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# Computing a Pasture Rental Rate

Is there a simple and uniform method of figuring a rental rate for pasture and hay land? Probably not, but guidelines are available. There are several methods for computing a pasture rental rate, and several factors that influence the rental rate.

Pasture rental rates vary according to the quality of stand, type of forage species, amount of timber, condition of the fences, availability of water, and previous fertility practices on the pasture.

A pasture rental rate can be based on:

- current market rates
- a return on investment in pastureland
- forage value
- rent per head per month (AUM)
- carrying capacity
- rent per pound of gain

#### **Current Market Rates**

Pasture rent per acre can be established by charging a rental rate similar to what others are charging. Average pasture rental rates by county and region of the state are shown in *AgDM File C2-10*, **Cash Rental Rates for Iowa Survey**. These rates are based on a survey that is conducted every spring, and include rates per animal unit month as well as per acre per year.

#### **Return on Investment**

Another method is to compute a rental rate based on the sale or market value of the pastureland. Pasture rent may range from 1.5 to 2.0 percent of market value. For example, pasture with a sale value of \$3,600 per acre will rent from \$54 to \$72 per acre ( $$3,600 \times 1.5\%$  to 2.0% = \$54 to \$72). AgDM File C2-09, Iowa Farmland Rental Rates (USDA) has information on current values.

However, determining the market value of pastureland is difficult because pasture is seldom sold separately from the farm. *AgDM File C2-70*,

Farmland Value Survey - Iowa State University and File C2-75, Farmland Value Survey - Realtors Land Institute provide information on current pastureland values.

# **Forage Value**

To compute a rental rate based on forage value, estimate the expected pasture or hay production per acre and multiply by either 25 percent of the price of grass hay during the grazing season for pasture, or 35 percent of the price of hay for an established stand of hay. If the tenant supplied labor and machinery for establishing the hay crop and pays half of the seed and fertilizer costs, then a rental rate equal to 50 percent of the value of the hay crop would be more appropriate. Use hay prices corresponding to the type and quality of the stand. Some typical pasture production levels are shown in Table 1.

Table 1. Forage production (tons per acre) and animal unit months per acre for various types of grasses.\*

	Tons/	AUM/
	acre	acre
Bluegrass, unimproved	1.0 - 1.5	3.0
Bluegrass, improved		
with legume or nitrogen	1.5 - 2.5	4.0
Birdsfoot trefoil and grass	3.0 - 4.0	5.0
Orchard or brome grass, alone	3.0 - 4.0	4.0
Orchard or brome grass		
with legume or nitrogen	4.0 - 5.0	6.5
Warm season grasses	4.0 - 5.0	4.0
Alfalfa, plus grass	4.0 - 6.0	6.0
Cornstalks	0.5 – 1.0	0.7

<sup>\*</sup> Rotational grazing can increase production about 25 percent.

For example, assume a summer grass hay price of \$100 per ton and an unimproved bluegrass pasture yield of from one to one and one-half tons per acre (Table 1). The rental rate per acre is from \$25 (\$100 per ton  $\times$  25 percent  $\times$  1 ton per acre = \$25) to \$37.50 (\$100 per ton  $\times$  25 percent  $\times$  1.5 tons per acre = \$37.50).

Page 2 File C2-23

For rental of established hay, an alfalfa/grass summer hay price of \$120 per ton and an alfalfa/grass yield of from four to six tons per acre (Table 1) results in a rental rate per acre of from \$168 (\$120 per ton x 35 percent x 4 tons per acre = \$168 per acre) to \$252 (\$120 per ton x 35 percent x 6 tons per acre = \$252 per acre) for hay production.

# Rent per Head per Month

With this method, the livestock owner pays rent according to the number of animals grazed and length of time the pasture is used. This is measured by computing the animal unit months (AUMs). An AUM is the amount of forage required to support a 1,000 pound cow with a calf up to 4 months of age for one month. Table 2 can be used for figuring AUMs. For example, 10 cows and calves pastured for three months equals 30 AUMs ( $10 \times 1.0 \times 3$ ). Note that forage consumption normally parallels the weight of the animal.

Table 2. Animal unit equivalents

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Type of Animal	<u>AUM</u>
Mature cow	1.0 to 1.4
Bull	1.5
Yearling steer/heifer	0.7 to 0.9
Two-year-old heifer	1.0 to 1.2
Calf	0.4
Ewe	0.20 to 0.28
Replacement ewe lamb	0.13 to 0.17
Horse	0.9 to 1.2

Rent is calculated by multiplying a rental rate per AUM by the number of AUMs. A rental rate per AUM can be figured by using the current hay price and the quality rating of the pasture. Forage quality factors are shown in Table 3.

#### **Table 3. Pasture quality factors**

Lush, green high-protein pasture	.22
Good tallgrass pasture	.20
Fair to good native pasture, mostly shortgrass	.15
Poor or weedy shortgrass pasture	.12
Cornstalks	.10

For example, let's assume the pasture is brome (tallgrass) pasture. Also, assume the average grass hay price during the summer is \$100 per ton. The rental rate per AUM is \$20 ( $$100 \times .20$ ). If 10, 1,000-pound cows with a calf by their side are pastured for three months, 30 AUMs of pasture are used during the summer. The rent is \$600 (30 AUMs x \$20 per AUM) for the summer.

Typical rates per AUM by county and region of the state are shown in *AgDM File C2-10*, <u>Cash Rental Rates for Iowa Survey</u>.

# **Carrying Capacity**

This method is based on the carrying capacity of the pasture. The rental rate per AUM is multiplied by the carrying capacity of the pasture in AUMs per acre to estimate a pasture rental rate per acre for the whole grazing season. The rental rate per AUM is computed by either multiplying the hay price during the grazing season by the pasture quality factor (Table 3), or by using a typical rental rate from *AgDM File C2-10*, <u>Cash Rental Rates for Iowa Survey</u>.

For example, a \$100 grass hay price and a tallgrass pasture rating of .20 results in a rental rate per AUM of \$20 (\$100 x .20). A brome grass pasture may produce four AUMs per acre during the grazing season (Table 1). Multiplying the rate per AUM by the AUMs per acre results in a rent of \$80 per acre (\$20 per AUM × 4 AUMs).

## Rent per Pound of Gain

With this method, pasture rent is based on the added weight the livestock gain while they are on pasture. This approach is best suited for stocker and feeder cattle rather than beef cows. To determine the rent payment, it is necessary for the cattle to be weighed or an average weight estimated before they are placed on pasture and after they are taken off pasture. This may not be practical in some situations.

Gain from pasture forage can be valued at about two-thirds to three-fourths the feed costs of gain in a feedlot. In a normal year the value of gain of live-stock on pasture is from 50 to 60 cents per pound of gain. Rent is figured by multiplying the value of the gain by the total amount of gain per day.

For example, assume the average weight per animal is 585 pounds at the beginning of the period and 815 pounds at the end. The amount of gain is 230 pounds (815 pounds - 585 pounds). If the rental rate is 60 cents per pound of gain, the rental charge is \$138 per head (60 cents × 230 pounds).

To calculate pasture and hay land cash rents, use the worksheet on the following page, or *Decision Tool C2-23*, <u>Calculating Pasture and Hay Land Cash Rents</u>.

File C2-23 Page 3

# **Pasture and Hay Cash Rent Worksheet**

### A. By Forage Value

1.	Forage production per acre (Table 1)		tons
2.	Hay price during grazing season	\$_	/ ton
3.	Rent per acre (A1 x A2 x 30% for hay, 25% for pasture)	\$_	/ acre
B. Pe	er Animal Unit Month		
1.	Hay price during grazing season	\$_	/ ton
2.	Pasture quality factor (Table 2)		<del></del>
3.	Rent per animal unit month (AUM) (B1 x B2)	\$	/ AUM
4.	Total animal units (Table 3 factors x number of animals)		units
5.	Total rent per month (B3 x B4)	\$	/ month
C. B	y Carrying Capacity		
	Rent per AUM (B3) x AUM / acre (Table 1) =	\$	/ acre
D. P	er Pound of Gain		
	Rent per lb of gain x (End lbs Beg lbs) =	\$	/ head

Table 1. Forage production <sup>1</sup>

	Hay Equivalent, <sup>1</sup> Ton / acre	AUM / acre
Bluegrass, unimproved	1.0 – 1.5	3.0
Bluegrass, improved, with legume or nitrogen	1.5 – 2.5	4.0
Birdsfoot trefoil and grass	3.0 - 4.0	5.0
Orchard or brome grass, alone	3.0 - 4.0	4.0
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Table 3. Pasture quality factors			
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Poor or weedy shortgrass pasture	.12		
Cornstalks	.10		

Source: NCR-149

Issued in furtherance of Cooperative Extension work, Acts of May 8 and July 30, 1914, in cooperation with the U.S. Department of Agriculture. Cathann A. Kress, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

<sup>&</sup>lt;sup>1</sup> Rotational grazing can increase production about 25 percent.

<sup>&</sup>lt;sup>2</sup> For more detailed information see publication PM-1771, "Guide for Year-Round Forage Supply."

<sup>...</sup> and justice for all

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