



Frequently Asked Questions: **Pasture Leases in Kansas**

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Frequently Asked Questions on Pasture Leases in Kansas

1. What is a “fair” cash rent for my pasture?

Cash rents for pasture will vary based on market conditions and characteristics of the land. The best source for cash rent values is the “going market rate” for similar land. The quantity and quality of the grass and the effective stocking rate, along with other features including fence, corrals, and water availability will all affect the value of the pasture. If current market rate information is not available from public or private sources, then pasture owners and tenants can use the *KSU-Graze.xls* spreadsheet to estimate a cash rental rate for their specific situation based on historical market values, landowner costs, and/or livestock owner returns.

2. What are the most common pricing methods for grass pasture in Kansas?

Grass pasture is typically priced on a flat-rate basis (i.e., \$/acre or \$/head). For example, bluestem pasture in the Flint Hills of Kansas is often priced on a \$/head basis for a full grazing season (usually six months) with accompanying acreage guarantees per head. In other areas of Kansas, grass is typically priced on a per acre basis. When pasture is priced on a \$/head or \$/acre basis, the cattle owner incurs all the performance (gain) risk, while the landowner is guaranteed a fixed income. Pasture priced on a \$/acre basis may provide an incentive for the cattle owner to aggressively graze, especially if they view the lease as short-term. Thus, landowners may want to stipulate a maximum stocking density to ensure against the land being overgrazed.

3. What are the most common pricing methods for grazing growing crops or crop residue?

Like grass pasture, grazing growing crops and crop residues may be priced on a flat-rate basis, but often these forages are priced on a time-weight or gain basis. Common time-weight pricing methods include \$/head/day or \$/cwt/month. The \$/head/day pricing method offers the landowner less risk of overgrazing, while the cattle owner will have reduced death loss risk. The \$/cwt/month method can be based on the beginning or average weight of the livestock. In each case the animals must be weighed (once for the beginning weight method, twice for the average weight method). If the beginning weight method is used, the cattle owner will bear most of the production risk, and the landowner will have little incentive to provide service. If the average weight method is used, the landowner will share additional production risk with the cattle owner. Pricing on a gain basis (\$/lb of gain) is common in wheat grazing situations. When pricing on a gain basis, production risk is shared by the landowner and cattle owner, and each has an incentive to manage for gain.

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4. Which grazing pricing method is best for my situation?

The “best” pricing method will depend on several factors. The type of grazing (i.e., grass or crop residue), type of livestock (i.e., stocker cattle or cow/calf), and desired level of involvement from the landowner (financial risk and personal management) will all play a role in determining which method is preferred. For example, landowners desiring little risk will likely choose a flat-rate or time-weight pricing method. Landowners renting to stocker operators may prefer renting on a gain basis if they are also willing to incur some production risk.

5. Should tenants make long-term investments in the land (i.e., corrals, fence, water development, etc.)?

It is generally recommended that landowners make long-term investments in the land in case the landowner decides to terminate the lease agreement with the tenant. If the tenant does make a long-term investment, and the lease is subsequently terminated, the tenant should be compensated for any unused portion of the investment. In the case that a tenant makes a long term investment in the land, it is important to have a written lease describing the process in which a tenant would be compensated if the lease is terminated. Based on survey responses, a common arrangement with regards to fencing is that landowners typically provide supplies (posts, wire, etc.) and the tenant provides the labor for repairing fence.

6. Who is responsible for noxious weed control in pastures?

According to Kansas law it is the duty of landowners and tenants to control the spread of and to eradicate noxious weeds on lands owned or supervised by them. Thus, both the landowner and tenant are responsible for noxious weed control. However, if noxious weeds are not properly controlled, the county weed supervisor has the authority to spray them and charge the landowner for the service. Which party is responsible for noxious weed control is a point of negotiation between the landowner and the tenant just like any other terms of the lease. Based on survey responses, a common arrangement with regards to noxious weed control is that landowners typically provide the chemicals and the tenant is responsible for the application.

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7. Should I have a written lease?

A written lease is encouraged to spell out specific terms of the lease. While a written lease may help defuse some legal questions that could arise in a lease agreement, it is not a guarantee that it will solve all legal issues. Nevertheless, a written lease can be very valuable as it helps landlords and tenants document the terms of the lease. This is especially important as leases become more complicated and as tenants routinely rent from more landowners. The primary benefit of a written lease is that it forces both parties to identify issues that are relevant and this increased communication can help avoid potential problems in the future.

8. How often should I adjust my pasture rent?

Cash rents should routinely be evaluated as market conditions change. Recent volatility in agricultural commodity prices and inputs costs can result in large changes in equitable pasture rent values. Consequently, it is suggested that neither landowners nor tenants sign long-term cash rent agreements without provisions to make adjustments to the cash rent.

9. What information is available for publicly reported cash rental rates?

Beginning in 2009, USDA started surveying and reporting cash rent values at the county level. While these values may reflect an appropriate average of what is being paid for all land in a given county, they are not necessarily a good reflection of what an individual piece of ground is worth. This is because the reported values reflect an average across a wide range of land qualities and landlord-tenant relationships. In addition, as commodity market volatility changes, the USDA reported cash rent values may not reflect current market conditions.

10. When do I have to notify a tenant that I am terminating the lease?

Kansas law specifies that proper written notice of termination be delivered to tenants at least 30 days prior to March 1 (except written leases that specify another termination date) in order to terminate the lease for that year. If proper written notice is not given to the tenant at least 30 days prior to March 1, then the tenant will maintain possession of the property until March 1 of the following year. The most effective means to serve notice of termination is through registered mail. For more information on lease law see the *Kansas Agricultural Lease Law* publication available on www.AgManager.info.