

MU Guide

2008 Cash Rental Rates in Missouri

Department of Agricultural Economics

In the summer of 2008, 207 Missourians responded to a mailed survey and provided information on their cash rental arrangements for farm property. A summary of their rates for Missouri cropland, pasture, farm buildings, pasturing livestock and whole farms is shown in the following tables. As expected, most rates have increased since our last survey.

This guide should not be used as the sole basis for determining your rent, but it may provide a reference as you consider the factors unique to your situation. The acres of land available for rent (supply) and the number of tenants wanting to rent for cash (demand), as well as production costs and market prices, can affect the amount of rent negotiated.

Table 1. Cash rent paid for Missouri crop and pasture land in 2008.

Type of land	Average rent per acre per year (\$)	Range in rents (\$)			Normal yield per acre	Number of responses	
		Low	Mid	High			
Cropland							
Corn	Dryland	97.95	20	100	175	135 bu	160
	Irrigated	147.99	125	—	150	175 bu	4
Soybeans	Dryland	96.91	20	95	175	42 bu	144
Wheat	Dryland	86.52	18	75	140	56 bu	27
Double-crop wheat-soybeans		104.69	40	75	150	wheat 56 bu beans 33 bu	19
Alfalfa hay		61.82	—	—	—	3.25 T	3
Grass hay		30.31	13	25	60	2.86 T	19
Pasture and grazing land							
Good pasture (less than 4 acres per 1,000 lb cow per year)		29.95	10	30	65		98
Fair/poor pasture (more than 4 acres per 1,000 lb cow per year)		22.34	7.50	25	40		39
Timber pasture		7.03	4	8.69	20		8

Notes: Average rents and yields are weighted by the number of acres rented.

The mid rent in the range is the rent that has an equal number of responses below and above it.

Table 2. Cash rent paid for Missouri cropland in 2008 by yield and acreage.

Corn				Soybeans			
Average yield (bushels per acre)	Average rent per acre per year (\$)	Average size (acres)	Number of responses	Average yield (bushels per acre)	Average rent per acre per year (\$)	Average size (acres)	Number of responses
100 or less	92	153	6	25–34	59	126	5
101–120	85	172	41	35–39	59	267	25
121–130	87	232	31	40–44	101	189	52
131–140	87	272	21	45–49	107	207	31
141–150	114	156	26	50–54	119	220	17
151 or more	125	247	22	55–60	129	275	5

Notes: Average rents are weighted by the number of acres rented.

Size is a simple average of the acreage of parcels reported.

Table 2 continued. Cash rent paid for Missouri cropland in 2008 by yield and acreage.

Wheat				Grass hay			
Average yield (bushels per acre)	Average rent per acre per year (\$)	Average size (acres)	Number of responses	Average yield (tons per acre)	Average rent per acre per year (\$)	Average size (acres)	Number of responses
35-45	78	132	9	2 or less	22	44	7
46-55	82	64	6	2.5-3.5	35	115	7
56-65	106	84	6	4 or more	29	148	2
66 or more	90	201	5				

Notes: Average rents are weighted by the number of acres rented.
Size is a simple average of the acreage of parcels reported.

Table 3. Charge for pasturing cattle by stocking rate (Missouri, 2008).

Type of rate	Average charge (\$)	Range in charges (\$)		Average stocking rate (animal units per acre)	Average time on pasture	Number of responses
		Low	High			
Per cow-calf per month	9.44	4.00	27.00	.35	7.1 months	18
Per heifer per month	5.75	3.50	10.50	.54	6.8 months	4

Table 4. Rental rates for Missouri farm buildings in 2008.

Type of structure	Basis of charge	Average charge (\$)	Range in charges (\$)		Number of responses
			Low	High	
Grain bin	per bushel per month	.023	.015	.03	10
	per bushel per year	.133	.10	.25	16
	flat rate per year (rate X max capacity of bin)	.115	.028	.32	22
Machine storage building	per square foot per year	.20	.094	.417	10

Whole-farm annual rent

In our 2008 survey, six farms with 80 percent or more cropland averaged rent of \$104 per acre; four farms with 75 percent or more pasture averaged rent of \$25 per acre; and six farms with a mix of 85 percent or more pasture and waste averaged rent of \$7 per acre. Farms with residences were not included. It was not clear what impact barns, bins, etc., had on rents, but productive capability of land appeared to be a major factor in all.

Table 5. Three-year comparison of Missouri cash rental rates.

Type of land	Average rates per acre per year (\$)			
	2006	2007	2008	
Cropland				
Corn	Dryland	79.42	86.30	97.95
	Irrigated	97.04	127.72	147.99
Soybeans		77.57	85.29	96.91
Wheat		70.34	77.18	86.52
Double-crop wheat-soybeans		72.47	93.31	104.69
Grain sorghum		53.41	—	—
Alfalfa hay		63.06	52.73	61.82
Grass hay		23.15	26.32	30.31
Pasture				
Good		26.00	28.37	29.95
Fair/poor		21.48	20.98	22.34
Timber pasture		12.14	7.03	7.03

What is cash renting?

In a cash rental agreement, a tenant pays a landowner a fixed amount of money per acre (or other unit of measure) for the use of resources — land and/or improvements. No non-monetary payment or share of production is involved. The rates are commonly expressed as annual rates per acre for cropland and pasture. However, pasture may also be cash rented by charging a fixed rate per animal placed on the pasture for a specific period of time.

Entire farm units may be rented on an annual basis for a flat rate. These rates vary widely because the diversity of farm units in the amount and quality of the land as well as type and usefulness of buildings or facilities on the property.

Storage facilities, such as grain bins and equipment storage structures, are also rented for cash. Rates are usually based on size or capacity for a specific use and time period — such as grain bins by capacity or a storage rate per bushel per month or per year. Use or availability of auxiliary equipment and utilities may also affect the rate.

A written lease that describes the terms of the agreement is recommended. A cash lease usually includes restrictions on use, such as which crops can or cannot be grown on specific fields and the degree of productivity that must be maintained. Pasture or livestock facilities may specify the number of animals allowed. Storage facilities may specify the type of crop to be stored and/or payment for utility usage. All cash leases should specify the amount of rent due, the time and method of payment and the duration of the lease. Apart from these terms, the tenant has free rein in planning production or use of facilities.

It is common practice for the tenant to pay all costs involved in raising the specified crops during

the period of the lease. Landowners normally pay for improvements expected to endure beyond the period of the lease, as well as expenses related to property ownership. As indicated by our 2006 survey, sharing of expenses for durable fertility improvements is a consideration in multi-year crop and pasture leases.

Pluses and minuses of cash renting

The tenant:

- + Is relatively free to make management decisions and develop a business unit.
- + Receives all profit resulting from higher crop yields or higher commodity prices. This adds an incentive for higher production.
- + May enroll in government programs and receive entire payment.
- Has increased risk. Rent is fixed regardless of production.
- Can have large capital requirements for production expenses.
- Can have rent increased for doing a good job. As yields increase, landowner sees opportunity to negotiate a higher rent.

The landowner:

- + Is assured of a specific level of income.
- + Is not required to tie up cash in the production process.
- + Has no worries about storing or marketing crops.
- In good years, does not receive as much money as he/she would in a crop-share arrangement.
- Worries that the tenant will let the place run down.
- Has little chance to do income tax management.

High rents increase the tenant's risks but benefit the landowner. A variable or flexible cash rent based on yields and prices can help distribute risk. However, adding variable or flexible features to a cash rental agreement can affect its classification for government programs and the distribution of payments. It is suggested that a proposed flexible agreement be reviewed

by the local USDA Farm Services Agency office for classification before finalizing the agreement.

For information on other types of rental arrangements and lease forms, contact the agriculture business specialist at your local University of Missouri Extension Center.

Also available from Extension Publications

1-800-292-0969

NCR75	<i>Fixed and Flexible Cash Rental Arrangements for Your Farm</i>
NCR105	<i>Crop-Share or Crop-Share/Cash Rental Arrangements for Your Farm</i>
NCR107	<i>Livestock Share Rental Arrangements for Your Farm</i>
NCR148	<i>Irrigation Crop Share and Cash Rental Arrangements for Your Farm</i>
NCR149	<i>Pasture Rental Arrangements for Your Farm</i>
G423	<i>Flexible Cash Rental Arrangement</i>
G424	<i>Missouri Crop-Share Leasing Patterns</i>
G426	<i>Farm Lease Agreement</i>
G428	<i>Customary Farm Rental Arrangements</i>
G520	<i>Verbal Farm Rental Agreements Under Missouri Law</i>

Authors

Ron Plain, extension economist.

Joyce White, project coordinator.