



Extension FactSheet

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Establishing a Fair Pasture Rental Rate

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Determining Rental Rates

Questions often arise as to what constitutes a fair rental price. Since there is not a commercial market for pasture, determining the price often becomes a matter of bargaining. Supply and demand is probably the most important factor in determining the price. If there is a large quantity of pasture available in a given area and very few farmers needing extra pasture, rents may be low. Likewise, if there were little pasture acreage for rent but many farmers needing extra pasture, rents may be bid higher.

Pasture rental prices are also influenced by alternative land uses. If the same acreage could be planted to corn or soybeans, the price for the pasture would have to be competitive with the rental rate for corn and bean land. If the land is not suited for production of row crops but could produce hay, the return to pasture would also have to be competitive with the return to hay ground.

Livestock facilities and their condition as well as the quality of the pasture and availability of water all have an effect on pasture rental rate.

Division of responsibilities between the landowner and the livestock owner need to be considered when negotiating rental price. In most cases, the renter is responsible for production activities, including checking livestock; providing fly control, salt, and minerals; checking water supply. Land-related activities, such as repairing fence, weed and brush control, and fertilizing and reseeding pastures, are typically negotiable. However, in most cases, it is the responsibility of the renter to repair fences with the landowner providing the necessary materials.

Landowner Considerations

The landowner should cover the real estate taxes, cost of fence repairs, insurance, and interest on his/her investment. However, since pastureland typically sells for a higher price than its earnings can support, the landowner may be only able to cover his out-of-pocket expenses.

Livestock Owner Considerations

The renter should calculate what he/she could afford to pay for rent. All the guidelines and estimates are just that — guidelines and estimates. The livestock owner needs to know what price he/she can profitably pay according to his/her projected budgets and returns. Additional responsibilities in the rental agreement, such as fixing fences, fertilizing, and mowing, need to be reflected by making the appropriate adjustments to the rent.

Pasture Rental Rate Methods

Several rule-of-thumb formulas have been developed for determining pasture rental rates on an animal-unit-per-month (A.U.M.) basis or on a per-acre basis. Animal Unit Month is defined as the amount of forage or feed required to feed 1,000 pounds of animal weight for 30 days (See Table 1 — Animal Units). Calculating pasture rents on an A.U.M. basis addresses animal consumption requirements and grazing months, based on forage quality and quantity. Pasture rent formulas may be more precise when details on land capability and forage yield can be included. Animal performance may also be used to value pasture based on average daily gain.

Type of Livestock		A.U.
Cattle	Cow with an unweaned calf at side, or heifer two years old or older	1.25
	Bull, two years old or older	1.3
	Young cattle, one to two years	0.8
	Weaned calves to yearlings	0.6
Horses	Horse, mature	1.3
	Horse, yearling	1.0
	Weanling colt or filly	0.75
Sheep	5 Mature ewes, with or without unweaned lambs at side	1.0
	5 Rams, two years old or older	1.3
	5 Yearlings	0.8
	5 Weaned lambs to yearlings	0.6
Meat Goats	5 Mature does, with or without unweaned kids at side	0.75
	5 Mature bucks, two years old or older	1.0
	5 Yearlings	0.5
	5 Weaned kids to yearlings	0.25

Pasture Rent Formulas

I. Pasture Rent Formulas — Animal Unit Methods

1. Hay value and pasture quality.

Number of animal units times the average hay price out of the field per ton times pasture quality factor = rate per head per month.

- Number of animals units — A.U. (see Table 1).
- Hay price per ton.
- Pasture Quality Factor.*

Factor	Description
0.12	Unimproved, poor condition
0.15	Fair to good permanent pasture
0.18	Very good permanent pasture
0.20	Excellent meadow — grass and legumes
0.22	Lush legume pasture

A x B x C = Pasture charge per head per month

As an example, consider a 1,000-pound cow with a 250-pound calf grazing fair to good pasture when the hay price is \$60 per ton:

$$1.25 \text{ animal units} \times \$60/\text{T} \times 0.15 \text{ quality factor} = \$11.25 \text{ per month}$$

2. Hay value per ton divided by 8.5 (rule-of-thumb forage equivalent) **multiplied by the animal unit = rate per animal unit per month.** Using the same cow-calf pair and the same hay price as previously:

$$\$60 \div 8.5 \times 1.25 = \$8.82 \text{ /cow-calf pair per month.}$$

3. Corn value per bushel multiplied by 2.2 (rule-of-thumb forage equivalent) **multiplied by the animal unit = rate per month.** Using the same cow-calf pair as before:

$$\$2.25/\text{bu.} \times 2.2 \times 1.25 \text{ AU} = \$6.19 \text{ /cow-calf per month}$$

II. Pasture Rent Formulas — Per Acre Methods

1. Rent per acre per season. Quality of pasture, supply, and demand are the main factors for determining rental rate.

2. Percentage of cropland value. This varies by region. On average, pasture ground values are nearly 70%

of cropland values in Ohio. Pasture rent is then figured at the same percentage of comparable cropland rents.

3. Percent of land value. Another rule of thumb that has been used is that seasonal rental rate should be equivalent to **3.5 to 6% of current market value** of the pasture land. If the estimated land value is \$1,800 per acre:

4% of \$1,800 = \$72 per acre for the grazing season

III. Pasture Rent — Utilizing Yields and Land Capability from the Soil Survey

All soils in Ohio and most other states have been assigned values for yield and A.U.M. (animal-unit-month): the amount of forage or feed required to feed one animal unit (one cow, one horse, one mule, five sheep, or five goats) for 30 days. The productivity and suitability of soil for grazing can be found for Ohio soils in the county soil surveys.

1. Here is an example of how we might utilize this information to establish a pasture charge based on yield. The values we will assign:

A. Comparable hay value. We will price pasture at half of the hay value.

B. Annual yield in tons.

C. The number of animal-unit-days (AUD/30 = AUM) the pasture is utilized as a portion of the total grazing season.

A x B = Seasonal Cost

Value of comparable hay: \$60/Ton; Pasture Value = \$30/Ton

Soil Survey Annual Yield: 2.8 Ton/A.

Seasonal Cost = \$30/T x 2.8 T/A = \$84/A.

2. If a stock density can be determined, then a cost per AUM and/or animal can be derived.

If the Soil Survey indicates pasture can be utilized for 150 AUD (5AUM) per season, and it is used for 60 days, then the:

Grazing Period Cost = A x B x C

Grazing Period Cost = \$30/T x 2.8 T/A x 60/150
= \$33.60

If the assigned stocking rate is one animal unit per acre, then the cost per head = AUM charge/number of animals. For someone grazing a breeding flock in the previous example (From Table 1, five ewes = 1.0 A.U.):

Cost per head = \$33.60/AUM x 1 AU/5 head
= \$7.72/head for the grazing period which equates to \$3.36/ewe/month.

IV. Pasture Rent — Based on Gain — Stockers/Dairy Heifers

When establishing pasture rents based on gain, the tenant and landlord must establish base values for per head/per month, number of grazing months, expected gain, and cost of gain.

A. Pasture charge per head per month

B. Grazing Season — number of months

C. Reasonable expected gain during grazing period (pounds)

To illustrate how this might work, one of the previous examples might formulate a pasture charge for a yearling steer at \$10 per head per month.

A x B = Seasonal Cost

\$10 x 6 = \$60 per head

The cost of gain calculation is based upon an expected gain during the grazing season.

(A x B) / C = Cost of Gain

\$60 / 200 lbs. = \$0.30 per pound of gain

Instead of charging \$10 per head per month, the owner of the pasture could charge \$0.30 per pound of gain which might be considered a break-even price. If the gain turned out to be above the expected gain, say 250 pounds, then the landowner would receive \$75 per head per season. On the other hand, if grass is short and gain is only 150 pounds, the landlord would receive \$45 per head per season. Feeding grain increases the average daily gain and may allow increased stocking rates, but it also increases the cost of gain and a new charge should be figured.

In Summary

Many factors affect the price paid for pasture rental, with supply and demand being the most important. Pasture quality, water availability, condition of fences and facilities are also important. The livestock owner needs to know his or her cost of production to calculate what he/she can profitably pay for the rental of pasture.

In turn, the landowner needs to know his/her ownership costs. An agreement that is fair to both parties can be negotiated when risk and responsibilities are understood.

Additional resources available to assist with pasture rental lease agreements include:

1. Ohio State University Extension
<http://ohioline.osu.edu/fr-fact/index.html>
 Farm Rental Agreement Checklist
 FR-0003-01 (pdf)
2. Free Sample Pasture Lease Agreement — Not a legal document.
 (See page 5 of this fact sheet or contact your local county office of Ohio State University Extension for a copy.)
3. Midwest Plan Service — Free Lease Forms
www.public.iastate.edu/~mwps_dis/mwps_web/leases.html
 NCR Publication 109 — Pasture Lease

Visit Ohio State University Extension's web site "Ohioline" at <http://ohioline.osu.edu>

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Sample Pasture Lease Agreement

(Not a legal document.)

I. Parties:

This lease entered into this _____ day of _____, _____, between

_____, landlord, of _____
pasture owner *address*

hereafter known as “the landlord,” and _____, tenant, of

livestock owner

address

II. Property Description

The landlord hereby leases to the tenant, to occupy and use for pasture purposes, the following described property:

consisting of approximately _____ acres situated in _____

County (Counties), _____ (State), and on any other land that the landlord may designate by mutual

written agreement.

III. General Terms of Lease

A. Term (select one option).

1.) Annual lease. The term of this lease shall be _____, commence on the _____ day of _____, and end on the _____ day of _____.

2.) Continuing lease. The term of the lease shall be _____ year(s), commencing on the _____ day of _____, _____, and shall continue in effect from year to year thereafter (as an annual lease) unless written notice of termination is given by either party to the other at least _____ days prior to expiration of the lease or the end of any year of continuation.

(Note: State laws differ on the duration of agricultural leases.)

B. Review of lease. A request for general review of the lease may be made by either party at least _____ days prior to the final date for giving notice to terminate the lease.

C. Amendments. Amendments and alterations to this lease shall be in writing and shall be signed by both the landlord and tenant.

D. No partnership created. This lease shall not be deemed to give rise to a partnership relation, and neither party shall have authority to obligate the other without written consent, except as specifically provided in this lease.

E. Binding on heirs. The terms of this lease shall be binding upon the heirs, executors, administrators, and

successors of both landlord and tenant in like manner as upon the original parties, except as provided by mutual written agreement otherwise.

F. Transfer of property. If the landlord should sell or otherwise transfer title to the farm, such action will be done subject to the provisions of this lease.

G. Additional agreements regarding terms of lease:

IV. Normal Units — Maximum Allowable:

Not more than _____ animal units shall be kept in the pasture at any time. Violation of this provision shall constitute grounds for termination of the lease unless the pasture owner first secures in writing the consent of the lessee. Each 1,000 pounds of average weight for the pasture period shall be considered an animal unit.

If the pasture owner and the owner of the livestock prefer, they can use the following basis for calculating animal units: 1 bull, 1.3 animal units; one 1,000 lb. cow, 1 animal unit; 1 yearling steer or heifer, 0.8 animal unit; calf, 6 months to 1 year, 0.6 animal unit; calf, 3 to 6 months, 0.3 animal unit; sheep, .5 per animal unit; horse 1.3 animal units.

V. Duties:

- 1.) The livestock owner agrees:
 - a. Not to pasture livestock known to be breachy (apt to break fences or break out of pasture). Should any animal be found outside the pasture on at least three occasions, the pasture owner may request its removal.
 - b. Not to assign his/her rights and duties under this lease without the written consent of the pasture owner.
 - c. To brand or tag all livestock in a manner sufficient to determine identity of ownership. A written list of all animals beyond weaning age entering the pasture together with brand description and classifications according to breed, age grouping, and sex shall be

provided to the owner of the pasture. Such list shall be kept up to date throughout the lease.

- d. Not to put any cattle in pasture without getting approval from the pasture owner in advance regarding number, health, sex, breed, and age.

2. The pasture owner agrees:
 - a. To place the perimeter fences and necessary cross fences in serviceable condition prior to the date livestock are brought to the pasture and to maintain the fences during the pasture season.
 - b. To provide an adequate source of water throughout the pasture season. Violation of this subsection shall constitute grounds for termination of the lease.
 - c. To inform all livestock owners at the time this contract is completed of any plans for putting any male animal(s) into the pasture, including a description and approximate dates of entry and withdrawal. Such intentions shall be made a matter of record as follows:

Description of Bull(s) (breed, markings, or registration number, etc.)	Date of Entry	Date of Removal

In the event the pasture owner should wish to put male animals not described above into the pasture, he shall give all owners of female stock notice of his intention to do so at least _____ days in advance of actually doing so. Owners of female stock shall then have the option of removing female stock without liability for any rental charges on the animals removed for the remainder of the season. Failure to remove female stock during the specified length of time shall be interpreted to mean that the owner has not objected to the pasture owner's stated intention and this contract shall continue to be binding.

VI. Both Agree:

- 1.) Not to obligate the other party. Neither party hereto shall pledge the credit of the other party

hereto for any purpose whatsoever without the consent of the other party. Neither party shall be responsible for the debts or liabilities incurred or for damages caused by the other party.

2.) Responsibilities. Additional responsibilities for each party shall be divided as follows:

	Livestock Owner	Pasture Owner
Inspect fences not less than once per _____		
Furnish labor for repair of fences		
Furnish materials for repair of fences		
Furnish materials for repair of water system		
Furnish salt and minerals		
Count livestock not less than once per _____		
Call veterinarian in case of emergency		
Pay veterinary expenses		
Provide loading and unloading facilities		
Furnish supplementary feed, if needed		
Notify other party of shortage in count		
Provide facilities for fly control		
Keep fly control facilities in working order		
Liability Insurance		

VII. Right of Entry:

Both parties and agents or employees, therefore, shall have the right to enter the pasture at any time for any legitimate purposes: (a) of consultation with the tenant; (b) of making repairs, improvements, and inspections; and (c) after notice of termination of the lease is given,

of performing customary seasonal work, not of which is to interfere with the tenant in carrying out regular operations. Due care shall be exercised to ensure that gates are closed upon entering and leaving the premises. Pasture owner may request right of entry to hunt and fish.

VIII. Computation of Rent: (Select one method and strike out the other not used.)

Method I. Per Head per Month Rental:

The livestock owner agrees to pay the following rates per animal unit per month \$ _____/AUM.

	Number Head	X	Number Animal Units	=	Total Rent per Period
Bulls					\$
Cows					\$
Yearling steers					\$
Yearling heifers					\$
Calves, 6 mons.-1 yr.					\$
Calves, 3-6 mons.					
Sheep					\$
Horses					\$
Other					\$
Total Rent					\$

Method II. Per Acre Charge

The livestock owner agrees to pay \$ _____ per acre for use of the land described in item II.

Method III. Payment for Gain

Livestock shall be weighed prior to entering the pasture at _____ and upon leaving the pasture at _____

Weighing shall be at the expense of the livestock owner, and in the presence of the pasture owner or his representative.

The net increase in weight will be paid at a rate of _____ per pound.

Share of Gain Rental:

The livestock owner agrees to pay _____ percent of the value of growing animals at weaning time; and \$ _____ per head per month for each non-producing animal. (examples: bulls, rams, or cows and heifers without calves.)

Except by written consent of the pasture owner, such rental shall be paid on not less than _____ animal units, regardless of whether or not the minimum number is actually pastured. If there are less than the minimum number, the rental shall be calculated on the basis of the average charge for those cattle in the pasture.

IX. Payment Schedule

Rent shall be due and payable when all stock has been removed by the livestock owner, or by the following schedule:

\$ _____ on or before _____ day of _____ (month)

\$ _____ on or before _____ day of _____ (month)

\$ _____ on or before _____ day of _____ (month)

\$ _____ on or before _____ day of _____ (month)

If rent is not paid when due, the tenant agrees to pay interest on the amount of unpaid rent at the rate of _____ percent per annum from the due date until paid.

Rental adjustment. Additional rental payment agreement:

X. Arbitration:

In case of disagreement relative to any provision of this lease, such dispute shall be referred to an arbitration committee composed of one member selected by each party, and a third member selected by the other two. The decision of the arbitration committee shall be binding upon the parties of this lease.

XI. Notarization

Executed in duplicate on the date first above written:

tenant/livestock owner

landlord/pasture owner

State of _____

County of _____

On this _____ day of _____, A.D. _____, before me, the undersigned, a Notary Public in said State, personally appeared _____, _____ to me known to be the identical persons named in and who executed the foregoing instrument, and acknowledged that they executed the same as their voluntary act and deed.

Notary Public