



# Current Report

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## Oklahoma Pasture Rental Rates: 2006-07

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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 November of 2006 are reported here. Respondents were individuals contacted through the Oklahoma Cooperative Extension Service who agreed to complete periodic surveys. In addition, questionnaires were sent as part of a mailing by the Oklahoma Agricultural Statistics Service. Approximately 340 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 63% of the respondents classified their leasing agreements as good or excellent from the standpoint of fairness with an additional 25% classifying their agreements as adequate.<sup>1</sup> 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—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 \$9.80 per acre per year with responses ranging from approximately \$3 to \$30. This average was up slightly from \$9.66 in 2004. Native pasture rental rates were lowest in northwest Oklahoma at \$7.59 per acre and highest in north central Oklahoma at \$11.04 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 \$15.24 per acre, up \$2.15 per acre from the previous survey, with responses ranging from \$3 to \$35. Figure 3 shows the distribution of per acre rates reported for Bermuda pasture in Oklahoma.

Pasture rental rates for small grain pasture averaged \$0.34 per pound gain and \$2.83 per hundredweight per month for winter grazing (November through March) (Table 2).<sup>2</sup> These results were nearly identical to the 2004 survey results.

Pasture lease agreements may assign responsibility for checking livestock, providing salt and minerals, supplemental feed or pasture, and fence repairs 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 checking livestock and providing salt

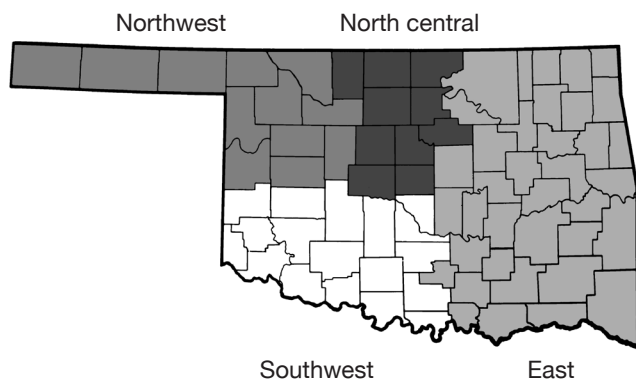


Figure 1. Regions Used in Reporting Farmland Leasing Survey Results.

<sup>1</sup> Advantages and disadvantages of different types of lease agreements are discussed in OSU Extension Fact Sheets F-214 and F-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.

and minerals and supplemental feed or pasture for all types of leases. In small grain winter grazing leases, the pasture producer was typically responsible for fencing material and labor plus fertilizer.

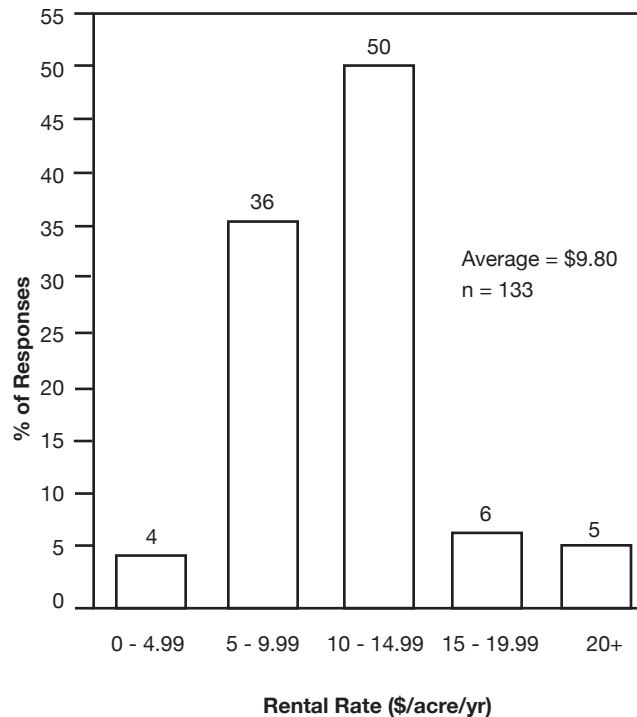
### Other Lease Terms

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 1997-2006.



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

### 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.

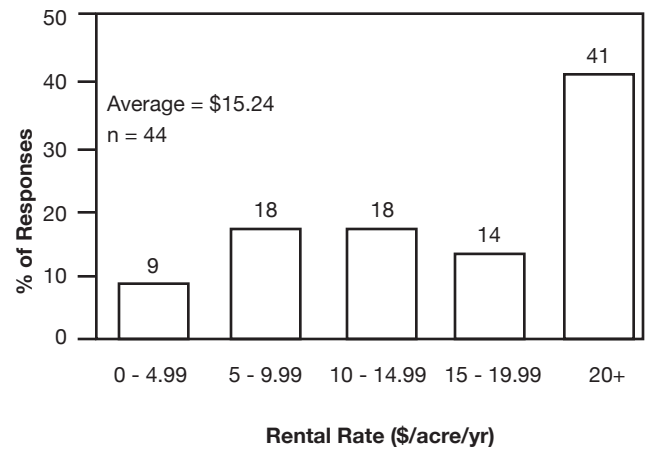
New legal restrictions and liability factors may call for changes in future farm lease agreements. Some farm management firms include language requiring that the tenant will be responsible for following label restrictions in the use of pesticides, for remaining in compliance with the farm’s conservation 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:

Visit <http://www.osuextra.com> and select OSU Fact Sheets, and then choose Departmental List, Agricultural Economics, Farm Management (or Agribusiness Management) and the specific Fact Sheet number. Specific addresses for the referenced articles are

Developing Cash Lease Agreements for Farmland, OSU F-214 at <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1793/F-214web.pdf>

Developing Share Lease Agreements for Farmland, OSU F-215 at <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1778/F-215web.pdf>



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

**Table 1. Cash Rental Rates for Pasture, 2006-07.**

	Native Pasture					Bermuda			Other Pasture	
	North					Southwest	East	State	East	State
	Northwest	Southwest	Central	East	State					
<b>Acres in Lease</b>										
Average	1,653	537	455	1,231	962	148	660	479	271	418
Range	40-17,000	46-2,400	26-2,513	30-22,500	26-22,500	20-400	25-4,000	20-4,000	60-900	50-3,050
<b>Average Years Lease Held</b>										
Average	16	13	13	11	13	11	9	9	12	11
Range	1-63	1-45	1-46	1-27	1-63	1-30	1-25	1-30	1-35	1-35
<b>\$/acre/year</b>										
Average	\$7.59	\$9.53	\$11.04	\$10.89	\$9.80	\$13.04	\$15.37	\$15.24	\$28.50	\$23.59
Range	4-15	5-30	5-20	3-30	3-30	8-25	3-35	3-35	12-45	10-45
No. of Observations	28	42	24	39	133	11	30	44	6	14
<b>Stocker Steers</b>										
<i>Stocking Rate (Acres/hd)</i>										
Average	6.7	4.0	3.0	3.0	4.5	*	*	1.7		*
Range	1-15	3-5	2-4	2-4	1-15	*	*	1-2		*
No. of Observations	7	3	5	4	19	*	*	6		*
<i>Grazing Season (Months)</i>										
Average	6.4	4.7	5.6	6.9	5.9	*	*	7.2		*
Range	3-8	4-5	4-8	3-12	3-12	*	*	4-12		*
No. of Observations	5	3	8	4	20	*	*	7		*
<b>Stocker Heifer</b>										
<i>Stocking Rate (Acres/hd)</i>										
Average	*	*	*	*	4.6	*	*	1.3		*
Range	*	*	*	*	2-10	*	*	1-2		*
No. of Observations	*	*	*	*	9	*	*	4		*
<i>Grazing Season (Months)</i>										
Average	*	*	*	*	6.7	*	*	7.0		*
Range	*	*	*	*	4-12	*	*	4-12		*
No. of Observations	*	*	*	*	9	*	*	4		*
<b>Cows with Fall Calves</b>										
<i>Stocking Rate (Acres/hd)</i>										
Average	16.6	9.0	5.0	5.3	8.8	*	4.1	3.8		*
Range	8-40	3-20	2-10	3-8	2-40	*	1-10	1-10		*
No. of Observations	5	8	7	4	24	*	12	15		*
<i>Grazing Season (Months)</i>										
Average	9.0	10.1	8.1	8.3	8.9	*	10.6	10.0		*
Range	6-12	6-12	6-12	6-12	6-12	*	8-12	5-12		*
No. of Observations	5	9	8	9	31	*	17	20		*
<b>Cows with Spring Calves</b>										
<i>Stocking Rate (Acres/hd)</i>										
Average	14.3	10.2	7.0	8.6	10.0	*	5.0	5.1		*
Range	8-20	3-27	3-10	4-16	3-27	*	2-10	1-12		*
No. of Observations	11	19	11	11	52	*	12	19		*
<i>Grazing Season (Months)</i>										
Average	8.9	10.2	9.2	8.1	9.2	9.7	9.8	9.7		*
Range	5-12	5-12	4-12	5-12	4-12	5-12	6-12	5-12		*
No. of Observations	12	23	13	20	68	9	17	26		*

\* Insufficient observations.

**Table 2. Small Grain Pasture Rental Rates, 2006-07.**

	<i>Winter Grazing (November - March)</i>	<i>Both Winter Grazing and Grazeout (November - May)</i>
<b>Acres in Lease</b>		
Average	529	373
Range	18-2,600	6-5,000
<b>Average Years Lease Held</b>		
Average	9	12
Range	1-36	1-46
<b>\$/lb of gain</b>		
Average	\$0.34	\$0.37
Range	\$0.25-0.42	\$0.32-0.42
Number of observations	11	10
<b>\$/cwt/month</b>		
Average	\$2.83	*
Range	\$2-3.60	*
Number of observations	11	*

**Table 3. Responsibility of Parties in Pasture Lease Agreements, 2006-07 (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	22	71	8	51	25	57	18	60	11	82	7	215
Salt and minerals	19	75	6	48	24	58	19	59	10	84	6	214
Fencing materials	57	39	4	49	34	43	23	61	33	55	12	215
Fencing labor	51	47	2	49	28	51	21	61	20	71	9	215
Fertilizer cost	62	30	9	47	34	47	19	59	17	75	8	196
Supplemental feeding	23	73	4	48	22	57	21	58	8	84	7	214
Supplemental pasture	29	71	0	48	21	60	19	58	10	83	8	200
Water	57	43	0	49	42	40	18	60	31	59	10	212
Death loss	10	80	10	49	14	63	24	59	7	85	8	207

\* Totals may not add to 100 due to rounding.

**Table 4. Average Gross Cash Rent (Dollars per Acre) for Pasture Dryland, Selected States, 1997-2006.**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	<i>\$/acre</i>									
<b>Oklahoma</b>	<b>8.10</b>	<b>7.80</b>	<b>8.30</b>	<b>7.80</b>	<b>8.30</b>	<b>8.50</b>	<b>8.50</b>	<b>9.00</b>	<b>9.00</b>	<b>8.50</b>
Kansas	11.60	13.00	13.30	12.80	12.60	12.60	12.60	13.20	13.40	13.70
Missouri	19.00	18.00	18.50	20.00	22.50	23.00	23.50	26.00	27.00	26.00
Texas	5.60	6.60	6.90	6.00	7.20	7.40	7.80	7.80	8.30	8.10

Source: Agricultural Statistics Service, Oklahoma Agricultural Statistics 2006, USDA/NASS, Oklahoma Department of Agriculture, <http://www.nass.usda.gov/ok/>.

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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, Robert E. Whitson, Director of Cooperative Extension Service, Oklahoma State University, Stillwater, Oklahoma. This publication is printed and issued by Oklahoma State University as authorized by the Vice President, Dean, and Director of the Division of Agricultural Sciences and Natural Resources and has been prepared and distributed at a cost of 20 cents per copy. 0207 GH Revised.