Surveyed Characteristics of Non-Operating Landowners in Texas

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Acknowledgment

The survey described in this manuscript and the resulting conclusions were supported by a grant from the Texas Corn Producers.

Abstract

A survey of producers and non-operator landowners in Texas yielded data on demographics, land holdings, assets, debts, transition plans, lease types, tenure of ownership, and more. This manuscript isolates and discusses the characteristics of non-operator landowners and their holdings in the state of Texas. This study is the first in a series of publications intended to characterize the needs of landowners and lessees in the state, as well as determine the educational and market needs of those stakeholders.

INTRODUCTION

Non-operator landowners are a significant and growing class of landowners in the state of Texas. In a survey intended to ascertain the educational needs of the agricultural sector in Texas, participants were given the option to self-select into one or more categories indicating their status as a farmer, rancher, agricultural employee, agribusiness owner, non-operator landowner, or combinations of those categories. A non-operator landowner in this survey indicated a respondent who owned land that is in use in agricultural production, energy production, or some combination of those activities but who did not engage in the day-to-day production activities on that land. Some are first-generation landowners leasing to producers, whereas others are the second, third, or even fourth generation to own a property despite no longer being engaged in production agriculture. In an effort to understand the characteristics of non-operator landowners in the state of Texas, this manuscript isolates data from 624 respondents collected via survey to detail information specific to 103 non-operator landowners.

This manuscript is laid out in the following sections. First, we describe the methods used to survey producers and landowners in Texas. We then detail the characteristics of non-operating landowners from our survey. Next, we review the characteristics of non-operating landowners' holdings, including the leases they extend. Finally, we summarize the concerns non-operating landowner respondents provided regarding the future of their operation.

METHODS

The survey effort from which this manuscript draws data was developed to determine characteristics of agricultural producers and rural landowners in Texas regarding business practices, estate planning, and succession planning. Specifically, the survey set out to address four main criteria:

1. Determine the current estate planning status of Texas farmers, including information related to the existence of wills, knowledge of transfer-on-death deeds, and understanding of applicable legal issues

2. Determine the current transition planning status of Texas farmers, including identification of potential heirs, selection of business entities, and plan for transferring ownership
3. Determine the current business structure and operation of Texas farms, including ownership structure, operator status, and utilization of risk management tools
4. Determine the current knowledge of Texas farmers related to these issues, including knowledge of potential tax liabilities related to estate planning, documents needed, and professionals to engage

The primary survey instrument was developed in Qualtrics for delivery through digital means, although paper surveys were distributed upon request at numerous in-person presentations around the state and subsequently aggregated with the digitally collected data. Upon release, the survey link was widely published on Facebook, LinkedIn, and Twitter; in various Texas A&M AgriLife Extension outlets; on external websites, and via other forms of media. To capitalize on extension audiences, a QR code directing meeting attendees to the survey was provided on slideshows to display at county, regional, and statewide meetings. Physical copies were also provided to attendees of extension meetings upon request.

The survey was available digitally from January 15, 2022, to April 1, 2022. During that time, 646 respondents submitted responses to the survey, although response rates varied by question. In total, the respondents represented 1.97 million acres in the state of Texas. Any reported survey statistic or graphic detailing the result of a question is documented with the associated response volume.

Of the 646 unique responses to the question "Are you a(n): (1) Agribusiness owner, (2) Agricultural employee, (3) Farmer, (4) Rancher, (5) Agricultural landowner (who does not personally farm/ranch)?"—which allowed for selection of multiple categories—103 respondents indicated that they were an "Agricultural landowner (who does not personally farm/ranch)." The remainder of this manuscript details the characteristics of those respondents and their holdings.

DEMOGRAPHICS

A wide range of ages were represented in the surveyed population of non-operating landowners. The minimum age of non-operating landowners responding was 36–40 years old, whereas the oldest respondent was more than 75 years old (Figure 1). The weighted average age (assuming a mean age per response category) was 67.3 years. A majority of respondents (68) were more than 65 years old. These findings are in line with the information reported in Bigelow, Borchers, and Hubbs (2016), in which they reported that 70% of non-operating landlords were 65 and older.

The age of non-operating landowners responding to the survey was slightly older on average compared to the respondents operating a farm or ranch (61.2 years old). When comparing respondents age 50 or less, there were significantly fewer non-operating landowners (3.8%) compared with operating landowners (20.4%). Inherently, this makes sense if we consider the normal progression of a family and the generational transfer of land. Those respondents who participated in the survey as landowners who purchased and did not inherit their holdings may still be operating their land to offset the purchase cost. Those non-operators who stand to inherit land rather than purchase may not yet have inherited property, and thus were not likely to participate in the survey.

The majority (58.25%) of non-operating landowner respondents were male (Figure 2). A greater percentage of non-operating landowner respondents were female (41.7%) than that of the full survey population (37.4%). Female respondents indicated that they owned 8,336 acres of farmland and 29,121 acres of pasture, totaling 37,457 acres or 44% of all acres represented by non-operating respondents.

The makeup of ownership by gender of the surveyed population is similar to that of the population detailed in Bigelow, Borchers, and Hubbs (2016), in which 46% of Texas's non-operator landlords were female.

CHARACTERISTICS OF HOLDINGS

Where in Texas is land held by non-operator landowners? The Texas Chapter of the American Society of Farm Managers and Rural Appraisers' "Texas Rural Land Value Trends" and the Texas Real Estate Research Center divide the state into seven regions (Figure 3). Our survey instrument allowed respondents to select the region in which their land was held. Note that responses to this question do not indicate where respondents live, but where their land is held, which is particularly important for the category of non-operating landowners. Although they may live on their property but do not engage in an agricultural operation on it, they may also live in another town, county, or market region entirely.

Respondents indicated that the plurality of non-operator owners hold their land in the Austin-Waco-Hill Country market region (Figure 4). The regions representing the fewest non-operating landowners were South Texas and Far West Texas. The number of owners did not correlate exactly to the acres owned by region. Although only 20 respondents of 103 indicated they own land in the Panhandle and South Plains and South Texas market regions, a majority of acres (53%) owned by non-operator landowners are in those regions. This aligns with the regions of Texas with significant agricultural cash receipts (Beck and Robinson, 2022).

When comparing non-operating landowner responses with responses from those who are actively farming or ranching the land, differences emerged in certain regions. Although many regions were similar, there were significant differences in both the Panhandle and South Plains region and the South Texas region. Whereas 13% of operating landowner respondents own land in the South Texas region, only 3.9% of non-operating landowner respondents reported owning land in the same region. On the other hand, whereas 9.7% of operating landowners own land in the Panhandle and South Plains region, 15.5% of non-operating landowners own land in this portion of the state.

The majority of respondents across the entire survey were engaged in ranching rather than farming. The trend held for the acres represented and the leases held by non-operating landowners. Of the 85,038 acres leased to others by non-operating landowners, 19.5% were farmland and 80.5% were pasture (Table 1). The average non-operating landowner with only farmland leased 486 acres to another party. The average non-operating landowner with only pasture leased 1,292 acres to another party. The average non-operating landowner with both farmland and pasture leased 1,181 acres to another party.

A variety of leases were held by non-operating landowners. The survey instrument allowed respondents to indicate the types of leases in which they were engaged, with many lease holders and landowners engaged in more than one type of lease (Table 2). The majority of respondents (52) leased for grazing, either exclusively (24) or in combination with some other enterprise combination that including farming, hunting, or both (28). A total of 29 respondents leased for farming, with 16 of those respondents leasing for a combination of farming and some other enterprise(s). A total of 25 respondents leased for hunting, with 19 of those respondents leasing for a combination of hunting and some other enterprise(s).

Respondents were also given the opportunity to identify the type of energy leases in which they were engaged (Table 3). The surveyed group indicating engagement in an energy lease was less than half the number engaged in a grazing, farming, or hunting lease. When considering only energy leases, oil and gas leases represented the majority of responses, with 23 respondents engaged in oil and gas leases exclusively or in combination with wind.

While it might seem more likely that solar leases would be of interest to a non-operating landowner, the opposite was true for survey respondents. While two operating respondents reported having a solar lease in place, only one non-operating landowner reported having a solar lease. This may be a function of the sample reached via the survey instrument.

An important risk mitigation tool for both lessors and lessees is a written contract. Significant educational efforts across Texas have been directed at increasing the use of written leases. Of the 78 non-operating respondents who have lease agreements, one-quarter do not have any of their leases in writing (Figure 5). Another one-fifth reported having some leases written but others that are not in writing. This means that 46% of respondents have at least some lease agreements that are not in writing. In comparing responses by non-operating landowners and operating landowners, 4% more operating landowners indicated all of their leases are in writing, and 5% fewer have none of their leases in writing—indicating that operating landowners are more likely to have written leases than non-operating landowners.

Respondents also provided information regarding the tenure of land ownership. Respondents identified the time frame during which land currently owned was initially obtained (Figure 6). For respondents with multiple land acquisition dates, the question asked them to identify the earliest date range during which property was initially purchased.

The survey results indicated that non-operating landowners are more likely to have land that has been continually owned by their family for a longer duration. Specifically, comparing land initially purchased by the family purchased since 1975, 60% of operating landowners reported land purchased whereas only 45% of non-operating landowners have land purchased since 1975. For the plurality of non-operating landowner respondents (20 respondents, or 21.5%), the land was initially purchased prior to 1925. Interestingly, it was new landowners making up the second largest response category, as 12 respondents

(12.9%) reported land purchased initially within the past six years.

CONCERNS

One unique aspect of the survey was the collection of non-operator landowner concerns. The survey allowed respondents to include a free-form response to the question of what they perceive as the biggest concern for the future of their operation.

Just over one-third of non-operating landowners indicated that their biggest concern was the land being sold (Figure 7). This was also the largest concern for operating landowners. When comparing the two groups, non-operating landowners are slightly less than operating landowners, of which 40% are concerned about land being sold. Just under one-quarter of respondents expressed a concern about taxes (estate taxes, capital gains taxes, and property taxes combined), and one-fifth reported a concern about the qualifications of their heirs.

SUMMARY AND CONCLUSIONS

The survey effort detailed in this study will continue to offer a wealth of data for exploration. Here, we chose to address the characteristics of non-operating landowners as a growing class of stakeholders in the state of Texas.

The survey results indicate that non-operating landowners are far more likely to be over age 50 than are operating landowners. Moreover, the plurality of respondents' land has been in the family for nearly 100 years or longer, with a greater percentage of non-operating landowners obtaining the land prior to 1975 than operating landowners.

For the agricultural producer, the non-operating landowner will offer a potential partner to grow an operation. Of particular significance for strong agricultural production regions in Texas, the survey results would suggest that the Panhandle and South Plains and South Texas market regions have a greater number of acres for lease than do the remainder of Texas regions. For the real estate profession, these survey data suggest that an increasing number of landowners are seeking the opportunity to purchase land as a non-operator (Figure 6).

The findings of this survey will continue to provide insight into landowners operating an agricultural enterprise and non-operator landowners. The strong correlation with the findings of the USDA's 2016 report (Bigelow, Borchers, and Hubbs, 2016) provide confidence that our faculty may draw relevant conclusions regarding Texas landowners and producers. The strong response rate (646 respondents representing 1.97 million acres) is made all the more valuable by the data the survey collected. In addition to the data reported in this manuscript, the survey team collected and intend to draw conclusions from data on assets held, total debts, status of heirs, estate planning, and more.

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Bigelow, D., A. Borchers, and T. Hubbs. 2016. "U.S. Farmland Ownership, Tenure, and Transfer." U.S. Department of Agriculture, Economic Research Service.

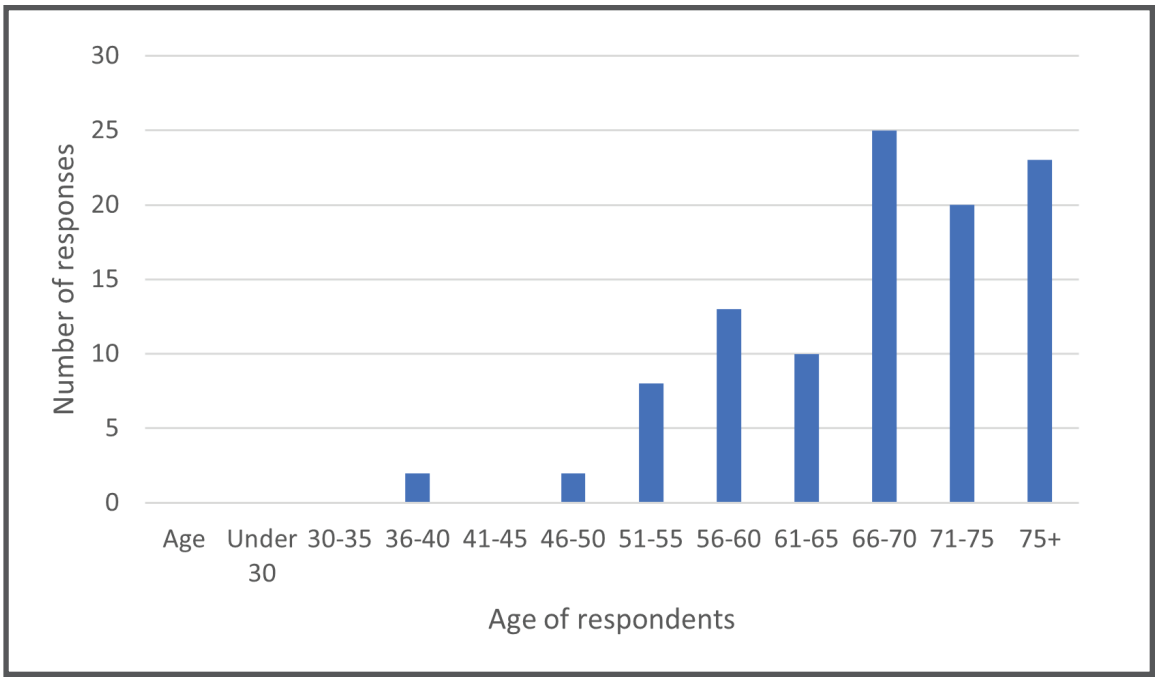

Figure 1. Age of non-operating landowner respondents (103 responses)

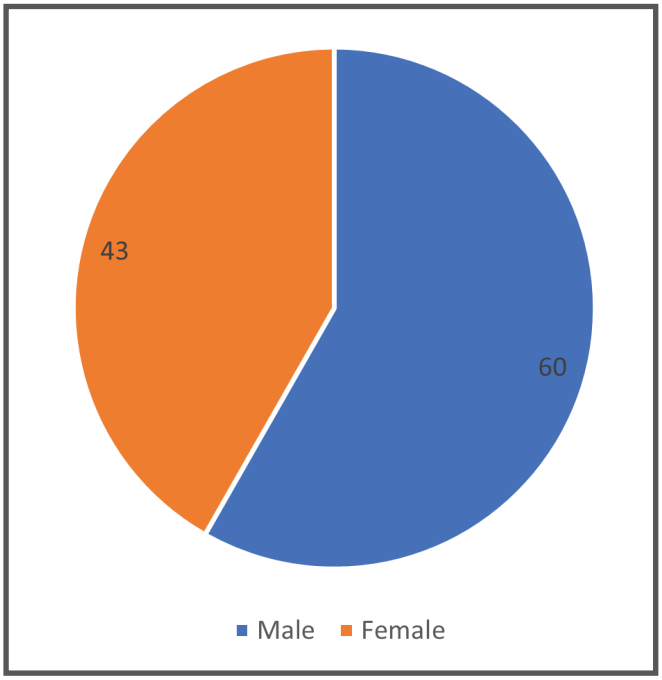

Figure 2. Gender of non-operating landowner respondents (103 responses)

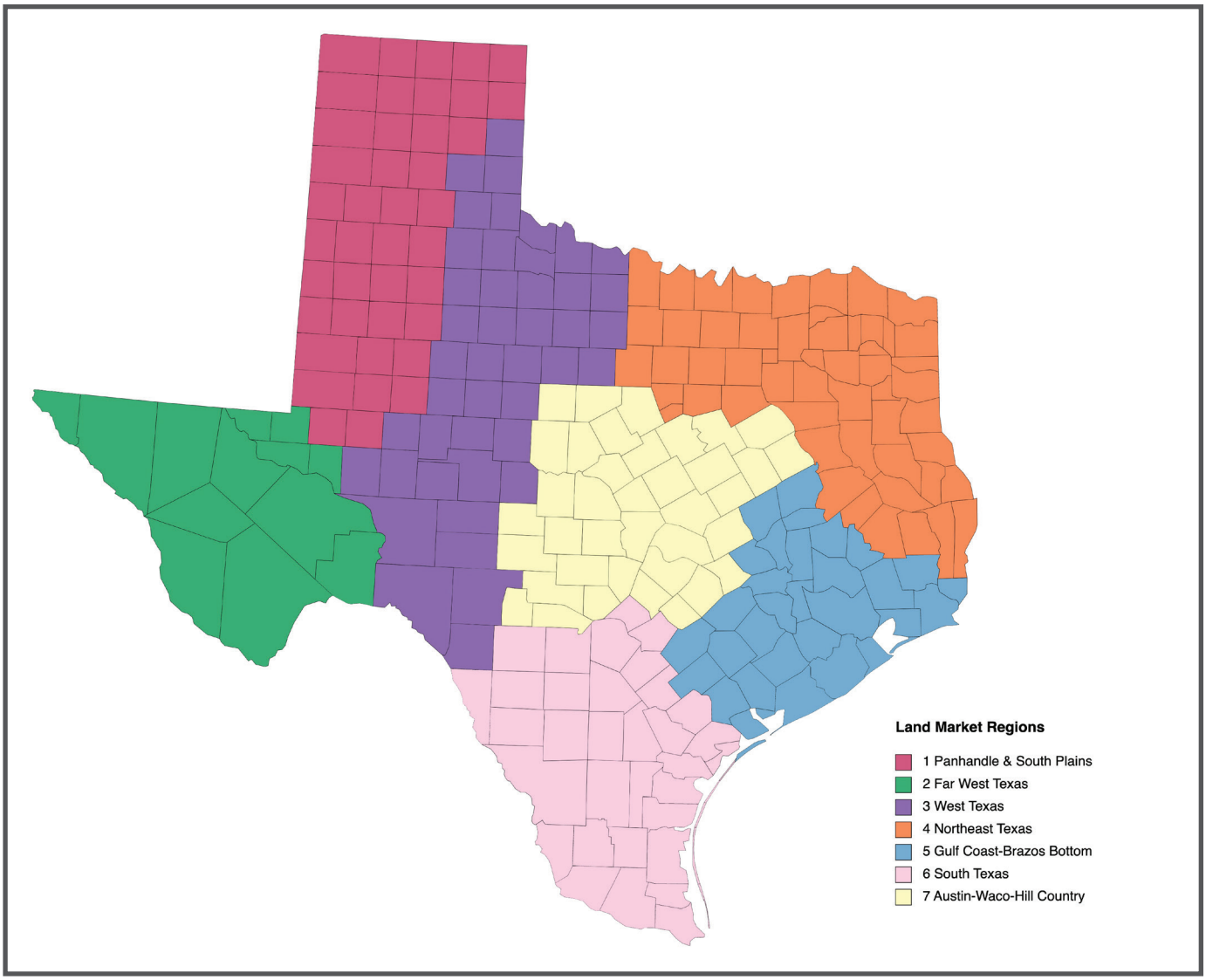

Figure 3. Texas Real Estate Research Center map of land market regions

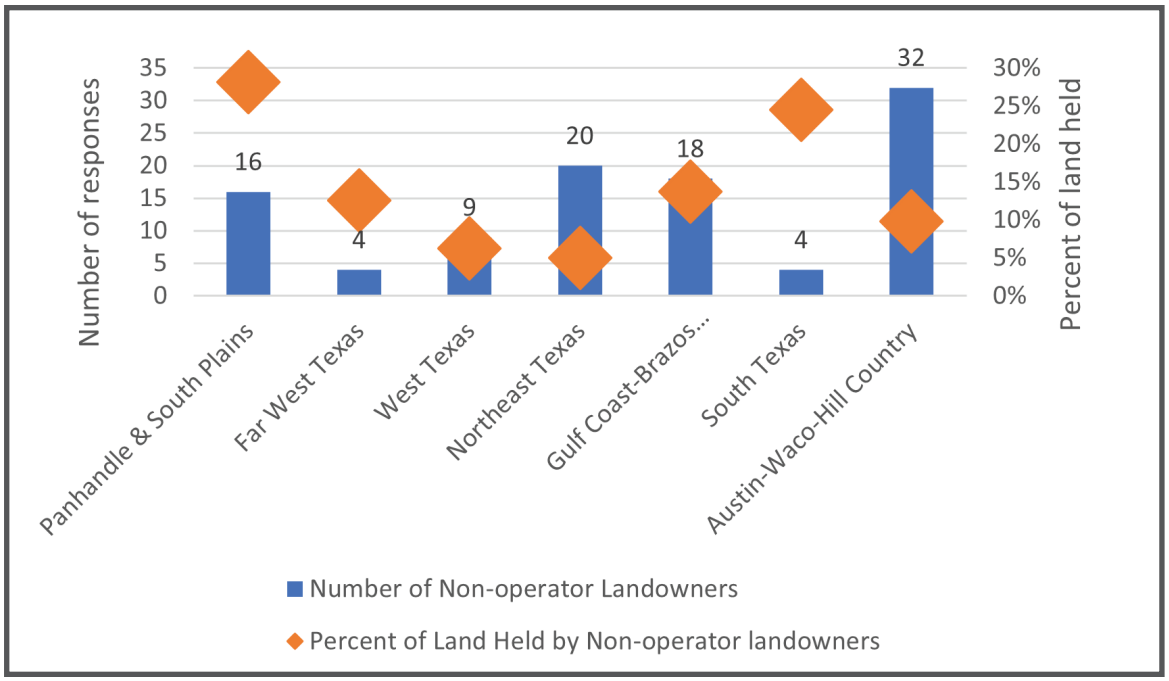

Figure 4. Location of land owned by non-operating landowners (103 responses)

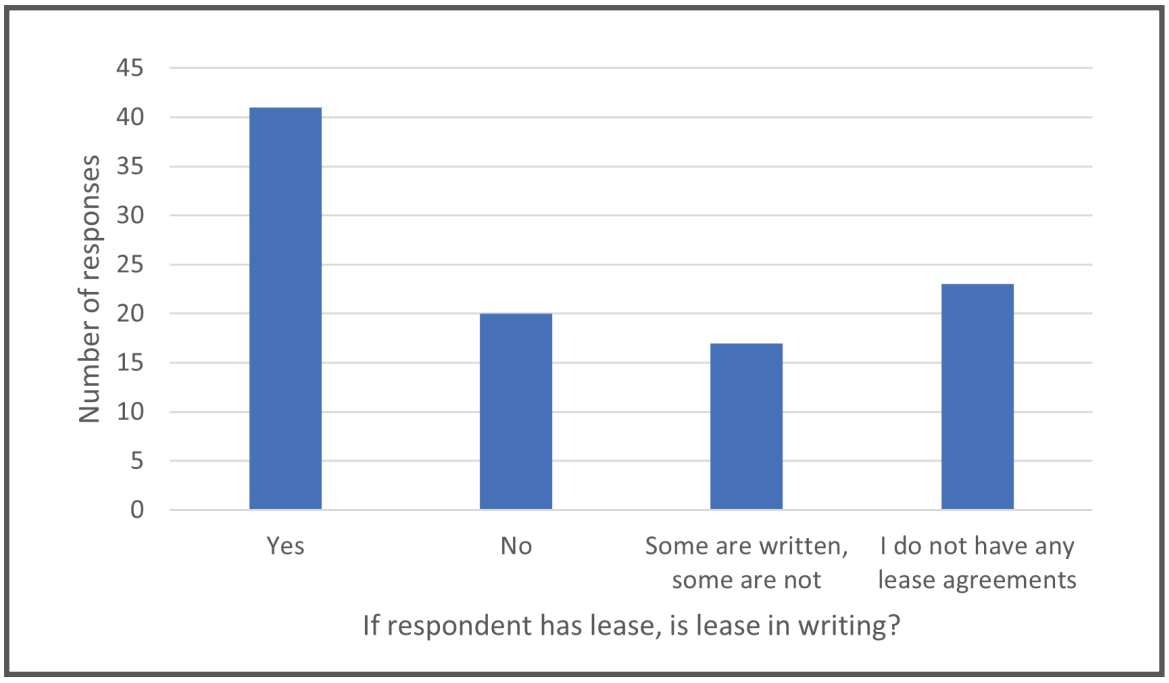

Figure 5. Leases held in writing by non-operating landowners (101 responses)

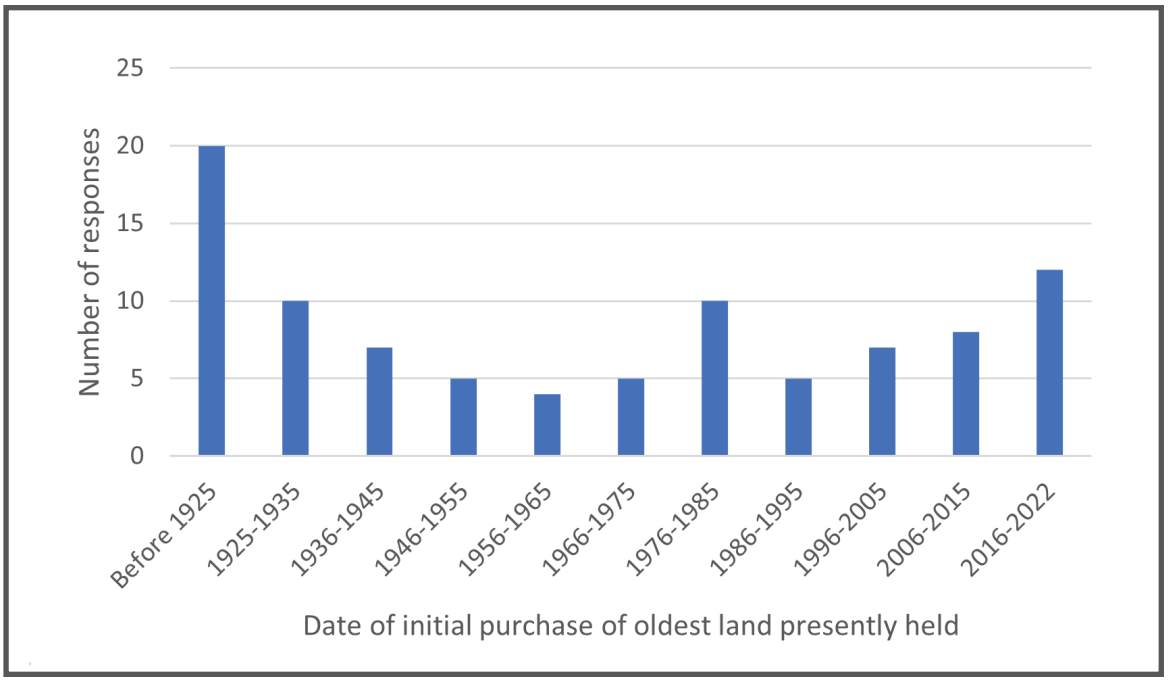

Figure 6. Duration of ownership considering oldest land continuously owned by family from initial purchase to present (93 responses)

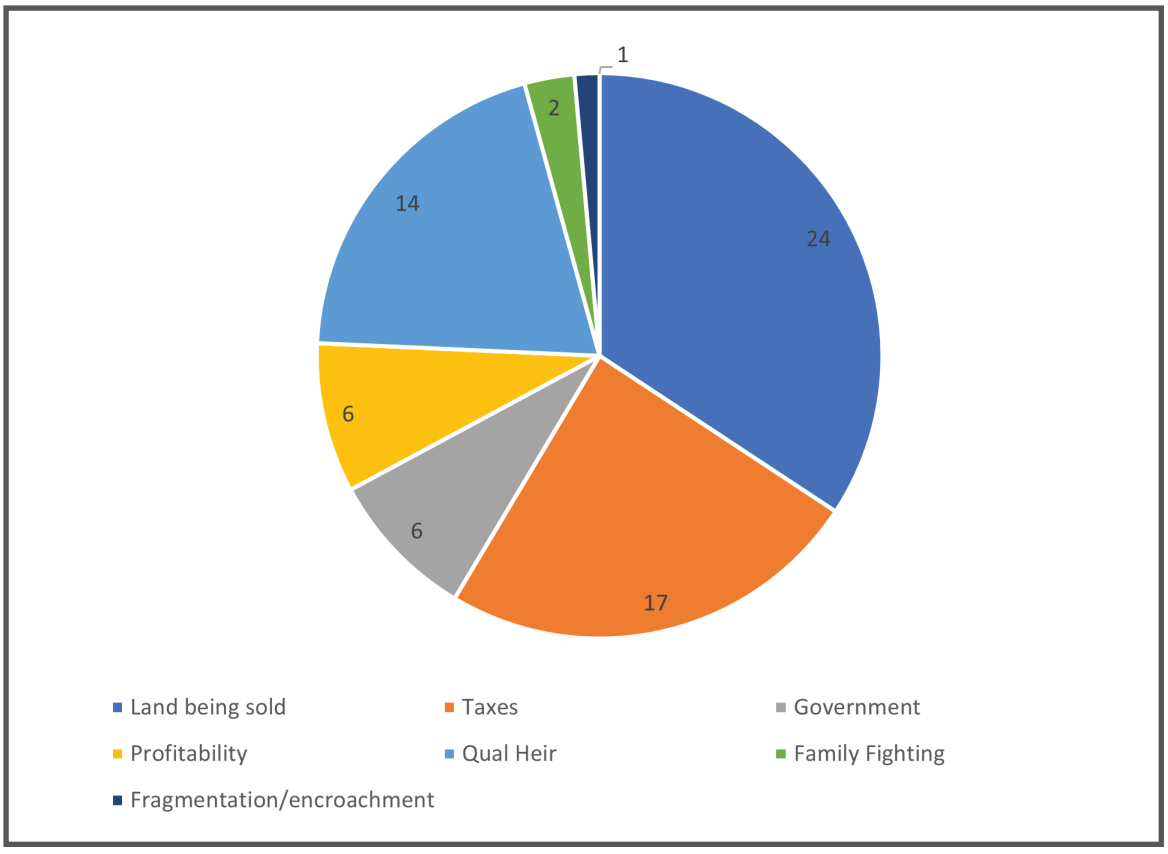

Figure 7. Categorized non-operator landowner responses to "What is your biggest concern about a succession plan/the future of the operation after you are gone?" (70 responses)

Table 1. Type of Land Leased to Others by Non-Operating Landowners (72 responses)				
	Sum	Average	Minimum	Maximum
Farmland	16,545	486	11	2,200
Pasture	68,493	1,292	49	25,000
Farmland and Pasture	85,038	1,181	10	25,000

Table 2. Type of Agricultural Lease Held by Non-Operating Landowners (72 responses)				
	Grazing	Farming	Hunting	Farming + Hunting
Grazing	24	10	13	5
Farming		13	1	
Hunting			6	

Table 3. Type of Energy Lease Held by Non-Operating Landowners (30 responses)				
	Wind	Solar	Oil & Gas	Solar + Oil & Gas
Wind	5	1	1	0
Solar		1	0	
Oil & Gas			22	