

Additional Information

AGEC-198 Negotiation Strategies
 CR-216 Oklahoma Pasture Rental Rates
 CR-230 Oklahoma Cropland Rental Rates

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Worksheet 1. Landlord's Ownership Costs and Return to Equity

Property taxes on land (per acre) = \$ _____ (A)

Improvements (average annual expenses per acre):

Repairs and maintenance = \$ _____ (B)

Property taxes = \$ _____ (C)

Insurance = \$ _____ (D)

Depreciation

Item	Cost	Salvage Value	Life (years)	Average Annual Depreciation ¹
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total				_____

Total depreciation ÷ number of acres in agreement = per acre cost
 _____ ÷ _____ = \$ _____ (E)

Landlord's total cost per acre = (A) + (B) + (C) + (D) + (E) \$ _____ (F)

Landlord's desired return on equity:

= Land value per acre² x rate of return³

= \$ _____ x _____ % \$ _____ (G)

Per acre cash rental rate

= Landlord's total cost per acre + Landlord's desired return on equity

= (F) + (G) \$ _____

¹ Average annual depreciation using the straight-line method equals: (cost - salvage value) ÷ years of life

² Agricultural value rather than market value should be used.

³ This is an opportunity rate of return. Remember that the only way to obtain a market rate of return is to sell the land. If the land was sold, it is likely that taxes would be paid, reducing the proceeds. Therefore, the rate of return should be somewhat less than a market rate.