

What Our Students Should Know: Perspectives from California – Revisited

By Wayne Howard and Lindy Wilson

Abstract

California farm managers and rural appraisers were surveyed in Fall 2009 to rank the importance of several skills pertaining to their profession. Additional questions included age, income, years of experience, professional designations and affiliations, and whether the Valuation Code of Conduct (VCC) had affected their appraisal activities. On average, California rural appraisers were 52 years old, over half had incomes of \$100,000 or greater, and the VCC has had little impact on their practice. Similar to previous studies, communication skills are thought more important than personal or technical skills.

California Polytechnic State University (Cal Poly) has taught “Farm Appraisal” since 1975. The objective of the course has remained the same over time: to teach rural appraisal methods and to present appraisal as a possible career in order to meet the need for qualified rural appraisers for California. Every time the course was offered, one or two licensed, accredited appraisers would give guest lectures on an interesting case from their practice and rural appraisal as a career option. Cal Poly faculty also attended the annual meetings of the California Chapter of the American Society of Farm Managers and Rural Appraisers (CalASFMRA). By visiting with the guest lecturers and talking with rural appraisers at their annual meetings, Cal Poly received informal advice and suggestions on what to teach. For example, for years appraisers stressed the importance of having the students do a narrative appraisal report on a rural property as opposed to a Uniform Residential Appraisal Report on a residential property.

A more formal assessment of what the course should teach was done in Fall 2002. Members of the CalASFMRA were surveyed to determine what they thought our students should know and to provide students with an accurate estimate of what they could expect to earn as appraisers (Howard and Tyner). California farm managers and rural appraisers were surveyed again in Fall 2009 to see if what was being taught was consistent with what appraisers thought important to know, and to update age and income information. Additionally, rural appraisers were asked what effect, if any, the Valuation Code of Conduct had on their activities.

Survey Design

Members of the California Chapter of the American Society of Farm Managers and Rural Appraisers (ASFMRA) were surveyed in Fall 2009. Respondents were asked to rank the level of importance of different skills on a 5-point Likert scale (1 = Least Important to 5 = Most Important). Several farm managers and rural appraisers reviewed the questionnaire prior to mailing. In all, respondents were asked to rank the importance of 32 items covering communications, personal and technical skills, appraisal practices, knowledge of agricultural enterprises, and if the Valuation Code of Conduct had effected their appraisal activities.



Wayne Howard is professor and Chair, Agribusiness Department. Lindy Wilson is a former undergraduate student, Agricultural Science, California Polytechnic State University.

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 reminder letter one week later (Dillman).

Survey Results and Discussion

Questionnaires were mailed in October 2009 to 247 current California Chapter members as listed in the 2009 ASFMRA Membership Directory. Addresses were not sorted by designation. The response was high; 138 questionnaires were returned for a 56 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. About half (48%) of the respondents were private fee appraisers, about a third worked with agricultural lending institutions, seven percent with commercial banks, and four percent were with government agencies. Only nine percent reported their primary activity as "Farm Manager." The total of 149 is greater than the total survey response of 138 as several reported more than one activity.

Over half (51%) reported working in appraisal for over 26 years. Only nine percent could be considered "new" to appraisal, with less than five years experience. Average age was 52 years old, and ranged from 23 to 85.

A third reported "Accredited Rural Appraiser" as their highest professional designation, while almost half (45%) reported "Certified General Appraiser". Again the total is greater than the survey response as several respondents reported both "Certified General Appraiser" (a license) and a professional designation. As expected, when asked about affiliations with professional associations the great majority listed ASFMRA. However, 24 listed the Appraisal Institute, six the American Society of Appraisers, seven the International Right of Way, and nine the Royal Institute of Chartered Surveyors.

When asked about their income range, about a third reported income over \$125,000 per year and 26 percent between \$100,000 and \$125,000. Only 10 percent reported income under \$49,000.

The picture of a rural appraiser that emerges from these results is a middle-aged professional, with several years experience and an income

well above the U.S. average (men's average income in 2008 was \$45,112 – U.S. Census Bureau). Income seems to track with years of experience; the correlation between the two is 0.36 with a significance level of 0.10. The implications of these appraiser characteristics 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 (5 = most important to 1 = least important). "Ability to write effectively" was ranked first, and its ranking was significantly higher than the second rank topic ("Willingness to work"). The next 22 appraisal topics are listed in the order of their mean importance ranking, but there was no statistically significant difference between their mean rankings, i.e., the mean score of "Ability to calculate the present value of a stream of income" was higher than the mean score of "Ability to calculate the present value of a sum," but given the variance around the responses we cannot tell if respondents truly rank one skill as more important than another, or if there are the mean rankings due to random errors. However, we can say the "Ability to estimate replacement cost using Marshall & Swift Residential Handbook" was considered significantly less important than "Ability to estimate replacement cost using Marshall & Swift Valuation handbook," which is not surprising given the types of improvements rural appraisers encounter.

Somewhat surprisingly, "People skills" was ranked as only slightly more important than "Ability to work alone," which was ranked very close to "Ability to collaborate with others." The importance of the "Ability to collaborate with others" and the "Ability to work alone" should be not be viewed as "either/or" but as "both" required. Appraisers are mostly gregarious, regularly consult with others, and invest time and effort in professional networks, but ultimately appraisal reports are written alone. Hence, both the ability to work independently, as well as with others, is important in the profession.

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.

The relative importance of the various appraisal skills may be more informative when grouped into Communication, Personal, and Technical Skills, as reported in Table 3. The last-place ranking of Technical Skills does not indicate that they are unimportant. Rather, that Technical Skills can be learned if a student has good Communication and Personal Skills.

Valuation Code of Conduct

When asked if the Valuation Code of Conduct (VCC) had affected their appraisal activities, 72 percent responded Very Little, Little, or Neutral. Only 28 percent said it had any effect on their activities, with only eight percent saying the VCC had affected their activities “Very Much”. These percentages may be low; only 90 percent of the returned surveys responded to this question. These results are not surprising given that the VCC applies to Fannie Mae- and Freddie Mac-financed residences. Few rural appraisers have anything to do with these types of properties.

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, viticulture, other, dairy, and beef as reported in Table 4. There was no significant difference between the first five enterprises, but there was a significant drop in the relative importance 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 concentrated in a few counties, while tree and field crops and vines are 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.

Ending Comments

These survey results validate what Cal Poly has been teaching in its rural appraisal class for several years: appraisers are still mostly mature professionals, who have been working for several years in the profession, and whose income is well above the U.S. average. They still think that while technical skills and enterprise knowledge is important, the ability to communicate is the most important skill for students interested in the profession. The uniqueness of rural versus residential appraisal has repeatedly and emphatically been reported to the authors by several rural appraisers, in particular 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.

For students these results should be encouraging. For those interested in appraisal, there is room to enter and grow with the profession. Coursework in agriculture, finance, accounting, and appraisal is important, but most important is to learn and continue to practice good communication skills.

Less than a third of the rural appraisers reported that the VCC had any effect on their practice (and only 8% were affected “Very Much”), which demonstrates that rural appraisal is different than residential appraisal. From casual conversations with residential appraisers, the VCC has had a large, negative impact on their business. Moreover, rural appraisal is a very small and specialized segment of the appraisal profession. This survey was mailed to 247 rural appraisers, who represent only two percent of the 13,500 licensed appraisers in California as of Fall 2009 (California Office of Real Estate Appraisers). It is important for students, when first learning about appraisal as a career option, to learn that while methods and tools may be the same, the application of those tools and the resulting career and income are significantly different.

References

California Office of Real Estate Appraisers. <http://www.orea.ca.gov/pdf/OREANewsFall09.pdf>. January, 2010.

Dillman, Don A. *Mail and Telephone Surveys: The Total Design Method*. John Wiley & Sons, New York, 1978.

Howard, Wayne and Jason Tyner. "What Our Students Should Know: Perspectives from California." *Journal of American Society of Farm Managers and Rural Appraisers*, Vol. 66, No. 1, 2003:41-45.

U.S. Census Bureau. http://pubdb3.census.gov/macro/032006/perinc/new03_001.htm. January, 2010.

Table 1. Professional activities, age, years experience, professional designation, professional affiliations, and income, California rural appraisers

	Number	Percentage ^b
Professional Activities: ^a		
Fee Appraiser	72	48%
Agricultural Lending	48	32%
Commercial Bank	11	7%
Government Agency	5	4%
Farm Manager	13	9%
Total	149	
Years of Appraisal Experience		
Under 5 years	11	9%
6 to 15 years	27	22%
16 to 25 years	23	18%
Over 25 years	64	51% ^b
Total	125	
Highest Profession Designation ^a		
Certified General Appraiser	81	45%
Accredited Rural Appraiser	59	32%
Accredited Agricultural Consultant	6	3%
Accredited Farm Manager	12	7%
Consultant	6	3%
Associate	18	10%
Professional Affiliations ^a		
American Society of Farm Managers and Rural Appraisers	129	74%
Appraisal Institute	24	14%
American Society of Appraisers	6	3%
International Right of Way	7	4%
Royal Institute of Chartered Surveyors	9	5%
Income		
Under \$49,999	11	10%
\$50,000 - \$74,999	14	12%
\$75,000 - \$99,999	23	20%
\$100,000 - \$125,000	29	26%
Over \$125,000	36	32%
Total	123	

^a Some respondents reported more than one Activity/Designation/Affiliation

^b Does not sum to 100% due to rounding error

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

Topic	Mean ^a	Std. Dev.	Responses
1. Ability to write effectively	4.83 ^b	0.37	138
2. Willingness to work.	4.69	0.51	138
3. Ability to determine best and highest use.	4.69	0.51	137
4. Ability to use all three valuation methods.	4.64	0.57	136
5. Understand unique features of property.	4.58	0.61	138
6. Ability to comprehend written instructions.	4.48	0.66	137
7. Ability to prioritize.	4.45	0.57	138
8. Computer skills.	4.44	0.63	138
9. Ability to allocate value between land and buildings.	4.39	0.70	137
10. Ability to capitalize the value of a property given its net income.	4.38	0.63	137
11. Ability to estimate a capitalization rate.	4.35	0.63	137
12. Ability to access and comprehend legal documents.	4.34	0.66	138
13. Ability to calculate the present value of a stream of payments	4.33	0.63	136
14. Ability to calculate the present value of a sum.	4.31	0.66	137
15. Ability to produce a competent business letter.	4.31	0.69	138
16. Phone skills.	4.27	0.61	138
17. Ability to access and comprehend soils and hazard maps.	4.26	0.65	175
18. Ability to determine value against time trends.	4.25	0.73	137
19. People skills.	4.24	0.61	138
20. Ability to work alone.	4.21	0.75	138
21. Ability to collaborate with others.	4.20	0.68	138
22. Confidence in new environments.	4.11	0.68	138
23. Ability to estimate replacement cost using Marshall & Swift Valuation handbook.	4.04	0.72	137
24. Ability to estimate replacement cost using Residential Cost Handbook.	3.67 ^b	0.82	137
25. Coursework in accounting.	3.44 ^b	0.80	137
26. Determining primary and secondary enterprises for a county.	3.25	0.77	137

^a 5 = Most Important; 1 = Least Important

^b Significantly different at the five percent level

Table 3. Skill set ranking

Skill Set	Mean	Std. Dev.
Communication Skills	4.47 ^a	0.13
Personal Skills	4.32	0.09
Technical Skills	4.15	0.08

^a 5 = Most Important; 1 = Least Important

Table 4 Relative importance of an introductory knowledge of types of enterprises

Type of Enterprise	Mean	Std. Dev.	Responses
Tree Crops	4.17 ^a	0.59	136
Field Crops	4.17	0.59	136
Viticulture	4.10	0.60	136
Other (various enterprises)	4.00	0.65	39
Dairy Cattle	3.92	0.74	136
Beef Cattle	3.84 ^b	0.75	135

^a 5 = Most Important; 1 = Least Important

^b Significantly different at the five percent level