

**DAIRY ISSUE
SPECIAL
REPORT**

**ESTABLISHING
A FAIR RENTAL PRICE
FOR PASTURES**

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Renting pasture provides numerous benefits for both the owner and renter if a fair price can be established.

Unfortunately, establishing a fair price is not always a simple proposition. Many factors, including pasture supply and demand, the pasture location and quality, affect the rental price that is fair to both parties.

There are as many pasture rental agreements as there are rented pastures, and if both the owner and renter are happy, then they have established a fair rental price. However, if you are new to the pasture renting scene, then there are a couple methods that can assist you in establishing a fair rental price. Three of these methods are outlined below.

Cash Rent Per Acre

A fair rental price on a per-acre basis should reflect pasture productivity with low producing pastures receiving less rent per acre than a highly productive pasture.

Since relatively few pasture owners know how productive (tons per acre or animal carrying capacity) their pastures are, then a guesstimate of pasture productivity is necessary.

A guesstimate of pasture productivity should consider such things as types of grass and legume in the pasture, natural soil productivity, type and amount of weeds in the pasture, previous fertility practices, conditions of fences, and proximity to water source.

Generally, when a pasture is rented by the acre, the pasture owner should have everything (fences, shelters, and water supply) in working order. Once livestock are moved onto the pasture, the renter becomes responsible for maintenance and labor, while the owner supplies the material for repairs.

However, each agreement is most likely tailor-made to meet the needs of both the owner and renter. For example, the renter may pay less per acre, but agree to furnish fertilizer or fencing material.

Rent As Share Of Grain

With this type of agreement the owner and renter agree to divide the production and a price risk. The owner's contributions include land taxes, interest on pasture investment, and depreciation and repairs on fences and water systems. The renter contributes the livestock, interest on livestock, and labor. Division of other expenses, such as supplemental feed and veterinarian expenses, are worked out in the rental agreement.

As an example of how the Rent As Share of Grain method could work, lets use a 400-pound steer. When the steer is placed on pasture in the spring it might have a value of \$380 (400 pounds x \$.95/pound). At the end of a three-month period, the steer may be worth \$466 (525 pounds x \$.85). The increase in value of the steer during the three months it was on pasture would be \$86 (\$466-\$380) which would be shared between the pasture owner and renter as they had agreed upon earlier.

fair price is more complex than the previous two methods and in the final analysis must meet the needs of both the pasture owner and renter to be fair. With this method, the rental price is based on the animals units (AU, 1,000 pounds of livestock) on the pasture, the pasture production potential, pasture quality (Table 1), and the value of hay of similar quality. As an example, lets use a 1,100-pound cow on good pasture.

Table 1, Pasture production/quality factor used to calculate a pasture rental value.

Pasture Description	*Factor
Excellent grass/legume pasture	.275
Good Pasture	.225
Fair Pasture	.175
Poor Pasture	.125

*Factors have been modified for Pennsylvania from Indiana values.

Grazing Animal Units	X	Ave. Price for Good Hay/Ton	X OR	pasture factor	=	Rate Per Head Per Month
1.1AU	X	\$50/Ton	X	.225	=	\$14.03

In this example, the renter pays the pasture owner \$14.03 each month (or fraction of a month) for each 1,100-pound cow grazing on the pasture. Therefore, if the renter had 10 cows on the pasture, the rental fee would be \$140.30 per month.

Rent Per Head per Month
This method of establishing a

Any fair rental agreement is one in which all parties understand and agree to the terms and conditions. Once such an agreement is reached, it is important that it be written out so that both parties can refer to it and determine their rights and responsibilities.

References

Ruth Hambleton, proceeding of 1993 Forage Conference, University of Illinois.

Pasture Leases, EC-623, Purdue University Cooperative Extension Service.



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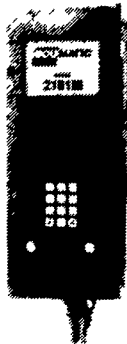
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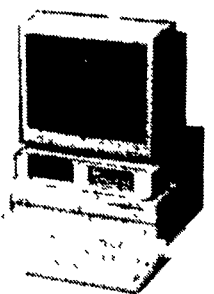
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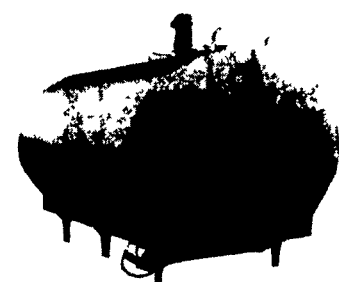
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