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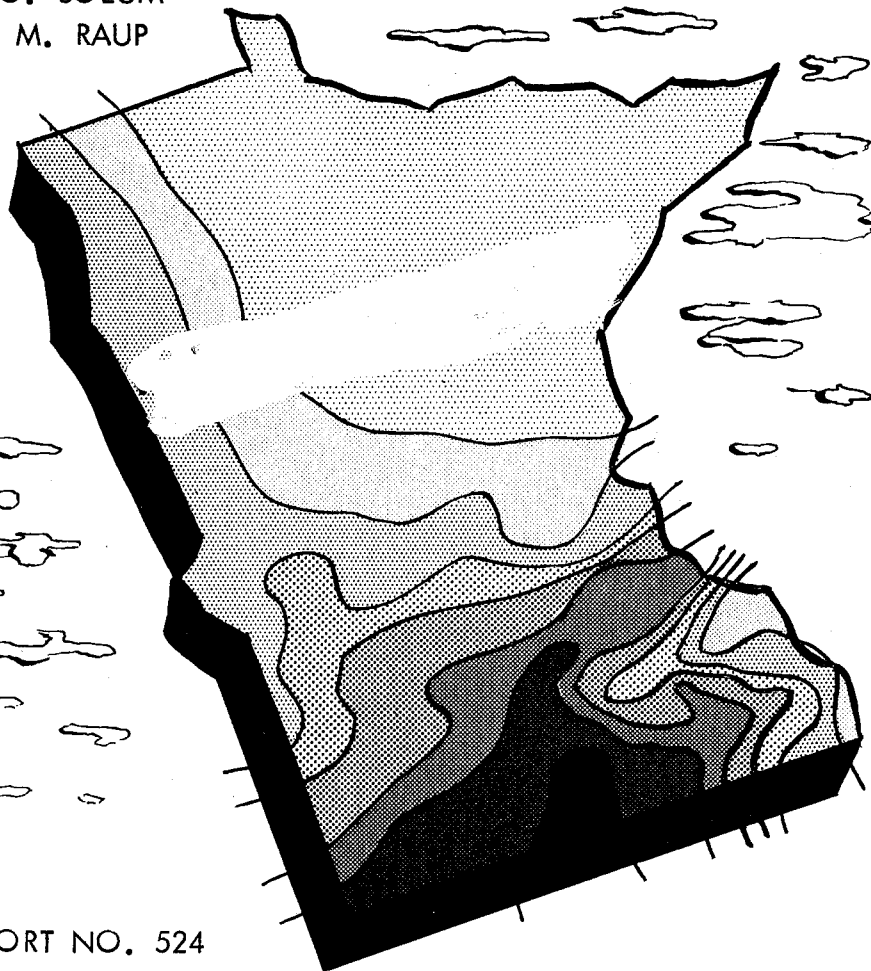
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FEBRUARY 1963

The Minnesota Farm Real Estate Market in 1962

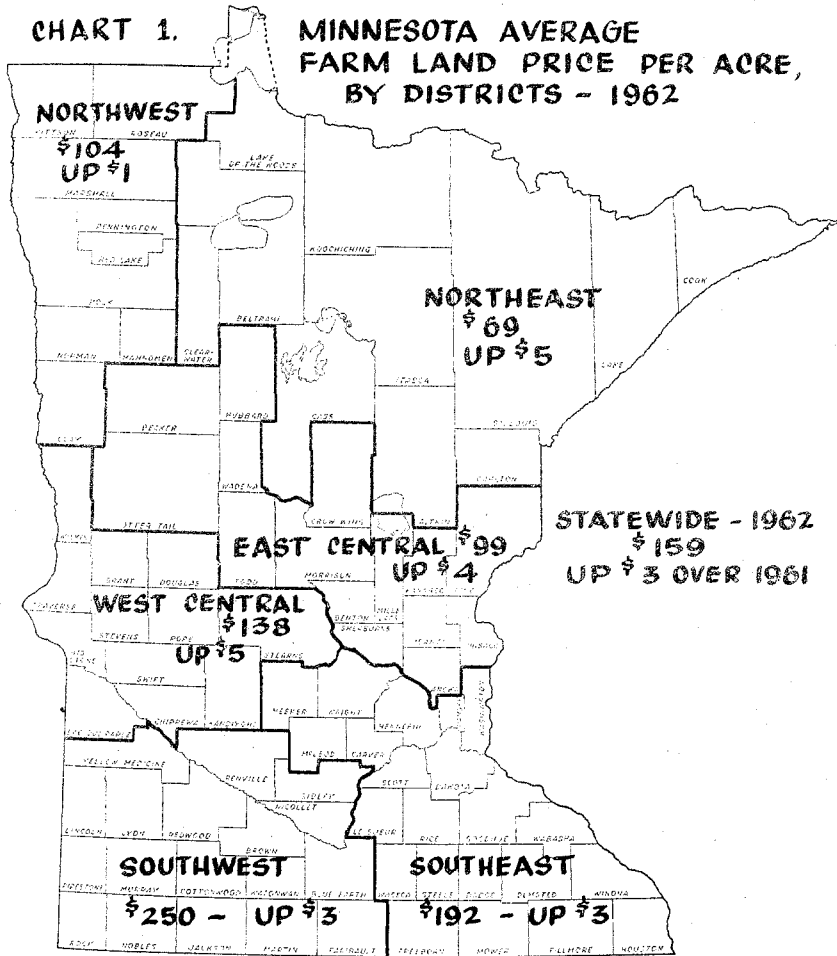
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REPORT NO. 524

DEPARTMENT OF AGRICULTURAL ECONOMICS
INSTITUTE OF AGRICULTURE
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CHART 1. MINNESOTA AVERAGE FARM LAND PRICE PER ACRE, BY DISTRICTS - 1962



SUMMARY

Minnesota land prices resumed an upward trend in 1962 after two years of relatively little change. But the increase of two percent is small compared to the average increase of over eight percent per year from 1953 to 1959.

Activity in the land market remains at a low level with less than 3 percent of the farms changing hands through voluntary sales. This rate of turnover is 25 percent below the 1959 level, according to USDA estimates.

Less than half the farms sold in 1962 were bought by purchasers who intend to operate the land as self-contained units and who owned no other farms. Over 40 percent of the sales were to operating farmers who already owned other farms; investor buyers accounted for the remaining 10 percent of sales.

Credit financing was involved in 81 percent of all farm sales, a new high for the period since World War II. The land contract continues to be the most frequently used credit instrument in all districts of the state except the Southwest.

For the period 1940-1962, the western and southern parts of Minnesota have shown the greatest percentage increase in land values. If we consider the past seven years only, 1955-1962, the greatest increases have occurred in the Northeast and East Central districts.

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The Minnesota Farm Real Estate Market in 1962

by Dale Solum and Philip M. Raup

SECTION I. MINNESOTA LAND MARKET TRENDS

Estimated Land Price Trends

Minnesota farm land prices are relatively stronger in 1962 than in the two previous years but the 2 percent increase is small when compared with the average 8 percent increase per year, 1953 through 1959. The 1962 average price per acre is estimated at \$159, compared with \$156 in 1961. This is about 1.9 percent above the 1961 level but only 1.3 percent higher than the 1959 average of \$157 per acre which was the previous high. The estimates and trends are shown in Table 1.

Table 1. Estimated Average Price per Acre of Minnesota Farmland ^{a/}

District ^{b/}	Y E A R									
	1962	1961	1960	1959	1958	1957	1956	1955	1954	
	dollars per acre									
Southeast	192	189	188	191	179	165	156	150	139	
Southwest	250	247	248	255	242	230	214	205	187	
W. Central	138	133	133	134	123	122	107	103	99	
E. Central	99	95	94	89	84	77	70	68	66	
Northwest	104	103	99	103	90	86	76	73	72	
Northeast	69	64	64	58	65	49	42	45	40	
MINNESOTA	159	156	155	157	147	138	126	121	113	

^{a/}Based on mail questionnaires for the period January - June. In 1962, questionnaires were returned by 904 respondents located throughout the state. A total of 740 returns were adequately filled in. Reporters are farm real estate dealers, bankers, farm loan agents, lawyers and others with knowledge of their local farm real estate situation.

^{b/}See Chart 1, inside front cover, for district boundaries. Hennepin and Ramsey counties (Minneapolis and St. Paul) were excluded in computing district and statewide averages.

Estimated prices in each of the six districts showed an increase over 1961 levels but with substantial variation among districts in terms of percentage changes. In five of the six districts the average estimated price level is at an all time high. The exception is the Southwest district, which is still five dollars below its high of \$255 per acre in 1959. The

Table 2. Estimated Number of Farm Title Transfers per Thousand Farms, by Methods of Transfer, Year ending March 15, Minnesota, 1952-62.^{a/}

Year	Voluntary Sales	Forced Sales (Foreclosures, Tax Sales, etc.)	Inheritance, Gift and All Other Transfers	Total, all Classes
1962	29.3	1.9	10.4	41.6
1961	29.0	2.6	7.7	39.3
1960	34.5	2.7	9.9	47.1
1959	39.7	2.6	11.4	53.7
1958	35.6	3.5	14.7	53.8
1957	34.0	2.8	15.6	52.4
1956	31.1	6.4	12.9	50.4
1955	32.5	3.0	9.8	45.3
1954	27.1	1.2	11.5	39.8
1953	28.4	1.6	9.2	39.2
1952	31.4	2.2	10.8	44.4

^{a/}Compiled from the annual March estimates, published in "Current Developments in the Farm Real Estate Market," U. S. Department of Agriculture.

Table 3. Trends in Number of Farms Sold, Minnesota, by Districts, 1960-1962 ^{a/}

District	Percent of All Reporters Indicating:								
	An Increase			A Decrease			No-Change		
	1962	1961	1960	1962	1961	1960	1962	1961	1960
	percent			percent			percent		
Southeast	5	5	2	25	29	46	70	66	52
Southwest	7	6	2	23	28	54	70	66	44
W. Central	10	2	4	27	31	50	63	67	46
E. Central	16	4	13	14	26	25	70	70	62
Northwest	2	3	8	17	17	18	81	80	74
Northeast	10	17	10	18	11	13	72	72	77
MINNESOTA	8	5	5	22	27	42	70	68	53

^{a/}Proportion of all reporters indicating an increase, a decrease, or no change.

Southeast showed a decrease in average price of high grade land, offset by a substantial gain in the price of low grade land. The same was true for the Northeast where decreases in the price of high and medium grade land were more than offset by large increases in low grade land. The other four districts showed price increases in all three grades of land. The largest dollar changes were in the West Central and the Northeast districts, each increasing an estimated five dollars per acre. The Northeast showed the greatest percentage increase of approximately 8 percent.

Farm Transfers

According to the annual March estimates by the USDA, activity in the farm land market is still low with only 41.6 farms transferred for every 1000 farms in Minnesota. (See Table 2.) The number of farms transferred through inheritance and gifts showed the largest increase, with 10.4 transfers per 1000 farms in 1962 compared to 7.7 for 1961. There was little change in the rate of voluntary sales, while forced sales (foreclosures, tax sales, etc.) were at the lowest point since 1954.

The USDA estimate showing little or no change in the rate of farm sales is supported by reporters' estimates shown in Table 3. For the state as a whole, 70 percent of all reporters indicated no change over last year in the number of farms sold. The number of farms listed for sale remains at approximately the same level as last year, as shown in Table 4.

Table 4. Trends in Number of Farms Listed for Sale, by Districts, Minnesota, 1960-62

District	Percent of All Reporters Indicating:								
	An Increase			A Decrease			No-Change		
	1962	1961	1960	1962	1961	1960	1962	1961	1960
	percent			percent			percent		
Southeast	10	12	13	18	14	20	72	74	67
Southwest	13	14	17	15	17	20	72	69	63
W. Central	3	9	13	13	17	14	84	74	73
E. Central	8	12	12	12	16	18	80	72	70
Northwest	12	9	12	10	15	12	78	76	76
Northeast	12	21	15	11	9	10	77	70	76
MINNESOTA	10	12	14	14	16	17	76	72	69

Land Price Trends Since 1940

If Minnesota's farm lands are ranked according to value, the high points occur in the southern and southwestern regions

of the state. Prices decrease as one proceeds northward and eastward. Previous annual reports in this state, and other studies, have seemed to support the expectation that the better farm lands would increase in value relative to the poorer lands, from year to year. This was the case from 1940 to 1955, as shown in Table 5. During these years, the eastern districts increased less than did the western districts, and lands in the northeast increased less than did lands in the more southerly districts. Scientific advances since 1940 have seemed to favor the better lands.

Through more and better fertilizers, hybrid seeds, improvements in mechanization, agricultural chemicals, etc., good farm land has rapidly become even more productive and farm land values reflect these differences. The poorer farm lands of Northern, Northeastern, and East Central Minnesota have enjoyed fewer benefits from advances in technology. Productivity is limited by inherent natural characteristics of land that can not readily be altered by man.

Table 5. Relative Land Price Changes in Minnesota, by Districts, 1940-1962*

Period	Minnesota	Districts					
		S.E.	S.W.	W.C.	E.C.	N.W.	N.E.
		percent increase					
1940 to 1955	181	154	201	186	162	232	88
1955 to 1962	31	28	22	34	46	42	53

*See Appendix Table 22 for dollar values for these years.

In contrast, from 1955 to 1962 the relative increases in land values have been greatest in the Northeast and East Central districts, as shown in Table 5.

Traditional determinants of farm land value seem to have lost some of their importance in the Northeast and East Central districts. Urban expansion, recreational and retirement farms, part-time farmers, and city workers seeking a rural residence have emerged as important influences upon farm land prices in these regions. This is illustrated by the following typical comments made by the reporters from these two districts in recent years.

"Lots of calls for farms in the area adjacent to town. These farmers work in the plants and farm on the side."

"Small acreages are being purchased for country homes and small garden plots--prices have generally maintained."

"Demand is mostly for retirement homes in country or farm commuters, with additional land to be sold to adjoining farms."

"We have several prospects living in town who are looking for acreage because of high city taxes or have quite a few children and want them raised out of the city."

Small farms have sold well in these districts, especially to urban workers and part-time farmers. The farms that are sold other than to part-time and established farmers are in keen demand by those who are seeking more land, i.e., expansion buyers.

SECTION II. COUNTY LAND VALUE AVERAGES

This year for the first time it is possible to present county land value averages, calculated from the data collected in this annual state farm real estate survey. Several reasons have argued against the calculation of county averages in reports for previous years. In a few counties, the number of estimates given in response to the survey in any particular year may be quite low. In most counties, the number of estimates reported in a given year is too low for a reliable average. The same is true of the number of reported farm sales.

When counties are grouped by districts, the statistical problems caused by the limited number of farm sales in any one year are reduced to minor proportions. For this reason, past reports in this series have shown only district and statewide averages.

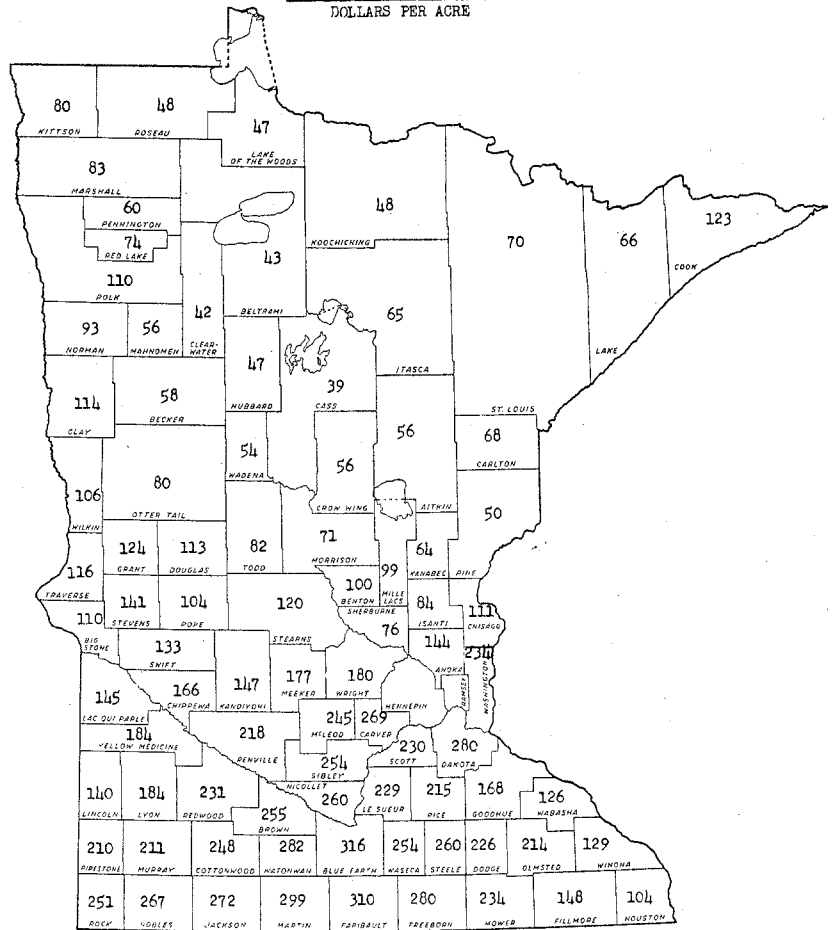
Since Minnesota farm land prices were comparatively stable from 1959 to 1961, it is feasible to combine the estimates for the three years, to get county averages. Prices received in reported sales for the same years have also been averaged, to yield county data. By combining the data for three years it is possible to obtain a sufficient number of sales and estimates to obtain statistically reliable averages for most of the counties, with the exception of a few northern ones. County averages of the estimates given by real estate dealers, bankers, and other reporters are presented in Chart 2. County averages of reported sales are shown in Chart 4. County by county, the correspondence is quite good between these two averages, especially in counties containing the higher valued lands.

For comparison purposes, Chart 3 presents county land values as reported in the 1959 U. S. Census of Agriculture. These estimates were obtained by the Census from a 20 percent sample of farmers. The Bureau of the Census recognizes that the majority of farms have not changed hands for many years. As a result, farmers may not have a clear basis for estimating land value. Operators who would not sell their farms under any circumstances may report an unreasonably high market value. Other farmers who acquired their farms during a period of low prices may underestimate present values.

In spite of these limitations, the U. S. Census of Agriculture, taken every five years, has been in the past the only systematic source of statewide land values, by counties.

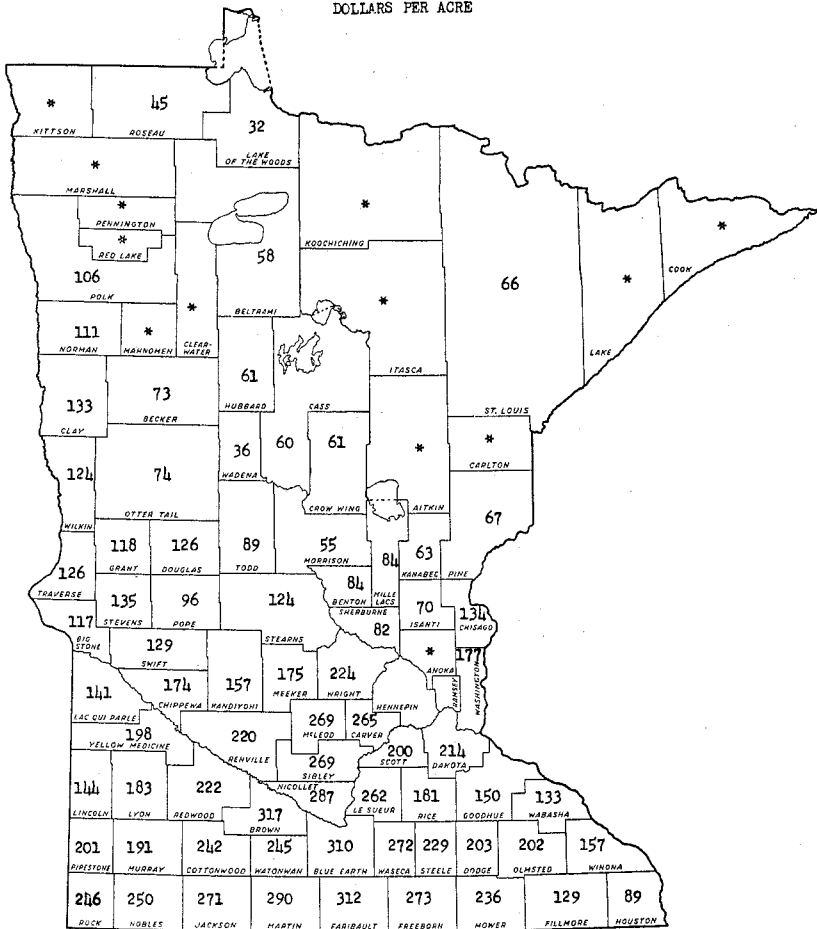
The data in Charts 2, 3, and 4 now provide us with three sources of data on county land values: brokers' estimates; farm operators' estimates, as reported in the U. S. Census; and

Chart 3. MINNESOTA, AVERAGE REPORTED FARM LAND VALUES, BY COUNTIES,
 U. S. CENSUS OF AGRICULTURE a/
 DOLLARS PER ACRE



a/ Value of land and buildings, as reported by a 20 percent sample of farm operators included in the U. S. Census of Agriculture, 1959.

Chart 4. MINNESOTA, AVERAGE PRICES RECEIVED IN FARM LAND SALES, BY COUNTIES a/
DOLLARS PER ACRE



a/ Prices received in January - June sales, 1959-61, as reported by respondents to the annual Minnesota Farm Real Estate Market Survey. Buildings were included in approximately 85 percent of the sales.
* Fewer than 15 reported sales per county.

prices received in reported sales. The Census data were collected in the fall of 1959. The brokers' estimates and reported sales data are averaged for three years, centering on the six-month period, January - June 1960. There should thus be only minor variations among the three series, due to differences in the dates on which the data were collected. How do the three series compare?

Table 6 presents a comparison of the three sources of data, in terms of the frequency with which any one of the estimates was high, low, or in the intermediate position, in a given county. Only 67 of the 87 counties are included in this comparison, since one or more of the three figures was lacking in twenty of the northern and northeastern counties.

Table 6. Ranking of the Three Land Value Averages

	Three Sources of Land Value Data ^{a/}		
	Reporters' Estimates	Census Average	Reported Sales
	number of counties		
Highest	42	10	15
Medium	18	29	20
Lowest	7	28	32

^{a/} Only 67 of the 87 counties are included because the remaining do not have all three averages.

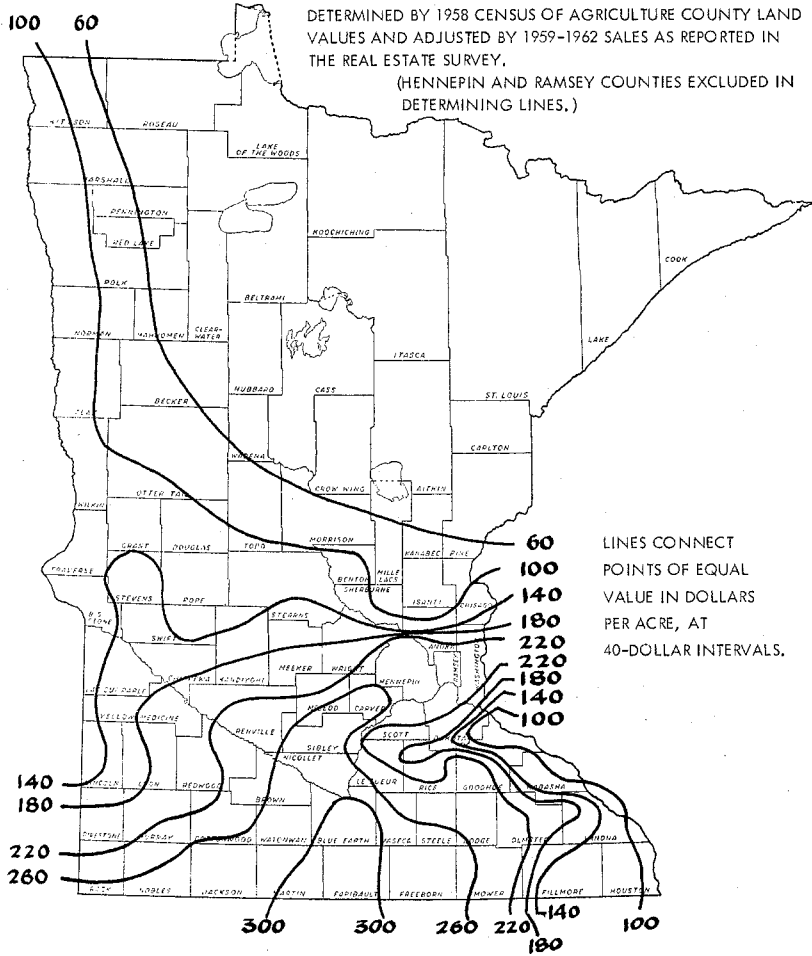
In two-thirds of the counties, the estimated price was the highest of the three averages. This was true for 42 of the 67 counties. The sales price was lowest in 32 or about one-half of the counties, and the census average lowest in 28. For 29 of the counties the census average fell between the sales prices and brokers' estimates.

For the majority of counties the average of prices received in reported sales is below the average estimated price. This seems to indicate that in many counties the poorer farms are over-represented in reported sales, i.e., change hands more frequently than better farms.

In eight counties the average sales price was at least \$10 per acre higher than the average estimated price: Blue Earth, Brown, Traverse, Chisago, Hubbard, Beltrami, Cass and St. Louis.

In eight other counties the census value was at least \$20 per acre higher or lower than either of the other two averages. In Dakota and Washington counties the census average was at least \$20 higher. This may be explained partly by the fact that only land sales for agricultural purposes are used in this annual land market survey. Since these two counties are close

CHART 5. CONTOUR MAP OF MINNESOTA LAND VALUES



to the Twin City metropolitan area, farm operators might properly estimate their land at a higher value as potential urban land. In LeSueur, McLeod, Winona, Wright, Brown and Nicollet counties the census value was at least \$20 below the other two averages.

The averages for some counties seem unduly low. For example, land values vary substantially from the western to the eastern borders of Red River Valley counties, with the higher valued lands near the river. The variation is also great in some of the counties bordering the Mississippi River in southeastern Minnesota, but with the higher valued lands lying away from the river. For this reason the averages in these counties appear low for many farms and high for others.

A "Contour Map" of Land Values

Chart 5 presents a map of the state showing lines of equal value per acre of farm land, by 40-dollar intervals. These lines were obtained by using county land value estimates from the 1959 Census of Agriculture, adjusted by the use of sales data from the annual real estate surveys for 1959-1962. The annual sales data were classified by county and township. By using the location of sales by townships, it was possible to determine approximately where in the county the equal-value lines pass.

The sharp gradient in value-contour near the Twin Cities reflect the distorting effect of metropolitan growth on farm land values. In constructing the map, Hennepin and Ramsey counties (Minneapolis and St. Paul) were excluded. In counties away from the Twin City area where equal-value lines are close, the gradient in land values tends to be more gradual.

Apart from the steep gradient in land values north and south of the Twin Cities, the sharpest graduations occur in the southeastern counties bordering the Mississippi River. Around the Twin Cities and southward along the Mississippi, a few miles can make a marked difference in land values. In the remainder of the state, it is usually necessary to travel 25 to 40 miles or more in order to note a 40-dollar change in land values per acre.

Chart 5 makes clear the difficult task facing tax assessor, farm appraiser, or credit agency valuing land for loan purposes, in areas where land value gradients are steepest. This problem is acute in the southeastern counties bordering the Mississippi. It is not surprising that these are among the counties of the state with the highest rates of variation between assessed values and prices received in actual sales.

SECTION III. ANALYSIS OF REPORTED SALES

Prices Paid in Actual Sales

Two sources of data on the farm land market are used for this report. Section I summarized data on land value estimates made by real estate brokers, dealers, loan agents, bankers, and others. This Section reports the analysis of data from actual sales completed during the period January-June 1962.

Over an eight or ten year period, the trend in sales prices follows closely the trend in reporters' estimates. From year to year, there are significant variations between these two sources of land market information. This was the case in 1962. Estimated land values showed an increase of two percent (see Table 1, in Section I) while prices paid in reported sales showed more than a two percent decrease (see Table 7, below). This is explained primarily by the small number of sales.

Table 7. Average Sales Prices per Acre, by Districts, Minnesota, 1956-1962

District	1962	1961	1960	1959	1958	1957	1956
	dollars per acre						
Southeast	196	189	189	210	169	175	160
Southwest	229	226	240	243	234	217	207
W. Central	140	130	136	129	115	108	100
E. Central	76	89	69	73	78	65	58
Northwest	74	92	101	85	79	88	78
Northeast	30	38	50	61	52	39	40
MINNESOTA	161	165	161	173	155	144	139

In the better farming areas, voluntary sales typically involve only one to two percent of the farms in any one year. It is often the case that the better farms are transferred by inheritance, or by sales within the family. Chance variations in soil quality, condition of buildings, or location can exert appreciable differences on price per acre. Average sale prices for a county or a district thus can fluctuate from year to year without necessarily indicating a basic change in land market trends.

Land value estimates and actual sales prices are compared in Table 8, for the last three years. The comparison is particularly instructive in the Southwest district, where sales prices are consistently below the estimates. These data

Table 8. Comparison of Actual Sales Prices and Reporters' Estimates of Average Prices per Acre, by Districts, Minnesota, 1960-1962

District	Average Price per Acre in:					
	1962		1961		1960	
	Sales	Esti- mates	Sales	Esti- mates	Sales	Esti- mates
	dollars per acre					
Southeast	196	192	189	188	189	188
Southwest	229	250	226	247	240	248
W. Central	140	138	130	133	136	133
E. Central	76	99	89	95	69	94
Northwest	74	104	92	103	101	99
Northeast	30	69	38	64	50	64
MINNESOTA	161	159	165	156	161	155

indicate strongly that the better farms in that district are not accurately represented in data from voluntary sales, a situation that also exists in the East Central and Northeast districts. In the Southeast dairy area and in the cash grain farming areas of the West Central district, the estimates by brokers and the prices received in actual sales were very nearly identical.

The sales prices reported for the Northwest were very low in comparison with 1961. This was attributed by some reporters to excess rain received in that district in the spring and summer of 1962 which may have discouraged sales.

Who Were the Buyers?

Buyers were grouped into three classes: Operating farmers, who bought farms for owner operation, as complete units; farm expansion buyers, either ongoing operating farmers or investors, who combined the land purchased with existing holdings; and investor buyers, who bought tracts to be operated as separate units, by a tenant or manager.

Operating farmers bought less than half of the farms sold in Minnesota during 1962, as shown in Table 9. Farm expansion buyers accounted for 41 percent of the sales, while investor buyers purchased only 10 percent of the farms, the lowest percentage reported over the last nine years.

This analysis of sales by type of buyer was first begun in 1954. In the past 9 years there have been important changes in the composition of buyers, who collectively form the demand

Table 9. Percent of Tracts Purchased by Type of Buyer, by Districts, Minnesota, 1959-1962

District	Operating Farmer		Expansion Buyer		Investor	
	1962	Average 1959-61	1962	Average 1959-61	1962	Average 1959-61
	p e r c e n t					
Southeast	58	54	28	29	14	17
Southwest	41	44	50	44	9	12
W. Central	40	47	46	38	14	15
E. Central	72	64	25	20	3	16
Northwest	27	34	64	57	9	9
Northeast	42	64	42	20	16	16
MINNESOTA	49	50	41	36	10	14

side of the land market. In 1954-55, operating farmers accounted for over 60 percent of all sales, farm expansion buyers 25 percent, and investor buyers 15 percent. Expansion buyers have provided the most dramatic change in this composition, especially since 1958. Today they account for 40 percent of all sales. As Table 10 shows, most of this increase took place at the expense of operating farmers.

Table 10. Percent of Sales Made to Three Types of Buyers, Minnesota, 1954-1962

	1962	1961	1960	1959	1958	1957	1956	1955	1954
Investor Buyer	10	13	12	15	17	19	16	14	16
Expansion Buyer	41	37	41	32	33	30	30	24	25
Operating Farmer	49	50	47	53	50	51	54	62	59

For the districts individually, trends are significantly different between eastern and western Minnesota. Operating farmers are the principal buyers in the eastern part of the state. In 1962 they purchased 58 percent of the farms sold in the Southeast and 72 percent in the East Central districts. In the western districts of the state farm expansion buyers continued to buy a greater percentage of farms than the other two types of buyers, as shown in Chart 6. In the Northwest, expansion buyers purchased 64 percent of the farms, 46 percent in the West Central, and 50 percent in the Southwest. In

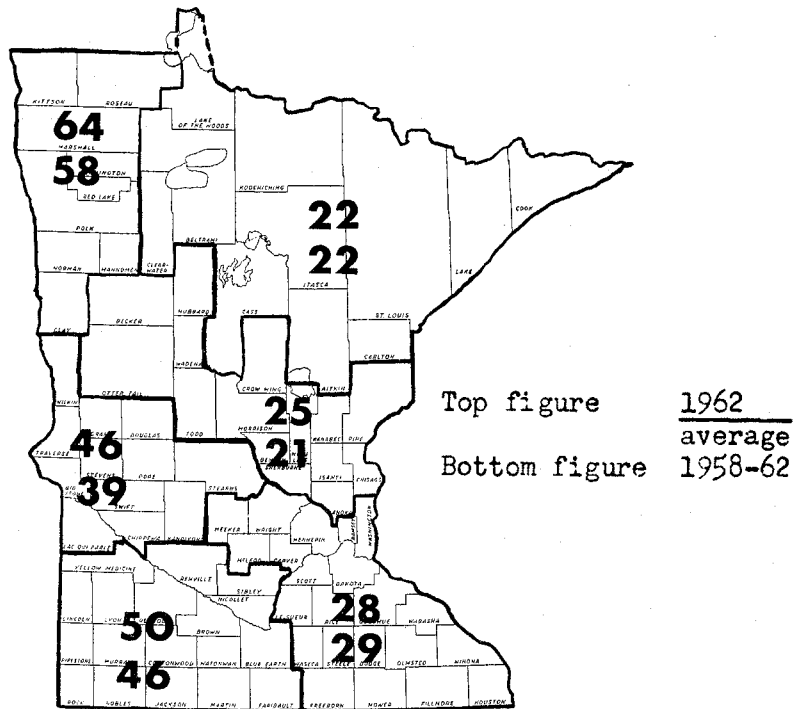


CHART 6. PERCENT OF SALES TO EXPANSION BUYERS

contrast, in the eastern districts, from north to south, expansion buyers accounted for only 22, 21, and 28 percent of the sales. It is in the western districts, where farms are largest, that activity in the land market is having the greatest impact on farm size increases.

In the eastern districts, where farmers could profit most from an expansion in size of business, fewer farms are sold for expansion purposes.

Farm Size and Price, by Types of Buyers

Farm expansion buyers continued typically to buy the smaller tracts and pay higher prices for their purchases. This was especially true in the Northwest district where they have consistently paid more than the other buyers. Investor buyers consistently pay the lowest average prices, among the three types of buyers. This is shown in Table 11.

In the Southwest and West Central areas, the tracts purchased by operating farmers are almost identical in size with those purchased by investor buyers. This is in sharp contrast to the Northwest district, where purchases by investor buyers are markedly larger in size. These relations are set out in Table 12.

Table 11. Average Sales Prices per Acre Paid
by Each Type of Buyer, by Districts,
Minnesota, 1962

District	Operating Farmer	Expansion Buyer	Investor Buyer
	d o l l a r s		
Southeast	200	193	198
Southwest	233	226	216
W. Central	148	139	133
E. Central	73	81	37
Northwest	55	93	56
Northeast	35	17	18
MINNESOTA	162	167	154

Table 12. Average Size of Tracts Purchased
by Each Type of Buyer, by Districts,
Minnesota, 1960-1962, Three-Year
Average

District	Operating Farmer	Expansion Buyer	Investor Buyer
	a c r e s		
Southeast	165	134	147
Southwest	178	147	176
W. Central	212	183	204
E. Central	175	132	142
Northwest	266	221	410
Northeast	173	290	186
MINNESOTA	181	159	177

Financing Farm Purchases

Credit financing of farm sales has reached an all time high of 81 percent for Minnesota. The proportion of sales that is credit financed has been rising steadily since 1957, when 73 percent of farm purchases involved credit financing. The upward trend in each of the districts has been relatively steady, as shown in Table 13. The exception is the Southeast district, where credit financing is especially prominent, having been used in four out of five farm sales over the last seven years.

Table 13. Proportion of Farm Sales Credit-Financed, by Districts, Minnesota, 1956-1962

District	1962	1961	1960	1959	1958	1957	1956
	percent of all sales						
Southeast	81	81	80	81	80	76	80
Southwest	82	80	79	80	78	72	75
W. Central	85	78	78	73	78	73	73
E. Central	77	73	74	75	72	74	69
Northwest	70	82	65	57	62	72	64
Northeast	84	77	78	67	68	74	81
MINNESOTA	81	79	77	76	76	73	74

Throughout the 1950's there was a continuous decline in the use of mortgages to finance farm sales. This decline was accompanied by a steady increase in the use of land contracts. Up to 1956, the increase in land contract financing was an almost exact reflection of the decline in mortgage financing, with the proportion of cash sales remaining relatively constant. After 1956, the continued increase in the use of land contracts reflected a decline in cash sales.

In 1962, for the first time since World War II, there was an increase in the use of mortgages. Table 14 shows that for the state as a whole, they were used in 39 percent of the sales, up from 33 percent in 1961. Most of this increase reflected a shift away from land contracts, primarily in the East Central and Northeast districts. In spite of this change in trend, land contracts remain the most important credit instrument in financing farm sales in all districts except the Southwest.

Table 14. Classification of Sales Reported by Method of Financing, by Districts, Minnesota, 1958-1962

District	Cash Sales		Mortgage Sales		Contract for Deed	
	1962	1958-61 Average	1962	1958-61 Average	1962	1958-61 Average
	p e r c e n t					
Southeast	18	20	34	29	47	51
Southwest	18	21	45	43	37	36
W. Central	15	23	39	34	46	43
E. Central	23	27	35	26	42	47
Northwest	30	35	34	33	36	32
Northeast	16	28	31	19	53	53
MINNESOTA	19	23	39	33	42	44

The increasing popularity of the land contract is widespread throughout the upper Midwest and especially in Minnesota and surrounding states. Table 15 reports this trend for Minnesota and adjacent states, since 1954. Although Minnesota leads the region in frequency of use of land contracts, the most dramatic increases have taken place in Iowa and Wisconsin.

Table 15. Estimated Proportion of Farm Transfers Financed by Land Contracts, Selected States, 1954-1962*

State	1962	1961	1960	1959	1958	1957	1956	1955	1954
	p e r c e n t								
Iowa	42	39	42	27	24	20	18	15	14
MINNESOTA	56	51	55	41	42	42	37	37	35
North Dakota	44	45	38	34	33	40	31	38	35
South Dakota	45	39	41	27	33	30	27	34	31
Wisconsin	51	49	41	32	34	32	35	35	23

*Estimates provided by the U. S. Department of Agriculture.

The methods of financing used in 1962 by the three classes of buyers are shown graphically in Chart 7. Operating farmers are the least likely to pay cash for their farm land purchases. About one-fourth of the farm expansion buyers pay cash and nearly one-third of the investor buyers. Over half the operating farmers bought on land contract.

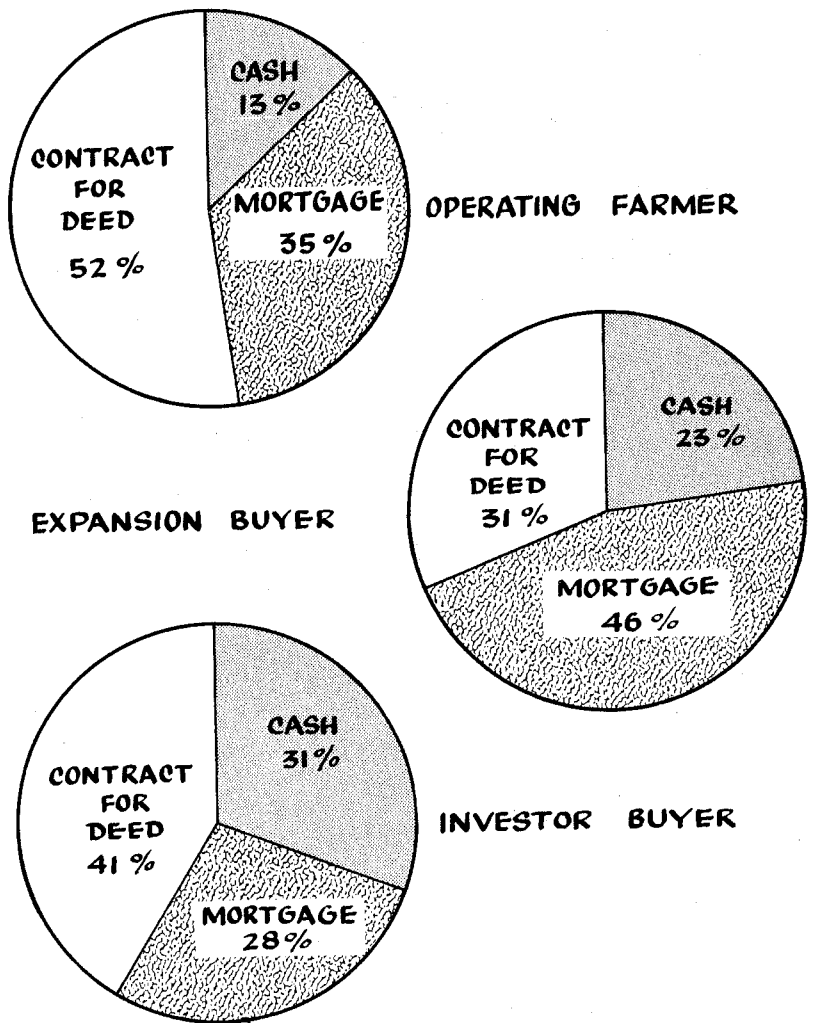
The mortgage is the favored credit instrument of the farm expansion buyers, reflecting their superior asset position relative to operating farmers who own no other land. The investor buyer is least likely to use the mortgage, preferring a land contract or a cash sale, in that order. If land contract and mortgage financing are combined, operating farmers in 1962 used credit financing for 86 percent of their purchases, expansion buyers for 77 percent, and investor buyers 69 percent.

Price Variations by Quality of Land

The average prices paid for land vividly reflect quality differences. Good land has brought double the price of poor grade land in recent years, for the state as a whole. By districts, the ranges in price are even more striking. In the Southeast and West Central districts, good land sells for twice the price of poor land. In the East Central and Northwest areas, the better land brings two and one-half times the price of poorer grades, while in the Northeast there is over a three-fold spread between the average price of poor and good farms.

The smallest differences are in the Southwest district, with its more productive land, of more uniform quality. There

**CHART 7. METHODS OF FARM PURCHASE FINANCING
BY TYPES OF BUYERS - 1962**



are no major river valleys, population concentrations, or vast areas of near-worthless land to distort the averages. Yet even in this district, there is a difference of more than \$100 an acre between the prices paid for good and poor farms. These price ranges are set forth in Table 16.

Table 16. Average Price per Acre of Reported Sales, Classified According to Reporters' Estimates of Quality of Farm Land, by Districts, Minnesota, 1962

District	Good	Average	Poor
	d o l l a r s		
Southeast	240	178	115
Southwest	260	217	158
W. Central	176	128	94
E. Central	97	74	39
Northwest	134	69	44
Northeast	53	38	16
MINNESOTA	211	145	99

For the state as a whole, land without buildings (unimproved land) typically sells for four-fifths the price of land with buildings. Although these relationships fluctuate from year to year, the ratio of unimproved to improved land prices has averaged 77 percent over the years since 1956, when the collection of data to support this comparison was first begun. These relationships for the past three years are shown in Table 17.

Table 17. Average Sales Price per Acre of Unimproved* Land and of Improved Land, by Districts, Minnesota, 1960-1962 Averages

District	1962 Price		Unimproved Land as a Percent of Improved Land		
	Improved	Unimproved	1962	1961	1960
	dollars		percent		
Southeast	198	156	79	76	84
Southwest	232	203	87	83	85
W. Central	143	117	82	83	77
E. Central	77	68	89	88	45
Northwest	82	55	68	145	88
Northeast	40	18	44	80	41
MINNESOTA	166	128	77	82	74

*Unimproved land is land without buildings or permanent structures.

By districts, the greatest fluctuations occur in the Northeast and Northwest. In the latter district, land without buildings has sold for higher prices than land with buildings in five of the past seven years. In the Red River Valley, a set of farm buildings adds little if anything to the price of a farm. In the Southwest, much the same relationship holds, although here a set of buildings may increase the sales price by 10 to 15 percent.

There are marked differences among types of buyers, with regard to the quality of land and buildings they prefer. Operating farmers, who intend to live on the farms and operate them as owners, are understandably more interested in quality considerations. As exhibited in Tables 18 and 19, operating farmers bought the highest percentage of the good land and buildings. Expansion buyers were almost equally interested in land quality but not in building quality. Since the expansion buyer already holds some farm land, presumably with buildings, it is not surprising to find that three-fifths of the sales to expansion buyers involved land with poor buildings, or none at all.

Table 18. Land Purchases by Type of Buyer, Classified According to Estimated Quality of Land, Minnesota, 1962

Buyer	Quality of Land		
	Good	Average	Poor
	p e r c e n t		
Operating farmer	44	48	8
Expansion buyer	39	45	16
Investor buyer	27	48	25
Combined Average	40	47	13

One-fourth of the investor buyers acquired poor land, and 37 percent bought land with no buildings, or poor ones. Since operating farmers typically live near the land they buy for owner operation, as do farm expansion buyers, these two groups could be expected to be well informed on local differences in land quality. It is not clear whether the larger quantities of average to poor grades of land sold to investor buyers reflect their conscious choice, or of their lack of knowledge of quality differences.

Table 19. Percent of Tracts Purchased by Type of Buyer Classified According to Estimated Quality of Buildings, Minnesota, 1962

Buyer	Quality			
	Good	Average	Poor	None
	p e r c e n t			
Operating farmer	35	48	15	2
Expansion buyer	11	30	30	29
Investor buyer	23	40	23	14
Combined Average	23	40	23	14

SECTION IV. REPORTERS' COMMENTS

Tables and charts can summarize quantitative changes in the land market from year to year, and area to area. But statistics alone fail to capture some of the subjective and qualitative differences in the "tone" of the market. Behind the statistics lie people, and they may be optimistic or depressed, in their attitudes toward the market--or simply passive. This section seeks to capture some of this aspect of the 1962 land market in Minnesota, by reporting selected comments from respondents.

Table 20 shows the frequency with which various reactions were stressed, in reporters' comments.

Table 20. Type and Frequency of Reporters' Comments, by Districts, Minnesota, 1962

Type of Comment	S.E.	S.W.	W.C.	E.C.	N.W.	N.E.
	percent					
Sales are slow	25	35	32	24	32	37
Difficulties with down-payment, finance, taxes	20	15	19	18	--	4
Buyers want small farms, work elsewhere	7	--	3	10	--	28
Neighbors or relatives buy the best farms	13	16	12	11	13	3
Most sales for purposes other than farming	5	--	2	5	--	7
Moisture conditions not favorable	1	9	10	2	27	7
Increased land market activity	9	8	8	6	7	3
Larger and better farms sell well	2	2	3	8	3	--
Asking prices are up or are high	11	8	5	4	8	3
Prices stable	3	2	4	1	--	8
Soil bank program	--	--	2	11	10	--
Too much government control	4	5	--	--	--	--
	100	100	100	100	100	100

Comments on the low level of sales, financing difficulties, and the tendency for farms to be bought by neighbors and relatives were fairly common in most of the districts. "Buy small farms and work elsewhere," was a frequent comment in the Northeast and East Central districts. The abnormal rainfall in 1962 drew frequent comments in the West Central and Northwest districts, while comments on the Soil Bank were confined almost exclusively to the Northwest and East Central districts.

The market was duller in the Northeast district and most active in the East Central.

Following are a few of the comments by the reporters, selected as typical for their districts.

Southeast District

"Farm level sales in our community are getting less. Smaller farms have been sold out.

"Farms located close to city are being purchased by city people as a place to live, therefore the high prices.

"Farms have been selling very good for several years in the parts that can produce number one products.

"Most farms for sale are estate farms and usually one of the heirs or a neighbor buys the land to have a larger operation.

"If a regular farmer has enough money to start in farming, he should retire.

"There are a few buyers and lookers, but they do not have the down payment."

Southwest District

"The better grade farms are the ones that seem to be moving right now.

"Getting too political for a lot of farmers.

"Farm land in our area is almost all owner lived. Son farms father's farm and eventually will take over and buy.

"Farms that are being sold are mostly purchased by joining farmers.

"Very little land sold but what has been sold has been at good prices--about steady with last year.

"Less buyer activity due to very wet weather and fair to poor crop outlook.

"The people who are buying farms in and around Jackson County are either neighbors or farmers who are expanding."

West Central District

"Something should be done to help the young farmer get started.

"Farm sales are hard to make in this area due to financing difficulties.

"A few farmers buy up adjoining lands to add to their holdings.

"Not enough money for down payments for eligibility for loans from regular loan firms so most farms are sold on Contract for Deed.

"Very few people are interested in buying land except a few who want to enlarge their acreage.

"Farm land prices are holding up--maybe a little higher than last year."

East Central District

"Large farms of 400 acres and more are in demand.

"Larger farms seem to be more in demand.

"The trend is for city working people to buy farms out of town and have a horse, a few chickens, etc., but not farm.

"Many are Soil Bank owners and not interested in selling.

"Lots of lockers with small down payments.

"The Soil Bank has had and still has a bad effect on real estate."

Northwest District

"No farms for sale here due principally to the Soil Bank set up.

"The above normal rainfall should promote cautious buying among high priced farms.

"One-hundred and sixty acre farms are not in demand other than that they may join land owned by purchaser.

"It had been cold and wet this spring and summer, therefore, land sales have been slow.

"Farms are sold mostly to neighbors.

"Very few high grade farms for sale. A number of low to medium grade farms have sold."

Northeast District

"Most of the farm land that we sell is to people who are employed in the local industrial plants and farm small acreage. We call these "dinner pail" farmers.

"Land movement very slow due to our economic condition of the iron mining industry.

"There are some inquiries about renting land to get away from high taxes and cost of living. They then raise their own vegetables.

"A person so interested will farm a limited amount only to supplement his outside earnings.

"We have several prospects living in town who are looking for acreage because of high city taxes or have quite a few children and want them raised out of the city.

"Good demand for lakeshore farms with considerable frontage."

* * * * *

APPENDIX

Table 21, pages 28-29, presents county land value data from three sources, with counties arranged in alphabetical order for comparative purposes. These are the data previously presented in Charts 2-4, pages 7-9. The county estimates of the average value of farm land, shown in the first column of Table 21, have been calculated on the basis of 1,748 estimates supplied by respondents to the annual Minnesota Farm Real Estate Survey, during the three years, 1959-61.

The data presented in the second column are those reported in county Table 1, Vol. 1, Part 15 (Minnesota), of the 1959 U. S. Census of Agriculture. They are the arithmetic averages, by county, of self-estimates of land value supplied by every fifth farm operator (a 20 per cent sample) for whom farm schedules were completed in the course of the 1959 Census of Agriculture.

The third column presents county averages of prices received in reported commercial farm land sales during the first six months of the three years, 1959-61. A total of 1,605 sales was reported for 1959, 1,257 for 1960, and 1,293 for 1961, for an average of approximately 50 sales per county over the three-year period, or 16 sales per county per year.

Table 21. Comparison of Sources of County Land Value Data

County	Brokers' Estimates, Average of 1959-61	U.S. Census of Agriculture 1959	Reported Sales, Average of 1959-61
Aitkin	--	56	--
Anoka	--	144	--
Becker	--	58	73
Beltrami	42	43	58
Benton	100	100	84
Big Stone	123	110	117
Blue Earth	294	316	310
Brown	288	255	317
Carlton	51	68	--
Carver	275	269	265
Cass	42	39	60
Chippewa	171	166	174
Chisago	114	111	134
Clay	150	114	133
Clearwater	--	42	--
Cook	--	123	--
Cottonwood	252	248	242
Crow Wing	64	56	61
Dakota	--	280	214
Dodge	228	226	203
Douglas	122	113	126
Faribault	319	310	312
Fillmore	156	148	129
Freeborn	265	280	273
Goodhue	174	168	150
Grant	128	124	118
Hennepin	--	--	--
Houston	115	104	89
Hubbard	51	47	61
Isanti	103	84	70
Itasca	--	65	--
Jackson	264	272	271
Kanabec	75	64	63
Kandiyohi	163	147	157
Kittson	97	80	--
Koochiching	36	48	--
Lac Qui Parle	154	145	141
Lake	--	66	--
Lake of the Woods	--	47	32
Le Sueur	272	229	262
Lincoln	159	140	144
Lyon	206	184	183
McLeod	268	245	269
Mahnomen	--	56	--
Marshall	121	83	--

Table 21. Comparison of Sources of County Land Value Data(Cont)

County	Brokers' Estimates, Average of 1959-61	U.S. Census of Agriculture 1959	Reported Sales, Average of 1959-61
Martin	298	299	290
Meeker	187	177	175
Mille Lacs	90	99	84
Morrison	81	71	55
Mower	246	234	236
Murray	229	211	191
Nicollet	289	260	287
Nobles	270	267	250
Norman	109	93	111
Olmsted	201	214	202
Otter Tail	104	80	74
Pennington	60	60	--
Pine	75	50	67
Pipestone	213	210	201
Polk	135	110	106
Pope	115	104	96
Ramsey	--	--	--
Red Lake	--	74	--
Redwood	244	231	222
Renville	244	218	220
Rice	222	215	181
Rock	256	251	246
Roseau	59	48	45
St. Louis	49	70	66
Scott	--	230	200
Sherburne	--	76	82
Sibley	273	254	269
Stearns	123	120	124
Steele	256	260	229
Stevens	151	141	135
Swift	152	133	129
Todd	90	82	89
Traverse	116	116	126
Wabasha	161	126	133
Wadena	47	54	36
Waseca	265	254	272
Washington	183	234	177
Watsonwan	275	282	245
Wilkin	123	106	124
Winona	184	129	157
Wright	216	180	224
Yellow Medicine	191	184	198

Historical Trends in
Minnesota Farm Land Values

Table 22, page 31, presents data on farm land values in Minnesota, by districts, for the period 1910 to date. Data for 1910-11 through 1928-29 are based on farm sales records collected by the Minnesota Tax Commission. For 1930-31, Tax Commission data were supplemented by sales records supplied by corporate lending agencies. Corporate lending agency sales records were the exclusive basis for estimates for the years of extreme depression, 1932-35. Data for 1936-51 arise from estimates prepared by the Department of Agricultural Economics, University of Minnesota. From 1952 to date, the data are based on annual estimates supplied by farm real estate brokers, loan agents, and others, in response to mail questionnaires.

Trends over the half-century since 1910 provide some vivid contrasts. Twice in that period land values more than doubled in ten years, from \$41 to \$104 per acre, 1910-11 to 1920-21, and from \$43 to \$99 per acre, 1941-51. In the interim, they had fallen in the 1920's as fast as they rose during the first World War. From 1932 to 1942 there was little if any real change in the level of land values. Although war had begun in Europe in 1939, with U. S. involvement from 1941 on, there were no significant changes from depression levels of land values until after 1942.

The land value collapse in the 1920's was statewide in its impact, affecting good and poor lands alike. Among the six districts, levels of land values in 1935 were almost the same as they had been in 1910.

As had been the case in 1918-21, the big impact of World War II on land values came after the end of hostilities. The highs of 1920-21 were not again equaled until 30 years later, in 1952. In approximate terms, land values doubled from 1941 to 1949, and doubled again from 1949 to 1962. With the exception of slight dips in 1953 and in 1960, the trend of land values has been continuously upward since 1941. This has been the longest sustained period of Minnesota land value increases on record.

Table 22. Average Price per Acre of Farm Real Estate in Minnesota, by Districts, 1910-11 through 1934-35 by Two-Year Periods, and Annually, 1936 Through 1962.*

Years	Minn.	D I S T R I C T					
		S.E.	S.W.	W.C.	E.C.	N.W.	N.E.
		dollars per acre					
1910-11	41	58	57	39	24	24	11
1912-13	49	69	69	46	29	29	13
1914-15	58	82	84	56	34	32	14
1916-17	68	92	100	67	41	37	15
1918-19	82	117	118	78	50	40	18
1920-21	104	141	152	98	68	57	24
1922-23	85	114	119	82	56	44	23
1924-25	78	104	110	74	49	44	22
1926-27	76	106	109	72	49	36	22
1928-29	71	100	102	67	44	33	21
1930-31	60	88	88	51	36	22	18
1932-33	45	64	65	42	27	20	14
1934-35	40	52	58	38	26	22	15
1936	43	58	63	38	29	22	23
1937	44	59	65	38	29	22	24
1938	46	61	68	38	29	22	25
1939	44	59	67	36	27	22	24
1940	43	59	68	36	26	22	24
1941	43	59	68	36	26	22	24
1942	45	63	72	38	27	23	24
1943	50	68	80	42	30	25	26
1944	55	76	88	47	34	28	28
1945	58	79	92	49	35	29	29
1946	65	88	104	56	39	33	32
1947	72	96	116	62	43	37	35
1948	79	104	129	69	47	41	38
1949	83	107	136	73	49	44	39
1950	85	109	141	76	50	46	40
1951	99	125	166	89	59	54	46
1952	107	131	175	96	65	68	42
1953	105	130	175	95	62	64	40
1954	113	139	187	99	66	72	40
1955	121	150	205	103	68	73	45
1956	126	156	214	107	70	76	42
1957	138	165	230	122	77	86	49
1958	147	179	242	123	84	90	65
1959	157	191	255	134	89	103	58
1960	155	188	248	133	94	99	64
1961	156	189	247	133	95	103	64
1962	159	192	250	138	99	104	69

Statistical Note

One of the problems in interpreting the results of this survey arises from the fact that there is no accurate way to compare the quality of land involved in the sales reported in the several districts of the state, or from year to year. One possibility is that the average price of reported sales in one district or in a given year may be influenced by a few abnormally high or low priced sales. To test this possibility the standard deviations and coefficients of variation of prices per acre, by districts, are given in Table 23 for the actual sales reported.

Although there are marked variations among the several districts of the state, within any one district there is a considerable degree of stability in these measures of dispersion, from year to year. The exceptions are the Northwest and Northeast districts, where the spread between high and low prices per acre is great. As a consequence, the averages for these two districts are to be regarded as less representative than are the averages for the remaining districts of the state.

Table 23. Number of Acres Reported Sold, Average Price per Acre, Standard Deviation and Coefficient of Variation, Minnesota, by Districts, 1954 - 1962 a/

Item	Year	South-east	South-west	West Central	East Central	North-west	North-east	Minnesota
Number of Acres Sold (acres)	1954	30,983	33,756	22,147	1,593	21,000	2,169	125,148
	1955	63,890	79,944	34,621	28,139	30,924	5,380	241,898
	1956	51,631	70,471	40,059	28,121	25,149	5,645	221,076
	1957	72,028	75,487	61,264	29,276	41,479	8,659	288,192
	1958	60,859	66,970	33,069	30,877	21,514	6,657	219,946
	1959	66,643	87,302	53,721	36,634	18,456	7,677	270,433
	1960	55,669	54,844	36,858	33,114	27,043	3,349	210,877
	1961	58,027	68,389	34,987	29,020	17,275	6,464	214,162
	1962	46,771	62,787	38,650	34,755	18,611	3,677	205,251
Average Prices per Acre (dollars)	1954	146.29	186.33	105.63	57.25	63.45	38.47	123.39
	1955	166.05	211.30	101.00	65.13	67.48	45.70	144.48
	1956	160.57	207.13	100.48	57.08	76.95	40.34	138.78

	1957	175.48	216.94	110.06	67.33	87.78	39.30	144.27
	1958	167.98	234.17	115.41	77.53	78.73	51.69	155.30
	1959	210.13	243.05	128.81	72.57	85.08	61.16	173.21
	1960	189.07	240.41	136.44	69.26	100.82	49.47	160.87
	1961	189.12	225.76	130.28	89.01	92.02	37.90	165.24
	1962	195.68	228.51	140.49	76.30	73.86	30.29	161.11
Standard	1954	60.5	59.4	32.9	32.6	39.5	27.5	70.4
Deviations	1955	67.3	71.5	35.7	31.9	43.0	33.9	84.6
(dollars)	1956	69.8	69.9	38.6	33.5	43.0	31.5	83.1
	1957	82.7	72.7	42.8	37.0	86.5	36.1	89.9
	1958	78.4	79.7	43.3	38.0	55.2	31.6	91.5
	1959	87.2	77.0	44.5	41.3	62.8	59.5	96.6
	1960	90.4	77.0	47.7	48.6	76.6	42.1	95.8
	1961	83.5	71.9	40.0	47.8	54.1	20.1	86.8
	1962	80.7	68.6	45.1	39.1	57.2	29.7	88.5
Coefficients	1954	41.4	31.9	31.1	56.9	62.3	71.5	57.1
of Variation	1955	41.4	33.8	35.3	53.7	63.5	74.2	59.1
(percent)	1956	43.5	33.7	38.4	58.6	55.8	78.0	59.9
	1957	47.1	33.5	39.7	57.0	98.5	68.5	62.4
	1958	46.7	34.0	37.5	49.0	70.1	63.0	58.8
	1959	41.5	31.6	34.5	56.9	73.8	97.2	55.8
	1960	47.8	32.0	35.0	70.2	76.0	85.1	59.5
	1961	44.2	31.8	30.7	53.7	58.7	53.1	52.6
	1962	41.2	30.0	32.2	51.2	77.3	98.0	54.9

a/ Each acre is treated as a unit in calculating standard deviations and coefficients of variation. The variation in acreages reported sold in recent years is due to changes in the coverage of this survey and is not necessarily due to changes in real estate market activity.