

Projected Pasture Rental Rates for 2012

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It's that time of year when livestock producers and landowners look to warming weather and grass turning green and thus the need to negotiate pasture rental rates for the upcoming grazing season. Often the starting point in negotiations is what was charged last year and then a determination is made as to whether or not that value should be changed for the current year. A valuable source of information historically available to look at the previous year was the average rental rates reported in the annual *Bluestem Pasture Release* published by the Kansas Department of Agriculture Statistics Division (Kansas Ag Statistics) (historical reports are available at

www.nass.usda.gov/Statistics_by_State/Kansas/Publications/Economics_and_Misc/Bluestem/).

This survey collected data on rental rates in the Flint Hills of Kansas for various types of cattle and stocking programs (i.e., different weights of stocker cattle for both season long and early intensive and spring- and fall-calving cow herds). Unfortunately, due to budget constraints this survey was discontinued after 2009 and thus producers and landowners who have relied upon that information in the past need to find an alternative source of information.

One alternative source of information is the USDA NASS survey of cash rental rates at the county level. This information for Kansas is summarized in *2011 Kansas County-Level Land Values and Cash Rents* available at www.agmanager.info/farmmgmt/land/lease/. The disadvantage of this information is that rental rates are reported only as dollars per acre without any supporting information pertaining to stocking rates. Without knowing anything about stocking rate, information on pasture rental rates per acre has limited value when setting rates for specific tracts of land.

Many factors impact the rental rate for any particular tract of land (e.g., forage quality, stocking rate, size of pasture, quality of fence, water availability, landowner/tenant relationship), however, an examination of historical data indicates there are three factors that explain much of the variability in *average* rental rates over time. First, rates trend up over time and thus are expected to increase from year-to-year, all else equal. Second, rates are positively related to cattle prices, i.e., rental rates tend to increase more when cattle prices are high compared to when cattle prices are low. Third, rental rates are positively related to corn prices suggesting that producers are willing to pay more to rent grass when feed prices are high. These relationships have been quantified and embedded in a decision tool that allows producers and landowners to predict average rental rates given assumptions about these three factors (i.e., year, feeder cattle price, and corn price) (see *Determining Pasture Rents in the Kansas Flint Hills* and corresponding decision tool available on www.AgManager.info (direct link www.agmanager.info/farmmgmt/land/lease/)).

Tables 1-3 below report model-estimated *average* pasture rental rates for 2012 based upon feeder cattle and corn prices for the first several weeks of January. Both feeder cattle and corn prices are significantly above long-term averages. As stated above, absolute values of rental rates can (and should) vary considerably for many reasons. Thus, what is relevant in tables 1-3 are not necessarily the absolute rates (i.e., \$/head or \$/ac), but rather the change from last year. That is, producers and landowners should look at how rates are expected to change and apply that to rates from last year (assuming the base rate last year was appropriate). While the results vary depending on cattle type and grazing program, they generally suggest an increase in rental rates of 1-3% from last year's rates. The average annual percentage change for the previous 30 years has averaged roughly 1.5 to 2%, thus this suggests pasture rates in 2012 are expected to increase, in percentage terms, similar to long-term growth rates. Given the high feeder cattle and corn prices, it might seem rates would be predicted to increase by more than 1-3%, however, the reason for the modest increase is because model-estimated rates were up significantly in 2011. That is, much of the effect of high prices of feeder cattle and corn was captured in 2011 rates. Thus, if actual rates last year (2011) did not increase as the model suggested, they possibly should increase more this year than what is shown.

It is important for landowners to recognize that while the current economic conditions (i.e., high cattle and corn prices) reflect conditions that suggest pasture rental rates will be higher than longer-term averages, rates may need to decrease if and when conditions go the other direction. For example, if cattle and/or feed prices change significantly in the next 30-60 days, producers and landowners may want to "plug" those values into the model to see how that impacts projected rental rates. Likewise, if prices increase significantly before the grazing season starts, then it may be that rental rates will need to increase more than what is shown in tables 1-3.

Another consideration for pasture rental rates for 2012 will be the condition of the pasture. The model-estimated rates in tables 1-3 do not take into account the significant drought conditions that persisted in much of southern Kansas in 2011 and possible lingering effects for 2012. Thus, if stocking rates need to be reduced in 2012 due to poor forage conditions, it might be that pasture rental rates on a per acre basis might actually decrease from last year. This provides a good example why producers and landowners should focus on the rental rate per head (or per pair) as opposed to the rate per acre. For example, the rate for short season grazing program with stocker cattle weighing 500-700 pounds is estimated to be up 2.4% (table 3), but if stocking rate (head/acre) needs to be decreased then it could be that the rate per acre might decrease even though pasture costs per head are expected to increase. What is important is that landowners and producers communicate to make sure stocking rates are adjusted if necessary so as to protect the long-term productivity of the pasture.

Table 1. Bluestem Pasture AVERAGE Lease Rates and Acreage Guarantees -- Full Summer Season (~ 6 months)

Year*	Steers and Heifers -- < 500 lbs			Steers and Heifers -- 500-699 lbs			Steers and Heifers -- > 700 lbs			Average \$/acre	Percent Change		
	Dollars	Acres	\$/acre	Dollars	Acres	\$/acre	Dollars	Acres	\$/acre		< 500 lbs	500-699	> 700 lbs
2007	\$59.20	3.7	\$16.00	\$67.20	4.4	\$15.27	\$77.40	4.4	\$17.59	\$16.29	-13.2%	-0.9%	-9.4%
2008	\$67.60	3.6	\$18.78	\$73.20	3.8	\$19.26	\$89.60	4.8	\$18.67	\$18.90	14.2%	8.9%	15.8%
2009	\$65.10	4.3	\$15.14	\$70.90	3.9	\$18.18	\$83.80	5.2	\$16.12	\$16.48	-3.7%	-3.1%	-6.5%
2010	\$68.20	3.8	\$17.89	\$73.11	3.9	\$18.71	\$88.14	4.8	\$18.25	\$18.29	4.8%	3.1%	5.2%
2011	\$69.61	3.8	\$18.27	\$78.21	3.9	\$20.12	\$94.57	4.8	\$19.63	\$19.34	2.1%	7.0%	7.3%
2012	\$70.80	3.8	\$18.60	\$79.21	3.9	\$20.47	\$97.56	4.8	\$20.24	\$19.77	1.7%	1.3%	3.2%

* Survey was discontinued after 2009. 2010-2012 values are from a regression-based prediction where rate is a function of feeder cattle and corn futures prices and year. 2012 rates are forecasts based on feeder cattle and corn futures prices from 1/3/12 - 1/17/2012 (\$153.56/cwt for feeder cattle and \$6.11 for corn).

Table 2. Bluestem Pasture AVERAGE Lease Rates and Acreage Guarantees -- Full Summer Season (~ 6 months)

Year*	Cow/calf pairs -- Fall calves			Cow/calf pairs -- Spring calves			Cow/calf pairs -- Average			Percent Change		
	Dollars	Acres	\$/acre	Dollars	Acres	\$/acre	Dollars	Acres	\$/acre	Fall	Spring	Avg
2007	\$125.50	8.0	\$15.69	\$125.80	8.0	\$15.73	\$125.70	8.0	\$15.71	4.1%	5.8%	5.3%
2008	\$132.10	8.0	\$16.51	\$133.30	7.6	\$17.54	\$133.00	7.7	\$17.27	5.3%	6.0%	5.8%
2009	\$127.60	8.3	\$15.37	\$131.10	7.4	\$17.72	\$130.10	7.6	\$17.12	-3.4%	-1.7%	-2.2%
2010	\$131.24	7.8	\$16.74	\$131.27	7.6	\$17.36	\$131.01	7.7	\$17.04	2.9%	0.1%	0.7%
2011	\$147.14	7.8	\$18.75	\$142.98	7.6	\$18.85	\$146.08	7.7	\$18.96	12.1%	8.9%	11.5%
2012	\$150.94	7.9	\$19.22	\$144.65	7.6	\$18.98	\$149.32	7.7	\$19.32	2.6%	1.2%	2.2%

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Table 3. Bluestem Pasture AVERAGE Lease Rates and Acreage Guarantees -- Short Summer Season (~ 3 months)

Year*	Steers and Heifers -- < 500 lbs			Steers and Heifers -- 500-699 lbs			Steers and Heifers -- > 700 lbs			Average \$/acre	Percent Change		
	Dollars	Acres	\$/acre	Dollars	Acres	\$/acre	Dollars	Acres	\$/acre		< 500 lbs	500-699	> 700 lbs
2007	\$56.60	3.0	\$18.87	\$59.70	2.9	\$20.59	\$70.20	3.0	\$23.40	\$20.95	11.0%	7.2%	1.0%
2008	\$61.40	2.8	\$21.93	\$61.60	2.7	\$22.81	\$72.10	3.5	\$20.60	\$21.78	8.5%	3.2%	2.7%
2009	\$56.60	2.8	\$20.21	\$62.40	2.7	\$23.11	\$67.00	3.6	\$18.61	\$20.65	-7.8%	1.3%	-7.1%
2010	\$58.93	2.7	\$21.66	\$64.28	2.8	\$22.86	\$72.32	3.2	\$22.91	\$22.48	4.1%	3.0%	7.9%
2011	\$65.48	2.7	\$23.98	\$69.58	2.8	\$24.65	\$79.01	3.2	\$25.08	\$24.57	11.1%	8.2%	9.2%
2012	\$66.05	2.7	\$24.04	\$71.24	2.8	\$25.10	\$81.70	3.2	\$25.84	\$25.00	0.9%	2.4%	3.4%

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