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RENT AS A CRITERION OF LAND QUALITY

By

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The unit of land for comparing different farms cannot be expected to be uniform in respect of land quality. Most of the farms are likely to include land of varying qualities from highly fertile to wholly unproductive. It is obvious, then, that each unit of land has not the same productive significance because of differences in land quality. Therefore, differences in land quality need examination.

To find out whether or not there are significant differences in land quality, rent might be looked at as it is theoretically understood to measure differences in the productive qualities of land. The subject matter of the current study is to discuss the reliability of rent as a criterion of land quality.

A group of 61 farms, mainly milk and cash cropping, offered the data for the present study. The data related to the years 1948 and 1949 and were obtained from the tabulations and reports of the Farm Management Survey collected by the Provincial Agricultural Economics Centre for the Northern Province, King's College, Newcastle-upon-Tyne (University of Durham).

For the purpose of the present study, reference is made to a physical land classification compiled by the North East Development Association.¹ This classification is based mainly on ecological properties of soils such as depth, texture, drainage and structure. In this survey three major land categories have been defined with sub-divisions to suit the environmental conditions. The full classification is indicated in Table I. By using a soil map published in connection with this survey it is possible to show that the 61 farms in the group are distributed as indicated in Table II. The survey carried on by the N.E.D.A. is confined to Northumberland and Durham. For the farms located in Cumberland an approximately similar classification has been attempted, using the drift maps of the areas concerned as a guide.

It can be seen from Table II that out of the 61 farms there are ten farms on good quality land, *i.e.*, category A. Farms falling into category B make up a considerable proportion as they amount to 44 farms. Their distribution amongst the sub-categories, described as IIA, IIB and II + 3 is 13, 26 and 5 respectively. A comparatively small proportion, seven farms, is in category C described as poor quality land. Examination of Table II indicates that the

1. N. E. D. A. : A Physical Land Classification of North D., Durham and part of the North Riding of Yorkshire, A. Reid, Newcastle-upon-Tyne, 1950, pp. 1-4 and 36-39.

TABLE I—LAND CATEGORIES AS CLASSIFIED BY THE NORTH-EAST DEVELOPMENT ASSOCIATION

Land Category	Land Sub-Category	Characteristics
A. Good Quality Land	I A	Comprises high productivity land intensively cultivated e. g., market gardening.
	I B	Inherently good quality land, represents the better drained, light textured land.
	I + 2 II + 1	Where moisture conditions are not satisfactory and site is unfavourable.
B. Medium Quality Land		Land of medium productivity.
	II A	Land with special factors rendering it superior to II B, poor drained.
	II B	Poor textured.
	II + 3	Failed to satisfy both II A and II B.
C. Poor Quality Land.	III + 2 III	Land of low productivity. Where soil conditions are poor, land of strictly limited productivity.

It should be emphasised that there is no clear cut border between Categories II and III, rather there is an agricultural transition.

TABLE II—DISTRIBUTION OF 61 MILK AND CASH CROPPING FARMS BY LAND QUALITY NORTHERN PROVINCE, ENGLAND, 1948-49

Land Category	Land Sub-Category	North D.	Durham	Cum. D.	Total	
		No.	of	Farms	No. of Farms	%
A. Good Quality Land	.. II + 1	—	4	6	10	16
B. Medium Quality Land	.. II A	4	9	—	13	21
	.. II B	—	5	21	26	43
	.. II + 3	—	2	3	5	8
Total	.. .. .	4	16	24	44	72
C. Poor Quality Land	.. III + 2	—	4	3	7	12
Total	.. .. .	4	24	33	61	100

smaller farms within the group under review will seem to be concentrated on the medium quality land (Table III).

Variation in rent per 100 acres on the 61 farms is shown in Table IV. It is apparent from this table that the average rent for the farms on medium quality land is higher than for the farms on good quality land and rent for the farms on poor quality land is substantially lower than for those on good quality land. Comparative rents paid for the farms on land of different qualities within this sample do not appear to conform with the general theory of rent. The significance of these particular rents, however, needs to be looked at in the light of a number of considerations.²

First, rent in this case has not the sense of the pure economic rent of Ricardian theory. In practice, it is a composite payment for differential advantages of various kinds including³ (i) land fertility differences including man-made improvements, (ii) size of holding, (iii) advantage of location in view of climatic conditions, accessibility to raw materials and proximity to markets, (iv) suitability and condition of landlord's permanent equipment, (v) convenience of lay-out, (vi) availability of labour, (vii) amenity elements of one kind and another, (viii) close integration of family, and (ix) rigidity of tenure laws and customary attitude of landlords towards rents of sitting tenants and so on.

Secondly, rents are long term contracts. In general, they tend to be stabilised over long periods and are only now slowly adjusted to changes in the economic environment of prices and costs and to changes of farm policies. Despite the considerable changes which had taken place in price levels during the last decade rents remained generally at pre-war levels. Changes have occurred only at infrequent and irregular intervals. Usually, where farm tenancies have changed hands, rents have been adjusted to post-war conditions. Table V indicates that where change in tenancy has occurred there is a substantial change in rental value, in 1949 of 28% and in 1950 of 41%.⁴ As to the sample which is under review there was only a slight change in rent of 3% in 1949 compared with the previous year (Table VI). The slight change in rent speaks for itself in contrast to the much larger increase noted when changes in tenancy have occurred. In fact, no changes within recent years have taken place on the farms under examination. One might attribute the slight increase in rent to some improvements carried out on the farms by the landlord or to an increase in farm acreage. Such an increase cannot, of course, be revealed by the average rent.

Thirdly, the fact that the group of farms on medium quality land happens to include all the observed farms which are less than 75 acres combined with the fact that small farms command higher rents per acre than large farms might explain, in part, why the average rent per acre on medium quality land is higher than the average rent on good quality land (Table VII).

2. El Tonbary, A. A. : Comparative Standards in Farm Management Appraisal with special reference to Homogeneity of Farm Type, Ph. D. thesis, University of Durham, 1954, Vol. I, pp. 57-62.
3. Thomas, E. : An Introduction to Agricultural Economics, Nelson, 1950, pp. 27-29; and Dinsdale, D.H. : Farm Management Survey Report 1947-48, Report F. M. S. No. 31, University of Durham, F. E. B., Kings' College, Newcastle-upon-Tyne, 1949, p. 4.
4. Dawe, C. V. : An Enquiry into Agricultural Rents and the Expenses of Landowners in E. & W., 1949 and 1950. The County Landowner's Association, London, 1951, pp. 17-18 and 33.

TABLE III—RELATION BETWEEN LAND QUALITY AND FARM SIZE, MILK AND CASH CROPPING GROUP, NORTHERN PROVINCE, ENGLAND, 1948-49

Land Category	No. of Farms			
	Small under 75 Acres	Medium 75-150 Acres	Large 150-300 Acres	All Farms
Good Quality Land	—	7	3	10
Medium Quality Land	13	19	12	44
Poor Quality Land	—	3	4	7
Total	13	29	19	61

TABLE IV—RENT PER 100 ACRES RELATED TO LAND QUALITY, MILK AND CASH CROPPING GROUP, NORTHERN PROVINCE, ENGLAND, 1948-49

Land Category	Land Sub-Category	No. of Farms	Average Rent £.	Range in Rent	
				Lowest £.	Highest £.
A. Good Quality Land .. ..	.. II + 1	10	132	87	191
B. Medium Quality Land .. ..	.. II A	13	162	72	237
	.. II B	26	169	108	265
	.. II + 3	5	161	125	230
		44	166	72	265
C. Poor Quality Land .. ..	.. III + 2	7	126	76	180
		61	156	72	265

TABLE V—CHANGES IN TENANCY AND CONSEQUENT RENT CHANGES ON 273 ESTATES IN E. & W., 1949 AND 1950

Year	Total No. of Holdings	No. of Holdings undergoing Changes in Tenancy	Average Rent per Holding		
			Old Tenancy £.	New	% Increase
1949	15,423	174	127	162	28
1950	15,281	428	180	255	41

TABLE VI—CHANGE IN RENT, MILK AND CASH CROPPING GROUP, NORTHERN PROVINCE, ENGLAND, 1948 AND 1949

Year	Total No. of Farms	Total Change by No. of Farms	Average Rent per 100 Acres (£).		Increase in Rent over the Previous Year		Range in Increase			
			Previous Year	Current Year	By £.	By %	By £.		By %	
							From*	To	From*	To
1948 ..	61	16	165	174	9	5	-28	26	(1) -19	15
1949 ..	52	20	163	168	5	3	-43	23	(2) -19	* 12

* The decrease in rent did not reflect a reduction in rent because, in fact, a part of the rent was not paid in (1) and there was a reduction in cottage rent in (2).

TABLE VII—RENT PER 100 ADJUSTED ACRES RELATED TO FARM SIZE, E. & W., 1949-50₁

Size Group	Av. Acres (adjusted)	Rent £.
0-50	32	222
51-100	74	168
101-150	125	151
151-300	211	142
301-500	379	130
Over 500	739	119

1. M.A. & F: Farm Incomes in E. & W. 1950/51, Farm Income Series No. 4, H. M. S. O., 1953, p. 61.

TABLE VIII—AVERAGE AMOUNT OF COMPENSATION AGAINST COLLIERY DAMAGE, MILK AND CASH CROPPING GROUP, NORTHERN PROVINCE, ENGLAND, 1948-49

Land Category	No. of Farms	No. of Farms received Compensation	Average Amount of Compensation per Farm £.	Percentage of Total Sales
Good Land Quality ..	10	2	151	7.3
Medium ..	44	4	109	3.3
Poor ..	7	..	..	..

The main reasons why higher rents are paid for the smaller farms per unit area are : (i) they are in greater demand for their lower capital requirements; (ii) the smaller farms are for the most part nearer to the towns where market opportunities are available ; and (iii) rent in practice, covers a payment for the house and buildings through the interest on landlord's capital and consequently this gives a higher figure per acre for the smaller farms than the larger farms.⁵

Lastly, some of the farms within the sample are situated in areas subject to colliery subsidence. Accordingly, they are likely to be exposed to varying degrees of damage and consequently command lower rents. In an agricultural survey of the Northern Province it has been stated that farms are let at lower figures in poorer districts and on colliery damaged land.⁶ Table VIII shows that two farms out of the ten on good quality land and four out of the forty-four on medium quality land received compensation against colliery damage with an average of £ 151 and £ 109 per farm which is equal to 7.3% and 3.3% of total sales respectively.

Although these compensations may partly throw light upon the lower rents commanded for these farms, this will not mean that these farms are the only ones which have been subject to damage. It may be that other farms in the area have been rented "free of damage" and are not eligible to have compensation. Without examining tenancy agreements it is not possible to say exactly to what extent colliery damage is a substantial factor in affecting rent.

It follows from what has been said that one cannot rely on differences in rent, at a particular date, to indicate clearly and proportionately the differences in land quality as between farm and farm.

5. M. A. & F. : National Farm Survey of E. & W., A Summary Report, H. M. S. O., 1946, p. 26.

6. Hanley, J. A. and Others : Agricultural Survey of the Northern Province, Department of Agriculture, Armstrong College, University of Durham, Newcastle-upon-Tyne, 1936, pp. 58.