

Negotiating a Fair Cash Lease Rate in Texas

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Many Texas landowners and livestock producers seek information about current cash lease rates for agricultural land. Because the market price for leases varies depending on the specific circumstances and condition of the land, it is helpful when negotiating lease agreements to have reliable resources to find information regarding average lease rates.

Word of Mouth

The best information usually comes from other landowners, livestock producers, the local county Extension agent, or a Texas A&M AgriLife Extension Service range specialist—people with the latest information about conditions in the area who can help evaluate factors such as the amount and quality of forage, fences, and water. Visiting with these people is a good first step when determining a fair lease rate.

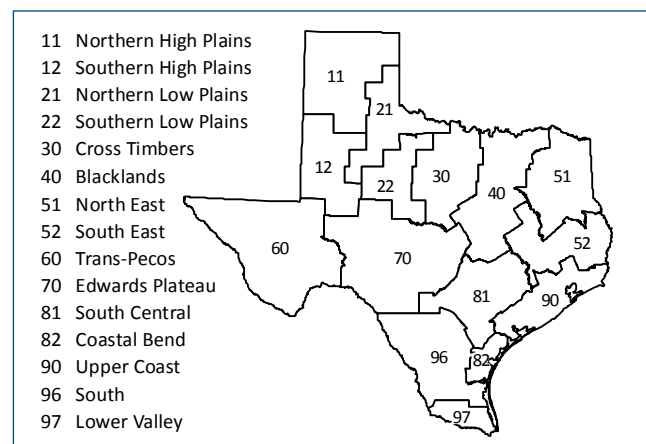
United States Department of Agriculture (USDA) – National Agriculture Statistics Service (NASS) Report

Each year, NASS surveys landowners and producers about current lease rates and, in August, publishes a report of the average lease rates (price per acre per year) for irrigated cropland, nonirrigated cropland, and pastureland for the United States and each state.

For example, in 2017, nationwide averages were reported as \$212 per acre per year for irrigated cropland, \$123 for nonirrigated cropland, and \$12.50 for pastureland. In Texas, the average lease rates were \$87 for irrigated cropland, \$28 for nonirrigated cropland, and \$6.60 for pastureland (available at <http://bit.ly/2tlaSjS>).

Every other year, NASS breaks down this data further by reporting data by district within a state and by county. This report is available in September of even-numbered years. Texas is divided into 15 districts, and average cash rent values reported for each one.

For example, for the Northern High Plains in 2016, cash lease rates were reported as \$113 for irrigated cropland, \$22 for nonirrigated cropland,



NASS reporting districts in Texas. Source: USDA-NASS

and \$7.80 for pastureland. Similar results are available for each district on the USDA–NASS website (available at <http://bit.ly/2I5SxuC>).

NASS also maintains a database including data analyzed by county for each even-numbered year. For example, average reported lease rates in Dallam County for 2016 are \$97.50 for irrigated cropland, \$55.50 for nonirrigated cropland, and \$6.10 for pastureland (available at <http://bit.ly/2teyuH6>).

Texas Rural Land Value Trends

Each April, the Texas Chapter of the American Society of Farm Managers and Rural Appraisers publishes a report, the *Texas Rural Land Value Trends*, which includes an analysis of land prices throughout the state and reports on the average range for land lease rates (available at <http://bit.ly/2I6T1jV>). The report breaks Texas into seven regions and each region into subregions.

For example, for Region 1, which includes much of the Panhandle and South Plains, the 2017 report shows land value ranges and rental ranges for several classes of property: irrigated cropland (good water), irrigated cropland (fair water), dry cropland (east), dry cropland (west), rangeland, and Conservation Reserve Program. For rangeland in the North Panhandle area, the report shows a rental range that has been stable with activity at \$7 to \$12 per acre. For the same area, irrigated cropland with good water shows stable rental rates from \$150 to \$250 per acre. The same type of data is available for all seven regions.

Texas A&M AgriLife Extension Service Agricultural Economics Budgets

Each year, the AgriLife Extension district economists prepare budgets for various districts across Texas, based on a variety of crops. The *Texas Crop and Livestock Budgets* for each district



Sheep in West Texas native pasture. Source: Steve Byrns, Texas A&M AgriLife Extension Service

are available on the AgriLife Extension website at <http://bit.ly/2H7D4ZM>.

For example, for District 1, which includes the Panhandle, there are budgets for forage crops such as hay and silage; field crops such as corn, cotton, and wheat (both irrigated and dryland); and for livestock, including cow-calf and stockers. Within the cow-calf budget spreadsheet is a line item for “Pasture Cost,” which is the lease cost. For a cow-calf operator in District 1, the 2018 budget includes a projected cost of \$7 per acre per year.

Conclusion

Leasing land can be beneficial to both landowners and livestock operators. Parties looking to determine fair lease rates should consider the numbers reported by USDA–NASS, *Texas Rural Land Value Trends*, and the Department of Agricultural Economics AgriLife Extension *Texas Crop and Livestock Budgets*. However, the right lease rate for any piece of property is the one the tenant and landowner can agree upon, regardless of what the statistics say.

Cover photo: Southern Plains irrigated cotton. Source: Texas A&M AgriLife Extension Service