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OKLAHOMA PASTURE AND CROPLAND RENTAL RATES: 1989

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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 general economy. Results of a statewide farmland leasing survey conducted October - November, 1989 are reported in this Current Report. Respondents were OSU Cooperators, individuals contacted through the OSU Cooperative Extension Service who agreed to complete periodic surveys. Approximately 820 surveys were sent out. One follow up postcard was sent to individuals who did not respond within one month. Approximately 420 surveys were returned with useable data.

Farm lease agreements in Oklahoma appear to be very stable. Crop cash share lease agreements had been in effect for 8 to 14 years on average in different regions of the state; pasture lease agreements had a slightly lower average life of 6 to 10 years in different regions. More than 80 percent of the tenants were reasonably certain or very certain of their opportunity for continuing to lease their most important tract for the next five years. In many cases where some uncertainty was expressed, the age of the landlord was listed as the reason.

Most tenants and landlords in Oklahoma appear to be satisfied with their lease agreements. Nearly 90 percent of the respondents classified their leasing agreements as adequate, good or excellent from the standpoint of fairness. Over half of the landlords indicated that securing acceptable tenants is generally easy or very easy.

Nearly two-thirds of the landlords reported first finding lessors through a neighbor or relative. Tenants reported that they typically first learned that leased land was available to rent from the landlord, with relatives and neighbors also playing a significant role in providing information.

Over the past five years, there has been:

1. a slight increase in the percentage of agreements which are written as opposed to verbal agreements.
2. a small increase in the percentage of multi-year leases.
3. a slight increase in the use of cash leases relative to share leases.

Cropland Rental Rates

Cash leases and crop share leases are the most common rental arrangements for cropland in Oklahoma[1]. Cash leases may require a fixed payment, either cash or a specified yield (for instance, 10 bushels of wheat). Flexible leases may vary this payment depending on the actual yield, for instance, increase rent due by $2 for every 5 bushel increase in yield over the county average or established ASCS yield. In a crop share lease, certain costs are often shared in the same proportion that production is shared.

Survey results document some regional differences in rental rates and average sizes of tracts rented. Figure 1 shows regions of the state used in reporting survey results. Cash rental rates (Table 1) were highest in the north central region of the state, averaging $33 per acre compared to $22-23 in other regions of the state. Cash rental rates in 1989 were not significantly different from 1988 rates. And, cash rental rates did not differ among major cash crops (wheat, alfalfa, grain sorghum, soybeans, cotton). Irrigated cropland rented on average for $10 more per acre than dryland. Cropland rental rate averages were similar whether or not the tenant and landlord were relatives. In some cases, high rental rates reflect participation in the federal government's Conservation Reserve Program (CRP).

In crop share leases statewide, the tenant typically receives 2/3 of dryland grain and government payments while paying 2/3 of fertilizer expense with the landlord receiving/paying the remaining 1/3 share (Table 2). The

[1] Advantages and disadvantages of different types of lease agreements are listed in OSU Facts 214 and 215.

Figure 1.

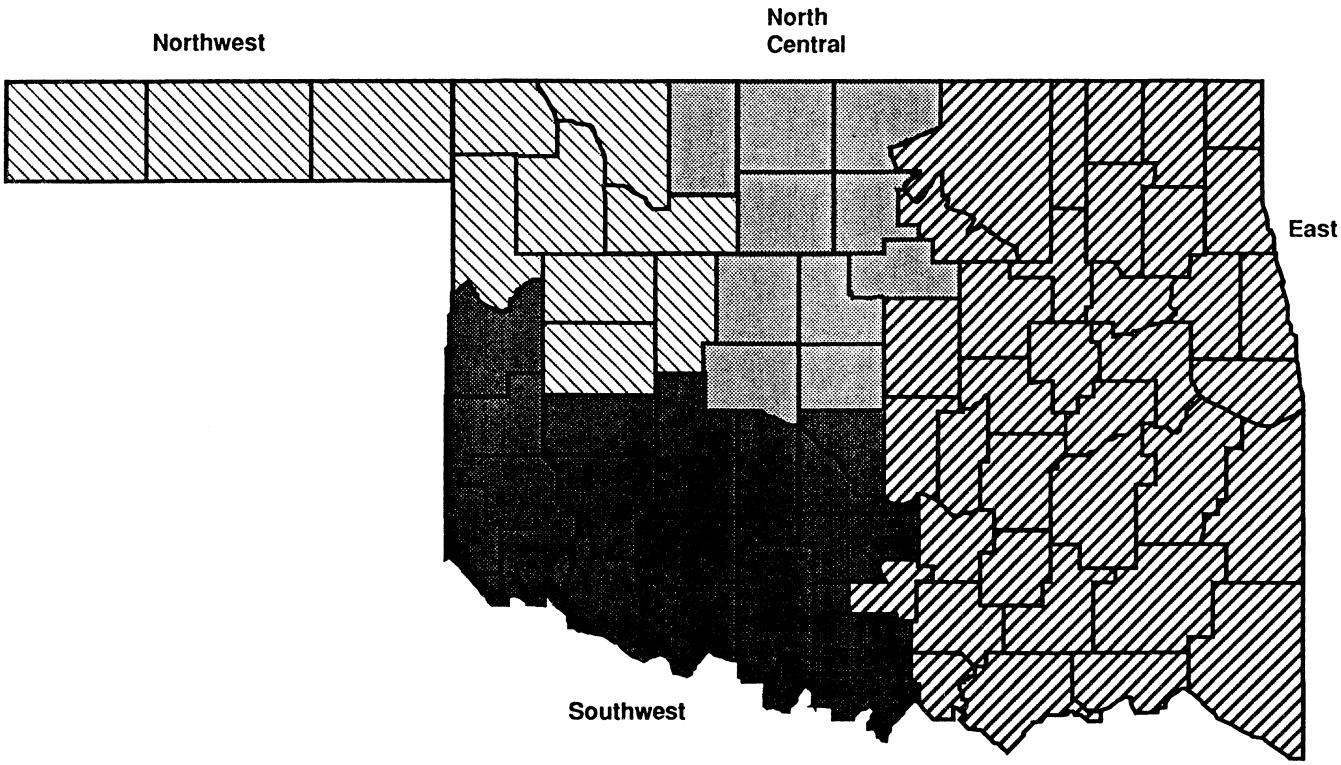

Table 1. 1989 Cropland (Non-irrigated) Cash Rental Rates by Region

	Northwest	Southwest	North Central	East	State
Acres					
Average lease size	371	253	255	287	288
Range					10-1,049
Years					
Average length of lease	12	12	13	8	10
Range					1-44
Cash Rent					
Average per acre	$22	$23	$33	$22	$26
Range	$10-45	$10-45	$10-50	$10-50	$10-50

tenant on average pays a slightly larger share (more than 2/3) of herbicide, insecticide, and chemical application expenses and on average, nearly all seed, harvesting (combining, hauling, ginning, cutting, raking, baling) and irrigation expenses. The narrower ranges on shares in Eastern Oklahoma indicate less variability in leasing arrangements.

Pasture Rental Rates

Common methods of renting pasture include:

1. a rate per acre,
2. a fixed rate per animal per month, per year or per season,
3. a fixed rate per hundredweight,
4. a flat rate per pound of gain, or
5. a share of gain or profit.

Pasture rental rates are influenced by the landowner's cost, the livestock owner's expected earnings and previous rates charged. The kind and quality of pasture, fences, location and water also influence the rate. Negotiations determine the type of agreement and the relative weight given to different factors.

Pasture rental rates for small grain pasture averaged $17 per acre or $2 per hundredweight per month (Table 3). Stocking rates averaged 3 acres per head (or 1/3 head per acre) with a grazing period of 5 months. Small

Table 2. 1989 Crop Share Lease Provisions (Tenant's Share)

	Northwest	Southwest	North Central	East	State
Acres					
Average	435	244	308	289	314
Range					8-2,694
Years					
Average	14	11	8	10	11
Range					1-66
	---------- Tenant's Share (Percentage) ----------				
Grain					
Average	65	66	63	69	67
Range	33-75	33-100	50-67	67-85	33-100
Government Payment					
Average	66	67	62	69	66
Range	33-100	33-100	50-67	67-75	33-100
Seed					
Average	99	99	94	97	97
Range	67-100	50-100	50-100	67-100	50-100
Fertilizer					
Average	69	73	70	73	71
Range	33-100	33-100	50-100	50-100	33-100
Herbicide					
Average	77	84	72	77	78
Range	33-100	50-100	50-100	67-100	33-100
Insecticide					
Average	78	78	71	82	77
Range	60-100	50-100	50-100	67-100	50-100
Chemical Application					
Average	86	82	79	84	82
Range	33-100	50-100	50-100	67-100	33-100
Harvesting					
Average	97	98	95	94	96
Range	33-100	50-100	50-100	67-100	33-100
Hay Seed					
Average	95	95	75	100	91
Range	50-100	50-100	50-100	100	50-100
Hay Fertilizer					
Average	82	76	71	81	77
Range	33-100	33-100	50-100	33-100	33-100
Cutting, Raking, Baling					
Average	91	98	88	98	94
Range	33-100	50-100	50-100	75-100	33-100
Hay Hauling					
Average	90	95	82	93	91
Range	33-100	67-100	50-100	50-100	33-100

Table 3. 1989 Small Grain Pasture Rental Rates

	Northwest	Southwest	North Central	East	State
Acres					
Average	297	295	244	237	275
Range	40-1,356	50-1,000	30-800	40-606	30-1,356
Years					
Average	9	11	7	6	9
Range	1-43	1-34	1-20	1-18	1-43
$/Acre					
Average	$17	$18	$21	$14	$17
Range	$2-30	$5-45	$5-45	$7-25	$2-45
$/cwt/month					
Average					$2
Range	*	*	*	*	$0.25-3.00
Stocking Rate					
Acres/head	3	5	2	2	3
Months	4	5	5	5	5

*Too few observations to report a meaningful figure.

grain pasture rental rates were highest in north central Oklahoma and lowest in eastern Oklahoma.

Rental rates for other pasture (including bermuda, native, dryland, etc.) are listed in Table 4. Pasture rental rates were highest in the north central region of the state at $12 per acre and lowest in northwest Oklahoma at $6 per acre. Average stocking rates were 1 head per 4 acres (or 1/4 head per acre) in north central Oklahoma and 1 head per 10 acres or (1/10 head per acre) in northwest Oklahoma.

Bermuda pasture cash rental rates averaged $11.50 per acre for the state with no significant differences between east and west regions. Statewide, native pasture cash rental rates averaged $8.70 per acre per year (roughly $3 per acre less than bermuda pasture) or $1.90 per acre per month.

Other Lease Terms

Many lease agreements specify terms and conditions beyond the rental rate--which resources can be used and how they can be used--which affect the value of the lease and the "real" rental rate. A sample of the provisions reported on the 1989 Oklahoma survey follow. Tenants may or may not be allowed to hunt, harvest pecans, graze cattle, cut timber, use buildings or

Table 4. 1989 Cash Rental Rates by Region for Other Pasture

	Northwest	Southwest	North Central	East	State
Acres					
Average	1,280	313	249	529	578
Range	20-12,880	20-1,450	20-2,649	3-5,566	3-12,880
Years					
Average	9	10	10	6	8
Range	1-22	1-34	2-35	1-35	1-35
Cash Rent					
Average	$6	$9	$12	$10	$9
Range	$3-12	$1-21.50	$6.5-50	$1-44	$1-50
Stocking Rate					
Acres/head	10	7	4	6	6
Months	9	9	8	11	10

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 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 oilfield 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

UDSA data on cash rental rates for Oklahoma, Kansas, Arkansas and Texas for 1985-1989 in Tables 5 and 6 provide useful figures for comparison with survey data. The state average for cash rents on dry cropland and pasture reported by USDA are approximately equal to those estimated from survey results. Statewide average cash rent for Oklahoma nonirrigated cropland declined from $28.50 in 1985 to $23.00 in 1987. Since then the statewide average has inched back up to $25.80 per acre in 1989. Average cash rent per acre for pasture in Oklahoma was $12.90 in 1986 and has since fallen to $9.50 per acre.

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 cause modifications in what appears in a farm lease. Large farm management firms are adding language saying that the operator will follow label restrictions in the use of pesticides, will remain in compliance with the farm's conservation plan, will dispose 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 should stay aware of changing environmental laws and regulations to avoid potentially costly liabilities.

Related Publications:

Developing Cash Lease Agreements for Farmland, OSU Facts No. 214

Developing Share Lease Agreements for Farmland, OSU Facts No. 215

Table 5. Cropland rented for cash: Average gross cash rent per acre, selected States, 1985-90

	1985	1986	1987	1988	1989	1990
Arkansas	51.00	48.20	44.40	50.40	52.00	49.80
Kansas						
(Nonirrigated)	32.40	30.30	28.60	30.60	30.20	33.10
(Irrigated)	61.50	58.40	59.70	54.10	62.50	61.50
Oklahoma						
(Nonirrigated)	28.50	26.50	23.00	24.30	25.80	27.20
(Irrigated)	39.60	*	37.20	33.70	36.10	42.50
Texas						
(Nonirrigated)	21.30	20.20	19.90	20.50	22.60	20.10
(Irrigated)	43.60	39.60	40.60	41.10	49.50	43.10

* Insufficient information

Source: USDA/ERS, AR-14, June 1989 and Situation and Outlook Summary, April 1990.

Table 6. Pasture rented for cash: Average gross cash rent per acre, selected States, 1985-90

	1985	1986	1987	1988	1989	1990
Arkansas	*	17.60	14.10	16.00	19.90	16.90
Kansas	13.10	13.20	10.80	11.80	10.80	11.50
Oklahoma	12.00	12.90	10.20	10.40	9.50	9.70
Texas	8.30	7.80	7.70	7.80	7.30	9.20

* Insufficient information

Source: USDA/ERS, AR-14, June 1989 and Situation and Outlook Summary, April 1990.