



# Current Report

Division of Agricultural Sciences and Natural Resources • Oklahoma State University

## Oklahoma Cropland Rental Rates: 1995

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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 in May of 1995 are reported here. Respondents were OSU Cooperators, individuals contacted through the OSU Cooperative Extension Service who agreed to complete periodic surveys. Approximately 965 surveys were sent out, with 518 returned with useable data.

Tenants on leased cropland do not change frequently in Oklahoma. Crop cash lease agreements had been in effect for 11 years on average. Most tenants and landlords in Oklahoma appear to be satisfied with their lease agreements. About 91 percent of the respondents classified their leasing agreements as adequate, good or excellent from the standpoint of fairness.

### Cropland Rental Rates

Cash leases and crop share leases are the most common rental agreements for cropland in Oklahoma.<sup>1</sup> Cash leases may require a fixed payment, either cash or a specified yield (for instance, 10 bushels of wheat). 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 \$34.70 per acre compared to \$22-31 in other regions of the state<sup>2</sup>. The state average of \$27.67 was up slightly from the 1993 average of \$26.64. The range in reported rental rates was from \$10 to \$65 per acre. Figure 2 shows the distribution of responses for cash rental rates. Twenty-

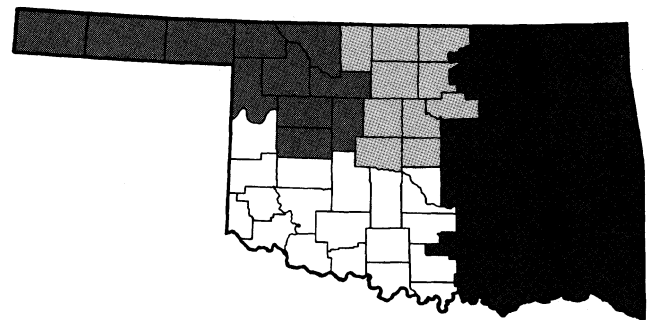


Figure 1. Regions Used in Reporting Farmland Leasing Survey Results.

four percent of the respondents reported a dryland crop cash rental rate between \$10 and \$19 per acre, 29 percent reported a cash rental rate between \$20 and \$29 per acre, 31 percent reported a cash rental rate between \$30 and \$39 per acre, about 12 percent reported a rental rate between \$40 and \$49 per acre, and only 4 percent of the respondents reported a per acre rate greater than \$50.

In crop share leases statewide, the tenant typically receives 2/3 of dryland grain and government payments

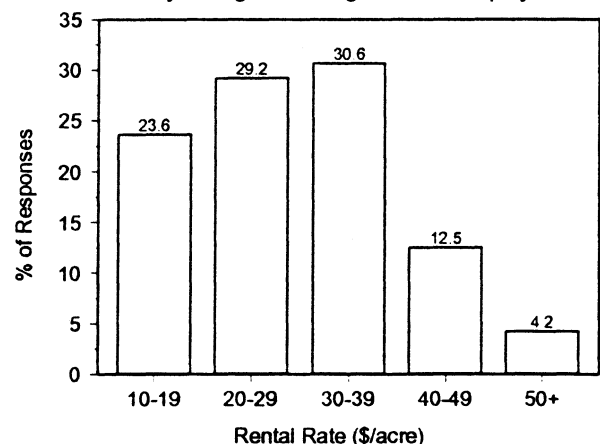


Figure 2. Frequency of Responses for Dryland Crop Cash Rental Rates, 1995.

<sup>1</sup> Advantages and disadvantages of different types of lease agreements are discussed in OSU Facts 214 and 215.

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

**Table 1. Dryland Crop Cash Rental Rates by Region, 1995.**

	<i>Northwest</i>	<i>Southwest</i>	<i>North Central</i>	<i>East</i>	<i>State</i>
Acres in Lease					
Average	391	304	367	318	343
Range	30-1,280	16-1,440	23-1,280	40-2,400	16-2,400
Average Years Lease Held					
Average	14	10	11	7	11
Range	1-33	1-25	1-43	1-30	1-43
Cash Rent per Acre					
Average	\$22.30	\$25.11	\$34.70	\$30.80	\$27.67
Range	\$10-45	\$10-42	\$10-50	\$14-65	\$10-65
Number of Observations	18	24	16	14	72

while paying 2/3 of fertilizer expenses with the landlord receiving/paying the remaining 1/3 share (Table 2). The 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 and harvesting (combining, hauling, cutting, raking, baling) expenses. Figures 3a and 3b show the distribution of responses for each item.

### 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. Tenants may or may not be allowed to hunt, harvest pecans, graze cattle, 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 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

USDA data on cash rental rates for Oklahoma, Kansas, Arkansas and Texas for 1985-94 in Table 3

provides useful figures for comparison with survey data. The 1994 state average for cash rents on dry cropland reported by USDA (Figure 4) are lower than those estimated from these survey results.

### 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 Publication:

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

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

**Table 2. Crop Share Lease Provisions (Tenant's Share), 1995**

Acres in Lease		Average Years Lease Held	
Average	377	Average	14
Range	20-3,800	Range	1-50
-----Tenant's Share of Receipts (Percentage)-----			
Grain		Alfalfa	
Average	62	Average	63
Range	25-100 <sup>1</sup>	Range	50-75
Number of observations	120	Number of Observations	23
Government Payment		Other Hay	
Average	62	Average	69
Range	5-100 <sup>1</sup>	Range	33-100
Number of Observations	101	Number of Observations	26
-----Tenant's Share of Expenses (Percentage)-----			
Seed		Harvesting	
Average	96	Average	96
Range	50-100	Range	50-100
Number of Observations	104	Number of Observations	104
Fertilizer		Hay Seed	
Average	69	Average	88
Range	25-100	Range	33-100
Number of Observations	122	Number of Observations	44
Herbicide		Hay Fertilizer	
Average	74	Average	75
Range	33-100	Range	33-100
Number of Observations	107	Number of Observations	54
Insecticide		Cutting, Raking, Baling	
Average	72	Average	95
Range	25-100	Range	33-100
Number of Observations	104	Number of Observations	55
Chemical Application		Hay Hauling	
Average	85	Average	95
Range	50-100	Range	33-100
Number of Observations	103	Number of Observations	49
Irrigation Energy		Cotton Ginning and Processing	
Average	87	Average	78
Range	50-100	Range	66-100
Number of Observations	15	Number of Observations	19
		Lime Application	
		Average	75
		Range	50-100
		Number of Observations	44

<sup>1</sup>Rental shares of 100 percent of the crop are generally special situations, usually reflecting concessions or unusual circumstances in another part of the lease.

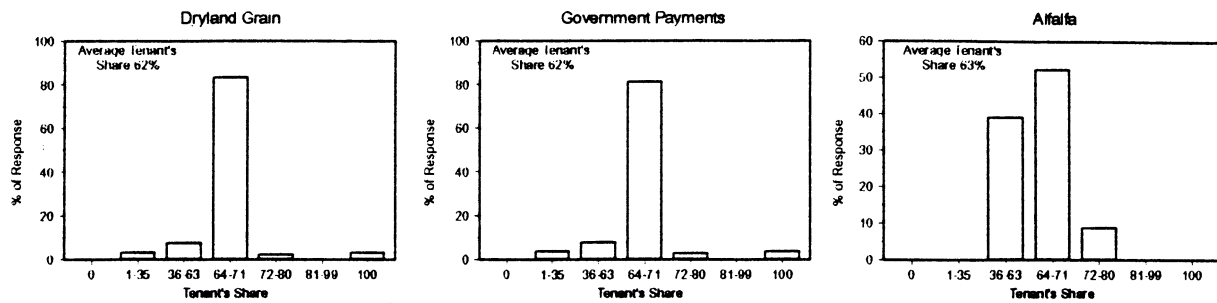
**Table 3. Average Gross Cash Rent (Dollars per Acre) for Cropland, Selected States, 1985-94.**

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Arkansas	51.00	48.20	44.40	50.40	52.00	49.80	55.50	48.00	50.10	50.70
Kansas										
(Nonirrigated)	32.40	30.30	28.60	30.60	30.20	33.10	32.50	31.90	32.80	34.70
(Irrigated)	61.50	58.40	59.70	54.10	62.50	61.50	60.60	62.70	65.10	72.50
Oklahoma										
(Nonirrigated)	28.50	26.50	23.00	24.30	25.80	27.20	25.60	26.10	26.20	25.20
(Irrigated)	39.60	*	37.20	33.70	36.10	42.50	42.10	39.10	39.10	41.70
Texas										
(Nonirrigated)	21.30	20.20	19.90	20.50	22.60	20.10	20.30	20.00	20.60	20.20
(Irrigated)	43.60	39.60	40.60	41.10	49.50	43.10	42.50	45.30	49.40	44.90

\*Insufficient information

Source: USDA/ERS, Agricultural Handbook, No. 705, December 1994

**Inputs and Expenses**



**Figure 3a. Frequency of Responses for Items in Cropland Share Agreements, 1995.**

Inputs and Expenses

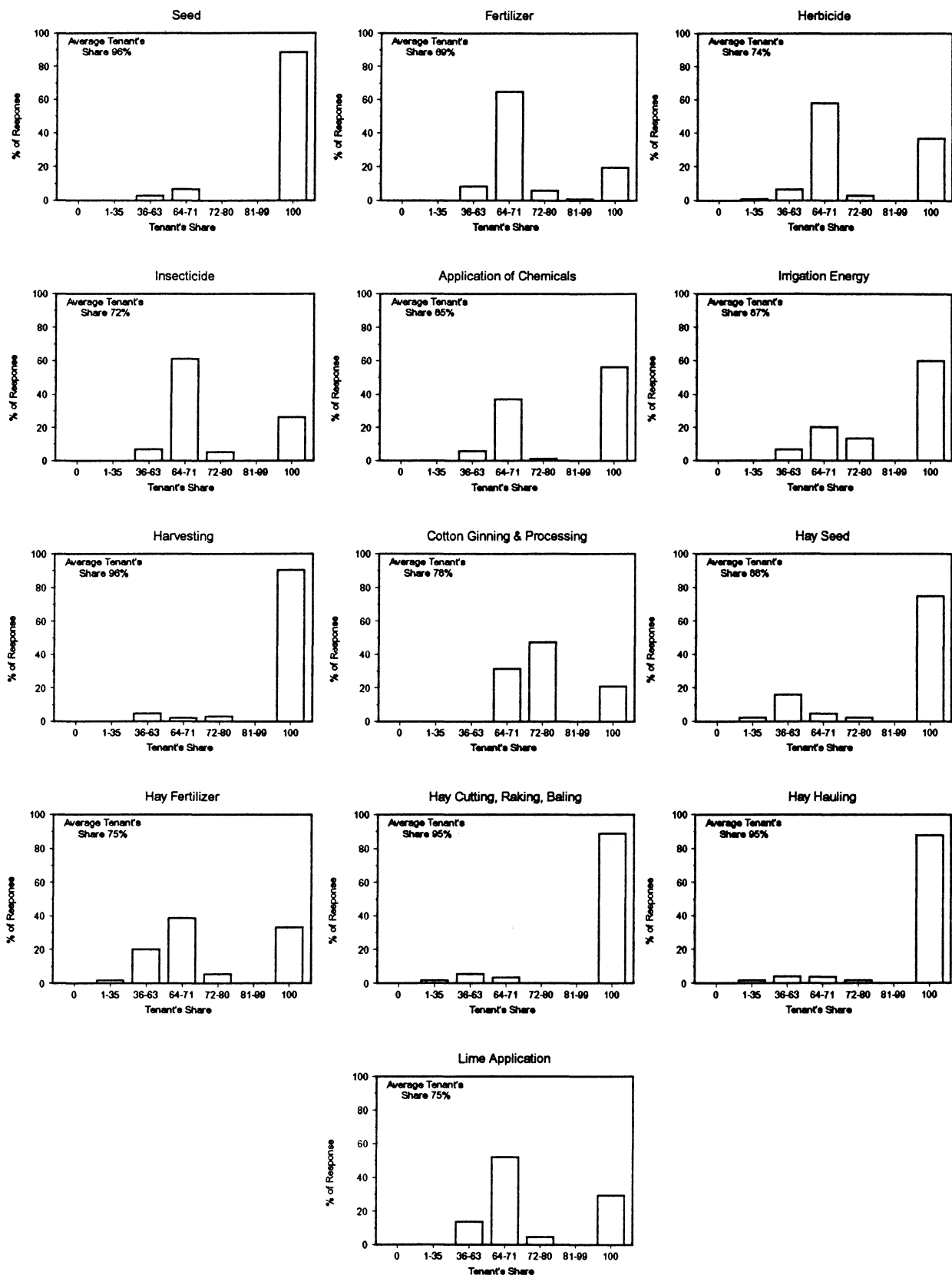
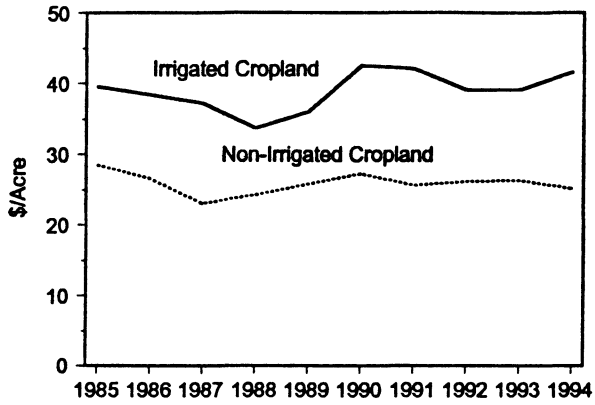


Figure 3b. Frequency of Responses for Items in Cropland Share Agreements, 1995.



**Figure 4. Average Cash Rent (\$/Acre) for Oklahoma Cropland, 1985-94.**

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