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Transfer Rates of U.S. Rural Land

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Five percent of all U.S. rural parcels, or taxable tracts of land, changed hands during July 1985 through June 1986, accounting for 3.3 percent of the acres and 3.5 percent of the assessed value of all rural land, according to a recent survey by the U.S. Department of Agriculture. The Delta States had the highest rate of parcel transfers and the Lake States had the lowest rate. The percentage of parcels transferred was higher than the percentage of acres transferred in all regions except the Northern Plains.

These results of the first phase of a three-part "Rural Land Transfers Survey" generally support previous 2- to 5-percent estimates of the rate at which farmland transfers each year. The full survey is being conducted by the Economic Research Service (ERS) and the National Agricultural Statistics Service to determine the transfer rate of rural land, where and how land transfers are occurring, and characteristics of the buyers and sellers involved in the transfers.

The first part of the survey, on which this report is based, requested tax assessment officials in 48 States to provide information on the amount of rural land that transferred in their jurisdictions during the survey period. Rural land was defined in the survey to include property generally described in terms of acreage and categorized in property classes that include farms, ranches, and associated land, forest land, idle land, and wasteland.

The new estimates, while generally supporting past estimates, are much more firm, since past estimates were based on a data series discontinued by ERS after 1981. The old series, based on transfers per 1,000 farms, became suspect with the recognition that land is transferred by parcels, not necessarily whole farms. The new estimates are also better because they are based on all transactions; past estimates were based on only those transactions for which survey respondents had knowledge.

The Delta States had the highest rate of transfer of rural land among all regions: 8.1 percent of the parcels, 4.9 percent of the acres, and 8.4 percent of the assessed value (see table). Lake State assessors reported the lowest rate of parcel transfers, while their Pacific State counterparts indicated the lowest rate of acres transferred. At 2.2 percent, the Mountain States had the lowest proportion of assessed value involved in land transfers.

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Rates of Rural Land Transfer, July 1985–June 1986

<u>Region</u>	<u>Parcels</u>	<u>Acres</u>	<u>Value</u>
		<u>Percent</u>	
Appalachia	6.7	4.8	3.3
Corn Belt	3.7	3.0	2.5
Delta	8.1	4.9	8.4
Lake	2.5	2.3	2.4
Mountain	4.2	2.1	2.2
Northeast	5.1	4.2	5.7
Northern Plains	3.1	3.5	3.8
Pacific	4.1	1.8	3.8
Southeast	7.4	4.6	4.7
Southern Plains	5.3	3.1	4.5
All regions, excluding Alaska and Hawaii	5.0	3.3	3.5

The initial survey found that parcels are transferring at a greater rate than acres in all regions but the Northern Plains. This result indicates that more small parcels of land rather than complete farms are transferring, a finding which substantiates the current trend toward farm expansion through acquisition of add-on tracts of land.

WHY ARE TRANSFER DATA IMPORTANT?

Transfer data tell us who controls the land and the value of land. These data can also alert us to prospective changes in land use. Such information can be used to assess the general economic condition of rural areas, establish and evaluate farm aid programs, and plan rural economic development programs.

Data on the transfer of agricultural property supply information about the value, ownership, and use of the land being conveyed. Sales prices, part of the transfer record, help indicate land market values. The transfer process also yields information on ownership characteristics, including owner identity and ownership type, such as private or corporate. Transfer data indicate changes in the control of land, whether it is becoming concentrated or dispersed among owners, or moving from agricultural to nonagricultural owners. Linked to changes in the composition of ownership are changes in land use patterns as new owners decide on the best uses of the land. Changing ownership also may predict alternate land uses prior to actual changes.

We can also find from the data the methods used to transfer land, such as voluntary sale or forced, and the level at which each occurs, possible indicators of the economic condition of the area. The overall rate of exchange, important in examining land market activity between locations or between time periods, indicates how rapidly changes in the structure of ownership may be taking place.

HOW TRANSFERS ARE RECORDED

Transfers of land are recorded by filing deeds in offices of the local government serving the jurisdiction in which the property is located. Local governments use these records to assess taxes to current owners. Tax assessment officials use sales prices revealed by the transfer of land to monitor market value trends and to prepare assessment-ratio studies to equally tax properties and distribute State aid.

Thirty States, to assure adequate sale price data for taxation purposes, require buyers or sellers to submit disclosure documents at the time property is transferred. These documents provide information which deeds may not, such as full purchase price for the property. Most States have declared the disclosure statement a public document, assuring public officials, appraisers, and taxpayers full access to the data. But, some States impose confidentiality provisions limiting inspection of the documents to tax officials.

THE SURVEY METHOD

Assessors, or comparable tax officials, in all States except Alaska and Hawaii were surveyed to obtain the number of parcels, acres, and assessed value of rural land transferred in their jurisdictions between July 1, 1985, and June 30, 1986. Information on all transfers was requested, including voluntary sales, forced transfers, and gifts.

Assessors were also requested to provide the total number of parcels and acres and the assessed value for all rural land so that we could determine a rate of transfer. (This rate compares the amount transferred to the total amount in the jurisdiction.) The survey defined parcels as taxable units: a parcel may be separate tracts contained in one farm for some States, while the parcel may be the complete farm in other States.

Many assessors were unable to provide the data requested in the survey. Of 3,327 jurisdictions in the survey sample, 1,193 provided information on the number of parcels, 1,026 answered acreage questions, and 978 indicated assessed value. The low response is explained by several factors. Some States do not require the filing of transfer disclosure statements at the time of exchange, thereby limiting transfer data that are readily available to the assessor. Survey response rates indicate this lack of data availability, with rates generally lower in States without disclosure laws. Some nonrespondents stated that data were not maintained in an easily retrievable form, either not arranged in hard copy for easy summing or not computerized. Other assessors stated that their office time, staff, or funds were too limited to respond to the survey.

Results of the first phase of the Rural Land Transfer Survey will be used to develop the second and third parts of the survey. In part 2, scheduled for March-April 1987, enumerators will visit local and State government offices to use transfer records in developing lists of recipients of rural land. This sample of persons acquiring rural land will be questioned in part 3 of the survey. Data requested in this final phase of the survey will include type of ownership rights acquired, the manner in which the property was obtained, sources of credit used in purchases, sale price, current and planned land use, owner and operator characteristics, and private costs of acquiring the property.

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FOR ADDITIONAL INFORMATION...

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