

What Our Students Should Know: Perspectives from California

By Wayne Howard and Jason Tyner

ABSTRACT

California rural appraisers were surveyed about what they thought should be included in a college-level rural appraisal course. In addition, they were asked their income and age. Results indicate that the average California rural appraiser is 46-55 years old, has an annual income of \$75,000 or more, and is licensed as a Certified General Appraiser. Asked to rank the relative importance of selected topics to be taught in a college-level rural appraisal course, respondents thought that the ability to write effectively was the most important, followed by understanding the unique features of rural properties.

Educators continually ask, "What should we teach?" More precisely, what is most important to teach? Given limited time and resources, topics need to be prioritized to ensure that vital skills and information are not somehow overlooked in the rush to produce an educated, skilled graduate.

California Polytechnic State University (Cal Poly) has taught "Farm Appraisal" for over thirty years. The objective of the course has remained the same over time and the evolution of the course: to teach rural appraisal methods in order to meet the need for qualified rural appraisers for California. These methods are taught in a ten-week quarter. It is imperative that the vital skills and information required for high quality, professional rural appraisers be taught in that class.

Very few freshmen enter Cal Poly with the intention of becoming a rural appraiser. More commonly, students first learn about appraisal as a profession in the course. However, many of these students go on to seek careers in the profession.

This paper reports results from a survey of California rural appraisers. The objectives of the study were: 1) to ensure that what we teach in Farm Appraisal is relevant and includes those vital skills and information necessary for high quality, professional appraisers; and 2) to provide students with an accurate estimate of what they can expect to earn as appraisers.

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Methods

Members of the California Chapter of the American Society of Farm Managers and Rural Appraisers (ASFMRA) were surveyed in Spring, 2002. The questionnaire was based on topics covered in the ASFMRA A-10 *Fundamentals of Rural Appraisal* course and Cal Poly's AGB 326 *Farm Appraisal* course. Several rural appraisers reviewed the questionnaire prior to mailing. In all, respondents were asked to rank the level of importance of seventeen different skills, such as "ability

to access and comprehend soils maps," on a 5-point Likert scale (1= Least Important to 5 = Most Important). Professional attributes and characteristics were also requested.

We followed Dillman's enumeration method. A cover letter explained the purpose of the survey and that confidentiality would be maintained. The initial mailing was followed with a second mailing one week later (Dillman).

Table 1: Appraisal activities, age, years experience, professional designation, professional affiliations, and income, Californai rural appraisers.

	Number	Percentage
Current Appraisal Activities:		
Fee Appraiser	99	56%
Agricultural Lending	49	28%
Commercial Bank	14	8%
Government Agency	5	3%
Farm Manager	10	7%*
Total		177
Age		
Under 25 years	1	1%
26 – 35 years	16	9%
36 –45 years	38	21%
46 – 55 years	60	34%
56 – 65 years	35	20%
Over 65 years	29	16%
Total		179
Highest Professional Designation		
Certified General Appraiser	102	75%
Accredited Rural Appraiser	27	20%
Candidate	2	1%
Accredited Agricultural Consultant	5	4%
Total		136
Professional Affiliations		
American Society of Farm Managers and Rural Appraisers	151	94%
Appraisal Institute	6	4%
American Society of Appraisers	2	1%
International Right of Way	2	1%
Total		161
Income		
Under \$49,999	14	9%
\$50,000 - \$74,999	49	32%
\$75,000 - \$99,999	33	22%
Over \$100,000	57	37%
Total		153

Average number of years in the appraisal business:
23.5 years, standard deviation 11.7 years; 173 responses

* May not equal 100% due to rounding.

Results and Discussion

Approximately 230 questionnaires were mailed in April and May, 2002 to current California Chapter members as listed in the 2002 Membership Directory. Addresses were not sorted by designation. The response was high: 177 questionnaires were returned for a 77 percent return rate. However, not all respondents answered all questions.

Characteristics

The respondents' current appraisal activities, age, professional designation, income range, and years in the business are reported in Table 1. More than half (56%) of the respondents were private fee appraisers, about a quarter worked with agricultural lending institutions, about 8 percent with commercial banks, and 3 percent were with government

agencies. Only 6 percent reported their primary activity as "Farm Manager."

Respondents were asked their age in ranges (under 25 years, 26-35, 36-45, 56-65, and over 65 years). The mean and median were both in the 46-55 years range. The average response for, "How many years have you been in the appraisal business?" was 23.5 years, with a relatively large standard deviation of 11.7 years.

Over two-thirds of those responding (102 out of 136) wrote "Certified General" as their "highest professional designation," with an additional 20 percent listing "Accredited Rural Appraiser." Only two wrote in "Candidate" and five "Accredited Agricultural Consultant." An additional forty-one respondents left that question blank.

Table 2: Survey of California rural appraisers - ranking of selected appraisal topics.

Topic	Mean	Std. Dev.	Responses
1. Ability to write effectively	4.54*	0.69	176
2. Understanding unique rural property features, such as water rights.	4.44	0.78	176
3. Ability to capitalize the value of a property given its net income.	4.32	0.82	177
4. Ability to estimate a capitalization rate.	4.31	0.85	177
5. Ability to allocate value between land and buildings.	4.2	0.78	177
6. Computer skills.	4.16	0.83	176
7. People skills.	4.15	0.86	176
8. Concerning the time value of money, ability to calculate the present value of a future sum.	4.08	0.86	177
9. Ability to access and comprehend soils maps.	4.06	0.87	177
10. Ability to determine value against time trends.	4.02	0.89	177
11. Concerning time value of money, ability to calculate the present value of a stream of payments, such as a lease amortization for equal total payments.	3.99	0.94	177
12. Ability to access and use courthouse documents such as deeds, tax information, and legal descriptions.	3.8	1.04	176
13. Ability to estimate replacement costs of agricultural and commercial structures using the Marshall and Swift Handbook.	3.66	0.91	177
14. Ability to access and comprehend hazard maps.	3.4	0.92	176
15. Ability to estimate replacement costs of residential structures using the Residential Cost Handbook.	3.2	1.03	176
16. Coursework in accounting.	2.89	0.94	175
17. Determining primary and secondary enterprises for a county.	2.86	0.95	175
* 5 = Most Important, 1 = Least Important			

As expected, when asked about affiliations with professional associations, the great majority listed ASFMRA. Six listed the Appraisal Institute, two the American Society of Appraisers, and two the International Right of Way.

When asked about their income range, over one-third reported incomes of over \$100,000, 21 percent in \$75,000 - \$99,999, about one-third in the \$50,000 - \$74,999 range and only 9 percent reported incomes of under \$49,999. Twenty-four respondents did not answer the question.

The picture of a rural appraiser that emerges from these results is a middle-aged (46-55 years old) professional, with several years experience, and an income comfortably above the U.S. average of \$40,290 (U.S. Census Bureau). These results can also be viewed with a high level of confidence: the California Office of Real Estate Appraisal reports the average age of licensed appraisers was 48 years in 2002, with men slightly older than women (49.1 vs. 46.0) (Office of Real Estate Appraisal). Implications for students are that rural appraisal can be financially rewarding, and that given the current age structure, there is a need for new appraisers to enter the profession.

Relative Importance of Appraisal Topics

The survey questions ranked in order of "Most Important" to "Least Important" are reported in Table 2. Communication skills were ranked highly. "Ability to write effectively" was ranked first, and computer and people skills ranked sixth and seventh, respectively. "Understanding unique rural property features" was ranked second. The uniqueness of rural versus residential appraisal has repeatedly and emphatically been reported to the authors by several rural appraisers. The uniqueness of rural appraisal further emphasizes the importance of effective writing skills needed for a narrative report. The form reports often submitted for residential appraisals are not sufficient given the unique nature of rural properties. Issues such as water quality and quantity rarely need to be documented on most residential appraisals, but are standard sections of narrative rural appraisal reports.

"Ability to capital a value of a property given its net income" and "ability to estimate a cap rate" were ranked third and fourth.

The importance of the income approach to value further emphasizes the difference of rural versus residential appraisal. The time value of money, in terms of "the present value of a future sum" and "the present value of a stream of payments" (ranked eighth and eleventh, respectively) are related to the concept of capitalization of a stream of income, and were ranked as important but of lesser importance than the ability to estimate a capitalization rate and the income approach to value.

Somewhat surprising was that the ability to estimate replacement costs for either agricultural and/or commercial (thirteenth) or residential structures (fifteenth) using the Marshall and Swift books were both ranked lower than the "ability to access and comprehend soils maps (ninth)." Apparently, if classroom time is limited, rural appraisers would prefer that recent graduates learn about soils maps in college, but estimating replacement costs for a variety of structures is something that can be taught in the office. The previous statement is only somewhat factious: it is possible that rural appraisers want colleges and universities to teach basic skills, such as soil science, but advanced skills, such as determining the quality of a structure in order to correctly estimate a replacement cost, is best learned through experience. Hence, the mix of education and experience required for appraisal licenses throughout the U.S.

Lastly, "coursework in accounting" and being able to determine primary and secondary enterprises for a county were ranked as the least important of all the skills lists. It is likely that appraisers do not discount the value of some knowledge of accounting, but that it should be left to the accountants and not included in a course on rural appraisal.

Types of Enterprises

The respondents were asked about the importance of an "introductory knowledge of ..." five types of agricultural enterprises. Tree crops were ranked most important, followed by field crops, as reported in Table 3. The difference of the mean rank between tree and field crops was not significantly different statistically, nor was knowledge of viticulture significantly different from the first two. However, there was a significant drop in the relative importance from viticulture to dairy cattle and from dairy to beef cattle. These rankings are

somewhat surprising given that milk and cream have been the number one agricultural value in California for several years. However, dairy production is quite concentrated in a few counties, while tree and field crops exist throughout the state.

The respondents were given the opportunity to fill in "other" enterprises and to rank their importance. These "other" enterprises included timber, packing sheds, wineries, coolers, horse ranches, poultry processing plants, nurseries and exotic enterprises. A few respondents used the opportunity to add notes about the importance of integrity and ethics.

Ending Comments

Five points can be made on the above results. First is the high level of support and interest in training the next generation of appraisers. Not only was the response rate for the survey high, there were quite a few hand-written comments of support and encouragement.

Second is that good communication skills are imperative in rural appraisal. Both written and verbal skills ("people skills") are important. Similar studies have had similar results (Howard, Howard et al.). However, getting students to understand the importance of communication can be problematic.

The third point follows from the second: rural appraisal is not the same as residential appraisal. The three approaches to value may be the same for all types of properties, but each and every rural property is unique. The nature of rural properties requires an understanding of rural matters and can only be documented

Table 3: Relative importance of an introductory knowledge of types of enterprises

Type of Enterprise	Mean	Std. Dev.	Responses
Tree Crops	3.80*	0.88	171
Field Crops	3.74	0.88	171
Viticulture	3.65	0.97	170
Dairy Cattle	3.44	1.01	168
Beef Cattle	3.27	0.98	170
Other	3.08	1.11	164

* 5 = Most Important, 1 = Least Important

and explained in a narrative report.

Fourth is the importance of the income approach in rural appraisal, and the underlying financial tools necessary to apply the income approach (e.g., estimating the capitalization rate, computing the time value of money, etc.)

Fifth is that students can be assured that rural appraisal can be both an interesting and financially rewarding career. More than half the respondents reported earning over \$75,000 annually.

A final caveat about these results is in order: these results may be valid only for California. An expanded, national survey may be in order to determine if regional differences exist, and if so, do they in any way impact the profession.

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