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January 1962

THE MINNESOTA FARM REAL ESTATE MARKET IN 1961

by

Jerome E. Johnson

and

Philip M. Raup

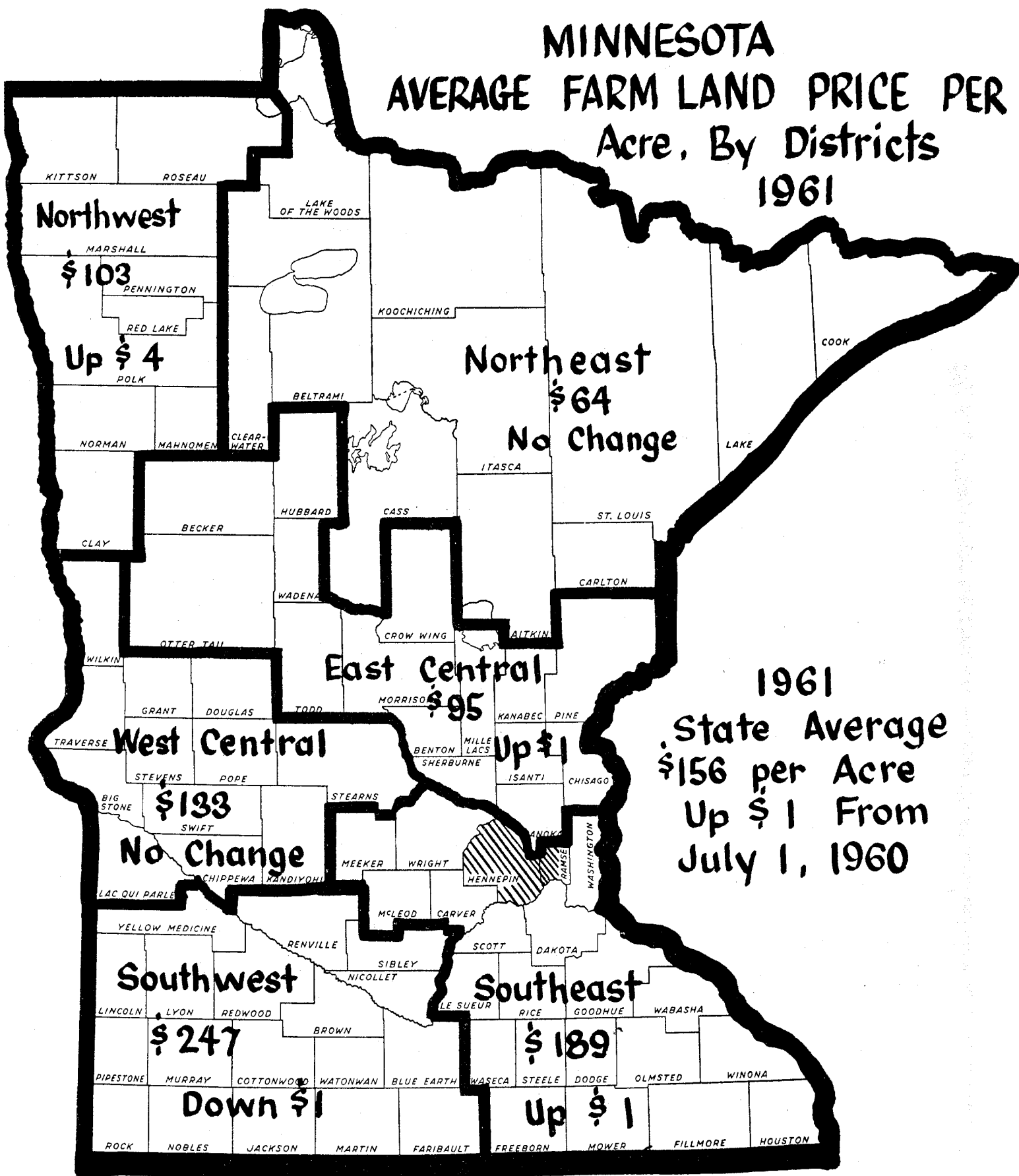
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Report No. 521

Department of Agricultural Economics
Institute of Agriculture, University of Minnesota
St. Paul 1, Minnesota

MINNESOTA AVERAGE FARM LAND PRICE PER Acre, By Districts 1961



THE MINNESOTA FARM REAL ESTATE MARKET IN 1961
Jerome E. Johnson and Philip M. Raup

Minnesota Farm Land Prices Up Slightly in 1961

Minnesota farm land prices increased an estimated 0.7% or slightly less than one percent from 1960 to 1961. The 1961 annual survey of the farm land market indicates an estimated average price per acre of \$156 in 1961, an increase of \$1 per acre over 1960. The 1961 estimates and trends in prices per acre since 1954 are shown in Table 1, by districts. The district boundaries are shown on the inside front cover.

In the East Central district, land prices increased modestly in 1961 to an all time high of ninety-five dollars an acre. Both the high and medium grades of land declined slightly in price from 1960 to 1961 but this was offset by increases in the prices of low grade lands sufficient to maintain the overall rise.

Table 1. Estimated Average Prices per Acre of Minnesota Farm Land, by Districts, 1954 - 1961.*

District	Average Price per Acre in:								Percentage change, 1961 over:							
	1961	1960	1959	1958	1957	1956	1955	1954	1960	1959	1958	1957	1956	1955	1954	
	dollars per acre								percent							
Southeast	189	188	191	179	165	156	150	139	0.5	-1	6	15	21	26	36	
Southwest	247	248	255	242	230	214	205	187	-0.4	-3	2	7	15	20	32	
West Central	133	133	134	123	122	107	103	99	0.0	-1	8	9	24	29	34	
East Central	95	94	89	84	77	70	68	66	1.1	7	13	23	36	40	44	
Northwest	103	99	103	90	86	76	73	72	4.0	0	14	20	36	41	43	
Northeast	64	64	58	65	49	42	45	40	0.0	10	-2	31	52	42	60	
MINNESOTA	156	155	157	147	138	126	121	113	0.7	-1	6	13	24	29	38	

* Based on mail questionnaires for the period January - June. In 1961, questionnaires were returned by 1068 respondents located throughout the state. A total of 780 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. Hennepin and Ramsey counties (Minneapolis and St. Paul) were excluded in computing statewide averages.

The East Central district is the only one to show a continuous increase in farm land prices since 1953. The district includes the rapidly urbanizing counties to the north of the Twin Cities and along the St. Croix and Mississippi Rivers. There is, in addition, a concentration of five counties in the East Central district in which entries in the Conservation Reserve of the Soil Bank account for 15% or more of the total area of farm land.

The demand for farm lands in this district involves potential recreational, rural residential, and urban expansion uses, reflecting the rapid population growth of the metropolitan Twin City area. The population increase from 1950 to 1960 in Anoka County, for example, was the largest percentage increase (54%) reported for any county in the four states of Minnesota, North and South Dakota, or Montana. The prices that have been obtained for farm lands in the East Central district have probably been more significantly influenced by these non-farm demand elements than have land values in any of the remaining five districts of the state.

In 1961 land prices in the Northwest district recovered to their 1959 levels after a fall of \$4 per acre in 1960. The average price in 1961 reached the previous high of \$103 per acre. The declines in 1960 occurred principally in the prices of medium and low grades of farm land. In 1961 the average prices of all three grades of farm land increased, but the rise was greatest in the prices of the lower grades of land.

In the West Central and in the Northeast districts the average per acre prices of farm land were unchanged from 1960 levels. In the West Central district a small decline in the price of better grades of land was offset by an increase in the price of poorer grades and the average price of \$133 per acre was maintained. The price of the better grades of land increased in the Northeast but the poorer grades showed some declines from 1960 levels. The average price was unchanged at \$64 per acre.

In the Southeast district the average price of farm land increased from \$188 in 1960 to \$189 per acre in 1961. The prices of the poorer grades of land declined in 1961 as they had in 1960, but the strong increases in the prices of better grades of land raised the overall district average.

The Southwest was the only district in which the average price of land continued to decline in 1961 but the decline was less than one-half of one percent, from \$248 to \$247 per acre. This price is 3 percent below the 1959 level. In 1961 the price decline was larger for the poorer grades of farm land in contrast to 1960 when the larger declines were shown in the prices of the better grades.

Over the past three years and for the state as a whole there has been remarkably little change in the level of farm land prices. This is in sharp contrast to the trend from 1953 to 1959, when prices rose an average of roughly 8 percent per year. Since 1959 land values have dipped in the Southwest

district, which contains the highest priced farm land in the state. They have edged upward in the East Central district, where urban and recreational demands have been prominent. For the rest of the state, value changes for three years in a row have been so small that they fall within the margins of error in the estimates.

Volume of Farm Transfers Continued to Decline in 1961

The rate of farm turnover by voluntary transfers in 1961 was 16 percent below the 1960 rate and 27 percent below the 1959 rate. From 1958 to 1959 the rate of voluntary sales had increased by nearly 12 percent, to a level of 39.7 sales per thousand farms. Turnover dropped to 34.5 voluntary sales per thousand farms in 1960 and to 29.0 per thousand in 1961. There were also declines in the rates of transfer by inheritance and gifts, and in total transfers. These trends since 1952 are shown in Table 2.

Table 2. Estimated Number of Farm Title Transfers per Thousand Farms, by Methods of Transfer, Year ending March 15, Minnesota, 1952-61.*

Year	Voluntary Sales	Forced Sales (Foreclosures, Tax Sales, Etc.)	Inheritance, Gift and All Other Transfers		Total All Classes
			number of transfers per thousand farms		
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

*Compiled from the annual March estimates, published in "Current Developments in the Farm Real Estate Market," U. S. Department of Agriculture.

In 1961 voluntary sales accounted for 74 percent of all transfers; forced sales (foreclosures, tax sales, etc.,) accounted for 6 percent; and inheritance, gift, and miscellaneous sales constituted the remaining 20 percent. These percentages are approximately the same as those reported for 1959 and 1960.

The current rate of total transfers per thousand farms, estimated at 39.3 in 1961, is almost identical with the previous low, reported in 1953. With the exception of 1953, the rate of turnover in Minnesota farm real estate in 1961 was the lowest reported in the 35 years since 1926, when this statistical series was first started by the U. S. Department of Agriculture. For the United States as a whole the current rate of total transfers is 44.5 per thousand farms. This is higher than the Minnesota rate although the United States rate of voluntary sales, at 28.1 per thousand farms, is slightly lower than the Minnesota rate.

The low level of activity in the farm real estate market is also indicated by the percentages of reporters indicating an increase, decrease, or no change in the numbers of farms sold in 1961, as shown in Table 3. Only 5 percent of the reporters indicated that they had sold more farms in 1961 than in 1960, while 27 percent reported fewer farms sold. This decline in market activity was widespread throughout the state, with the exception of the Northeast and the Northwest districts.

Although there were substantial changes in reporters' estimates of the trend in volume of sales in 1961 and 1960, this pattern is not reflected in their reports of the numbers of farms listed for sale.

As shown in Table 4, more than 7 out of 10 reporters indicate no change in the numbers of farms listed for sale in 1961. This percentage has been essentially unchanged for the past 4 years.

Table 3. Trends in Number of Farms Sold, Minnesota, by Districts, 1958 - 1961^{a/}

District	Number of Reporters		Percent of All Reporters Indicating:											
			An Increase				A Decrease				No-Change			
	1961	1960	1961	1960	1959	1958	1961	1960	1959	1958	1961	1960	1959	1958
	number	percent	percent	percent	percent	percent	percent	percent	percent	percent	percent	percent	percent	percent
Southeast	237	190	5	2	12	15	29	46	21	21	66	52	67	64
Southwest	284	223	6	2	13	10	28	54	18	20	66	44	69	70
West Central	128	131	2	4	17	6	31	50	25	31	67	46	58	63
East Central	107	97	4	13	15	16	26	25	12	20	70	62	73	64
Northwest	61	66	3	8	3	14	17	18	24	20	80	74	73	68
Northeast	47	40	17	10	4	17	11	13	7	13	72	77	89	70
MINNESOTA	864	747	5	5	12	12	27	42	19	22	68	53	69	66

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

Table 4. Trends in Number of Farms Listed for Sale, by Districts, Minnesota 1958 - 61

District	Percent of All Reporters Indicating:													
	Reporters		An Increase				A Decrease				No-Change			
	1961	1960	1961	1960	1959	1958	1961	1960	1959	1958	1961	1960	1959	1958
	number		percent				percent				percent			
Southeast	179	167	12	13	15	11	14	20	22	24	74	67	63	65
Southwest	233	210	14	17	15	16	17	20	17	21	69	63	68	63
West Central	120	118	9	13	17	12	17	14	20	18	74	73	63	70
East Central	99	90	12	12	10	11	16	18	23	24	72	70	67	65
Northwest	55	58	9	12	0	10	15	12	25	25	76	76	75	65
Northeast	43	41	21	15	5	16	9	10	5	16	70	76	90	67
MINNESOTA	729	684	12	14	13	13	16	17	19	21	72	69	68	66

Price Trends Since World War II

With Minnesota farm land prices relatively unchanged at the plateau of the past three years, it seems opportune to review land price trends since the Second World War. Since land prices dipped slightly in 1953, that year can serve as a useful middle point in analyzing trends for the 16 years after 1945. These are presented in Chart 1, for the State and the six reporting districts.

The trend line for the State as a whole advanced rapidly from 1945 through 1952 and from 1953 to 1959. The declines in 1953 and 1960 were small, averaging less than 2 percent in each case. From 1945 through 1952 the average price of Minnesota farm land increased from \$58 to \$107 per acre, an increase of \$49 per acre or 85 percent in 7 years. From 1953 to 1959 values increased \$52 per acre or 50 percent in 8 years, from \$105 to \$157. For the 16-year period, 1945-1961, the State-wide average price of farm land advanced from \$58 to \$156 per acre, an increase of 169 percent in 16 years or 10.5 percent per year. In the 1945-1961 period, per acre land prices by districts have increased by the following percentage and dollar amounts:

	%	\$ per acre
Southeast	139	110
East Central	171	60
Northeast	121	35
Southwest	168	155
West Central	171	84
Northwest	255	74

The percentage increases of the past 16 years were smallest in the Northeast and Southeast, approximately equal in the East Central, the West Central, and the Southwest, and greatest in the Northwest, where the percentage increase was more than double that experienced in the Northeast.

Looking at the latter half of the period, in the 8 years following 1953 the increases in percent and dollars per acre are:

	%	\$ per acre
Southeast	45	\$59
East Central	53	33
Northeast	60	24
Southwest	41	72
West Central	40	38
Northwest	61	39

All six districts show an increase in land values of 40 percent or more since 1953, while in three districts the increase exceeds 50 percent. The smallest percentage increases over the past 8 years occurred in the Southwest and West Central districts; the largest in the Northwest.

This tabulation points up the fact that the post-war land price increases were most pronounced in the 1945-53 period in the overwhelming rural-farm areas of the state, the Southwest and West Central. Since 1953 the largest percentage increases have occurred in the Northwest, the Northeast and the East Central districts. These are areas in which non-farm demands for rural land have been strong, and in which entries in the Soil Bank have been heavy in the Northwest and East Central districts.

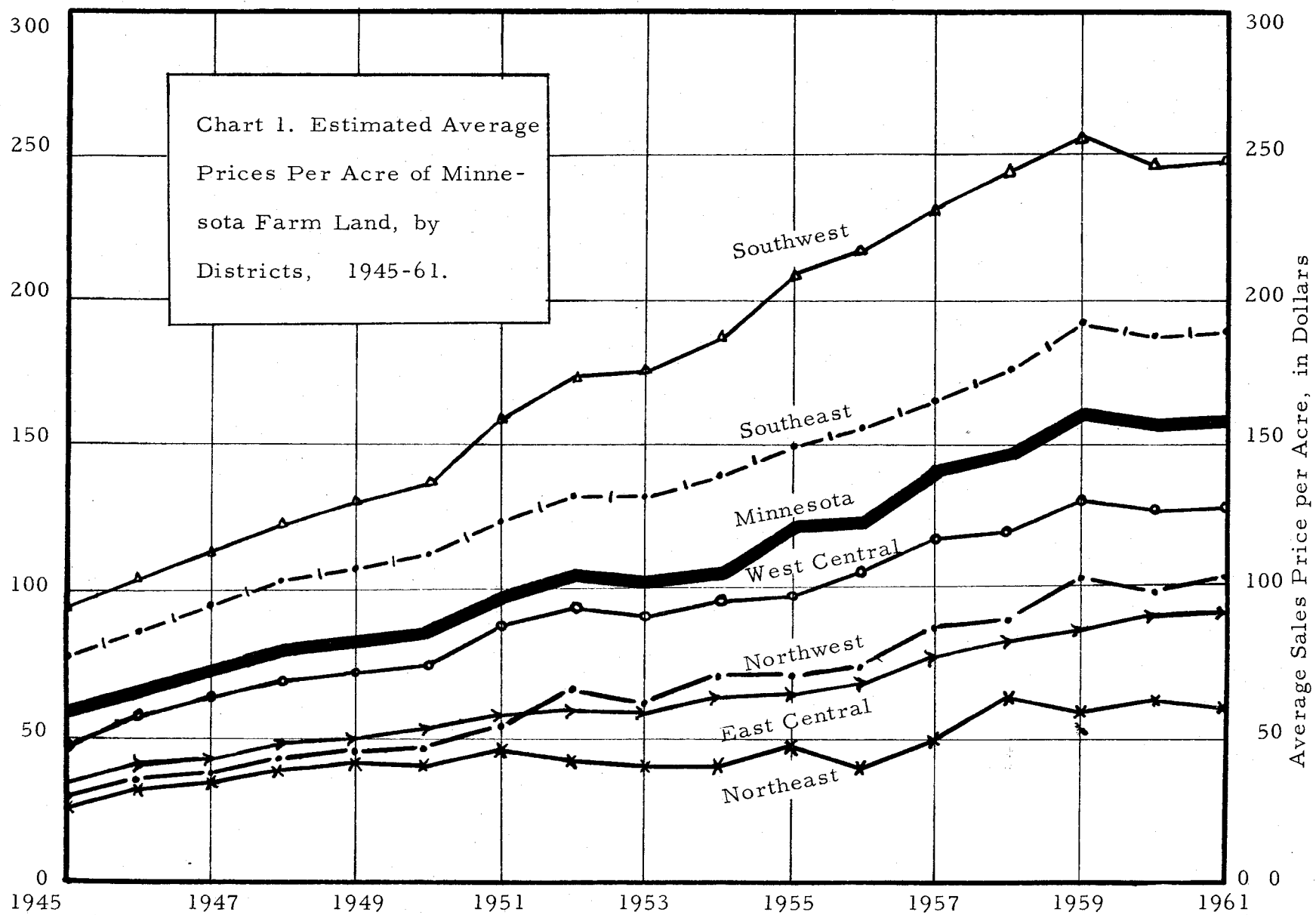
Factors Influencing Current Trends in Land Prices

With the exception of two dips in 1953 and 1960, farm land prices in Minnesota have risen more or less continuously for the past 25 years. In view of the stability in prices reported for the last three years, it is appropriate to ask what trends are likely to prevail in the future. An approach to the answer to this question requires an understanding of the factors that have influenced the current levels of land prices presented above.

In appraising the long upward trend in land prices since the late 1930's it is important to recognize that significant capital investments have been made during this period in rural lands. Some of these investments have been made directly in the land, in the form of better drainage, leveling, improved cultivating practices coupled with various forms of contour farming, plus increased attention to fertility maintenance and improvement. A major capital investment in the form of soil conservation activities has taken place under formally organized programs of the Soil Conservation Service, various agricultural price support and production control programs, and through increased managerial attention to better land management. The capital investment represented by these programs over a quarter century has been large and contributes to a firm base for increases in the worth of Minnesota farm land.

Other major capital investments supporting higher land prices can be found in the gradual

Chart 1. Estimated Average
Prices Per Acre of Minne-
sota Farm Land, by
Districts, 1945-61.



improvement of our rural road network, and in rural electrification. In 1940 only 34% of the farms in Minnesota had electric power. By 1959 this figure was 98%. The availability of electric power has triggered major capital investments in rural real estate. It has typically led to a rapid improvement in farm water supplies, with most of this investment taking the form of fixed improvements to the land and buildings. Large sums have been invested in electric wiring or re-wiring, and in the installation of plumbing systems and electrical fixtures, many of which are permanent improvements that contribute directly to an appreciated value of the rural property.

Other less tangible investments have also been made in agriculture, with consequent effects upon farm land prices. The development of hybrid seeds, improved varieties, better concepts of plant and animal nutrition, and improved skills in land management have all contributed to a marked rise in the accepted productivity norm for agricultural lands. Our concept of "productive land" has been upgraded. Lands yielding at productivity levels that would have been rated "good" in 1940 or even in 1950 would often be ranked as only "fair" today. This commonplace observation reflects the extent to which qualitative improvement in our landed assets merit higher market prices. The high levels of land prices in 1961 rest on a long run improvement in the quality of Minnesota's farm lands.

Admitting that there is a solid base for higher land prices in the 1960's, it is still appropriate to explore some possible reasons why land prices have remained on a plateau for the last three years, while turnover in farm real estate is at one of the lowest points recorded since 1926.

The data presented in Tables 2 and 3 above show a continued and substantial decline in the number of farms sold in Minnesota in 1961. The data presented in Table 4 and a study of the reporters' comments indicate that the supply of farms available for sale has not altered significantly in the past several years. Subsequent data to be presented on the Conservation Reserve Program indicate that this program has not greatly affected the supply of farms potentially available for sale in the last few years with the possible exception of the Northwest and East Central districts. It seems evident that the current leveling off in land prices has not originated from the supply side of the farm land market.

The data do suggest that current trends in Minnesota farm land prices reflect a weakening in the demand for farm land coupled with a change in the type of buyers who have been active in the market. The evidence supporting this conclusion can be traced to a number of factors, with widely varying impacts in different areas of the state and among different classes of farm land buyers. The changes did not occur suddenly, and their varying degrees of importance can be traced in farm land market trends in recent years.

Credit financing. One of the most important and pervasive causes affecting the transfer of farm land is the increasing difficulty in arranging the credit financing necessary in 75 to 80 percent of the sales. Table 5 illustrates the importance of credit

financing of farm sales in Minnesota, based on a total of 8,563 sales reported for the first six months of each of the six years, 1956-1961.

Table 5. Proportion of Farm Sales Credit-Financed, by Districts, Minnesota, 1956 - 1961.

District	1961	1960	1959	1958	1957	1956
	percent of all sales					
Southeast	81	80	81	80	76	80
Southwest	80	79	80	78	72	75
West Central	78	78	73	78	73	73
East Central	73	74	75	72	74	69
Northwest	82	65	57	62	72	64
Northeast	77	78	67	68	74	81
MINNESOTA	79	77	76	76	73	74

In 79 percent of the sales some form of credit financing was necessary in 1961. In 1956 credit financing was used in about 74 percent of all sales. The gradual increase in the proportion of all sales that is credit financed, coupled with a pronounced shift from the conventional mortgage to the land contract, with its lower down payment, suggests that the capital position of many buyers in today's farm land market is weak.

Credit financing arrangements are not a problem unique to any one area but are prevalent throughout the State. With weak agricultural incomes, rising operating costs, rising land values, larger farms, and high interest rates, the arrangement of adequate financing programs is a major problem. Buyers with a sufficient down payment appear infrequently. The opportunity to earn the needed down payment in the current farming situation is difficult and the accretion process takes time. Credit arrangements emerge as a major problem for the majority of buyers.

Farm Expansion Buyers. Farmers seeking to enlarge their present holdings have been one of the strong elements in the demand for farm land in recent years. This class of farm land buyers has purchased roughly one-third or more of all farms sold in Minnesota for the past 4 years, as shown in Table 6. Prior to 1956 farm-expansion buyers bought roughly one-fourth of all tracts sold each year. In 1956-59 this ratio increased to one-third. They accounted for 41 percent of total sales in 1960 and 37 percent in 1961.

Farm-expansion buyers continue to be the dominant group in the Northwest district, purchasing 57 percent of the farms sold. They are an important group on the demand side in the Southwest district, and are considerably more active in the western half of the State than in the eastern half.

Investor buyers. The proportion of farms purchased by investor buyers has been fairly stable in recent years, and has tended to strengthen the demand for farm land. Among the factors important to the investor buyer are the rates of return earned on his various investments. For the majority of farm enterprises the rates of return earned by farm capital owned and farm capital borrowed have been

Table 6. Percent of Tracts Purchased by Type of Buyer, by Districts, Minnesota, 1958 - 1961.

District	Operating Farmer				Farm-Expansion Buyer				Investor Buyer				Four-Year Average 1958-61, by Type of Buyer		
	1961	1960	1959	1958	1961	1960	1959	1958	1961	1960	1959	1958	Farmer	Expander	Investor
	percent				percent				percent				percent		
Southeast	58	54	54	52	26	35	28	28	16	11	18	20	54	29	17
Southwest	39	44	48	44	51	46	40	42	10	10	12	14	44	44	12
West Central	45	39	53	49	41	49	33	30	14	12	14	21	47	38	15
East Central	68	61	64	64	17	22	20	19	15	17	16	17	64	20	16
Northwest	39	27	42	33	57	64	45	57	4	9	13	10	34	57	9
Northeast	44	78	59	75	41	17	21	7	15	5	20	18	54	20	16
MINNESOTA	50	47	53	50	37	41	32	33	13	12	15	17	50	36	14

well below prevailing interest rates for several years. With low returns on agricultural investments, the investor buyer has had reason to scrutinize carefully his farm investments. In spite of low returns, investor buyers have continued to be one of the important elements in the farm land market.

As shown in Table 6, investor buyers as a group are important in all of the districts except the Northwest. In 1961 investor buyers have shown continued strength in the Southeast and East Central district and are fairly important in the Southeast and Northeast districts. In the Northwest the percent of farms purchased by investors typically has been lower than in any other district.

The Combined Effect of Farm-Expansion and Investor Buyers. Farm-expansion and investor buyers together purchased one-half of the farms reported sold over the four years, 1958-61. These influences are especially strong in the western districts, as shown in Table 6. In the three western districts these two groups of buyers have purchased from 50 to 60 percent of the farms sold since 1957.

In part, the strength of the farm-expansion or investor buyer lies in his ability to finance a land purchase without being forced to pay for it out of earnings from the land being purchased. Farmers seeking to expand their present units can, if necessary, draw upon the land already owned for income and credit security in financing the new addition. Investors can often utilize money earned outside of farm operations to purchase new or additional lands.

Beginning owner-operators or renters seeking to become owners purchased one-half of the farms reported sold in the first six months of 1961. The current rate of farm transfers by voluntary sales is estimated at 29.0 per thousand farms. From this we can derive an estimated rate of transfer by voluntary sales to beginning farmers, or to farm operators who own no other farmland, of 14.5 per thousand farms in 1961.

In a representative rural Minnesota county with about 1500 farms, this would mean that some 44 farms could be expected to change hands by voluntary sale in any one year. Of these, 22 would go to buyers who own no other land and intend to manage the tracts as owner-operators.

In probability terms, a renter or beginning farmer has a 50-50 chance to emerge as a

successful bidder for a farm transferred by voluntary sale. In the Southwest and Northwest districts his chances were only two out of five, while in the Southeast and East Central districts his chances were somewhat better.

Table 6 also presents the percentage of total sales acquired by each group of buyers, averaged for the four years, 1958-61. In the four-year period over 5,500 sales were reported and classified according to type of buyer. Buyers who owned no other land and who intended to operate their tracts as owners purchased 64 percent of the farms reported sold in the East Central and Northeast districts and 54 percent of the tracts sold in the Southeast. Farm-expansion buyers were especially strong in the Southwest and Northwest districts. Investor buyers were active in all but the Northwest district. Section B of Part III of this report discusses in further detail the characteristics of farms purchased by these three types of buyers.

Land Contract Financing. Approximately four out of five farm sales in 1961 in Minnesota involved credit financing. As shown in Table 7, 21 percent of the reported sales in 1961 were cash transactions, 33 percent involved mortgages, and 46 percent were financed with land contracts. In 1961 there was a further percentage increase in the use of land contracts and a decline in the percentage of cash purchases. Prior to 1956, the rise in the use of the land contract was reflected in a decline in the use of mortgages. Since 1957 the continued rise in the use of land contracts has been at the expense of a decline in cash transactions. For the last five years the land contract has been the most frequently used credit instrument in Minnesota farm land sales.

The growing use of the land contract can be observed in nearly all of the districts and for the State as a whole. The increasing frequency of use of this credit instrument has not been paralleled by any increase in the proportion of sales financed by mortgage credit supplied by institutional lenders, either public or private. Individual lenders, usually the sellers, have thus become a very important source of land credit.

Table 7 also shows the 1958-61 averages, based on a total of nearly 5600 sales reported in the first six months of each of the four years, classified according to method of financing. The land contract shows considerable strength in all six districts. Cash sales normally make up one-fifth of the

Table 7. Classification of Sales Reported , by Method of Financing, by Districts, Minnesota, 1958 - 1961.

District	Cash Sales				Mortgage Sales				Contract for Deed				4-Year Average, 1958-61		
	1961	1960	1959	1958	1961	1960	1959	1958	1961	1960	1959	1958	Cash	Mortgage	Contract
	percent				percent				percent				percent		
Southeast	19	20	19	20	30	27	32	29	51	53	49	51	20	29	51
Southwest	20	21	20	22	42	40	46	41	38	39	34	37	21	43	36
West Central	22	22	27	22	35	40	27	36	43	38	46	42	23	34	43
East Central	27	26	25	28	22	24	31	28	51	50	44	44	27	26	47
Northwest	18	35	43	38	41	36	28	30	41	29	29	32	35	33	32
Northeast	23	22	33	32	13	26	20	19	64	52	47	49	28	19	53
Minnesota	21	23	24	24	33	33	35	33	46	44	41	43	23	33	44

purchases, though in 1961 there was a sharp drop in cash sales in the Northwest district. Only in the Southwest district has the mortgage retained its traditional position as the most frequently used credit instrument.

For comparison with neighboring states, Table 8 presents U. S. Department of Agriculture estimates of the proportion of farm transfers financed

with land contracts for the years 1945-61. The growing use of the land contract is a phenomenon not only of Minnesota but of neighboring states as well. The rates of land contract use are similar for Minnesota, Michigan, and North and South Dakota. In Iowa the land contract was an infrequently used credit instrument until 1957; in the last four years its use has increased dramatically.

Table 8. Estimated Proportion of Farm Transfers Financed by Land Contracts, Selected States, 1945-1961.*

State	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946
	percent															
Iowa	39	42	27	24	20	18	15	14	11	10	9	10	7	7	8	7
MINNESOTA	51	55	41	42	42	37	37	35	36	34	27	27	24	19	19	20
North Dakota	45	38	34	33	40	31	38	35	30	35	29	30	26	20	22	24
South Dakota	39	41	27	33	30	27	34	31	26	24	23	18	19	17	18	17
Wisconsin	49	41	32	34	32	35	35	23	19	20	14	13	13	11	9	8

* United States Department of Agriculture estimates.

The Long Run Influence of Better Roads on Land Prices

The presence or absence of good roads is a major force affecting long term trends in the price of farm lands. In the 1920's and 1930's the importance of this influence was reflected in widespread efforts to improve farm to market roads. Campaigns to "get the farmer out of the mud" were a prominent feature of these attempts to develop an understanding of the importance of a rural road network. The U. S. Census of Agriculture for 1959 provides

us with some valuable evidence regarding the success of these programs of rural road improvement.

As shown in Table 9, farms located on dirt or unimproved roads in 1959 accounted for less than 5% of all farms in the Southeast and Southwest districts of the state, and not more than 8% of the farms in the West Central and Northwest. This picture is much less satisfactory in the East Central and Northeast districts, where slightly more than one-fourth of all farms were still located on dirt or unimproved roads in 1959.

Table 9. Percentage Distribution of Farms Classified by Type of Road, by Districts, Minnesota, 1950 & 1959. a/

District	Percent of Farms by Type of Road						Percent of Farms on Dirt or Unimproved Roads, Classified by Miles to a Hard Surfaced Road, 1959 Census Only.		
	Hard Surface		Gravel, Shell or Shale		Dirt or Unimproved		Less than 1 mile	1 to 4 miles	5 or more miles
	1959	1950	1959	1950	1959	1950	percent		
	percent of farms in district								
Southeast	24	18	71	73	5	9	45	50	5
Southwest	20	14	78	84	2	2	34	60	6
West Central	19	13	73	75	8	12	29	58	13
East Central	23	17	50	45	27	38	30	63	7
Northwest	15	10	77	69	8	21	27	52	21
Northeast	24	19	50	45	26	35	24	59	17
MINNESOTA	22	17	67	66	11	17	31	59	10

a/ U. S. Census of Agriculture, 1959. Vol I, Part 15, Minnesota, County Table 6.

The status of these "dirt road" farms improved measurably in the 1950's. This was particularly true in the Northwest district, where the percentage of farms located on dirt roads dropped from 21% in 1950 to 8% in 1959. In terms of improvement in road conditions, the Northwest district registered the greatest advance of any district in the state during the 1950's. This improvement has unquestionably had some influence on the rapid advance of land prices in that district, noted in the preceding discussion.

The decline in the percentage of farms located on dirt roads in the Northwest and Northeast districts is also unquestionably due in part to the selective abandonment of more remote and isolated farmsteads. Many of the occupied farm residences located on dirt roads in 1950 were simply not there to be counted in the 1959 census. While the land may not be abandoned, a number of the rural residences have been.

Table 9 also reveals some significant differences in the availability of gravel and hard surface roads in the various districts. The East Central and Northeast districts of the state, which have the largest proportion of farms still located on dirt roads, also have about one-fourth of their farms located on hard surface roads. This percentage is as high in the East Central and Northeast districts as in any other part of the state. What is noteworthy is that gravel, shell, or shale-surfaced roads are much less available in the East Central and Northeast districts.

With the exception of these two districts, the pattern in the remaining areas of the state is remarkably uniform: From 70 to 80 percent of all farms have access to market on gravel or similar surfaced roads. For those farms still located on dirt roads, Table 11 also points up the fact that in the Northwest and Northeast districts roughly one out of every five of the "dirt road" farms have five or more miles to travel before reaching a hard surfaced road.

The quality of farm service roads has taken on new importance with the emergence of a significant demand for farms on the part of people who desire a rural residence, from which they intend to commute to a non-farm job. The preceding discussion pointed out the importance of this non-farm demand

for farm land in several areas of the state, particularly the East Central and Northeast districts. Where this demand element is strong, the absence of accessibility by hard surface road will undoubtedly play an important role in determining future trends in rural land prices. No individual seeking a rural residence and intending to commute to a non-farm job is likely to look with favor on several miles of mud before he can reach a gravel or hard surface road. It seems reasonable to expect that accessibility by hard surface road will become an increasingly important element among the forces determining farm land prices in areas of the state in which rural residential demands for farm land are now strong.

It seems equally reasonable to interpret Table 9 to mean that road conditions now play a relatively minor role in accounting for trends in farm land prices in the southern half of the state. For individual farms, road conditions will continue to be an important element in appraisal, or in the analysis of differential levels of local land prices. With 95% of the farms in the Southeast and 98% in the Southwest already located on gravel roads or better, it seems probable that the major effects of better roads have already been realized in the levels of farm land prices in the Southeast and Southwest districts.

The Influence of the Soil Bank

With no new entries in the Conservation Reserve program of the "Soil Bank" since the fall of 1959, we can conclude that by 1961 the full short run effect of the withdrawal of these lands from cultivation should now be apparent in the land market. As Table 10 shows, the effect of these withdrawals is widely different among the land market districts of the state. With less than 2% of the cropland entered in the Conservation Reserve program in the Southwest district, there is little chance that this program has had any appreciable effect on land price trends of the past five years in that area. This is almost equally true for the Southeast, where Conservation Reserve entries are less than 3½% of total cropland.

Table 10. Conservation Reserve Program Participation: Acres and Percent, by District, Minnesota, 1956-60^{a/}

District	Total Cropland Acres		1956-60 Conservation Reserve Program		1956-1960 Conservation Reserve Acres as a percent of Cropland acres in each district
	Acres	Percent of state total	Acres	Percent of state total	
	acres	percent	acres	percent	percent
Southeast	4,647,080	21.3	159,237	8.4	3.4
Southwest	6,190,569	28.4	117,336	6.2	1.9
West Central	3,937,411	18.1	321,710	17.0	8.1
East Central	2,530,896	11.6	413,768	21.8	16.4
Northwest	3,742,147	17.2	757,595	39.9	20.2
Northeast	748,933	3.4	127,051	6.7	17.0
MINNESOTA	21,930,152	100.0	1,903,174	100.0	8.7

^{a/} County data supplied by USDA, Agricultural Stabilization and Conservation Office, St. Paul, Minnesota. Hennepin and Ramsey counties (Minneapolis and St. Paul) excluded in computing district percentages.

Per Cent of Total Crop Land

Percentage Range	Crop
0.1 - 4.9	Wheat
5.0 - 9.9	Barley
10.0 - 14.9	Oats
15 - 29	Hay
29 and Over	Corn

As we move north in the state, the importance of the Conservation Reserve program as a possible influence on the land market increases. It is relatively unimportant in the West Central district, with only 8.1% of the crop land involved in the Conservation Reserve program. Although this percentage is low for the district as a whole, the entries tend to be concentrated in certain counties. They have undoubtedly exerted some local influence on the potential supply of farm land that might otherwise have been offered for sale during the past five years.

It is in the Northwest, East Central, and Northeast districts of the state that the Soil Bank has exerted its principal influence on the land market. If we exclude the Red River Valley, there is a wedge shaped area of the state formed by lines running north from the Twin Cities to International Falls, and northwest to Crookston, within which roughly one-fifth of the crop land has been entered in the Conservation Reserve program.

Figure 1 shows the acres entered in the Conservation Reserve program, by counties, as a percentage of total crop land reported in the 1959 Census of Agriculture. There are fifteen counties in which 19% or more of the crop land is entered in the Conservation Reserve program. In six counties the figure is 29% or more. Entries on this scale have unquestionably had a prominent influence on the supply side of the farm land market in recent years.

In areas where Soil Bank entries have been heavy it has been observed that the poorer lands have often figured prominently in the entries. Where this occurs, there would be a consequent qualitative improvement in the remaining stock of farm land outside the Conservation Reserve and available for sale. Although data are unavailable to test this hypothesis, a possibility remains that in counties where large acreages have been entered in the Conservation Reserve, the effect on the land market could be twofold: A reduction on the supply side of the market, in that there are fewer farms available for purchase, plus a relative improvement on the qualitative side, in that the lands outside the Reserve are in general more productive or better served by schools, roads, and public utilities.

Important though these entries are to the counties and communities affected, they exercise relatively little weight in the total picture of farm land prices for the state as a whole. The majority of the counties that have been heavily affected by Conservation Reserve entries are counties in which farm land prices are among the lowest in the state. In statistical terms, farm land prices in these areas can fluctuate over relatively wide ranges without exercising any substantial influence on the state wide levels of average prices.

This does not deny the fact that Conservation Reserve entries have been of great importance in accounting for recent farm land price trends in the

communities most heavily affected. The concentration of these influences in the Northwest and East Central districts of the state is underlined by the comments from farm land market reporters that are reproduced in Part II of the report.

One Measure of Urban Influence on Farm Land Values

Seven Minnesota counties are classified by the U. S. Census as belonging in "standard metropolitan statistical areas": Anoka, Clay, Dakota, Hennepin, Ramsey, St. Louis, and Washington.

These seven counties in 1960 contained 1,752,698 inhabitants, or roughly one-half of the population of the state. The seven counties also contained 1,770,078 acres of farm land.

One indication of the relative strength of urban influences on farm land values is provided by Table 11, based on county land value estimates from the U. S. Census of Agriculture in 1954 and 1959.

Table 11. Increase in Farm Land Values in Metropolitan and Non-Metropolitan Counties, Minnesota, 1954 - 1959^{a/}

Area	Average Value Per Acre		Increase, 1954 to 1959	
	1954	1959	\$	%
Minnesota	106	154	48	46
7 Metropolitan Counties	124	196	72	58
80 Non-Metropolitan Counties	105	152	47	45

^{a/} County land value data from U. S. Census of Agriculture, 1954 and 1959.

According to census data, farm land in the seven "metropolitan area" counties increased 58 percent in value from 1954 to 1959. In contrast, the average value of farm land in the remaining 80 counties increased only 45 percent in the same period.

It should be noted that several of the "non-metropolitan" counties contain large areas of farm land well within the radius of urban influences of the state's largest cities. With this in mind we can conclude that, in general terms, for every \$3 increase in farm land values per acre in the non-metropolitan counties there was a \$4 increase in the metropolitan counties. This provides us with one measure of the relative strength of farm and non-farm elements in the demand for farm land in recent years.

PART II

REPORTER'S COMMENTS

This part of the report reproduces comments made by reporters concerning the present land market in their area. To aid in the analysis of these comments, they have been summarized in Table 12 to show the frequency with which the principal subject mentioned in each reporter's comment was repeated by other reporters from that district.

The comments from all districts stressed the reduced number of sales in the first six months of 1961. In four of the six districts (all but the Northwest and Northeast) the problems of down-payment, finance, and taxes were frequently cited. In the Northwest district the most prevalent comment concerned the small number of farms offered for sale.

Table 12. Type and Frequency of Reporters' Comments, by Districts, Minnesota, 1961.

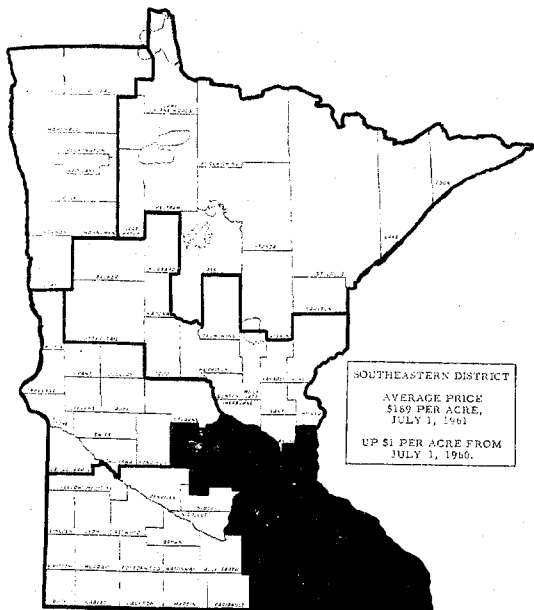
Type of Comment	Min- nesota	South- east	South- west	West Central	East Central	North- west	North- east
	p e r c e n t						
Fewer sales in last six months	29	29	29	31	27	24	24
Downpayment, finance, taxes	21	20	21	29	22	6	10
Neighbors or relatives buy farms	9	9	10	8	10	8	8
Want small farm (have other work)	8	6	5	6	19	0	31
Increased land market activity	8	9	11	4	4	5	8
Few farms available for sale	7	5	10	6	1	30	0
Asking prices are up	6	7	5	5	5	5	3
Soil Bank program	5	5	1	6	9	14	3
Asking prices are lower	4	5	6	1	2	3	3
Better farms are still selling	3	5	2	4	1	5	10
	100	100	100	100	100	100	100

Comments from the Northeast district contained frequent reference to the desire of buyers for small farms on which they could reside while employed in non-farm jobs. This desire for a small farm for residential purposes is also prominent in the East Central district.

If we take the state as a whole, the most frequent comments reflected slower land market activity in 1961, and associated difficulties in securing down-payment or financing arrangements. In

addition to comments concerning the slow market, and financing difficulties, the third most frequent comment concerned the fact that those farms that are available for sale are often sold to relatives or neighbors without ever appearing upon the market.

To convey an accurate picture of the nature of these comments, a selected group of them are reproduced with slight editorial change in the section that follows.



SOUTHEASTERN DISTRICT

Average Price: \$189 per acre, July 1, 1961. Up \$1 per acre from July 1, 1960.

"Farm land sales are principally to farmers buying additional land for farming on a much larger scale. They have the machinery and can operate more land. Otherwise the small farms are sold to buyers living on the farm and either renting it out or working it plus holding another job.

Demand for the high productive land is high. I believe prices will hold at present levels and increase in the future on this better land.

I believe farm land will decrease in price this year. The only reason they have held up on price is the Soil Bank.

It is very slow as compared to previous years, but crops are very poor because of wet weather.

Very few farms for sale and not many buyers. Presently, it appears, the enthusiasm to buy land is dead.

Demand for farm land declined in 1960 and 1961. However, prices and values have remained stable.

Not many farms for sale and no one has the money to pay for them or the downpayment.

There is farm land for sale, but out of reach for most buyers. Farmland is selling high, only those who have the money and want to increase their acreages are prospects.

Mortgage money has been a little bit tighter and top loan money requires a sizeable downpayment on a well improved farm.

Prices of medium size farms are declining somewhat, while small farms (30-80 acres) are holding up well. Buyers of the latter have jobs in town and expect to derive additional income from this source. Then too, they think the country is a good place to keep the family busy.

Farm sales are down this year. They are held above selling value. Not many farmers are ready to sell at market prices.

Very few farms being sold as sellers are still holding out for the high prices of three years ago. Many buyers, but their downpayment is too small.

Don't have the out of state buyers we had before. Most farms are being sold with small down payment.

Cost of operation is high, interest rates are high, investors and farmers are not buying or selling.

There isn't much land moving in this section of the country."

"Have about six farms for sale but very little activity to date. Some interest, but buyers are leary and sellers don't want to sell bad enough to drop their prices.

Not many farms available for sale. Most owners sell their farms to son or neighbor.

The new farm program has pepped up the farm buying, but farms are selling from \$25 to \$50 less than quoted. This is the low time and farm land prices will continue to rise.

Buyers are stalling -- hard to get them into a deal! Too poor crop and poor prices in 1960 making money for down payment much scarcer.

Land sales are going from agricultural to potential homesite or speculative buyers more and more in the metropolitan area.

Farms are Soil Banked, and it is thus difficult to get any good listings. Grade A farms are not for sale. Get listings on low-priced ones that no one wants to buy.

Good farms are seldom sold through realtors. Most are family transactions. A few low grade farms have been sold to people who take advantage of the Government Soil Bank.

People do not have the necessary money to buy many of the farms. The ones that do buy are usually well enough off to be able to pay cash.

More farm buyers are looking than a year ago. The last half of '61 should improve over a year ago.

Prospects are few at present prices--unwilling to overpay. Most buyers are now determining the price they are willing to pay on a return per acre basis. No interest in poor land.

Very slow because people can't borrow money and most of them have small down payment.

It is easier to sell open land without buildings than farms with buildings.

People are trying to sell but have no buyers. Some are renting the land to neighbors and living in the buildings themselves instead of selling the farm and moving to town.

SOUTHEASTERN DISTRICT continued

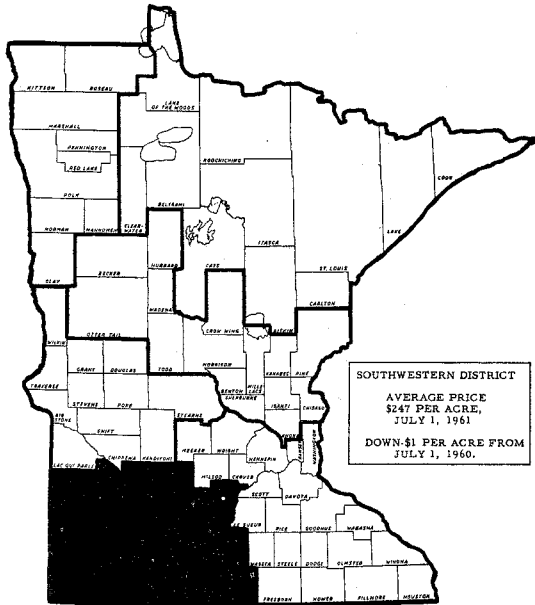
Farm land sales are affected by the expanding development of housing projects from the Twin Cities.

Small farms with good buildings are in the most demand.

Very little land is selling due to much higher real estate taxes and interest rates.

The buyer today does not have the down payment.

Several buyers who would like to buy farms do not have the cash for even a down payment."



SOUTHWESTERN DISTRICT

Average Price: \$247 per acre, July 1, 1961. Down \$1 per acre from July 1, 1960.

"Some contract sales have been made, but sales have been the slowest in several years. Reasons for less activity is lack of financial assistance and low prices for products received as compared to cost of production.

Land is just not moving. Investors are stepping out because the farms do not make satisfactory returns and very few farmers are interested.

Farm sales are few. Owners are asking more per acre than present prices of farm products will support. Taxes are high and continue to increase.

What has sold has sold at reduced prices in many instances. The Iowa buyers who push the prices up just did not show up. I believe Iowa prices are down more than prices here so those prospects are not interested in Minnesota land. Things appear to be recovering somewhat at this time.

More demand -- buyers looking for productive farms with good buildings. More listings of low grade farms.

General trend is lower price per acre of actual sales. Asking price is also down.

The asking price of farms remain about the same as last year. Buyers are very cautious as farms are a poor investment at the present asking price.

Very little land for sale here -- at present we have three farms for sale -- very few buyers around at this time.

Buyers are few in this territory. Those that are looking are lacking proper finances.

Farm land sales are very slow. Practically all prospects want to enlarge their farms.

Sales very slow. This is due to lack of money, high rates of interest and low farm prices. Most young farmers are going to the cities to get jobs. They are unable to finance farming operations.

Very little land or farms changing hands in this community.

It is very slow. Have been a few inquiries, but no real selling -- look for it to be better this fall.

Money is scarce and expenses are so high that people aren't taking any chances.

Some hesitance on the part of prospective purchasers -- with land prices high and net income low there is small incentive to buy.

For many years counties in southern Minnesota have had many land buyers from Iowa, where land is higher priced. Now this market of buyers has completely disappeared.

Very few farms listed for sale and less buyers.

Mostly from owner to neighbor sales with small percentage sold to other purchasers.

Not much activity in farm land sales in this area the past two years. Purchasers of farm land are local and buy to increase the acreage owned and to lower the overhead cost of larger machinery operated.

Buyer seems to think prices are down. Seller does not want to admit that that is so.

Very few farms being sold. Many sellers -- few buyers. Financing is the major hurdle. Credit agencies will seldom loan over 50%. Increase in contract for deed sales.

Very little buyer activity -- more farms listed, but at last years prices. Have no farms listed that have to be sold.

Farm land sales have shown no interest this past year.

We have had very few farm sales in our area in the past several years. The farms pass from father to son through sales under contract for deed and others are turned over to the son through the father's estate.

We believe the undertone of the land market is firming. Given good average crop yields in 1961, it appears that some increase might occur.

Interest rates too high -- speculators are not buying farms. Many farmers who would buy have no money.

Part time farms in demand by city dwellers all the time -- hard to finance. These sell high. High interest rates and low prices have chased investors out of the market.

Takes too high a down payment. Young farmers can't afford to buy unless Dad or a relative helps out on down payment.

Land has gone down about 15 to 35 per acre. Good farms have not dropped as fast as poor farms.

Tendency is to wait on part of buyer -- believe land is too high for return of investment. Sellers of land expect same price as prior years.

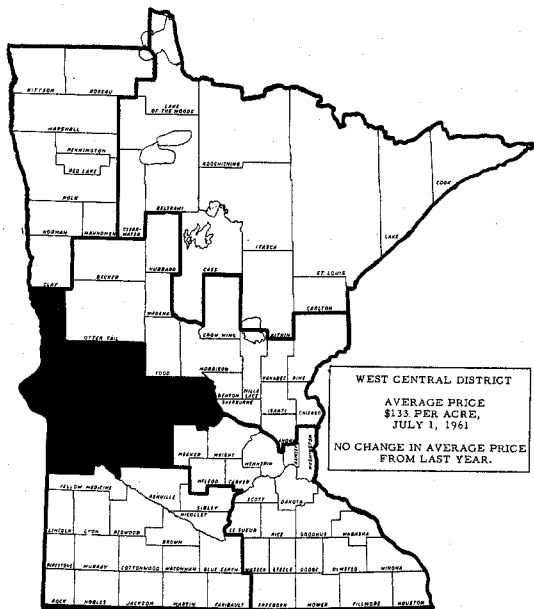
Farm buyers haven't as much money as they did a couple of years ago.

What farms being sold are selling lower. The reason for this is the increase in taxes and interest. Also the repairs and labor are too high. Machinery is high also.

Lack of sales seems to point to shortage of cash and down payment.

Money is short and financing seems to be the big problem for the younger buyers.

Demand is less because of poor crops and prices. Too many Labor Unions."



WEST CENTRAL DISTRICT

Average Price: \$133 per acre, July 1, 1961. No change in average price from last year.

"Farm prices in this area are declining or holding steady for the main part. There are some farms moving, however, the number is very small compared to a year such as 1957.

Farm sales very slow. Mostly local to enlarge existing farms. Asking price about the same as last year.

Slowed up very much. Buyers are hedging very much on price per acre. Also, down payment cash is very scarce.

Very few buyers -- very choosy and impossible to deal with unless it is an outstanding bargain. Old farmers on Soil Bank are not selling.

The young farmer can no longer buy a farm without aid from the family. Farm enlargement is still the practice. Loan companies are again making loans, but their requirements are stiffer.

Less than 50% of the prospective buyers have enough cash for the down payment. Most farms are sold on a contract for deed with a down payment of 20% to 25% of the purchase price, with long term payments.

There is a greater demand locally than in previous years, but we feel that farm land has come down in the southern part of the State and it has affected our market in west central Minnesota.

Credit is tight and loans hard to get. The farms sold are principally on contract.

Buyers are looking for farms with good homes, are not too interested in other buildings, want high producing land, prefer good roads and not too far from trade centers, larger towns preferred.

Few good farms for sale. They are usually bought by neighbor or someone in the area.

Very slow -- not many inquiries -- not enough down payments.

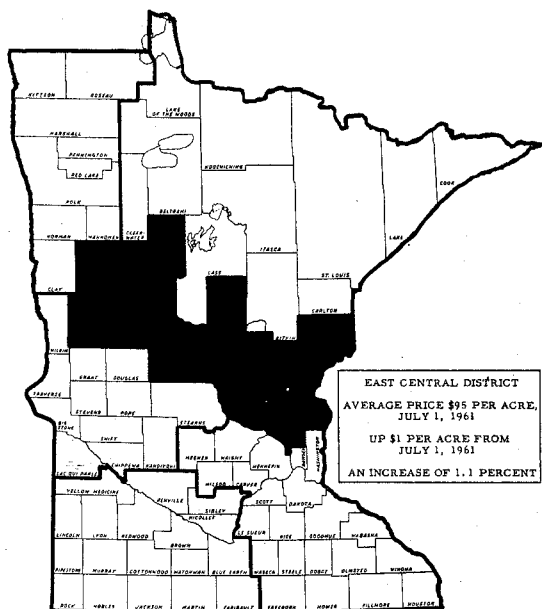
Little money for down payment by farmers. Land value too high an investment for the income received.

There are many farms in Soil Bank. This is one of the reasons not many are sold.

About usual number of farms changed hands. Increase in farm land prices has been due principally to increase in value of improvements, modernization of buildings and electric power and lights.

Few farms for sale. Asking price too high by those who wish to sell. Buyers lack down payment.

Financing is hard to get. Only the poorer farms are for sale, taxes are too high for quality of land and return on investment."



EAST CENTRAL DISTRICT

Average Price: \$95 per acre, July 1, 1961. Up \$1 per acre from last year.

"Very slow sales. Small farms with good houses and close to town are the best sellers to people who work in towns or immediate neighborhood.

No great demand for farm land. Main reason is very poor finance with little incentive to own a farm due to overhead for equipment and livestock. Most are sold to neighbors to increase the size of their farms.

Soil Bank and retired farmers stay on farms. Not many farms on the market. About 60% of farms are sold to people working out.

Land sales very slow. Demand below last year.

Land sales slow this year, due to shortage of down-payment required by owners.

No interest in larger farms and no outside buyers. Some interest in small farms and acreages, where buyers can commute to work. Nearly all sales on contract for deed, with low down payments.

Farms sold mostly to enlarge present farm.

Many young fellows looking for farms, but are unable to get financial backing.

People are more cautious this year.

Increased consolidation in acreage among real farmers. Marked movement of metropolitan parties to buy marginal farms for recreation and retirement.

Very little activity -- few lookers -- drouth condition is affecting sales now.

Some small farms are for sale. Smaller farmers feel economic pinch and are selling -- mostly to people working in town.

Large number of buyers, but lack down payments.

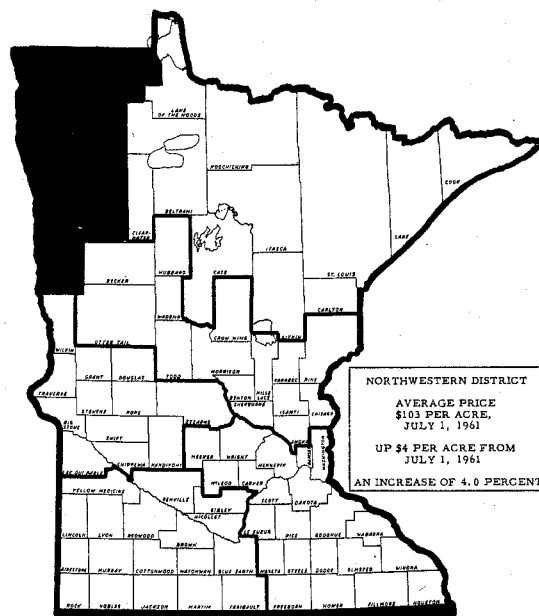
There are not many farms for sale. Most of them are in Soil Bank contracts.

Very few farms for sale and very few buyers. Great demand for small non-operating farms on good road to be used mainly for residence purposes.

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

The biggest movement of land now consists of unimproved land being added to an already existing unit with buildings. Sales appear to be down on smaller, weaker units, as far as being purchased for a farming unit.

Small farms have moved the best to people working out who want a place to live and do a little farming on the side."



NORTHWESTERN DISTRICT

Average Price: \$103 per acre, July 1, 1961. Up \$4 per acre from last year.

"Very few land sales this past year. Land values have not changed. Land in Soil Bank has not changed hands to any degree. This condition may change when Soil Bank program expires.

There are not many farms in our locality for sale. There have been very few transfers.

Sales down slightly, most sales were from farmer to buyer.

Out sales of land are composed of liquidations for distributions to the heirs. Very little real estate changing hands, mostly in the lower grade lands. It seems that the good are not for sale unless for liquidation when there are non-resident heirs.

Farm land is very stable. Very little movement in the past year. Will be more with Soil Bank coming out in a year or two. Farms with good improvements, size, have value.

Many farms are in Soil Bank and not for sale.

Each farm upon which sugar beets can be raised that is up for sale is usually picked up by adjoining property owners. There are few outside buyers who are able to finance the purchase of farms especially sugar beets and soybean farms.

Much less activity on account of Soil Bank land.

No transfer or sales except in probating of estates
or bought by neighbors.

Land sale slow so far this year.

Real estate sales are few on account of dry weather and damage to crops.

It appears that less farms are offered for sale each year. Those for sale are usually the result of closing an estate or the like.

There have been very few farm sales in this area during the past year.

Farms change from father to son.

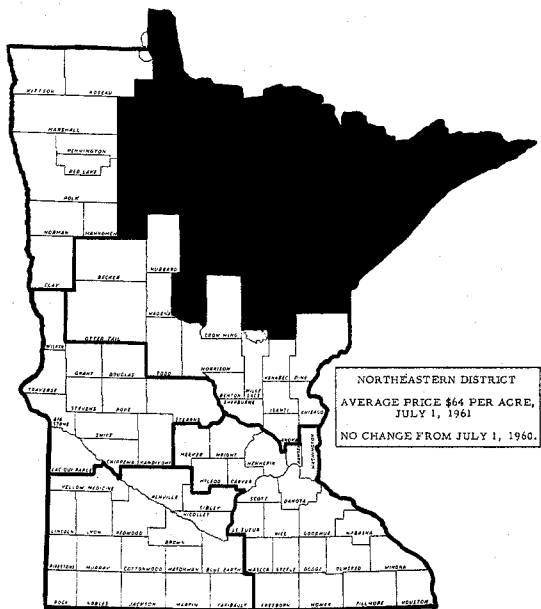
Financing harder to get. Fewer buying prospects due to dry areas. Expect farms for sale to increase.

Farm listings are harder to get and farmer wants higher down payment.

There are very few farms for sale, due to the present Soil Bank setup.

Prices on land are holding about the same as a year ago.

Few offerings -- drought may change this. Buyers will be less plentiful as a result of the drouth."



NORTHEASTERN DISTRICT

Average Price: \$64 per acre, July 1, 1961. No change from July 1, 1960.

"Very few farms have changed hands. Most of our good farmers (on Grade A) do not want to sell. Some small tracts have changed hands, but these aren't really used as farms -- these people have other jobs but want to live in the country and keep three to five head of cattle.

Good farmers locally are expanding, and are willing to pay a good price for clean soil. They are buying more cleared land at higher price rather than cheap brush land with intent of clearing it.

Land moving very slowly as money is very scarce.

Most of our better farms don't change hands very often. Most farms are part-time farming out here, about 90 percent.

This locality is not considered a good farm area. 90% of the people on farms work elsewhere besides farming.

Our activity in farm sales has been non-existent in the last year. 'Would-be farms' are being sold in small parcels as sites for rural residences.

The trend seems to be to get a few miles out of town and be within commuting distance of our local paper mill. Farming is on the decline in this area.

Very hard to sell. Financing is the principle reason.

The farms are small, usually enclosed in heavy stands of brush and timber. Good farms are doing fine and demand a fair price. Small abandoned farms are almost worthless.

There is some increased interest in farming, however, as a means of adding to the income from other employment. Consequently, land values are up somewhat, due to improved land management.

Few folks who sold -- just retired; others had found stable employment elsewhere, and selling now that Soil Bank income is ceasing.

There have been transfers by contract for deed from parents to son, and the son taken up farming, though very few so far.

Many farms in this district are in Soil Bank and people live there and work in paper mills. There are buyers, but no money, so no sale.

Valuations remain about the same depending on quality and improvements.

Many prospects, but unable to find financing.

Most of the farms in this community do not sell for the price of the buildings.

Ninety percent of so called farms in this territory are not farms at all but only a place to live."

PART III.

ANALYSIS OF REPORTED FARM SALES

Section A. Farm Sales as a Whole

A Note on Methodology

Reporters in this annual survey of the Minnesota farm land market are asked to supply two types of data:

1. Estimates, in response to the question "What is the current price per acre of the average size farm of average value in your community?" A second question asks for the estimates subdivided according to "good," "average," and "poor" grades of farm land. These estimates are averaged by counties and weighted by the area of land in farms in each county to yield district average land prices. These estimates form the basis of the reports of year-to-year changes in land prices. The analysis of land prices and trends in Part I of this report is based on these estimates.

2. Factual data, on farms sold in the reporters communities, including actual prices, characteristics of the buyers and sellers, and methods of financing for tracts sold for agricultural purposes during the annual survey period of January 1 to June 30. These data on actual sales are used in Part I only in discussing factors that influence current land market trends. A more detailed analysis of actual sales in 1961 is presented in this part of the report.

The estimates of farm land value are a more reliable basis for year-to-year trends than are reported prices received in actual sales, for these reasons: There are erratic and occasionally wide variations in the qualities of land and buildings actually sold and in the number of sales that may occur in any given year and locality. Typically, there are only 25 to 50 voluntary farm sales per year in a representative Minnesota county. A reported change in sales prices may reflect a change in quality of land or buildings or it may actually represent a change in local land prices. It is difficult to know the extent to which these two variables are represented in sales prices, and the necessary data on soils, location, and improvements are not available to permit accurate adjustments for quality changes.

Comparison of Estimated and Sales Prices

There are therefore a number of reasons why actual sales prices in any one year may be unrepresentative of land prices in a district. Some indication of this variation is provided by Table 13. The comparison between reported sales prices and estimated prices per acre reflects an encouraging level of overall consistency in this survey.

In general terms, the level of estimated prices per acre, in each district, is above the average price per acre of reported sales. This is consistent with the frequent comment by reporters that "the best farms never come onto the market."

Table 13. Comparison of Actual Sales Prices and Reporters' Estimates of Average Prices per Acre, by Districts, Minnesota 1959-1961.

District	Average Price per Acre in:					
	1961		1960		1959	
	Esti-	Sales	Esti-	Sales	Esti-	Sales
	dollars per acre					
Southeast	189	188	189	188	210	191
Southwest	226	247	240	248	243	255
W. Central	130	133	136	133	129	134
E. Central	89	95	69	94	73	89
Northwest	92	103	101	99	85	103
Northeast	38	64	50	64	61	58
MINNESOTA	165	156	161	155	173	157

Average Prices of Reported Sales

The reported sales prices per acre exhibit considerable year-to-year variation within the districts, as shown in Table 14.

Table 14. Average Sales Prices per Acre, by Districts, Minnesota, 1956-1961

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

The average sales prices reflect variations in the quality of land and buildings, as well as in soil conditions and differences in location. These and other factors underlie annual variations in sales prices as computed for the six districts. In 1961 the average sales prices per acre remained unchanged in the Southwest, increased in the East Central and for the State as a whole, and were lower in the four remaining districts.

Sales Prices Classified According to Quality of Land

Average sales prices per acre for 1961 are shown in Table 15, classified according to the reporters' estimates of differences in quality of land, together with comparable data for sales from 1957 to date.

The statewide average sales prices per acre declined slightly for good quality land in 1961 but averaged higher for the average and poor grades. Year-to-year variations in prices reported for the Northwest and Northeast districts must be interpreted cautiously, because of the relatively few

Table 15. Average Price per Acre of Reported Sales, Classified According to Reporters' Estimates of Quality of Farm Land, by Districts, Minnesota, 1957-1961.

District	Good Quality Land					Average Quality Land					Poor Quality Land				
	1961	1960	1959	1958	1957	1961	1960	1959	1958	1957	1961	1960	1959	1958	1957
	dollars per acre					dollars per acre					dollars per acre				
Southeast	242	229	254	208	204	177	180	189	158	165	124	123	129	97	119
Southwest	260	276	280	280	253	215	225	229	209	211	134	158	157	156	157
West Central	149	162	156	138	130	121	116	120	108	105	86	107	98	68	69
East Central	117	107	99	100	85	78	64	68	72	62	69	42	47	41	43
Northwest	127	139	123	131	121	61	81	79	63	66	61	32	48	29	27
Northeast	36	108	133	61	42	38	39	55	49	37	40	34	35	40	19
MINNESOTA	202	204	222	198	177	150	145	154	138	139	106	94	105	91	82

sales in those areas of the state. The fact that "good" land sold for less than "poor" land in the Northeast may be due to the fewness of sales reported or to the demand for farms for use as residences only. Where this residential demand dominates, location is the key determinant of price, and soil quality is of slight importance.

In the East Central and Northwest districts the average sales prices rose for all three qualities of land. In the Southeast the average prices of poor and medium grades show little change while the price of the better grade rose in 1961. The average prices for all three grades in 1961 are still below the high reported in 1959. The pronounced weakness in the

prices of poor lands in the Southwest is the most notable feature of 1961 sales in that district.

Comparison of Sales Prices of Improved and Unimproved Land

For the State as a whole and over the past five years the sales prices of unimproved land has averaged approximately four-fifths the price of improved lands. In the Northwest district, for four out of five years the average sales prices of unimproved land had been higher than that of improved lands, as shown in Table 16.

Table 16. Average Sales Prices per Acre of Improved and Unimproved Farm Land, by Districts, Minnesota, 1957 - 1961.

District	Improved Land					Unimproved Land ^{a/}					Price of Unimproved Land As A Percent of Improved Land:				
	1961	1960	1959	1958	1957	1961	1960	1959	1958	1957	1961	1960	1959	1958	1957
	dollars per acre					dollars per acre					percent				
Southeast	194	190	212	172	177	147	159	162	116	144	76	84	76	67	81
Southwest	231	245	246	236	224	192	209	208	208	173	83	85	85	88	77
West Central	134	143	133	120	110	112	109	103	84	99	83	77	77	70	90
East Central	90	73	74	80	66	79	33	35	47	49	88	45	47	59	74
Northwest	83	105	82	70	84	121	92	94	96	85	145	88	115	137	102
Northeast	39	53	69	54	35	31	22	17	12	20	80	41	25	22	57
MINNESOTA	169	167	176	159	151	138	123	142	126	117	82	74	81	79	77

^{a/} Without buildings or permanent structures.

State-wide and in four of the districts, the average sales prices of unimproved farm lands strengthened in 1961 relative to improved lands. The changes were greatest in the Northwest and East Central districts. In both the Southeast and Southwest districts the average sales prices per acre of tracts without buildings were down, relative to the prices of improved lands.

Dominance of 80-Acre and Quarter-Section Tracts

Offerings in the farm land market are not evenly distributed over the range of acre sizes. For the four years, 1958-61, the total number of reported sales in the January-June periods have been grouped in acre size-classes centered on some multiple of the 40-acre tract. The results are presented in Table 17. It is clear from these data that sales tracts in the 80, 120, and 160-acre size classes dominate the market.

One-third of the nearly 5600 sales tracts studied over the four-year period in Minnesota were

approximately 160 acres in size, one-fifth were roughly 80-acre units, and 13 percent were in the 120-acre class. Together the 80, 120, or 160-acre tracts accounted for over two-thirds of all sales in the state.

The quarter-section is the unit traded in roughly 40 percent of all sales in the western half of the state. It accounts for slightly over one-fourth of all sales in the Southeast, and slightly less than one-fourth in the Northeast. The 80-acre tract is the most frequently reported sales unit only in the East Central district.

The distribution of sales tracts over the range of size-classes is most uniform in the Northwest district, although here too the quarter section is clearly the most frequently traded unit. Only in the Northwest district is there a marked concentration in the 320-acre or half-section size group. This is also the only district in the state reporting any sizeable fraction of sales in the over-500 acre class, although even in this district they account for less than 5 percent of all sales.

Table 17. Sales Tracts Grouped by Acre Size-Classes, Four Year Average, by Districts, Minnesota, 1958-1961

District	Size Classes in Acres :												
	20-59	60-99	100-139	140-179	180-219	220-259	260-299	300-339	340-379	380-419	420-459	460-499	Over 500
	per cent of all sales												
Southeast	8.3	22.4	16.6	27.1	10.1	7.1	2.0	3.2	1.0	0.4	0.5	0.2	0.9
Southwest	3.3	19.9	10.3	41.6	7.2	8.7	1.5	5.7	0.5	0.5	0.1	0.2	0.8
West Central	3.3	11.1	9.4	38.8	9.5	10.3	2.6	9.7	1.2	1.3	0.1	1.1	1.7
East Central	10.6	26.4	20.0	22.2	6.8	4.8	2.3	3.6	1.0	0.3	0.7	0.1	1.2
Northwest	4.3	8.6	6.5	37.4	7.3	7.8	1.9	13.4	1.6	1.9	1.1	3.5	4.8
Northeast	15.9	21.3	17.7	22.0	6.7	7.3	1.2	4.3	0.6	---	0.6	---	2.4
MINNESOTA	6.3	19.7	13.4	33.0	8.3	7.8	1.9	5.7	0.9	0.6	0.4	0.5	1.4

It is clear from Table 17 that an individual seeking to enlarge his farm by the purchase of additional land must reckon in terms of some multiple of a 40-acre tract. In the western half of the state the chances are roughly two out of three that he must reckon in some multiple of an 80-acre tract. In the Northwest district almost six out of every ten sales will be a quarter-section or some multiple of it. In short, farm size expansion through purchase in the land market involves a choice from a strictly limited range of size tracts.

Distance Buyers Lived from Tract Purchased

Since 1959 information has been assembled concerning the distance buyers lived from the tracts they bought. This question was answered for approximately 3500 sales over the three-year period 1959-61. The results are reported in Table 18.

In 13 percent of the sales the buyer lived on the tract (for example, as a tenant) or within one-half mile of it previous to his purchase. For 26 percent

Table 18. Buyers Classified by Distance of Previous Residence from Tract Purchased, by Districts, Minnesota, (Average of Sales Reported for 1959-1961).

District	On tract*	Distance between Buyer's Previous Residence and Tract Purchased, Miles or Less;											
		1	2	3	4	5	10	15	20	25	50	75	100
		accumulated percent											
Southeast	12	24	31	38	42	51	67	74	80	83	93	94	96
Southwest	17	34	44	51	56	64	77	84	87	88	95	95	97
West Central	12	25	34	41	46	55	65	69	72	73	77	79	83
East Central	8	17	21	24	26	32	43	49	53	54	69	76	80
Northwest	16	34	45	54	59	65	76	80	82	83	89	92	94
Northeast	10	15	21	25	28	35	48	55	61	64	67	69	71
MINNESOTA	13	26	34	41	45	53	66	72	76	78	87	88	91

* Buyer lived on the tract or less than one-half mile from it.

of the sales the buyer had been living one mile or less from the tract at the time of purchase. The percentages are accumulated by distance, so that for the State as a whole, in 91 percent of the sales the buyer lived 100 miles or less from the tract he purchased.

In the Northeast district nearly 30 percent of the buyers lived more than 100 miles from the tract purchased. The proportion is also high in the East and West Central districts. In contrast, only 3 percent of the buyers in the Southwest and 4 percent in the Southeast districts lived more than 100 miles from the tracts they purchased. Buyers in the Southwest and Northwest districts were particularly likely to live within 5 miles of the farms they bought.

The data in Table 18 emphasize the fact that the farm land market in the major farming areas of the state is a distinctly "local" market. In the Southwest and Northwest over half the buyers had previously lived within three miles of the tracts they bought; 65 percent of them lived within five miles. These data underline the significance of the frequent comment that the better farms are kept within families or sold to near neighbors.

Table 18 also illustrates the relative lack of buyers from among near neighbors in the East Central and Northeast districts. Here only one-third of the buyers had previously lived within 5 miles of the land they bought; one-third came from at least 50 miles away.

For the State as a whole, one-fourth of the buyers lived on the tract purchased or within one mile; one-third within two miles; one-half within five miles; two-thirds within ten miles; and three-fourths within twenty miles. These data clearly illustrate the error involved in speaking of "the land market" for a state or any large region. The effective market, in terms of the location of the most probable buyer, is a small and sharply defined geographic area, primarily confined to the community in which the farm is located.

Extent of Broker Participation in Farm Sales

For the State as a whole, approximately one-third of the farm sales in 1961 were negotiated without the services of a real estate broker, as shown in Table 19.

Table 19. Estimated Percent of Farm Sales in Which Brokers or Dealers Did Not Participate, by Districts, Minnesota, 1957-1961.

District	No. of Reports 1961	Percent of Sales Without Dealers' Services				
		1961	1960	1959	1958	1957
		percent				
Southeast	171	33	29	33	29	27
Southwest	203	28	26	26	27	26
West Central	111	27	27	25	30	24
East Central	90	32	34	32	38	31
Northwest	50	42	42	44	44	51
Northeast	37	45	38	48	37	34
MINNESOTA	662	32	30	31	32	30

The state-wide and district estimates for the five years 1957-61 show considerable stability. The utilization of a broker's services is most likely in the Southwest and West Central districts; least likely in the Northwest and Northeast. These relationships have remained essentially unchanged over the past five years.

Number of Farms Sold per Dealer

Table 20 presents data on the average number of farms sold for those dealers reporting sales of farm land in the six-month survey periods, 1957-61. While the majority of dealers report that most of their sales are concluded in the first six months of the year, this pattern is not uniform. Where sales in the Fall figure prominently in the local land market, this would alter the interpretation placed on Table 20.

Table 20. Average Number of Farms Sold per Dealer Reporting Farm Sales, by Districts, Minnesota, 1957-1961.

District	Average Number of Farms Sold per Dealer, January 1 - June 30 in:				
	1961	1960	1959	1958	1957
	number				
Southeast	2.6	2.9	3.2	4.1	2.6
Southwest	2.4	1.9	2.6	2.8	1.2
West Central	2.4	2.1	3.3	2.8	2.0
East Central	3.4	3.3	4.0	5.5	3.3
Northwest	2.6	3.1	1.8	2.8	1.5
Northeast	2.3	2.2	1.9	2.2	1.1
MINNESOTA	2.6	2.5	3.0	3.5	2.0

In the majority of cases, the volume of business done per dealer is low, with a large number of dealers reporting only a single sale. Except for the East Central district (which reflects strongly the influence of the Twin City metropolitan area), the number of sales per dealer showed little variation over the state in 1961, in contrast to a considerable degree of variation in the 1957-59 period.

Section B. Analysis of Sales by Type of Buyer

This section analyzes the sales of tracts purchased by three classes of buyers: operating farmers, who purchase tracts for owner-operation as complete units; farm-expansion buyers, either on-going operating farmers or investors, who combined the purchased land with existing holdings; and investor buyers, who bought tracts to be operated as separate units. The averages include nearly 5600 sales reported in the 1958-61 period.

Distribution of Tracts Purchased, by Type of Buyer

Table 21 shows (in the "All Sales" column) the percentage of total sales over the 4-year period that took place in each of the six reporting districts. Over this period, 60 percent of the sales were almost evenly divided among the Southeast and Southwest districts, and an additional 30 percent were equally split between the East Central and West Central areas. The entire northern portion of the state accounted for only 10 percent of the sales, and these were largely in the Red River Valley district.

Table 21. Percent of Tracts Purchased by Each Type of Buyer, by Districts, Minnesota, 1958-1961.

District	All Sales 1958-61	Type of Buyer		
		Operating farmer	Farm Expansion	Investor
		percent of sales		
Southeast	29.2	31.5	24.0	33.9
Southwest	30.8	26.9	38.6	25.2
West Central	15.4	14.4	16.6	16.1
East Central	15.2	19.4	8.4	17.4
Northwest	6.9	4.6	11.0	4.5
Northeast	2.5	3.2	1.4	2.8
MINNESOTA	100.0	100.0	100.0	100.0

Comparing these percentages with the distribution of sales to operating farmers, farm expansion buyers, and investors, we find that operating farmers are less frequently found among the successful bidders in the Southwest, West Central, and Northwest districts. These three districts accounted for 53 percent of total sales, 66 percent of sales to farm expansion buyers, but only 46 percent of sales to operating farmers.

Sales to investor buyers show a concentration in the East Central and Southeast districts. This would tend to support the frequent observation made by dealers that the Twin Cities and Rochester are the most promising areas of the state in which to seek an investor buyer.

Average Size of Tracts

The average sizes of farm tracts purchased by each of the three groups of buyers are shown in

Table 22. Typically, the average size of tract purchased by operating farmers is larger than for the other two classes of farm land buyers. However, it is noteworthy that the tracts purchased by all three

groups of buyers are similar in size. This suggests that farm-expansion buyers have enlarged their holdings by the purchase of whole farms rather than through the piece-meal addition of small tracts.

Table 22. Average Size of Tracts Purchased by Each Type of Buyer, By Districts, Minnesota, 1957 - 1961.

District	Operating Farmers					Farm-Expansion Buyers					Investor Buyers				
	1961	1960	1959	1958	1957	1961	1960	1959	1958	1957	1961	1960	1959	1958	1957
	acres					acres					acres				
Southeast	167	169	159	163	157	139	134	151	125	131	139	154	163	157	166
Southwest	171	186	183	175	167	152	152	134	152	149	195	149	213	179	160
West Central	193	222	229	194	209	193	173	187	164	198	196	180	177	186	206
East Central	153	180	156	141	154	107	143	124	122	136	133	141	155	138	165
Northwest	251	288	284	199	428	128	260	186	195	266	610	295	208	204	299
Northeast	192	144	199	132	143	160	120	195	73	117	182	---	125	115	110
MINNESOTA	173	188	184	166	177	158	167	151	149	171	171	164	178	165	178

The average size of tract purchased is approximately 160 acres in size. Only in the Northwest and West Central districts are the average tracts notably above the standard quarter-section in size, a reflection of the larger farm units of these districts. The data in Table 22 make it clear that the current expansion of existing farms taking place through the farm land market involves the addition of tracts that do not differ greatly from the average

size of the farms of the community.

Sales Prices Paid

The average sales prices per acre paid for the tracts purchased by each of the three groups of buyers are presented in Table 23.

Table 23. Average Sales Prices per Acre Paid by Each Type of Buyer, by Districts, Minnesota, 1957-1961.

District	Operating Farmers					Farm-Expansion Buyers					Investor Buyers				
	1961	1960	1959	1958	1957	1961	1960	1959	1958	1957	1961	1960	1959	1958	1957
	dollars					dollars					dollars				
Southeast	190	187	213	174	187	198	186	223	170	159	182	186	179	152	142
Southwest	242	252	242	240	226	219	234	252	239	224	199	214	211	199	204
West Central	137	149	133	135	117	126	133	126	111	98	122	107	116	98	111
East Central	91	70	76	82	71	86	68	68	66	69	85	72	74	79	50
Northwest	79	78	76	53	52	111	99	89	93	112	59	85	69	86	98
Northeast	42	57	81	50	37	36	29	18	42	31	38	80	35	38	32
MINNESOTA	167	164	170	157	149	174	159	183	164	141	151	143	155	137	134

In the Northwest district farm-expansion buyers typically pay a higher average price per acre than the other two groups of buyers. This is counter to the pattern of sales prices in the remaining districts, where over the years it is the operating farmers who typically pay the higher prices. In good part, this is a reflection of the greater interest of operating farmers in soil quality, and in condition of buildings. The lower average prices paid by investor buyers reflects the fact that a larger proportion of their purchases involve lower grades of land than is the case with the other two classes of buyers (see Table 24).

Quality of Land and Buildings

Tables 24 and 25 report the percentages of tracts purchased by each class of buyers, classified by the estimated quality of land and buildings. These data help interpret the prices paid per acre, reported above, and indicate more clearly the differences in the tracts purchased by each type of buyer. The "All Sales" distribution reports the percentage of sales by quality before classification by type of buyer.

There are appreciable differences in the quality of land purchased by each of the three classes of buyers. Purchasers of tracts for additions to their existing holdings distributed their purchases about equally between the good and average grades of farm land offered. Purchasers of tracts for owner-operation bought somewhat more land of average quality than did farm-expansion buyers, and slightly less of the good or poor quality. Nearly 70 percent of the tracts purchased by investor buyers were of average or poor quality. In this regard the 1961 sales data are similar to the distributions shown in previous reports, in terms of the quality of land purchased by each class of buyer.

Farm-expansion buyers may be expected to be less interested in building quality, but if necessary they purchase tracts complete with buildings. They often bid higher prices for tracts that are adjacent to their existing holdings. As Table 25 shows, nearly one-third of the tracts purchased by farm-expansion buyers were without buildings and only a small proportion of their tracts included buildings of good quality. Here too, the 1961 sales data are similar to those shown in previous reports, in terms of the quality of buildings purchased by each class of buyers.

Table 24. Percent of Tracts Purchased by Each Type of Buyer, Classified According to Estimated Quality of Land, by Districts, Minnesota, 1961. a/

District	ALL SALES			Operating Farmers			Farm-Expansion Buyers			Investors		
				Brokers' Estimated Quality of Land								
	Good	Average	Poor	Good	Average	Poor	Good	Average	Poor	Good	Average	Poor
	percent			percent			percent			percent		
Southeast	34	50	16	39	50	11	33	51	16	24	46	30
Southwest	46	43	11	50	41	9	47	43	10	32	51	17
West Central	44	44	12	48	41	11	39	49	12	44	36	20
East Central	33	48	19	33	53	14	34	35	31	32	46	22
Northwest	45	40	15	27	54	19	53	31	16	67	33	--
Northeast	30	65	5	8	92	--	64	36	--	25	75	--
MINNESOTA	39	47	14	41	48	11	43	44	13	32	46	22

a/ Based on 1293 sales reported in the first six months of 1961.

Table 25. Percent of Tracts Purchased by Type of Buyer, Classified According to Estimated Quality of Buildings, by Districts, Minnesota, 1961.

District	ALL SALES				Operating Farmers				Farm-Expansion Buyers				Investors			
					Brokers' Estimated Quality of Buildings											
	Good	Ave.	Poor	None	Good	Ave.	Poor	None	Good	Ave.	Poor	None	Good	Ave.	Poor	None
	percent				percent				percent				percent			
Southeast	26	38	26	10	33	46	19	2	17	25	34	24	18	30	40	12
Southwest	26	37	21	16	40	43	15	2	13	35	25	27	27	22	29	22
West Central	25	35	18	22	41	39	16	4	15	31	16	38	8	28	24	40
East Central	26	44	21	9	29	53	27	1	12	19	41	28	25	36	14	25
Northwest	21	22	33	24	27	27	42	4	10	18	32	40	--	33	34	33
Northeast	25	30	25	20	41	25	17	17	18	9	18	55	--	75	25	--
MINNESOTA	25	37	23	15	35	45	18	2	14	29	27	30	19	30	30	21

Owner-operators clearly attach greater importance to the quality of buildings. About 80 percent of the tracts purchased for owner-operation had good or average buildings, while 18 percent had poor quality buildings and only 2 percent were without buildings. There is a remarkable uniformity among districts in the distribution of the quality of buildings on tracts purchased for owner-operation.

Over one-half of the tracts purchased by investor and farm-expansion buyers had poor quality buildings or none. This reflects the small importance they attach to the quality of buildings on tracts purchased as an investment or for farm expansion.

Methods of Financing

Table 26 reports the methods of financing used by the various types of buyers, based on a total of 5009 sales reported for the first six months of the four years 1958-1961. The recent prominence of the land contract was noted above in Table 7. From Table 26 it is clear that this prominence is due especially to the preference of operating farmers for land contract financing. Approximately one-half or more of all sales to this group of buyers involved a land contract, a relation that prevailed in every district of the state.

Table 26. Sales Classified According to Method of Financing used by Type of Buyer, by Districts, Minnesota, Four-Year Average, 1958-1961.

District	All Sales			Operating Farmers			Farm-Expansion Buyers			Investor Buyers		
	Cash	Mortgage	Contract	Cash	Mortgage	Contract	Cash	Mortgage	Contract	Cash	Mortgage	Contract
	percent			percent			percent			percent		
Southeast	20	29	51	11	27	62	28	38	34	34	22	44
Southwest	21	43	36	12	40	48	26	48	26	37	36	27
West Central	23	34	43	15	30	55	28	44	28	38	21	41
East Central	27	26	47	19	27	54	42	37	21	40	17	43
Northwest	35	33	32	18	32	50	39	37	24	52	21	27
Northeast	28	19	53	22	23	55	36	12	52	68	--	32
MINNESOTA	23	33	44	14	31	55	30	42	28	38	24	38

For farm expansion buyers, the mortgage is still the preferred method of financing, if credit is required. The cash sale is frequent, among this class of buyers, and especially in the East Central and

Northwest districts. Investor buyers tend to pay cash, or to use a land contract. This pattern is particularly strong in the East Central and Northeast districts.

Appendix

Table 27. 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 1961.*

Years	D I S T R I C T						
	Minne- sota	South- east	South- west	West Central	East Central	North- west	North- east
	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

* Data for the period 1910-11 through 1928-29 are based on farm sales records collected by the Minnesota Tax Commission. For the period 1930-31 the Tax Commission data are supplemented by sales records of corporate lending agencies. For the periods 1932-33 and 1934-35 the data are based on reports of sales by corporate lending agencies. Data for the period 1936 through 1951 arise from estimates developed by the Department of Agricultural Economics of the University of Minnesota. Data for the years 1952-61 are based on estimates reported by farm real estate dealers throughout the state, in response to mail questionnaires.

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 28 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 28. Number of acres Reported Sold, Average Price per Acre, Standard Deviation and Coefficient of Variation, Minnesota, by Districts, 1954 - 1961. 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
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
Standard Deviations (dollars)	1954	60.5	59.4	32.9	32.6	39.5	27.5	70.4
	1955	67.3	71.5	35.7	31.9	43.0	33.9	84.6
	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
Coefficients of Variation (percent)	1954	41.4	31.9	31.1	56.9	62.3	71.5	57.1
	1955	41.4	33.8	35.3	53.7	63.5	74.2	59.1
	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

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.