

## **Impact of Alternative Property and Sales Tax Policies on Texas Representative Farms**

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### **ABSTRACT**

**The call for school finance reform has threatened to modify or possibly remove the current property and sales and use tax exemptions currently benefiting Texas agricultural producers. This study utilizes a whole farm simulation model to evaluate the economic and financial impact of three alternative sales and/or property tax policy changes on Texas farms, dairies, and ranches along with their respective landowners. Results indicate that removing sales tax exemptions would most adversely impact producers, while removing property tax exemptions has a more negative effect on landowners.**

**Keywords:** property tax, sales and use tax, school finance

Agricultural producers in Texas benefit from several tax exemptions, however, recent State budget difficulties in Texas have led to calls for changes in tax policies that may reduce, or possibly eliminate the benefits farmers and ranchers currently enjoy as a result of these exemptions. Currently, producers do not pay sales tax on purchases of inputs or services. In addition, they benefit from a special "agricultural" valuation of productive land resulting in a reduction in the amount of property tax they must pay (Texas Property Tax Code 2000).

A Special Session of the Texas State Legislature has been called to discuss alternative school finance issues put forth in Senate Bill 2. Senate Bill 2 proposes to reduce the local maintenance and operating expense (M&O) portion of school property tax from its current maximum of \$15.00 per \$1,000 of assessed property value to \$7.50, however, the bill proposes to levy a sales tax on services not taxed under the current law (78(R) SB2 2003). The sales tax is intended to offset the lost revenue resulting from lower property taxes.

The primary objective of this research is to evaluate the economic and financial impacts of sales and/or property tax changes on farms and ranches in Texas. A secondary objective would be to determine if the tax policy changes will have different regional or commodity impacts.

## **Review of Literature**

Most of the tax studies in the agricultural economics literature have focused on Federal Income Tax (FIT) legislation. Only a few have examined procedures for valuing productive land and at the impact of shifting property tax burden (Boisvert and Bills 1984, Drummond 1975). Doye and Boehlje (1985) investigated the firm-level effects of two flat rate tax alternative policies for three different sizes of representative hog and grain farms in Iowa. They found that most farms experienced an increasing tax burden over time, and the largest increases were with the current (Economic Recovery Tax Act of 1981) program since progressive rates result in a larger share of income paid in taxes.

A study by Perry and Nixon (2002) looked at the complete tax burden upon agricultural producers in America. Using a sample data set of IRS Federal Income Tax returns and the Commerce Clearing House summary of state tax law, they analyzed taxes levied on farms including real and personal property taxes, sales and excise taxes, federal and state income taxes, and self-employment taxes. They found Alaska to have the highest taxes for agriculture and found a strong connection between the property tax rate and the tax burden that producers within a particular state must endure.

Lowenberg-DeBoer and Boehlje (1987) simulated Iowa Farm Business Association data to estimate the impacts of alternative FIT policies. They found that all of the simulated farms exhibited a larger increase in net worth and total assets under the Economic Recovery Tax Act of 1981 (ERTA) and Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) provisions than under pre-reform conditions.

Richardson and Nixon (1984) utilized a whole farm simulation model (FLIPSIM-TAX) to study the effects of the 1980, 1981, and 1982 Federal Income Tax laws on a representative Texas Gulf Coast rice farm, finding that the 1981 (ERTA) law resulted in the most favorable financial position for the farm. Like Nixon and Richardson, this study will utilize representative farm data collected from panels of farms across Texas to evaluate the impacts of State tax policy changes. The representative farm data will be analyzed using a whole farm simulation model (FLIPSIM) developed by Richardson and Nixon (1986).

## **Methodology**

This study will utilize primary representative farm data coupled with a whole farm simulation model to examine the effects of modifying state tax policies on Texas agricultural producers. Twenty-four Texas representative farms, dairies, and ranches created through a focus group interview process were analyzed assuming each of the alternative policies using the farm level simulation model (FLIPSIM) developed by Richardson and Nixon (1986) at Texas A&M University. These farms are representative of the major agricultural production regions of Texas. A description of each representative farm is included in the appendix. Included in the representative set are nine cotton farms, four feed grain farms, four rice farms, five dairies, and two cow/calf operations. These representative operations display a wide variety of land tenure ranging from 100 percent ownership to 100 percent leasing, and lease arrangements include both cash lease and sharecropping (Table 1).

Table 1. Land Tenure Arrangements for Texas Representative Farms

	Acres Owned	Acres Leased	Cash Lease --%--	Share Lease --%--
TXNP1750	160	1590	0	100
TXNP7000	1150	5850	0	100
TXHG2000	230	2070	13	87
TXWG1400	180	1460	14	86
TXSP2239	670	1569	0	100
TXSP3745	1650	2095	0	100
TXRP2500	400	2600	19	81
TXCB1850	360	1490	0	100
TXCB5500	225	5275	0	100
TXVC4500	900	3600	6	94
TXPC2500	1250	1250	50	50
TXMC3500	350	3150	50	50
TXEC5000	640	4360	0	100
TXR1553	129	1424	60	40
TXR3774	0	3774	42	58
TXBR1650	110	1540	50	50
TXER3200	320	2880	0	100
TXCD1300	460	0	0	0
TXCD500	325	0	0	0
TXED550	150	150	100	0
TXED1000	450	600	17	83
TXND2400	260	0	0	0
TXBB150	400	2000	100	0
TXSB250	900	775	100	0

The FLIPSIM model draws random crop yields, livestock production variables, and prices from a multivariate empirical probability distribution for these variables, thus allowing projections to incorporate production and price risk. A complete description of FLIPSIM is provided in Richardson and Nixon (1986). Each tax alternative was simulated 500 times (iterations) for a five-year (2004 to 2008) projection period using random prices, yields, and production. Annual mean crop and livestock prices, inflation rates for input prices, national average interest rates, and inflation rates for land were obtained from the January 2004 Baseline reported by FAPRI (Tables 2 and 3) (FAPRI 2004). State and local sales tax rates and local property tax rates were obtained from the Texas State Comptroller of Public Accounts (Table 4) (Local Sales and Use Tax 2000, Texas Property Tax Rates by County 2000).

Three general assumptions were made in this analysis: (1) long term and intermediate debt beginning in 2001 is 20 percent for crop farms, 30 percent for dairies, and 1 percent for long-term and 5 percent for intermediate debt for beef cattle operations, (2) the provisions of the 2002 Farm Bill are assumed to continue throughout the projection period, and (3) cash rents and share lease arrangements remain constant throughout the study period.

The following potential tax policies will be analyzed relative to the **Base**, or current tax policy situation:

- **SB2** - Senate Bill 2 provisions including reduction of the mil rate for school taxes from the current average level of \$15.00 to \$7.50 while levying an 8.25 percent sales tax on services (custom applications and harvesting, veterinary services, custom feeding, insurance, utilities, transportation, repairs, and other services);

Table 2. FAPRI January 2004 Baseline Projections of Crop, Livestock, and Milk Prices, 2001-2008

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Crop Prices</b>							
Corn (\$/bu.)	2.32	2.31	2.35	2.32	2.31	2.35	2.37
Wheat (\$/bu.)	3.56	3.36	3.27	3.23	3.17	3.23	3.26
Cotton (\$/lb.)	0.4450	0.6303	0.5737	0.5546	0.5460	0.5415	0.5418
Sorghum (\$/bu.)	2.32	2.33	2.16	2.17	2.15	2.18	2.19
Soybeans (\$/bu.)	5.53	7.24	5.63	5.06	5.19	5.21	5.23
Barley (\$/bu.)	2.72	2.81	2.57	2.60	2.59	2.60	2.60
Oats (\$/bu.)	1.81	1.43	1.49	1.44	1.40	1.40	1.40
Rice (\$/cwt.)	4.22	7.21	6.12	5.67	5.81	6.20	6.15
Soybean Meal (\$/ton)	173.19	219.58	178.01	168.44	173.57	176.47	177.75
All Hay (\$/ton)	92.40	86.40	84.86	84.66	84.21	84.65	85.54
Peanuts (\$/ton)	364.00	375.95	384.54	384.34	383.97	385.18	384.78
<b>Cattle Prices</b>							
Feeder Cattle (\$/cwt)	86.11	94.99	85.81	98.17	103.59	97.50	92.94
Fat Cattle (\$/cwt)	67.04	84.69	75.46	80.44	83.55	82.03	79.19
Culled Cows (\$/cwt)	39.23	46.48	41.18	47.81	49.11	47.27	45.58
<b>Milk Prices -- National and Texas</b>							
All Milk Price (\$/cwt)	12.11	12.51	12.71	12.62	12.81	12.92	13.05
Texas (\$/cwt)	12.90	13.13	13.32	13.25	13.45	13.59	13.74

Source: FAPRI 2004 U.S. and World Agricultural Outlook

Table 3. FAPRI January 2004 Baseline Assumed Rates of Change in Input Prices, Annual Interest Rates, and Annual Changes in Land Values, 2002-2008

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Annual Rate of Change for Input Prices Paid</b>							
Seed Prices (%)	1.30	7.12	1.21	0.45	0.74	1.00	0.89
Fertilizer Prices (%)	0.07	20.60	-8.83	-4.84	-1.17	2.02	1.56
Chemical Prices (%)	1.64	6.36	-0.16	2.90	2.03	1.09	0.77
Machinery Prices (%)	1.95	0.30	0.39	0.40	0.31	0.34	0.34
Fuel and Lube Prices (%)	0.14	20.60	-8.83	-4.84	-1.17	2.02	1.56
Labor (%)	4.38	0.76	0.73	0.73	0.68	0.69	0.67
Other Input Prices (%)	2.31	1.51	1.78	2.17	2.15	2.19	2.24
Non-Feed Dairy Costs (%)	0.56	4.86	-0.76	0.12	0.56	0.96	0.82
Non-Feed Beef Costs (%)	0.56	4.86	-0.76	0.12	0.56	0.96	0.82
Non-Feed Hog Costs (%)	0.56	4.86	-0.76	0.12	0.56	0.96	0.82
<b>Annual Change in Consumer Price Index (%)</b>	2.32	1.51	1.78	2.17	2.15	2.19	2.24
<b>Annual Interest Rates</b>							
Long-Term (%)	5.40	4.99	5.47	5.85	5.71	5.71	5.98
Intermediate-Term (%)	4.53	3.65	4.34	5.10	5.24	5.36	5.84
Savings Account (%)	1.70	1.11	1.11	1.80	2.17	2.44	3.18
<b>Annual Rate of Change for U.S. Land Prices (%)</b>	5.22	4.96	5.83	3.28	1.76	2.76	4.00

Source: FAPRI 2004 U.S. and World Agricultural Outlook

Table 4. County, School District, and City Property Tax Rates for Texas Representative Farms, 2000

	City	County	County Tax Rate --%--	School Tax Rate --%--	City Tax Rate --%--
TXNP1750	Sunray	Moore	0.37	1.54	0.22
TXNP7000	Sunray	Moore	0.37	1.54	0.22
TXHG2000	Hillsboro	Hill	0.44	1.60	0.61
TXWG1400	Taylor	Williamson	0.40	1.58	0.69
TXSP2239	Lamesa	Dawson	0.68	1.40	0.69
TXSP3745	Lamesa	Dawson	0.68	1.40	0.69
TXRP2500	Anson	Jones	0.63	1.36	1.04
TXCB1850	Sinton	San Patricio	0.54	1.47	0.62
TXCB5500	Robstown	Nueces	0.36	1.61	1.08
TXVC4500	Lyford	Willacy	0.54	1.50	0.90
TXPC2500	Hereford	Deaf Smith	0.57	1.50	0.41
TXMC3500	Edna	Jackson	0.55	1.52	0.39
TXEC5000	Ralls	Crosby	0.78	1.33	0.73
TXR1553	Eagle Lake	Colorado	0.39	1.48	0.64
TXR3774	Eagle Lake	Colorado	0.39	1.48	0.64
TXBR1650	Bay City	Matagorda	0.31	1.53	0.51
TXER3200	El Campo	Wharton	0.69	1.49	0.60
TXCD1300	Stephenville	Erath	0.48	1.75	0.47
TXCD500	Stephenville	Erath	0.48	1.75	0.47
TXED550	Sulphur Springs	Hopkins	0.50	1.42	0.41
TXED1000	Paris	Lamar	0.35	1.53	0.61
TXND2400	Muleshoe	Bailey	0.52	1.35	0.66
TXBB150	McGregor	McLennan	0.46	1.51	0.55
TXSB250	Gonzales	Gonzales	0.71	1.38	0.33

Source: 2000 Texas Property Tax Rates by County, Texas Comptroller of Public Accounts

- **NoSTexempt** - Remove the sales tax exemption, charging an 8.25 percent sales tax on all inputs and services;
- **NoAgUseVal** - Eliminate agricultural-use valuation for productive land, resulting in increased property taxes paid (the agricultural use valuations for each county in which representative farms are located were used to determine the size of the current exemption for each of the representative farms, and that exemption was subsequently removed).  
 The following key assumptions were made in the analysis of the individual scenarios:
  - The maintenance and operating expense (M&O) school district portion of all local property taxes is assumed to be at the current maximum allowed level of \$15.00. The average school district portion of total property tax for the combined maintenance and operating expense (M&O) and expense associated with interest and sinking fund (I&S) debt service for building projects was 1.5057 percent for communities in which representative farms are located according to the 2000 Texas Property Tax Rates by County report published by the Texas Comptroller of Public Accounts.
  - The state, city, and county sales taxes sum to 8.25 percent for all representative farm locations.

Preference for each alternative will be evaluated based on the projected average net cash farm income (NCFI) for each operation<sup>1</sup>. Net cash farm income is defined as total cash receipts minus all cash expenses. It does not reflect profit, as family living expenses, principal payments on loans, income taxes, self-employment taxes, and machinery replacement costs must be paid from this sum.

Policies that shift more emphasis toward sales tax are expected to increase total cash costs, thus adversely impacting farmers who own little land or those who engage in more intensive production. Policies that shift emphasis to property taxes are expected to have a more adverse impact on producers who own a large portion of their land, thus significantly reducing their NCFI. This would mean that landowners and their tenants would not necessarily rank their preferred options in the same order due to the shifting tax burdens, and the preferred options will likely differ across type of operation (e.g., crop farms, dairies, or ranches).

## Results

With respect to net cash farm income, 23 of the 24 representative farms analyzed prefer the **Base** situation in which they have lower taxes and higher NCFI via special use valuation of land and no sales and use taxes on goods or services (Table 5). The only exception is TXR3774, a rice farm in the Eagle Lake area. This farm is indifferent between the **Base** situation and the situation in which special use valuations are eliminated (**NoAgUseVal**) because it leases all of its planted acres.

The **SB2** option is the second choice for 15 of the 24 representative farms. Of the crop farms, the two central Texas feed grain farms (TXHG2000 and TXWG1400), five of the nine cotton farms (TXRP2500, TXCB1850, TXVC4500, TXPC2500, and TXMC3500), and one of the four rice farms (TXR1553) prefer the **SB2** option over other policy options. All of the representative livestock operations analyzed including five dairies and two ranches prefer the **SB2** option.

Removal of special use valuations and property tax exemptions (**NoAgUseVal**) is the second choice for 9 of the 24 representative farms, including the two Northern Plains feed grain farms (TXNP1750 and TXNP7000), four of the nine cotton farms (TXSP2239, TXSP 3745, TXCB5500, and TXEC5000), and three of the four rice farms (TXR3774, TXBR1650, and TXER3200).

The levying of an 8.25 percent sales and use tax (**NoST exempt**) on all goods and services is the last choice for 22 of the 24 representative farms. The Williamson County feed grain farm (TXWG1400) and the South Texas Ranch (TXSB250) would prefer the **NoST exempt** option to the **NoAgUseVal** option. The TXWG1400 farm owns 180 acres of high-value cropland in Williamson County (near Austin), and TXSB250 owns 900 acres while purchasing relatively few inputs.

All 16 of the landlords for the representative farms analyzed prefer either the **Base** situation or the **SB2** option with respect to net cash farm income (Table 6). Three of the nine cotton farms (TXSP2239, TXSP3745, and TXEC5000) prefer the **Base** situation. The feed grain farms and the three rice farms analyzed prefer the **SB2** option over the **Base** situation. Six of the nine cotton farms prefer the **SB2** option to the **Base** situation. Similarly, all of the landowners analyzed ranked levying an 8.25 percent sales and use tax on all goods and services (**NoST exempt**) their third choice and the removal

of special use land valuations (**NoAgUseVal**) their least preferred choice. The large Eagle Lake rice farm (TXR3774) was not analyzed as it is in a 50 percent crop share lease arrangement where the landlord pays for all of the seed and irrigation costs and pays for half of the fertilizer, chemicals, drying costs, and other miscellaneous costs. The significant risk that this landowner bears tends to make it behave more like a tenant than a typical landowner.

Table 5. Average Net Cash Farm Income for Texas Representative Farm Tenants Under Current and Alternative Tax Policies, 2004-2008

	<u>Base<sup>1</sup></u>	<u>SB2<sup>2</sup></u>	<u>NoST exempt<sup>3</sup></u>	<u>NoAgUseVal<sup>4</sup></u>
	--\$1000--	--\$1000--	--\$1000--	--\$1000--
TXNP1750	137.1	131.4	93.3	135.8
TXNP7000	458.4	443.2	325.3	449.6
TXHG2000	93.6	88.5	69.1	85.5
TXWG1400	84.2	82.2	66.3	55.5
TXSP2239	103.8	85.5	41.8	99.3
TXSP3745	147.6	120.2	62.2	132.1
TXRP2500	86.6	81.8	70.5	79.3
TXCB1850	155.8	147.8	120.4	140.4
TXCB5500	191.5	175.0	103.0	184.0
TXVC4500	319.4	306.2	233.8	269.6
TXPC2500	184.9	174.3	130.0	164.0
TXEC5000	169.7	139.4	55.9	164.7
TXMC3500	305.2	293.0	230.3	285.1
TXR1553	93.0	86.3	63.8	82.8
TXR3774	362.7	349.9	305.5	362.7
TXBR1650	130.8	123.2	92.2	125.0
TXER3200	139.9	127.6	59.4	132.0
TXCD500	-62.6	-65.4	-180.8	-145.1
TXCD1300	447.4	403.9	165.5	210.9
TXED550	197.9	192.7	107.7	174.3
TXED1000	541.5	534.9	370.7	500.5
TXND2400	359.2	345.1	-161.8	339.5
TXBB150	76.1	74.2	57.8	64.4
TXSB250	60.8	60.6	57.8	17.4

<sup>1</sup> Base: Current situation

<sup>2</sup> SB2: Reduction of the mil rate for school property taxes from \$15.00 to \$7.50 while levying an 8.25 percent sales tax on services

<sup>3</sup> NoST exempt: Removal of the sales tax exemption, charging an 8.25 percent sales tax on all inputs and services

<sup>4</sup> NoAgUseVal: Elimination of agricultural-use valuation for productive land



Table 6. Average Net Cash Farm Income for Texas Representative Farm Land Owners Under Current and Alternative Tax Policies, 2004-2008

	<u>Base<sup>1</sup></u>	<u>SB2<sup>2</sup></u>	<u>NoSTexempt<sup>3</sup></u>	<u>NoAgUseVal<sup>4</sup></u>
	--\$1000--	--\$1000--	--\$1000--	--\$1000--
TXNP1750	126.5	130.2	126.3	114.8
TXNP7000	433.6	443.8	409.0	392.6
TXHG2000	101.1	104.2	98.7	39.1
TXWG1400	76.4	78.4	74.7	-144.4
TXSP2239	66.9	66.4	64.3	58.0
TXSP3745	75.7	75.5	69.7	59.2
TXRP2500	40.6	42.5	38.3	2.4
TXCB1850	111.9	116.7	109.2	55.1
TXCB5500	304.4	315.7	293.6	139.8
TXVC4500	169.3	189.6	161.6	-21.5
TXPC2500	58.0	59.5	55.7	38.2
TXEC5000	221.1	220.8	209.6	190.1
TXMC3500	124.8	134.4	116.8	-53.6
TXR1553	30.4	33.3	30.3	-75.0
TXR3774	277.2	274.9	257.4	277.2
TXBR1650	22.8	28.7	22.4	-54.9
TXER3200	120.9	125.6	119.7	57.4

<sup>1</sup> Base: Current situation

<sup>2</sup> SB2: Reduction of the mil rate for school property taxes from \$15.00 to \$7.50 while levying an 8.25 percent sales tax on services

<sup>3</sup> NoSTexempt: Removal of the sales tax exemption, charging an 8.25 percent sales tax on all inputs and services

<sup>4</sup> NoAgUseVal: Elimination of agricultural-use valuation for productive land

The seven livestock operations were not analyzed as landowners because they are generally owner-operators. As expected, landlords prefer plans that result in lower property taxes. Most share lease arrangements provide for sharing of a relatively small portion of costs, so landlords would generally prefer to pay taxes on those inputs versus increasing their property taxes.

### Conclusions and Implications

Most operations in this study rent at least some land; therefore, they are generally less affected by increasing property taxes than by removing sales tax exemptions. As landowners begin to pay higher property tax rates, pressure will arise to increase cash rents or to modify share lease arrangements; however, agricultural lease arrangements are traditionally resistant to change. Conversely, most of the farms own some land, so cutting the school district portion of property taxes in half while levying a 8.25 percent sales tax on services generally hurts the farms less than removing the special

use valuation altogether. Completely removing the sales tax exemption has the most adverse impact on NCFI for the representative farms.

For landowners, no significant changes are generally observed when **SB2** and **NoST exempt** policies are implemented; however, removing special use valuation for productive land is detrimental to their survival if rents or arrangements are not adjusted upward.

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## Appendix: Characteristics of Texas Representative Farms, Dairies, and Ranches, 2003

- TXNP1750** This is a 1,750-acre grain farm located on the northern High Plains of Texas (Moore County). This 100 percent irrigated farm is moderate-sized for the region and plants 640 acres of corn, 240 acres of sorghum, and 870 acres of wheat annually. Seventy percent of total receipts are generated from feedgrain sales.
- TXNP7000** TXNP7000 is a large-sized, 80 percent irrigated, grain farm located in the northern Texas Panhandle (Moore County). This farm annually

plants 3,350 acres of irrigated corn, 930 acres of sorghum (350 irrigated and 580 dryland), and 2,130 acres of wheat (1,550 irrigated and 580 acres dryland). Dryland wheat is planted on the corners of all pivot-irrigated fields. Eighty-four percent of 2003 cash receipts were derived from feedgrain sales.

**TXHG2000** This 2,000-acre grain farm is located on the Blackland Prairie of Texas (Hill County). On this farm, 600 acres of corn, 750 acres of sorghum, 400 acres of cotton, and 250 acres of wheat are planted annually. Feedgrain sales accounted for 57 percent of 2003 receipts with cotton accounting for 31 percent of sales. Forty beef cows live on 150 acres of improved pasture and contribute approximately five percent of total receipts.

**TXWG1400** This 1,400-acre farm is located on the Blackland Prairie of Texas (Williamson County). TXWG1400 plants 900 acres of corn, 250 acres of sorghum, 150 acres of cotton, and 100 acres of winter wheat annually. Additionally, this farm has a 50-head beef cow herd that is pastured on rented ground that cannot be farmed. Feedgrain sales accounted for 70 percent of 2003 receipts with cotton accounting for 18 percent of sales.

**TXSP2239** A 2,239-acre Texas South Plains (Dawson County) cotton farm that is moderate-sized for the area. TXSP2239 plants 1,616 acres of cotton (1,250 dryland, 366 irrigated), 270 acres of peanuts, and has 183 acres in CRP. For 2003, 59 percent of receipts came from cotton.

**TXSP3745** The Texas South Plains (Dawson County) is home to this 3,745-acre, large-sized cotton farm that grows 2,625 acres of cotton (2,120 dryland, 505 irrigated), 245 acres of peanuts, and has 288 acres in CRP. Cotton sales comprised 74 percent of 2003 receipts.

**TXRP2500** TXRP2500 is a 2,500-acre cotton farm located in the Rolling Plains of Texas (Jones County). This farm plants 1,122 acres of cotton and 825 acres of winter wheat each year. Seventy-nine percent of 2003 farm receipts came from cotton sales. Twelve head of beef cows generated approximately two percent of farm receipts.

**TXCB1850** A 1,850-acre cotton farm located on the Texas Coastal Bend (San Patricio County) that farms 925 acres of cotton, 775 acres of sorghum, and 150 acres of corn annually. Seventy-three percent of 2003 cash receipts were generated by cotton.

**TXCB5500** Nueces County, Texas is home to this 5,500-acre farm. Annually, 2,750 acres are planted to cotton and 2,750 acres to sorghum. Cotton sales accounted for 75 percent of 2003 receipts.

- TXVC4500** This 4,500-acre farm is located in the lower Rio Grande Valley of Texas (Willacy County) and plants 2,388 acres to cotton (500 irrigated and 1,888 acres dryland), 1,887 acres to sorghum, and 225 acres of sugarcane. In 2003, 72 percent of TXVC4500's cash receipts were generated by cotton sales.
- TXPC2500** The Texas Panhandle is home to this 2,500-acre farm (Deaf Smith County). Annually, cotton is planted on 1,184 acres (1,000 irrigated and 184 dryland), 308 acres to sorghum (125 irrigated and 183 dryland), 883 acres planted to wheat (700 irrigated and 183 dryland), and 125 irrigated acres are planted to corn. Sixty-four percent of 2003 cash receipts were generated by cotton sales.
- TXMC3500** A 3,500-acre cotton farm located on the middle Texas Gulf Coast (Jackson County) that farms 1,750 acres of cotton and 875 acres each of sorghum and corn. In 2003, cotton sales comprised 72 percent of total cash receipts on this operation.
- TXEC5000** This 5,000-acre farm is located on the Eastern Caprock of the Texas South Plains (Crosby County). Annually, 4,300 acres are planted to cotton (2,800 irrigated and 1,500 dryland), 400 acres of wheat (100 irrigated and 300 dryland), and 300 acres of dryland sorghum. In 2003, cotton sales accounted for 96 percent of gross receipts.
- TXR1553** This 1,553-acre rice farm located west of Houston, Texas (Colorado County) is moderate-sized for the region. TXR1553 harvests 450 acres of first-crop rice and 405 acres of ratoon rice. The farm generated 98 percent of its receipts from rice during 2003.
- TXR3774** TXR3774 is a 3,774-acre, large-sized rice farm located west of Houston, Texas (Colorado County). This farm harvests 1,589 acres of first-crop rice and 1,351 acres of ratoon rice annually. TXR3774 realized 98 percent of 2003 gross receipts from rice sales.
- TXBR1650** The Texas Gulf Coast (Matagorda County) is home to this 1,650-acre rice farm. TXBR1650 harvests 550 acres of rice annually (550 acres of first-crop rice and 475 acres of ratoon rice) and realized 100 percent of 2003 farm receipts from sales of rice.
- TXER3200** This 3,200-acre rice farm is large for the Texas Gulf Coast (Wharton County). TXER3200 harvests 1,280 acres of first-crop rice and 1,024 acres of ratoon rice each year. The farm also grows 160 acres each of soybeans and grain sorghum annually. Ninety-six percent of 2003 receipts came from rice sales.
- TXCD1300** A 1,300-cow, large-sized central Texas (Erath County) dairy. TXCD1300 plants 215 acres of silage annually. During 2003, milk sales accounted for 92 percent of receipts.

- TXCD500** A 500-cow, moderate-sized central Texas (Erath County) dairy. TXCD500 plants 500 acres of hay each year. Milk sales represented 90 percent of this farm's 2003 gross receipts.
- TXED550** A 550-cow, moderate-sized northeast Texas (Hopkins County) dairy. This farm has 300 acres of improved pasture and 50 acres of hay. During 2003, milk sales represented 88 percent of annual receipts.
- TXED1000** A 1,000-cow, large-sized northeast Texas (Hopkins County) dairy. This farm plants 825 acres of hay/silage. This farm generated 87 percent of 2003 receipts from milk sales.
- TXND2400** A 2,400-cow, large-sized dairy located in the South Plains of Texas (Bailey County). This farm plants 360 acres for silage annually. Milk sales account for 90 percent of 2003 gross receipts.
- TXBB150** TXBB150 runs 150 mother cows and 2,000 stockers annually in the Blackland Prairie of central Texas (McLennan County). The ranch operates on 3,000 acres (400 owned and 2,600 leased) of improved pasture and oat pasture. Additionally, 100 acres of coastal Bermuda hay is harvested for use on the ranch. In 2003, 96 percent of gross receipts were generated by the cow-calf and stocker cattle sales.
- TXSB250** A 250-head cow-calf operation is the central focus of this full-time agricultural operation in south central Texas (Gonzales County). High-intensity best describes the grazing philosophy of the region, with cows deriving most of their forage needs from improved coastal Bermuda pasture. Native pasture serves as fallback pasturage and is host to this operation's fledgling lease hunting program. Contract broiler production is an important source of agricultural revenue for this ranch; even so, cattle sales accounted for 82 percent of 2003 gross receipts.