8	85	7	286
Fencing materials	43	43	13	23	37	56	7	41	23	61	16	286
Fencing labor	42	50	8	24	34	59	7	41	17	71	12	287
Fertilizer cost	57	35	9	23	44	49	7	41	16	73	11	266
Supplemental feeding	12	80	8	25	32	63	5	41	8	85	6	283
Supplemental pasture	9	82	9	22	38	59	3	39	9	85	6	269
Water	55	36	9	22	46	46	7	41	28	62	10	285
Death loss	0	92	8	25	8	80	13	40	8	86	6	284

* Totals may not add to 100 due to rounding.

Table 5. Average Gross Cash Rent (Dollars per Acre) for Pasture Dryland, Selected States, 2007-2016.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	<i>\$/acre</i>									
Oklahoma	9.50	10.50	10.50	11.00	11.50	11.50	12.00	12.00	12.00	13.50
Kansas	14.50	15.50	15.50	15.50	16.00	16.50	17.50	17.50	20.00	19.00
Missouri	26.00	26.00	25.00	24.00	25.50	28.00	29.00	29.00	34.00	32.00
Texas	6.20	6.50	6.20	6.10	7.50	6.50	6.50	6.50	7.50	6.80

Source: Agricultural Statistics Service, Oklahoma Agricultural Statistics 2016, USDA/NASS, Oklahoma Department of Agriculture, <http://www.nass.usda.gov/ok/>.

The Oklahoma Cooperative Extension Service

Bringing the University to You!

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.

Some characteristics of the Cooperative Extension system are:

- The federal, state, and local governments cooperatively share in its financial support and program direction.
 - 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.
 - Local programs are developed and carried out in full recognition of national problems and goals.
 - The Extension staff educates people through personal contacts, meetings, demonstrations, and the mass media.
 - Extension has the built-in flexibility to adjust its programs and subject matter to meet new needs. Activities shift from year to year as citizen groups and Extension workers close to the problems advise changes.

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Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Director of Oklahoma Cooperative Extension Service, Oklahoma State University, Stillwater, Oklahoma. This publication is printed and issued by Oklahoma State University as authorized by the Vice President for Agricultural Programs and has been prepared and distributed at a cost of 20 cents per copy. Revised 0217 GH.