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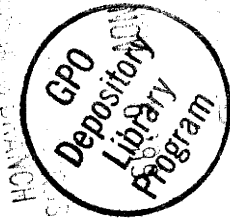
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Rural Land Transfers in the United States

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In this report. Land transfers are the cutting edge in the structure of landownership and control. Even though the annual turnover in rural land is very slow--currently 4.6 percent of parcels and 3.5 percent of land--concerns linger that farmers in the United States are losing control of the resource that is basic to their industry. Small, persistent changes can eventually make a difference, but the data examined here indicate that a transfer of landownership out of agriculture is occurring at an almost imperceptibly slow pace.

Survey shows small movement of agricultural land to nonfarmer owners

Responses to a 1988 survey indicated that 88.4 percent of all rural land transferred is agricultural land and 4.8 percent of all the agricultural land transferred each year is transferred into the hands of nonfarmers. That implies that 4.2 percent of the transferred rural land goes to nonfarmers each year ($.884 \times .048 = .042$). But only a small percentage of the stock of land is transferred each year (3.5 percent), so the percentage of all agricultural land moving to nonfarmers is very small--less than two-tenths of 1 percent ($.042 \times .035 = .0015$) per year. While changes are certainly occurring, even dramatically in some localities, the results of this study leave the impression that farmer ownership and farmer control of agricultural land is still the rule in American agriculture. The land that does shift out of agricultural use shifts to more intensive uses, such as rural residences, recreation, and commercial development.

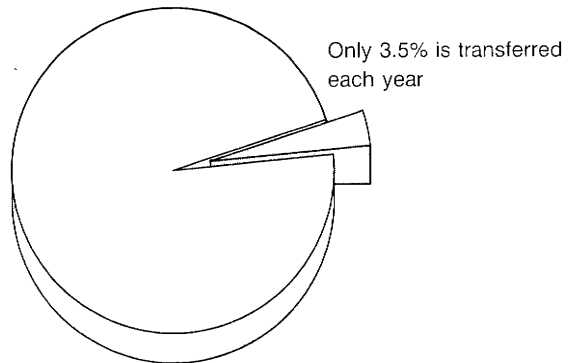
The survey identified a segmented market for land where buyers, sellers, and other transferees tend to deal primarily with members of the same class of owners. The survey revealed that most rural, including agricultural, land was not transferred by arms-length sales, but by a variety of other means such as gifts or inheritances.

The financial crisis of the mid-1980's was apparent in the sales of agricultural land. Over 30 percent of the

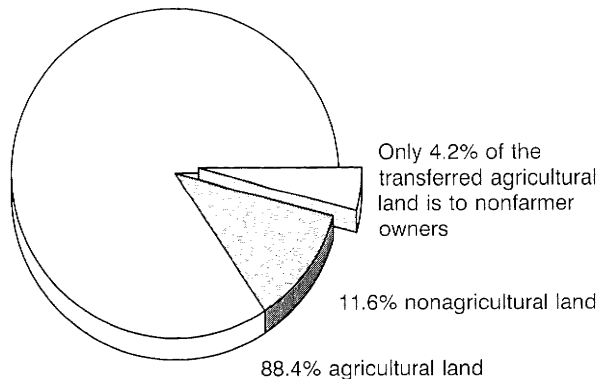
land transferred by farmers was transferred under stress--either bankruptcy or the threat of bankruptcy. Well-positioned farmers were able to take advantage of the situation, and much of this distress-sale land was purchased to expand their operations.

Movement of agricultural land to nonfarmers is very slow --less than two-tenths of 1 percent per year.

U.S. rural land



Transferred rural land



Movement of land to nonfarmers:
3.5% (of rural land transferred each year)
x 4.2% (of transferred land goes to nonfarmers)
= 0.15% (of all rural land is transferred to nonfarmers each year)

Purpose of the Survey and Structure of Results

Survey replies from new owners of 7,232 parcels (more than 1 million acres) of rural land in 38 States provided information on types of landowners, manners of land transfers, financing of transfers, and possible land use changes due to the transfers.

The transfer of land has been a topic of popular and public interest in the United States since leaders of the early republic puzzled over how the newly acquired territories should be distributed among the citizenry. Interest and concern took different forms in different periods. The advance of the railroads caused controversy in the 1870's and 1880's over landownership by farmers and eventually by the urban interests that followed the railroads. Theodore Roosevelt's attempts to stop the transfer of public lands to potential settlers and other private owners was met with hostility from those who wanted land in the early 1900's. By the 1970's, there was great concern over the possible transfer of agricultural land to foreign interests. Presently there is concern that the financial crisis of agriculture in the early 1980's may result in the transfer of ownership and control of agricultural land to nonfarm owners. While all land transfers continue to carry the potential for controversy, the transfer of agricultural land, regardless of grantor or grantee, seems to trigger the most widespread public apprehension.

Rural land changes owners only at infrequent intervals. A 1988 survey conducted by the U.S. Department of Agriculture's Economic Research Service and National Agricultural Statistics Service indicated that about 3.5 percent of the rural land in the United States is transferred to a new owner each year. At the annual rate of 3.5 percent, 28.5 years, or nearly a generation is required to produce the equivalent of one complete turnover of landownership.

These continual transfers, although slow, call attention to trends in the status of landownership, such as the acquisition of farm and rural land by nonfarmers or non-rural people. Accurate information has not been available on who is selling, gifting, or bequeathing; who is buying or receiving; the terms that accompany rural land sales and gifts; and the changes in land use that come with a new group of owners.

This bulletin reports results of a study designed to provide this information including sections on present and previous owners, type of ownership categories, methods of transfers and conditions that surround the transfers, financing the transfers, and potential changes in land use.

Survey and Terms. This bulletin is based on information from the new owners of more than 7,000 land parcels that included more than 1 million acres of rural land in 38 States. New owners include all receivers of land, not just buyers. Owners who acquired land in 1986 were asked to describe their newly acquired parcels, tell something about themselves, and something about the previous owner of the parcel. The end of the bulletin gives more detail on the elements and procedures of the survey.

Land parcels are the units of land that are transferred. There is no rigid definition of a parcel--it can be of any size or shape. Parcels most often correspond to the land units that are separately assessed for property taxes. Parcels may be all or part of an operating unit such as a farm or recreational subdivision. Parcels are identified throughout this report either as rural land or agricultural land. Rural land includes all 7,232 parcels on which transfer information was gathered. Agricultural land is restricted to the 4,467 parcels that included at least some land that had been used for broadly defined agricultural purposes just prior to the time of the transfer. Urban parcels, such as land in towns, cities, and villages, were not included in the study.

Survey Information on land transfers

- Rural land vs. agricultural land—rural land is land classified as nonurban. Agricultural land is rural land that is used for agricultural purposes, such as farming and grazing.
 - Transfers by owner occupation—type of landowner, such as active farmer, retired farmer, tenant farmer, or nonfarmer, before and after the transfer.
 - Transfers by ownership category—groupings such as sole proprietors, husband and wife, family partnerships, public corporations, etc., before and after the transfer.
 - Manner of transfer—transfers of land occur in many ways, such as arms-length sales, distress sales, gifts, inheritances, foreclosures, etc.
 - Transfer financing—most transfer financing applies to sales, with the most important sources of credit being commercial banks and previous owners.
 - Transfers by land use category—land uses before a transfer, such as agricultural, range, forestry, etc., may change after a transfer.
-

Types of U.S. land¹

	<i>Million acres</i>
Total land in the United States	2,265
Total private land	1,329
—of which:	
Urban land	91
Rural land	1,238
—of which:	
Agricultural land	873

¹The survey sampled 7,232 parcels that included more than 1 million acres of rural land from 38 States. These samples included 4,467 parcels that included more than 800,000 acres containing some land for agricultural purposes.

Source: H. Thomas Frey and Roger Hexem. Major Uses of Land in the United States, 1982. AER-535. U.S. Dept. Agr., Econ. Res. Serv., June, 1985, p. 14.

Rural and Agricultural Land Transfers—By Occupation of Previous Owner

Nonfarmer sellers transfer the most rural parcels, but previous owners with farm-related occupations transfer the most land because agricultural parcels are larger than other parcels of rural land.

Understanding the future pattern of landownership implies some knowledge about who is acquiring and who is releasing rural land. A first look at participants in the rural land market shows that nonfarmers are the most important single category of previous owners (sellers) of rural land because of the number of transactions in which they participate. The parcels that nonfarmers transfer, however, are smaller than the parcels transferred by other categories of previous owners.

Another important group of previous owners includes active and retiring farmers. Three-fifths of the parcels and 88.4 percent of the land transfers are agricultural. Thus farmers, despite their small number, dominate the area of land that is transferred and markedly influence the results of the survey. The average parcel size released by individuals farming or those recently retired from farming is 228.3 acres, compared with an average of 111.1 acres for parcels in all other categories combined.

Land is often released in response to some external event such as a new occupation, a unique investment opportunity, or a change in personal circumstances. The survey revealed, however, that a substantial amount of the transferred land, particularly agricultural land, came from farmers who remained active in farming after the transfer took place.

Active farmers who remained in farming released 15.4 percent of the parcels and 26.8 percent of all rural land that was transferred (table 1). They transferred larger parcels (averaging 214.1 acres) than most other categories of previous owners. The three categories of farmers—those who remained in farming, those who quit farming at the time of the transfer, and those who had retired from farming—together provided 36 percent of the transferred parcels and 49.1 percent of the transferred acres.

Agricultural parcels are larger than other parcels of rural land. The agricultural parcels include some very large ranches and a few very small parcels that have apparently been separated from larger parcels to be used as small-acreage farms or as locations for rural residences. The nonagricultural parcels include many very small acreages that are probably already used for residences rather than farming. Active farmers who remained in farming made available 21.8 percent of the

agricultural parcels and 29.3 percent of the transferred agricultural acreage. The three farm-related groups together provided 49.9 percent of the agricultural parcels and 53.2 percent of the agricultural acreage that was transferred.

Nonfarm-related businesses provided 24.8 percent of the agricultural parcels but only 17 percent of the transferred agricultural acreage. Farm-related businesses provided less than 3 percent of the agricultural parcels but more than 10 percent of the agricultural land. The proportion of the agricultural land that came from farm-related businesses may be overstated because of one exceptionally large parcel in the sample. The average acreage per transferred parcel drops from 801.4 to 494.1 when the parcel is removed and the farm-related businesses account for only 6.5 percent of the agricultural land in the study.

Table 1—Rural land transfers by occupation of previous owner¹

Occupation of previous owner	Parcels	Acres	Average size of parcel
	-----Percent-----		<i>Acres</i>
Active farmer who remained in farming	15.4	26.8	241.1
Active farmer who left farming	8.4	12.3	204.7
Retired farmer	12.2	10.0	114.2
Farm related business	2.0	9.3	635.7
Nonfarm-related business	33.1	19.2	80.7
Executor of estate	6.4	6.6	145.0
Other or do not know	22.5	15.8	97.4
Total	100.0	100.0	139.0

¹Based on a sample of 7,232 transfers that included 1,005,544 acres.

Table 2—Agricultural land transfers by occupation of previous owner¹

Occupation of previous owner	Parcels	Acres	Average size of parcel
	-----Percent-----		<i>Acres</i>
Active farmer who remained in farming	21.8	29.3	267.9
Active farmer who left farming	12.4	13.6	218.2
Retired farmer	15.7	10.3	131.1
Farm-related business	2.6	10.3	801.4
Nonfarm-related business	24.8	17.0	136.0
Executor of estate	7.4	6.2	166.5
Other or do not know	15.3	13.3	172.5
Total	100.0	100.0	199.0

¹Based on a sample that included 4,467 parcels and 888,765 acres.

Rural and Agricultural Land Transfers—By Occupation of Present Owners

Nonfarmers acquired 53.6 percent of the parcels, but only 39.9 percent of the acreage. Owners with farm-related occupations acquired only 29.6 percent of the parcels, but 43.2 percent of the acreage.

The demand side of land transactions is reflected in the characteristics of present owners: those who acquired the land. Table 3 shows the distribution of transferred parcels and acreage among those who acquired the 7,232 parcels of rural land and 4,467 parcels of agricultural land in the sample. The upper part of the table deals with all rural parcels and reveals that nonfarmers acquired 53.6 percent of the parcels, but only 39.9 percent of the rural acreage transferred. The three classes of farmers combined (farm and ranch

owners, retired farmers, and tenants) acquired 29.6 percent of the parcels, but 43.2 percent of the acreage.

Table 3 shows that nonfarmers still dominate the number of agricultural parcel transactions by acquiring 45.2 percent of the parcels, but because of smaller parcel size, they obtain only 38.3 percent of the acreage. The combination of the three classes of farmer/ranchers acquired 41 percent of the agricultural parcels and 45.9 percent of the agricultural land.

Table 3—Land transfers by occupation of present owner: Rural and agricultural parcels

Occupation of present owner	Parcels	Acres	Average size of parcel
	----Percent----		Acres
All transfers: ¹			
Farm owner or rancher	22.5	35.7	220.5
Retired farmer	3.9	4.7	167.2
Tenant farmer	3.2	2.8	122.7
Nonfarmer	53.6	39.9	103.3
Other	16.8	16.9	140.3
Total	100.0	100.0	139.0
Transfers that include agricultural land: ²			
Farm owner or rancher	31.8	38.3	240.3
Retired farmer	4.7	4.5	188.8
Tenant farmer	4.5	3.1	134.2
Nonfarmer	45.2	38.3	169.0
Other	13.8	15.8	226.6
Total	100.0	100.0	199.0

¹Based on a sample of 7,232 transfers and 1,005,544 acres.

²Based on a sample of 4,467 transfers and 883,765 acres.

Net Change in Landownership—Farm, Nonfarm, and Other

The net change in landownership due to land transfers shows that nonfarmers increased their ownership of rural land by 4.7 percent and of agricultural land by 4.8 percent.

Comparisons among tables 1, 2, and 3 reveal the net change in the ownership positions of farmers and nonfarmers. Ownership by nonfarmers of both rural land and agricultural land increased during the transfer process. Nonfarmers gained 4.7 percent of rural land and 4.8 percent of agricultural land (table 4).

Table 4—Net changes in rural landownership

Item	Percent of parcels owned before transfers	Percent of parcels owned after transfers	Net change	Percent of acres owned before transfers	Percent of acres owned after transfers	Net change
<i>Percent</i>						
Rural land: ¹						
Farm-related owners	36.0	29.6	-6.4	49.1	43.2	-5.9
Nonfarm owners	41.5	53.6	12.1	35.5	39.8	4.7
Unclassified owners	22.5	16.8	-5.7	15.8	16.9	1.1
Agricultural land: ²						
Farm-related owners	49.9	41.0	-8.9	53.2	45.9	-7.3
Nonfarm owners	34.8	45.2	10.4	33.5	38.3	4.8
Unclassified owners	15.3	13.8	-1.5	13.3	15.8	2.5

¹Percentages based on a sample of 7,232 parcels and 1,005,544 acres.

²Percentages based on a sample of 4,467 parcels and 888,765 acres.

Rural and Agricultural Land Transfers—By Ownership Categories

The rural land market is segmented. Rural and agricultural parcels tend to remain in the same ownership category when they transfer.

The preceding section related changes in ownership to the occupation of the previous and present owners. This section concentrates on ownership categories, or the organizational forms under which land is owned. Categories include groupings such as sole proprietors, husband and wife, public corporations, and partnerships. The sample parcels are arranged into nine broad types of owners or ownership categories. All the tables include entries in the "other" category, which includes classes such as teachers, dentists, and accountants. Most of the "don't know" and "no response" answers have been removed, but some are included in the "other" class. The flows of landownership from one category to another provide information about which category of owners gains and which loses land.

Over a third of all rural land and agricultural land was owned by husband and wife teams prior to the time of the transfer (table 5). The second most important group was male sole proprietors. Both of these ownership categories, along with female sole proprietors, family partnerships, and family corporations, are family oriented. Prior to the transfers, 78.9 percent of the rural land was owned by categories associated with family. The transfer process resulted in a loss of land by family categories. Of the land that was transferred, 70.9 percent of rural land was acquired by the combined family groups. The percentage of agricultural land was nearly the same.

The highlighted diagonal of table 6 shows a degree of segmentation in the rural land market. Land tends to be transferred between the same types of owners. For example, 40.3 percent of the rural land that transferred from husband and wife owners went to other husband and wife owners. No other ownership group acquired nearly so much land from husband and wife teams. Most of the other categories show the same tendency.

Exceptions generally stem from some unusual circumstance such as one or two very large transfers or the number of transfers represented by the cell being especially low. Public organizations, for example, transferred only 1.4 percent of their holdings to other public organizations. This is almost inconsequential since this ownership class transferred only 0.6 percent of all parcels in the study. The market for agricultural land appears to be segmented in approximately the same fashion, although not shown in a table.

Why does land transfer within ownership classes?

The answer may lie in the costs, monetary and non-monetary, incurred completing a land transfer. The family-oriented groups of owners may know other family-oriented individuals or groups who are interested in buying or selling land, but they may not know many nonfarm corporations that are in the market. Nonfamily corporations similarly may not know sole proprietors who want to buy or sell, but they may know other corporations interested in becoming active in the rural land market. The cost of finding another group of potential buyers may be too high for most sellers to absorb, thus they sell to buyers whom they already know.

The segmentation may also be intensified by intermediaries, such as brokers and realtors who have specialized clientele that tend to be in the same categories. A third cause of segmentation stems from the tendency for nonmarket transfers, such as inheritances and gifts, to remain within a family, and by doing so, to remain in the same ownership category. The evidence shows a segmented market that may remain segmented in order to reduce the transaction costs that frequently accompany land transfers.

Table 5—Acres held by each of several ownership categories before and after transfer

Landownership category	Rural land ¹		Agricultural land ²	
	Before	After	Before	After
	<i>Percent</i>			
Male sole proprietor	18.7	16.3	18.6	16.1
Female sole proprietor	9.9	8.6	9.8	8.8
Husband and wife	35.4	29.2	36.5	28.4
Family corporation	5.5	8.4	5.9	8.9
Family partnership	9.4	8.4	9.9	8.5
Nonfamily corporation	5.4	6.0	5.0	5.9
Nonfamily partnership	3.1	3.1	3.3	2.8
Public organization	0.6	1.9	0.6	2.0
Other	12.0	18.1	10.4	18.6
Total	100.0	100.0	100.0	100.0

¹Based on a sample of 7,232 parcels and 1,005,544 acres.

²Based on a sample of 4,467 parcels and 838,765 acres.

Table 6—Rural land transfers by ownership category¹

Land transferred from	Land transferred to									Total
	Male sole proprietor	Female sole proprietor	Husband and wife	Family corporation	Family partnership	Nonfamily corporation	Nonfamily partnership	Public organization	Other	
	<i>Percent</i>									
Male sole proprietor	35.7	13.3	22.7	4.8	7.9	2.7	1.9	1.1	9.9	100.0
Female sole proprietor	30.6	9.6	29.7	1.7	16.3	1.3	6.2	0.3	4.3	100.0
Husband and wife	10.1	2.9	40.3	11.4	4.9	4.7	1.2	3.4	21.1	100.0
Family corporation	2.9	2.0	25.8	23.7	3.5	6.3	3.7	0.1	32.0	100.0
Family partnership	6.7	39.2	15.5	11.5	19.7	2.8	0.7	1.6	2.3	100.0
Nonfamily corporation	16.1	3.1	9.6	6.2	12.7	43.7	7.5	0.3	0.8	100.0
Nonfamily partnership	4.3	1.0	6.3	1.0	0.6	11.2	14.3	0.0	61.3	100.0
Public organization	33.9	0.2	51.4	1.9	3.2	3.2	0.0	1.4	4.8	100.0
Other	8.4	1.6	32.1	4.1	6.5	3.0	5.3	2.2	36.8	100.0

¹ Based on a sample that included 7,232 transfers and 1,005,544 acres of rural land.

The highlighted diagonal shows that a majority of the transfers remain in the same ownership categories.

Rural and Agricultural Land Transfers Under Distressed Conditions

A larger proportion of the land sold in stress situations was owned by those in farm-related occupations.

Transfers that have been made under financial stress have recently assumed great importance. The widespread financial crisis in agriculture of the early 1980's has caused the forced sale of thousands of farms or parts of farms in all areas of the United States. The impact of the financial crisis is revealed in table 7, which shows that over a third of the land transferred from each of the active farmer categories was sold in a distress situation. Comparisons between table 7 and table 8 are instructive. Table 7 refers to agricultural land that was transferred under stress by previous owners closely related to agriculture. Table 8 considers stress sales made by previous owners in nonfarm occupations. Both categories of active farmers (table 7) made significant proportions of their land transfers under stress conditions. The owners of farm businesses also transferred land in response to stress conditions (table 8). The owners of nonfarm businesses who transferred agricultural land apparently were not so compelled. Most of their transfers (65.3 percent) were made on an arms-length basis.

Table 9 shows the distress sales from a different perspective. Most of the distress sale agricultural parcels (67.5 percent), and nearly the same proportion of distress sale agricultural land (66.7 percent), came from the three farm-related categories of sellers. Previous owners who had no connection with farming sold very little agricultural land under distress conditions, implying that absentee (nonfarm) owners are better able to absorb the shocks associated with financial reverses in agriculture.

As shown earlier (table 2), farm-related and nonfarm-related businesses transferred 27.4 percent of the parcels and 27.3 percent of the acres of agricultural land in the sample. Nonfarm-related businesses released 24.8 percent of the parcels and 17.0 percent of the agricultural land. However, only 10.3 percent of the agricultural land that they transferred was released under stress conditions.

Some of the impact of agriculture's financial difficulties on the structure of landownership is revealed by identifying the purchasers of the agricultural land that is sold under stress. More than half of the agricultural land sold under stress went to nonfarmer purchasers (table 10). The stress sale of agricultural parcels resulted in a net loss to agriculture of 9.3 percent of all agricultural land in the study.

Although arms-length sales (here taken to mean all voluntary sales to nonrelatives) make up three-fifths of the transfers of rural parcels, they represent less than half of the acreage transferred. Transfers under conditions of financial stress, estate settlements, and sales between relatives that may involve concessions in price or terms comprise a substantial portion of all real property transactions.

Other methods, such as gift or inheritance, are also significant means of land transfer. Some transfers are conditioned by efforts to avoid or defer taxes, some to clarify an ambiguity in title, and some to redistribute wealth among family members or others.

Figure 1 - Rural land by manner of transfer

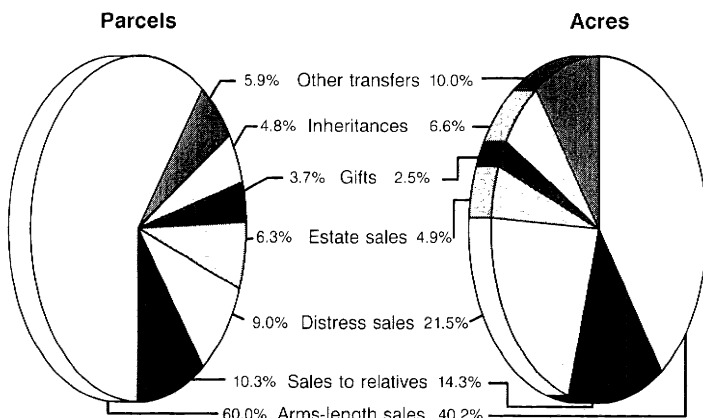


Figure 2 - Agricultural land by manner of transfer

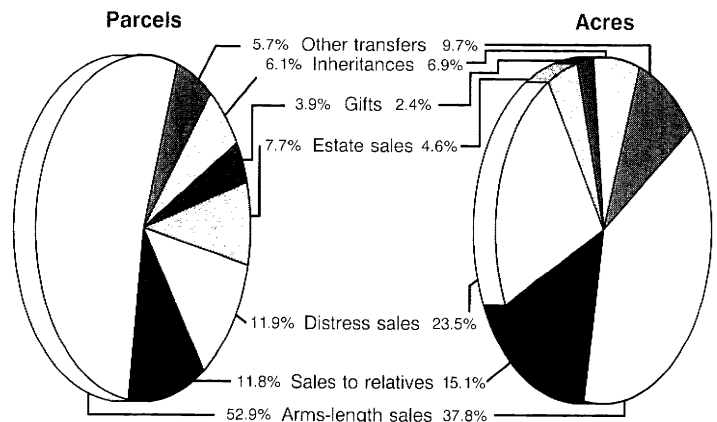


Table 7—Agricultural parcels and acres transferred by farm-related occupation of previous owner and manner of transfer

Manner of transfer	Active farmers who stayed ¹		Active farmers who quit ²		Retired farmers ³	
	Parcels	Acres	Parcels	Acres	Parcels	Acres
	<i>Percent</i>					
Voluntary arms-length sale	54.1	33.5	45.0	31.3	41.8	34.7
Voluntary sale between relatives	13.3	17.5	10.6	11.1	17.5	12.3
Distress or forced sale	18.6	36.7	28.8	34.3	2.7	2.5
Estate sale	1.2	1.0	3.2	1.2	10.6	10.6
Gift or inheritance	5.2	3.1	7.0	11.2	24.4	36.1
Other	7.6	8.2	5.4	10.9	3.0	3.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

¹Based on 972 parcels and 260,442 acres.

²Based on 555 parcels and 121,076 acres.

³Based on 701 parcels and 91,868 acres.

Table 8—Agricultural parcels and acres transferred by nonfarm occupation of previous owner and manner of transfer¹

Manner of transfer	Farm business		Nonfarm business		Executor of estate		Other		Do not know	
	Parcels	Acres	Parcels	Acres	Parcels	Acres	Parcels	Acres	Parcels	Acres
	<i>Percent</i>									
Voluntary arms-length sale	48.3	14.9	65.3	60.0	29.9	16.3	52.6	46.3	66.3	60.5
Voluntary sale between relatives	10.5	44.9	11.5	8.6	8.8	9.8	10.9	7.1	4.4	1.7
Distress or forced sale	15.8	30.6	6.0	14.3	2.1	1.9	8.9	8.5	13.7	19.7
Estate sale	4.4	0.5	3.7	2.7	45.0	33.3	5.3	4.9	6.7	3.4
Gift or inheritance	11.4	5.6	8.7	8.0	12.1	8.2	9.7	11.0	2.6	1.9
Other	9.6	3.5	4.8	6.4	2.1	30.5	12.6	22.2	6.4	12.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹Based on a sample of 2,239 parcels and 415,379 acres.

Table 9—Agricultural parcels and acres sold under financial stress by occupation of previous owner¹

Occupation of previous owner	Parcels	Acres
	<i>Percent</i>	
Active farmer	33.9	45.7
Farmer retired after sale	29.9	19.9
Retired farmer	3.7	1.1
Farm business	3.4	13.4
Nonfarm business	12.4	10.3
Executor of estate	1.3	0.5
Other	4.1	1.6
Do not know	11.3	7.5
Total	100.0	100.0

¹Based on 533 parcels and 208,911 acres of agricultural land.

Table 10—Occupations of those who purchased agricultural land parcels sold under stress¹

Occupation of new owner	Parcels	Acres
	<i>Percent</i>	
Owner of farm, ranch, or farm business	28.9	24.0
Retired farmer or rancher	5.4	2.6
Tenant farmer	2.6	0.8
Nonfarmer or nonfarm business	43.4	58.8
Other	19.7	13.8
Total	100.0	100.0

¹Based on 533 parcels and 208,911 acres of agricultural land.

Financing Land Transfers

Financing for over 30 percent of the buyers who borrowed money for land was supplied by previous owners and commercial banks. Forty percent of the parcels were sold in cash transactions.

About three-fifths of the sample transfers were transactions or sales that required some monetary consideration in exchange for title to the land. These transactions include some gifts, inheritances, and swaps that undoubtedly require financing, but, in the aggregate, are an insignificant part of rural land transfer activity. Financing applies to sales.

Previous owners and commercial banks were the most important sources of credit, with each supplying the credit needs of over 30 percent of the buyers who borrowed money. All other sources of credit are relatively minor (table 11).

The 40.7 percent of transferred agricultural parcels that involved no credit--apparently being acquired in cash transactions--is large. The high percentage of cash transactions suggests that not all of rural America was suffering from the financial decline that characterized U.S. agriculture in the mid-1980's. Most of the land that sold for cash was agricultural. Agricultural parcels that transferred without credit were much larger, averaging 212.8 acres in size, than the nonagricultural parcels, which averaged less than 40 acres. The cash market was dominated by buyers in nonfarm occupations. They purchased 52.5 percent of the rural land that was transferred. Table 12 is restricted to the purchasers of parcels that included some agricultural land and who made the purchase without outside financing. Nonfarmers dominated both parcels and acres by purchasing over two-fifths of the parcels and more than half of the acres.

Seller financing is an important feature of agricultural land transfers. Over a fifth of all agricultural land transfers were financed by the previous owner (table 11). Sellers who were operators of nonfarm businesses financed the largest percentage of the parcels, but farm operators financed a larger proportion of the acreage transferred under seller-financed conditions (table 13).

Table 11—Sources of credit used to purchase agricultural parcels¹

Source	All transfers	Transfers in which some funds were borrowed
<i>Percent</i>		
No-debt fund	40.7	NA
Seller-financed credit	22.0	37.0
Nonseller individual	2.5	4.2
Federal land bank	4.7	7.9
Insurance company	1.0	1.7
Commercial banks	20.5	34.6
Farmers Home Administration	1.6	2.7
Production credit association	0.8	1.4
Small Business Administration	NA	0.1
Savings and loan	3.7	6.2
Mortgage company	0.8	1.3
Other	1.7	2.9
Total	100.0	100.0

NA = Not applicable.

¹Based on 6,861 respondents who supplied this information. Percentages may be slightly biased by some new owners who acquired more credit through one source of financing.

Table 12—Occupations of those who acquired agricultural land without incurring debt

Occupation	Parcels	Acres
<i>Percent</i>		
Farm owner or rancher	30.8	21.4
Retired farmer	8.1	7.2
Tenant farmer	2.1	1.2
Nonfarmer	43.2	52.5
Other	15.8	17.7
Total	100.0	100.0

Table 13—Occupations of sellers who financed the sales of agricultural land

Occupation	Parcels	Acres	Average size of parcel
<i>-----Percent-----</i>			<i>Acres</i>
Active farmer who remained in farming	20.1	35.4	355.5
Active farmer who quit	15.0	16.2	216.6
Retired farmer	18.7	12.6	136.2
Operator of farm or ranch business	1.7	5.3	618.9
Operator of nonfarm business	26.2	19.5	149.5
Executor of estate	4.3	4.0	187.5
Other	14.1	7.0	100.5

Effects of Land Transfers on Land Use

The amount of land used for agricultural purposes declined for rural parcels overall. However, agricultural parcels (88.4 percent of the land in the study) show few land use changes accompanying a change in ownership.

A change in landownership is often accompanied by a change in land use. New land uses frequently require new skills, capabilities, and interests that may be present in the new owners. In the United States, as in most developed countries, changes in land use occur slowly, and, because of increases in population and urbanization, the changes are likely to be toward more intensive land use.

When all parcels of land in this study that changed from farmer ownership to nonfarmer ownership are considered together, there is a slight reduction in the percentage that is used for agricultural purposes and a closely corresponding increase in the percentages of acres that are anticipated for use as rural residences, subdivisions, or commercial development.

Changes in land use between previous and present owners, plus the present owners' estimates of the use of the parcels 5 years hence, are shown in table 14. Agricultural parcels, which include 88.4 percent of the land in the study, show remarkably few changes in use between ownerships, either at the time of the transfer or in 5 years. Acreage in farming is down slightly, but grazing, which is an agricultural activity, is up by an almost corresponding amount.

Some increase in both farming and grazing took place in parcels that had included no agricultural land prior to the transfer. This phenomenon occurred primarily on land that had been devoted to forestry or was idle. The change fits with the general trend toward intensification.

Parcels transferred from farmers to nonfarmers (table 15) underwent some interesting land use changes, although on a relatively small proportion (4.8 percent) of the total land transferred. For this group of transfers, land used for agriculture decreased slightly, forestry acreage remained about the same, and the use of land for recreation and rural residences increased. However, agriculture increased, forestry decreased, and rural residences increased sharply on parcels with no prior agricultural use.

The survey, which focused on ownership changes, did not include information on the less dramatic changes that occurred within land use categories. Data obtained on the questionnaire do not allow analysis of

changes in management practices, investments, repair, or improvements. Had the survey been able to include more land use detail, more common but smaller changes might have been registered.

Table 14—Acreage in each of several land uses before, at the time of, and 5 years after transfer¹

Land use category	Agricultural land parcels			Nonagricultural parcels			All parcels		
	Before transfer	Time of transfer	5 years hence	Before transfer	Time of transfer	5 years hence	Before transfer	Time of transfer	5 years hence
<i>Percent</i>									
Agriculture	43.4	42.6	41.6	0.0	5.4	6.0	39.8	39.2	38.4
Range or pasture	48.4	48.1	48.6	0.0	7.9	9.9	44.4	44.4	45.4
Forestry	5.3	5.3	5.3	56.5	51.2	45.0	9.5	9.4	8.8
Mineral	0.0	0.1	0.1	1.0	0.9	1.2	0.1	0.1	0.2
Recreation	0.1	0.3	0.4	2.8	4.8	7.8	0.3	0.7	1.0
Idle	1.9	2.3	1.7	31.5	19.6	10.9	4.3	4.0	2.5
Rural residence	0.4	0.5	0.8	4.6	5.4	9.0	0.7	0.9	1.5
Subdivision	0.0	0.1	0.5	0.3	1.1	4.4	0.0	0.2	0.8
Commercial development	0.0	0.0	0.1	1.3	1.4	2.1	0.2	0.2	0.3
Other	0.5	0.7	0.9	2.0	2.3	3.7	0.7	0.9	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹Estimates. Respondents were asked to estimate how the land would be used 5 years from the time of the questionnaire.

Table 15—Acreage in parcels that changed from farmers to nonfarmers in each of several land uses before, at the time of, and 5 years after transfer

	Agricultural land parcels ¹			Nonagricultural parcels ²			All parcels ³		
	Before transfer	Time of transfer	5 years hence	Before transfer	Time of transfer	5 years hence	Before transfer	Time of transfer	5 years hence
<i>Percent</i>									
Agriculture	50.4	48.8	47.5	0.0	3.5	7.1	48.7	47.1	45.9
Range or pasture	40.2	38.9	39.6	0.0	6.9	8.7	38.8	37.8	38.6
Forestry	7.0	7.3	7.6	63.4	56.3	54.8	8.9	9.1	9.2
Mineral	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Recreation	0.1	0.5	0.6	1.7	1.5	1.3	0.2	0.5	0.7
Idle	1.5	3.4	2.6	28.3	20.3	13.6	2.4	4.0	2.9
Rural residence	0.4	0.6	1.1	4.8	9.2	12.2	0.6	0.9	1.5
Subdivision	0.0	0.0	0.3	0.6	0.6	1.1	0.0	0.1	0.4
Commercial development	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Other	0.4	0.4	0.5	1.2	1.7	1.2	0.4	0.4	0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹Based on approximately 150,000 sample acres.

²Based on approximately 6,000 sample acres.

³Based on approximately 156,000 sample acres.

Method of the Survey

The survey not only provides information about owners and manner of transfers, but gives the characteristics of parcels that were transferred.

The Survey of Land Transfers was designed to provide information on the characteristics of transferees, methods of transfer and finance, and the impacts of transfers on land use. Names and addresses of grantees of rural land were obtained from a follow-on survey of a study of rates of transfer and taxation that was conducted in 1986 by USDA's National Agricultural Statistics Service. These grantees who acquired land were contacted in 1987 for information on the transfers in 1986. All information came from grantees (new owners) of land that changed owners in 1986.

The universe from which the sample was drawn included all rural land transfers and all methods of transfer. Sales of several types were identified. Agricultural land was identified separately and measured apart from land that was not used for agricultural purposes. Only 38 States were included in the survey because of difficulties in obtaining names and addresses in some States. The omitted States were Alabama, Alaska, Arkansas, Hawaii, Idaho, Indiana, Louisiana, New Mexico, North Carolina, Rhode Island, Utah, and Wisconsin. It is likely that major regions of the United States are adequately represented because of the geographic distribution of the States in the survey. Statements about the Nation or national trends should be made with great care however, since the report and the data in the report come from only 38 States.

The land parcel is the unit of observation that is most frequently used in this report. The parcel is a unit of land of any size that is transferred. It may be all or part of an operating unit such as a farm, forest, or other rural area. Parcels often coincide with the tracts of land that are assessed for taxation.

The questionnaire was mailed to approximately 33,000 grantees (new owners). A mail followup was used in some cases in an effort to increase the rate of response. The two mailouts yielded usable responses for 7,232 parcels of land that included 1,005,544 acres of land (table 16). Although rate of change and percentage information may fairly represent transfers of rural land in the United States, estimates of numbers of acreages or quantities of land were not made for this report.

Agricultural land is defined as any land that is used for farming, range, or pasture. Orchards, greenhouses, land used specifically for poultry houses, and land

used for other intensive agricultural purposes are included as agricultural.

Of the 7,232 parcels in the study, 4,467 (61.8 percent) reported having some agricultural land (table 16). Of the 888,765 acres of land in parcels with some agricultural land, 816,039 acres (91.8 percent) were used for farming purposes. The definitions of agricultural parcels in this survey and "land in farms" in the Census of Agriculture are similar in that they both contain land that is not used strictly for farming or grazing. However, a census "farm" is an operating unit rather than a unit of ownership. The agricultural parcels in this survey are not necessarily operating units, so they are not equivalent to a census farm.

Over half of the parcel transfers were whole transfers. The other parcels were separated from a larger parcel during the transfer process, creating a total of 3,021 new parcels. The new parcels of agricultural land averaged 129.9 acres, and nonagricultural parcels averaged 33.9 acres. A large percentage of the rural parcels in the survey were small; over 25 percent were less than 10 acres. Over 50 percent of the parcels accounted for approximately 5 percent of the transferred acres.

Table 16—Characteristics of parcels in the study¹

Characteristic	Unit	Parcels with some agricultural land	Parcels with no agricultural land	All parcels
Parcels	Number	4,467	2,765	7,232
	Percent	61.8	38.2	100.0
Acres	Number	888,765	116,779	1,005,544
	Percent	88.4	11.6	100.0
Size of parcels:				
Smallest	Acres	1	1	1
Largest	Acres	35,526	3,026	35,526
Mean size	Acres	199	42	139
Parcels that transferred as:				
Whole parcel	Number	2,363	1,651	4,014
	Percent	58.9	41.1	100.0
Part of parcel	Number	2,037	984	3,021
	Percent	67.4	32.6	100.0
Mean size of parcels that transferred as:				
Whole parcel	Acres	254.3	45.4	168.4
Part of parcel	Acres	129.9	33.9	98.7
Parcels acquired by:				
Purchase	Number	3,819	2,476	6,295
	Percent	60.7	39.3	100.0
Other means	Number	648	289	937
	Percent	69.2	30.8	100.0

¹Parcel numbers for those with agricultural land plus those without agricultural land do not always sum to 7,232 because of "don't know" and "no response" answers on the questionnaire.

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