



# Current Report

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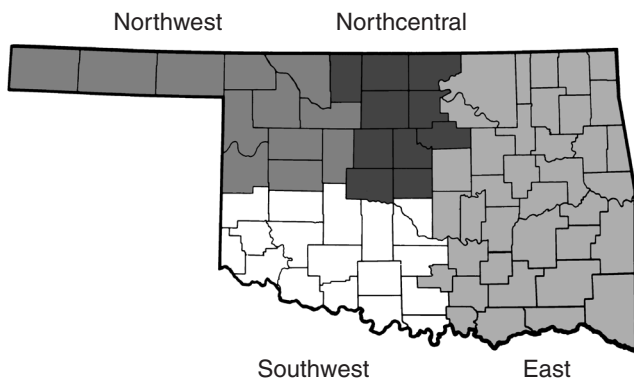
## Oklahoma Cropland Rental Rates: 2014-15

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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 2014 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 370 surveys were returned with usable data. Figure 1 shows the regions of the state used in reporting survey results: northwest, southwest, north central and east.

On average, crop cash lease agreements had been in effect for 14 years (Table 1). Average lease sizes ranged from 229 acres in eastern Oklahoma to 621 acres in southwestern Oklahoma. Most tenants and landlords in Oklahoma appear to be satisfied with their lease agreements. Sixty percent of respondents with cash lease agreements and 63% of respondents with crop share agreements classified their leasing agreements as either good or excellent from a standpoint of fairness. Twenty-seven percent of respondents with cash lease agreements and 26% of respondents with crop share agreements classified their leasing agreements as adequate from the standpoint of fairness.



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

### Cropland Cash Rental Rates

Cash leases require a fixed payment, typically cash (or infrequently, a specified yield such as 10 bushels of wheat). Survey results document some regional differences in rental rates and average sizes of tracts rented. Cash rental rates for dryland wheat were highest in the north-central region of the state, averaging \$40.24 per acre, compared to \$31.87 to \$38.12 in other regions of the state (Table 2).<sup>1</sup> The range in reported rental rates was from \$15 to \$70 per acre. The state average of \$35.54 increased more than \$2 per acre compared to the 2012 average of \$32.80.

Figure 2 shows the distribution of responses (187) for dryland wheat cash rental rates. Five percent of the respondents reported a rental rate between \$10 and \$19 per acre, 20% reported a rental rate between \$20 and \$29 per acre, 35% reported a rental rate between \$30 and \$39 per acre, 25% reported a rental rate between \$40 and \$49 per acre, 12% reported a rental rate between \$50 and \$59 per acre, and 3% of the respondents reported a rental rate of \$60 or more per acre

Dryland grain sorghum average rental rates were higher than wheat at \$38.12 per acre while dryland alfalfa averaged significantly higher than wheat at \$54.85 per acre. (Note that since there were only 16 and 12 responses on dryland grain sorghum and alfalfa rates respectively, the averages and distributions are less reliable than they would be with more observations.)

### Cropland Share Rental Rates

In a crop share lease, certain costs are often shared in the same proportion that production is shared. In crop share leases statewide, the tenant on average receives around 2/3 of dryland wheat, alfalfa, or grain sorghum, while paying that or more of the fertilizer, herbicide, insecticide, and chemical application expenses (Table 3). On average, the tenant pays nearly all seed and harvesting (combining, hauling, cutting, raking, baling) expenses. Because lime has multi-year benefits, landowners may share in the cost of pay-all costs of lime application if a multi-year lease agreement is not in place.

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

Figure 3a shows the distribution of survey responses regarding the tenant's share of production. Figure 3b shows the distribution of responses for the tenant's share of crop inputs and expenses. These graphs indicate that the tenant typically pays either 2/3 or all of the fertilizer, herbicide, insecticide, chemical application, irrigation and lime costs. Chemical applications in particular are frequently paid entirely by the tenant. Compared to 2012-13 results, fewer tenants paid 100% of various expense items. The graphs also show that the tenant typically pays all seed, harvesting and hauling costs. Figure 3c shows the distribution of responses for hay inputs and expenses. The results for hay are similar to crops in that the tenant typically pays all seed, harvesting (cutting, raking and baling), and hauling 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. For instance, tenants may or may not be allowed to hunt, harvest pecans, graze cattle, cut timber, use buildings, improvements, and lease out hunting privileges. Lime application costs or similar costs for improvements in which the benefits are shared 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 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 cropland rental rates for Oklahoma, Kansas, Arkansas, and Texas for 2005-2014 as reported by the USDA National Agricultural Statistics Service (NASS). County level cropland rental rate data is available at: [http://www.nass.usda.gov/Statistics\\_by\\_State/Oklahoma/Publications/County\\_Estimates/index.asp](http://www.nass.usda.gov/Statistics_by_State/Oklahoma/Publications/County_Estimates/index.asp)

The USDA Cash Rent Survey will be resumed bi-annually beginning with a 2015 release in August 2016.

### 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 instigate changes in future farm lease agreements. Some farm management firms include language that explicitly requires the tenant to be a good steward of the land. The tenant is expected to follow label restrictions in the use of pesticides, to remain in

compliance with the farm's conservation plan, and to dispose of wastes in a manner approved by the Environmental Protection Agency. 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.

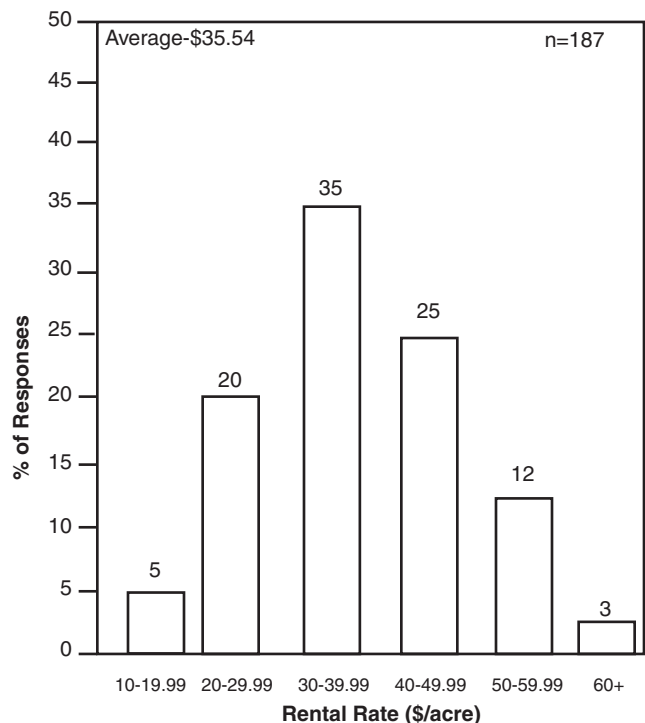
### Related Publications

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>. 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 sample lease forms, USDA county level rental rates for Oklahoma, land value resources, legal and tax considerations, livestock and hunting lease publications plus the latest production practices in Oklahoma.

North Central Farm Management Extension Committee (NCFMEC) publications included on both this website and [aglease101.org](http://aglease101.org) are:

Fixed and Flexible Cash Rental Arrangements For Your Farm, NCFMEC-1 at <http://aglease101.org/DocLib/docs/NCFMEC-01.pdf>

Crop Share Rental Arrangements For Your Farm, NCFMEC-2 at <http://aglease101.org/DocLib/docs/NCFMEC-02.pdf>



**Figure 2. Relative Frequency of Responses for Dryland Wheat Cash Rental Rates, 2014.**

**Table 1. Crop Cash Agreement Statistics by Region, 2014-15.**

	<i>Northwest</i>	<i>Southwest</i>	<i>Northcentral</i>	<i>East</i>	<i>State</i>
			<i>Acres in Lease</i>		
Average	412	621	557	229	465
Range	16-2,500	17-7,500	27-2,720	32-2,000	16-7,500
Number of Observations	64	76	54	57	251
			<i>Average Years Lease Held</i>		
Average	17	16	14	10	14
Range	1-50	1-75	3-45	2-50	1-75
Number of Observations	57	72	49	53	231

**Table 2. State Crop Cash Rental Rates, 2014-15.**

	<i>Cash Rent per Acre</i>		
	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
Dryland Wheat			
Northwest	\$31.87	\$15-60	55
Southwest	\$34.46	\$16-55	63
Northcentral	\$40.24	\$18-60	43
East	\$38.12	\$20-70	26
State	\$35.54	\$15-70	187
Dryland Grain Sorghum	\$38.12	\$23-55	16
Dryland Alfalfa	\$54.85	\$30-88	12
Other Dryland Crops <sup>1</sup>	\$45.49	\$20-100	23
Other Irrigated Crops <sup>2</sup>	\$89.57	\$50-125	7

<sup>1</sup> Other dryland crops (number of observations in parenthesis) include annual forages (5), soybeans (8), corn (3), cotton (2), canola (2) and other small grains (3).

<sup>2</sup> Other irrigated crops (number of observations in parenthesis) include grains (5), alfalfa (1) and cotton (1).

**Table 3. Crop Share Lease Provisions (Tenant's Share), 2014-15.**

	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
Acres in Lease	389	14-3,900	175
Average Years Lease Held	16	1-55	158
<i>-----Tenant's Share of Receipts (Percentage)-----</i>			
Dryland Wheat	67	50-80	142
Dryland Alfalfa	70	67-80	13
Dryland Grain Sorghum	68	67-80	18
Other Hay	63	50-75	18
Other Crops	69	67-75	24
<i>-----Tenant's Share of Expenses (Percentage)-----</i>			
	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
<b>Crop</b>			
Seed	97	67-100	145
Fertilizer	77	50-100	117
Herbicide	82	50-100	146
Insecticide	83	50-100	109
Chemical Applications	89	67-100	136
Hauling	97	67-100	59
Irrigation Energy	86	67-100	39
Harvesting	98	67-100	95
Cotton Ginning and Processing	86	67-100	38
Lime Application <sup>1</sup>	68	0-100	36
<b>Hay and Other</b>			
Seed	93	67-100	14
Fertilizer	72	50-100	48
Herbicide	78	50-100	19
Insecticide	84	67-100	40
Chemical Applications	91	67-100	18
Cutting	93	67-100	59
Raking	97	67-100	32
Baling	93	67-100	59
Hay Hauling	96	67-100	26
Irrigation Energy	89	50-100	9
Lime Application <sup>1</sup>	84	50-100	17

<sup>1</sup> Rental shares of 100% of the crop for the tenant or zero percent of expenses are generally special situations, usually reflecting concessions or unusual circumstances in another part of the lease. However, as lime improves the soil and this improvement is retained by the landlord if the lease is terminated, it is not unusual for the landlord to pay all lime expenses.

**Table 4. Average Gross Cash Rent (Dollars per Acre) for Cropland, Selected States, 2005-2014.**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Oklahoma</b>										
Dryland	29.00	28.00	27.00	28.00	28.00	28.00	28.00	31.00	32.00	32.00
<b>Kansas</b>										
Dryland	38.50	39.00	41.00	42.50	43.50	43.50	44.00	52.50	53.00	54.00
Irrigated	73.00	74.00	82.00	92.00	89.00	95.00	105.00	119.00	137.00	126.00
<b>Missouri</b>										
Dryland	79.00	79.00	79.00	80.00	90.00	94.00	101.00	103.00	113.00	127.00
<b>Texas</b>										
Dryland	23.00	23.00	23.00	24.00	25.00	26.00	28.00	25.00	24.00	27.00
Irrigated	57.50	62.00	65.00	80.00	77.00	75.00	77.00	79.00	82.00	87.00

Source: Agricultural Statistics Service, Oklahoma Agricultural Statistics 2014, USDA/NASS, Oklahoma Department of Agriculture, <http://www.nass.usda.gov/ok/>.

**Figure 3a. Relative frequency of responses for items in cropland share agreements, 2014-15.**

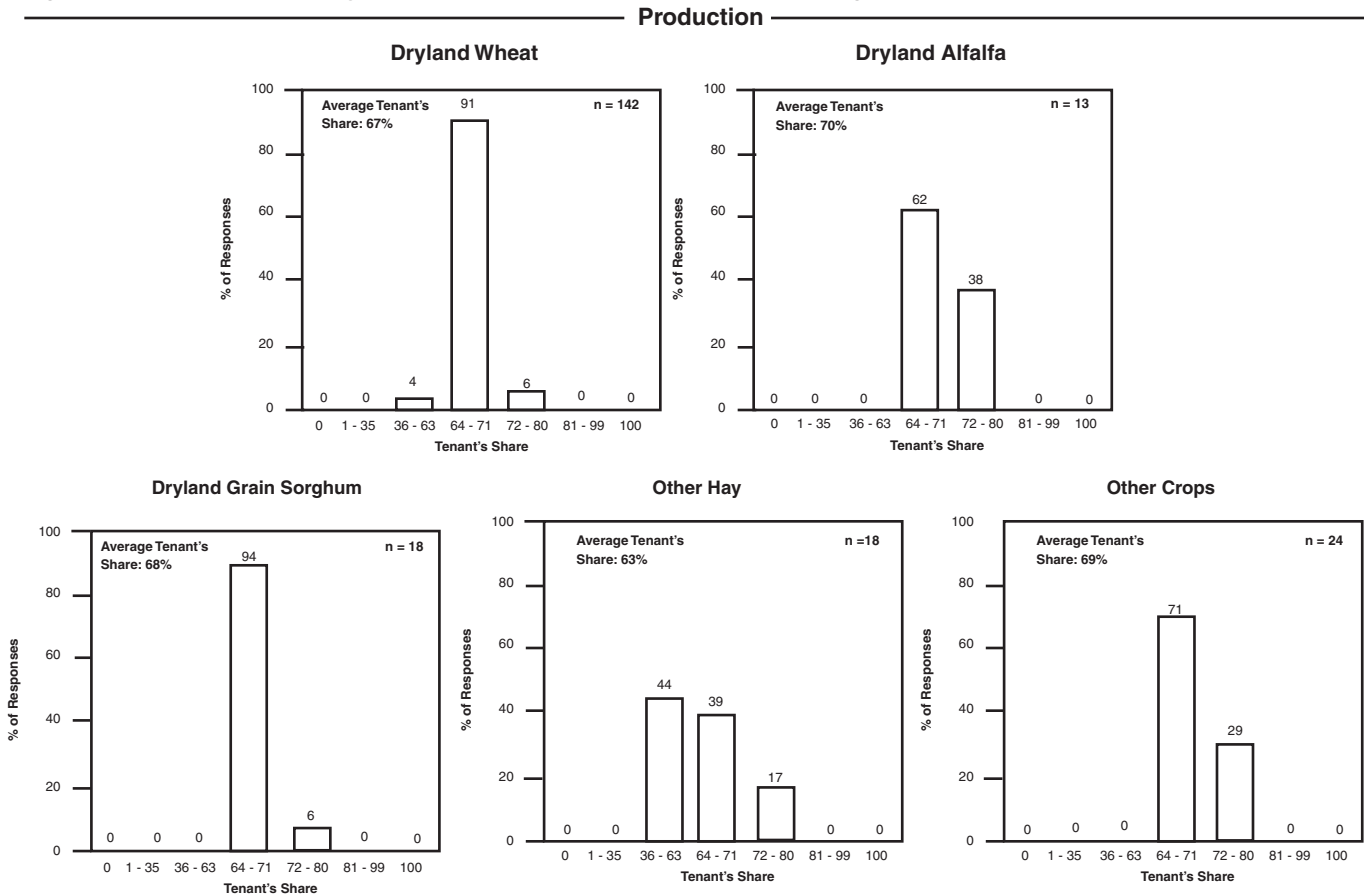
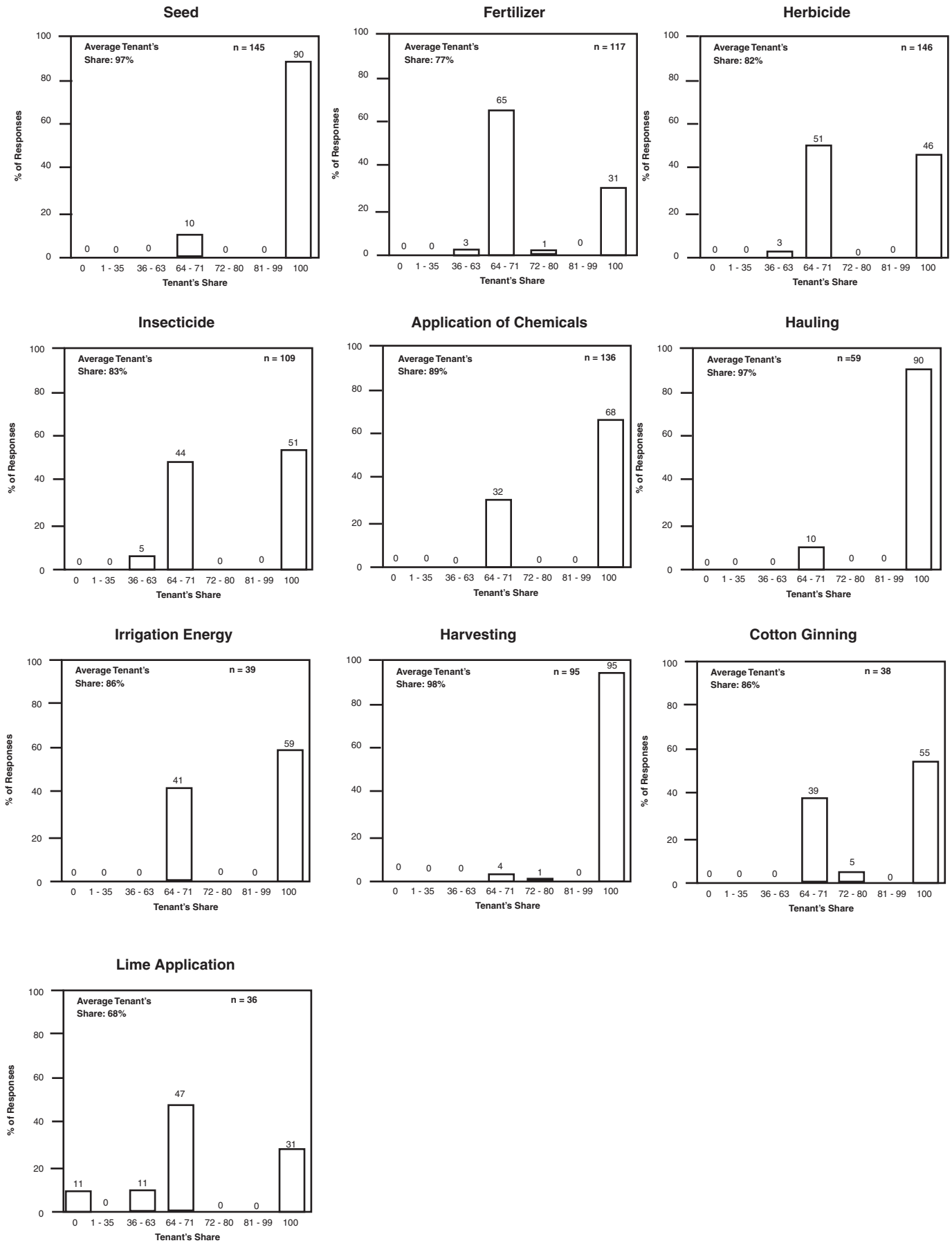


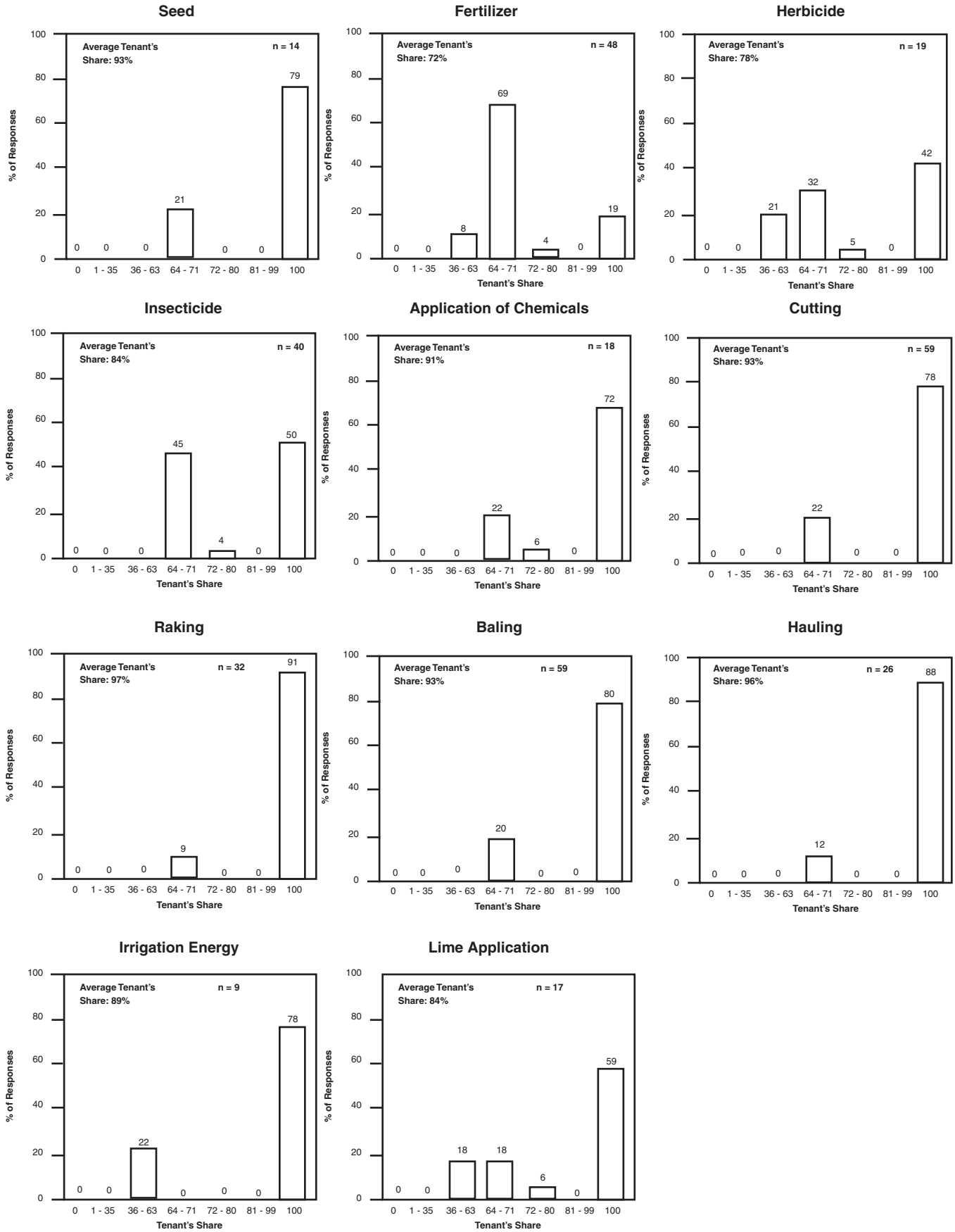
Figure 3b. Relative frequency of responses for items in cropland share agreements, 2014-15.

Crop Inputs and Expenses



**Figure 3c. Relative frequency of responses for items in cropland share agreements, 2014-15.**

**Hay Inputs and Expenses**



## The Oklahoma Cooperative Extension Service

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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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