



Current Report

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Oklahoma Cropland Rental Rates: 2016-17

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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 2016 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 190 surveys were returned with usable data. Figure 1 shows the regions of the state used in reporting survey results: northwest, southwest, northcentral and east.

On average, crop cash lease agreements had been in effect for 13 years (Table 1) and 14 years for crop share lease agreements (Table 3). The statewide average lease size was 540 acres for cash leases and 344 acres for share leases. Median values are also noted, which shows the value in the middle of the survey responses. Figures 1a and 3a show the distribution of responses regarding acres and the years held for cash leases and share leases, respectively.

Most tenants and landlords in Oklahoma appear to be satisfied with their lease agreements although the levels of satisfaction have declined in recent years. Fifty-seven percent of respondents with cash lease agreements and 62 percent of respondents with crop share agreements classified their leasing agreements as either good or excellent from a standpoint of fairness in the most recent survey. This compares to 68 percent of respondents with cash lease or crop share agreements only a few years ago in the 2012 survey. In addition, 33

percent of respondents with cash lease agreements and 26 percent of respondents with crop share agreements classified their leasing agreements as adequate from the standpoint of fairness in the most recent survey.

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 \$39.21 per acre, compared to \$30.75 to \$37.07 in other regions of the state (Table 2)¹. The state average of \$36.01 increased less than \$1 per acre compared to the 2014 average of \$35.54.

Figure 2 shows the distribution of responses (71) for dryland wheat cash rental rates. Four percent of the respondents reported a rental rate between \$10 and \$19 per acre, 21 percent reported a rental rate between \$20 and \$29 per acre, 34 percent reported a rental rate between \$30 and \$39 per acre, 21 percent reported a rental rate between \$40 and \$49 per acre and 19 percent of the respondents reported a rental rate of \$50 or more per acre.

Dryland grain sorghum average rental rates were higher than wheat at \$38.78 per acre while dryland alfalfa averaged significantly higher than wheat at \$46.69 per acre. (Note: since there were only 9 and 8 responses on dryland grain sorghum and alfalfa rates respectively, the averages and distributions are less reliable than they would be with more observations.)

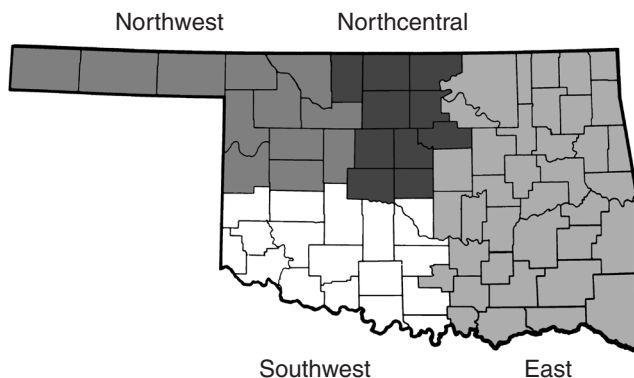


Figure 1. Regions Used in Reporting Farmland Leasing Survey Results

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 4). 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 ap-

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

plication if a multi-year lease agreement is not in place.

Figure 4a shows the distribution of survey responses regarding the tenant's share of production. Figure 4b 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 2014-15 results, fewer tenants paid 100 percent of various expense items. The graphs also show that the tenant typically pays all seed, harvesting and hauling costs. Figure 4c 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 5 provides historical data on cropland rental rates for Oklahoma, Kansas, Arkansas and Texas for 2007-2016 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. The next bi-annual USDA Cash Rent Survey will be available with the 2018 release in September 2018.

Concluding Comments

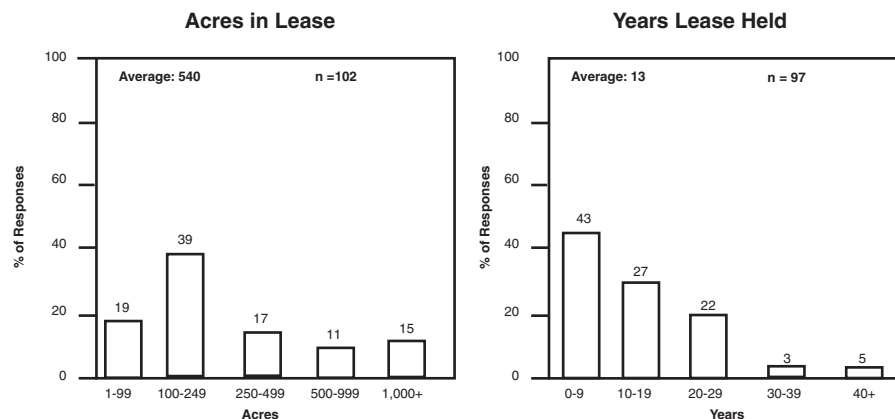
"Fair" rents must be negotiated between tenant and landlord. Regional or state average rental rates may be used as a beginning point for discussion and negotiation of rental rates. However, differences in land quality, improvements, and restrictions on land use can greatly impact the value of potential leases. Likewise, differences in family living expenses and hired labor costs can be substantial for different operations, affecting the maximum rental bids.

Table 1. Crop Cash Agreement Statistics by Region, 2016-17.

| | <i>Northwest</i> | <i>Southwest</i> | <i>Northcentral</i> | <i>East</i> | <i>State</i> |
|-------------------------|------------------|------------------|---------------------|-------------|--------------|
| <i>Acres in Lease</i> | | | | | |
| Number of Observations | 23 | 29 | 31 | 19 | 102 |
| Average | 510 | 740 | 605 | 163 | 540 |
| Median ¹ | - | - | - | - | 177 |
| <i>Years Lease Held</i> | | | | | |
| Number of Observations | 21 | 29 | 29 | 18 | 97 |
| Average | 14 | 15 | 11 | 13 | 13 |
| Median ¹ | 10 | 15 | 7 | 10 | 10 |

¹ Median values that represent single observations are omitted.

Figure 1a. Relative Frequency of Crop Cash Agreement Statistics, 2016-2017.



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 and Other Resources

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> or <http://www.aglease.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 forms, rental rate and land value resources, legal and tax considerations plus the latest production practices in Oklahoma.

The AgLease101.org website hosts several North Central Farm Management Extension Committee (NCFMEC) publications on leasing including these titles:

- Crop Share Rental Arrangements For Your Farm, NCFMEC-2
- Fixed and Flexible Cash Rental Arrangements For Your Farm, NCFMEC-1
- Pasture Rental Arrangements, NCFMEC-3

In addition to publications, worksheets and free downloadable sample lease forms are available on the site.

Recent Oklahoma school land lease auction information is also available through the Real Estate Management Division of Commissioners of the Land Office at <http://oklaosf.state.ok.us/~clo/>.

Table 2. State Crop Cash Rental Rates, 2016-17.

| | <i>Cash Rent per Acre</i> | | |
|------------------------------------|----------------------------|----------------|---------------------------|
| | <i>No. of Observations</i> | <i>Average</i> | <i>Median¹</i> |
| Dryland Wheat | | | |
| Northwest | 17 | \$31.22 | - |
| Southwest | 27 | \$37.07 | \$35.00 |
| Northcentral | 23 | \$39.21 | \$40.00 |
| East | 4 | \$30.75 | \$26.50 |
| State | 71 | \$36.01 | \$35.00 |
| Dryland Grain Sorghum | 9 | \$38.78 | - |
| Dryland Alfalfa | 8 | \$46.69 | \$50.00 |
| Other Dryland Crops ² | 14 | \$51.14 | \$50.00 |
| Other Irrigated Crops ³ | 7 | \$71.93 | \$50.00 |

¹ Median values that represent single observations are omitted.

² Other dryland crops (number of observations in parenthesis) include soybeans (7), corn (2), cotton (3), canola (1) and other small grains (1).

³ Other irrigated crops (number of observations in parenthesis) include grains (5), alfalfa (1) and cotton (1).

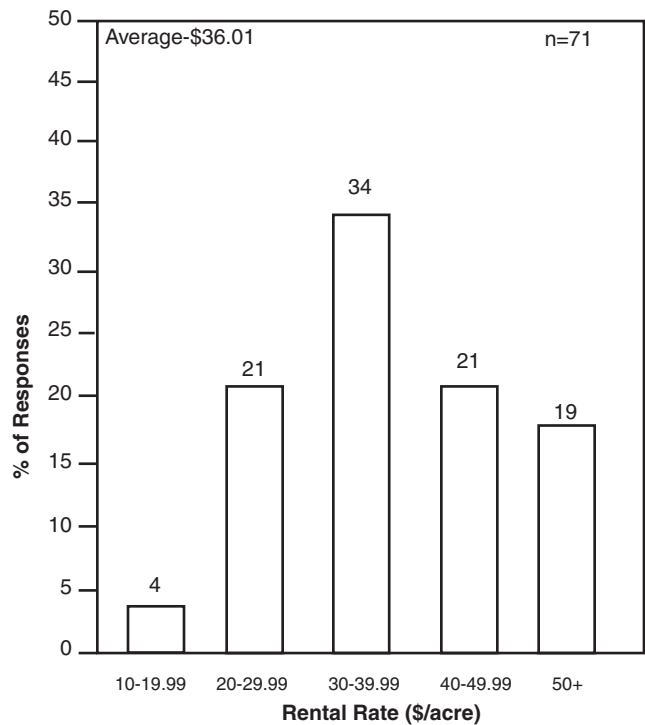


Figure 2. Relative Frequency of Responses for Dryland Wheat Cash Rental Rates, 2016.

Table 3. Crop Share Agreement Statistics by Region 2016-2017.

| | Northwest | Southwest | Northcentral | East | State |
|-------------------------|-----------|-----------|--------------|------|-------|
| <i>Acres in Lease</i> | | | | | |
| Number of Observations | 21 | 27 | 19 | 17 | 84 |
| Average | 243 | 458 | 326 | 302 | 344 |
| Median ¹ | - | 150 | - | 100 | 143 |
| <i>Years Lease Held</i> | | | | | |
| Number of Observations | 21 | 25 | 19 | 16 | 81 |
| Average | 14 | 14 | 19 | 13 | 14 |
| Median ¹ | 10 | - | 10 | 8 | 10 |

¹ Median values that represent single observations are omitted.

Figure 3a. Relative Frequency of Share Crop Agreement Statistics, 2016-2017.

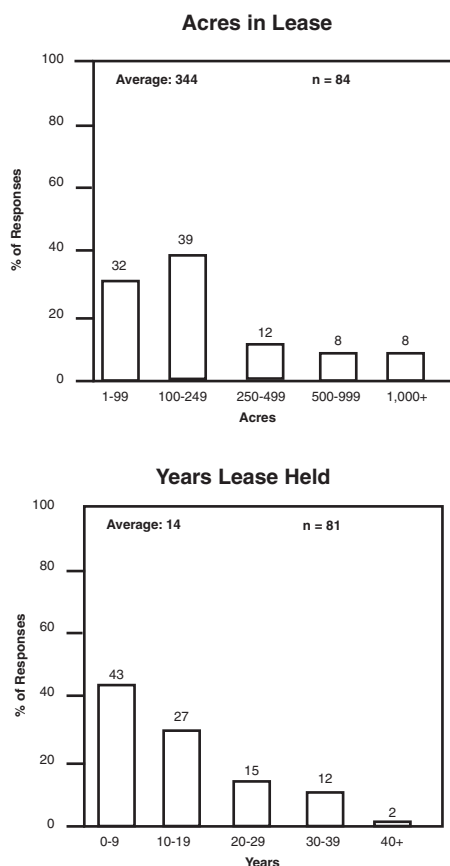


Table 4. Relative Frequency of Crop Share Agreement Statistics, 2016-2017.

| | No. of Observations | Average | Median ¹ |
|--|---------------------|---------|---------------------|
| <i>Tenant's Share of Receipts (Percentage)</i> | | | |
| Dryland Wheat | 71 | 67 | 67 |
| Dryland Alfalfa | 6 | 68 | 67 |
| Dryland Grain Sorghum | 11 | 67 | 67 |
| Other Hay | 13 | 67 | 67 |
| Other Crops | 17 | 68 | 67 |
| <i>Tenant's Share of Expenses (Percentage)</i> | | | |
| Crop | | | |
| Seed | 83 | 96 | 100 |
| Fertilizer | 91 | 72 | 67 |
| Herbicide | 83 | 78 | 67 |
| Insecticide | 79 | 76 | 67 |
| Chemical Applications | 84 | 87 | 100 |
| Hauling | 45 | 97 | 100 |
| Irrigation Energy | 12 | 89 | 100 |
| Harvesting | 77 | 99 | 100 |
| Cotton Ginning and Processing | 8 | 76 | 75 |
| Lime Application ² | 47 | 65 | 67 |
| Hay and Other | | | |
| Seed | 14 | 93 | 100 |
| Fertilizer | 13 | 76 | 67 |
| Herbicide | 16 | 82 | 75 |
| Insecticide | 12 | 77 | 67 |
| Chemical Applications | 15 | 91 | 100 |
| Cutting | 25 | 96 | 100 |
| Raking | 25 | 99 | 100 |
| Baling | 25 | 99 | 100 |
| Hay Hauling | 18 | 95 | 100 |
| Lime Application ¹ | 9 | 71 | 67 |

¹ Median values that represent single observations are omitted.

² 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.

Figure 4a. Relative frequency of responses for items in cropland share agreements, 2016-17.

Production

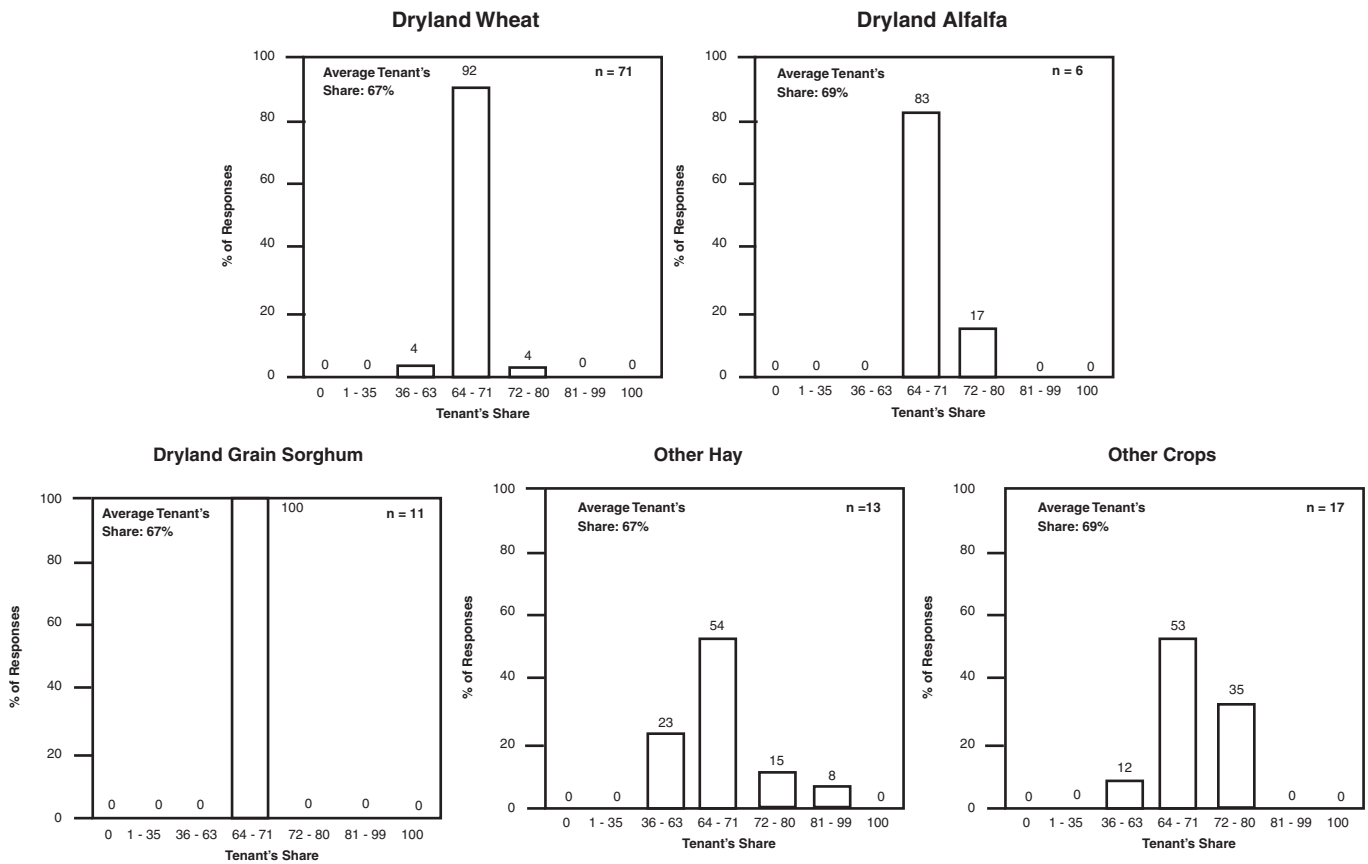


Table 5. Average Gross Cash Rent (Dollars per Acre) for Cropland, Selected States, 2007-2016.

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|
| Oklahoma | | | | | | | | | | |
| Dryland | 27.00 | 28.00 | 28.00 | 28.00 | 28.00 | 31.00 | 32.00 | 32.00 | 32.00 | 30.00 |
| Kansas | | | | | | | | | | |
| Dryland | 41.00 | 42.50 | 43.50 | 43.50 | 44.00 | 52.50 | 53.00 | 54.00 | 58.00 | 56.00 |
| Irrigated | 82.00 | 92.00 | 89.00 | 95.00 | 105.00 | 119.00 | 137.00 | 126.00 | 124.00 | 129.00 |
| Missouri | | | | | | | | | | |
| Dryland | 79.00 | 80.00 | 90.00 | 94.00 | 101.00 | 103.00 | 113.00 | 127.00 | 127.00 | 122.00 |
| Texas | | | | | | | | | | |
| Dryland | 23.00 | 24.00 | 25.00 | 26.00 | 28.00 | 25.00 | 24.00 | 27.00 | 29.00 | 27.00 |
| Irrigated | 65.00 | 80.00 | 77.00 | 75.00 | 77.00 | 79.00 | 82.00 | 87.00 | 82.00 | 90.00 |

Source: Agricultural Statistics Service, Oklahoma Agricultural Statistics 2016, USDA/NASS, Oklahoma Department of Agriculture, <http://www.nass.usda.gov/ok/>.

Figure 4b. Relative frequency of responses for items in cropland share agreements, 2016-17.

Crop Inputs and Expenses

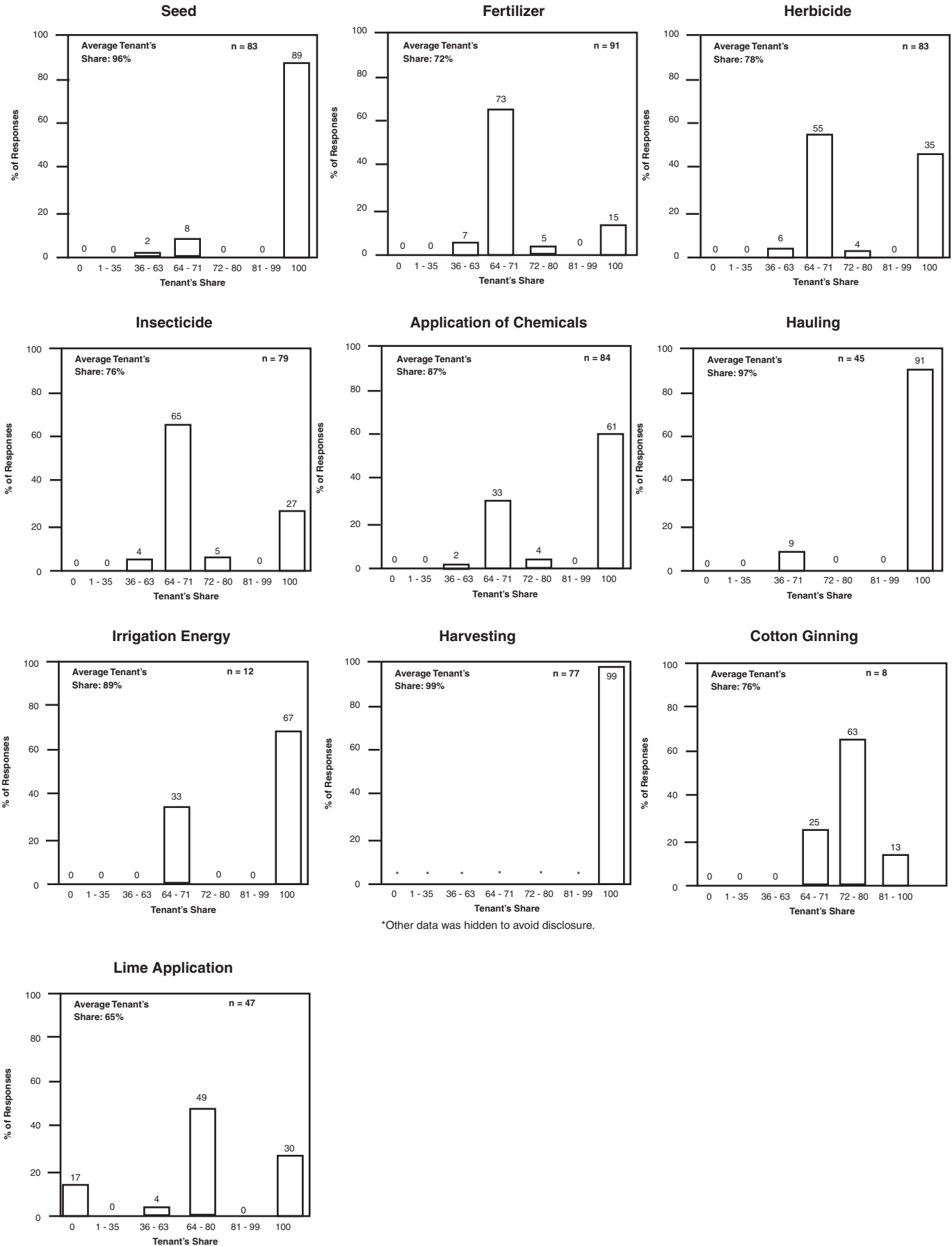
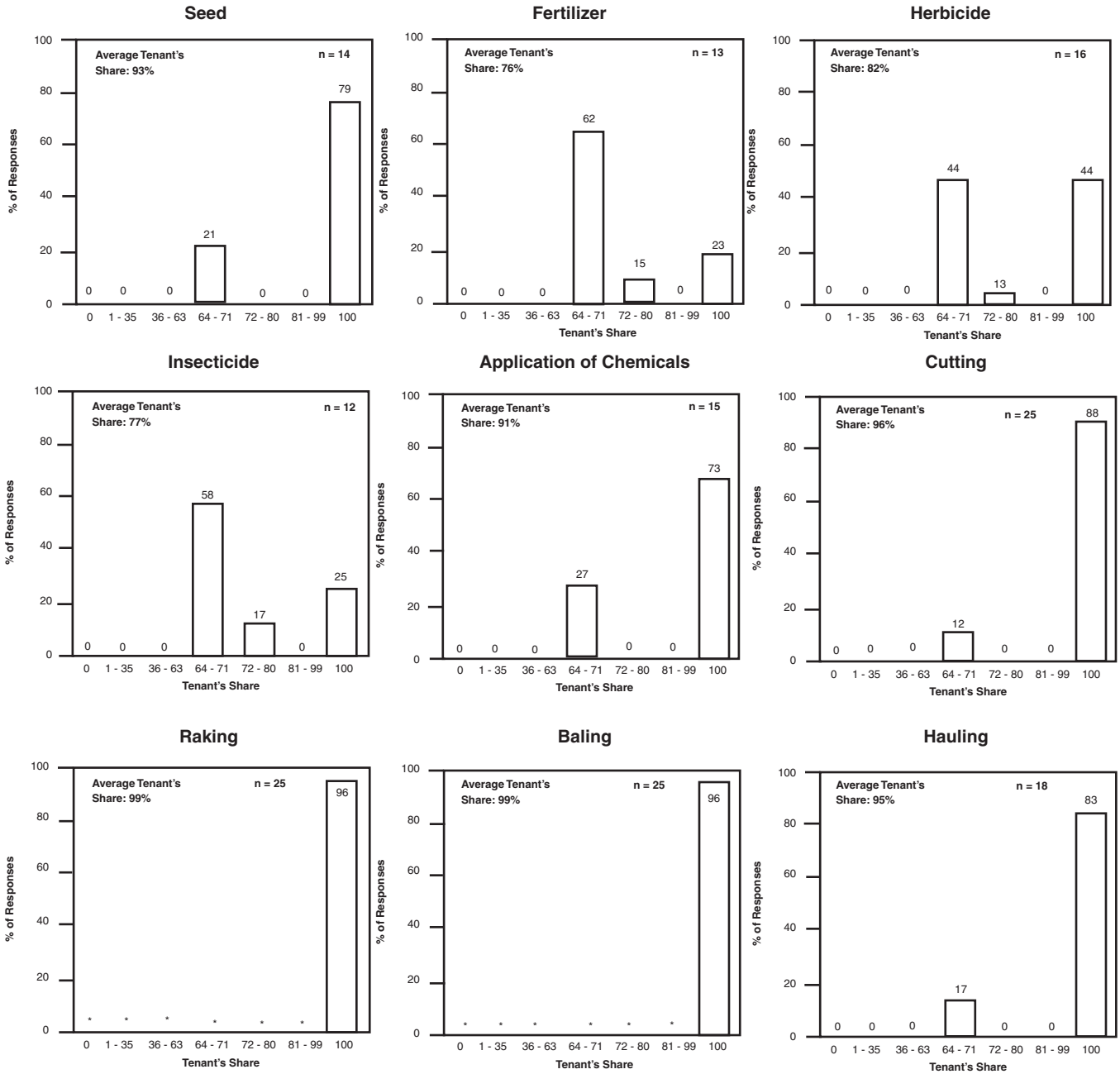


Figure 4c. Relative frequency of responses for items in cropland share agreements, 2016-17.

Hay Inputs and Expenses



*Other data was hidden to avoid disclosure.

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The Oklahoma Cooperative Extension Service

Bringing the University to You!

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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.

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- 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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