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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RELEASED

AUGUST 6, 1980

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-199642



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The Honorable Gaylord Nelson
Chairman, Select Committee on
Small Business
United States Senate

Dear Mr. Chairman:

Subject: Nonresident and Nonfarm Operator
Ownership of Farmland (CED-80-125)

This report is in response to your February 22, 1980, letter asking us to investigate the question of nonresident and nonfarm operator ownership of farmland. Specifically, you asked that we review your committee's January 10, 1980, report entitled "Ownership and Control of Farmland in the United States" (Committee Print 56-195) and other sources, including Department of Agriculture (USDA) and Bureau of the Census reports, and respond to a series of questions listed in your letter.

On May 19, 1980, we provided your office with an oral briefing on the results of our review. As requested, we are providing the following synopsis of the information presented at that briefing.

COMPARATIVE ESTIMATES OF FARMLAND PURCHASES
BY NONLOCAL BUYERS

Your letter said that the committee report concluded that data we had gathered 1/ indicated that USDA data on landownership and control is misleading. Our data showed that about 25 percent of the farmland sold in certain areas during an 18-month period was purchased by nonresident businesses and 41.5 percent by nonresidents overall. An earlier USDA report entitled "Farm Real Estate Market Developments," July 1977 (table 22), said that about 15 percent of U.S. farmland was purchased by nonresidents.

1/Report entitled "Foreign Investment in U.S. Agricultural Land--How It Shapes Up," CED-79-114, July 30, 1979.

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We believe that this comparison and the conclusions drawn from it are not appropriate because of factors such as the following.

<u>Factor</u>	<u>USDA report</u>	<u>GAO report</u>
Data period	5 months ended March 1, 1977	18 months ended June 1978
Geographic coverage	48 States	148 counties in 10 States
Data source	Responses from bankers, brokers, real estate agents, and others	Review of county records and dis- cussions with county officials and other knowl- edgeable persons
Extent of data collection	Five most recent purchases in the 5-month period	All land trans- actions recorded in the 18-month period
Type of land	Farm, ranch, orchard, and grove	Farmland (in- cludes cropland, pasture or range- land, orchards, vineyards, and attached woodland and idle land) and timberland
Acreage cutoff point	10 or more acres	25 or more acres
Methodology	Judgmental selection	Probability selection with determined sampling errors and confidence level

Our responses to the specific questions listed in your letter follow.

ARE USDA REPORTS ON TRENDS IN LAND-
OWNERSHIP ACCURATE REPRESENTATIONS OF
TRENDS IN FARMLAND OWNERSHIP PATTERNS?

USDA has published no periodic reports on total land-ownership in the United States. The only serial information from USDA is on certain farm real estate transfers. We interviewed Economics, Statistics, and Cooperatives Service (ESCS) personnel responsible for compiling the data on farm real estate transfers published in USDA's report on farm real estate market developments and discussed with them the methodology for obtaining and reporting the data in the category of "Farm real estate buyers: percentage distribution of acres by type of buyer." The USDA survey collects extensive data on farm ownership at a very low cost, about \$12,000. However, because of the survey design, it is not possible to say whether the reported statistics are accurate for a specific period of time.

The USDA survey design does not incorporate a data confidence level and a desired (target) precision level. Therefore, it is not possible to tell how precisely any of the statistics in the report are estimated. Also, there is no numerical measure or confidence statement of the risk that the statistics given in the report may not represent the true universe value.

The survey procedures have not required that the sampling universe be completely identified and that a selection procedure be used in which each member of the universe has a known probability of being selected. The development of the universe, or sampling frame, of information sources was based on the discretion of USDA State agricultural statisticians operating under very broad guidelines. The USDA survey is designed to obtain current information on land transfers, cover a broad geographic area and obtain information from those believed most likely to be knowledgeable about transfers of farm real estate.

Under this arrangement, the report forms are sent to farm real estate brokers, local bankers, county officials, and others whom the USDA State statisticians believe have knowledge of the farm real estate market in their respective areas. The State statisticians are instructed to try to ensure that they have potential respondents in all the agricultural counties of their respective States. It is

recognized that the development of the universe is judgmental and that some potential respondents may not be identified. There is no way of knowing what impact any such missed respondents would have on the reported data.

The response rate for the USDA survey is low, and the survey results may not be representative of those who did not respond. For the March 1979 survey, available data indicates a response rate of 54 percent. This percentage is somewhat overstated because some State statisticians reported only the number of report forms received and not the number mailed out. The potential effect of the unknown data from those who were solicited but did not respond is unknown.

The Director, National Economics Division, ESCS, explained that a primary reason for the reported low response rate could be that only 2 to 3 percent of the farmland changes hands in any year and that it is possible that those solicited had no sales to report.

USDA's reporting period consists of the 5-month period October 1 through March 1. If farm real estate transfers have any seasonal characteristics, the use of this 5-month reporting period may not reveal them. Also, the five most recent transactions reported by those involved in larger numbers of transactions would probably tend to be skewed toward the latter part of the 5-month period. This could compound the seasonality problem.

The Director said there is no evidence to suggest that there is any seasonal pattern of farmland transfers.

Persons solicited are requested to report the five most recent transactions. Those who know of five or fewer transactions are to report information for all of them. The result is that transactions reported by those who know about fewer transactions are overrepresented in the statistics and, conversely, transactions reported by those who know about many transactions are underrepresented.

The Director cited the consistency of the statistics over time but indicated that the actual level of absentee buyers could be higher or lower than that reported.

IS IT POSSIBLE TO ESTIMATE THE PERCENTAGE OF
FARMLAND CURRENTLY OWNED AND CURRENTLY BEING
PURCHASED BY FARMERS? BY NONRESIDENTS?

Farmland purchases

The only data we found on farmland purchases nationwide is that contained in USDA's report on farm real estate market developments. Our views on the accuracy of this data are discussed above.

Farmland ownership

We identified two sources of data on farmland ownership in the United States: the Census of Agriculture compiled by the Bureau of the Census and the U.S. landownership survey compiled by USDA. Our observations on these data sources, as well as other initiatives underway to provide additional information on farmland ownership in the United States, follow.

Bureau of the Census

Our inquiries indicate that the Census of Agriculture does not provide information on all farmland owners since its data deals only with farmland owned by farm operators and does not provide data on farmland owned by others. However, the Bureau has initiated two efforts to complement its 1978 Census of Agriculture which should provide useful information on this subject.

1978 Census of Agriculture - Area Sample--This survey, covering 40,000 to 50,000 farms, was initiated to provide estimates for the farms not included on the mail list for the agriculture census. The Bureau added inquiries to this vehicle that will provide data on the extent to which farmland owners hire managers to operate the farms. The results of the manager inquiries should be available in the spring of 1981.

1979 Farm Finance Survey--This survey will show characteristics of farmland operators and landlords and should be completed in the spring of 1981. It is composed of two separate surveys.

--Operators Report (79-A9A) which is to be sent to about 45,000 farm operators and will provide data on operator ownership, identify landlords renting land to farm operators, and indicate whether there was a hired manager.

--Landlords Report (79-A9B) which is to be sent to the landlords identified in the operators reports described above. The results will show the characteristics of landlords by type of ownership, place of residence, and occupation.

In addition, the Bureau will have county-level data available from the 1978 Census of Agriculture in an unpublished form that will show farmland owned and operated and farmland operated but rented from others.

Department of Agriculture

USDA's report "Landownership in the United States, 1978," which was based on the results of its 1978 U.S. landownership survey, showed about 1.35 billion acres of privately owned land in the United States. The report also provides national and regional statistics about the land and information on characteristics of those who own it, such as age, occupation, income, and place of residence. According to the report, there are about 937.8 million acres of privately owned farmland. Summary information derived from the report and supplementary data provided by ESCS on the residence and occupation of the landowners follows.

<u>Residence of landowners</u>	<u>Farmland</u>	
	<u>Acres</u>	<u>Percent</u>
	(millions)	
County in which land is located	711.5	76
State in which land is located but different county	152.7	16
Different State	59.0	6
Foreign country	.3	0
No response	<u>14.3</u>	<u>2</u>
Total	<u>937.8</u>	<u>100</u>

<u>Occupation of landowners</u>	<u>Farmland</u>	
	<u>Acres</u>	<u>Percent</u>
	(millions)	
Farmer	528.9	57
Retired	156.6	17
White collar	134.1	14
Blue collar	68.5	7
Other	<u>49.7</u>	<u>5</u>
Total	<u>937.8</u>	<u>100</u>

WHAT DATA, IF ANY, EXISTS TO RELATE TRENDS
IN FARMLAND OWNERSHIP TO THE COST OF FARMLAND?

Bureau of the Census

The Census of Agriculture is geared to the economic aspects of farming and is directed to the farm operator concept rather than to the farmowner concept. For example, it does not include data on nonoperator owners of farmland. However, the 1979 farm finance survey discussed earlier is to provide data on the characteristics of farm landlords. If this type of data is obtained in the 1982 Census of Agriculture, some information on trends in this regard will be available.

Department of Agriculture

Our inquiries did not identify any USDA data that relates trends in the cost of farmland to trends in farmland ownership. As part of its farm real estate market developments report, USDA publishes an index of U.S. farm real estate values per acre which shows estimates of average changes in farmland values for the 48 contiguous States as a whole and for each State individually. However, the data in this index is limited because it does not account for variations in farmland values across a particular State.

If USDA conducts its U.S. landownership survey every 5 years--as is being considered for 1983--trend data would become available in the future.

DOES BUREAU OF THE CENSUS DATA PROVIDE AN ACCURATE PICTURE OF THE TRENDS IN THE OWNERSHIP OF FARMLAND BY FARM OPERATORS? IS THE BUREAU'S DEFINITION OF FARM OPERATOR ADEQUATE?

The Bureau's overall definition of farm operator has been consistent over time. However, data on the managed farms subclassification has not been separately obtained since the 1964 Census of Agriculture. Before the 1969 census, farm operators were classified as either managers, full owners, part owners, or tenants. In dropping the "manager" classification, the farm operators previously classified as managers are now classified as full owners, part owners, or tenants, as applicable. Due to this change in subclassification, the ownership data collected by the Census of Agriculture since 1969 is not fully comparable to data reported in 1964 and prior census years. Accordingly, comparison of the data would not show an accurate trend.

Whether the Bureau's current classification of the farm operators as full owners, part owners, or tenants is adequate would in our opinion depend on the purpose the data is to serve and who is using it. According to Bureau officials, if the results of their 1978 area sample and the 1979 follow-on farm finance survey show that there is a problem with regard to the current tenure classification--for example, a marked increase in the number of farm managers or the acreage operated, or changes in the characteristics of operators or owners--consideration will be given to identifying and providing separate totals for managed farms.

WHAT WOULD BE THE COST OF IMPLEMENTING THE SURVEYS RECOMMENDED BY THE COMMITTEE REPORT?

We talked with Bureau of the Census and USDA officials about the cost of implementing the surveys recommended in the Committee Print. The committee called for USDA to repeat its land ownership survey, with some adjustments, every 5 years and for the Bureau to consider repeating, with some changes, its survey of landowner characteristics with every census. The Bureau was also asked to consider certain alternate procedures if regular local level surveys of landlords are too expensive. The following estimates were provided.

Bureau of the Census

Due to expressed interest of data users, the Bureau is considering repeating the farm finance survey in 1983. It would be similar to that being conducted at present but would not provide detailed data on the characteristics of landowners. It is estimated that such a survey would cost about \$800,000 to provide national- and regional-level data.

In order to obtain detailed data on landowner characteristics at the State level, the Bureau is considering a survey following the 1982 Census of Agriculture of approximately 40,000 to 50,000 observations at an estimated cost of \$1.7 to \$2 million. This survey would update information to be provided in the landlord portion of the 1979 Farm Finance Survey and would provide a continuing series of data about the characteristics of nonoperating owners. To expand this data to the county level would require the mailing to 400,000 to 500,000 respondents with a cost of up to about \$10 million.

If the Bureau were to decide to revert to its earlier practice (in its census of agriculture) of breaking out data on the percentage of farmland owned and rented from others by farm operators and those who hire managers, it would not require additional funds but would increase the respondent burden.

Final decisions on the above surveys must await determination of the Bureau's budget requests for fiscal year 1982.

Department of Agriculture

According to the Director, Natural Resources Economics Division, ESCS, a periodic landownership survey similar to the 1978 survey would cost about \$1 million. The cost of restructuring the definitions and further analyzing the existing classification of corporations and large partnerships, as suggested in the Committee Print, would not add significant additional costs to the survey.

HOW SERIOUS A PROBLEM IS NONFARM-
OWNERSHIP OF FARMLAND COMPARED
WITH FOREIGN OWNERSHIP?

We are not in a position to say what would constitute a problem in this regard. According to the USDA landownership

survey, about 23 percent of the privately owned land in the United States is owned by persons living outside the county where the land is located. About .03 percent is owned by persons living outside the country.


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We made our review and related inquiries at USDA headquarters in Washington, D.C., and at the Bureau of the Census headquarters in Suitland, Maryland. Our review included an evaluation of pertinent sections of the USDA reports on farmland cited in your Committee Print (56-195) and the Bureau's current classification of farm operators used in the 1974 Census of Agriculture.

We met with USDA and Bureau officials to get their comments on the matters discussed in this report. They generally agreed with our observations, and their comments have been incorporated where appropriate.

As arranged with your office, we will make this report available to other interested parties 2 days after issuance.

Sincerely yours,


for Henry Eschwege
Director