# PRIVATE RANGELAND LEASES IN WYOMING

Larry W VanTassell and Paul A. Burgener[1]
Department of Agricultural Economics
University of Wyoming
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## Summary

The 1992 private rangeland lease market in Wyoming was examined. The simple average grazing fee for a private lease was $8.80/AUM (animal unit month) while the weighted average fee per AUM was $7.76. The services provided varied as did the auxiliary rights associated with the lease. Lease rates were typically determined from historical rates and break-even values. Almost 56 percent of the leases were validated with a written contract. Many lessee's were willing to pay a higher price for the lease if they retained the management decisions concerning stocking rates, classes of livestock allowed to graze, and determination of on/off dates.

## Introduction

Livestock production in many parts of the Western United States is characterized by private homesteads coupled with complementary federal grazing permits. A shrinking AUM (animal unit month) base on public lands has led many livestock producers to search for alternative feed sources to complement their deeded land base. One of the few alternatives that exists is private rangeland leases. Producers may also lease private rangeland to avoid the financial risk of ownership, to take advantage of short-term profits in the sheep or cattle markets, or to mitigate a temporary shortfall of forage on their deeded lands.

The private rangeland leasing market has been described by Kearl as an industry characterized by few lessors and many lessees, giving the former quasi monopolistic powers. Private rangeland practices and lease rates in New Mexico have been examined by Torell and Bledsoe and those in Idaho by Rimbey et al.

The objective of this report is to evaluate the characteristics of private rangeland leases in Wyoming. These characteristics include the rate charged for the lease, services and rights provided with the lease, use of written contracts, and the importance of different criteria in determining lease rates.

## Methods

Three main sources were utilized to identify private rangeland leases in Wyoming. The Wyoming Agricultural Statistical Service provided a list of 44 producers who participate in their yearly survey of private lease rates. As a second source of potential leases, county extension agents in each of the 23 Wyoming counties were asked to identify private rangeland leases in their counties. A notice was also included in the Wyoming Wool Growers bulletin requesting holders of rangeland leases to send an identification form for inclusion in a grazing fee study. Through these three sources, 187 potential private rangeland leases were identified. Surveys were sent to the identified lessees during the winter of 1992-1993. Reminder post cards and follow-up surveys were sent to nonrespondents. One hundred and thirteen useable surveys were returned for a response rate of 60 percent. Seven of the 113 leases were used for cattle and sheep, 13 for sheep and 93 for cattle.

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[1]Larry W VanTassell is an associate professor in the Department of Agricultural Economics at the University of Wyoming. Paul A. Burgener is a former research associate at the University of Wyoming and is currently an assistant extension educator in Lincoln County, Wyoming.

Table 1. Lease Rates On Private Rangeland Leases in Wyoming.

| | Mean | Minimum | Maximum | Standard Error |
|---|---|---|---|---|
| Lease rate ($/AUM): simple average | 8.80 | 1.14 | 20.00 | 0.37 |
| Cattle leases | 8.91 | 1.18 | 19.16 | 0.38 |
| Sheep leases | 8.32 | 1.14 | 20.00 | 1.09 |
| Lease rate ($/AUM): weighted average | 7.76 | 1.14 | 20.00 | 0.32 |
| Cattle leases | 8.29 | 1.18 | 19.16 | 0.35 |
| Sheep leases | 6.26 | 1.14 | 20.00 | 0.61 |

## Results and Discussion

### *General Lease Characteristics*

Approximately 10 percent of the leases were paid for on an AUM (animal unit month) basis, 37 percent on a per head per month basis, 34 percent on a per acre basis. The remaining 20 percent were paid for on an "other" basis, typically a set amount for the entire lease. None of the producers surveyed operated on a per pound of gain basis. For consistency, all leases were valued on a $/AUM basis, where one AUM is defined as the amount of forage required to feed one cow (with calf) or five ewes and their lambs for one month.

The average lease value ranged from $8.80/AUM when calculated as a simple average, to $7.76/AUM when the lease price was weighted by number of AUMs in the lease (Table 1). The lease rate varied from a low of $1.14/AUM to a high of $20.00/AUM. The majority of the leases were in the range of $3.00 to $12.00/AUM (Figure 1). The simple average cost of leases used for cattle was $8.91 and the weighted average was $8.29. The same lease values for sheep were $8.32 and $6.26, respectively. When examining the simple averages, the price charged for cattle and sheep leases was not statistically different ($P<0.05$). The weighted averages of cattle and sheep lease prices were statistically different ($P<0.05$). In general, the weighted average prices were less than the simple averages because many of the larger leases let for a lower amount per AUM than the smaller sized leases.

The 1992 National Agricultural Statistical Service (USDA-NASS) published private lease rate for Wyoming was $9.93/AUM. This rate was outside a 95 percent confidence interval for all of the average lease rates except for the simple average rangeland lease rate for sheep.

Leases were located an average distance of 23 miles from the base ranch. All but 24

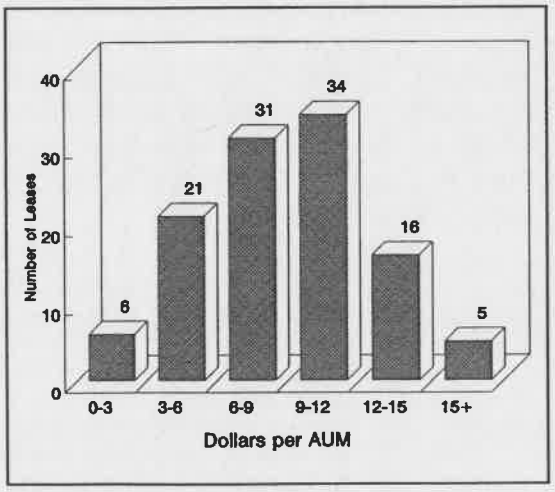


Figure 1. Distribution of Private Lease Rates.

leases were over 1,000 acres in size. The average lease size was approximately 7,293 acres, with the largest being 250,000 acres.

The majority of leases (67 percent) were rented on an annual basis. The majority of the remaining leases were 3- or 5-year leases, although five were 10-year leases and one was a 20-year lease. Nearly 25 percent of all leases were paid prior to the grazing season and 25 percent were paid following the grazing season. The remaining 50 percent were paid on a monthly basis as forage was used. The popularity of the monthly payment method suggests that producers favor a pay-as-you-go type of lease.

The lessee determined dates when livestock were placed on and taken off the lease, or at least had a say in the matter, on over 75 percent of the leases. Stocking rates and the type of livestock that could be run on the lease were also specified by the lessee on approximately half of the leases.

### *Services Provided With the Lease*

Unlike most public land leases, great variability exists as to the type of services that are included in a private lease. The landlord paid real estate taxes and utilities on the majority of leases (Table 2). Other services commonly provided by the landlord were maintenance of the property, liability insurance on the property, and care of the water supply. The majority of livestock owners received and shipped the livestock, provided for their daily care, paid the livestock taxes, and absorbed the death loss. While services have been shown to be a significant contributor to the private lease rate (Torell and Bledsoe), statistically significant factors explaining the dispersion of lease rates were not found.

Another important factor that may influence lease rates is the auxiliary rights that are available with the lease. In most cases livestock producers received little or no extra rights beyond grazing other than the use of corrals. Some lessees were allowed recreational rights with the lease, presumably for hunting. Auxiliary rights and their frequency of availability to the lessee are shown in Table 3.

Table 2. Services Provided by Respective Parties.

| | Relative Frequency (%) | | |
|---|---|---|---|
| Responsibility | Lessee | Lessor | Both |
| Maintenance of property | 40 | 44 | 16 |
| Daily care of cattle | 76 | 11 | 13 |
| Supply water | 45 | 49 | 6 |
| Receive and ship livestock | 87 | 4 | 9 |
| Provide liability insurance | 43 | 52 | 5 |
| Pay livestock taxes | 96 | 4 | 0 |
| Pay utilities | 25 | 74 | 1 |
| Absorbs death loss | 92 | 5 | 3 |
| Pays real estate taxes | 8 | 92 | 0 |

### *Legal Considerations*

Almost 56 percent of the leases were validated with a written contract. Approximately half of the contracts were written by an attorney, primarily the lessor's attorney, although 40 percent of the contracts were negotiated by both parties' attorneys. Of the agreements that were verbal, 22 percent

Table 3. Lessee's Rights Associated With the Grazing Lease

| | Relative Frequency (%) | |
|---|---|---|
| Survey Question | YES | NO |
| Recreational rights | 27 | 73 |
| Use of barns | 19 | 81 |
| Use of house | 10 | 90 |
| Easements | 13 | 87 |
| Wood harvesting rights | 4 | 96 |
| Use of equipment | 3 | 97 |
| Use of corrals | 43 | 57 |
| Allowed to harvest hay | 15 | 85 |
| Use of crop aftermath | 7 | 93 |
| Unrelated commercial use | 2 | 98 |

were between parties that were related. Twenty percent of the contracts that were created without the assistance of an attorney were form contracts the parties had obtained.

The lessee was responsible for paying for the lease on half the leases examined, even if the grazing never occurred. Twenty-five percent of the lessees, though, had a provision for the lessee to receive a rebate if livestock had to be removed early because of drought or other extenuating circumstances.

Provisions were made for 27 of the 113 lessees to be compensated for improvements made on the property. Almost 50 percent of the lessees with this provision were responsible for the maintenance of the property.

***Determination of the Lease Price***

The absence of a competitive market for private range leases can complicate price determination. Approximately half of the lessees stated that little negotiation took place when the lease price was determined. The lessor gave a price and the lessee had to accept or reject it. The remaining 50 percent of lessees stated that they negotiated with the lessor until a price was agreed upon.

Lessees indicated that lease rates were typically based on historical rates, "break-even" values and the rate neighbors were paying. Lease rates were based less frequently on published rates.

While we were unable to identify all factors that influenced lease rates, lessees provided insight concerning some factors that influence the prices they would pay for a rangeland lease. Producers were almost evenly split as to whether they would pay more, or the same, if given flexibility as to the type of livestock operated on the lease, if the duration of the lease was longer, or if there was flexibility as to when the livestock were placed on and taken off the lease. The majority of lessees also stated they would pay more per AUM for a lease that supported a greater number of AUMs per acre. As discussed earlier, most lessees determined the on/off dates, stocking rates and the type of livestock that could be run on the lease. Lessees apparently enjoy having this flexibility enough that at least half are willing to pay a higher lease price when given these management decisions. This can have relevance to the pricing of both private and public leases.

## Conclusions

The private lease market for rangeland does not appear to be a highly refined competitive market. The variability existing in lease price and services provided with the lease makes it difficult to recommend standard rates for rangeland leases.

The private rangeland lease market is often cited by those who favor higher rates for federal range leases. As shown in this report, services, auxiliary rights, and the ability to determine stocking rates, on/off dates and the classes of livestock grazing the lease make the private and public lease markets different enough that the stated rates cannot be directly compared.

## Literature Cited

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