



# Current Report

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## Oklahoma Cropland 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 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 240 acres in eastern Oklahoma to 628 acres in northwest Oklahoma. Most tenants and landlords in Oklahoma appear to be satisfied with their lease agreements. More than 60% of the respondents classified both their cash and crop share leasing agreements as good or excellent from the standpoint of fairness. Twenty-one percent of respondents with cash lease agreements and 24% of respondents with crop share agreements classified their leasing agreements as adequate from the standpoint of fairness.

### Cropland Cash Rental Rates

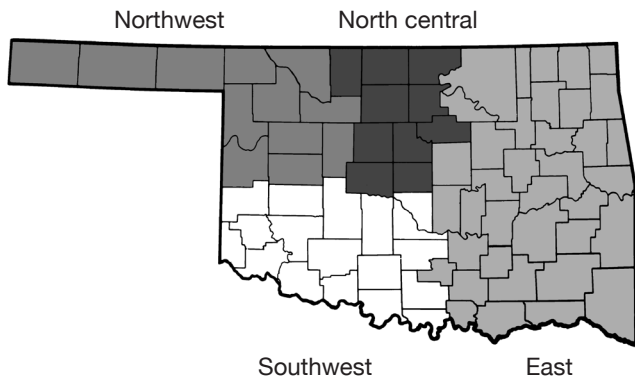
Cash leases require a fixed payment, typically cash (or infrequently, a specified yield such as 10 bushels of wheat). Survey results document some regional differences in rental rates and average sizes of tracts rented. Cash rental rates for dryland wheat were highest in the north central region of the state, averaging \$33.71 per acre, compared to \$26.30 to \$29.98 in other regions of the state (Table 2).<sup>1</sup> The range in reported rental rates was from \$10 to \$60 per acre. The state average of \$29.93 was about the same as the 2004 average of \$30.21. While most regional averages were lower, the northwest average cash rental rate increased more than \$2 per acre.

Figure 2 shows the distribution of responses (83) for dryland wheat cash rental rates. None of the respondents reported a rental rate less than \$10 per acre, 12% reported a rental rate between \$10 and \$19 per acre, 23% reported a rental rate between \$20 and \$29 per acre, 45% reported a rental rate between \$30 and \$39 per acre, 18% reported a rental rate between \$40 and \$49 per acre, and only 2% of the respondents reported a rental rate of \$50 or more per acre.

Dryland grain sorghum average rental rates were almost the same as wheat at \$30.00 per acre while dryland alfalfa averaged significantly higher than wheat at \$46.15 per acre. (Note that there were only 5 responses on grain sorghum rates and only 13 responses on dryland alfalfa rates, thus 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.<sup>2</sup> In crop share leases statewide, the tenant on average receives around 2/3 of dryland wheat, alfalfa, or grain sorghum, while paying slightly 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.



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

1 Averages reported are the simple average of rates reported by the respondents. They are not weighted by acres in the lease agreement.  
2 Advantages and disadvantages of different types of lease agreements are discussed in OSU Extension Fact Sheets F-214 and F-215.

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, and lime costs. 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.

### 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

USDA data on cash rental rates for Oklahoma, Kansas, Missouri and Texas for 1997-2006 in Table 4 provides data for comparison with survey data.

### 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,

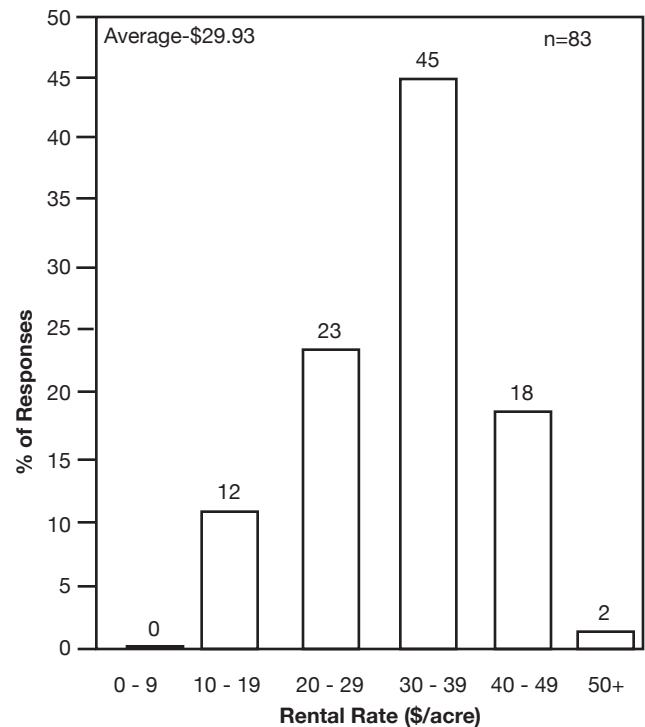
to remain in compliance with the farm's conservation plan, and to dispose of wastes in a manner approved by the Environmental Protection Agency. Some leases already stipulate precisely what fertilizers, pesticides, and seed may be used on the property. Both landlords and tenants must be aware of changing environmental laws and regulations to avoid potentially costly liabilities.

### Related Publications

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 2. Relative Frequency of Responses for Dryland Wheat Cash Rental Rates, 2006.**

**Table 1. Crop Cash Agreement Statistics by Region, 2006-07.**

	<i>Northwest</i>	<i>Southwest</i>	<i>North Central</i>	<i>East</i>	<i>State</i>
			<i>Acres in Lease</i>		
Average	628	387	432	240	438
Range	80-3,600	26-2,500	43-1,985	50-1,270	26-3,600
			<i>Average Years Lease Held</i>		
Average	14	14	14	12	14
Range	1-63	1-60	1-58	1-25	1-63
Number of Observations	27	30	35	17	109

**Table 2. State Crop Cash Rental Rates, 2006-07.**

	<i>Cash Rent per Acre</i> _____		
	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
Dryland Wheat			
Northwest	\$29.98	\$10-48	20
Southwest	\$26.30	\$10-40	28
North Central	\$33.71	\$18-60	28
East	\$29.14	\$14-60	7
State	\$29.93	\$10-60	83
Dryland Grain Sorghum	\$30.00	\$20-40	5
Dryland Alfalfa	\$46.15	\$20-100	13
Other Crops	\$33.97	\$22-50	10

**Table 3. Crop Share Lease Provisions (Tenant's Share), 2006-07.**

	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
Acres in Lease	457	24-3,000	62
Average Years Lease Held	16	1-50	62
----- <i>Tenant's Share of Receipts (Percentage)</i> -----			
Dryland Wheat	67	60-88	59
Dryland Alfalfa	67	50-100 <sup>1</sup>	11
Dryland Grain Sorghum <sup>2</sup>	-	-	-
Other Hay	57	50-67	4
Other Crops	62	25-88	4
----- <i>Tenant's Share of Expenses (Percentage)</i> -----			
	<i>Average</i>	<i>Range</i>	<i>No. of Observations</i>
<b>Crop</b>			
Seed	98	50-100	60
Fertilizer	75	50-100	60
Herbicide	82	50-100	59
Insecticide	82	50-100	58
Chemical Applications	87	50-100	57
Harvesting	98	66-100	52
Hauling	96	50-100	40
Irrigation Energy <sup>2</sup>	-	-	-
Lime Application	71	0-100 <sup>1</sup>	22
Cotton Ginning and Processing	78	67-100	3
<b>Hay and Other</b>			
Seed	83	50-100	10
Fertilizer	70	33-100	12
Herbicide	76	50-100	12
Insecticide	67	33-100	11
Chemical Applications	73	50-100	11
Cutting	88	50-100	14
Raking	88	50-100	14
Baling	88	50-100	14
Hay Hauling	90	50-100	13
Irrigation Energy <sup>2</sup>	-	-	-
Lime Application	67	50-100	3

<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.

<sup>2</sup> Insufficient information

**Table 4. Average Gross Cash Rent (Dollars per Acre) for Cropland, Selected States, 1997-06.**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Oklahoma</b>										
Dryland	26.60	25.60	27.00	26.00	27.00	27.00	27.50	30.00	29.00	28.00
<b>Kansas</b>										
Dryland	34.50	35.50	35.00	35.50	36.00	36.00	36.00	37.50	38.50	39.00
Irrigated	69.00	67.00	66.00	67.00	72.00	70.00	68.00	72.00	73.00	74.00
<b>Missouri</b>										
Dryland	56.00	57.00	59.00	62.00	65.00	66.00	70.00	76.00	79.00	79.00
<b>Texas</b>										
Dryland	17.50	20.00	18.00	21.00	21.00	21.00	21.00	23.70	23.00	23.00
Irrigated	50.00	51.00	49.00	53.00	53.00	53.00	55.00	56.00	57.50	47.50

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

**Figure 3a. Relative frequency of responses for items in cropland share agreements, 2006-07.**

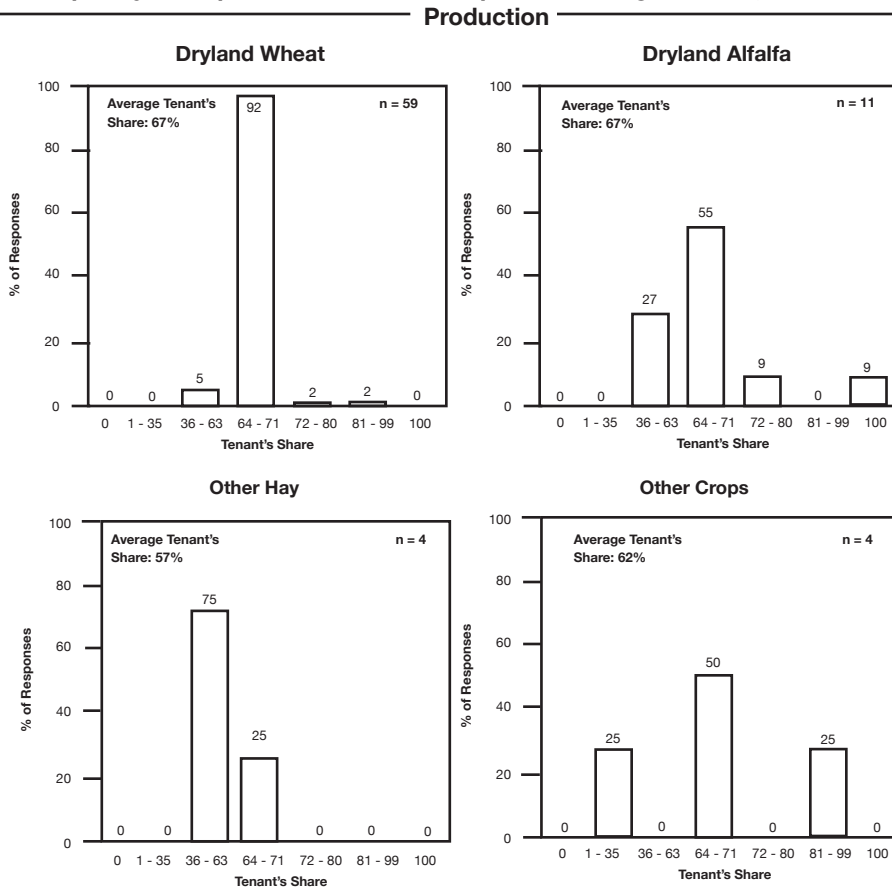


Figure 3b. Relative frequency of responses for items in cropland share agreements, 2006-07.

Crop Inputs and Expenses

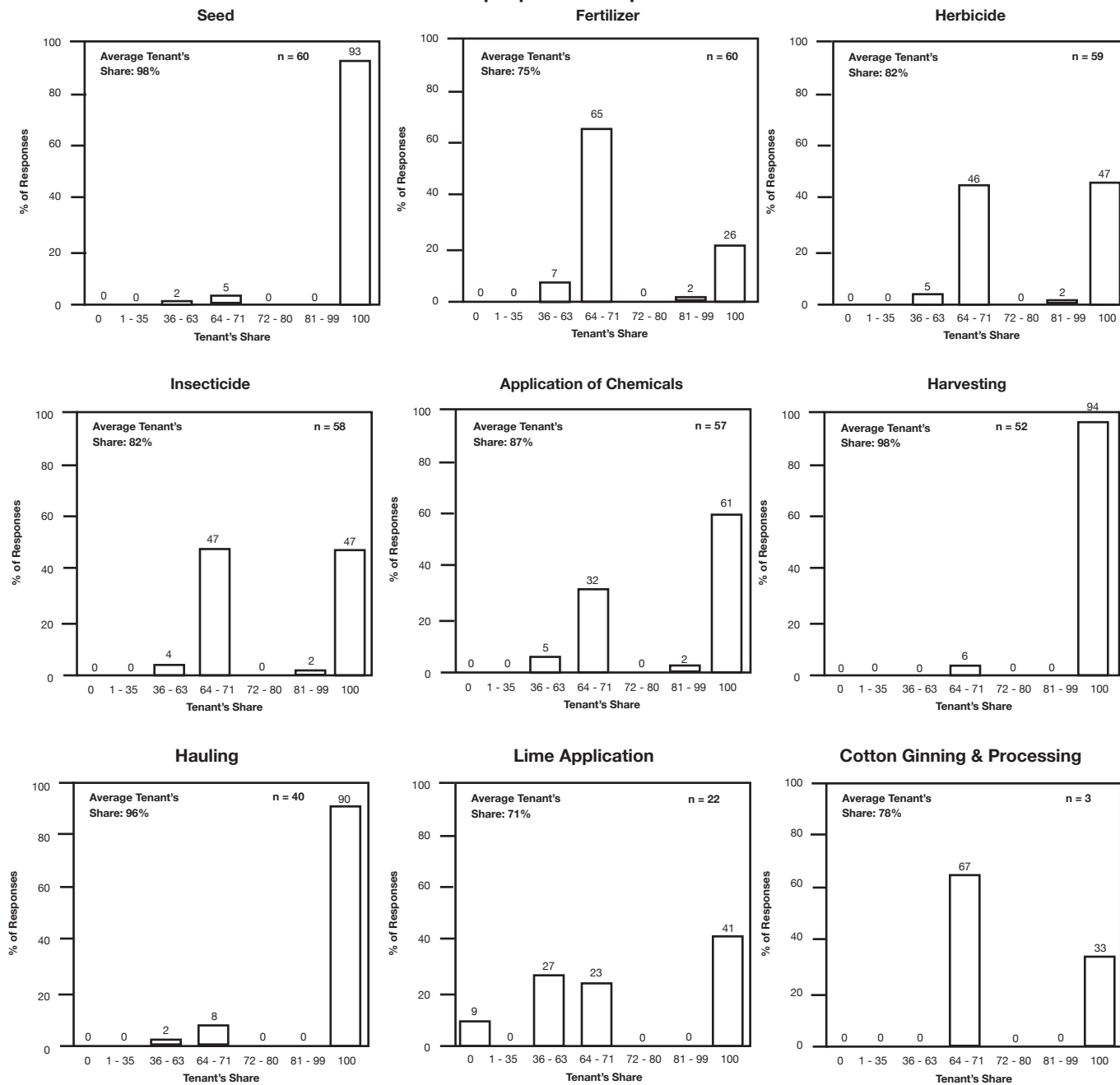
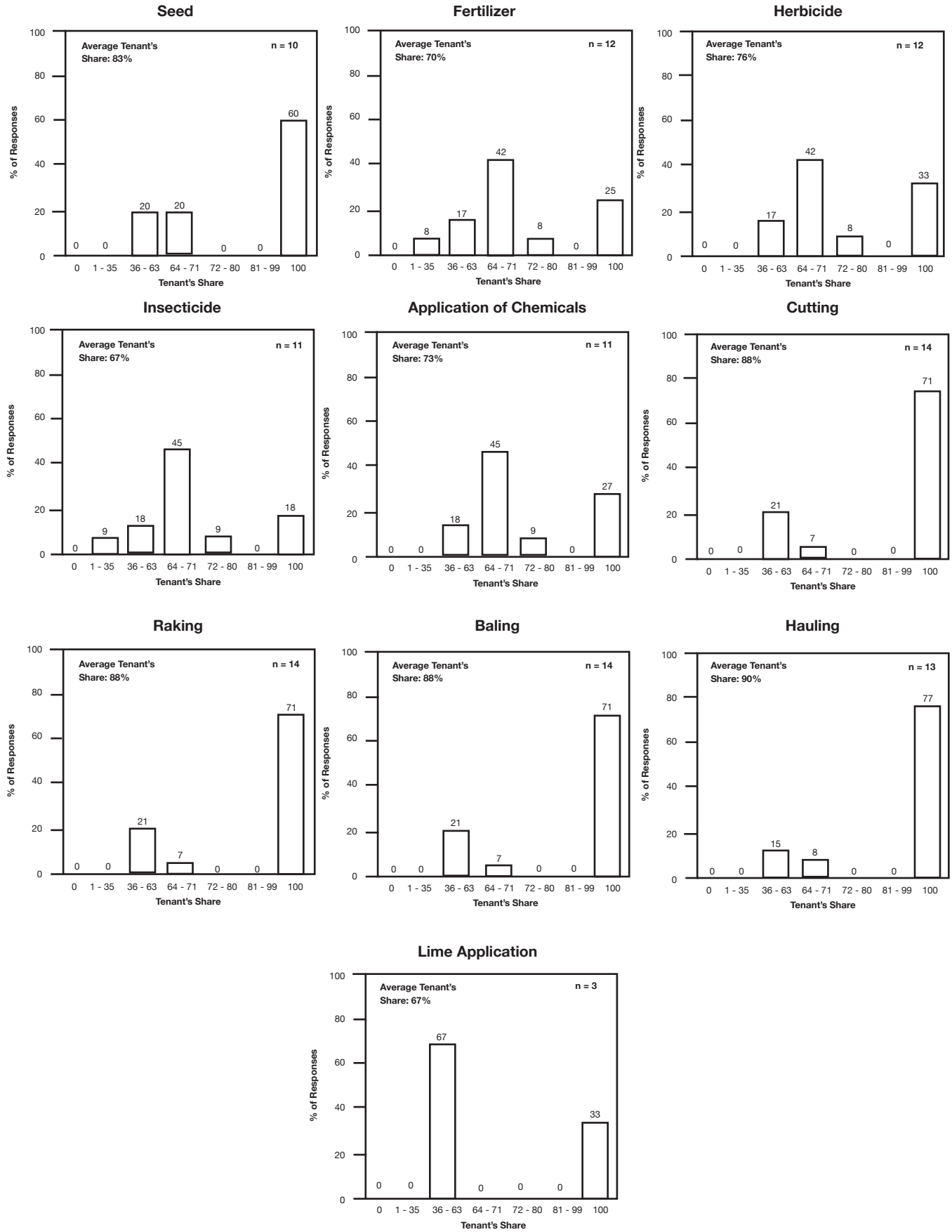


Figure 3c. Relative frequency of responses for items in cropland share agreements, 2006-07.

Hay Inputs and Expenses



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- 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.
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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, Edwin L. Miller, Interim Director of Cooperative Extension Service, Oklahoma State University, Stillwater, Oklahoma. This publication is printed and issued by Oklahoma State University as authorized by the Dean of the Division of Agricultural Sciences and Natural Resources and has been prepared and distributed at a cost of 42 cents per copy. 0207 GH Revised.