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Pasture and Grazing Land Price Information

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Pasture and grazing land is a valuable resource in South Dakota, as it accounts for 53% of total land use. The price of land is determined by productivity and market forces. Various sources of land price information are available; they are given here to improve your awareness of prices that are available, when prices are released, and what factors influence them.

- Knowledge of land values is useful when deciding between utilizing grazing land and renting it to others.
- Knowledge of current returns to land is useful for determining the value of livestock that utilize forage.
- Finally, the knowledge is useful for those buying or selling land.

Price sources

USDA's Agricultural Marketing Service (AMS) provides a spring report on grazing land rental rates. The "Wyoming, Western Nebraska and Southwestern South Dakota Annual Grazing Fee Report" is released in late March and late April. The report captures a current assessment of market activity. Numbered TO_LS150, it is online at <http://www.ams.usda.gov/>

Price ranges are given on a per-month basis for cow-calf pairs and yearlings and in 2006 were \$18-30 and \$12-18, respectively. Prices vary depending on who maintains the property. Midpoints indicate general trends. For example, midpoints were \$24.00 for AMS pairs and \$15.00 for AMS yearlings (Fig 1).

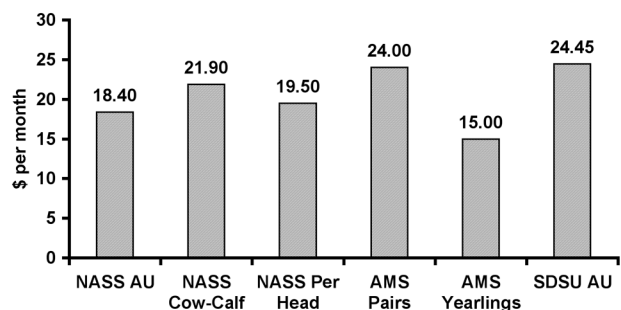
The SDSU Department of Economics conducts an annual land markets survey, the latest being Janssen and Pflueger (2006). Average values of native rangeland and

tame pasture are collected by region and reported in dollars per acre. Aggregated to the state level for 2006, the values are \$374 per acre for rangeland and \$723 per acre for pasture. The wide difference in values reflects locations: most tame pastures in eastern South Dakota where land values are relatively high and most rangeland in western South Dakota.

Rental rates are also given in dollars per acre and dollars per Animal Unit Month (AUM). Statewide, the rental rate was \$18.50 per acre, but the rate per AUM was only given for each region (Janssen and Pflueger 2006). Average rates are given along with high- and low-productivity breakdowns. Rental rates for the central region, called SDSU AU, averaged \$24.45 per AUM (Fig 1). Across regions the rates ranged from \$20.85 to \$26.00 per AUM.

In April the South Dakota Agricultural Statistics Service releases pastureland average rental rates and land values for each South Dakota county based on a January survey.

Figure 1. Grazing prices for South Dakota.



Statewide reports are useful for discerning broader trends in market values. In the January "Agricultural Prices" report, USDA's National Agricultural Statistics Service (NASS) summarizes grazing fee rates for the prior year for western states and regions. Rates are given in dollars per month for three categories: animal unit, cow-calf, and per head. For 2006, the rates were \$18.40 for NASS AU, \$21.90 for NASS cow/calf, and \$19.50 for NASS per head (Fig 1).

NASS releases "Agricultural Cash Rents" in July. In this report, the statewide average cash rent per acre is given for pasture, which was \$12.90 per acre for South Dakota in 2006. Similarly, in "Agricultural Land Values," issued in August but reflecting values as of January 1, NASS reports a statewide value for pastureland. The 2006 report gave a value of \$360 per acre for South Dakota pastureland.

The "Federal Grazing Fee" is another valuation of grazing land in South Dakota. These fees are charged for grazing by permit only on lands administered by the U.S. Bureau of Land Management (BLM), U.S. Forest Service (USFS), and National Grasslands (administered by the USFS).

Grazing fees are currently set by presidential executive orders (since 1986) based on formulas established by the Public Range Improvements Act (PRIA) passed by Congress in 1978. Under the executive orders, grazing fees cannot fall below \$1.35 per AUM and any increase or decrease cannot exceed 25% of the previous year's level. Formulas are based on current private grazing land lease rates, beef cattle prices, and the cost of livestock production and are adjusted slightly between the agencies, with slightly higher rates being charged for grazing permits on the National Grasslands. Rates are announced in January or February for the current year.

For 2006 the federal grazing fee was set at \$1.56 per AUM on BLM and USFS lands and \$1.73 per AUM on National Grasslands. In 2005 these fees were set at \$1.79 and \$1.90 per AUM respectively. These fees apply to over 2 million acres of BLM and USFS land in South Dakota.

Price factors

A variety of factors influence prices and rental rates for grazing land. At the farm or ranch level, lease terms may influence rental rates. For details into common lease practices and how they influence terms, see Cole et al. (1992).

Grazing fee information based on regional statistics does not take into account any other factors (distance to water, quality of forage, fencing responsibilities, etc.) or the assignment of specific management responsibilities between the parties involved. These site-specific conditions influence the appropriate grazing fee rate.

At the regional level, supply and demand for grazing land ultimately dictate its value. Supply depends on the quantity and quality of land and forage available. The acres grazed in South Dakota reached a low of 25.3 million in 1987 and rebounded to 25.7 million in 2002. The Economic Research Service has a briefing room on "Land Use, Value, and Management" with more details at <http://www.ers.usda.gov>

Weather dictates the amount and quality of forage within a given year. NASS reports range and pasture conditions in South Dakota on a weekly basis during the growing season. The conditions can be monitored to gauge the supply side at different times of the season.

Demand for grazing land depends on the number of grazing animals and on the availability of alternative feedstuffs. Cattle inventory numbers reached a recent cyclical low in 2004 and have been slowing increasing since then.

References

- Cole, J., L. Janssen, M. Beutler. 1992. Rangeland leasing markets in South Dakota. SDSU AES B 716, Brookings.
- Janssen, L. and B. Pflueger. 2006. South Dakota farmland market trends 1991-2006. SDSU AES C 271, Brookings.

This publication and others can be accessed electronically from the SDSU College of Agriculture & Biological Sciences publications page at <http://agbiopubs.sdstate.edu/articles/ExEx5048.pdf> or from the Extension Service Drought Information Website at <http://sdces.sdstate.edu/drought/>

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