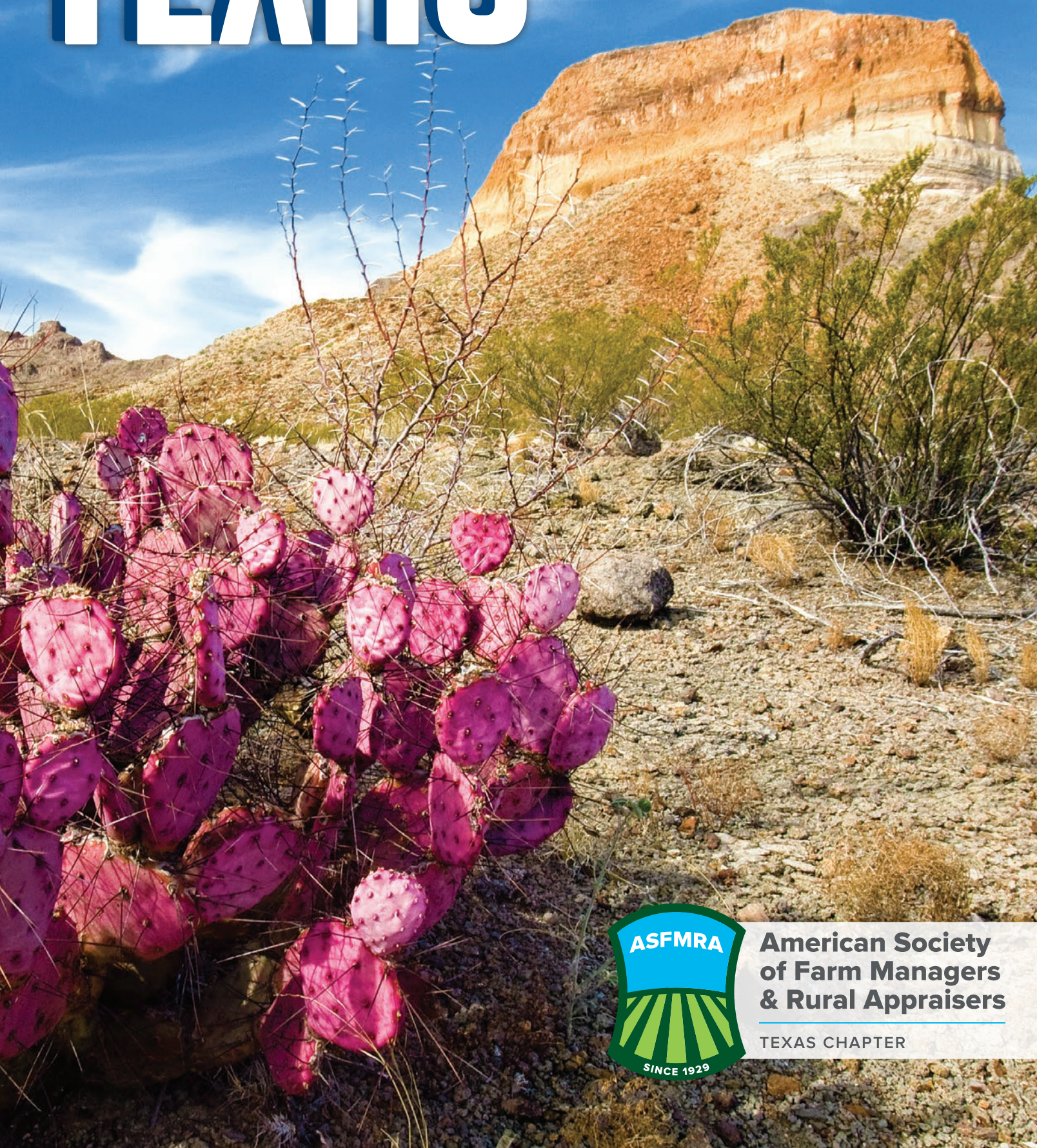


# TEXAS

Rural Land Value Trends  
2017



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# CONTENTS

5	Message from the President
6	About ASFMRA
9	Market Report
10	Contributor Directory
12	Chapter Officers
13	Market Region Guide
14	Impact of Cotton Reintroduction
15	Farm or Ranch Succession Planning
16	Income Producing Farmland
17	REGION 1
21	REGION 2
24	REGION 3
28	REGION 4
30	East Texas Timber Trends
33	REGION 5
38	REGION 6
44	REGION 7
50	Member Highlight - Charles Gilliland
54	Newly Accredited Member Highlights
56	Texas Membership Directory
61	Advertising Information



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#### TEXAS CHAPTER

Texas Chapter of the American Society of Farm  
Managers and Rural Appraisers, Inc.  
PO Box 154 • Junction, Texas 76849 • (325) 446-3052  
TXASFMRA.com • info@txasfmra.com

Spectrum Graphics  
Ashley Lundy  
208 Cenizo St. • Junction, TX 76849  
ashley@junctioneagle.com  
(325) 998-3755



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# PRESIDENT'S MESSAGE



## A MESSAGE FROM THE 2017-2018 PRESIDENT OF THE TEXAS CHAPTER ASFMRA®

The Texas Chapter of the American Society of Farm Managers and Rural Appraisers is pleased to present the 2017 edition of Texas Rural Land Value Trends.

Our report is presented annually to the 400 plus attendees of the Annual Outlook for Texas Land Markets held by the Real Estate Center at Texas A&M University. We are grateful for our long-standing relationship with the Center and the opportunity to provide invaluable information to agriculture and real estate professionals on timely trends throughout the 7 market regions of Texas.

This publication would not be possible without the dedication of many people, who lend their time, effort and expertise. Many thanks to the regional captains and committee members for compiling the necessary data to create a quality report. Special thanks to chapter members Kyle Amos, AFM, Bill Thompson, AFM, Mike Lansford, AFM, Wayne Young, ARA and Andrew Sirman, ARA for their insights and contributions. And, as always, thanks to our Chapter Secretary/Treasurer, Carmen Bierschwale, who coordinates all aspects of this endeavor.

A successful publication is equally attributable to the financial support of numerous individuals and companies for their advertisements and sponsorships, especially premier sponsors Capital Farm Credit, Heritage Land Bank and CBRE. We could not do this without you!

This year our member highlight honors Dr. Charles Gilliland, Research Economist at the Real Estate Center. Charles is the Center's land market expert. He holds M.S. and Ph.D. degrees from Texas A&M University. He has been studying land prices since the 1980s and is known throughout the state as the man to go to if you have questions about Texas land. In 2010, he was inducted into the Farm Credit Bank of Texas Hall of Honor for his "significant contributions to agriculture." Charles joined the ASFMRA in 1999 as an Academic member. We are proud to know him as a friend and colleague.

The Texas Chapter of the American Society of Farm Managers and Rural Appraisers (ASFMRA) was chartered in 1978 as an affiliate of the national organization. Throughout our 40-year history, our objective has been to promote, without profit to itself, the professions of farm management and rural appraisal by holding meetings for the exchange of ideas, by conducting schools and other devices for disseminating information, and by building and maintaining a code of business and professional ethics.

It has been an honor to serve as the Texas Chapter President

this year and I encourage you to contact any of our members with questions about the report and the services they provide. If you are a real estate professional and are interested in joining our organization, please contact us. For more information about ASFMRA, please visit the national website at [www.ASFMRA.org](http://www.ASFMRA.org) or our Texas Chapter website at [www.TXASFMRA.com](http://www.TXASFMRA.com).

**Mickey Nixon, ARA**  
President, Texas Chapter ASFMRA

Mickey Nixon is a Regional Chief Appraiser for Capital Farm Credit. He is licensed by the States of Texas and New Mexico as a General Real Estate Appraiser and holds the Accredited Rural Appraiser designation with American Society of Farm Managers and Rural Appraisers.



## VISION

To be the most trusted resource for rural property professionals and the clients they serve.

## MISSION

ASFMRA is the premier organization for rural property professionals, focused on advancing the standards of the disciplines we represent through an unparalleled level of expertise and integrity. We empower our members to provide best-in-class service with an invaluable balance of education, accreditation and support.

## VALUES

**Integrity:** ASFMRA values ethical and professional service - ultimately holding the disciplines we represent to a higher standard

**Expertise:** ASFMRA is the conduit through which our members learn, maintain standards of professional service and ultimately advance their careers.

**Support:** ASFMRA connects members to a network of trusted and respected colleagues, providing expanded opportunities for professional and personal growth.

## ABOUT ASFMRA:

The American Society of Farm Managers and Rural Appraisers® (ASFMRA®) is the largest professional association for rural property land experts, boasting over 2100 members in 31 chapters throughout the United States. Over 40 percent of ASFMRA's members hold a designation as an Accredited Farm Manager (AFM), Accredited Rural Appraiser (ARA), Real Property Review Appraiser (RPRA) or Accredited Agricultural Consultant (ACC).

ASFMRA was founded in 1929 and the average member has been part of the organization for over 17 years. Our Farm Managers and Agricultural Consultants are in strong demand, with over 40 percent of farmland in the United States currently being rented. Our Farm Managers and Agricultural Consultants on average manage 55 to 75 farms, consisting of 14,000 to 20,000 acres. They also have influence over more than just the farms they manage as a typical professional farm manager will work with a farm operator who is farming additional land. Farm Managers and Consultants typically work with 50 to 70 landowners, family members and their beneficiaries. Our Farm Managers and Consultants have influence on input and other production and marketing decisions on acreage representing millions of dollars.

ASFMRA's Appraisers and Review Appraisers represent individuals who have taken additional training beyond what is required, in order to gain specialized expertise in appraising rural and agricultural properties. Many of them are familiar with complex appraisal situations including eminent domain, conservation easements as well as appraising poultry facilities, grain elevators, wind farms, dairies, greenhouses and vineyards. When you utilize an ASFMRA trained appraiser or review appraiser know that they have been trained on the most up-to-date technologies and methodologies associated with valuation.

ASFMRA truly represents The Most Trusted Rural Property Professionals and is the organization for individuals who provide management, consultation, and valuation services, as well as real estate services on rural and agricultural assets. The land experts who hold membership in ASFMRA work under a professional code of ethics, which includes continuing education requirements. You can rest assured that if you're working with someone who is an accredited member of the Society, you are truly working with a competent land expert and agricultural professional who can assist you with all of your property, land and asset needs.

## ASFMRA Accredited Designations



<b>AAC</b>	Accredited Agricultural Consultant
<b>AFM</b>	Accredited Farm Manager
<b>ARA</b>	Accredited Rural Appraiser
<b>RPRA</b>	Real Property Review Appraiser

# BENEFITS OF MEMBERSHIP

As a member of the American Society of Farm Managers and Rural Appraisers (ASFMRA), you join a select group of professionals who share your passion for agriculture and the rural landscape – and for helping others understand and capture the value of the land and rural assets.

ASFMRA is the only professional society focused on the development and advancement of professionals in agricultural property management, appraisal and consulting. ASFMRA maintains high ethical and educational standards for its members, and, as a result, our members are The Most Trusted Rural Property Professionals.

## Membership Includes:

- Access to the highest quality Management, Appraisal and Consulting Education at discounted member rates.
- A competitive advantage in the marketplace with ASFMRA Accreditations, providing you with the differentiation that you need in order to increase your client base and better serve your existing clients.
- Opportunities for Continuing Education to maintain licensure and/or your designation.
- Vast network of professionals via the ASFMRA Community and ASFMRA Members. ASFMRA members share comparable sales information and have access to data and expertise that you can't find via any other society or organization!
- National, regional and local leadership opportunities through education, conferences, chapters and committees.
- Membership Directory listing to strengthen industry contacts and gain access to other rural land expertise, including wide distribution to assist you in developing new business leads.
- Find a Land Expert Listing to provide landowners and potential clients the ability to find you and your expertise.
- Up-to-date industry information delivered weekly to your inbox via Weekly AgNews and Land Trends
- Access to individuals in your area via your National and Chapter membership.
- Access to The Journal of ASFMRA for information and or the opportunity to gain acclamation via article publications.
- Recognition of professional achievement through ASFMRA Awards, including Farm Manager of the Year, Appraiser Professional of the Year, the Early Career Award and more!
- Representation in Washington, DC – keeping you abreast of issues affecting our industry, working to strengthen your presence on Capitol Hill via lobbying efforts and keeping you informed on industry, law, tax and legislative issues via Weekly AgNews.

## You should join ASFMRA if YOU:

- Have a passion and commitment to agriculture and the rural landscape.
- Are driven to be the best you can be at what you do.
- Want to distinguish yourself from others in the industry and prepare yourself for advancement in your career.
- Are just getting started in the business and want to improve your skills.
- Want to clearly demonstrate your commitment to self-improvement, high ethical standards and professional development.
- Enjoy being among peers in the industry – and having a nationwide network of professionals at your fingertips
- Value relationships with other industry professionals and enjoy networking opportunities to build your business.
- Would like the opportunity to share your industry on a state and national level.

# ASFMRA MEMBERSHIP CLASSIFICATIONS

- **Accredited Members**—Persons who have obtained the Accredited Farm Manager (AFM), Accredited Rural Appraiser (ARA), Real Property Review Appraiser (RPRA) and/or Accredited Agricultural Consultant designation(s).
- **Associate Members**—Persons, who manage, appraise or provide related valuation services, review appraisals, and/or consult for a fee that are working towards Professional or Accredited status and do not yet meet the additional criteria for those membership classifications.
- **Affiliate Members**—Persons and/or organizations who are not providing farm and ranch management, agricultural consulting, rural appraisal or related valuation services and/or appraisal review services on rural property belonging to others, but desire to be affiliated with the American Society of Farm Managers and Rural Appraisers.
- **Academic Members**—Persons whose work is primarily educational and who are devoting most of their time working at a college or university, in the agricultural consulting, farm and ranch management, rural appraisal and/or review appraisal field as an instructor, researcher, extension worker or administrator and have held that position for two or more years.
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- **Honorary Members**—Those members nominated by their Chapters whose service to their Chapter and the Society, as determined by and at the sole discretion of Council, merit special membership classification consideration.
- **Inactive Members**—Those members who no longer provide farm and ranch management, agricultural consulting, rural appraisal or related valuation services, and/or appraisal review services. Members need to return to active status within three years.

## TEXAS CHAPTER ASFMRA

The Texas Chapter of the American Society of Farm Managers and Rural Appraisers (ASFMRA) was chartered in 1978 as an affiliate of the national ASFMRA organization. The Texas Chapter is a non-profit 501(c)(6) corporation. It supports the educational, ethical and professional standards set by national.

The **object** of the Chapter is to promote, without profit to itself, the professions of farm management and rural appraisal by holding meetings for the exchange of ideas, by conducting schools and other devices for disseminating information, by building and maintaining a code of business and professional ethics, and by other means approved by the Board of Directors.



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**Valbridge Property Advisors - 43**

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**TexAg Real Estate Services - Kokel - 47**

**TexAg Real Estate Services - Leps - 47**

**Bierschwale Land Company - 48**

**Kokel - Oberrender - Wood Appraisal - 48**

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**ASFMRA - Leadership Institute - 49**

**ASFMRA - Annual Conference - 49**

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# DEVELOPMENTS IN 2017 TEXAS LAND MARKETS

Rebounding activity in the oil patch reinvigorated the statewide land market. Posting a surprisingly strong year-end result at \$2,644 per acre, a 4.46 percent expansion from 2016 prices and the strongest growth since 2014. The 6,272 reported sales topped 2016 totals by 577 sales. Driven in part by remarkable developments in energy-dominated areas, overall Texas statewide results continued to post price increases. However, market conditions in some regions varied where weak results pointed to market adjustments in three areas. The Panhandle and South Plains, West Texas, and Austin-Waco-Hill Country where prices ebbed for various reasons. .

**Far West Texas:** Fueled by unexpected strong demand for sand mining operations in this area, prices in this region soared to unheard of levels. Ranch purchases at extremely high prices to establish 23 operations to supply frac sand for the Permian Basin drilling boom pushed the regional price to a record high of \$791 per acre, an enormous 32.5 percent increase. Very high bonus payments for mineral leases and purchases of land to secure water rights for municipalities added to the pressure on prices.

**South Texas:** Battered by the remarkable drop in oil prices, this region, home to the most lucrative Eagle Ford shale play, saw prices ebb for several years. However, markets appear to have turned the corner by posting a strong 12.1 percent price rise in 2017. New energy activity in the Eagle Ford may be responsible for this strong result producing a price of \$3,824 per acre with an expansion of activity to 581 sales.

**Northeast Texas:** In Northeast Texas, prices grew 6.72 percent in 2017 reaching an all-time high of \$3,969 per acre. Strong fundamental in the D/FW economy supported robust demand for land throughout the area. The 2,234

sales marked a 22 percent increase over 2016 volume.

**Gulf Coast – Brazos Bottom:** The optimism energizing the oil patch boosted prices in this area a substantial 5.22 percent despite the aftermath of hurricane Harvey. However, the \$5,727 price per acre still failed to match levels in of 2015 markets. Sales volume of 646 trailed 2016 totals.

**Panhandle and South Plains:** A second quarter increase halted the retreat in prices logged for the first quarter. However, the third quarter faltered slightly only to melt into a substantial retreat in the fourth when price plummeted 6.02 percent in year-to-year comparisons. At \$1,089 per acre, the fourth quarter fell below both the first and the third quarter prices. Volume expanded to 394 sales, up substantially from 314 in 2016. The lack of a consistent trend in this area reflects the fact that experiences differed with type of land. For example, good quality irrigated land with strong water still sees strong demand, nearby dryland acreage not so much.

**West Texas:** Markets in 2017 registered price declines dropping 3.80 percent below 2016. While prices declined, the sales volume increased to 688 sales. This market gave up all of its 2017 gains, settling below the 2016-second quarter levels. The decline produced a price of \$1,416 per acre.

**Austin–Waco – Hill Country:** The three-quarter long central Texas market retreat continued but at a reduced rate at the end of 2017. The 1.08 percent drop indicated a nearly flat market overall and likely resulted from an increased focus on land at the furthest distances from Austin and San Antonio. The \$3,466 per acre represents the lowest regional price since the end of 2015. Sales volume expanded 6 percent to 1,692 sales.

Charles E. Gilliland, Ph.D.



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## REGION 1

Fred H. Awe, AFM  
Awe Agricultural Services  
PO Box 490  
Dalhart, TX 79022  
phone: (806) 249-6555  
fax: (806) 249-6557  
aweag1@outlook.com

### V. Keith Barlow, ARA, MAI (Captain)

Barlow Appraisal Associates  
PO Box 2135  
5817 Grassland Ct 79707  
Midland, TX 79702-2135  
phone: (432) 689-9878  
fax: (888) 677-4541  
cell: (432) 631-8512  
kbarlow@suddenlink.net

Bryan Bednarz, ARA  
Capital Farm Credit, ACA  
PO Box 6520  
Lubbock, TX 79493  
phone: (806) 281-1789  
fax: (806) 799-6999  
cell: (806) 789-7297  
bryan.bednarz@capitalfarmcredit.com

Tom Benton  
TxPan Appraisal (Clift Land Brokers)  
PO Box 561  
Borger, TX 79008  
phone: (806) 336-9105  
tbenton@bentonauktion.com

Aaron D. Bierschwale, ARA  
Bierschwale Land Company, LLC  
PO Box 154 | 517 College Street  
Junction, TX 76849  
phone: (325) 446-3052  
fax: (325) 446-3237  
aaronbierschwale@gmail.com

M. Chad Dugger, ARA  
Chas. S. Middleton & Son  
1507 13th Street  
Lubbock, TX 79401  
phone: (806) 763-5331  
fax: (806) 763-1340  
chad@csmanson.com

Mickey R. Nixon, ARA  
Capital Farm Credit, ACA  
PO Box 6520  
Lubbock, TX 79493  
phone: (806) 786-9958  
fax: (806) 799-6999  
mickey.nixon@capitalfarmcredit.com

Clayton Yantis  
Associate Member  
Stout Advisory  
1000 Main Street, Suite 3200  
Houston, TX 77002-5768  
phone: (713) 221-5156  
cell: (512) 777-8043  
cyantis@stoutadvisory.com

## REGION 2

Karl F. Armstead, ARA-Retired  
KA Highland Realty of Texas, Inc.  
PO Box 358  
Fort Stockton, TX 79735  
(432) 336-8455  
fax: (432) 336-8462  
karl@armsteads.us

S. Kris Armstead  
Omega Appraisals, LLC  
PO Box 358  
Fort Stockton, TX 79735  
(432) 336-8455  
fax: (432) 336-8462  
karmstead@rocketmail.com

V. Keith Barlow, ARA, MAI  
Barlow Appraisal Associates  
PO Box 2135 | 5817 Grassland Ct 79707  
Midland, TX 79702-2135  
(432) 689-9878  
fax: (888) 677-4541  
kbarlow@suddenlink.net

**Paul V. Loeffler (Captain)**  
Superior Land Services, LLC  
PO Box 1407 | 1501 W Fort Davis Street  
Alpine, TX 79831  
(432) 386-3101  
fax: (432) 837-2635  
superiorlandservicesllc@gmail.com

Colin McVaugh, ARA  
Farm Credit of New Mexico  
251 Stone Drive  
Mesilla Park, NM 88047  
(575) 528-7106  
csmcvaugh@gmail.com

John P. (Tooter) Robertson, Jr., ARA  
Valbridge Property Advisors I San Antonio  
9901 West Interstate 10, Suite 1035  
San Antonio, TX 78230  
(210) 227-6229  
fax: (210) 227-8520  
jrobertson@valbridge.com

Janna D. Stubbs  
Superior Land Services, LLC  
PO Box 2091  
Alpine, TX 79831  
(432) 661-0717  
janna\_79831@yahoo.com

## REGION 3

V. Keith Barlow, ARA, MAI  
Barlow Appraisal Associates  
P.O. Box 2135  
Midland, TX 79702-2135  
(432) 689-9878 | (432) 631-8512  
kbarlow@suddenlink.net

Bill S. Beam, ARA  
Western Appraisal, LLC  
1250 Petroleum Drive, Suite A-100  
Abilene, TX 79602  
(325) 437-7600 | (325) 668-4712  
bill@westernappr.com

James M. Cowser, ARA  
P.O. Box 9  
Munday, TX 76371  
(940) 256-0708  
cowsertj@valornet.com

Alvin E. (Butch) Nelson, Jr., ARA, ASA  
Nelson Farm & Ranch Properties  
P.O. Box 5051  
Abilene, TX 79608  
(325) 698-3374  
nelsonfarmandranch@gmail.com

### Victor R. Probandt, ARA (Captain)

Stribling-Probandt Appraisals  
502 South Koenigheim, Suite 3B  
San Angelo, TX 76903  
(325) 658-2773 | (325) 656-7766  
victor.probandt@suddenlinkmail.com

## REGION 4

Daniel P. Barnett, ARA  
Lone Star Ag Credit  
1321 Forrest Drive  
Canton, TX 75103  
phone: (903) 348-8656  
daniel.barnett@lonestaragcredit.com

Andrew A. Harris, MAI  
Harris Real Estate Company  
1003 N. Mallard Street  
Palestine, TX 75801  
phone: (903) 948-7022  
andrew@harrisrealestateco.com

Mark A. Lewis, ARA, RPRA  
Lewis & Seely Appraisals, Inc.  
308 East Lufkin Avenue | PO Box 877  
Lufkin, TX 75902-0877  
phone: (936) 632-4230  
fax: (936) 637-3964  
mark@lewisseely.com

William (Pat) Murphy, ARA, MAI, SRA  
Pat Murphy & Associates  
5295 Clarksville Street  
Paris, TX 75462-2632  
phone: (903) 785-0441  
fax: (903) 784-0076  
pat@pmaappraisal.com

### Scott Seely, ARA, MAI (Captain)

Lewis & Seely Appraisals, Inc.  
308 East Lufkin Avenue | PO Box 877  
Lufkin, TX 75902-0877  
phone: (936) 632-4230  
fax: (936) 637-3964  
scott@lewisseely.com

Andrew M. Sirman, ARA  
Capital Farm Credit, ACA  
2896 Greene Sanders Road  
Pollok, TX 75969  
phone: (936) 853-4845  
fax: (936) 853-4851  
cell: (936) 674-7357  
andrew.sirman@capitalfarmcredit.com

## REGION 5

### Wade L. Kubecka, ARA (Captain)

Capital Farm Credit, ACA  
1807 N Mechanic  
El Campo, TX 77437  
phone: (979) 543-2078  
fax: (979) 543-8120  
wade.kubecka@capitalfarmcredit.com

Andrew M. Sirman, ARA  
Capital Farm Credit, ACA  
2896 Greene Sanders Road  
Pollok, TX 75969  
phone: (936) 853-4845  
fax: (936) 853-4851  
cell: (936) 674-7357  
andrew.sirman@capitalfarmcredit.com

Wayne T. Young, ARA  
Capital Farm Credit, ACA  
624 FM 1791  
Huntsville, TX 77340  
phone: (936) 439-0379  
fax: (936) 436-0192  
wayne.young@capitalfarmcredit.com

## REGION 6

Clinton (Clint) J. Bendele, ARA, MAI  
Valbridge Property Advisors I San Antonio  
9901 West Interstate 10, Suite 1035  
San Antonio, TX 78230  
phone: (210) 227-6229  
fax: (210) 227-8520  
cbendele@valbridge.com

Justin Bierschwale, ARA, MAI  
Bierschwale Land Company, LLC  
PO Box 154 | 517 College Street  
Junction, TX 76849  
phone: (325) 446-3052  
fax: (325) 446-3237  
jbierschwale@gmail.com

Derry T. Gardner  
Gardner Appraisal Group, Inc.  
10 Ledge Lane  
San Antonio, TX 78212  
phone: (210) 737-1321  
fax: (210) 732-6554  
derryg7@aol.com

Ryan C. Healy, ARA  
6702 Berg Blvd.  
San Antonio, TX 78256  
phone: (210) 385-2999  
ryan@healy.pro

John C. Hodges, ARA  
John Hodges RE Appraisals  
PO Box 1213  
Uvalde, TX 78802  
phone: (830) 278-5221  
fax: (830) 278-5024  
jchodges2295@sbcglobal.net

### John P. (Tooter) Robertson, Jr., ARA (Captain)

Valbridge Property Advisors I San Antonio  
9901 West Interstate 10, Suite 1035  
San Antonio, TX 78230  
phone: (210) 227-6229  
fax: (210) 227-8520  
jrobertson@valbridge.com

Kyle Schroeder, ARA, MAI  
Valbridge Property Advisors I San Antonio  
9901 West Interstate 10, Suite 1035  
San Antonio, TX 78230  
phone: (210) 227-6229  
cell: (512) 557-3837  
kschroeder@valbridge.com

Billy D. Snow, ARA  
TexAppraise, Inc.  
231 Earl Garrett, Suite 200  
Kerrville, TX 78028  
phone: (830) 257-2177  
fax: (830) 896-1416  
bdsnow@texappraise.com

Merrill E. Swanson, ARA  
Valbridge Property Advisors I San Antonio  
9901 West Interstate 10, Suite 1035  
San Antonio, TX 78230  
phone: (210) 227-6229  
fax: (210) 227-8520  
mswanson@valbridge.com

## REGION 7

Justin Bierschwale, ARA, MAI  
Bierschwale Land Company, LLC  
PO Box 154 | 517 College Street  
Junction, TX 76849  
(325) 446-3052  
fax: (325) 446-3237  
jbierschwale@gmail.com

Larry D. Kokel, ARA, MAI  
Kokel-Oberrender-Wood Appraisal, Ltd.  
404 West 9th Street  
Suite 201  
Georgetown, TX 78626  
(512) 863-6428  
fax: (512) 930-5348  
larry@k-o-wappraisal.com

Michael D. Mays, ARA, MAI  
Kokel-Oberrender-Wood Appraisal, Ltd.  
404 W. 9th Street, Suite 201  
Georgetown, TX 78626  
(512) 863-6428  
fax: (512) 930-5348  
michael@k-o-wappraisal.com

Mark A. McAnally, ARA, MAI  
Texas General Land Office  
1700 North Congress Avenue, Room 111  
Austin, TX 78701-1495  
(512) 463-5231  
fax: (512) 463-5304  
cell: (512) 968-2661  
mark.mcanally@glo.texas.gov

Rebecca McWilliams, ARA  
Lone Star Ag Credit  
230 CR 447  
Thorndale, TX 76577  
(512) 446-6114  
fax: (512) 446-4998  
Rebecca.McWilliams@LoneStarAgCredit.com

Robert A. Moran, ARA  
Moran Real Estate & Appraisal  
902 Jefferson Street  
Kerrville, TX 78028  
(830) 896-3433  
fax: (830) 895-4678  
cell: (830) 459-3335  
morans@kctc.com

Jodie W. Rapp  
Legacy Ag Group, LLC  
PO Box 341419  
Austin, TX 78734  
(512) 551-9580  
fax: (512) 532-0770  
jwrapp@legacyaggroup.com

Ethan L. Smith, AFM  
Farmers National Company  
6421 Camp Bowie Blvd, Suite 314  
Fort Worth, TX 76116  
(817) 884-4413  
fax: (817) 884-4862  
esmith@farmersnational.com

Billy D. Snow, ARA  
TexAppraise, Inc.  
231 Earl Garrett, Suite 200  
Kerrville, TX 78028  
(830) 257-2177  
fax: (830) 896-1416  
bdsnow@texappraise.com

James Synatzske, ARA  
Appraisal Services – Consulting  
701 Heritage Way  
Stephenville, TX 76401  
(254) 965-5914  
fax: (254) 485-7222  
1jasyn@embarqmail.com

Nathan L. Tonne, MAI  
Bierschwale Land Company, LLC  
PO Box 154 | 517 College Street  
Junction, TX 76849  
(325) 446-3052  
fax: (325) 446-3237  
nathan.tonne@gmail.com

Patricia Weber, ARA, MAI  
Lone Star Ag Credit  
936 E. Foote Road  
Gatesville, TX 76528  
(254) 496-1137  
patricia.weber@lonestaragcredit.com

### Wendell C. Wood, ARA, MAI (Captain)

Kokel-Oberrender-Wood Appraisal, Ltd.  
404 West 9th Street, Suite 201  
Georgetown, TX 78626  
(512) 863-6428  
fax: (512) 930-5348  
wendell@k-o-wappraisal.com



# American Society of Farm Managers & Rural Appraisers

TEXAS CHAPTER

## UPCOMING EVENTS 2018

### TEXAS CHAPTER SPRING MEETING & CONTINUING EDUCATION

YELLOW BOOK | USPAP | RURAL LAND  
VALUES WORKSHOP  
February 20-23, 2018  
Fort Worth, Texas

### 28TH ANNUAL OUTLOOK FOR TEXAS LAND MARKETS

April 26-27, 2018  
San Antonio, Texas

### ASFMRA SUMMER EDUCATION WEEK

June 24-29, 2018  
Des Moines, Iowa

### ASFMRA CHAPTER LEADERS DAY

August 2-3, 2018  
Denver, Colorado

### ASFMRA LEADERSHIP INSTITUTE

September 10-14, 2018  
Washington, DC

### TEXAS CHAPTER FALL MEETING & CONTINUING EDUCATION

October 3-5, 2018  
College Station, Texas

### AGRONOMICS / ASFMRA 89TH ANNUAL MEETING

October 29-November 2, 2018  
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Mickey Nixon, ARA  
(806) 786-9958  
[mickey.nixon@capitalfarmcredit.com](mailto:mickey.nixon@capitalfarmcredit.com)

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Patricia Weber, ARA, MAI  
(254) 496-1137  
[patricia.weber@lonestaragcredit.com](mailto:patricia.weber@lonestaragcredit.com)

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(936) 439-0379  
[wayne.young@capitalfarmcredit.com](mailto:wayne.young@capitalfarmcredit.com)

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(325) 446-3052  
[jbierschwale@gmail.com](mailto:jbierschwale@gmail.com)

#### SECRETARY-TREASURER

Carmen Bierschwale  
(325) 446-3052  
[ckbierschwale@gmail.com](mailto:ckbierschwale@gmail.com)  
[info@txasfmra.com](mailto:info@txasfmra.com)

### DIRECTORS:

#### BRYAN BEDNARZ, ARA

(806) 281-1789  
[bryan.bednarz@capitalfarmcredit.com](mailto:bryan.bednarz@capitalfarmcredit.com)

#### AARON BIERSCHWALE, ARA

(325) 446-3052  
[aaronbierschwale@gmail.com](mailto:aaronbierschwale@gmail.com)

#### R. MIKE LANSFORD, AFM

(817) 884-4414  
[mlandsord@farmersnational.com](mailto:mlandsord@farmersnational.com)

#### DANIEL BARNETT, ARA

(903) 348-8656  
[daniel.barnett@lonestaragcredit.com](mailto:daniel.barnett@lonestaragcredit.com)

#### JAMES COWSERT, ARA

(940) 256-0708  
[cowsertj@valornet.com](mailto:cowsertj@valornet.com)

#### ROBERT MORAN, ARA

(830) 896-3433  
[morans@ktc.com](mailto:morans@ktc.com)



# MARKET REGIONS

## REGION 1

North Panhandle  
South Plains

## REGION 2

Far West Texas  
Big Bend  
Trans-Pecos

## REGION 3

North Texas  
Central Texas  
South Central Texas

## REGION 4

North Texas  
Northeast Texas  
Piney Woods North  
Piney Woods South

## REGION 5

Eastern Coastal Prairie  
Southeastern Piney Woods  
Southwestern Piney Woods  
Brazos Bottom  
Houston Area  
Central Coastal Prairie  
North Coastal Prairie  
Bellville & Brenham Areas

## REGION 6

Transition Zone  
Upper South Texas  
Lower South Texas  
Coastal Plains  
Coastal Bend  
Rio Grande Valley

## REGION 7

Southern Grand Prairie  
Central Basin  
Central Blacklands  
Grand Prairie  
North Central Post Oaks  
East Edwards Plateau  
Central Blacklands  
Southern Post Oaks  
Eastern Hill Country  
Western Hill Country

# COUNTY GUIDE

## REGION 1

Andrews  
Armstrong  
Bailey  
Borden  
Briscoe  
Carson  
Castro  
Cochran  
Crosby  
Dallam  
Dawson  
Deaf Smith  
Ector  
Floyd  
Gaines  
Garza  
Gray  
Hale  
Hansford  
Hartley  
Hemphill  
Hockley  
Howard  
Hutchinson  
Lamb  
Lipscomb  
Lubbock  
Lynn  
Martin  
Midland  
Moore  
Ochiltree  
Oldham  
Parmer  
Potter  
Randall  
Roberts  
Sherman  
Swisher  
Terry  
Yoakum

## REGION 2

Brewster  
Crane  
Culberson  
El Paso  
Hudspeth  
Jeff Davis  
Loving  
Pecos  
Presidio  
Reeves  
Terrell  
Ward  
Winkler

## REGION 3

Archer  
Baylor  
Childress  
Clay  
Coke  
Collingsworth  
Concho  
Cottle  
Crockett  
Dickens  
Donley  
Edwards  
Fisher  
Foard  
Glasscock  
Hall  
Hardeman  
Haskell  
Irion  
Jack  
Jones  
Kent  
King  
Kinney  
Knox  
Mitchell  
Motley  
Nolan  
Reagan  
Runnels  
Schleicher  
Scurry  
Shackelford  
Stephens  
Sterling  
Stonewall  
Sutton  
Taylor  
Throckmorton  
Tom Green  
Upton  
Val Verde  
Wheeler  
Wichita  
Wilbarger  
Young

## REGION 4

Anderson  
Angelina  
Bowie  
Camp  
Cass  
Cherokee  
Collin  
Cooke  
Dallas  
Delta  
Denton  
Ellis  
Fannin  
Franklin  
Grayson  
Gregg  
Harrison  
Henderson  
Hood  
Hopkins  
Houston  
Hunt  
Jasper  
Johnson  
Kaufman  
Lamar  
Marion  
Montague  
Morris  
Nacogdoches  
Newton  
Palo Pinto  
Panola  
Parker  
Polk  
Rains  
Red River  
Rockwall  
Rusk  
Sabine  
San Augustine  
Shelby  
Smith  
Somervell  
Tarrant  
Titus  
Trinity  
Tyler  
Upshur  
Van Zandt  
Wise  
Wood

## REGION 5

Austin  
Brazoria  
Brazos  
Burleson  
Calhoun  
Chambers  
Colorado  
DeWitt  
Fayette  
Fort Bend  
Galveston  
Gonzales  
Grimes  
Hardin  
Harris  
Jackson  
Jefferson  
Lavaca  
Leon  
Liberty  
Madison  
Matagorda  
Montgomery  
Orange  
Robertson  
San Jacinto  
Victoria  
Walker  
Waller  
Washington  
Wharton

## REGION 6

Aransas  
Atascosa  
Bee  
Bexar  
Brooks  
Cameron  
Comal  
Dimmit  
Duval  
Frio  
Goliad  
Guadalupe  
Hidalgo  
Jim Hogg  
Jim Wells  
Karnes  
Kenedy  
Kleberg  
La Salle  
Live Oak  
Maverick  
McMullen  
Medina  
Nueces  
Refugio  
San Patricio  
Starr  
Uvalde  
Webb  
Willacy  
Wilson  
Zapata  
Zavala

## REGION 7

Bandera  
Bastrop  
Bell  
Blanco  
Bosque  
Brown  
Burnet  
Caldwell  
Callahan  
Coleman  
Comanche  
Coryell  
Eastland  
Erath  
Falls  
Freestone  
Gillespie  
Hamilton  
Hays  
Hill  
Kendall  
Kerr  
Kimble  
Lampasas  
Lee  
Limestone  
Llano  
Mason  
McCulloch  
McLennan  
Menard  
Milam  
Mills  
Navarro  
Real  
San Saba  
Travis  
Williamson

# Impact of Cotton Being Reintroduced to the Farm Program as a Title I Commodity



**William J. Thompson, AFM**  
Texas AgriLife Extension Service, San Angelo, TX

## Introduction

Texas is the largest cotton producing state in the nation, averaging 55% of the planted U.S. Upland cotton acres over the last decade. Texas Upland cotton acreage has averaged 5.9 million acres since 2008. Cotton production is the second most valuable commodity produced in Texas behind only cow/calf and stocker cattle production. What affects U.S. cotton, greatly affects Texas Agriculture and Texas real estate.

The dropping of cotton as a covered commodity in the 2014 Farm Bill has had a negative impact on Texas Cotton producers. This paper will estimate the Texas impact of cotton regaining Title I commodity status.

## WTO Case

In 2002, Brazil filed a claim with the World Trade Organization claiming U.S. cotton subsidies violated agreements the U.S. made during the Uruguay Round of Agreements on Agriculture. The WTO deemed the structure of the cotton subsidies to be market distorting. In 2014 the U.S. and Brazil agreed on a mutually acceptable solution that avoided tariffs being placed on several U.S. products. The Brazilian Cotton Institute received a large cash settlement and U.S. policy makers had to restructure domestic cotton programs. As a result, cotton was largely dropped as a covered commodity in the 2014 Bill.

## 2014 Farm Bill

The 2014 Farm Bill eliminated Direct Crop Payments (DCP) and Counter-Cyclical Payments (CCP) for all crops. All crops except for cotton, were given a choice between two new safety net programs; Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC). PLC is similar to the counter-cyclical payments of earlier farm bills. If the market year average (MYA) price of a commodity is less than an established reference price, a PLC payment will be due. The ARC program established a method of calculating an average gross revenue for each covered commodity. The average gross revenue figure is calculated with rolling averages of both market year average price and average yields. A payment is due if calculated revenue for a commodity is less than 86% of the average revenue.

With the 2014 legislation, producers were also given the opportunity to reallocate

base acres between all covered commodities other than cotton. Cotton base acres were frozen and deemed to be generic base acres. A large percentage of Texas crop base acres were signed up in the PLC program in 2014. Producers were also given the ability to update program yields, again for all crops except cotton.

Where other covered commodity crops were given a choice of ARC or PLC to replace the DCP and CCP programs cotton producers were presented with an area or county-wide crop revenue insurance program. This policy was intended to provide coverage above a producer's standalone crop insurance policy, or be stacked upon the existing crop insurance policy, thus the name STAX. Participation in the STAX program has never been close to what policy makers had hoped for when it was introduced.

In 2014, cotton prices on the International Cotton Exchange (ICE) decreased 34 percent by the end of the year and remained depressed through all of 2015 and most of 2016. Texas cotton producers found themselves producing cotton for depressed global market without much of a financial safety net.

## Bipartisan Budget Act of 2018

The Bipartisan Budget Act of 2018 among other things, made seed cotton a Title I commodity, making it eligible for federal farm programs. Seed cotton is defined as unginne upland cotton. For the 2018 crop, cotton producers can participate in one of the two safety net programs that were created in the 2014 Farm Bill; PLC or ARC. At sign-up producers will be given the opportunity to update their program yields, allocate their generic base and then decide which program they want to enroll their seed cotton into. A PLC reference price for seed cotton was established at \$0.367/pound.

## Impact to Texas

The National Cotton Council (NCC) has estimated 7,204,325 acres of generic base in Texas. Cotton plantings in Texas averaged 6.15 million acres between 2009 and 2012, or 85% of the total number of generic acres. When

the sign-up for the new seed cotton program begins, producers will have two options to allocate their generic base acres to program crops, including seed cotton on a FSA farm number by farm number basis. It is assumed that collectively, producers will allocate 85% of the generic base to seed cotton. Cotton producers will also get the opportunity to update program yields for each FSA farm number. For this analysis, program yields are assumed to be 90 percent of the 2008-2012 yield per planted acre. Since most Texas producers signed their crop base acres into the PLC program in 2014, the impact of the seed cotton program in Texas will be measured assuming that the seed cotton acres are also enrolled into the PLC program.

The Agriculture and Food Policy Center (AFPC) at Texas A&M has calculated that the Market Year Average (MYA) price for seed cotton in 2014, 2015 and 2016 (\$0.316, \$0.325 and \$0.342 respectively) was below the established PLC reference price. Table 2 estimates the PLC program payment made to Texas cotton producers if the seed cotton program had been in the 2014 farm bill.

**Table 1. Top Ranked Commodities by Economic Impact of Agricultural Production, 2016**

Commodity	Estimated Value (Billion \$)	Estimated Economic Impact (Billion \$)
Beef Calves and Stocker Cattle	\$4.98	\$9.60
Cotton: Lint + Seed	\$3.01	\$5.29
Feed Beef	\$2.03	\$3.92
Milk	\$1.71	\$3.05
Nursery Crops	\$1.88	\$2.96
<b>Total</b>	<b>\$13.62</b>	<b>\$24.83</b>

Source: Texas A&M AgriLife Extension

**Table 2. Estimated PLC Payments to Texas Cotton Producers If Seed Cotton Program Was Part of the 2014 Farm Bill.**

	MYA Seed Cotton Price	PLC Payment Rate	Irrigated		Non-Irrigated		Total
			Estimated Texas PLC Payments	\$/Base Acre	Estimated Texas PLC Payments	\$/Base Acre	
2014	\$0.316	\$0.051	\$146,487,136	\$72.05	\$94,867,388	\$23.19	\$241,354,524
2015	\$0.325	\$0.042	\$120,636,465	\$59.33	\$78,126,084	\$19.10	\$198,762,549
2016	\$0.342	\$0.025	\$71,807,419	\$35.32	\$46,503,622	\$11.37	\$118,311,041
<b>Total</b>			<b>\$338,931,020</b>		<b>\$219,467,094</b>		<b>\$558,428,114</b>

## Summary

Producers would prefer to generate their gross income (and net income) directly from the market. However, in periods of low prices or reduced yields, American farm policy has programs in place to provide financial stability or sustainability. The 2014 farm bill removed most of that safety net from U.S. cotton producers. The downturn in prices between 2014 and mid-2016 highlighted the need for a financial safety net for U.S. Cotton Producers. The 2018 Bipartisan Budget Act of 2018 brought seed cotton back under the

umbrella of federal farm programs.

If the current program had been in place since 2014, Texas cotton producers would have collected over \$558 million in PLC payments. Future program payments will depend on how Texas cotton farmers actually enroll their acreage into the program and how prices react to global events. But moving forward, cotton producers, lenders and input suppliers know that there is once again a program in place to help cotton producers weather any adverse times.

# Succession Planning for your Family Farm or Ranch

Owni ng rural property is a unique experience, whether you inherited the farm or ranch, or purchased it as an investment. This type of asset combines cash and appreciation returns, as well as consumptive use and enjoyment. Investments in rural property can compare favorably to other types of investments, but provide a diversification in risk management, and a hedge against inflation. Many times rural land ownership is much more than just an investment. It is a family legacy and a heritage that is passed down through the generations. Inherited farms and ranches are sometimes referred to as “Heart String” assets because there is so much family history and emotion attached. Careful planning should be considered as the current owner plans for the future, and the succession of ownership. The legal alternatives, conveyance vehicles, and testamentary issues will not be addressed here. However, consulting with an attorney who specializes in this discipline is recommended as a vital part of the planning for ownership succession. This article will however, shed light on items to consider when planning for the transition of rural property. Farming and ranching families who do not plan for succession and transition, statistically have a higher percentage of going out of business. As a result, the property is typically acquired by or absorbed into a neighboring operation, or is converted to another use.

Rural land can be a large portion of one’s overall portfolio value. According to the Real Estate Center at Texas A&M University, the Nominal Median Price per Acre of Rural Land in Texas was \$424 in 1977. This value increased to \$2,644 in 2017. That represents an average annual increase of 13.1% over this 40 year period.

It is a very common situation for aging parents to look to their children for help in managing their financial affairs. If a farm or ranch is included in their portfolio, the complexities of land ownership can sometime be overwhelming. Recent studies estimate

that 10% of our nation’s farmland is expected to transfer to the next generation over the next five years. That represents approximately 91 million acres that will change hands. To put that much land in perspective, 91 million acres is 54% of the total land area of the State of Texas.

In addition to an ownership change at some point in the future, there will also be the transfer of knowledge, or worse, a lack of knowledge transfer. Many of the Baby Boom Generation left the home place, went to war or college, got married, and moved to a metropolitan area for a career and raise a family. Most of this generation did not return to the family farm or ranch. Even fewer of the Gen X and Millennial generations live on the family land. As a result, the knowledge base for caring for, nurturing and improving the family land is declining. Things that were common knowledge for the WWII Generation may be a foreign topic to a Millennial, and visa versa. Therefore, as you plan for the future and lay the ground work to pass your heritage property to the next generation, proactive planning and open communication is a requirement. Necessary functions such as negotiating and preparing farm leases, grazing leases, hunting leases, as well as negotiating and documenting surface damages, easements and pipeline right of ways, can be very challenging for some one that just inherited property with no experience. Required forms from crop insurance companies, USDA offices, county appraisal districts, as well as Conservation Reserve Program (CRP) contracts can also be confusing. Same applies to selling or forward contracting grain, marketing cotton, selecting replacement heifers, purchasing herd sires, marketing the annual calf crop, developing a feed or mineral ration, developing a plan for pasture rotations, etc. There is much to know in addition to the gate combination.

Discuss and write down your goals for the property. A written goal is much more successful than one that is only verbally discussed. Start keeping good records, or

provide access to current or historical records. Encourage the next generation to spend time on the property, and to be a part of planting, harvest, working and/or weaning. Even though the next generation does not have decision authority or legal ownership, allow them to be a part of the process and develop a pride of ownership that will come. A list of contacts should be written and accessible. This would include consultants, lessees, service providers, and government agencies, that worked with the owners in the past.

Suggested contacts include:

- Lessee (all types)
- FSA/NRCS Office
- Insurance Agent
- Contractors (all types)
- Grain Elevators/Coops/Gins'
- Order Buyers/Feedlot Managers/Sale Barn Manager
- Purebred Breeders
- Custom Applicators/Harvesters
- Appraisers
- Surveyors
- Farm Managers

The death of a parent or relative is an emotional time for everyone. On top of that you add the stress of legal and financial matters that require attention. Then if the estate includes real property, additional responsibilities, without current knowledge of rural property ownership issues, pile on and pile up. The solution doesn’t have to be SELL THE FARM! Third party management is available to carry on the legacy and operate a property under the owners’ goals and objectives, even after the property has passed to the next generation. Rural land is a very special thing in Texas. It can provide income, increase in value over time, and provide a diversifying factor to one’s overall portfolio. It always out performs the stock market from an emotional perspective. This is especially true when family heritage is involved. My former boss and mentor, Walter C. Richburg, once said “you can’t watch the sun go down over a stock/bond portfolio”.



R. Mike Lansford, AFM  
Farmers National Company  
(817) 884-4414  
mlansford@farmersnational.com





# TEXAS INCOME PRODUCING FARMLAND - CASH OR CAPEX? *A farm manager's perspective.*

by Kyle Amos, AFM

***Landowners may ultimately return cashflows to themselves in a variety of ways. One profitable alternative is to reinvest those cash flows, or a portion thereof, back into the asset in the form of land improvements or operational improvements. We all know these activities as "Capital Expenditures" or CapEx.***

## **What is it?**

CapEx may take many forms, but it usually occurs as something like an irrigation improvement, drainage upgrade, fencing and land clearing. It could also include a new building, grain storage, grain processing, above ground fuel storage, etc... What these items have in common is the potential to increase income and efficiency for whomever is operating the farm. That increase in income will then be realized by the landowner as increased cashflow from rent and/or property appreciation.

## **Why do it?**

The benefits are economic and for the public good. They include increased rent, increased yield, lower cost of production, competitive tenant pool, IRS accelerated depreciation, capital gains basis increase, water security, conservation and stewardship.

Landowners may influence the production capabilities of their property. Today's professional farm operators, whether they are growing cotton or backgrounding calves, are deeply interested in efficiency. They are aware of increased labor costs, energy costs, water regulations, the importance of timing their operations with mother nature. They are searching, and willing to pay competitive prices, for properties that possess strong production efficiency characteristics.

The great Texas heavy equipment manufacturer RG Letourneau said, "A man is worth what he can produce, and I build big machines that help him produce more."

His point: 500 men with shovels can be very busy and get a lot done; but put one man on a LT300 bucket scraper and he can safely and comfortably do the same job, with less cost, in less time, with higher quality. Again, production agriculture professionals are generally willing to pay more rent when these types of efficiencies are found on the farm. Landowners can, over time, develop highly efficient and productive farm environments that will positively affect the bottom line of all involved.

## **Which project?**

Choosing the right project can be tricky. If a landowner or farm manager is to influence farmland productivity in a responsible and economically sound

manner, it is useful to have an awareness of where we are in the business or commodity cycle, and then make strategic decisions for the future. And with the inherent 'Illiquidity Risk' associated with farmland and other real estate, it is lucrative to be thoughtful and strategic when implementing capital re-investment projects.

A few first questions are: Will this project increase productivity? Does it benefit a stakeholder? Does it lower operating costs for a farmer? Decrease field variability? Add a fresh revenue stream? Increase yield? Provide habitat for wildlife and (paying) sportsmen? Finally, is it a regional best practice or cultural practice fit?

## **When?**

The timing may be appropriate during a lull in commodity prices or a non-aggressive leasing period.

Relevant to our place in the current commodity business cycle, it is human nature to delay or defer capital expenditures during times of depressed returns, low appreciation periods and general periods of uncertainty. Market illiquidity often accompanies these periods of the business cycle, further aggravating the capital expenditure decision process. Also, there seems to be a property appreciation lag, whereby it takes some time for the capex to 'bake in' and increase the value of the property.

Perhaps in these times we could benefit from the old adage of "when everyone is running away, we should be running in". CapEx costs can be historically underpriced during these periods.

In Closing, the philosophy of capital reinvestment is similar to that of Berkshire Hathaway, Amazon, or even Texas Pacific Land Trust. These companies, with a few exceptions, generally do not pay out a dividend. They choose to reinvest their cash flows back into their businesses. The result is the return of wealth to shareholders through appreciation of share price as a result of increased earnings.

There are very appropriate times within the farmland cycle to return cashflows to the farm as capex. CapEx must qualify by increasing productivity and therefore, be of benefit to landowners, businesses and other Texans along the way.

As a part of NCREIF Directed Research, Dr. Chinmoy Ghosh said, "(As) we analyze the relationship between capital expenditures and performance we find persistently strong positive relationship between capital expenditures and cumulative returns."

"Persistently strong positive relationship" should get everyone's attention. With some experience and thoughtful planning, CapEx is a lucrative decision.



**Kyle Amos, Accredited Farm Manager  
Highfield Farm Asset Services  
College Station, Texas**

## **Resources:**

The following is a short list of organizations that offer assistance for private land improvement projects that reflect resource conservation, as well as return on investment.

ASFMR\*, USDA, NRCS, TDA, TPWD, Ducks Unlimited, The Nature Conservancy and The Conservation Fund.

TPWD also publishes a comprehensive guide to conservation resources available to Texas private landowners.

\*The Texas Chapter of the American Society of Farm Managers and Rural Appraisers (ASFMR) is considered the Texas premier resource for farm management and agricultural property valuation.

**Region One, the most northerly region in Texas, is bordered on the west by New Mexico and by Oklahoma on the north and east. The upper third of the region is commonly known as the Panhandle, while the South Plains comprises the balance.**

Highlights of the overall market precede brief discussions related to the sub-regions.

- In 2017, Texas High Plains farmers produced one of the largest crops in the region's history according to the National Agricultural Statistics Service December report. Estimates for the region were 5.5 million bales. About 3.2 million bales were produced in the Southern High Plains and 2.2 million in the Northern High Plains (up almost 50% from 2016). Yields per acre were 697 pounds in the SHP and 927 in the NHP. This region produced about 27% of the nationwide crop.
- Despite the large cotton crop on the Texas High Plains, producers faced numerous weather related setbacks ranging from early season hailstorms, which require re-planting and cool, wet weather which affected lint grade, quality and ultimately prices.
- The inventory of good irrigated land for sale appears to be in balance with demand. Typical seller profiles include estate liquidations, absentee landowners selling inherited properties and an occasional distressed operator. Buyers tend to be existing producers looking to expand operations. The number of sales of cropland remained steady throughout the region. Light water farms continue to meet market resistance, but will sell if priced where cash flow at current commodity prices will service the debt.
- The market for recreational properties can be described as mixed with moderate activity for small tracts (200 acres and less) and limited demand for large tracts where a large inventory of available properties remains. Higher quality tracts with superior land features or live water still command interest, but typically below asking prices.
- Dairies continued expanding their land base to grow forages in order to control input costs. For several years, these buyers have been the primary market makers in some areas of the Panhandle and to a significant extent in the northwest sector of the South Plains. Milk prices remained stable through most of 2017, but declined sharply at end of the year to near breakeven levels.



- Most of the purchase activity is driven by end-users expanding their operations, but a few investors are still in the market for prime irrigated farmland, but on a limited basis. Strong water is the target investment and most of this land class occurs in the North Panhandle.
- Looking forward to 2018, the main headwinds for this region are the lack of soil moisture, low commodity prices and rising interest rates. As of this writing, the entire region is in a severe to extreme drought with most areas having not received any measurable rainfall in 150 days, or more. There is still concern about underground water pumping restrictions on the Plains. Operators have adjusted to the pumping limitations.



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## North Panhandle

**Carson, Dallam, Gray, Hansford, Hartley, Hemphill, Hutchinson, Lipscomb, Moore, Ochiltree, Oldham, Potter, Roberts and Sherman Counties**

Sales activity was stable for cropland in 2017. Water volume and commodity prices continue to be the most important factor impacting irrigated farm land prices in this market. Water awareness has significantly increased with the North Plains Water District's imposition of the 1.5 acre foot limit on Ogallala pumping and that the limitation was, at least partially, responsible for the increased impact that water volume seems has had on land prices. There has been increased drilling to the Santa Rosa formation to supplement irrigation water that is being pumped from the Ogallala formation.

The panhandle dairy industry has been stable after the recovery that began in 2013. Most dairies operated at above breakeven levels until late 2017 when milk prices dipped. Lower commodity and forage costs have helped mitigate the drop in milk prices.

Most acreage was planted to corn, wheat, sorghum and cotton. As expected, cotton plantings in the region jumped more than 50% from 847,000 acres to 1.3 million acres. Ginning capacity has been a limiting factor; however several gins have expanded and a couple of proposed construction projects are reportedly being planned.

Cash leases for irrigated cropland are common in the northwest quadrant of the Panhandle and declined somewhat during 2017. The decline is directly attributable to the low commodity prices. A crop share lease is most prevalent in the eastern sector of the Panhandle.

Cash lease rates for grazing and hunting on native rangeland continued to be stable. Range conditions were average due to average rainfall. Ranchers continue to increase their herds.

## South Plains from Amarillo to Lubbock

**Armstrong, Bailey, Briscoe, Castro, Cochran, Crosby, Deaf Smith, Floyd, Hale, Hockley, Lamb, Lubbock, Parmer, Randall and Swisher Counties**

Due to timely rains, crop yields on dryland were up throughout the region. Irrigated cotton brought in good yields. The market price for cotton experienced a moderate increase but risk increases as inputs such as cottonseed increases. The land market for good irrigated farms was generally stable. The demand for farms with weaker irrigation water has declined.

Native rangeland is in scattered areas along draws or a band of sand hills and runs southeast across the region; generally, these are smaller tracts utilized in conjunction with adjoining cropland. Range conditions were average due to the timely rainfall.

Crop share leases are the most common lease arrangement for both irrigated and dry cropland; rental rates and terms remain stable.

Drip irrigation continued to be installed but has slowed some. Prices for land

enrolled in the Conservation Reserve Program (CRP) are generally stable with moderated demand. Tracts are being purchased for conversion to cattle grazing upon expiration of CRP contracts. Fertilizing former CRP grass improves gains if rainfall cooperates, and some operators considering using light water irrigation properties with older pivots for grazing purposes.

## South Plains to the South of Lubbock

**Andrews, Borden, Dawson, Ector, Gaines, Garza, Howard, Lynn, Martin, Midland, Terry and Yoakum Counties**

This area is composed of a diverse land use mixture. The topography has rolling plains, broad valleys and flood plains. Most of the land in Garza, Borden, Andrews, Midland, Ector and Howard counties is native range that is utilized for cattle grazing. Quite a bit of the native range was leased for hunting. Most cultivated farming utilizes dryland cultural practices due to inadequate groundwater. Irrigation practices are predominantly sprinkler due to sandy soils.

There is still demand for dryland but to a lesser degree than previous years. Crop yields in 2017 were good due timely rainfall. The improvement in cotton prices offset much of the losses that were experienced in previous years. Farming is localized geographically and is limited by soil types that are conducive to cultivation. Where there is adequate groundwater, crops include cotton, small grains and peanuts. The limited number of farmland buyers is typically composed of local farmers. Some expired CRP acreage being placed back into production, especially those with irrigation potential. Much of this land is being utilized to grow organic peanuts. Oil & gas lease activity was stable.

The rural or agricultural land market in the southern portion of the South Plains has been slow since the fall of oil prices in the fall of 2014, and land prices have been stable through 2016 in this area. Rural lands in Midland and Ector Counties are still impacted by rural development potential (RV Parks, Industrial tracts or rural residential); and by oil companies buying 80 acres to 640 acres for oil production. An overall range of oil price purchases are \$2,500 to \$6,000 per acre. There is optimism in the land markets as the Permian Basin is the "place to be" for oil and gas exploration and production with continued success of fracking, the existence of several stacked producing formations and lower costs. This new activity will increase land sales activity and land prices if oil and gas prices remain favorable.



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## North Panhandle

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland Good Water	\$2,800 to \$4,000	Stable/Increasing	\$150 to \$250	Stable/Stable
Irrigated Cropland Average Water	\$1,800 to \$2,800	Stable/Stable	\$125 to \$150	Stable/Stable
Irrigated Cropland Fair Water	\$900 to \$1,700	Decreasing/Declining	\$75 to \$125	Stable/Declining
Dry Cropland East	\$750 to \$1,500	Stable/Stable	\$30 to \$45	Stable/Stable
Dry Cropland West	\$350 to \$650	Stable/Declining	\$15 to \$35	Stable/Stable
Rangeland	\$600 to \$1,200	Stable/Stable	\$7 to \$12	Stable/Stable
Conservation Reserve Program	\$500 to \$1,000	Stable/Stable	\$30 to \$45	Stable/Stable

Value for irrigated cropland typically includes center pivot sprinklers

Minerals are typically either not included or not a factor in the land classes listed above

## South Plains (Amarillo to Lubbock)

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland Good Water	\$2,250 to \$4,000	Stable/Stable	\$150 to \$200	Stable/Stable
Irrigated Cropland Fair Water	\$1,100 to \$1,750	Stable/Declining	\$100 to \$150	Stable/Stable
Drip Irrigation	\$1,600 to \$3,000	Stable/Stable	n/a	Stable/Stable
Dry Cropland Wheat	\$600 to \$900	Stable/Stable	\$25 to \$45	Stable/Stable
Dry Cropland Cotton	\$600 to \$900	Stable/Stable	\$25 to \$45	Stable/Stable
Rangeland	\$400 to \$1,100	Stable/Stable	\$7 to \$10	Stable/Stable
Conservation Reserve Program	\$500 to \$800	Stable/Stable	\$30 to \$45	Stable/Stable

Value for irrigated cropland typically includes center pivot sprinklers

Minerals are typically either not included or not a factor in the land classes listed above

## South Plains (South of Lubbock)

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland Better Water	\$1,500 to \$2,000	Stable/Declining	\$150 to \$185	Stable/Stable
Irrigated Cropland Fair Water	\$1,100 to \$1,500	Stable/Declining	\$75 to \$125	Stable/Stable
Dry Cropland Cotton	\$650 to \$1,200	Stable/Stable	\$25 to \$45	Stable/Stable
Rangeland	\$350 to \$1,200	Stable/Stable	\$4 to \$7	Stable/Stable
Conservation Reserve Program	\$500 to \$800	Stable/Stable	\$30 to \$40	Stable/Stable

Value for irrigated cropland typically includes center pivot sprinklers

Minerals are typically either not included or not a factor in the land classes listed above

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[MLansford@FarmersNational.com](mailto:MLansford@FarmersNational.com) • [www.FarmersNational.com/MikeLansford](http://www.FarmersNational.com/MikeLansford)

### **Amanda Bogart Farm Manager/Agent**

Hereford, Texas

Business: (806) 786-8503

[ABogart@FarmersNational.com](mailto:ABogart@FarmersNational.com)

[www.FarmersNational.com/AmandaBogart](http://www.FarmersNational.com/AmandaBogart)

### **John Menzies Farm Manager/Agent**

Fort Worth, Texas

(817) 884-4241 or (817) 291-7961

[JMenzies@FarmersNational.com](mailto:JMenzies@FarmersNational.com)

[www.FarmersNational.com/JohnMenzies](http://www.FarmersNational.com/JohnMenzies)

### **James Houser, Vice President Forest Resource Management**

Jacksonville, Texas

(903) 586-9375 or (903) 721-1713

[JHouser@FarmersNational.com](mailto:JHouser@FarmersNational.com)

[www.FarmersNational.com/JamesHouser](http://www.FarmersNational.com/JamesHouser)

### **Ethan Smith/AFM Accredited Farm Manager/Agent**

Fort Worth, Texas

(817) 884-4413 or (308) 325-0630

[ESmith@FarmersNational.com](mailto:ESmith@FarmersNational.com)

[www.FarmersNational.com/EthanSmith](http://www.FarmersNational.com/EthanSmith)

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**Region Two encompasses West Texas and is bound on the north by the State of New Mexico and on the south by the Republic of Mexico. Andrews County forms a small portion of the region's north boundary and Ector County forms the northerly portion of the region's east boundary; both of these counties are in Region One (Panhandle and South Plains). The counties of Upton, Crockett and Val Verde; located in Region Three (South Central Texas), form the balance of the region's east boundary.**

**Guadalupe Peak, at 8,749 feet, is the highest point in Texas and is in Region Two, in Culberson County. In terms of land mass, the region includes the four largest Texas counties – Brewster, Hudspeth, Presidio and Culberson. It is noted that Loving County, the least populated county in Texas, is also in Region Two.**

Highlights of the overall West Texas market precede brief discussions related to each sub-region.

- The region has a diverse land use mix. Topographically, the terrain ranges from mountainous expanses to broad valleys, rolling uplands and flood plains.
- The land area is predominately native rangeland and is utilized for cattle grazing. The grazing of both sheep and goats is inhibited by predator populations and the increased labor input required.
- Native rangeland has typically been held by established ranching families. However, over the last several decades, low average income levels from cattle operations, an increased demand for recreational land use and pressure from individuals (and entities) with increasing disposable income from non-agricultural sources, have all served to effect changes in property ownership.
- Another development has been the creation of "ranchettes", primarily for recreational purposes. It is expected that market pressure for these type of subdivisions will continue in certain areas.
- Where practiced, irrigation of crops is by various methods including flooding, sprinkler and subsurface drip. The quantity and quality of the irrigation water supply, as well as the soil type of the land, are the primary factors determining the irrigation type. Center pivot sprinkler and buried drip systems have become more common and can be attributed to the ever increasing costs of pumping water and the necessary water conservation practices.
- Supply and demand are often quite variable as the result of economic conditions in other regions, but are mostly dominated by both investors and recreationalists, with the market for cultivated land being driven by water rights acquisitions by producers, public entities and oil companies.
- It is noted that drought, which is common, is a limiting factor throughout the region.

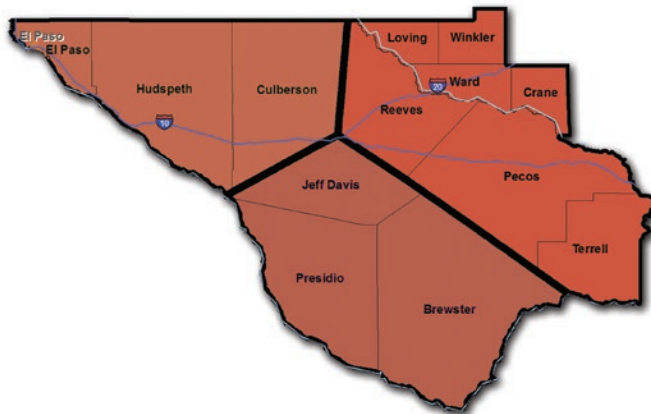
## Far West Texas

### Culberson, El Paso and Hudspeth Counties

The sub-region identified as "Far West Texas" covers approximately 9,400 square miles. Decreasing amounts of acreage in the river valley bottoms and flood plains are cultivated under various irrigation practices. Many areas possess abundant supplies of groundwater, but the water quality varies greatly. The valley that is associated with the Rio Grande has irrigation districts and furnishes water based on adjudicated water rights.

In the El Paso Upper Valley, the market is generally driven by the investor with strong urban development pressure present. In the El Paso Lower Valley, there is moderate urban pressure and the investor is again the primary market force with some producer acquisition impact. Reported sales in these areas in 2017 were insufficient in number to statically indicate market trend.

In the areas around Van Horn and Dell City, the market has been relatively stable and is typically producer-oriented. Water volumes in these areas remain an attractive factor, allowing another contributor for water rights to be speculation and acquisition for municipal uses by public utility entities. The



number of properties available for purchase in these areas is the primary factor in the limited amount of data available.

## Big Bend

### Brewster, Jeff Davis and Presidio Counties

The Big Bend area encompasses some 12,313 square miles and topographically is characterized as mountainous with broad rolling upland areas and canyon bottoms. The geology of the Big Bend is unique, as is the scenery and vegetation. Annually, the area attracts more than 350,000 recreational visitors.

Some lands in the valley along the Rio Grande were historically cultivated under irrigation utilizing adjudicated water rights from the river. Typical cash crops were alfalfa, onions, lettuce and melons. The amount of farmed acreage has steadily decreased over the last two decades due to reduced water supply, increased labor costs and decreased market availability. The farmland market continues to be very limited, with the major adverse factors being those mentioned previously, as well as increased operating costs and decreasing

**Paul V. Loeffler**

PO Box 1407 | (432) 386-3101

Alpine, TX 79831 | PVL913@yahoo.com

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**Janna D. Stubbs**

PO Box 2091 | (432) 661-0717

Alpine, TX 79831 | janna\_79831@yahoo.com

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commodity prices.

In the areas that are associated with the Davis Mountains, demand for properties has remained strong; however, it is noted that only limited properties are generally available for purchase. The market has continued to be dominated by the investment-driven recreational buyer and/or conservationist. In the Highland's grassland area, the market is driven primarily by investment operators. Within the Desert Mountains, the market continues to be influenced by purchase for investment purposes, as well as for use as recreational properties. It is noted that no new (2017) sales were reported in the Desert Mountains sub-region.

## Trans-Pecos

**Crane, Loving, Pecos, Reeves, Terrell, Ward and Winkler Counties**

This multi-county sub-region covers approximately 12,905 square miles and is characterized as having rolling plains, broad valleys and flood plains.

Prior to the 1970's, significant acreage in the Pecos River Valley was cultivated under irrigation. The area possesses abundant supplies of relatively poor

quality underground water, along with large areas of relatively fertile alkaline soils. Numerous factors have contributed to the historic decline in farming operations; however, a very slight resurgence in crop production has occurred in the last decade. Most of the real estate transfers of agricultural properties are found in Pecos and Reeves Counties and involve lands currently or formerly cultivated under irrigation practices.

The specific agricultural base is a factor considered by most landowners in the area, as generally speaking, the area lacks scenic splendor, geologic uniqueness and varied recreational opportunities. The native rangelands in the higher elevations above the Pecos River are generally utilized for livestock grazing. A major market impact in these areas is the exploration and production of oil and gas resources. All facets of this industry, from the leasing of mineral rights to the varied surface impacts involved, are a critical part of every land transaction. The price of domestic oil and gas, and the future of such prices, have a significant effect on the area's market. A unique factor has become a significant market influence on land prices in certain areas of Cane, Ward and Winkler Counties in the past year. This factor is the presence of significant quantities of surface or subsurface sand that meets the standards of the fracking operations now a major part of the oil and gas industry. Prices paid for those properties possessing adequate supplies of acceptable sand far exceed those paid for agricultural use properties.

## Far West Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rangeland*	\$300 to \$500	Decrease/Increase	\$.65 to \$.85	Stable/Stable
Dell City Irrigated Cropland**	\$1,200 to \$1,200	Decrease/Decrease	\$.85 to \$1.20	Stable/Stable
El Paso Upper Valley Irrigated**	\$12,000 to \$14,500	Decrease/Increase	\$100 to \$125	Stable/Stable
El Paso Lower Valley Irrigated**	\$2,500 to \$4,500	Decrease/Increase	\$.65 to \$.85	Stable/Stable
Van Horn Irrigated Cropland**	\$500 to \$525	Decrease/Increase	\$.25 to \$.50	Stable/Stable

\*Very limited (2017) data

\*\*No new (2017) data available.

## Big Bend

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Davis Mountains Rangeland*	\$900 to \$1,850	Stable/Decrease	\$3.50 to \$5.00	Stable/Stable
Highlands Rangeland*	\$500 to \$700	Stable/Decrease	\$2.50 to \$2.75	Stable/Stable
Desert Mountains Rangeland**	\$200 to \$300	Decrease/Decrease	\$1.25 to \$1.50	Stable/Stable

\*Very limited (2017) data

\*\*No new (2017) data available.

## Trans-Pecos

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rangeland	\$275 to \$850	Increase/Increase	\$0.50 to \$1.25	Stable/Stable
Irrigated Cropland	\$1,100 to \$2,600	Increase/Increase	\$10 to \$25	Stable/Stable



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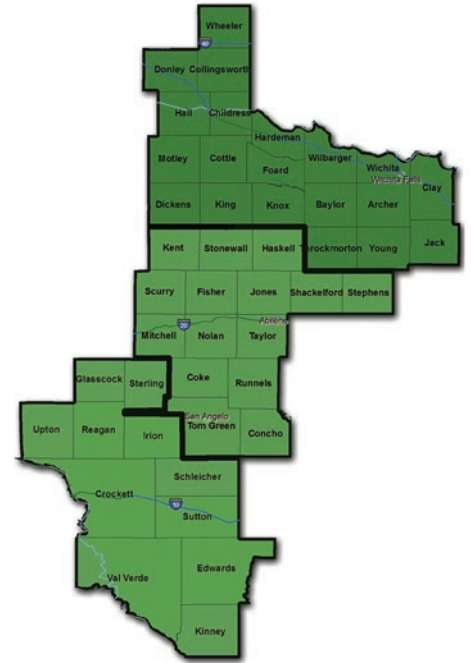
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**Region Three encompasses a large area and stretches from the Texas-Oklahoma border, on the north, to the Rio Grande and Republic of Mexico, on the south. With the exception of Region Five, all of the other reporting regions abut at least a portion of Region Three. General highlights of the overall regional market are as follows.**

General highlights of the overall regional market are as follows.

- Farmland prices continue to be stable. The irrigated farmland in all three areas remained stable from 2016 to 2017. The exception would be South Central Texas, which saw a slight increase on the lower quality irrigated cropland. It should also be noted that the lower quality dryland cropland has seen some increase as indicated by the bottom end of the value ranges. However, the upper end of the dryland farmland has also remained stable. There was a slight amount of increase in the North Texas on the Class IV and V dry cropland. It appears that farmers are purchasing lower quality land at a slightly increased price, rather than buying the better quality farmland at a much higher per acre price. Row crop farmers are suffering due to low commodity prices and dry weather.
- Rangeland properties appear to be stable. As with the dryland cropland, some of the rangeland prices have increased on the lower end, particularly in Central Texas. However, the top end of the range remained stable from 2016 to 2017.
- There continues to be interest in both solar and wind leases throughout this region. Numerous wind and solar projects are either coming onboard or increasing in size as new phases are being completed.
- Baby Boomers have gotten older and have moved out of the market. The younger generation is not filling in this gap.



## North Texas

**Archer, Baylor, Childress, Clay, Collingsworth, Cottle, Dickens, Donley, Foard, Hall, Hardeman, Jack, King, Knox, Motley, Throckmorton, Wheeler, Wichita, Wilbarger and Young Counties**

Prices for irrigated cropland and Class III and IV dryland cropland were stable. Class IV and V dry cropland increased slightly, and it is believed that this is due to the high prices for the better quality land and a flight to cheaper land to continue farming.

The rangeland prices were stable from 2016 to 2017. This was for both

rangeland sales greater than 2,000 acres and those smaller than 2,000 acres. It appears that larger rangeland sales are receiving slow demand, while smaller tracts, particularly those under a \$1 million continue to receive some interest. However, the interest has not resulted in an increase in prices.

## Central Texas

**Coke, Concho, Fisher, Haskell, Jones, Kent, Mitchell, Nolan, Runnels, Scurry, Shackelford, Stephens, Stonewall, Taylor and Tom Green Counties**

Irrigated farmland prices were stable from 2016 to 2017. This was also the case for Class II and III dry cropland. However, Class IV and V dry cropland saw some increase from the lower end of the value range from \$650 per

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acre to \$700 per acre. As with North Texas, the higher range of values for cropland has remained stable.

Rangeland prices have remained stable and this has been for properties of all sizes. While there has been some increase on the bottom end of the value range, the top end has not increased from 2016 to 2017. As with North Texas, larger properties, particularly those over 5,000 acres, received little interest. The activity on smaller tracts is better but does not result in an increase in overall prices.

### South Central Texas

**Crane, Crockett, Edwards, Glasscock, Irion, Kinney, Reagan, Schleicher, Sterling, Sutton, Upton and Val Verde Counties**

Farmland continues to be stable as prices and demand are also stable. As with the other regions, the bottom end of the irrigated cropland and dry cropland values have increased slightly, while the top of the range has remained stable. Irrigated farmland in this area is minimal. The dry cropland is limited primarily to Glasscock, Reagan and Schleicher Counties.

Rangeland values for large tracts as well as small tract remained stable. It appears that demand is also stable with less demand on larger ranches than smaller tracts under the \$1 million price range.

There have been a few sales in Crane County that have been purchased for the sand. This sand is being used in the fracking process. Prices for these properties are outside the range for typical properties.



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### North Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$1,200 to \$1,850	Stable/Stable	\$40 to \$90	Active/Stable
Class II & III Dry Crop	\$900 to \$1,600	Stable/Stable	\$30 to \$50	Active/Stable
Class IV & V Dry Crop	\$700 to \$900	Stable/Stable	\$15 to \$30	Active/Stable
Rangeland > 2,000 Acres	\$550 to \$1,500	Stable/Stable	\$8 to \$12	Active/Stable
Rangeland < 2,000 Acres	\$600 to \$2,000	Active/Stable	\$8 to \$15	Active/Stable
Hunting Lease Rangeland			\$6 to \$15	Active/Stable

Yearly rangeland lease rates range from \$150 to \$200 per animal unit

### Central Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$1,500 to \$4,500	Stable/Stable	\$50 to \$125	Stable/Stable
Class II & III Dry Crop	\$750 to \$3,000	Stable/Increasing	\$35 to \$50	Stable/Stable
Class IV & V Dry Crop	\$700 to \$1,500	Stable/Stable	\$20 to \$35	Stable/Stable
Rangeland > 2,000 Acres	\$750 to \$1,800	Stable/Stable	\$5 to \$15	Stable/Stable
Rangeland < 2,000 Acres	\$900 to \$2,000	Stable/Stable	\$5 to \$15	Stable/Stable
Hunting Lease Rangeland			\$6 to \$15	Stable/Stable

Yearly rangeland lease rates range from \$150 to \$200 per animal unit

### South Central Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$800 to \$1,600	Stable/Stable	\$50 to \$75	Stable/Stable
Dry Cropland	\$700 to \$900	Stable/Stable	\$25 to \$55	Stable/Stable
Rangeland > 2,000 Acres	\$400 to \$1,400	Stable/Stable	\$4 to \$10	Stable/Stable
Rangeland < 2,000 Acres	\$500 to \$2,000	Stable/Stable	\$4 to \$10	Stable/Stable
Hunting Lease (Rangeland)			\$2 to \$15	Stable/Stable

Yearly rangeland lease rates range from \$150 to \$200 per animal unit

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**On the north and east sides, Region Four is bordered by the states of Oklahoma, Arkansas and Louisiana. The Dallas-Fort Worth metroplex is located in the northwest quadrant of the region; the Houston metropolitan area is located approximately eighty miles south of the region's southern boundary. Due to the diverse nature of the area, Region Four has been divided into four sub-regions.**

Highlights of the overall regional market precede a brief discussion of each sub-region.

- In most counties, prices have begun to increase. Real estate brokers reported marketing time had lessened to a more reasonable days on the market. Many reported during 2012, seller's expectation of price exceeds a buyer's willingness to pay. They reported in 2013 and 2014, this expectation had lowered and more properties were available at more reasonable asking prices. In 2016 and 2017 demand has increased in the recreational areas near Dallas and north of Houston. Demand has decreased in the cropland areas of the northeast quadrant.
- Rental demand for pasture and recreational leases exceeded the supply.
- In many counties, the continuing subdivision of wooded and pasture tracts into rural residential or recreational tracts, almost eliminated sales that were larger than 300 acres. This subdivision has slowed, but well located tracts with substantial road frontage continue to be sold for subdivision.
- Wooded tracts, with good recreational qualities, consistently commanded prices on par with good pasture lands.
- In the North and Northeast Texas areas, most buyers were from the Dallas-Fort Worth metroplex.
- In the Piney Woods, the influence of the International Paper and Louisiana Pacific & Temple-Inland sell-offs has now moved to long term or end users with TIMOs (Timberland Investment Management Organizations) owning large timber tracts and acquiring others. Some of these end users have now re-sold their tracts at higher prices. In some areas, there were slight increases; generally 5% or less.

## North Texas

**Cooke, Ellis, Fannin, Grayson, Hunt, Kaufman, Montague, Rains, Somervell, and Van Zandt Counties**

In that there is a total lack of rural lands in Dallas, Tarrant, Collin, Denton, Wise, Parker, Rockwall, Hood, and Johnson counties, these counties were not considered in the development of the sub-region's value trends. Transitional land sales along the Highway 75 to the future Dallas North Tollway Corridor in Grayson County have also not been reported due to developmental influences. These fringe counties are becoming an extension of the Dallas-Fort Worth metroplex.

In the North Texas land market, overall land values continued their trend of strong gains over the previous year with total number of sales being up. Land tracts smaller than 100 acres make up the bulk of the market within the North Texas sub-region accounting for nearly 90 percent of all transactions in 2017 according to MLS data. Values and number of sales for tracts less than 100 acres continued their upward trend in 2017 with continued strong demand. Land tracts larger than 100 acres showed strong value increases also, as well as a spike in number of transactions over the previous 5 years. Supply of actively listed large tracts has continued its downward trend dating back from 2013 in North Texas, even though demand for large tracts remains strong.

The North Texas land market is generally dominated by investors from the Dallas-Fort Worth metroplex in all segments and across all property types. Local producers provide a secondary market base which must compete with metroplex investors. Land values of the region are principally a function of proximity to the Dallas-Fort Worth metroplex or interstate and major highway corridors for ease of access to and from the metroplex. Secondly, investors commonly pay premiums for properties with enhanced recreational appeal in the form of above average topography, live water creeks, springs, lakes, or suitability to develop lakes and other surface water on the site. The emphasis on aesthetic and recreational appeal has negated the use of traditional land classes based on productivity. Highest value rural land in this market will typically have a mixture of multiple land types allowing the owner several different uses of the property. Production type properties which are exclusively cropland or open pastureland commonly



lack aesthetic or recreational characteristics and therefore are the least desirable within the market. For these property types, sales activity has remained stable and value trends have shown moderate increases, keeping with the general market.

Buyer motivation is typically for recreational pursuits and rural residential on either a permanent or temporary basis, coupled with investment. Most buyers will also conduct some sort of small scale agricultural operation as a hobby farm or lease to an area producer to maintain tax exemptions. Rental rates for land is varied with many landlords requiring only property upkeep and maintaining the agricultural exemption while others report cash rates within the reported ranges.

Although occurring throughout the fringe area, major growth trends of the metroplex continue to be north along the Highway 75 and Preston Road corridors. Growth in this area is driven by population and job growth brought in part by economic growth and continued corporate relocations into the northern metroplex. These areas tend to contain the highest amount of value growth with developers and investors being the primary drivers of that market. Recreational and full/part time residential users are forced to seek suitable properties outside of those corridors.

## Northeast Texas

**Bowie, Camp, Cass, Delta, Franklin, Hopkins, Lamar, Marion, Morris, Red River, Titus, Upshur and Wood Counties**

The Dallas-Ft. Worth metroplex, Longview, Tyler, and Texarkana are still the primary source of new buyers in the smaller end of the pasture and the recreational markets. The number of sales in some counties decreased, not because of a decline in demand, but due to a lack of listings.

The demand for good cropland was stable with very few large sales. The sales that have occurred are still showing stable prices. The buyers range from local farmers to out-of-town buyers on 1031 exchanges. There are a few big farms on the market and two are under contract but the details are not yet available. One buyer is reportedly from out-of-state and the other is a foreign buyer.

There is definitely some downward pressure on land prices from the low commodity prices but the crop prices were offset by record crop yields, courtesy of an abundance of moisture though the growing season. The resurgence of cotton also helped stabilize land values as well as lease rates in the Lamar, Fannin, Delta, Hunt, Red River, and Hopkins Counties as over 50,000 acres were planted and prices were relatively good as compared to other commodities.

Lease rates on good farms were stable after most rents declined in 2015 and 2016.

While cattle prices remain well off their 2015 peak, interest in pasture tracts is very strong and prices are increasing with very little product on the market at reasonable prices. The strong demand for pasture tracts should continue even as cattle prices drift lower, especially if the tracts have some recreational appeal as well.

Large timber sales are always scarce, demand is stable, and prices were stable. As in the past few years, demand for recreational tracts of all sizes continued to be the most active segment of the rural land market. Varied terrain, rolling topography, surface water, flowing creeks or rivers and the availability of at least electricity are all positive factors. Having some production land either pasture, hay meadow, or crop land enables the tract to maintain a tax exemption. Recreational land values increased through the year and large bodies of surface water are a definite plus for their appeal.

## Piney Woods North

**Anderson, Cherokee, Gregg, Harrison, Henderson, Houston, Nacogdoches, Panola, Rusk, Shelby and Smith Counties**

The Piney Woods North land market activity increased during 2017, with prices continuing to increase.

Brokers reported good listing volume of good properties but sellers have continued to have high price expectations. Some sellers are willing to negotiate but others remain steadfast which causes sales not to happen.

The northern portion of this sub-region has easier access to the Dallas area, and prices are higher than in the southern counties of this sub-region. The market for the southern portion compares favorably to the Piney Woods South sub-region.

There is not enough cropland in the Piney Woods North to have a separate reporting classification.

Demand for pasture tracts continued to be primarily from Dallas-area investors that was coupled with some local market participants. The areas closer to the Dallas-Fort Worth metroplex experienced the higher prices and also higher demand. In the northwest portion of this region, proximity and ease of access from the Dallas area have caused increased activity and also increased prices. The recreational buyer is probably the predominant buyer in this area.

Hunting and recreation dominate this region's rural land market. Purchasers

continued to seek tracts of timberland with good interior roads, good surface water and woodland conducive to hunting. In the northwest part of this region, demand exists for land for weekend homes primarily from the Dallas area purchaser.

This strong demand, coupled with the decreasing number of acres available for lease, caused hunting lease rates to generally increase.

## Piney Woods South

**Angelina, Jasper, Newton, Polk, Sabine, San Augustine, Trinity and Tyler Counties**

The demand for pasture tracts in this region is from both out of the area and local. Demand for pasture remains strong; however, the supply of available tracts, in excess of 300 acres is limited. Both upland and bottomland pastures are in demand with mixed tracts being in particular demand. Large-acreage homesite use for pasture units in the northern part of the region is influencing prices.

The Piney Woods South market activity increased slightly during 2017, with prices showing a slight increase. Activity has increased for properties less than 3,000 acres, but activity has remained slow for properties in excess of 3,000 on up to the very large tracts. This is not a lack of demand but rather a lack of owners of these large tracts being willing to sell at prices which buyers are willing to buy. Depressed timber prices have caused buyers to consider some of these tracts over-priced. The demand for high quality recreational properties declined with the decline in oil prices. Some of these type buyers have returned to the market but not to the extent previously enjoyed. The base land value for timberland has shown some increase. Sellers continue to ask higher prices; however, brokers report a higher number of quality, reasonably priced listings for tracts less than 3,000 acres.

The demand for properties in the Piney Woods South continued to be primarily from the Houston area buyer, and hunting and recreation dominate this region's rural land market. Purchasers continued to seek tracts of timberland with good interior roads, good surface water and woodland conducive to hunting. Owners who lease hunting land report an increase in the lease rates and report a preference in multi-type timber properties. Properties with upland

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www.LewisSeely.com

**Mark A. Lewis  
ARA, RPRA**

936-675-1706  
mark@LewisSeely.com



## North Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland > 200 Acres	\$2,200 to \$4,500	Increase/Increase	\$40 to \$60	Stable/Stable
Improved Pasture > 200 Acres	\$2,500 to \$4,500	Increase/Increase	\$15 to \$25	Stable/Stable
Native Pasture > 200 Acres	\$2,200 to \$4,500	Increase/Increase	\$10 to \$20	Stable/Stable
Hardwood Timber > 200 Acres	\$1,500 to \$2,500	Increase/Increase	\$6 to \$12	Stable/Stable

These hardwood tracts reflect only fair timber quality and income is from hunting leases

Dallas, Tarrant, Collin and Denton Counties - Not included in development of value trends due to there being almost a total lack of rural lands within the counties

## Northeast Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class II Dry Crop > 400 Acres	\$1,850 to \$2,500	Stable/Stable	\$40 to \$60	Stable/Stable
Class III Dry Crop > 300 Acres	\$1,500 to \$1,650	Stable/Stable	\$40 to \$50	Stable/Stable
Improved Pasture > 300 Acres	\$2,000 to \$2,850	Stable/Increase	\$30 to \$40	Stable/Increase
Native Pasture > 300 Acres	\$1,800 to \$2,100	Stable/Increase	\$15 to \$25	Stable/Increase
Hardwood Timber > 300 Acres	\$1,500 to \$1,850	Stable/Stable	\$6 to \$10	Stable/Stable

These hardwood tracts reflect only fair timber quality and income is from hunting leases

## Piney Woods North

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Improved Pasture > 300 Acres	\$2,200 to \$5,000	Increase/Increase	\$15 to \$30	Stable/Stable
Native Pasture > 300 Acres	\$2,000 to \$3,500	Increase/Increase	\$12 to \$20	Stable/Stable
Upland Pine Timber > 300 Acres	\$1,500 to \$2,500	Increase/Increase	\$6 to \$12	Stable/Increase
Bottomland Hardwood Timber > 300 Ac	\$1,200 to \$2,000	Increase/Increase	\$8 to \$12	Stable/Increase

These pine timberland tracts reflect cut-over base land prices - merchantable timber is not considered

These hardwood tracts reflect only fair timber quality and income is from hunting leases

## Piney Woods South

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Improved Pasture > 300 Acres	\$2,500 to \$3,500	Increase/Increase	\$15 to \$30	Stable/Stable
Native Pasture > 300 Acres	\$2,200 to \$3,200	Increase/Increase	\$12 to \$20	Stable/Stable
Upland Pine Timber > 300 Acres	\$1,500 to \$2,200	Increase/Increase	\$6 to \$12	Stable/Stable
Bottomland Hardwood Timber > 300 Ac	\$900 to \$1,300	Increase/Increase	\$8 to \$12	Stable/Stable

These pine timberland tracts reflect cut-over base land prices - merchantable timber is not considered

These hardwood tracts reflect only fair timber quality and income is from hunting leases

and bottomland tend to command the highest lease rates. Multi species properties also tend to increase lease rates. When turkey and duck potential is added to the typical deer and hogs, the lease rate increases.

In this sub-region, there are significant timberland holdings which are controlled by Timberland Investment Management Organizations (TIMO's). The TIMO's typically identify and market portions of their ownerships which have a higher and better use than silviculture (HBU tracts).

## Timber

Particularly for the southern Piney Woods North and all the Piney Woods South sub-regions, timber is an important component of value. The table to the right is a comparison of general stumpage prices for merchantable timber products in these sub-regions from 2016 to 2017.

Pine Sawtimber prices have generally been in decline since 2008, with years which show some increases. The above information indicates all timber types show a decline from 2016 to 2017. There is some indication that timber prices began to increase in late 2017 and early 2018. As long as timber prices remain at these low rates, the overall price of land and timber likely will remain relatively stable.

Source: TimberMart South Annual Averages

Product	2016 \$/Ton	2017 \$/Ton	% Change
Pine Sawtimber	\$ 29.59	\$27.01	-8.7%
Pine Chip-n-Saw	\$ 15.15	\$13.52	-10.8%
Pine Pulpwood	\$ 8.89	\$ 8.93	0.4%
Hardwood Sawtimber	\$ 37.37	\$28.79	-23.0%
Hardwood Pulpwood	\$ 9.70	\$ 8.64	-10.9%

Source: Texas A & M Forest Service Annual Averages

Product	2016 \$/Ton	2017 \$/Ton	% Change
Pine Sawtimber	\$ 28.21	\$25.90	-8.2%
Pine Chip-n-Saw	\$ 12.63	\$ 9.71	-23.1%
Pine Pulpwood	\$ 9.04	\$ 7.98	-11.7%
Hardwood Sawtimber	\$ 42.04	\$25.92	-38.3%
Hardwood Pulpwood	\$ 11.71	\$ 9.90	-15.5%

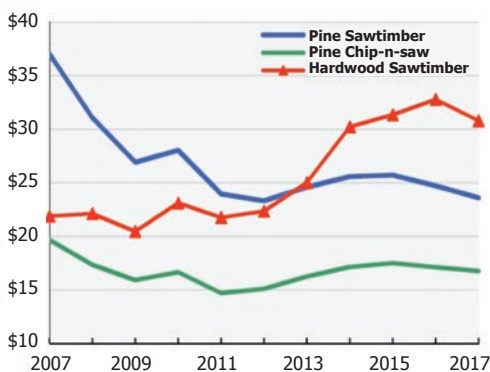
## EAST TEXAS TIMBER TRENDS



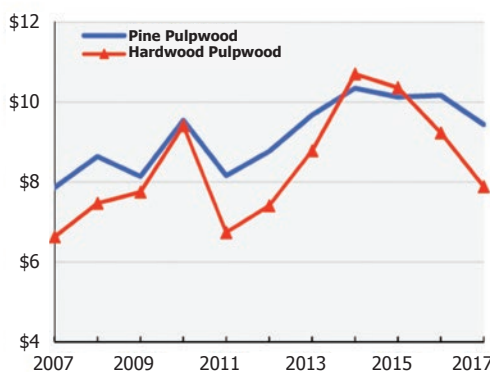
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**Capital Farm Credit, ACA**  
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 Pollok, TX 75969  
 phone: (936) 853-4845  
 fax: (936) 853-4851  
 cell: (936) 674-7357  
 andrew.sirman@capitalfarmcredit.com

Timber prices were down during 2017, remaining well below the highs of a decade ago. Even as the housing market recovered in recent years, timber prices have not followed suit. Timber prices for all five major products (pine sawtimber, pine chip-n-saw, pine pulpwood, hardwood sawtimber, and hardwood pulpwood) were down in 2017. Pine sawtimber fell again in 2017 to a level approaching its ten-year low of \$23.12 in 2012. Hardwood sawtimber, a bright spot during the past four years, also appears to be cooling off with the first significant decline observed since 2011. Likewise, pulpwood prices have declined, but at greater relative declines than sawtimber, as hardwood fell for the third year in a row, and pine reversed its positive trend experienced over the past four years.

South-wide Annual Sawtimber  
 Stumpage Prices (\$/Ton)



South-wide Annual Pulpwood  
 Stumpage Prices (\$/Ton)



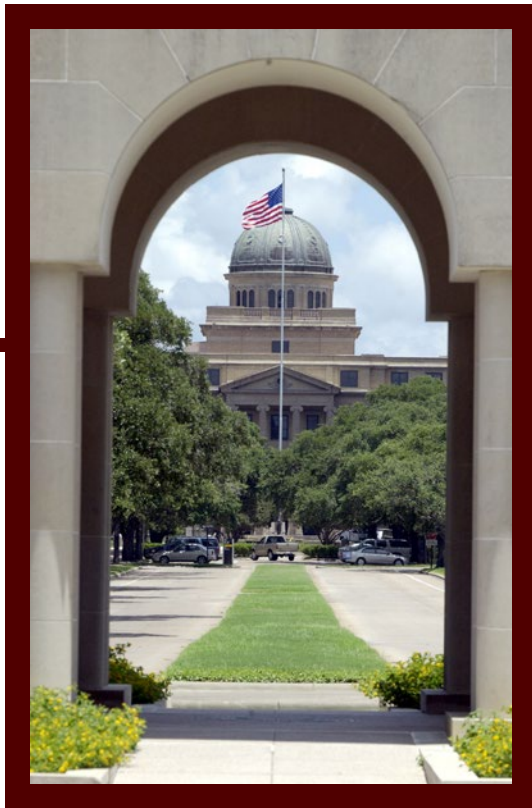
It is interesting to note that while timber stumpage prices declined across the board during 2017, prices increased for the major forest product categories of pine and hardwood lumber, pine plywood and OSB, hardwood pulp and pine pulp. Demand and rising prices for finished products has resulted in a number of announcements of new pine sawmills or upgrades and expansions of existing facilities across the South. Improvement in the housing market has increased demand for building products, which is evidenced by the strong expansion plans, especially in the South among southern pine manufacturers. Additionally, export markets for southern pine have strengthened over 2017, creating further demand for pine logs and lumber produced in Texas and across the South. At some point, this demand should trickle down and have a positive effect on timber prices.

### Timber prices at the close of 2017 were in the following ranges for the Piney Woods North and Piney Woods South sub-regions:

- Pine sawtimber:** \$22 to \$28 per ton
- Pine chip-n-saw:** \$11 to \$14 per ton
- Pine pulpwood:** \$5 to \$11 per ton
- Hardwood sawtimber (mixed):** \$23 to \$34 per ton
- Hardwood pulpwood:** \$6 to \$11 per ton



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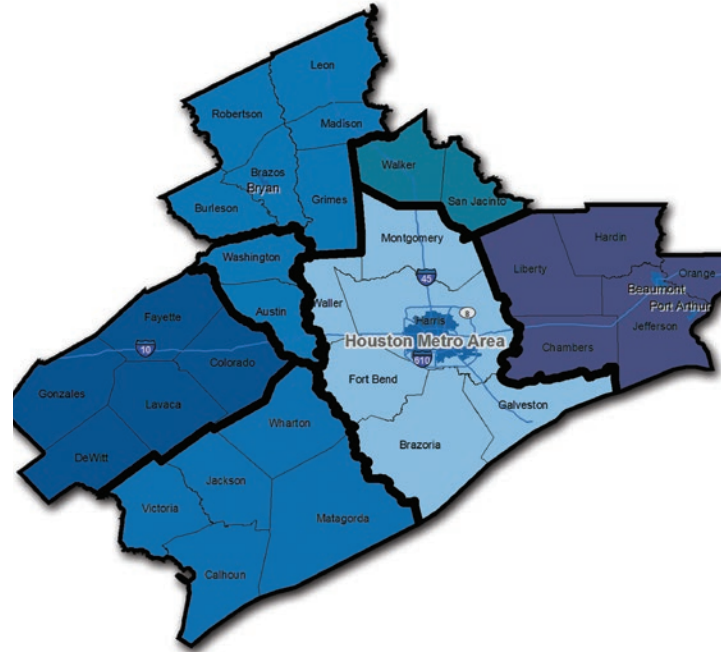


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**Region Five is one of two regions in the State of Texas that fronts the Gulf of Mexico. Houston, the largest city in Texas, is located within the region, in Harris County. The City of Houston, along with the Woodlands and Katy areas dominate the region.**

Highlights for the overall market for the counties in Region Five precede brief discussions related to the each of the sub-regions.

- As has been the case for many years the City of Houston and nearby densely populated areas impact all properties within Region Five to a significant degree. In general as you move north, northwest and west the most probable use of land, in the counties adjacent to Harris County, is end-user rural residential and holding for residential development. There are traditional agricultural areas east and southwest from Houston and the timber industry impacts the northeast, however not to the degree it has in the past.
- Due to the extremes found in land prices in both Harris and Galveston counties, they have not been included in the value/trend grid as has been the case for some time. While they have not been excluded from the analysis those counties that join Harris and Galveston Counties have become increasingly difficult to include in the analysis due to extremes in prices. The areas in those counties, with good proximity to employment centers, command prices that are certainly reflective of suburban areas. Over the last few years the variance in land prices has tended to increase. In most cases it is more a factor of proximity to Houston than a wider dispersion within any land class. For example the value of pasture in any one location is not necessarily selling for a wider range, but pasture near Houston is appreciating faster than similar pasture in a more remote part of the area, thus the extremes from high to low.
- As the demand for recreational property in out-lying areas has increased, the differences associated with land types and uses, i.e., quality of pasture, etc., are having less impact on price. In most cases, native and improved pasture prices are tending to overlap significantly. While the individual factors are difficult to isolate, in aggregate they do have impact on price. More and more recreational properties can best be divided into poor, average and good. Factors that impact a properties appeal change from area to area and the challenge, from an appraisal standpoint, is to know what combination creates the greatest value in the area you are working. In general those tracts with varied topography, water features, trees, and good access establish the upper end and those tracts that are flat, open with poor access establish the lower end.
- Individuals in and around Houston have purchased farms and ranches in out-lying counties for investment, recreation and use as weekend retreats. Historically a major motivation for the purchase was hunting, and while that is still a significant factor, "quality of life" issues have replaced hunting as the primary motivation for purchasing properties in the more scenic counties in the region.
- Pasture lease rates have remained essentially constant over the last several years and appear to be disconnected from land value. Cropland prices and lease rates which had both increased along with commodity prices from 2012 through 2014 have now somewhat stabilized at current rates. The decline in commodity prices since 2014 suggests lease rates would start to come down as farmers can no longer afford to pay the higher price per acre based on crops which yield 30-40% less in gross sales. However, the "logical" decrease in cropland prices and lease rates due to lower commodity prices continues to appear to be lagging behind as rental rates for the 2017 crop year showed the first signs of some marginal decreases in those numbers which has somewhat stabilized in 2018 rental rates.
- The discussion above has remained essentially unchanged for the last several years. As mentioned earlier, Houston and the surrounding area is the primary driver of values in this region of the State. As goes Houston, so goes the region. Typically if anything changes it is the radius of impact.
- The uncertainty in 2016 over the presidential election which resulted in inventories of properties for brokers subsided in 2017 with the inauguration of the new administration. Inventories of properties available for sale have decreased and stabilized near "normal" levels for the area.
- Overall, the rural land outlook for this region is stable with a vigilant eye on the oil and gas industry. Concerns about, and issues arising from, layoffs and decreased income were cited more frequently in some portions of the region in 2016 with some of the oil and gas service industry businesses opting to close their doors in the face of lean economic projections. Going forward into 2018 demand for residential/agricultural tracts will likely continue to be impacted by a prolonged downturn in the price of oil.



## Eastern Coastal Prairie and Southeastern Piney Woods Chambers, Hardin, Jefferson, Liberty and Orange Counties

"Rural Residential/Agricultural" accounts for most of the tracts typically considered a small-to-large lifestyle farm. This type of property has been gaining in popularity as Houston continues to move east and Beaumont moves west. Drainage is often a critical factor in this category as much of the area is low lying.

The booming downstream refining and petrochemical industries east of Houston have seemed to taper off. Momentum from rapid growth in the fracking boom has largely dissipated after two years of no job growth; the eastside petrochemical boom is ending; and upstream drilling jobs are not yet returning. However, demand for real estate in the area has remained relatively stable.

Cropland sales are very scarce and are not in the trend grid. Most of the tracts that were historically rice farms have been converted to pasture. It is noted there are a few transactions each year with existing producers expanding operations.

Some of the mid to smaller size timber tracts are being cutover or selectively cut and are then being sold as ranchette/recreational tracts.

The slowdown of the petro chemical industry has had a slight influence over 2016. There doesn't appear to be quite as many cash deals taking place but demand does appear to be relatively stable. With regard to recreational land, as Houstonians look west and north for land there is competition from the San Antonio, Austin and the Dallas Metroplex. Growth will continue in this direction as there is still a considerable supply of "new land" that appears to be selling at reasonable prices relative to other areas.

## Southwestern Piney Woods San Jacinto and Walker Counties

Price differential can seldom be attributed to improved pasture versus native. If there is a price difference, the buyers and sellers will likely say it was "prettier" as opposed to it had better grass. As mentioned earlier typically the purchase decision is a "quality of life" issue. There are very few large pasture tracts that sell in either county. It is difficult to establish a trend in pasture prices and for all practical purposes most pasture tracts would fit in the rural residential/ag category. Growth and commercial development along I-45 in and near Huntsville has been significant compared to years past. There was general improvement with essentially all categories of land in the area at the bottom end of the range. The upper end moved little.

The estimated contribution, if any, of standing timber continues to be difficult. It boils down to a highest and best use decision. If the area market and the size of the tract supports timber production then the young timber will contribute value as a future income stream. But in areas that are becoming more recreational in nature and the tracts get smaller the trees are more of an aesthetic feature inherent in the land value. Some buyers show

equal motivation for future appreciation and/or hunting as compared to timber prospects. Most tracts where timber is a deciding factor range from 150 and larger in acres. There is continued sentiment that timber is a “safe haven” for money.

The growth of the Woodlands and the surrounding area allows more individuals to live further north and still commute to work. The new and proposed residential developments near the Woodlands, Conroe and Huntsville will benefit this area as new residents search out residential and rural recreational tracts. The south end of the county in and around New Waverly is feeling the influence of Montgomery County and the Woodlands area most noticeably. Walker County has seen increased demand in comparison with San Jacinto County.

## Brazos Bottom

### Brazos, Burleson, Grimes, Leon, Madison and Robertson Counties

The Bryan / College Station area has seen increased development throughout the last few years in part influenced by the construction of significant healthcare facilities, particularly the Baylor Scott & White Hospital completed in August 2013. The five-story, 143-bed hospital is located along the Highway 6 corridor in south College Station. Significant commercial, multi-family, and residential subdivision growth has also been observed in this area, further spurring demand for agricultural / rural residential tracts and lifestyle farms in Brazos County. The growth in Brazos County along with decreasing supply has positively influenced outward demand for “cheaper” rural residential / agricultural properties in surrounding counties (Grimes, Robertson, Burleson), as premium land prices required in Brazos County are becoming too expensive for the average buyer.

Both the dry land and irrigated cropland markets are situated predominantly along the Brazos River Bottom and eastern Burleson County. Historically there has been very little activity in the bottom with land seldom changing hands. A majority of cropland transaction in this area occurs between family families and / or adjoining property owners. The cultivated market has been reasonably stable, with the prices represented by the few arms-length transactions being fairly consistent. Rents are for the most part at the same general levels, with a few higher rents noted for better quality, irrigated farms.

A majority of rural land transactions in the area is concentrated in the pasture land and rural residential / agricultural categories. Minimal price differences are observed in the area when comparing native pasture

versus improved pasture, although a price premium for improved pasture is observed in few instances likely due to their more scenic qualities. Increasing activity accompanied by an increasing value trend for improved pasture and native range markets have been observed from the beginning 2015 thru the present, most notably for tracts comprising above-average scenic qualities, rolling topographical features with hilltop homesites, an ideal mix of wooded pasture land to open pasture land, and desirable water features. The most active rural land market with recent price increases is represented by the rural residential / agricultural category. This category represents 50 acre to 100 acre tracts suitable for residential and recreational uses. Brazos and Grimes Counties account for most of the higher priced land in this category, with tracts closer in proximity to Bryan/College Station typically requiring a premium as compared to areas surrounding Brazos County as noted in the introduction. Increasing demand followed by an increasing value trend for rural residential / agricultural properties have been observed in Robertson and Burleson Counties over the last several years as the premium prices required in Brazos County are becoming too expensive for the average buyer. The trends outlined above are expected to continue throughout 2018, which could be magnified by a continuing rebound in oil prices experienced since the latter part of 2016.

## Houston Area

### Brazoria, Fort Bend, Montgomery and Waller Counties

Land in this area is essentially one land class. Price is more a factor of location than type and aesthetic appeal determines whether a tract sells high or low.

There is essentially no cropland in the immediate vicinity of the Houston metropolitan area and, where it exists, it typically sells for prices more reflective of rural residential use or lifestyle farms. Rural land in this area tends to be classed as native land or land that has been “cleaned up” or improved. This could include interior roads, fences, improved pasture, selective clearing, ponds, etc. The more aesthetically appealing tracts, that have been somewhat “fixed up” or maintained, continued to command a premium. All other types tend to fall into a different land class that is at lower price.

Fort Bend County and the far northern portions of Brazoria County continue to be a hot bed of residential development and urban expansion for the six counties included in this part of the study. The US Highway 59 corridor in the area of Richmond/Rosenberg has seen substantial new commercial development over the previous four year period and single family residential subdivisions continue to show signs of new construction and development. However, for much of the remaining portions of these counties, the focus is on rural acreage homesites in the Needville, Beasley, Fulshear and Rosharon communities.



Brazoria County total sales volume increased in 2016, up substantially from the reduced volume experienced in 2015. The demand for good quality tracts with strong aesthetic appeal continues to be strong and prices are increasing with the upward trend in demand. Although buyers expressed some degree of uncertainty leading up to the presidential election in November 2016 which contributed to a slowdown in terms of market transaction, the year closed out over the last two months with increased sales volume that appears to continue trending into 2017.

Waller County continued to show steady growth with most of the demand being for rural acreage home sites. Most of the activity was in proximity to FM 359 and also in the northern part of the county. Prices appear to be gradually increasing as they have been for several years.

Montgomery County continued to show strength for the same reasons as in the past. There are relatively few tracts greater than 50 acres in Montgomery County. When a large block sells it typically sells as a future development.

## Central Coastal Prairie

### Calhoun, Jackson, Matagorda, Victoria and Wharton Counties

For the first time in recent memory, brokers indicated they had inventory of cropland tracts available for sale in mid-late 2016. Conversations with those brokers indicated they had approached some of their previous buyers of large blocks of cropland, however these same buyers were not in the market to make those same purchases toward the later part of 2016. Whether it was the decline in overall commodity prices since 2014, or the financial markets uncertainty heading into the November 2016 Presidential

Election, or possibly the increased price per acre fueled by 4 straight years of high demand for any and all cropland tracts...it very well may have been that all three scenarios contributed to cropland tract inventories which were not selling toward the later part of the year. However, in the final two months of 2016 following the Presidential Election, some of those cropland tracts began to trade hands at prices which appear to have stabilized near the market values established throughout 2015 and early 2016. As discussed in previous years, the logic which suggested farmers could not continue to pay the higher cash rental rates and receive 40% less for their crops due to decreased commodity prices resulted in a stabilization of rental rates. Many of the area farmers are being forced to lean on previous years' profits to continue operating in the face of low prices for their crops and many have tried to renegotiate lease rates which were established on the heels of the commodity price increases of 2012-2014. Buyers from the mid-west still see this region of the state as an attractive location to replace their farms which they are selling for large dollar amounts per acre and see this as a very reasonably priced investment alternative where they can "park" their capital.

Farmers looking for irrigation water along the Lower Colorado River Authority system continue to be in short-term limbo in terms of agricultural irrigation water for this area. However, LCRA's long-term solution to the shortage known as the Lane City Reservoir Project is aimed at supplementing irrigation water for local farmers along the LCRA canal system in Matagorda and far southern Wharton Counties through the construction of a 100,000 acre-feet (90,000 acre-feet of "firm water") per year off-channel reservoir which is designed to be fed by periods of high rainfall in the basin below the Highland Lakes recharge basin that currently feeds the LCRA irrigation system. The Lane City Reservoir Project

## Eastern Coastal Prairie and Southeastern Piney Woods

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rural Residential/Ag 50-150	\$2,200 to \$7,850	Active/Up	\$10 to \$15	Stable/Stable
Improved and Native Pasture	\$1,250 to \$3,200	Stable/Up	\$10 to \$20	Stable/Stable
Bottom Timber	\$900 to \$1,650	Active/Up	\$5	Stable/Stable
Upland Timber	\$1,400 to \$3,000	Active/Up	\$5	Stable/Stable
Marsh	No Sales in 2017			

## Southwestern Piney Woods

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rural Residential/Ag 50-150	\$4,000 to \$7,500	Active/Up		
Improved and Native Pasture	\$3,150 to \$7,000	Active/Up	\$10 to \$15	Stable/Stable
Bottom Timber	\$1,300 to \$1,950	Stable/Up	\$5 to \$10	Stable/Stable
Upland Timber	\$1,900 to \$4,500	Active/Up	\$5 to \$10	Stable/Stable

## Brazos Bottom

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$2,700 to \$3,300	Stable/Stable	\$100 to \$130	Stable/Stable
Dry Cropland	\$2,200 to \$2,900	Stable/Stable	\$60 to \$110	Stable/Stable
Improved and Native Pasture	\$2,900 to \$9,000	Active/Up	\$15 to \$25	Stable/Stable
Rural Residential/Ag 50-100	\$3,400 to \$14,000	Active/Up		

## Houston Area

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Improved and Native Pasture	\$4,000 to \$25,000	Active/Up	\$10 to \$20	Stable/Stable
Rural Residential/Ag 50-100	\$3,700 to \$30,000	Active/Up		

Harris and Galveston Counties - Removed from grid as there is essentially no open land not impacted by development

began construction in 2016 and is scheduled to begin supplying irrigation water to area farmers in the 2018 crop year. However, this reservoir will also be subject to the demands for residential water use from the central Texas lakes as well as the TCEQ monitored flow of fresh water into the bay systems near the mouth of the Colorado River near Matagorda. As total numbers of rice production acres for this area continue to diminish, it remains to be seen if this new irrigation project will increase demand for irrigated cropland tracts along the canal system. For now though, the tracts with heavy enough soils to support dry cropland farming are keeping pace in terms of purchase prices, while the lighter soil tracts continue to see very little sales activity.

In the southern part of this five county area, two industrial plants in Calhoun County (Alcoa and Invista which are in the aluminum manufacturing industry) initiated large layoffs for a total of 800+ lost jobs to the nearby communities in early 2016. Some of the workforce has been able to find new jobs in the area with plant expansions at Formosa and other area plants, while others were relocated to another Alcoa plant in the Midwest. Additionally, with continued low prices for oil there have recently been a number of oilfield service companies based in Victoria and Jackson Counties who shut their doors in 2016. While there has been a slight reduction in the total sales volume in this area, rural real estate prices continue to be strong, especially for high quality tracts with good aesthetic appeal and recreational hunting potential.

Following a trend from previous years, it is noted that Houston is having a relatively significant influence on north and east Wharton County, most notably in the Hungerford and East Bernard areas. Wharton County is located along the U.S. Highway 59 corridor (future Interstate 69) and has shown a marked increase in the overall price per acre for acreage tracts within the immediate vicinity of this corridor, similar to what Fort Bend County (adjacent on its northeast border) has experienced over the previous 5-8 year period. Construction progress along the roadway continues to increase urban expansion influence throughout the area and is expected to be felt onward to Victoria in the coming years.

The improved and native range category is again combined. Many brokers from surrounding areas, where property available for sale is limited, continued to come into this area.

## Central Coastal Prairie

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$2,600 to \$4,400	Stable/Up	\$50 to \$90	Stable/Stable
Dry Cropland	\$3,000 to \$3,500	Stable/Up	\$45 to \$90	Stable/Stable
Improved and Native Pasture	\$2,800 to \$5,400	Active/Up	\$10 to \$20	Stable/Stable
Rural Residential/Ag 50-100	\$2,500 to \$9,000	Active/Up		

## North Coastal Prairie

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$1,800 to \$2,300	Stable/Up	\$20 to \$60	Stable/Stable
Dry Cropland	\$1,800 to \$2,500	Slow/Up	\$20 to \$30	Stable/Stable
Improved and Native Pasture	\$3,500 to \$8,500	Stable/Stable	\$15 to \$20	Stable/Stable
Rural Residential/Ag 50-100	\$4,500 to \$17,000	Stable/Stable		

## Bellville and Brenham Areas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Scenic Recreational Land	\$7,000 to \$15,000	Stable/Stable		
Rural Residential/Ag 50-100	\$5,500 to \$17,000	Stable/Stable		
Improved and Native Pasture	\$6,500 to \$10,000	Stable/Stable		
Sealy Area	\$7,500 to \$19,500	Stable/Up		

## North Coastal Prairie

### Colorado, DeWitt, Fayette, Gonzales and Lavaca Counties

There is limited cropland in the North Coastal Prairie region, with most concentrated in Colorado County. Improved pasture and native range sales volume have remained relatively stable. North Colorado County continued to benefit with buyers spilling over from Austin County due to a lack of properties. The upper end of the prices shown for rural residential/agriculture and native pasture comes from Fayette County and the north part of Colorado County. This category represents tracts suitable for residential and recreational uses. However, Lavaca County is beginning to command a higher price with an increase in activity.

Oil and gas activity has been a significant factor in this region over the last few years and it slowed considerably in 2015 and 2016. The total sales volume has remained relatively stable in this area, however, prices continue to be strong, especially for above average tracts with good aesthetic appeal. Seldom do properties in this area transfer with minerals intact, but when they do the inclusion of minerals impacts price.

## Bellville and Brenham Area

### Austin and Washington Counties

Land in this area has essentially combined into one land class with price being determined by location and aesthetic appeal rather than land type. Driving forces creating value are trees, hills and views. Buyers are willing to pay a premium for well maintained or "ready to go" properties. After pairing area sales, a desirable recreational tract can sell for twice as much as an adjoining property due to aesthetics. The Region Five grid has a scenic category that combines some or all of the characteristics. Overall, this area has remained relatively stable in regards to total sales volume, however, prices continue to be strong for each land type.

The area around Sealy is predominantly flat, with less tree cover; this area historically sells for less than the lands to the north. However due to proximity to I-10, and the expansion of the Katy area, Sealy and the surrounding area has seen the biggest increase in activity along with values in 2016. There has been more activity from investors purchasing larger tracts to hold for future development. Total sales volume for this area has not seen a significant change since 2016; however, prices have increased.

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**Region Six is the geographical region of Southern Texas. This area includes the southern fringe of the Edwards Plateau, portions of the Coastal Plains and Coastal Bend, the South Texas Brush Country and the Rio Grande Valley. Counties within this region lie between Comal and Cameron Counties, on a north/south basis, and between Refugio and Maverick Counties, on an east/west basis. Region 6 is bound by the Gulf of Mexico along the east and the Rio Grande River/Republic of Mexico along the west/southwest.**

The following highlights the South Texas market.

- Region Six is the geographical region of Southern Texas. This area includes the southern fringe of the Edwards Plateau, portions of the Coastal Plains and Coastal Bend, the South Texas Brush Country and the Rio Grande Valley. Counties within this region lie between Comal and Cameron Counties, on a north/south basis, and between Refugio and Maverick Counties, on an east/west basis. Region 6 is bound by the Gulf of Mexico along the east and the Rio Grande River/Republic of Mexico along the west/southwest.
- The following highlights the South Texas market.
- Market Activity – Immediately following the election in late 2016 and into early 2017, it appeared that the South Texas land market saw an increase in activity. Reputable land brokers reported increased inquiries, showings and deal consummations. Buyers, it seems, had a somewhat renewed confidence that has not been observed in some time. However, as 2017 progressed, it appeared that the land market returned to steady transaction volumes more similar to that of 2015 and 2016.
- Eagle Ford Shale activity increased in 2017. In the early months of the year, oil prices were in the range of \$40 to \$50 per barrel; however, in the late months of the year, oil climbed to the range of \$50 to \$60 per barrel. Drilling permit numbers were up by approximately 1,000 permits in 2017 compared to 2016 and increased drilling rigs were noted primarily in established production areas.
- Weather Conditions – 2017 was a good rainfall year for Region 6. Weather conditions were mostly favorable with the exception of the warmer months.
- Land Values/Land Pricing – Most land class values in the region were stable in 2017. Similar to past two to three years, if a listing was perceived as overpriced the marketing period increased; however, properties with pricing aligned with market value sold within a reasonable time frame.
- Sellers – Mostly long-term owners and investors.
- Buyers – End users continue to be the most prevalent land buyers. Some buyers may have sold a ranch and were looking for a replacement property. Certain “ag” land owners in transition areas sold high-priced land and re-invested in replacement land in lower-priced areas. Most buyers continue to view land as a “safe haven” as opposed to other investments.
- Energy funded buyers remain in the market; however, most of these buyers are more cautious and discerning than in years past when oil and natural gas prices were higher.
- Ranch investors are in the market offering cash and a quick close but expecting a discounted price. Some of these transactions have taken place; however, investor activity may have slowed slightly due primarily to stable pricing. Investors are still actively looking for ranches to divide, enhance and resell but these buyers are looking for a good deal that may be hard to find.
- Demand for Ranches – Recreational demand accounted for most of the activity in 2017. Demand for recreational ranches with good amenities outside of the Eagle Ford Shale and within moderate driving distance of South Texas cities remains better than the more remote ranches. Hunting ranches with improvements and established game management continued to be most desirable. As such, top end ranches with all the amenities may have sold while other more standard ranches are still for sale. Most active ranch brokers report qualified buyers in 2017.
- Demand for Farmland – Institutional investors/agricultural REIT’s requiring a return continue to show interest in farmland. The positive investment return provided by cropland with income, possible appreciation and potential tax benefits related to depreciation has positively impacted the demand for farmland. Buyers of farmland continue to be farmers, absentee investors and institutional investors. Farmland pricing and rents in Texas has mostly remained stable over the past many months.
- Demand for Subdivision Development Land – This market segment is



generally active. National home builders continue to develop new projects and buyer demand for the end product appears to be good.

- Financing – Interest rates remain attractive to farm and ranch buyers and credit is available with strict underwriting criteria. Interest rates were relatively stable for the first six months of the year; however, a slight upward rate trend was noted for the last six months of the year. Projected rate increases by the Federal Reserve are likely in the future.
- Proposed Border Wall/Potential NAFTA Change – There continues to be some concern along the Rio Grande River and in South Texas Border Towns related to the impact from a potential border wall and suggested changes to NAFTA. However, it is understood that the concern has weakened compared to months immediately following the change in administration.
- Minerals have historically been difficult to acquire in the heart of the Eagle Ford Shale and other areas in Region 6. Most sellers in South Texas are reluctant to convey any minerals particularly in established mineral areas known for significant production. In 2017, in marginal mineral areas where leases have expired or were never negotiated, there has been a trend of minerals conveying with the surface estate. If minerals are offered with the surface, the minerals raised the overall price per acre and decrease the marketing time of farms and ranches. The boundaries of the Eagle Ford Shale have become narrowly defined thus allowing certain buyers to acquire minerals. Drilling activity in the Eagle Ford, according to the Texas Railroad Commission is detailed as follows: 26 drilling permits issued in 2008, 94 in 2009, 1,010 in 2010, 2,826 in 2011, 4,143 in 2012, 4,416 in 2013, 5,613 in 2014, 2,315 in 2015, 1,119 in 2016 and 2,123 in 2017.
- Water – Region 6 has three major water sources which influence the rural land market. Each water source is unique to the sub-regions which comprise Region 6.
- The Edwards Aquifer, the only fully adjudicated ground water resource in the state occupies the bulk of the Transition Zone and is the primary source of both drinking and irrigation water.
- The Carrizo Wilcox Aquifer underlays the bulk of both the Upper and Lower South Texas zones and although not adjudicated like the Edwards is regulated by 12 individual Ground Water Conservation Districts (GCD’s) each with different rules and requirements. The Carrizo is the primary aquifer for this entire sub-region, but the Frio and Nueces Rivers are also a factor in the water picture for the area. An active water market is yet to emerge in this sub-region relative to the Carrizo aquifer.
- The Coastal Plains and Coastal Bend sub-regions are principally dependent on the Gulf Coast Aquifer system for the bulk of its water needs. Corpus Christi receives a significant portion of its water needs from the Nueces River via Lake Corpus Christi and Choke Canyon Reservoir. The principal regulatory entities for the sub-region are the nine GCD’s which regulate the ground water and the Nueces River Authority which regulate the surface water use. Nueces County is not in a GCD and hence is unregulated as to groundwater issues. An active water market is yet to emerge in this sub-region relative to the Gulf Coast aquifer.
- The Rio Grande Valley sub-region is the only area of the region which is mostly dependent on surface water for both drinking and agriculture which is supplied by the Rio Grande River. The waters of the Rio Grande are fully



adjudicated, and an active water market has existed in the area since the adjudication was complete in the late 1960's. The Gulf Coast Aquifer is also a water source for those areas closer to the coast. Over the past many years, a major desalinization plant has been placed in operation in the valley to supplement the surface water supplies of drinking water in the Brownsville area.

## Transition Zone between the Texas Hill Country and the Upper Brush Country

**Atascosa, Bexar, Comal, Guadalupe, Medina, Wilson and Uvalde Counties**

Residential subdivision development, ranch division and recreation are the primary investment motives for large tracts within proximity to San Antonio and in counties adjoining Bexar County. Uvalde County is less influenced by subdivision pressure due to its more rural location being over one hour west of San Antonio and typically considered out of commuting range. Overall development activity throughout this area continues to be active. National residential development companies continue to have lot inventories and new house construction is ongoing.

Demand for recreational land is stable in the outlying areas. Weekend recreational ranches are common in the Transition Zone due to the short driving distance to San Antonio. Live water features, improvements and proximity to San Antonio are the driving forces for these properties located along the edge of the Texas Hill Country. Irrigated and dry farmland historically known for dove hunting, mostly in Medina County, has been in high demand and experienced higher levels of pricing.

Demand for farmland in Bexar, Comal and Guadalupe Counties is also stable. Open farmland, in the San Antonio area is desirable for high density residential development if public utilities are nearby. Overall, western Medina County and Uvalde County generally have less intense land uses and good recreational appeal. Irrigated farmland has a good level of demand.

A clearly defined water rights market overlays the Edwards Aquifer area, with transferrable water rights selling separately from the land and the base water rights. The non-Edwards aquifers, with a few exceptions, have not seen significant water rights sales or marketing activity, which in part has been due to the lingering question regarding the authority of groundwater districts to restrict the export of water beyond the boundaries of the district. However, the Carrizo Sands Aquifer has become more popular with irrigated farmland buyers.

Edwards water rights price levels have remained mostly level, around the \$5,000 to \$5,500 per acre foot for unrestricted water rights in larger blocks. Smaller amounts of 1 to 10 acre feet currently trade in the \$8,000 to \$12,000 per acre foot range. Leasing activity remains stable.

## Upper South Texas (Upper to Mid Brush Country)

**Dimmit, Frio, La Salle, Live Oak, Maverick, McMullen, Webb and Zavala Counties**

Recreation is the primary source of demand for land – this area has an excellent reputation for good trophy deer and upland bird hunting. Land stewardship practices are more focused on the balance of livestock, wildlife and oil and gas production. However, some new ranch owners are abandoning traditional grazing of livestock and concentrating strictly on wildlife.

A number of ranches are high fenced and game managed. Deer breeding programs, along with trap and transport programs are popular (T.T.T.); however, with the discovery of chronic wasting disease deer breeders are more

cautious. Many ranches have M.L.D. (Managed Lands Deer Permits) through Texas Parks and Wildlife which allow for extended hunting seasons and give land owners time to achieve wildlife numbers management goals. The deer operations are used to positively enhance trophy buck quality. Hunting lease prices remain level, especially for ranches with good game management.

The Eagle Ford Shale is the primary economic generator in South Texas and in this area. The development of the Eagle Ford Shale formation notably increased leasing, mineral exploration and production in the area. However, with lower oil prices, the oil and gas industry in South Texas slowed down. Most recently, the price of oil has begun to trend upward and there has been a slight increase in Eagle Ford Shale activity in portions of South Texas.

Farmland pricing is generally stable in Upper South Texas.

## Lower South Texas (Lower Brush Country)

**Brooks, Duval, Jim Hogg, Jim Wells, Starr and Zapata Counties**

Lower South Texas has a similar source of demand as Upper South Texas. This is one of the most popular hunting areas in South Texas. Land prices remained stable in 2017. Ranch investors are willing to drive further to these good hunting areas, with hopes of finding lower land pricing and large blocks of native land. Most all the area has experienced adequate demand for good quality ranches.

Farmland pricing is also considered to have remained stable. Farms adjoining low fenced brush properties offer limited recreational appeal.

This area is south of the Eagle Ford Shale formation. However, there is oilfield activity out of other formations in the historic oil and gas producing areas.

## Coastal Plains

**Aransas, Bee, Goliad, Karnes and Refugio Counties**

This area is popular with Houston and Corpus Christi investors, with recreational lands being the most active category. Many Houston investors look closely at this area because of a shorter drive when compared to other portions of South Texas. The blend of live oaks and South Texas brush found in this area is very appealing to a large market segment.

Bee and Goliad are the most active counties in this market. Karnes County mostly relates to local or San Antonio investors. It appears that land pricing has generally become consistent for the live oak covered portions of the area, from Bee and San Patricio Counties up to Jackson and Lavaca Counties (just north/northeast of Victoria). The market for land along the coast is stable.

## Coastal Bend

**Kenedy, Kleberg, Nueces and San Patricio Counties**

The primary demand for rural land is for recreation and agricultural purposes. Only limited land holdings sale in the lower portion of this area due to large and closely held ownerships.

For much of early and mid-2017 the demand for farmland continued to be stable. The 2017 crop yields for this region were better than average and it is reported that demand increased in the later part of the year due to local farmers interested in acquiring more land. There were only a small number of farmland tracts of significance which traded throughout the year but those that did confirmed stability that has characterized the row crop farmland market for much of the state. Investors typically are producers or agricultural investment groups. The best land rarely becomes available because most of the farmland ownership is by long-term tenure. Demand for large blocks of

farmland is good, but there is a limited supply of “top shelf” quality farmland, especially in large tracts. As an alternative to securities, farmland is viewed as a long-term investment that has a return and some appreciation potential. Cotton pricing was higher in 2017 than the prior two years; however, it appears that gain pricing was similar to 2015 and 2016 levels. Rental rates for the Coastal Bend have remained stable. Many farmers have an interest in crop share leases as opposed to cash rents due to volatile commodity prices. There has been an increase in demand for farmland in the Coastal Bend from buyers with wealth created from the Eagle Ford Shale and there has been a noted transition in farmland located near the Port of Corpus Christi for industrial uses.

## Rio Grande Valley Cameron, Hidalgo and Willacy Counties

The rural portion of this tri-county area is largely production agriculture driven. Irrigated and dry farmland experienced a slight decrease in pricing and rents in the past; however, it appears that pricing has been stable in 2017. The farmland is generally purchased by producers or large institutional investors; demand for the best irrigated land is typically equal to demand for the best dry cropland.

The volume of sales activity, in the irrigated property classes, which had recovered from the past, has remained low. The higher quality row crop farms continue to be very closely held. Sale activity in the larger farms in 2017 was limited. The bulk of the sales were smaller tracts, mostly 40 to 80 acre tracts, and were often purchased as rural homesites.

Typically, less than one or two quality dryland farms, of 300 acres or over, change hands in a year, even in boom periods. Most realtors report numerous

clients wanting to acquire farmland, but most observe that there was little inventory of quality larger irrigated or dryland properties.

While the market for Rio Grande water rights continued to be active, the pace of activity has slowed. Municipalities are a major purchaser of water rights in the area. In some cases, a municipality will buy farmland to gain water rights, only to sell the land as dryland. Water rights sales generally ranged around \$2,500 per acre for Class A rights and \$2,250 for Class B rights. Mining water lease rates settled in the \$125 AF range for larger amounts and with small amounts of 10 to 20 AF much higher, but spotty. Agricultural water was in the \$25 to \$40 per AF range averaging just over \$31 AF.

The primary source of irrigation water for the Valley is the Rio Grande River. The water is supplied to the farming community through individually-held water rights or through water districts, which purvey water to land owners within the water district. Water is transported by a mix of above-ground ditches and underground pipes; the pipes emanate at diversion points on the river and gravity flow to the north away from the river delta.

Irrigation is critical to agricultural endeavors in the Rio Grande Valley. From 1993 through early 2004, the level of water storage in Amistad and Falcon, the two reservoirs serving the Rio Grande Valley, suffered significantly. This situation caused considerable damage to irrigated farming communities due to curtailments. The water situation is of great importance and is continually monitored.

Recreational ranches continued to have demand; however, both activity and prices are mostly stable. It is noted that many of the Rio Grande Valley land investors are local buyers.

## Transition Zone

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Irrigated Crop	\$2,750 to \$8,000	Stable/Stable	\$75 to \$200	Stable/Stable
Class II Dry Crop	\$1,700 to \$3,000	Stable/Stable	\$20 to \$50	Stable/Stable
Permanent Pasture	\$2,000 to \$3,500	Stable/Stable	\$180/AU	Stable/Stable
Rangeland <2,000 Acres	\$1,500 to \$10,000	Stable/Stable	\$165/AU	Stable/Stable
Rangeland >2,000 Acres	\$1,400 to \$4,750	Stable/Stable	\$165/AU	Stable/Stable
Development Land	\$4,000 to \$40,000	Stable/Stable	n/a	n/a
Transferable Edwards Aquifer Water Rights	\$5,000 to \$5,500	Stable/Stable	\$100 to \$150	Stable/Stable
Hunting Lease			\$5 to \$25	Stable/Stable

Value ranges are generally reflective of partial mineral transactions

Properties with water rights, live water features or turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these amenities.

## Upper South Texas - Upper to Mid Brush Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Irrigated Crop	\$2,000 to \$5,000	Stable/Stable	\$50 to \$150	Stable/Stable
Class II Irrigated Crop	\$2,000 to \$3,000	Stable/Stable	\$50 to \$125	Stable/Stable
Class II and III Dry Crop	\$1,500 to \$2,000	Stable/Stable	\$20 to \$40	Stable/Stable
Permanent/Improved Pasture	\$2,000 to \$2,500	Stable/Stable	\$180/AU	Stable/Stable
Rangeland < 2,000 Acres	\$1,200 to \$3,500	Stable/Stable	\$150/AU	Stable/Stable
Rangeland > 2,000 Acres	\$1,200 to \$2,500	Stable/Stable	\$150/AU	Stable/Stable
Hunting Lease (Rangeland)			\$10 to \$25	Stable/Stable

Value ranges are generally reflective of partial mineral or surface only transactions; few tracts sell with significant minerals in this market

Properties with irrigation and turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these amenities.



## Lower South Texas - Lower Brush Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland	\$1,200 to \$3,000	Stable/Stable	\$20 to \$30	Stable/Stable
Rangeland < 2,000 Acres	\$1,200 to \$2,500	Stable/Stable	\$150/AU	Stable/Stable
Rangeland > 2,000 Acres	\$1,200 to \$2,500	Stable/Stable	\$150/AU	Stable/Stable
Hunting Lease (Rangeland)			\$10 to \$25	Stable/Stable

Value ranges are generally reflective of surface only transactions; few tracts sell with significant minerals in this market.

Properties with turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these amenities.

## Coastal Plains

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class II & III Dry Crop	\$2,000 to \$2,500	Stable/Stable	\$30 to \$65	Stable/Stable
Permanent/Improved Pasture	\$2,000 to \$3,500	Stable/Stable	\$175/AU	Stable/Stable
Rangeland < 2,000 Acres	\$2,000 to \$5,000	Stable/Stable	\$175/AU	Stable/Stable
Rangeland > 2,000 Acres	\$2,000 to \$3,500	Stable/Stable	\$175/AU	Stable/Stable
Hunting Lease (Rangeland)			\$8 to \$15	Stable/Stable

Value ranges are generally reflective of partial mineral or surface only transactions; few tracts sell with significant minerals in this market.

Properties with turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these amenities.

## Coastal Bend

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Dry Crop	\$2,000 to \$3,500	Stable/Stable	\$65 to \$90	Stable/Stable
Class II Dry Crop	\$1,600 to \$2,500	Stable/Stable	\$40 to \$60	Stable/Stable
Rangeland	\$2,000 to \$3,000	Stable/Stable	\$200/AU	Stable/Stable
Hunting Lease (Rangeland)			\$8 to \$25	Stable/Stable

Value ranges are generally reflective of partial mineral or surface only transactions; few tracts sell with significant minerals in this market.

Properties with turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these amenities.

## Rio Grande Valley

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Irrigated Crop	\$3,400 to \$4,400	Stable/Stable	\$60 to \$160	Stable/Stable
Class II Irrigated Crop	\$1,800 to \$3,200	Stable/Stable	\$40 to \$100	Stable/Stable
Class I Dry Crop	\$1,650 to \$2,300	Stable/Stable	\$50 to \$80	Stable/Stable
Class II Dry Crop	\$1,300 to \$1,550	Stable/Stable	\$30 to \$50	Stable/Stable
Permanent Pasture	\$1,500 to \$2,500	Stable/Stable	\$200/AU	Stable/Stable
Rangeland	\$1,750 to \$4,000	Stable/Stable	\$200/AU	Stable/Stable
Hunting Lease (Rangeland)			\$10 to \$25	Stable/Stable

Value ranges are generally reflective of partial mineral or surface only transactions; few tracts sell with significant minerals in this market.

Properties with turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these amenities.

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## Region Seven forms the central core of the State of Texas. The geographic center of the state lies within Region 7 which is also home to the Austin-Round Rock MSA along with the Killeen-Temple and the Waco MSA's.

Highlights for the overall market for the counties in Region Seven precede a brief discussion related to each of the sub-regions.

- The level of sales volume during 2017 was similar to lower in most areas as compared to 2016 with increased activity at the end of the year.
- Sales prices in 2017 were generally stable for most land classes throughout the region with some weakness observed in select land types/locations. Value trends overall were sensitive to location relative to population centers in the region. Sales prices for cultivated acreage have remained stable over the past two years with weak grain prices having an influence on the available funds for new purchases by producers. Despite lower commodity prices, market priced cropland continued to be in demand.
- Productivity characteristics come into play in the market for cultivated lands and improved pasture. The number of cultivated properties offered for sale remains low with investor demand replacing some of the demand from farmers. Improved pasture has good demand with rental rates on improved pasture holding steady for the year.
- Recreational properties were mostly stable to higher nearer to the urban areas within the region. Recreational uses of land, primarily hunting, continue to be a primary influence in the minds of buyers. Investment demand varies across the region with a decline in buyer interest found in the western portion of the region. Prices of smaller acreage ranchette properties have increased during the past several years giving some motivation for subdivision especially nearer to the Austin area. The demand for acreage suitable for division into small acreage home sites was strong during 2017.
- The demand for urban fringe properties continued to be high during 2017 as the demand for home sites in the Austin area continues to be strong. The land available for near term development is limited. Land with immediate access to all utilities continued to be in strong demand while the supply remains limited. The prices for urban fringe properties increased during 2017.
- Buyers are demanding some minerals and control of the surface with the lack of control over the mineral ownership impacting marketability in the region.

### Southern Grand Prairie

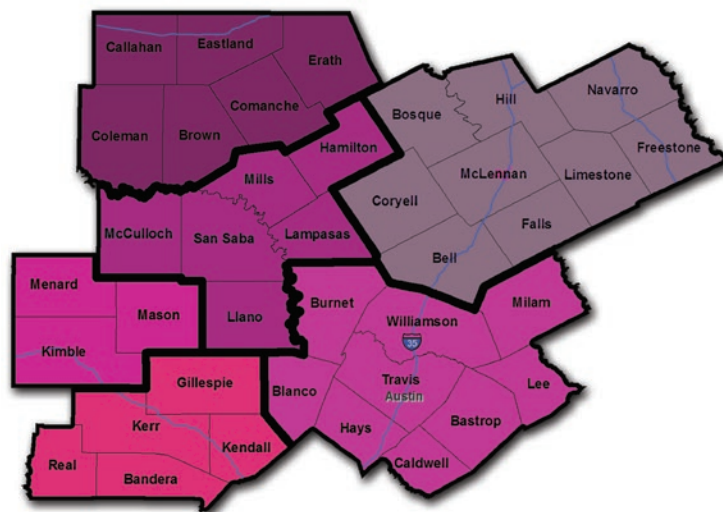
**Callahan, Eastland, Erath, Coleman, Brown and Comanche Counties**

The Southern Grand Prairie experienced a generally stable market in 2017. The survey participants indicated stable price trends with prices the highest in the eastern counties of Erath and Comanche with lower per acre prices further west. The demand for pasture land has remained stable with higher trends noted in the eastern counties where the urban influence is the greatest. Recreational demand continues to be active with those properties having live water and strong recreational attributes being in the greatest demand. Price trends are reported to be mostly stable to modestly higher in the recreational and acreage home site motivated market. Buyers from the Dallas-Fort Worth area continue to represent a significant portion of the recreational market and are the reason that land values tend to increase as one moves from west to east within this area. Erath County enjoys the benefits of its proximity to Fort Worth along with Stephenville area residents looking for recreational and acreage home sites.

### Central Basin

**McCulloch, San Saba, Mills, Hamilton, Lampasas and Llano Counties**

Recreational users remain the primary drivers for land transactions in the Central Basin, with similar buyer pressure from the Dallas-Fort Worth Metroplex and the Austin area. Drive time from these urban centers is consistently noted as a strong buyer consideration in purchase decisions. Central Basin buyers are primarily looking for hunting tracts or weekend get-aways. Live water properties demand significant price premiums over their upland counter-parts. The Colorado River bisects the Central Basin, forming at least one county line boundary for all counties in this area except Hamilton County. This river basin feeds the Highland Lakes starting with Lake Buchanan in northeastern Llano County. The remaining Highland Lakes within the Central Basin include the constant-level Inks Lake and Lake LBJ. Properties near these lakes remain attractive to Austin buyers due to proximity. Other desirable water features in the area include the Llano, San Saba, Lampasas, Leon and North Bosque Rivers. Throughout the rest of the Central Basin,



tracts with good land diversity, tree cover and elevation changes remain most desirable over properties dominated by one land type or relatively flat terrain. Production oriented open pasture and cropland tracts tend to represent the low end of price ranges observed in this market.

Area-wide land sales activity for 2017 remained stable. Llano, Lampasas and Hamilton Counties continue to lead in transaction volume for this sub-region. There was a slight increase in sales of large acreage properties as compared to 2016 activity with the most notable being the sale of the ±32,000 acre Ford Ranch in McCulloch County. Price levels remain relatively stable with some counties in the sub-region showing slight decreases in price per acre, likely due to the influence of more total acres selling in 2017 versus 2016. Inventories of high quality live-water properties with topographical diversity continue to be in short supply. Rainfall for most areas across the Central Basin was below average during 2017, impacting property conditions and aesthetics for showings. Recreational motivations continue to dominate buyer profiles throughout the sub-region with stable to increasing price trends for properties possessing good wildlife habitat and aesthetic qualities. Production oriented property types indicate steady to moderate activity with stable prices fueled by area producers looking to expand agricultural operations.

### Central Blacklands, Grand Prairie and Post Oaks within a 50-Mile Radius of Waco

**Bosque, Hill, Navarro, Coryell, McLennan, Limestone, Freestone, Bell and Falls Counties**

The central Texas area is primarily influenced by buyers from the Dallas-Fort Worth Metroplex and Austin MSA, in addition to residents from Waco, Temple and Killeen. The northwestern portion of the region continues to see the strongest demand due to its location in closer proximity to Dallas-Fort Worth buyers seeking recreational land and retirement properties. Price levels nearer to the major cities continue to climb pushing buyers further into the more rural portions of the region. The eastern area of this sub-region tends to offer the lower range of values due to their more distant locations with respect to major urban centers.

In general, land values within this sub-region tend to be higher west of Interstate 35 in Bosque, Coryell, McLennan and Bell Counties. Market activity for smaller acreage home site and recreational tracts was active with price levels increasing in most of the area. The most notable increases in prices were noted in the western portion of the region in the market for smaller acreage tracts. Sales prices within the larger acreage market tended to be more stable with similar sale volumes as compared to the prior year. Properties with recreational uses, especially good views and live water, greatly influence land values and continue to be in the highest demand. A limited supply of these type properties results in those commanding higher prices. The Central Blacklands and Grand Prairie areas are noted as containing significant areas of cultivated acreage; however there has been a decline in the number of cropland tracts being offered on the market. Despite weaker commodity prices, those cropland tracts that have sold have commanded steady prices. Cash lease demand remained strong although the trend in rental rates for cultivated acreage stabilized. Overall, the demand for pasture and recreational properties with good aesthetic qualities has provided an upward price trend over the last year.



## East Edwards Plateau, Central Blackland and South Post Oaks – Austin Area

**Burnet, Blanco, Hays, Travis, Williamson, Milam, Caldwell, Bastrop and Lee Counties**

This sub-region includes the Austin MSA and, as a result, significant urban influence is present in Travis, Williamson and Hays counties with the adjacent counties being influenced by trends in the urban development of land around Austin and adjacent cities. Location, with respect to Austin and the primary cities in the region, is a primary factor impacting land values in this area. Generally, as one travels further from Austin, land values decline, with land values to the west being stronger than land values to the east. The IH 35 corridor counties of Travis, Hays and Williamson have the strongest urban concentration of the nine county area.

The economy and demand for land generated within the Austin MSA continued to be strong through 2017 as the demand for housing in the Austin area remained high. Employment and economic conditions continued to be favorable toward residential and consumer demands on land use. Asking prices continued to escalate during the past two years. The inventory of competitively priced land offered for sale remains limited. The Austin sub-region represents a diversity of land types ranging from black clay soils in eastern Travis County, Williamson County and most of Milam and Caldwell Counties to sandy soils in the majority of Lee and Bastrop Counties. The western counties in the sub-region comprised of Burnet, Blanco and the western portion of Hays, Travis and Williamson Counties are more typical of Hill Country lands with rolling to rugged shallow limestone soils. As a general observation, the Edwards Plateau rangeland is dominated by home site and recreational buyers with this land setting the highest prices for rural land within the region. The demand from recreational and home site buyers continued to be strong with higher prices nearer to Austin encouraging buyers to move further east, west and toward the north in search of lower per acre prices.

Cultivated land within the region typically attracts more productivity oriented buyers and generally represents the lower priced land for the Austin area. Grain prices continued to be depressed in 2017 while yields were generally favorable. The continued weakness in commodity prices has continued to impart financial stress in the farm sector. Producers who were actively seeking land 3 to 5 years ago have demonstrated more caution and are more selective in their acquisitions. To date, the lower returns have not measurably increased the number of farms being offered for sale. Cropland rental income from share leases stabilized in 2017 relative to 2016 while cash rental rates have remained relatively stable. Few sellers have specifically cited lower rental rates as their motivation to sell. The declining rental income has thus far not impacted the number of farms offered for sale. Urban influence is anticipated to provide a supply of willing buyers for competitively priced cropland.

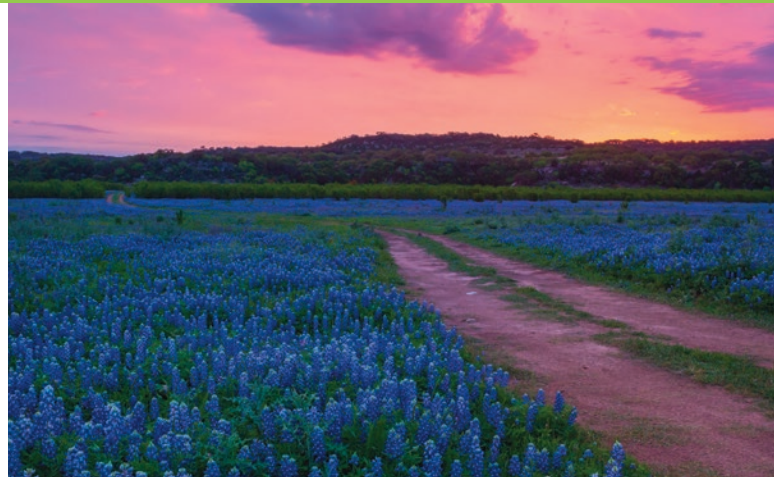
Consumer demand for recreational home sites has increased as buyers appear more geared toward purchases using a combination of equity and borrowed funds. Home sites, recreation and investment diversity appear to enter into the recreational driven ranch market. Land price levels in the western portions of the region have typically resulted in livestock production being only a secondary consideration in the purchase decision. The demand for ranchette properties remained strong during 2017 with prices increasing in this small acreage tract market. In response, the demand for larger properties suitable for division and resale as small acreage tracts has increased. The properties in demand for subdivision tend to have ample road frontage as small acreage tract developers seek to minimize development costs. Small acreage tract subdivision activity appears to be most common on marginal cropland which has lower prices that allow for affordable ranchette pricing. The availability of public water supplies has also tended to influence subdivision motivated buyer interest.

The demand for urban development land remains strong with active residential development underway along the periphery of Austin. Growth in the north Travis County and southern Williamson County is especially active with multiple new residential developments being in the initial phases of construction. The availability of water and wastewater capacity continues to direct residential development. The immediate availability of water and wastewater capacity is limited with more land being developed using municipal utility districts (MUDs). Urban growth is expected to continue to place upward pressure on prices in these counties within the Austin MSA.

## Eastern Hill Country

**Gillespie, Kerr, Kendall, Real and Bandera Counties**

Home to some of the most scenic areas of the state, Eastern Hill Country land continues to be a prized commodity among market participants who seek convenience of proximity to city employment centers and strong aesthetic qualities. Buyer profiles in this sub-market are heavily influenced by the San Antonio urban center supplemented by demand pressure from the Austin-Round



Rock MSA. Land resources in greatest demand include live water, hardwood tree cover and dramatic elevation changes, affording views of the surrounding neighborhood. The area's varied terrain forms multiple creeks and streams which contribute water to the Pedernales, Guadalupe and Frio Rivers. While land production characteristics in the area are generally of secondary concern to market participants, an exception is found in vineyard and winery motivated buyers. The U.S. Highway 290 corridor in eastern Gillespie County serves as the epicenter for the Texas wine industry, as ground previously used for crop production and peach orchards transitions into viticulture. The neighborhood towns of Fredericksburg and Kerrville offer rural community atmosphere with suitable medical and shopping amenities. With San Antonio's outward growth, the communities of Boerne and Bandera represent viable commuter options. Demand for estate ranches and acreage home sites in this five county area will continue shaping land use patterns and promoting upward price movement on area land values as smaller average tract size leads to a higher price per acre.

Sales activity during 2017 remained active with survey participants indicating higher prices across most land types. The limited supply of available recreational tracts with live water has resulted in higher price trends for this highly desired land class. Recreational tracts without live water features encountered moderate activity throughout the year with prices for this property type trending higher with similar sales volumes as observed in 2016. Native rangeland properties indicated moderate sales activity for 2017 with sale prices being relatively stable as compared to price ranges observed in 2016.

## West Hill Country

**Menard, Mason and Kimble Counties**

Sales activity was slow to bracket the overall year, with strong volume during the middle part of the year. The total number of sales was similar to the amount seen during the previous year, with around 90% of the sales being less than 500 acres in Kimble County. This trend holds true in Mason and Menard Counties, as well. As prices continue to rise, the total amount able to be spent by an average buyer continues to keep driving the acreage per transaction downward.

Properties under 500 acres had a median size of 70 acres, with an average size of around 120 acres. The median price of these properties was \$4,350 in 2017, up from \$3,900 in 2016. This rise in median price per acre can be attributed to a growing number of buyers moving further west out of the eastern hill country. The median price per acre for sales greater than 500 acres was around \$2,550 per acre. The median size of properties continues to decrease, as does the average size, which was substantially lower in 2017 than in previous years. Properties with live water continue to top the market. Overall, prices throughout the area continue to increase at a moderate rate for properties under 500 acres, and a slower rate for larger acreage properties. The divide in price per acre between properties in the eastern portion of the region and the western portion of the region is beginning to grow slimmer, as influence from the desirable Gillespie and Kerr County markets push buyers further west.

Buyers of properties in the region continue to desire properties with strong Hill Country characteristics. Price levels for properties with aesthetically-pleasing views and recreational features continue to drive the high end of the market. The lower tier of properties still has quality hunting and some aesthetics, but buyers are aware of the differences in the two tiers when purchasing, thus driving the demand for the higher tier properties. Buyers are also continuing to recognize the growing cost of amenities when purchase decisions are made. The cost of water wells, electricity and brush management continues to rise. The majority of buyers in the area are still purchasing land for investment and recreational purposes, with very little new subdivision of larger tracts.

## Southern Grand Prairie

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland	\$1,200 to \$2,400	Steady/Stable	\$15 to \$40	Moderate/Stable
Improved Pasture	\$1,600 to \$3,500	Steady/Stable	\$10 to \$35	Active/Higher
Native Pasture - Open	\$1,600 to \$3,500	Active/Stable	\$4 to \$10	Moderate/Stable
Native Pasture - Wooded	\$1,600 to \$4,000	Active/Stable	\$4 to \$12	Moderate/Stable
Live Water - Recreational	\$2,500 to \$6,000	Active/Stable	\$5 to \$15	Moderate/Stable
Pecan Groves - Improved	\$2,500 to \$6,000	Slow/Stable		
Hunting Leases			\$10 to \$20	Moderate/Stable

## Central Basin

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland	\$1,300 to \$2,500	Steady/Stable	\$20 to \$30	Moderate/Stable
Improved Pasture	\$1,800 to \$2,800	Moderate/Stable	\$15 to \$30	Active/Higher
Native Pasture - Open	\$1,500 to \$3,000	Moderate/Stable	\$8 to \$10	Active/Stable
Native Pasture - Wooded	\$1,500 to \$4,500	Moderate/Stable	\$8 to \$15	Moderate/Stable
Pecan Groves - Improved	\$2,000 to \$10,000	Slow/Stable		Owner or Shares
Live Water - Recreational	\$5,000 to \$10,000	Active/Higher	\$10 to \$25	Owner Dominated
Transitional < 50 Acres	\$3,500 to \$10,000	Active/Higher		
Hunting Leases - Rangeland			\$7 to \$25	Moderate/Stable

## Central Blacklands, Grand Prairie and North Central Post Oaks

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland - Good	\$2,400 to \$4,000	Moderate/Stable	\$40 to \$70	Moderate/Stable
Dry Cropland - Marginal	\$1,700 to \$2,800	Moderate/Stable	\$30 to \$50	Moderate/Stable
Improved Pasture	\$2,000 to \$3,500	Moderate/Stable	\$15 to \$30	Moderate/Stable
Native Pasture - Open	\$1,800 to \$3,000	Moderate/Stable	\$7 to \$15	Moderate/Stable
Native Pasture - Wooded	\$2,500 to \$6,500	Active/Higher	\$7 to \$15	Moderate/Stable
River Properties	\$3,200 to \$7,500	Active/Higher	\$15 to \$30	Moderate/Stable

## East Edwards Plateau, Central Blacklands, and Southern Post Oaks – Austin Area

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland - Good	\$3,200 to \$4,400	Moderate/Stable	\$50 to \$80	Active/Stable
Dry Cropland - Marginal	\$2,500 to \$3,500	Moderate/Stable	\$30 to \$60	Active/Stable
Improved Pasture	\$3,000 to \$4,500	Slow/Stable	\$20 to \$40	Active/Stable
Native Pasture - Wooded	\$2,600 to \$10,000	Moderate/Higher	\$8 to \$20	Moderate/Stable
Single Family - Utilities	\$30,000 to \$60,000	Moderate/Stable		
Urban Fringe - No Utilities	\$7,500 to \$25,000	Moderate/Stable		
Ranchette < 50 Acres	\$5,000 to \$20,000	Active/Higher		

## Eastern Hill Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Recreational with Live Water	\$6,000 to \$30,000	Active/Higher		
Recreational without Live Water	\$2,800 to \$10,000	Moderate/Higher		
Rangeland	\$2,500 to \$6,000	Moderate/Higher	\$4 to \$12	Moderate/Stable
Hunting Leases - Rangeland			\$10 to \$30	Moderate/Stable

## Western Hill Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Native Rangeland > 500 < 1,500 Acres	\$1,650 to \$3,000	Moderate/Higher	\$3 to \$7	Moderate/Stable
Native Rangeland > 1,500 Acres	\$1,500 to \$2,750	Moderate/Stable	\$3 to \$7	Moderate/Stable
Native Rangeland-Live Water > 1,000 Acres	\$2,500 to \$5,500	Moderate/Stable	\$5 to \$10	Moderate/Stable
Native Rangeland-Live Water < 1,000 Acres	\$3,500 to \$7,500	Moderate/Stable	\$5 to \$10	Moderate/Stable
Hunting Leases			\$15 to \$25	Moderate/Stable



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David W. Oberrender, MAI – State Certified – General  
[david@k-o-wappraisal.com](mailto:david@k-o-wappraisal.com)

Wendell C. Wood, ARA, MAI – State Certified – General  
[wendell@k-o-wappraisal.com](mailto:wendell@k-o-wappraisal.com)

Michael D. Mays, ARA, MAI – State Certified – General  
[michael@k-o-wappraisal.com](mailto:michael@k-o-wappraisal.com)

Denise Rhea – State Certified – General  
[denise@k-o-wappraisal.com](mailto:denise@k-o-wappraisal.com)

Taylor Orsag – Appraiser Trainee  
[torsag@k-o-wappraisal.com](mailto:torsag@k-o-wappraisal.com)

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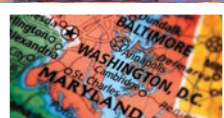
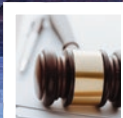


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# MEMBER HIGHLIGHT

## Charles Gilliland Ph.D.



**D**r. Charles Gilliland, a native of Colorado, grew up on a cattle ranch and graduated from Regis College in Denver, Colorado with a B.A. degree in English in 1969. After undergraduate school, he served as office manager at the Hidalgo and Cameron Counties Water Control and Improvement District Number 9, an 80,000 acre irrigation district headquartered in Mercedes, Texas. Later he moved to College Station where he served as chief deputy appraiser with A&M Consolidated Independent School District. He joined the Real Estate Center as a researcher in 1977.

Dr. Gilliland earned his M.S. and Ph.D. degrees from Texas A&M University. He completed his Ph.D. from A&M in 1983, majoring in resource economics, econometrics, and real estate. He completed a thesis entitled, *"Econometrics in Real Estate Appraisal."* His dissertation, *"An Analysis of the Wealth Effects of Property Tax Reform,"* addressed reallocation of property taxes following tax reform. His work on the dissertation resulted in Dr. Gilliland testifying to the Ways and Means Committee of the Texas House of Representatives. The testimony prompted legislators to craft measures to provide tax relief to homeowners and rural land owners and led to further studies

to guide reform measures.

Since arriving at the Real Estate Center Dr. Gilliland has worked in a variety of research and teaching capacities. He currently holds an appointment as a Research Economist with the Real Estate Center in the Mays Business School and an appointment as Adjunct Associate Professor of Agricultural Economics, both at Texas A&M University. He has authored numerous articles for publications such as *The Appraisal Journal* and *Tierra Grande*, the quarterly magazine published by the center. He presents his research frequently to industry insiders, such as real estate investors and builders.

In addition, Dr. Gilliland is the Helen and O.N. Mitchell Fellow of Real Estate and a Clinical Professor of Finance teaching real estate investment analysis for the Master of Real Estate program in the Mays Business School. As a professor, Dr. Gilliland has supported the MRE program and its predecessor, the Land Economics and Real Estate (LERE) degree. He has developed the Center's research program studying Texas Land Markets. Current published reports provide information on Texas market developments since 1966. "The land cost is an important component of residential development and

***“Dr. Gilliland’s well-earned reputation among real estate students and real estate professionals is built on a solid research career. He has numerous publications, but his reputation is further enhanced because of the many presentations he makes to real estate professionals throughout the state. Certainly, his appointment as a Mitchell Fellow is a fitting recognition of his role in Texas real estate teaching and research.”***

**Wayne Etter,  
Mays professor emeritus of Finance**



its financial feasibility,” says Cydney Donnell, Executive Professor of Finance and Director of Real Estate programs at Mays. “Dr. Gilliland is the leading authority on Texas land prices and is able to bring his unique knowledge about trends in land prices to the classroom.”

Wayne Etter, Mays professor emeritus of Finance, also had high praise for Gilliland. “Dr. Gilliland’s well-earned reputation among real estate students and real estate professionals is built on a solid research career. He has numerous publications, but his reputation is further enhanced because of the many presentations he makes to real estate professionals throughout the state. Certainly, his appointment as a Mitchell Fellow is a fitting recognition of his role in Texas real estate teaching and research.”

Dr. Gilliland is a name synonymous in Texas with rural land values. If you Google “rural land values” the leading result is “Texas Rural Land Prices - Real Estate Center”. Dr. Gilliland has been the name associated with tracking and analyzing land prices at the center since the early 80’s. If you review rural

appraisals or market studies in Texas you have seen reference to his work. Typically, you will run across a sentence starting with, “According to Dr. Gilliland at the Real Estate Center...”. I would venture a guess his name is the most recognized in the rural land arena in the State and possibly in the nation.

You cannot help but notice that Dr. Gilliland’s education and research are almost entirely associated with Texas A&M, but on at least one occasion he did admit to a welcome helping hand from another prominent university within the state. In his words: Once upon a time when Proxima projectors came in huge, wheeled suitcases, I was scheduled to speak at a meeting in Midland. The ASFMRA group asked me if I could bring a projector for my presentation, and I assured them there would be no difficulty with that. Being one who plans at least 15 minutes ahead, I found myself tossing things in a brief case and rushing to the airport just in time to catch my flight. As we took off, I stretched out and relaxed, completely oblivious to the fact that the Proxima was safely locked in my

office on campus. In Midland, it dawned on me that I was going to be in deep trouble the next day, and Proximas rented for north of \$1,000 per day. I frantically called the local Realtors association looking for a loaner. No luck. Finally, in desperation I phoned the business school at UT-Permian Basin. I explained my predicament and pleaded for help. They graciously agreed to provide a projector for the entire day and I was relieved that I would not be doing a hand puppet show with an overhead projector. Sometimes that burnt orange looks OK.

The American Society of Farm Managers and Rural Appraisers have hosted Dr. Gilliland countless times since the Midland trip. Recognizing his contributions to the industry, the Society bestowed its Golden Quill Award on Dr. Gilliland in 2009. The award is presented to the authors of the most outstanding article published during the year in the Journal of the American Society of Farm Managers and Rural Appraisers.

**Continued on page 52**



In 2010, The Farm Credit Bank of Texas inducted Dr. Gilliland into the Academy of Honor for significant contributions to agriculture. The Academy of Honor is the highest award presented by the Farm Credit Bank of Texas. "As an expert in rural land valuation and property taxes, Dr. Gilliland has contributed more to Farm Credit's understanding of rural real estate issues than any other individual," FCBT Board Vice Chairman Jimmy Dodson said, in presenting the award. "For two decades, Farm Credit Bank of Texas and its affiliated lending cooperatives have depended on Dr. Gilliland's analysis of essential land value data to track real estate trends and understand events that impact our business."

Dodson noted that Gilliland is respected throughout the U.S. appraisal industry and rural real estate sector for his in-depth research on rural land markets, appraisal issues, property taxation, property rights issues and land development matters. He has provided testimony to the U.S. Senate and the Texas Legislature and is sought out as a consultant to law firms, private businesses and trade associations. "His ability to explain complex issues in simple terms has made him the 'go to' person for Realtors, the media, government, corporations and others who have questions about rural land," added Ralph W. Cortese, FCBT board chairman.

In addition, he has advised the Institute for Professionals in Taxation (IPT), a national corporate taxpayer association. The IPT has recognized Dr. Gilliland for significant contributions to its mission. In addition, IPT named his article on "Inception and Evolution of the Unit Rule Appraisal

of Complex Properties in *Ad Valorem Taxation*" Property Tax Article of the Year in 2010.

Dr. Gilliland has contributed expert testimony before the United States Senate, Texas Senate, and Texas House of Representatives. He has an extensive publication record, including a book entitled *Buying Rural Land In Texas* published by the Texas A&M University Press in 2012.

In the book, he outlines the process of buying rural land. He demonstrates that buyers of all types whether a farmer, rancher, sportsman, or nature enthusiast can and should arm themselves with knowledge about the land-buying process, potential problems involved, and the resources available to ensure a successful outcome.

In *Buying Rural Land in Texas*, he outlines the four phases of buying rural land: identifying what you want, locating a suitable property, valuing the property, and completing the transaction. He is able to offer personal insight and incorporate real life examples into the guide, taking readers step-by-step through the land-buying process. He also provides checklists, maps, professional tips, and information about how to tap additional sources of information and advice. After reading this book, potential land-buyers will feel confident and informed about the land-buying process.

Most of us that have heard Dr. Gilliland, Chuck or Charlie to most of us, speak know he has identified a rather obscure relationship between rural land prices and...wait for it, race horses. About fifteen years ago, Chuck read *Sea Biscuit* and it rekindled a love of horses from his early years on the ranch. That led to identifying a link between his research and

sales of thoroughbred yearlings. "Analysis of historical prices for horses at the fabled Keeneland September Yearling Sale suggest that price trends for these select thoroughbreds may indeed provide a guide to future Texas land prices," he said...or it may have been he found a way to justify his love of following the racing industry. You have to give him credit; he gets to go to the horse races in the name of research.

In addition to following race horses Chuck has another passion worthy of recognition. He is an active member of the Bryan Rotary Club and is the Rotary Youth Exchange local coordinator. A recent article in the Insite Magazine recognized the group's activities. The program allows students to build lifelong friendships with students from other countries. The host family and the visiting student both benefit from learning about other cultures.

"It expands their world view," Gilliland says. "It changes a lot of attitudes. They begin to realize that the stereotypes they had at home are not accurate. From that

perspective, I believe this is a very effective tool of diplomacy to improve international relations."

Charlie has been married to his wife Diane for just short of 50 years and they live in College Station, Texas.

#### From Wayne Young:

In putting this article together, I borrowed from many "bios" from the numerous awards and recognitions Chuck has received over the years. Chuck's work has become a fixture to me and anyone involved in valuation of land in Texas. I did not realize how long we, as an industry, have had the benefit of his expertise. In visiting with a colleague, it hit home when I said, "Well, he was my professor in *Special Topics in the Appraisal of Land Used by Pipelines and Public Utilities in 1985* and that was only 33 years ago. Man, we're getting old". It has been a privilege knowing Chuck all these year. I have been able to contribute to a small degree, as many of you have, to the land value study he conducts. My guess is nearly all land appraisers and brokers, at some point have referenced his work. We owe him a great deal.



## Buying Rural Land in TEXAS

CHARLES E. GILLILAND



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Contact: Merritt Weeks  
Assistant Director  
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# NEWLY ACCREDITED MEMBER HIGHLIGHTS

The Texas Chapter is proud to spotlight four of our newly accredited members. During the 2017 ASFMRA National meeting held in Savannah, Georgia, these individuals received either the Accredited Farm Manager designation or the Accredited Rural Appraiser designations.

An Accredited Farm Manager possesses the skills, experience and education to provide land investment analysis and management of day-to-day operations for ag enterprises. The AFM designation is awarded to those individuals that demonstrate experience and complete a rigorous education program to enhance professional skills and knowledge of land management and production agriculture.

The Accredited Rural Appraiser conducts valuation work on wide range of property types that exist in rural parts of the country. These properties are often among the most complex properties from a valuation standpoint and require a sophisticated valuation expert to properly appraise them. An ARA has demonstrated through course work, experience, work review and a comprehensive exam that they have the expertise required for these complex valuation assignments.



Travis Anderson, ARA, has over 10 years of experience in the valuation of all types of real estate. As Senior Appraiser at Heritage Land Bank, he specializes in rural and/or agriculturally related properties. Travis is responsible for the Bank's internal evaluations, appraisal reviews, and provides consultations. Past assignments include properties throughout the State of Texas, with primary focus on the East and Northeast Texas markets. Areas of expertise include lightly to highly improved farms and ranches, acreage home sites, rural residences, and vacant rural, suburban or urban tracts of land. Travis graduated from Tarleton State University in 2007 with a Bachelor of Science degree in Agribusiness. He and his wife, Holly, have one son. The Andersons are active members of Cross Brand Cowboy Church in Tyler, Texas.



Ethan Smith, AFM grew up on a farm and ranch in Southwestern Nebraska. He attended the University of Nebraska-Lincoln where he majored in Agricultural Economics with a minor in Animal Science. Following graduation, Ethan started with Farmers National Company as an Assistant Farm Manager, working in Nebraska, Kansas, Colorado, and South Dakota. In 2015, Ethan moved to Texas to join the Farmers National Company team in Fort Worth, TX. He now works with clients managing farmland and ranchland assets across the state. Ethan is also serving as the Young Professionals Network representative for the Texas Chapter ASFMRA.



**Clinton J. Bendele, MAI, ARA** has been employed by Valbridge Property Advisors | San Antonio since December 2004, where he is a partner and acts as a managing director. Clint earned his MAI designation from the Appraisal Institute in August 2016 and his ARA from the American Society of Farm Managers and Rural Appraisers in 2017. Clint is a member of the International Right of Way Association and Appraisal Institute, and is involved in all types of valuation assignments including commercial, farm and ranch, right of way, etc. Bendele was born in Hondo, raised in Kingsville and now resides in New Braunfels, Comal County with his wife and four children.



**Kyle Schroeder, MAI, ARA** has been employed by Valbridge Property Advisors | San Antonio since August 2009. After receiving his undergraduate degree from Texas A&M University in 2000, he went on to earn his Masters of Business Administration from California Polytechnic State University in 2003 in San Luis Obispo, California. He earned his MAI from the Appraisal Institute in 2013 and his ARA from the American Society of Farm Managers and Rural Appraisers in 2017. He is actively involved in several real estate related organizations including the South Texas Chapter of the Appraisal Institute and the local International Right-of-Way Chapter (IRWA). Schroeder was born in Lockhart and continues to be active in the family farming and ranching operations.



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Canada – Robert A. Berrien, ARA-Retired, FRICS

Nathan Adams  
Associate Member  
PO Box 6575  
McKinney, TX 75071-5115  
phone: (813) 362-3468  
nadams8489@aol.com

James R. Ahrenholz, Ph.D.  
Retired Member  
5805 Youngworth Drive  
Flower Mound, TX 75028-3879  
phone: (972) 335-2169  
cja68@mail.com

Kyle Amos, AFM  
Accredited Member  
Highfield Farm Asset Services  
4301 Target Court  
College Station, TX 77845  
phone: (806) 316-5055  
fax: (806) 553-1136  
cell: (806) 316-0889  
kamos@highfieldfas.com

Travis Anderson, ARA  
Accredited Member  
Heritage Land Bank  
4608 Kinsey Drive  
Tyler, TX 75703  
phone: (903) 363-4777  
travis.anderson@heritagelandbank.com

Karl F. Armstead, ARA-Retired  
Retired Member  
KA Highland Realty of Texas, Inc.  
PO Box 358  
Fort Stockton, TX 79735  
phone: (432) 336-8455  
fax: (432) 336-8462  
karl@armsteads.us

S. Kris Armstead  
Associate Member  
Omega Appraisals, LLC  
PO Box 358  
Fort Stockton, TX 79735  
phone: (432) 336-8455  
fax: (432) 336-8462  
karmstead@rocketmail.com

**Fred H. Awe, AFM**  
**Accredited Member**  
**Awe Agricultural Services**  
**PO Box 490**  
**Dalhart, TX 79022**  
**phone: (806) 249-6555**  
**fax: (806) 249-6557**  
**aweag1@outlook.com**

V. Keith Barlow, ARA, MAI  
Accredited Member  
Barlow Appraisal Associates  
PO Box 2135  
5817 Grassland Ct 79707  
Midland, TX 79702-2135  
phone: (432) 689-9878  
fax: (888) 677-4541  
cell: (432) 631-8512  
kbarlow@suddenlink.net

Daniel P. Barnett, ARA  
Associate Member  
Lone Star Ag Credit  
1321 Forrest Drive  
Canton, TX 75103  
phone: (903) 348-8656  
daniel.barnett@lonestaraqcredit.com

Bill S. Beam, ARA  
Accredited Member  
Western Appraisal, LLC  
1250 Petroleum Drive, Suite A-100  
Abilene, TX 79602  
phone: (325) 437-7600  
fax: (325) 437-7601  
bill@westernappr.com

Steven M. Beck, ARA, MAI, SR/WA  
Accredited Member  
JMP Land Services  
7607 Eastmark Drive, Suite 112  
College Station, TX 77840  
phone: (979) 485-8840  
fax: (979) 696-2143  
texasa87@gmail.com

Bryan Bednarz, ARA  
Accredited Member  
Capital Farm Credit, ACA  
PO Box 6520  
Lubbock, TX 79493  
phone: (806) 281-1789  
fax: (806) 799-6999  
cell: (806) 789-7297  
[bryan.bednarz@capitalfarmcredit.com](mailto:bryan.bednarz@capitalfarmcredit.com)

Clinton (Clint) J. Bendele, ARA, MAI  
Accredited Member  
Valbridge Property Advisors I San Antonio  
9901 West Interstate 10, Suite 1035  
San Antonio, TX 78230  
phone: (210) 227-6229  
fax: (210) 227-8520  
cbendele@valbridge.com

Tom Benton  
Associate Member  
TxPan Appraisal (Cliff Land Brokers)  
PO Box 561  
Borger, TX 79008  
phone: (806) 336-9105  
tbenton@bentonauktion.com

Robert A. Berrien, ARA-Retired, FRICS  
Retired Member  
Berrien Associates Ltd.  
PO Box 578  
Okotoks, AB T1S-1A7 CANADA  
phone: (403) 938-2000  
fax: (403) 938-6229  
alzona@telus.net

Aaron D. Bierschwale, ARA  
Accredited Member  
Bierschwale Land Company, LLC  
PO Box 154 | 517 College Street  
Junction, TX 76849  
phone: (325) 446-3052  
fax: (325) 446-3237  
aaronbierschwale@gmail.com

Carmen Bierschwale  
Affiliate Member  
Bierschwale Land Company, LLC  
Texas Chapter ASFMRA  
PO Box 154 | 517 College Street  
Junction, TX 76849  
phone: (325) 446-3052  
fax: (325) 446-3237  
cell: (325) 446-6169  
ckbierschwale@gmail.com  
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Justin Bierschwale, ARA, MAI  
Accredited Member  
Bierschwale Land Company, LLC  
PO Box 154 | 517 College Street  
Junction, TX 76849  
phone: (325) 446-3052  
fax: (325) 446-3237  
jbierschwale@gmail.com

Paul E. Bierschwale, ARA, CRE  
Accredited Member  
Bierschwale Land Company, LLC  
PO Box 154 | 517 College Street  
Junction, TX 76849  
phone: (325) 446-3052  
fax: (325) 446-3237  
pbier@ctesc.net

Mandy Bogart  
Associate Member  
Farmers National Company  
PO Box 2612  
Hereford, TX 79042  
abogart@farmersnational.com

Reagan Bownds, ARA  
Accredited Member  
K9 Energy, LLC  
PO Box 800  
Mason, TX 76856  
phone: (325) 347-7651  
reagan@k9energygroup.com

Bradley Bujan  
Associate Member  
CBRE  
200 Concord Plaza Dr, Ste 800  
San Antonio, TX 78216  
brad.bujan@cbre.com

Clint W. Bumguardner, ASA, MAI  
Associate Member  
WT Appraisal, Inc.  
1302 Petroleum Drive, Building B  
Abilene, TX 79602  
phone: (325) 692-5039  
fax: (325) 692-1587  
clintbum@westtexasappraisal.com

W. Clyde Cantrell, ARA-Retired  
Retired Member  
Legacy County Properties  
634 Swiss Alp Hills Loop  
Schulenburg, TX 78956  
phone: (979) 836-5490  
polkaman20@gmail.com

Brad J. Cottrell  
Associate Member  
Equitable AgriFinance  
PO Box 8305  
Amarillo, TX 79114-8305  
phone: (806) 677-2920  
fax: (806) 677-2924  
bcottrell@aegonusa.com

James M. Cowser, ARA  
Accredited Member  
James M. Cowser, Appraiser  
PO Box 9  
Munday, TX 76371  
phone: (940) 256-0708  
fax: (940) 422-4460  
cowsertj@valornet.com

David J. Cross, ARA  
Accredited Member  
Rabo AgriFinance  
PO Box 370  
Shamrock, TX 79079  
phone: (855) 731-0233  
david.cross@raboag.com

Mark Davis, RPRA-Retired  
Retired Member  
PO Box 100  
Etiole, TX 75944  
phone: (281) 414-7338  
dmd@sbcglobal.net

David M. Davlin  
Associate Member  
Lone Star Ag Credit  
938 Masquerade Drive  
Midlothian, TX 76065  
phone: (254) 498-3482  
david.davlin@lonestaragcredit.com

Justin Die, AFM  
Accredited Member  
Bank of America - US Trust  
700 Louisiana Street, 6th Floor  
Houston, TX 77002  
phone: (713) 247-6032  
justin.die@ustrust.com

Richard L. Dockery, ARA-Retired,  
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Retired Member  
Dockery & Associates  
200 E. Alexander Street  
PO Box 459  
Three Rivers, TX 78071  
phone: (361) 786-2562  
fax: (800) 536-8115  
richard.dockery@gmail.com

Daniel Domino  
Affiliate Member  
137 Montague Street, Suite 265  
Brooklyn, NY 11201  
danieldomino50@gmail.com

M. Chad Dugger, ARA  
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Chas. S. Middleton & Son  
1507 13th Street  
Lubbock, TX 79401  
phone: (806) 763-5331  
fax: (806) 763-1340  
chad@csmandson.com

Derry T. Gardner  
Associate Member  
Gardner Appraisal Group, Inc.  
10 Ledge Lane  
San Antonio, TX 78212  
phone: (210) 737-1321  
fax: (210) 732-6554  
derryg7@aol.com

Charles E. Gilliland, Ph.D.  
Academic Member  
Real Estate Center  
Texas A&M University  
2115 TAMU  
College Station, TX 77843-2115  
phone: (979) 845-2080  
fax: (979) 845-0460  
cell: (979) 2209179  
c-gilliland@tamu.edu

T. Beck Gipson  
Associate Member  
Gipson Real Estate Services, LLC  
PO Box 291754  
Kerrville, TX 78029  
phone: (830) 896-4106  
fax: (830) 257-4166  
cell: (830) 739-2961  
beck@gipsonenterprises.com

Ted L. Glaub, AFM, ALC  
Accredited Member  
Glaub Farm Management  
1702 Stone Street, Suite C  
Jonesboro, AR 72401  
phone: (870) 972-6996  
fax: (870) 931-5985  
ted@glaubfm.com

Kevin J. Halfmann, ARA, MAI  
Accredited Member  
Halfmann Appraisals  
133 West Concho, Suite 208  
San Angelo, TX 76903  
phone: (325) 655-1278  
fax: (325) 658-7158  
kevin@halfmannrealty.com

Erin M. Hardin, Ph.D.  
Academic Member  
Real Estate Center  
Texas A&M University | 2115 TAMU  
College Station, TX 77843  
phone: (979) 845-2031  
ehardin@mays.tamu.edu

Andrew A. Harris, MAI  
Associate Member  
Harris Real Estate Company  
1003 N. Mallard Street  
Palestine, TX 75801  
phone: (903) 948-7022  
andrew@harrisrealestateco.com

John M. Harris, ARA  
Accredited Member  
Harris Real Estate Company  
1003 N. Mallard Street  
Palestine, TX 75801  
phone: (903) 724-0634  
john@harrisrealestateco.com

Ryan C. Healy, ARA  
Accredited Member  
6702 Berg Blvd.  
San Antonio, TX 78256  
phone: (210) 385-2999  
ryan@healy.pro

John C. Hodges, ARA  
Accredited Member  
John Hodges RE Appraisals  
PO Box 1213  
Uvalde, TX 78802  
phone: (830) 278-5221  
fax: (830) 278-5024  
jchodges2295@sbcglobal.net

James J. (Jim) Jeffries, ARA, MAI  
Accredited Member  
Jeffries Appraisal Services  
404 West 9th Street, Suite 101B  
Georgetown, TX 78626  
phone: (512) 930-5559  
fax: (512) 869-5600  
cell: (512) 560-6844  
jim@jeffriesappraisalservices.com  
jjeff@swbell.net

Kelly W. Jennings, ARA  
Accredited Member  
Lone Star Ag Credit  
3712 Dry Creek Rd.  
Granbury, TX 76049  
phone: (817) 326-6089  
fax: (817) 326-6089  
kellyjennings@lonestaragcredit.com

Ronny W. Johnson  
Associate Member  
Capital Farm Credit, ACA  
313 Oak Cove  
New Braunfels, TX 78132  
phone: (830) 608-0883  
fax: (830) 620-9482  
ronnyjohnson@capitalfarmcredit.com

Stanley S. Johnson  
Associate Member  
Texas General Land Office  
1700 N. Congress Avenue, Suite 111  
Austin, TX 78701  
phone: (512) 463-5272  
fax: (512) 463-5304  
stanleyjohnson@glo.texas.gov

B. L. Jones III, ARA-Retired  
Retired Member  
2824 24th Street  
Lubbock, TX 79410-1636  
phone: (806) 795-0382  
cell: (806) 412-8167  
bljones16@yahoo.com

Colt Jones, MAI, SRA  
Associate Member  
925 Santa Fe Drive, Suite 106  
Weatherford, TX 76086  
phone: (817) 648-8944  
colthbs@outlook.com

Deborah Caughron Jones, AM  
Associate Member  
Deborah Jones, Real Property Appraiser  
PO Box 10  
Bastrop, TX 78602  
phone: (512) 303-1010  
cell: (512) 567-5719  
dcjones@austin.rr.com  
ruralappraiser@gmail.com

Kenneth G. Kaiser, ARA-Retired  
Retired Member  
Kaiser & Associates  
1975 Gilbert Mueller Rd  
Nordheim, TX 78141  
phone: (361) 938-5896  
fax: (361) 938-5896  
kennethkgk@aol.com

Ronald D. Kay, Ph.D.  
Retired Member  
4033 Stillforest Circle  
College Station, TX 77845-9652  
phone: (979) 690-7539  
fax: (979) 690-3603  
rkaytx@verizon.net

Larry D. Kokel, ARA, MAI  
Accredited Member  
Kokel-Oberrender-Wood Appraisal, Ltd.  
404 West 9th Street, Suite 201  
Georgetown, TX 78626  
phone: (512) 863-6428  
fax: (512) 930-5348  
larry@k-o-wappraisal.com



Pamela Kruse  
Associate Member  
PO Box 147  
Mason, TX 76856-0147  
phone: (325) 805-2520  
pam@kruseranches.com

Wade L. Kubecka, ARA  
Accredited Member  
Capital Farm Credit, ACA  
1807 N Mechanic  
El Campo, TX 77437  
phone: (979) 543-2078  
fax: (979) 543-8120  
wade.kubecka@capitalfarmcredit.com

R. Mike Lansford, AFM  
Accredited Member  
Farmers National Company  
6421 Camp Bowie Blvd, Suite 314  
Fort Worth, TX 76116  
phone: 817884-4414  
fax: 817884-4862  
mlansford@farmersnational.com

Mark A. Lewis, ARA, RPRA  
Accredited Member  
Lewis & Seely Appraisals, Inc.  
308 East Lufkin Avenue | PO Box 877  
Lufkin, TX 75902-0877  
phone: (936) 632-4230  
fax: (936) 637-3964  
mark@lewisseeely.com

Paul V. Loeffler  
Associate Member  
Superior Land Services, LLC  
PO Box 1407 | 1501 W Fort Davis Street  
Alpine, TX 79831  
phone: (432) 386-3101  
fax: (432) 837-2635  
pvl913@yahoo.com

Lonnie Marquardt  
Associate Member  
The Marquardt Company  
706 Front Street | PO Box 628  
Comfort, TX 78013-0628  
phone: (830) 995-3100  
fax: (830) 995-4893  
lonniem@hctc.net

Jon W. Mask, ARA  
Accredited Member  
Capital Farm Credit, ACA  
116 Chaparral Creek  
Boerne, TX 78006  
phone: (210) 492-2550  
fax: (210) 492-2950  
cell: (210) 827-8304  
jon.wmask@gmail.com

David Maxwell, ARA  
Accredited Member  
PO Box 294  
Devine, TX 78016  
phone: (210) 844-9782  
dmaxwell@securitystbk.com

Michael Daryl Mays, ARA, MAI  
Accredited Member  
Kokel-Oberrender-Wood Appraisal, Ltd.  
404 W. 9th Street, Suite 201  
Georgetown, TX 78626  
phone: (512) 863-6428  
fax: (512) 930-5348  
michael@k-o-wappraisal.com

Mark A. McAnally, ARA, MAI  
Accredited Member  
Texas General Land Office  
1700 North Congress Avenue, Room 111  
Austin, TX 78701-1495  
phone: (512) 463-5231  
fax: (512) 463-5304  
cell: (512) 968-2661  
mark.mcanally@glo.texas.gov

Sam D. McAnally, ARA-Retired  
Honorary Member  
The Sammons McAnally Company  
203 East Commerce  
PO Box 1066  
Brady, TX 76825-1066  
phone: (325) 597-1391  
fax: (325) 597-1391  
sammcnally@gmail.com

Chad McLaren  
Student  
Coleman & Paterson Real Estate  
1101 University Drive, Suite 102  
College Station, TX 77840  
cell: (512) 695-9628  
chad@colemanandpatterson.com

Colin McVaugh, ARA  
Accredited Member  
Farm Credit of New Mexico  
251 Stone Drive  
Mesilla Park, NM 88047  
phone: (575) 528-7106  
csmcvaugh@gmail.com

Rebecca McWilliams, ARA  
Accredited Member  
Lone Star Ag Credit  
230 CR 447, Thorndale, TX 76577  
phone: (512) 446-6114  
fax: (512) 446-4998  
Rebecca.McWilliams@LoneStarAgCredit.com

L. Sam Middleton, ARA  
Accredited Member  
Chas. S. Middleton & Son  
1507 13th Street | PO Box 2524  
Lubbock, TX 79401  
phone: (806) 763-5331  
fax: (806) 763-1340  
sam@csmamndson.com

W. Clayton (Clay) Miller  
Associate Member  
Lone Star Ag Credit  
1612 Summite Avenue, Suite 300  
Fort Worth, TX 76102  
phone: (903) 294-6784  
clay.miller@lonestaragcredit.com

Robert A. Moran, ARA  
Accredited Member  
Moran Real Estate & Appraisal  
902 Jefferson Street  
Kerrville, TX 78028  
phone: (830) 896-3433  
fax: (830) 895-4678  
cell: (830) 459-3335  
morans@krc.com

Susan T. Morris, MAI  
Associate Member  
S.T. Morris, LLC  
PO Box 1010  
Shepherd, TX 77371  
phone: (281) 432-2850  
susietmorris@gmail.com

James M. Mullen  
Associate Member  
Quailpro, LLC  
102 County Road 4773  
Castroville, TX 78009-5610  
phone: (210) 260-4946  
quailpro@sbcglobal.net

William (Pat) Murphy, ARA, MAI, SRA  
Accredited Member  
Pat Murphy & Associates  
5295 Clarksville Street  
Paris, TX 75462-2632  
phone: (903) 785-0441  
fax: (903) 784-0076  
pat@pmaappraisal.com

Alvin E. (Butch) Nelson, Jr., ARA, ASA  
Accredited Member  
Nelson Farm & Ranch Properties  
PO Box 5051  
Abilene, TX 79608  
phone: (325) 698-3374  
fax: (325) 698-3381  
nelsonfarmandranch@gmail.com

Mickey R. Nixon, ARA  
Accredited Member  
Capital Farm Credit, ACA  
PO Box 6520  
Lubbock, TX 79493  
phone: (806) 786-9958  
fax: (806) 799-6999  
mickey.nixon@capitalfarmcredit.com

Samuel Noble, CRE  
Associate Member  
Noble & Associates, Inc.  
10205 Oasis Drive, Suite 300  
San Antonio, TX 78216  
phone: (210) 979-6800  
fax: (210) 979-6825  
sam@noblesa.com

Vanessa Orrison, ARA  
Accredited Member  
Lone Star Ag Credit  
328 County Road 2840  
Decatur, TX 76234  
phone: (940) 210-3565  
vanessa.orrison@lonestaragcredit.com

Russell Patrick  
Associate Member  
2001 S Soncy Road  
Amarillo, TX 79124  
phone: (806) 367-2075  
russell.patrick@agtexas.com

William R. Phelps, AFM-Inactive  
Accredited Member  
The Salem Professional  
Services Group, Inc. | Salem Land  
5959 West Loop S, Suite 210  
Bellaire, TX 77401  
phone: (713) 270-9298  
phelpstable@me.com

Victor R. Probandt, ARA  
Accredited Member  
Stribling-Probandt Appraisals  
502 South Koenigheim, Suite 3B  
San Angelo, TX 76903  
phone: (325) 658-2773  
fax: (325) 659-4192  
cell: (325) 656-7766  
victor.probandt@suddenlinkmail.com

Jodie W. Rapp  
Associate Member  
Legacy Ag Group, LLC  
PO Box 341419  
Austin, TX 78734  
phone: (512) 551-9580  
fax: (512) 532-0770  
jwrrapp@legacyaggroup.com

Denise Rhea  
Associate Member  
Kokel-Oberrender-Wood Appraisal, Ltd.  
404 W. 9th Street, Suite 201  
Georgetown, TX 78626  
phone: (512) 863-6428  
fax: (512) 930-5348  
denise@k-o-wappraisal.com

John P. (Tooter) Robertson, Jr., ARA  
Accredited Member  
Valbridge Property Advisors I San Antonio  
9901 West Interstate 10, Suite 1035  
San Antonio, TX 78230  
phone: (210) 227-6229  
fax: (210) 227-8520  
jrobertson@valbridge.com

Andrew Rollins  
Associate Member  
Capital Farm Credit, ACA  
7909 Buck Meadow Drive  
Georgetown, TX 78628  
phone: (512) 525-3052  
rollins85@gmail.com

Philip A. Sadler  
Associate Member  
ESO Real Estate Services  
10935 Wurzbach Road, Suite 203  
San Antonio, TX 78230  
phone: (210) 390-5088  
cell: (210) 965-2288  
sadlerphilip101@gmail.com  
p.sadler@esorealestateservice.com

Tom J. Sammons, Jr.  
Associate Member  
The Sammons McAnally Company  
PO Box 1066 | 203 East Commerce  
Brady, TX 76825  
phone: (325) 597-1391  
tjsammons81@gmail.com

John W. Schmedemann  
Associate Member  
The Frost National Bank  
PO Box 2950, San Antonio, TX 78299-2950  
phone: (210) 220-5805  
fax: (210) 220-4377  
jschmedemann@frostbank.com

Mattson Schmidt  
Associate Member  
West Texas Appraisal  
1302 Petroleum Drive, Bldg B  
Abilene, TX 79602  
phone: (325) 692-5039  
fax: (325) 692-1587  
matts@westtexasappraisal.com

Margaret B. Schneider, ARA  
Accredited Member  
TexAppraise, Inc.  
231 Earl Garrett, Suite 200  
Kerrville, TX 78028  
phone: (830) 257-2177  
fax: (830) 896-1416  
cell: (830) 459-2178  
mbschneider@texappraise.com

# TEXAS CHAPTER MEMBERSHIP DIRECTORY

William R. Schott, AFM, ARA  
Accredited Member  
Schott Consulting And Appraisal  
PO Box 701475 | 2827 Old Field  
San Antonio, TX 78270-1475  
phone: (210) 495-1006  
cell: (210) 218-5573  
wr.schott@att.net

Kyle Schroeder, ARA, MAI  
Accredited Member  
Valbridge Property Advisors I San Antonio  
9901 West Interstate 10, Suite 1035  
San Antonio, TX 78230  
phone: (210) 227-6229  
cell: (512) 557-3837  
kschroeder@valbridge.com

Scott Seely, ARA, MAI  
Accredited Member  
Lewis & Seely Appraisals, Inc.  
308 East Lufkin Avenue | PO Box 877  
Lufkin, TX 75902-0877  
phone: (936) 632-4230  
fax: (936) 637-3964  
scott@lewisseely.com

Daniel V. Serna  
Associate Member  
MetLife Agricultural Investments  
PO Box 685318  
Austin, TX 78768  
phone: (512) 947-7056  
fax: (855) 203-3604  
dserna@metlife.com

Andrew M. Sirman, ARA  
Accredited Member  
Capital Farm Credit, ACA  
2896 Greene Sanders Road  
Pollok, TX 75969  
phone: (936) 853-4845  
fax: (936) 853-4851  
cell: (936) 674-7357  
andrew.sirman@capitalfarmcredit.com

Ethan L. Smith, AFM  
Accredited Member  
Farmers National Company  
6421 Camp Bowie Blvd, Suite 314  
Fort Worth, TX 76116  
phone: (817) 884-4413  
fax: (817) 884-4862  
esmith@farmersnational.com

James Connor Smith, ARA-Retired, MAI  
Retired Member  
Clark Isenhour Real Estate Services LLC  
3828 S College Ave  
Bryan, TX 77801  
phone: (979) 268-6840  
cell: (979) 324-2499  
jasconnor@clarkisenhour.com

Billy D. Snow, ARA  
Accredited Member  
TexAppraise, Inc.  
231 Earl Garrett, Suite 200  
Kerrville, TX 78028  
phone: (830) 257-2177  
fax: (830) 896-1416  
bdsnow@texappraise.com

Janna D. Stubbs  
Associate Member  
Superior Land Services, LLC  
PO Box 2091  
Alpine, TX 79831  
phone: (432) 661-0717  
janna\_79831@yahoo.com

Merrill E. Swanson, ARA  
Accredited Member  
Valbridge Property Advisors I San Antonio  
9901 West Interstate 10, Suite 1035  
San Antonio, TX 78230  
phone: (210) 227-6229  
fax: (210) 227-8520  
mswanson@valbridge.com

Bradley (Brad) W. Swinney, MAI, AI-GRS  
Associate Member  
Farm Credit Bank of Texas  
4801 Plaza on the Lake Drive  
Austin, TX 78746  
phone: (512) 465-0746  
brad.swinney@farmcreditbank.com

James Synatzske, ARA  
Accredited Member  
Appraisal Services - Consulting  
701 Heritage Way  
Stephenville, TX 76401  
phone: (254) 965-5914  
1jasyn@embarqmail.com

William C. Thompson  
Associate Member  
Valbridge Property Advisors I San Antonio  
9901 West Interstate 10, Suite 1035  
San Antonio, TX 78230  
phone: (210) 227-6229  
wthompson@valbridge.com

William J. Thompson, AFM  
Accredited Member  
Texas AgriLife Extension Service  
7887 U.S. Highway 87 North  
San Angelo, TX 76901  
phone: (325) 653-4576  
fax: (325) 482-9946  
w-thompson@tamu.edu

Nathan L. Tonne, MAI  
Associate Member  
Bierschwale Land Company, LLC  
PO Box 154  
517 College Street  
Junction, TX 76849  
phone: (325) 446-3052  
fax: (325) 446-3237  
nathan.tonne@gmail.com

Joseph L. Torzewski  
Associate Member  
Stout Risius Ross  
1000 Main Street, Suite 3200  
Houston, TX 77002-5768  
phone: (713) 221-5156  
cell: (713) 225-9580  
jtorzewski@srr.com

Stephen Turner  
Associate Member  
Turner Appraisals  
PO Box 9863  
Wichita Falls, TX 76308  
phone: (940) 696-9209  
fax: (940) 696-1523  
stephen@turnerappraisaltx.com

Robby B. Vann, ARA  
Accredited Member  
Chas. S. Middleton & Son  
20831 South Hwy 183  
Lampasas, TX 76550  
cell: (512) 423-8112  
rbvann80@gmail.com

Patricia Weber, ARA, MAI  
Accredited Member  
Lone Star Ag Credit  
936 E. Foote Road  
Gatesville, TX 76528  
phone: (254) 496-1137  
patricia.weber@lonestaragcredit.com

John B. Whatley, Jr.  
Associate Member  
1613 Baltimore Drive  
Richardson, TX 75081-5306  
phone: (972) 680-0407  
john.whatley@glo.texas.gov

Don R. Whitney, ARA  
Accredited Member  
240 County Road 4270  
Clifton, TX 76634-5067  
phone: (254) 675-6740  
fax: (254) 752-8225  
dwhitney@mcclennanad.org

Hayden Whittle  
Associate Member  
Lone Star Ag Credit  
414 Hill County Road 3138 N  
Bynum, TX 76631  
phone: (903) 249-9635  
hayden.whittle@lonestaragcredit.com

Mark A. Williams, ARA  
Accredited Member  
Williams & Associates, Inc.  
3049 Main Street | PO Box 125  
Marlette, MI 48453-0125  
phone: (989) 635-0086  
fax: (866) 860-7904  
cell: (810) 252-6938  
mark@valuemidwest.com

Charles (Chuck) B. Wilson, AFM  
Accredited Member  
PO Box 65054  
Lubbock, TX 79464-5054  
cell: (817) 832-2255  
cwillson@farmersnational.com  
chuck5wilson@gmail.com

J. Colby Winzer  
Associate Member  
Wells Fargo Bank  
One O'Connor Plaza, Suite 200  
Victoria, TX 77901  
phone: (361) 574-5210  
colby.winzer@wellsfargo.com

Wendell C. Wood, ARA, MAI  
Accredited Member  
Kokel-Oberrender-Wood Appraisal, Ltd.  
404 West 9th Street, Suite 201  
Georgetown, TX 78626  
phone: (512) 863-6428  
fax: (512) 930-5348  
wendell@k-o-wappraisal.com

Clayton Yantis  
Associate Member  
Stout Advisory  
1000 Main Street, Suite 3200  
Houston, TX 77002-5768  
phone: (713) 221-5156  
cell: (512) 777-8043  
cyantis@stoutadvisory.com

Wayne T. Young, ARA  
Accredited Member  
Capital Farm Credit, ACA  
624 FM 1791  
Huntsville, TX 77340  
phone: (936) 439-0379  
fax: (936) 436-0192  
wayne.young@capitalfarmcredit.com



In the Spring 1998, the Texas Chapter ASFMRA met with Dr. Gilliland at Texas A&M University to see what we could do to enhance the Annual Outlook for Texas Land Markets. The attendance had been dropping. The program had transitioned to more academics and less “real world”. The Chapter proposed that in addition to Dr. Gilliland’s macro report, the Chapter could do a more micro-type report based on input from the appraisers in each of the regions. Initially, the idea was not a hit. With some additional discussion, the Real Estate Center agreed. In the fall of 1998, during the Texas Chapter meeting, we had the first land value discussions for each of the areas. We adjusted the regions with input from all. The members from each region filled out worksheets and the Team Captains wrote the narrative portions. Together, Nardie and Lynda Vine prepared the maps and transferred the hand-written worksheets to Excel. Lynda created the cover and assembled the Texas Rural Land Value Trends. This document was forwarded to Dr. Gilliland for inclusion in the conference workbook. The Texas Chapter then printed reports to supply the chapter members as well as being available to anyone who wanted a copy. In the Spring of 1999, the Team Captains presented the report during the Outlook Conference and it was a real hit! The rest is history! Over the years, the information has developed into an invaluable resource tool for the industry with data compiled by experts who work in the field day-to-day, experiencing first hand valuation changes and the reasons behind them. The annual full color publication includes charts and comprehensive editorial coverage. The publication encompasses all of Texas’ 254 counties.



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Each year, new readers are exposed to the Texas Rural Land Value Trends publication. Our reach widens through our targeted effort to news outlets, investors, businesses, finance and real estate helping to promote this publication to the agricultural and agribusiness markets. With 1,000 printed copies in circulation and access to the publication on-line, the number of requests for the publication continues to grow year after year.

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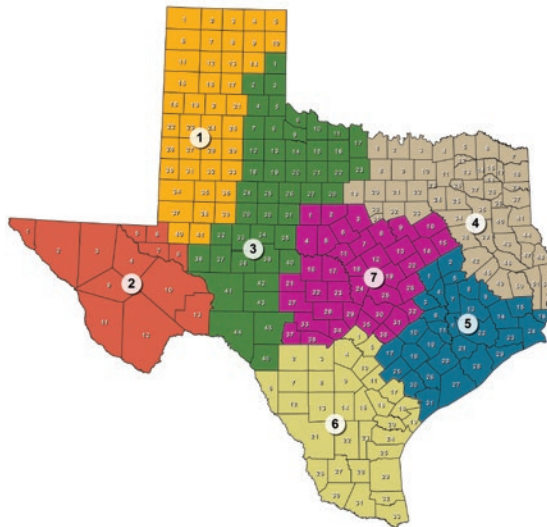
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**MAIL**  
Texas Chapter ASFMRA  
P.O. Box 154  
Junction, TX 76849  
**FAX** (325) 446-3237

## TEXAS RURAL LAND VALUE TRENDS

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## CONTRACT 2019 FOR THE 2018 TEXAS RURAL LAND TRENDS PUBLICATION

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