

Perspectives on Land Accessibility:

Insights From Rental Leases, Acquisitions, and Transfer Plans

Land for Good

Changing Lands, Changing Hands National Conference

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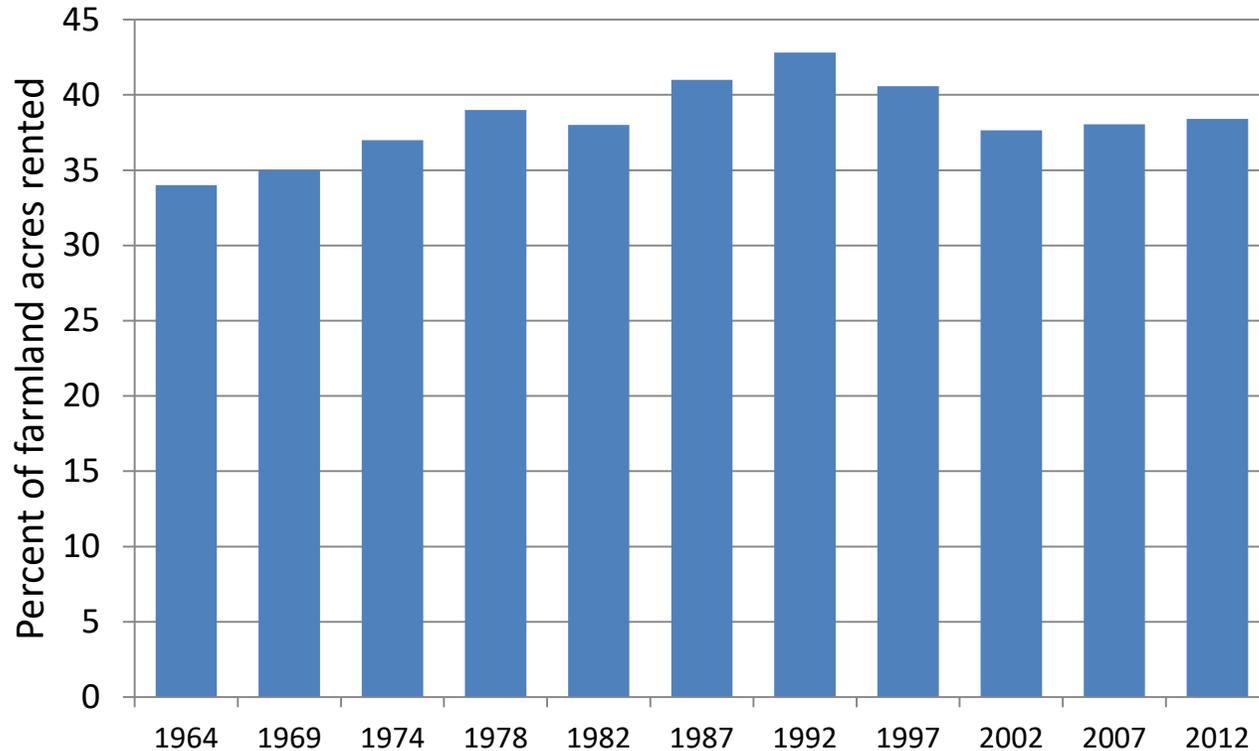
Issue overview

- Land is the most valuable asset on the farm sector balance sheet: 81% of total asset value in 2014
- Two options to obtain land: renting and purchasing
- Conventional wisdom: access to land can be a significant barrier to entry and expansion

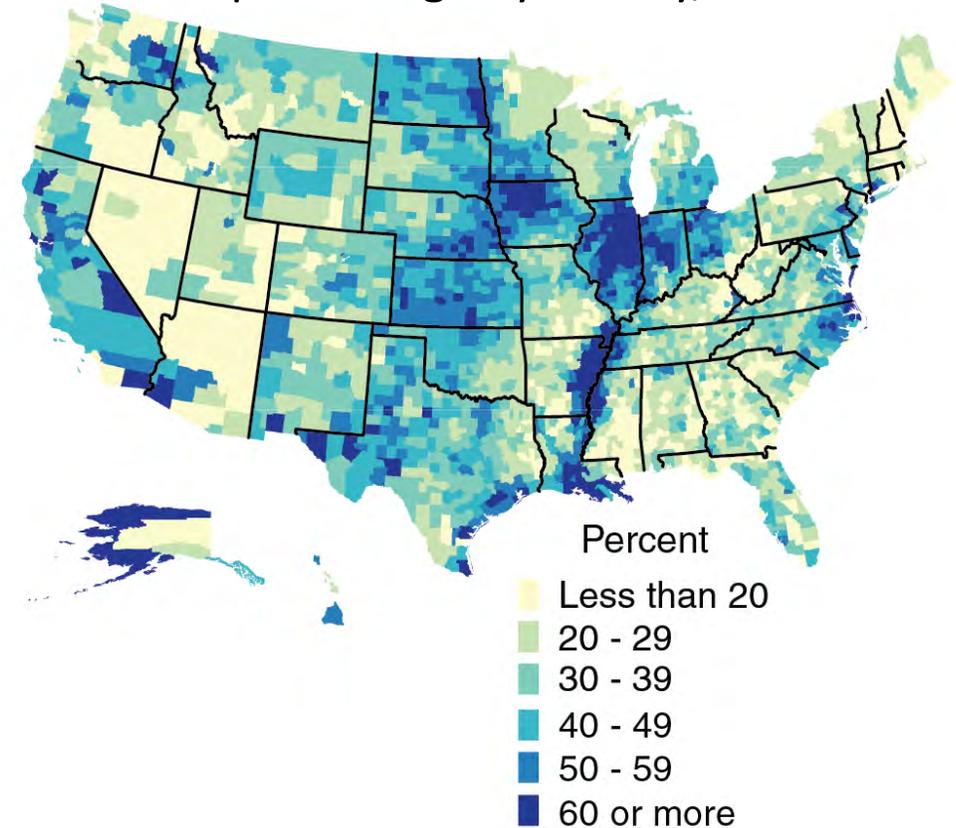


Over 38% of all farmland was rented in 2012

National trend in percent of land rented



Rental percentage by county, 2012



Source: USDA-NASS Census of Agriculture



Overview of TOTAL and research questions

- Remainder of presentation uses data from the 2014 Tenure, Ownership, and Transition of Agricultural Land (TOTAL) survey to shed light on the issue of land access

Who owns farmland?

How durable are landlord-tenant relationships?

What are the implications of the recent trends in land values?

911 million acres of farmland in 2014

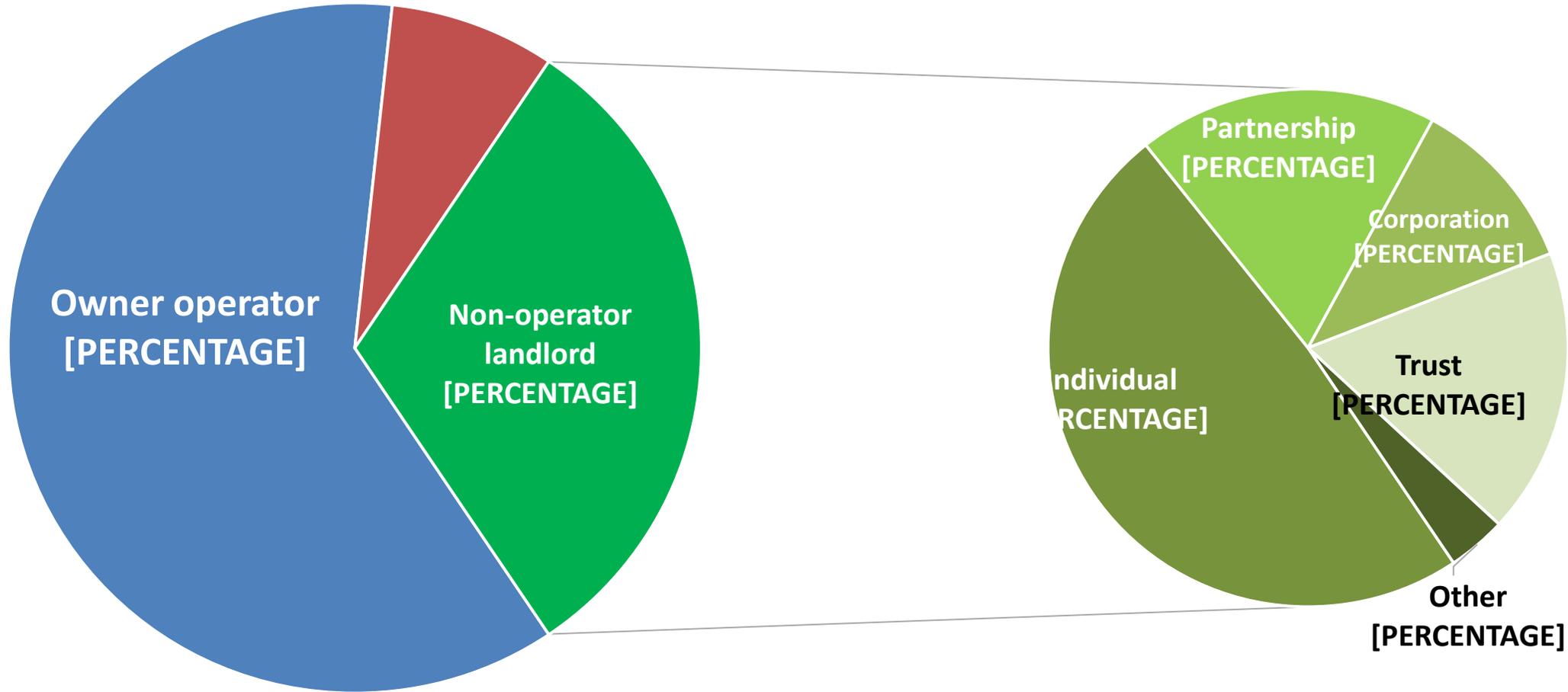
How frequently are lease agreements negotiated?

How much land will be transferred between owners in coming years?

How do farmers acquire land?



31% of land in farms is owned by non-operator landlords

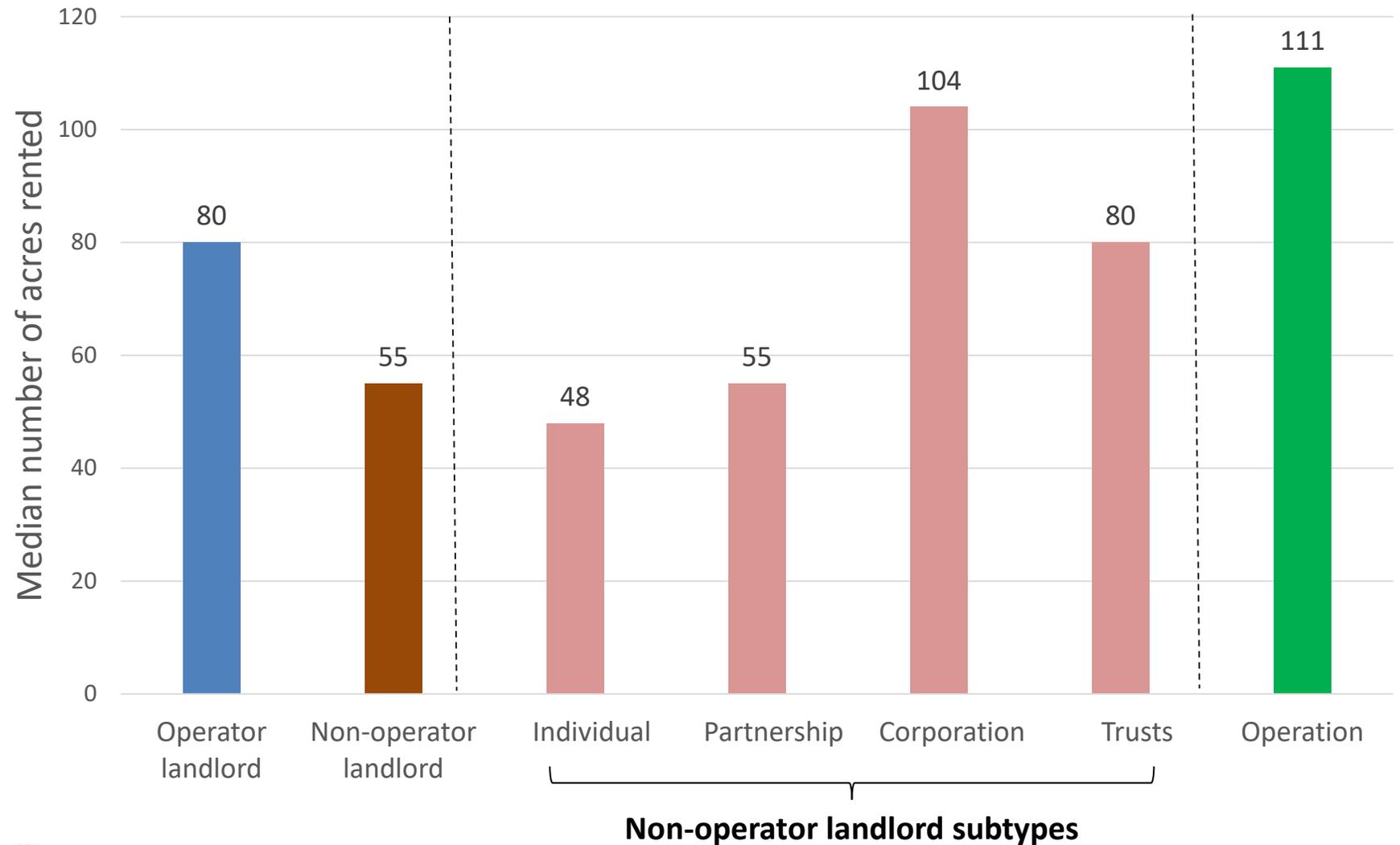


Source: USDA-NASS and USDA-ERS 2014 TOTAL Survey



Most tenants must negotiate with multiple landlords

- Operator landlords tend to rent out land in larger allotments than non-operators
- Median acreage rented in by operators who rent land is 111 acres
- This suggests that most tenants must negotiate leases with multiple landlords



Source: USDA-NASS and USDA-ERS 2014 TOTAL Survey



Most landlord-tenant relationships are longstanding

- 70% of land rented out by farm operators has been going to the same tenant for more than 3 years
- Non-operator landlord-tenant relationships are even more durable
 - 84% of land has been rented to the same tenant for more than 3 years
 - More than 40% has gone to the same tenant for more than 10 years

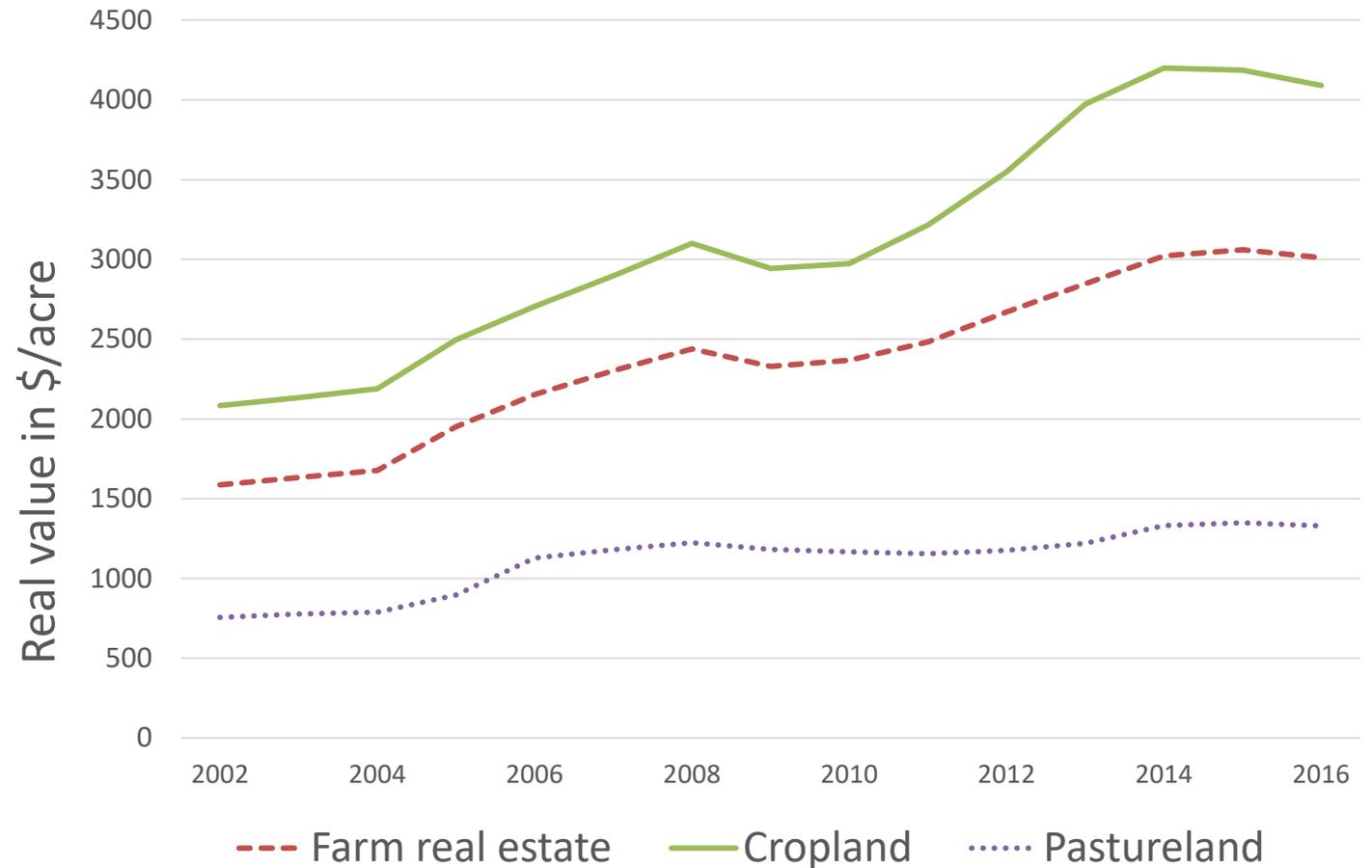


Source: USDA-NASS and USDA-ERS 2014 TOTAL Survey



Land values have increased dramatically over the past 15 years

- Farm real estate and land values have doubled (in real terms) over the past 15 years
- Commodity prices increased substantially between 2009 and 2013, and have since come back down
- Declines in land values experienced in some areas in past year (Corn Belt, Northern Plains), but values still rising in others (Southeast, Delta)

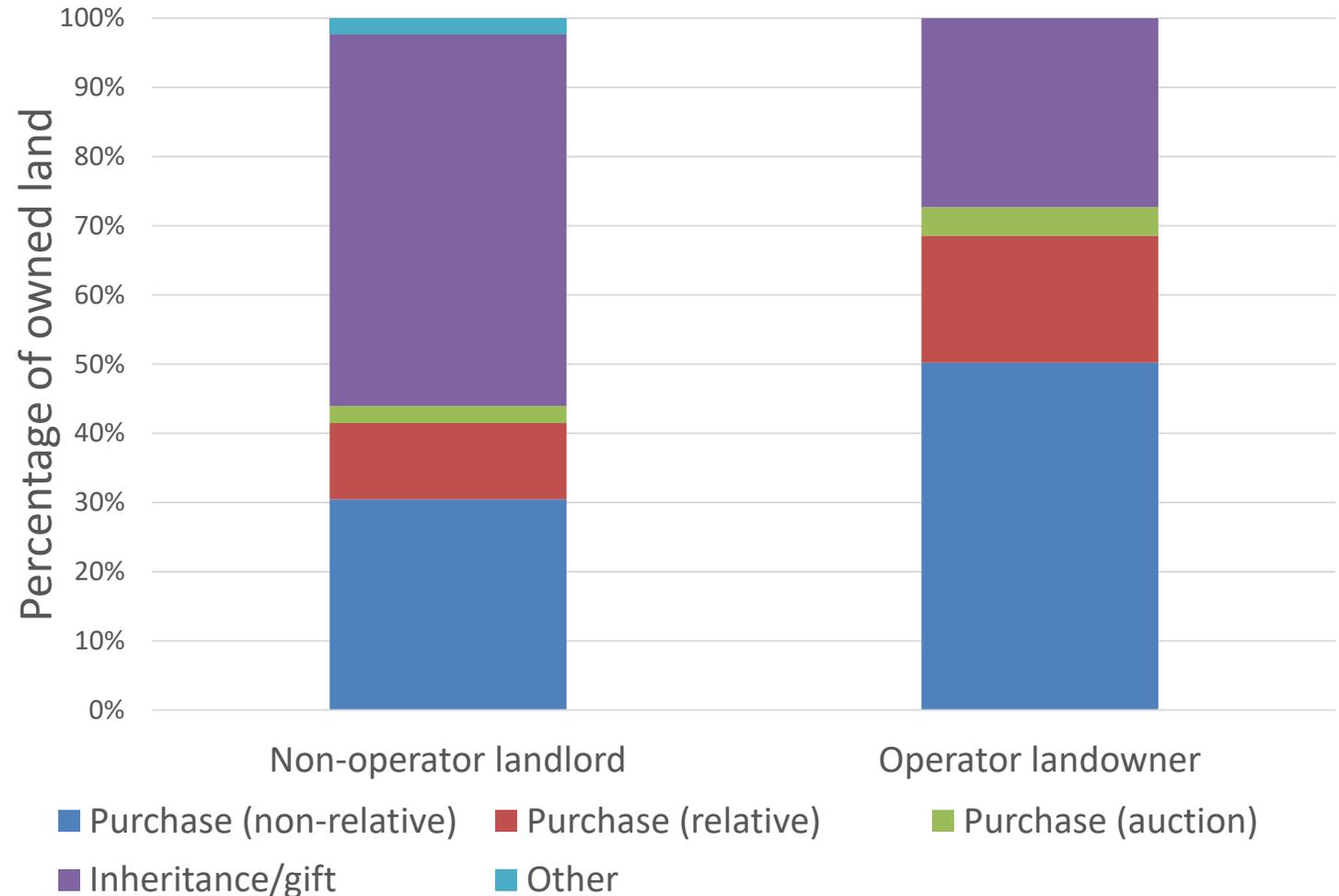


Source: USDA-NASS



Non-operators inherited over half their land

- 54% of land owned by non-operator landlords was acquired through inheritance, while just 30% was obtained via arm's length sales transactions
- In contrast, 50% of land owned by operators was acquired on the open market, and only 27% was inherited or received as a gift



Source: USDA-NASS and USDA-ERS 2014 TOTAL Survey

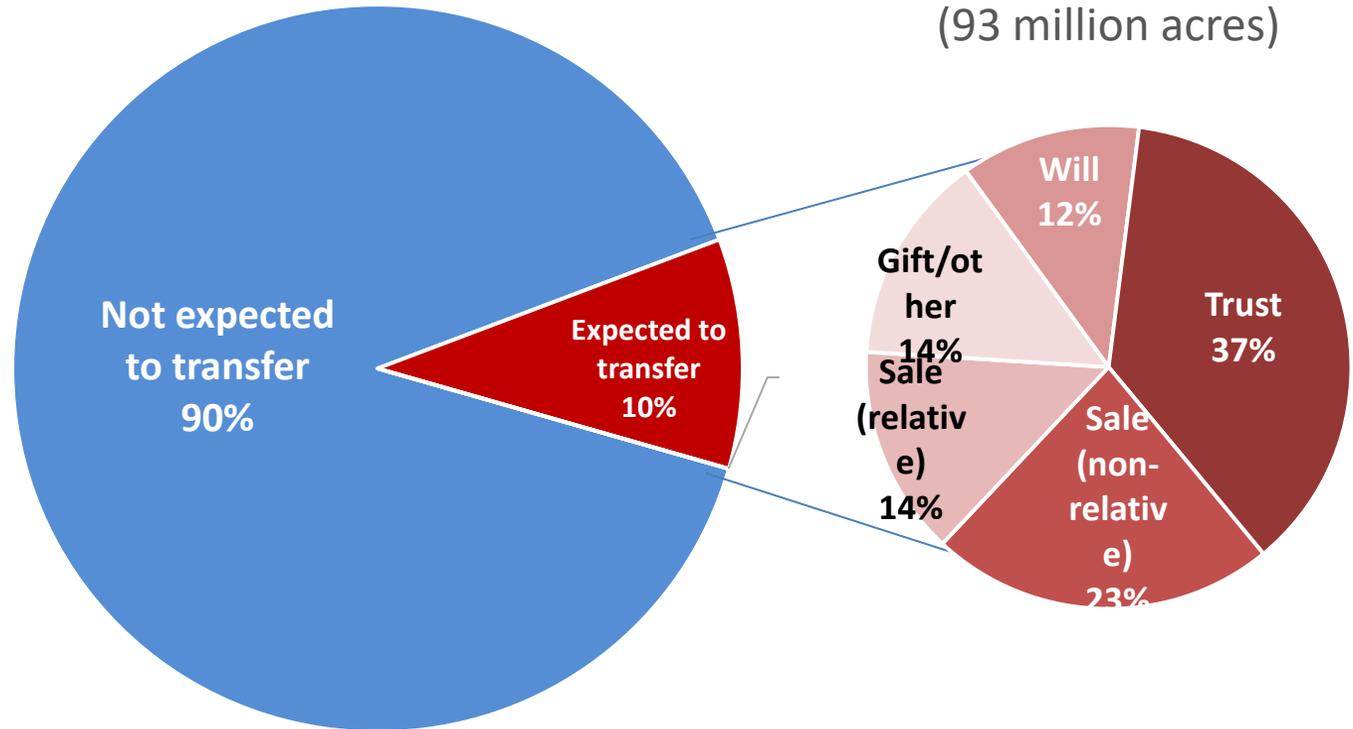


10% of land in farms expected to transfer over 2015-19

Land in farms (911 acres)

Expect transfer method
(93 million acres)

- However, just 2% of all land in farms will be directly sold to non-relatives in the next five years
- Putting land in a trust is by far the most popular transfer method
- If inherited land is subsequently sold, the relatively low proportion of land expected to be put on the market (2%) is a conservative estimate



Source: USDA-NASS and USDA-ERS 2014 TOTAL Survey



Summary/conclusions

- Rental market: transactions costs associated with renting could be a barrier to accessing land for some farmers and ranchers
- Land acquisition: most land owned by current operators was obtained through a purchase from a non-relative
- Transfer plans: only 2% of land will be directly sold to a non-relative in the next five years



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