

ECONOMIC RENT FOR PASTURE

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Quite often the request is made for ballpark figures on current pasture rental rates. Rather than just throw out average rates in the county, it is necessary to take into account the various quality and quantity factors that come into play in pasture economics. Realize, too, the going market rates for pasture of the same quality in your immediate area as that has a significant bearing on what people are willing to pay for pasture.

Some of the basic methods one can use to figure pasture rent are:

- 1) per head of livestock per month
- 2) a flat rate per acre
- 3) by the weight gain of the livestock.

The rate per head of livestock per month is probably the most accurate method as it considers the size of animal and quality of the pasture. Multiply the number of animal units (one animal unit equals 1000 lbs.) during the pasture season by the price of good quality hay per ton. Then, that figure is to be multiplied by a pasture quality factor as listed here. If it is a lush, green, high-protein pasture, the quality factor equals 0.22; excellent tall grass pasture equals 0.20; fair to good native pasture, mostly short grass equals 0.15; poor, short grasses or considerable weed growth equals 0.12.

Example: Suppose the cattle average 900 pounds during the season with good hay priced a \$75 per ton. The pasture quality is estimated with a 0.15 rating. Thus, one would get this result: $0.9 \times \$75 \times 0.15 = \10.13 per head per month.

Other ways of figuring this per head per month rate are using the following thumbrules per a 1000 lb. animal unit:

- rent equals 2.2 times the price of a bushel of corn.
- rent equals the price of a ton of hay divided by 8.5.
- rent equals the price of fed cattle divided by 11.

Remember, though, that these are just general guidelines that were common in the past and do not take into account the various quantity and quality factors of pasture economics.

The second method is to use a flat rental rate, as is also common, the annual rental rate for the season will average between 8-10 percent of the market value of the land, but use that only as a starting point and adjust for quantity and quality factors. Or, some base rent on ownership costs based on the costs for taxes, insurance, improvement and upkeep. Then, add 4-6% of the land value for a return on investment.

Thirdly, one can use a weight gain method if appropriate and practical by weighing the cattle on and off the pasture. Negotiate the price per pound of gain, but a good estimate may be around 20 cents per pound.

In summary, then, there are several methods available to figure economic rent on pastures. This is not to make a simple question complicated, but there are quality and quantity factors which need to be considered rather than just using thumbrule rates.

