



Land Parcel Sales

Executive Summary

A land parcel is a plot of land that can be located in either an urban or rural area. Small parcels can range from a few acres to several hundred acres in size. Land parcel sales are part of real property (the land including any growing crops and permanent fixtures) or real estate sales and subject to all applicable state and local taxes, zoning ordinances, and regulations. Agricultural land parcel sales may be regulated by additional statutes that address corporate and foreign investor acquisitions.

Highlights

- The price per acre of agricultural land is inversely related to parcel size; the smaller the land parcel, the larger the premium buyers are willing to pay, especially for lands located close to urban areas. The boundary of a land parcel during sale is determined by the seller.
 - As a parcel's size increases, the likelihood that the parcel will be used for agricultural production also increases.
- Research on small parcels of land finds that densely populated areas, areas close to cities, quality roads, and greenery all raise sale prices. Small parcel premiums have been observed to decrease as the distance from urban areas and the distance from quality roads increase.
- States vary in their regulation of agricultural land sales.
 - Iowa and Missouri both have restrictions on the ability of foreign investors to acquire agricultural land. They also restrict the ability of corporations to purchase agricultural land.

Limitations

- Very little research exists that investigates the effect of different policies on agricultural land sales.

Research Background

Land Parcel Sales

Land parcels are divided land plots and can be located in urban or rural areas. Land parcels can range from a few acres to several hundred acres in size. Land parcel sales are part of real property or real estate sales. Real estate laws govern who may own and use the land parcels.

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They can include land and/or the buildings and fixtures permanently attached to it, and are used and assessed for agricultural, commercial, industrial, residential or utility purposes. They are subject to all applicable state and local taxes, zoning ordinances, and regulations.¹

Multiple Land Parcels Sales

Like all other land classifications, land parcels have their own requirements and regulations. According to Missouri law ([RSMo 528.390](#)), "if the premises consist of distinct buildings, farms, tracts or lots of land, they shall be sold separately; or when any tract of land or lot can be further divided for the purpose of sale, with advantage to the parties interested, it may be so divided and sold in parcels."

However, when someone wants to sell land that consists of more than one parcel of land or land with buildings on it, then the U.S. Department of Agriculture (USDA) [requires](#) that each parcel be conveyed in its entirety during the sale and that the land parcels be adjoined to one another, unless divided by a road. Additionally, the USDA requires that each parcel has the same basic zoning requirements (i.e., agricultural) and that the entire property contains only one dwelling unit (a house often used as a principal residence), but allows additional non-residential, non-income producing buildings (i.e., a garage).

Land Parcel Size and Prices

Land fragmentation (breaking large tracts of land into smaller land parcels) can be caused by division of ownership or due to changes in land use. Research has shown that size and location affect agricultural land parcel sales. Specifically, buyers are willing to pay a premium for small parcels of agricultural land, especially if the land is close to urban areas.²

In contrast, price per acre decreases with higher parcel sizes. This may be an outcome of the higher demand for smaller land parcels by buyers who are looking for exurban or residential lands to build a home, instead of using the land *solely* for agricultural purposes.³ Another related reason for this may be less competition for large parcels.

Research also suggests that as a parcel's size increases, the likelihood that the parcel will be used for agricultural production increases. Data from agricultural lands in Oklahoma and Texas show that: a) parcel size tends to decrease the closer the lands are to urban areas or roads; b) as those parcels get smaller, a premium and a price per acre increases; and c) small parcels are found more often in counties with high population densities.^{2,4}

Densely populated areas and areas close to cities, quality roads, and greenery raise sale prices as land parcels get smaller.^{2,3} The small parcel premium decreases when the distance from urban areas and the distance from quality roads increase. This suggests that the small parcel premiums may be largely due to parcels being purchased based on non-agricultural use value, as the premium tends to be much larger for parcels with fewer than 160 acres.²

Agricultural Land Sales

Missouri

Since 1975, there have been limitations on the ability of corporations to acquire agricultural land in Missouri ([RSMo 350.015](#)). Specifically, no corporation shall acquire a title to Missouri agricultural land, with some exceptions, including those for family farms and the expansion of agricultural land that is already owned or leased by a corporation. This expansion is limited to a rate of less than 20% of the current acreage in a five-year time period. Missouri agricultural land is also restricted from being sold to a foreign entity if that sale would result in more than 1% of the state's agricultural acreage to be owned by foreign companies ([RsMO 442.571](#)). For more information about the foreign ownership of agricultural land, see our published Science Note [Foreign Agriculture Land Ownership](#).

Other States

In 2022, Alabama introduced [SB 14](#) that would restrict agricultural land ownership to U.S. citizens or resident aliens, with some exceptions, including for nonresident aliens and foreign businesses that already own agricultural land on the effective date of the act. In 2020, 6.2% of Alabama agricultural land was owned by foreign investors, whereas this figure was 2.9% nationwide.⁵ For the purposes of property tax valuation, farmland in Alabama is valued at its current use value, instead of market value.⁶ This is an estimation of the value of the current use of the property on October 1 of any taxable year.

Several states in the Midwest, including Iowa, Kansas, Nebraska, and Oklahoma, have passed laws restricting the ability of corporations to purchase or operate agricultural land. In Iowa, for example, a corporation may not obtain or lease agricultural land in the state with some exceptions, including those for family farms and authorized farm corporations ([IA §9H.4](#)). Authorized farm corporations are further limited from owning or leasing land in excess of 1,500 acres ([IA §9H.5](#)). Iowa also prevents any new purchases of agricultural land by a nonresident alien, foreign business, or foreign government ([IA §9I.3](#)). As of 2020, 1.6% of agricultural land was owned by a foreign investor in Iowa.⁵

Very little research exists that investigates the effect of different policies on agricultural land sales. This represents an area of potential exploration for future research studies.

References

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