



Louisiana Land Market Report

Irrigated Cropland in Louisiana

Lawson Connor & Cameron Roig
Louisiana State University

Summary

This publication reports on the first Louisiana Ag Lenders and Land Appraiser's survey. The survey is designed to give an update on land values and cash rents for three agricultural land uses, cropland, pasture and forestry, across the state of Louisiana. The survey was also designed to provide a general outlook on expectations of farmland price and rent, interest rate movements and expectations for farm solvency across the state. Responses to the survey are from the perspective of agricultural lenders and rural appraisers across Louisiana. Respondents were divided according to one of the five (5) AgCenter regions they primarily serve: the Northwest (region 1), Northeast (region 2), Central (region 3), Southwest (region 4) and Southeast (region 5). It is our hope that the results from this survey will be useful to all concerned stakeholders in Louisiana's agricultural industry.

In general, survey participants expect values of both irrigated and non-irrigated cropland (~\$3870/acre and ~\$3240/acre respectively) to remain largely unchanged to slightly increasing in the Northern regions, while in other regions values of both irrigated and non-irrigated cropland are expected to remain generally unchanged. Cropland cash rents on the other hand are expected to have much more variation in movements with cash rents on non-irrigated land (average of ~\$123/acre across the state) expected to decrease slightly in three of five regions and slightly increasing in one (Southeast). Cash rents on irrigated land (average of ~\$132/acre across the state) are expected to see increases in the Northwest and Southeast regions with other areas seeing mostly no change to some expectations of a cash rent decrease (Southwest region).

Survey respondents expect that both the values (average of ~\$2750/acre for the state) and cash rents (average of ~\$29/acre) on pastureland will see some increases in the Northwest region and decrease in the Southwest. Survey respondents expect the Southeast region to see increases in pastureland values and decreases in cash rents. Pastureland in other regions are expected to remain mostly unchanged. Mature hardwood and mature pineland values averaged ~\$2910/acre and ~\$3220/acre respectively at the state level.

On the behavior of farm financial indicators, the survey respondents expect no significant change in Chapter 12 bankruptcy filings in most regions in Louisiana. The exception being the Northeast region where a slight increase in Chapter 12 filings is expected. **Interest rates** on short term (operating) loans are generally expected to remain unchanged to decreasing except in the

Figure 1

Irrigated Cropland Prices Irrigated Cropland Rental Rates

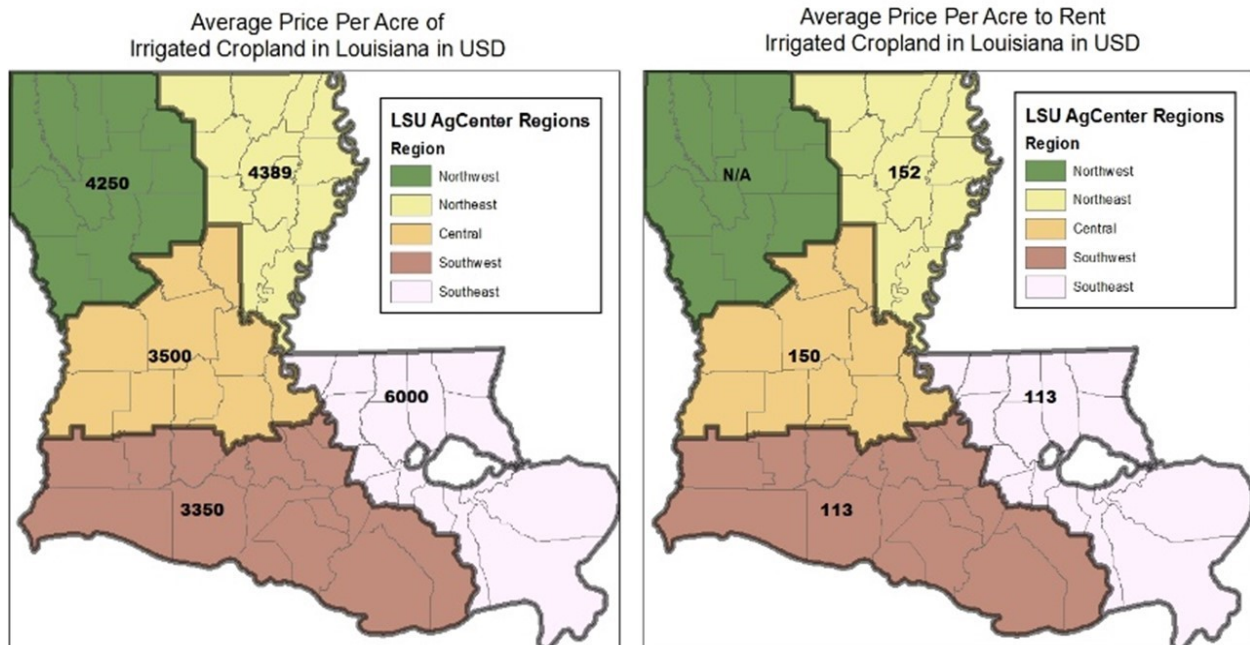


Figure 2

Respondents were asked for their observations of fair sales values for irrigated land and cash rents in their respective regions. Figure 2 shows the average of respondents' observations of fair sales values as well as cash rental rates for irrigated cropland across five Louisiana State University Ag Center regions. For all survey responses across the state, irrigated cropland averaged \$3870/acre (excluding the Southeast region), compared to \$2820/acre reported by the USDA. The Southeast region captured the highest values for cropland of the five regions surveyed, mostly as a result of competition from nearby urban areas but also likely due to bias from only one survey response from that region. At \$6000/acre the Southeast region had land value that was almost 40% higher than the average of the next two highest region values. Therefore, its value will largely be excluded from calculated averages. The Southwest region had the lowest irrigated cropland values at \$3350/acre. Excluding the Southeast region, the Northeast captured the highest values for irrigated land at \$4389/acre and Northwest had the second highest values at \$4250/acre. The Central region had an average response value of \$3500/acre.

Table 1: Average Sales Price and Cash Rental Rates on Irrigated Cropland

Region	Average Selling Price/Acre	Lowest Selling Price/Acre	Highest Selling Price/Acre	Average Rental Rate/Acre	Lowest Rental Rate/Acre	Highest Rental Rate/Acre
Northwest	\$4250	\$4250	\$4250	No Data	No Data	No Data
Northeast	\$4389	\$3500	\$5500	\$152	\$90	\$185
Central	\$3500	\$3500	\$3500	\$150	\$150	\$150
Southwest	\$3350	\$3200	\$3500	\$113	\$75	\$150
Southeast	\$6000	\$6000	\$6000	\$113	\$100	\$150

Cash rents in the Northeast and Central regions were the highest among all regions at \$152/acre and \$150/acre respectively. The Southwest and Southeast regions had the lowest rental values at \$113/acre each. Across all regions the average rental rate for irrigated cropland was \$132/acre (compared to \$111/acre reported by the USDA for 2019 irrigated croplands in Louisiana). There was insufficient cash rent data from the Northwest to determine average cash rental rates for irrigated land in that region.

In general, while urban influences seemed to matter for determining land values, proximity to an urban area mattered much less for determining cash rents. Land productivity and crop variety grown seems to influence cash rent values much more. The Northeast is known for its productivity in corn and soybeans, which have been two of the highest value cash crops on irrigated land grown in the state, particularly prior to 2017. Hence, cash rents on irrigated land in the Northeast was highest in the state. This was not the case that was reported for non-irrigated land, where the Central Region captured the highest cash rents (at \$225/acre), a matter discussed further in the non-irrigated cropland report.

Changes in Irrigated Cropland Prices and Rental Rates

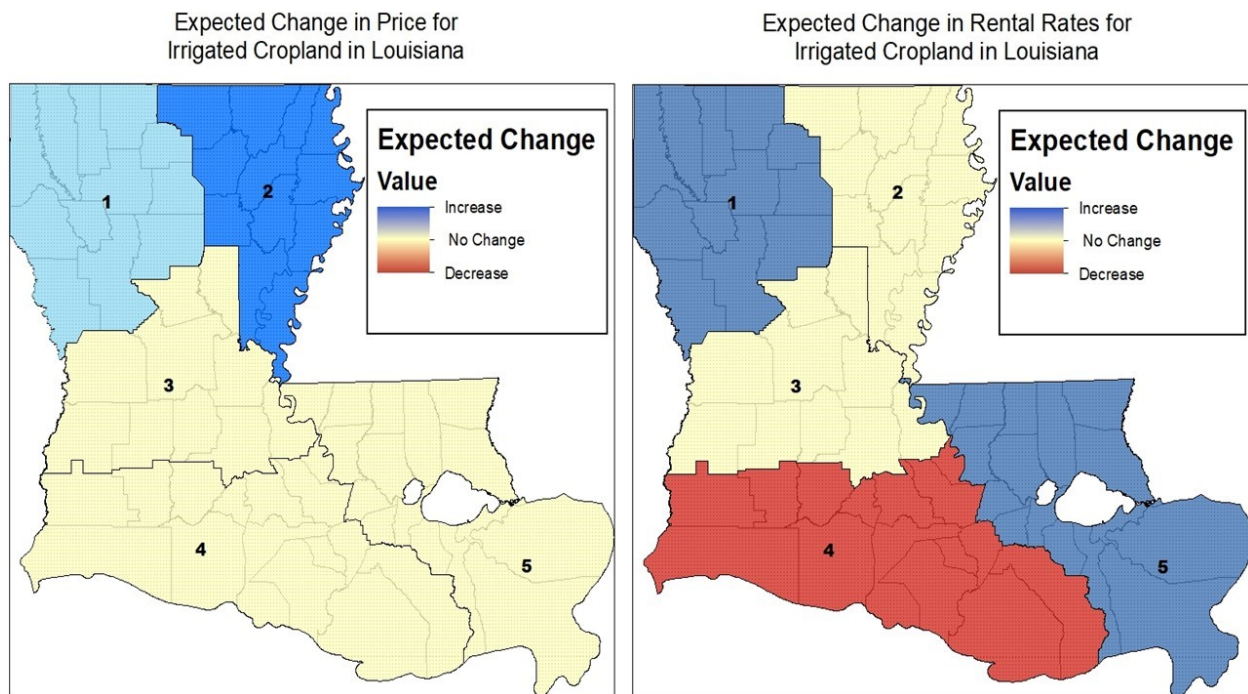


Figure 3

Figure 3 highlights the average expectations of survey respondents for an increase, decrease or no change in land values and cash rents. The maps show a color gradient that is based on the fraction of survey respondents that expect prices to change in one of the three directions listed. Figure 4 shows how survey respondents expect land values on irrigated cropland to change. In general, survey respondents expect no change in land values on irrigated cropland except for the region 1 (Northwest) and region 2 (Northeast). The average survey respondent in regions 1 and 2 expect

land values to increase slightly in those regions with a slightly stronger consensus on the likelihood of a land value increase in region 2. It's important to note that these changes are aggregated at the regional level so some variation by parish is expected. Cash rents on irrigated cropland are expected to show much more variation. In regions 1 and 5 (Southeast), survey respondents expect to see an increase in cash rent while expectations are for a decrease in cash rents in region 4 (Southwest). Survey respondents in regions 2 and 3 (Central) expect no change in cash rents on irrigated cropland. Hence, as has been the story nationally, cash rents on the most productive lands in the state remain resilient even in the face of the recent slowing in the agricultural economy.

Those that are interested may find further details on non-irrigated cropland, pastureland, mature pine and mature hardwood and agricultural financial indicators in reports that will follow this one.

Questions and comments contact:

Dr. Lawson Connor; 919-760-0488; lconnor@agcenter.lsu.edu

Department of Agricultural Economics and Agribusiness

Louisiana State University Agricultural Center, Baton Rouge, LA
