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December 1955

THE MINNESOTA FARM REAL ESTATE MARKET IN 1955

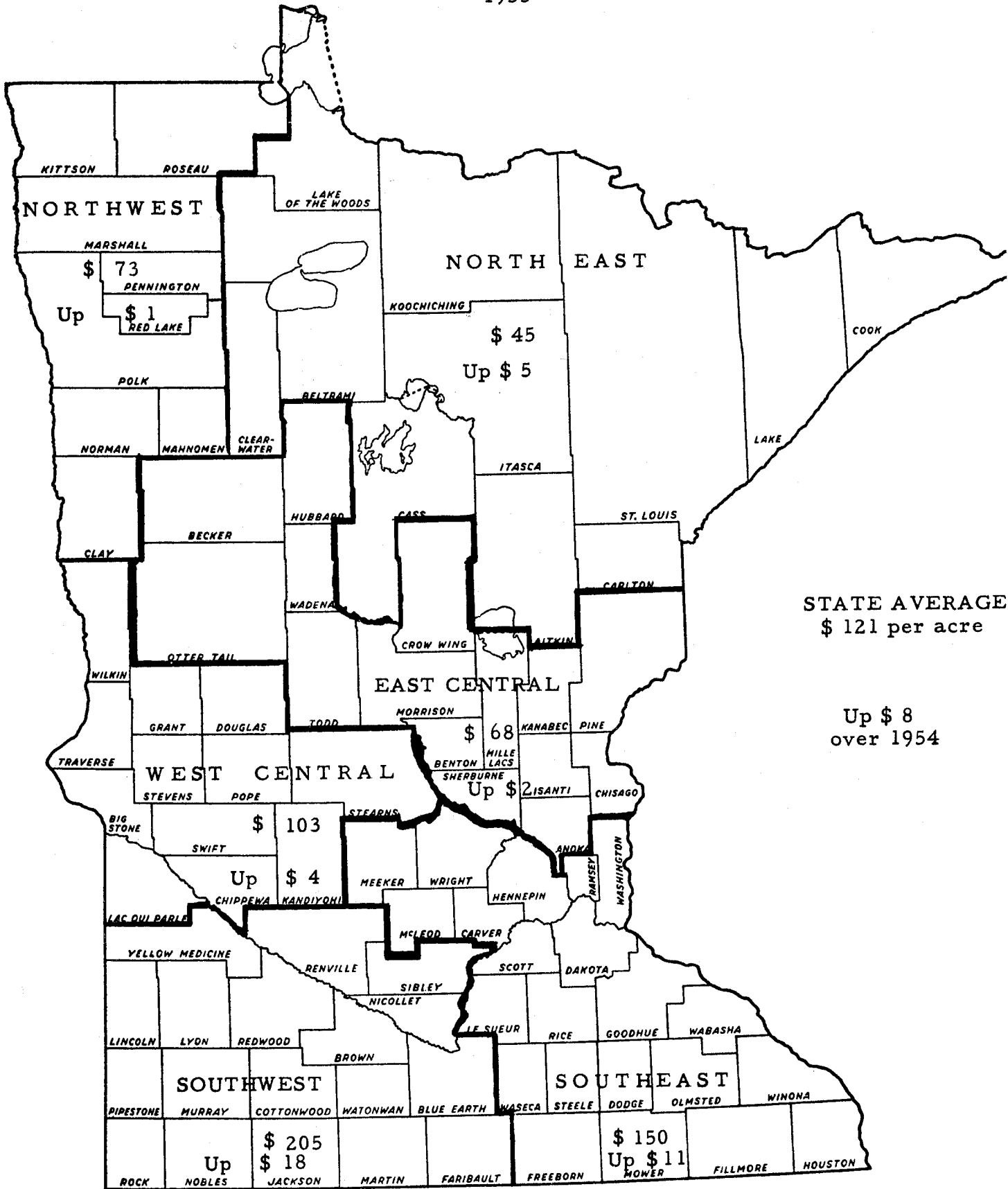
by

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Report No. 508

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MINNESOTA
AVERAGE FARM LAND PRICE PER
ACRE, BY DISTRICTS
 1955



STATE AVERAGE
 \$ 121 per acre

Up \$ 8
 over 1954

THE MINNESOTA FARM REAL ESTATE MARKET IN 1955 ^{1/}
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PART I. THE TREND IN LAND PRICES

Farm Land Prices Increased in 1955

The average price of farm land in Minnesota rose seven per cent from June 1954 to July 1955. The data reporting this change were supplied by 520 cooperating real estate brokers, farm loan agents, bankers and others who are in touch with the land market in their communities. The 1955 price rise was approximately the same as the percentage increase reported last year, for the period July 1953 to June 1954. The estimates, by Districts, are shown in Table 1:

Table 1. Reported Change in Price Per Acre, Minnesota,
1953-1955, by Districts ^{a/}

District	Estimated Average Price Per Acre			Per Cent Increase in 1955 Over	
	1953	1954	1955	1953	1954
	\$	\$	\$	%	%
Southeast	130	139	150	15	8
Southwest	175	187	205	17	10
West Central	95	99	103	8	5
East Central	62	66	68	10	4
Northwest	64	72	73	14	1
Northeast	40	40	45	12	12
State	105	113	121	15	7

^{a/} Based on respondents' estimates of the average price of medium quality land in average sized farm units in their locality. In computing District and State averages, the estimates were weighted by acres of land in farms (1955 Census of Agriculture), with the county taken as the minimum weighting unit.

Number of Sales Remains Low

In 1955, as in the past few years, the volume of sales in the farm land market has remained low. The U. S. Department of Agriculture estimates that farm transfers in Minnesota resulting from commercial sales, inheritance, gifts and all other causes were at a rate of 45 per thousand farms in 1955. Voluntary sales account for 32 transfers per thousand. Inheritance, gift, foreclosure and other forms of transfer total 13 per thousand farms. Thus only about three Minnesota farms out of every hundred were transferred by voluntary sales in 1955.

^{1/} Based on a mail questionnaire returned by 591 respondents located throughout the state. The sample was expanded in 1955 and includes almost twice as many respondents as had cooperated in the 1954 survey. Out of the 591 returns, 520 were complete in all details.

Land Price Increases Were Not Uniform Over the State.

Apart from the Northeastern counties, where forestry and mining predominate, the largest percentage increases in 1955 took place in the highest price sectors of the state. (See map on inside front cover showing land price Districts.) The percentage increase in 1955 in the Southeastern and Southwestern counties was more than twice as large as the increase in the Central and Northwestern counties. If we consider the past two years together, the largest percentage increase has taken place in the Southwest District where the highest priced lands in the state are found. The price changes since 1953 have thus widened the spread between the high priced and low priced land areas of the state.

The pattern of land prices in the Northwest, including the Red River Valley, is confused. Brokers in some areas reported declines of 5 to 10 per cent, while others reported modest increases. This is understandable in view of the wide range of soil and farming conditions in this area. For the District as a whole prices seem to have strengthened slightly, on the order of 1 to 2 per cent.

An increase of 12 per cent was reported for Northeastern Minnesota. This increase has less significance for the value of land for farming purposes than have the changes in other areas of the state. Mining, forestry and recreational land uses dominate, and land prices are largely influenced by the condition of the dwellings and by the income situation in the non-farm sector. "Farms have become homes with farming secondary" is typical of the comments received from brokers in this area.

Why Have Farm Land Prices Continued to Rise?

Over the past few years Minnesota farm land prices have risen in the face of declines in the prices of most Minnesota farm commodities. These divergent trends, which have been substantial and persistent for several years, call for careful analysis. The nature of this annual survey of farm land market conditions does not permit us to draw firm conclusions regarding the reasons for this continued rise in farm land prices. We are able, however, to draw upon material from other sources for some supporting arguments that may help explain these apparently contradictory trends in prices. Perhaps the most important general conclusion that can be drawn is that, in spite of sharply dropping farm commodity prices, the relatively few buyers who have been active in the land market apparently do not fear a repetition of the collapse in land prices that followed the war-induced boom in 1920 and 1921, or that characterized the depression of the 1930's. Some of the comments received from brokers on their questionnaires illustrate this attitude:

"No one seems to have any fear of the future."

"If people had money, there would be the greatest land boom this country has ever seen."

"Iowa buyers are coming into Southern Minnesota, paying practically any price if they can purchase a farm on a small down payment on a contract for deed."

Commodity Price Drops Have Been Cushioned by High Yields.

One major reason that may help explain the continued strong tone in the farm land market is the succession of high crop yields in

Minnesota in the past few years. For 1955, the State-Federal Crop and Livestock Reporting Service for Minnesota estimates that total crop production was the largest aggregate on record. These high yields have cushioned the effect of falling crop and livestock prices and have helped maintain gross farm income. The estimate of total cash receipts from farm products sold in 1955, for example, was only one-half of one per cent lower than in 1954. The fact that gross receipts from farm marketings have remained relatively stable, however, cannot mask the fact that net farm income has fallen sharply in many areas of the state.

Significant Price Declines in Farm Commodities Took Place After July 1, 1955.

It should be emphasized that the data on which this survey of 1955 farm land prices is based were collected for the period January-June, 1955. Some sharp drops in farm product prices have occurred since that date. For example, hogs were \$15.50 in July but were around \$9.90 in December. Cattle prices in the same period dropped from \$16.70 to \$12.20 (poultry, eggs and dairy product prices remained fairly steady during this period, however). Corn was \$1.22 per bushel in July 1955 but only \$1.03 in October and \$1.13 in December; wheat was \$2.21 in July, \$2.11 in December, barley \$.97 and \$.90, and flax \$2.99 and \$2.89 in July and December respectively. As a consequence, it is possible that some of the confidence in farm land prices expressed early in the year would be modified if the survey had been repeated as of December 1955.

The Desire for Additional Land to Expand Existing Farms is an Important Part of the Demand for Land.

Land purchases to expand existing farms have been a major influence in the land market in recent years in several sectors of the state. This is illustrated by Table 2 which shows the proportion of all reported sales bought by buyers who intend to add the land to existing farms.

Table 2. Number and Percentage of Sales Made to Add to Existing Farm Units or for Operation as Separate Farm Units, Minnesota, 1955.

District	Intent of Buyer			
	Add to an Existing Farm		Operate as a Separate Unit	
	Number of Sales	Per Cent	Number of Sales	Per Cent
Southeast	67	16	361	84
Southwest	143	30	336	70
West Central	43	25	129	75
East Central	21	10	181	90
Northwest	77	52	70	48
Northeast	7	16	38	84
State	358	24	1115	76

For the state as a whole about one out of every four farm purchases was for the purpose of expanding an existing farm, while in the Red River Valley area over half of all farm sales in 1955 were for this purpose. This continues the trend that was apparent in this area last year.

This portion of the demand for farm land is a significant part of total demand, and the reasons for it are reasonably clear. The farmer who seeks to expand his unit is a formidable competitor in the land market against the individual who seeks to buy a farm for operation as a complete unit. The buyer who desires to operate the farm as a complete unit must reckon with all of his costs, those for land, machinery, livestock and inventory, and cannot consider any one of these factors as a marginal addition to the others. The existing farmers with a large investment in capital equipment, and high fixed costs, can logically pay a higher price for an additional parcel of land than could be paid by a farmer who desires to establish a complete farm unit on the same parcel. While these different points of view in calculating the price that can be paid for a parcel of land are present at all times in the land market, it seems probable that the differences between buyers who seek to expand existing units and buyers who seek complete farm units have been intensified by the drop in farm commodity prices in recent months. It would be quite rational for an established farmer, possessing a stock of equipment and financial resources, to react to falling farm commodity prices by seeking more land in order to expand his operating unit and maintain his level of income. In this situation he becomes a bullish element in the land market. This may explain a considerable part of the continued buoyancy in land prices in the face of the decline in farm commodity prices of the past two years.

In addition to the cost-price squeeze, there have been two developments in recent years that may accentuate the importance of this demand for land to expand existing farms. The first is the appearance of acreage allotments for certain crops, notably wheat (of particular importance in the Red River Valley) and, to a lesser extent, corn. (Although corn acreage in Minnesota is much larger than wheat acreage, the proportion of corn growers who complied with voluntary acreage allotments in 1954 and 1955 was much smaller than in the case of wheat, where acreage reductions were mandatory.) For those farmers who had adequate capital, equipment and labor for their acreage before allotments were imposed or accepted, the effect of the reduced allotment has been to create excess productive capacity on the individual farm. Their desire for more land is thus increased, in order to make full use of their equipment and labor and to maintain family income.

The second development is the continued small supply of farms for sale, referred to above. For the individual farmer, this has reduced the probability that an adjacent or near-by parcel of land may be for sale. When an infrequent opportunity of this sort does arise, the farmer needing more land may feel under pressure to bid more for the land than he would be willing to pay under more normal circumstances.

Investment Buying Continues to be Important in the Demand for Farm Land.

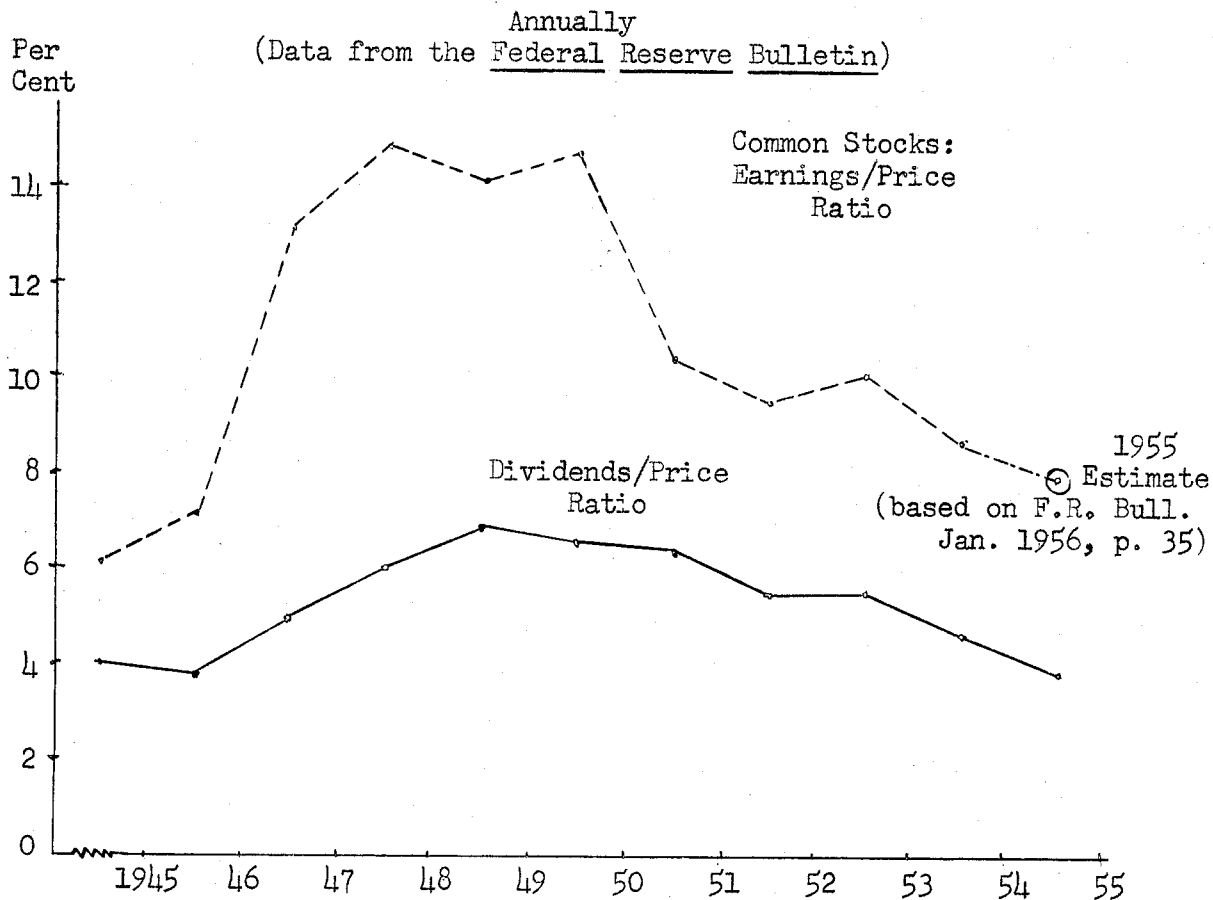
As shown in Table 3, for the past two years about one out of every six farm sales has been for investment purpose in Minnesota; investor buyers accounted for 16 per cent of all sales in 1954 and 15 per cent in 1955.

Table 3. Per Cent of Farm Sales Made to Investor Buyers, Minnesota, 1954 and 1955.

District	Sales Made to Investor Buyers as Per Cent of All Sales	
	1955	1954
	%	%
Southeast	13	17
Southwest	18	18
West Central	18	12
East Central	14	14
Northwest	9	13
Northeast	16	16
State	15	16

This portion of the demand for farm land is less influenced by year-to-year movements in farm income than is the case for operating farmer buyers. To an investor buyer of farm land, the important point is not: What is the profitability of farming, but, what alternative opportunities do I have for investing my money? The past few years have witnessed a sharp rise in the prices of common stocks. The dividend return on many stocks, at current purchase prices, is quite modest and has trended downward in the last few years, as shown in Chart 1.

Chart 1: Yields of Industrial Stocks



In this circumstance an investor buyer who is in a position to consider the purchase of farm land as an alternate investment may conclude that farm land is still a good buy, not because farm income is high but because returns on alternative investments are low. If this reason is supplemented by fear of further inflation, and a desire to have a portion of invested funds in a form that will insure maximum security, then a decision to invest in farm land under current price-cost conditions may be quite rational from the investor's point of view. More important, these considerations may lead him to be willing to pay a price that would be considered unjustified by a buyer who intended to operate the farm himself.

For these reasons, the portion of the demand for farm land that originates with investor buyers may not be appreciably influenced by the current or short-run trend in farm income. This would provide a logical explanation of the fact that the proportion of Minnesota farm sales made to investor buyers has remained constant for the past few years, in the face of falling farm commodity prices and lower net incomes.

The combined impact of purchases to enlarge existing farms plus investment buying has been a particularly prominent feature of the Minnesota farm land market in two areas of the state: the Southwest and the Northwest. As Table 4 shows, 44 per cent of all sales in 1955 in the Southwest District were made for farm enlargement, or to investor buyers. In the Northwest these classes of buyers accounted for 59 per cent of all sales. For the state as a whole, 36 per cent of all buyers fall into these classes. The available evidence points to these two types of buyers as responsible in good part for the continued upswing in Minnesota farm land prices in 1955.

Table 4. Combined Proportion of Total Sales Made to Investor Buyers or for the Expansion of Existing Farm Units, by Districts, Minnesota, 1955.

District	Per Cent of all Sales Made to Investors or for Expanding Existing Farm Units ^{a/}
	%
Southeast	26.4
Southwest	43.6
West Central	36.6
East Central	24.3
Northwest	59.2
Northeast	31.1
State	36.3

^{a/} Adjusted to avoid duplication among the two classes of buyers.

In addition to these influences at work on the demand side of the farm land market, there have been several recent trends that have worked to reduce the supply of farms for sale.

High Capital Gains Taxes Inhibit Sales.

Many farms that might normally be for sale at this time are held

by owners who acquired them at the low land prices that prevailed after 1920, or in the 1930's. If sold today there would be a heavy capital gains tax liability. In the normal case, these capital gains taxes are not assessed if the farm is passed on in the family by inheritance. There has thus been strong pressure in recent years to hold onto land and let death and the inheritance process take care of its transfer to the next generation. Any temptation to sell in order to realize on current high land prices is offset by two facts: capital gains taxes will cut heavily into the proceeds of the sale and the opportunities to reinvest the funds at more attractive rates of return are limited. This has made farm owners less responsive to land prices, and has held down the supply of farms in the land market. The effect of this influence is more pronounced in the higher priced land areas of the state.

The Impact of Social Security has Reduced the Supply of Farms for Sale.

Because of the low volume of farm land sales, transfers precipitated by death or retirement of the farm operator are a significant proportion of total transfers. These transfers reportedly constitute a major fraction of the total supply of farms available for purchase in certain areas of the state. In this situation, any postponement of retirement could have a significant influence on the supply of farms for purchase. The change in the social security laws that permit farmers to achieve old age and survivors's benefits went into effect in 1955. This may have induced some farmers to postpone retirement, thus reducing the supply of farms for sale. Several comments made by brokers point in this direction. For example: "Due to the fact that social security has entered into the picture for the farmer there will be fewer farms available until 1956." The influence of the extension of social security coverage to farmers will also be felt in the rental market. Some landlords have sought to resume possession of their farms in order to qualify for social security benefits. This reduces the availability of farms for rent, and increases the pressure on the farm land market. In the words of one broker, "Less farms for rent, thus farmers tend to bid up the price for the few farms for sale."

The Continued Urban Housing Boom Influences the Farm Land Market.

In some areas of the state the farm land market has a dual character. The farms may be sold to prospective farm operators who desire to operate them as farms, or they may be sold to persons employed in urban occupations who desire rural residence, and are primarily interested in the farm as a dwelling place. The high cost of urban housing and the continued trend toward commuting from rural residences to urban jobs tends to translate the demand for urban housing into a demand for rural housing as well. Two aspects of this trend can be noted. On the supply side, farm families who are considering retirement, with a possible move to town in mind, are less likely to sell the farm in the face of the high cost of replacing their residences in town. This will lead them to stay on the farm beyond the age at which they might have considered retirement, or sale of the farm, and thus cuts down on the supply of farms for sale. On the demand side, those employed in urban jobs are tempted to balance the cost of an urban house against the cost of a farm, which in many instances would involve less money for equivalent housing than would be required if they elect to reside in town. This increases the demand for the few farms that are for sale. Comments from brokers emphasize these points.

"People are not going to sell 80 acres of land to buy a home in town."

"The average farmer cannot retire, for it costs him more to buy a house in town than he can get for the average farm with buildings."

An illustration of the magnitude of dollar amounts involved is given by the fact that the average price for a sample of houses sold in the Minneapolis area during the twelve-month period ending June 30, 1955, was \$12,800. This is more than the cost of an 80 to 120 acre farm complete with buildings in several areas within commuting distance of the Twin Cities. Similar influences are at work in the vicinities of the smaller urban centers throughout the state.

In the North Central and Northeast counties the desire for small part-time residential farms and recreational sites is an even more pronounced part of the total demand for land. In this area, which has experienced a marked price rise in the past year, respondents to this survey were almost unanimous in attributing the continued interest in land purchases to the improved employment and income situation in non-farm occupations. Almost one-half of the farmers receive over fifty per cent of their income from off-farm employment. The improved economic outlook in the iron mining industry has undoubtedly had a major influence on the market for farm land in the Northeast region.

Increasing Value of the Farm Home.

An increasing amount of capital investment has been made in the farm homes of the state in recent years. Electricity is generally available and in addition many farm homes have installed heating, water supply, and plumbing systems together with facilities for hot water, automatic washers and dryers and other expensive fixtures. The effect of this trend has been to upgrade the proportion of total farm value represented by the investments in the farm home. As a result, one influence exerting an upward pressure on the price of improved farm land has been the gradual adjustment of the market to reflect this increase in value of the farm residence.

The Effect of the Widening Income Gap in Agriculture.

One of the phenomena of recent years in agriculture has been a widening of the gap between farmers in the higher income brackets and those at the lower end of the scale. Data from the Farm Management Associations in Southeastern and Southwestern Minnesota are presented in Table 5 to illustrate this trend. Here the labor earnings of members who are in the highest 20 per cent group and those in the lowest 20 per cent group are compared over the last 20 years. In that time the income received by the upper 20 per cent of the members of the farm management associations has gone sharply upward while the net income received by the lowest 20 per cent of the members has increased much less or remained about the same.

Table 5. Spread in Labor Earnings Between the High One-Fifth and Low One-Fifth of Members in the Southeast and Southwest Farm Management Association, Minnesota, 1935-1954, by 5-year Averages.

Period	S.E. Farm Management Ass'n.			S.W. Farm Management Ass'n.		
	Annual Average Labor Earnings			Annual Average Labor Earnings		
	High	Low	Diff.	High	Low	Diff.
	One-Fifth	One-Fifth		One-Fifth	One-Fifth	
	\$	\$	\$	\$	\$	
1935-39	3,794	208	3,586	N.A.	N.A.	N.A.
1940-44	8,399	2,162	6,237	8,515	1,129	7,386
1945-49	7,730	712	7,018	13,833	2,060	11,773
1950-54	9,558	355	9,203	10,665	- 260	10,925

It should be emphasized that the members of the several farm management associations are above-average farmers. Their earnings as a whole probably do not show as wide a spread as would be the case if a more representative sample of farm accounts were available. Nevertheless, the evidence is clear that some farmers in the upper income class have continued to make good earnings in recent years. The income effect of the declines in farm commodity prices has been felt primarily by farmers in the middle income and lower income groups. This trend helps explain the continued rise in farm land prices in the face of declining prices for farm commodities. The reports and comments by respondents to this survey give considerable ground for believing that a large part of the demand for farms in the past few years has come from individuals whose earnings and capital position place them in the upper brackets of farm income and investment classes. In the words of one broker:

"The high prices are being paid by farmers who have accumulated one or two other clear farms. They are in a position to funnel the income from all holdings into liquidation of indebtedness arising out of new purchases. There are few owners who have bought their first farm; the major portion finds itself hard-pressed to overcome the operational cost-commodity price squeeze. The goats and the sheep are separating."

Brokers also report an active inquiry for farms from buyers who have moved into the state from adjacent, higher-priced, farm areas. This has influenced the land market in the southern counties of the state throughout the past five years. In 1955, however, these buyers from higher priced (and higher rent) areas both within and outside the state have figured more prominently in comments received from brokers than at any time since this form of questionnaire was first used in this survey. For various reasons, including social security, a tighter rental market, increased capital requirements and the recent cost-price squeeze, prospective farm buyers are apparently being downgraded into the lower-priced land areas, where they exert a bullish influence on local land prices.

The Continued Importance of Credit Financing.

While the influence of capital accumulated in the hands of a minority of farmers may help explain their continued interest in bidding

up the price of farms, the fact remains that in recent years an increasing proportion of all farm sales has been credit financed. A recent publication by the U. S. Department of Agriculture points this up clearly:

"More than a fourth of the credit sales had debts of 75 per cent or more of the purchase price. This is the largest proportion of sales in this debt class since records were started in 1949. When the total amount of debt incurred in credit purchases is similarly distributed, nearly a third was against properties for which the down payment was less than 25 per cent of the purchase price. Properties for which half or more of the purchase price has been paid (29 per cent of all credit purchases) carried less than a fifth of the total new debt incurred. This is the lowest proportion in this debt ratios class since data became available." 1/

In other words, for the United States as a whole, more buyers are in the "less than 25 per cent down payment" group and they are carrying a larger proportion of total farm mortgage debt. For this group, farm credit policy has become a much more important factor in determining activity in the land market in the past few years.

The Volume of New Farm Mortgage Loans Increased Sharply in the First Half of 1955.

This was particularly true of the Federal Land Banks, whose loans in Minnesota in the first six months of 1955 were up 60 per cent over 1954, in dollar volume. For the same period insurance company mortgage loans increased 34 per cent. Most of this increase in the loan volume was due to a rise in the average dollar amount loaned. The increase in the number of loans completed was considerably lower, 9 per cent for the period. 2/ These figures reflect the fact that in 1954 and 1955 both the Federal Land Banks and the insurance companies increased their farm mortgage loan activities. In the more productive areas of the state, and for buyers who could make large down payments, farm mortgage loans were probably easier to obtain in 1955 than at any time in the past 25 years. This has undoubtedly supported the strong bidding position of some classes of buyers in the farm land market.

For the United States as a whole the farm mortgage debt burden rose from a low of about 7 per cent at the end of the war to 9 per cent of total farm real estate value, in 1955. Although increasing, this still does not seem excessive when compared with the mortgage burden of the year 1929 when it represented 20 per cent of total farm real estate value. For Minnesota, the trend in farm mortgage debt in recent years is given in Table 6.

1/ USDA "The Farm Real Estate Market, July 1955", pp. 15-17.

2/ Ibid.

Table 6. Farm Mortgage Debt Outstanding in Minnesota, 1953-1956

	Life Insurance			Total
	Federal Land Bank	Companies	Others	
	(in millions of dollars)			
1953 ^{a/}	\$58.5	\$82.8	\$166.3	316.4
1954 ^{b/}	64.0	88.4	162.9	323.9
1955 ^{b/}	69.2	69.5 ^{c/}	165.1	337.0
1956		78.5 ^{c/}	N. A.	N. A.
	Change, in per cent			
1954-55	+ 8.1	+ 6.7	+ 1.3	+ 4.0
1955-56		+13.0		

^{a/} "Agricultural Finance Review," USDA, Nov. 1953.

^{b/} "Rise in Farm Mortgage Debt Continues", USDA, August 1955.

^{c/} Incl. Federal Farm Mortgage Corporation loans.

Individuals have always provided a large proportion of total money loaned on farm mortgages in Minnesota. Their share in the total farm mortgage debt outstanding has been declining in the past few years although they still hold over 50 per cent of all Minnesota farm mortgages. The important trend in Minnesota of the past two years has been the increased activity of life insurance companies and the Federal Land Bank. The insurance companies have retained their role as the principal institutional credit source for farm purchases, particularly in the higher priced land areas of the southern third of the state. This is a pattern that parallels the situation in the rest of the nation, as is illustrated by the following quotation:

"Except for individuals, life insurance companies are the single most important source of farm real estate mortgage credit. As of January 1, 1955, they held more than 25 per cent of the total outstanding debt, a record high proportion. --- Nearly a third (31 per cent) of these funds were used for purchase of farm real estate." ^{1/}

Index Numbers of Minnesota Land Prices, Cash Farm Receipts,
and Prices Received by Farmers

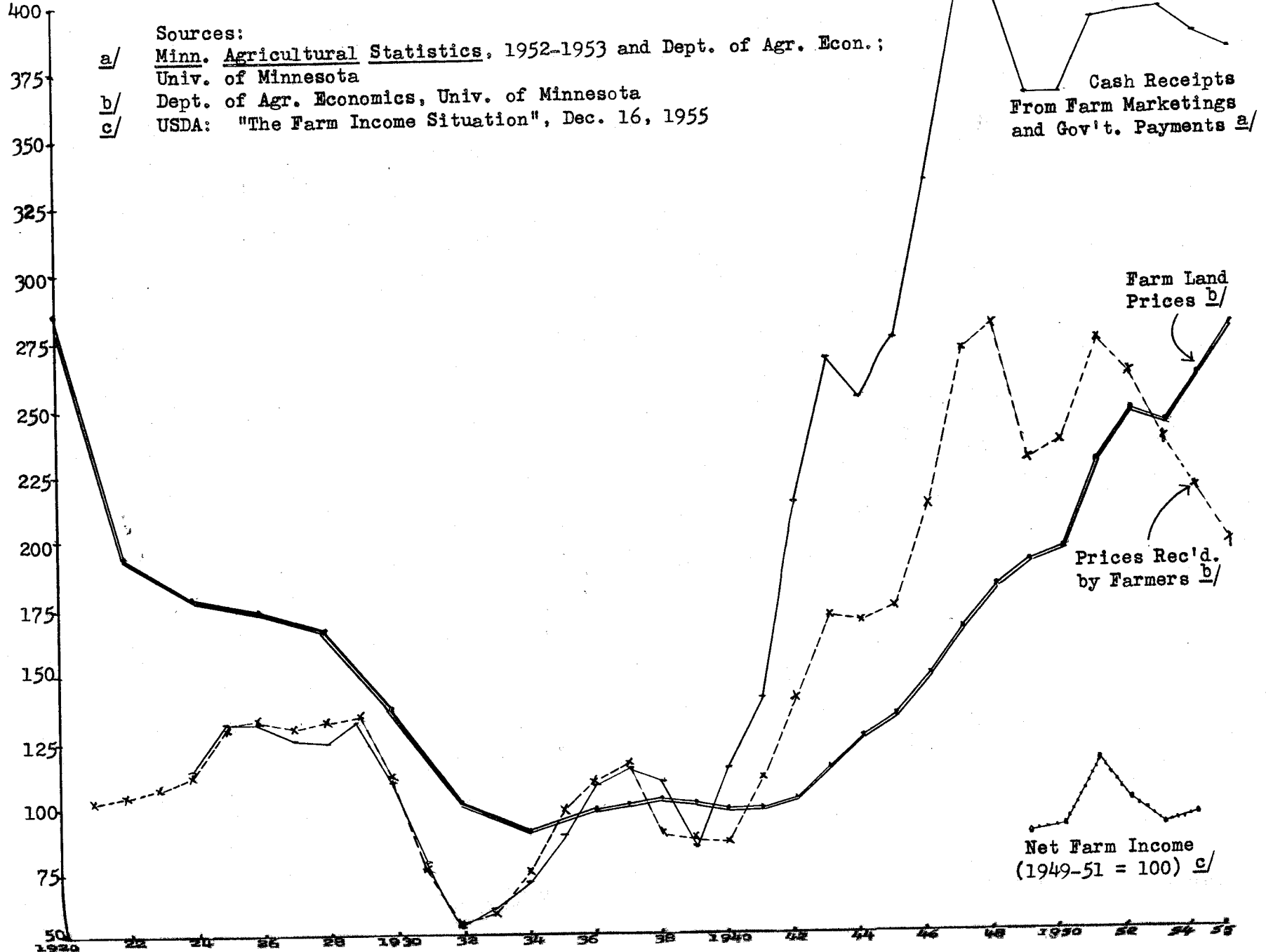
Chart 2 gives a generalized picture of the trends of Minnesota land prices since 1920, (expressed in index numbers with 1935-39 taken as the base) and the trends in cash receipts from farm marketings and in prices received by farmers. Since the early 1930's the index of Minnesota farm land prices has followed a path roughly comparable with the fluctuation in prices received by farmers. Between 1940 and 1952 the index of land prices was consistently below the index of farm commodity prices. From 1953 to date the index of farm land prices has been substantially above the index of prices received by farmers, and the trends have been in opposite directions for the two indexes. It seems unlikely that the divergent trends in farm land prices and farm commodity prices of the past few years can long be continued without disturbing the support for the present level of land values in the state.

^{1/} "The Farm Real Estate Market", USDA, July 1955, p. 18.

Index Numbers of Land Prices, Cash Receipts from Farm Marketings,
and Prices Received by Farmers
Minnesota, 1920-1955
(1935-39 = 100)

Index
1935-39 = 100

- Sources:
 a/ Minn. Agricultural Statistics, 1952-1953 and Dept. of Agr. Econ.;
 Univ. of Minnesota
 b/ Dept. of Agr. Economics, Univ. of Minnesota
 c/ USDA: "The Farm Income Situation", Dec. 16, 1955



PART II.

REAL ESTATE MARKET ACTIVITY

The Number of Farms Listed for Sale has Decreased Slightly

The general tenor of the comments made by respondents to this survey indicates that farm listings are becoming more difficult to get in the better farming areas, and that in general there has been a reduced volume of farms listed with brokers for the state as a whole. Typical of the comments are the following:

"It is getting tougher to get listings at prices that buyers can handle."

"Listings less, due to farmers holding out for social security."

Table 7 shows the estimates by respondents of the change in farm listings for the state as a whole and by regions, 1955 compared to 1954. In 1955 over 54% of all respondents reported no change in the number of listings, compared with only 44% of those who reported no change in 1954. Twenty-two per cent reported an increase while twenty-four per cent reported a decrease in 1955.

Table 7. Per Cent of Respondents Reporting an Increase, Decrease, or no Change in the Number of Farms Listed for Sale, July 1, 1955, compared with July 1, 1954.

District	Per Cent of Brokers Reporting					
	An Increase		A Decrease		No Change	
	1955	1954	1955	1954	1955	1954
Southeast	20	21	24	28	56	51
Southwest	10	14	39	40	51	46
West Central	21	27	28	38	51	35
East Central	35	44	7	15	58	41
Northwest	17	29	18	34	65	37
Northeast	56	53	3	0	41	47
State	22	27	24	29	54	44

By regions, two trends are apparent: Very few brokers reported an increase in listings in the Southwest, while almost 40% reported a decrease. Apparently listings have been hard to get in this region in 1955, as they have been for several years. A similar situation prevails in the Southeast, although not quite so marked in extent.

Only in the East Central counties northeast of the Twin Cities and in the northeastern cutover area of the state do brokers report an active listing of farms for sale. This maintains the active listing of farms for sale in these two regions that was noted in 1954.

The Volume of Farm Sales Remained Relatively Unchanged in 1955.

For the state as a whole two-thirds of all respondents reported no change in the number of farms sold in the first six months of 1955, when compared with the similar period in 1954. This stability in the volume of sales transactions was particularly noticeable in the West Central and Northwest regions. Only in the Northeastern region was a

slight increase reported in number of farms sold, 1955 over 1954. These regional differences are set forth in Table 8 below.

Table 8. Per Cent of Respondents Reporting an Increase, Decrease, or No Change in Number of Farms Sold July 1, 1955 Compared with June 1, 1954.

District	Per Cent of Brokers Reporting					
	An Increase		A Decrease		No Change	
	1955	1954	1955	1954	1955	1954
Southeast	21	20	13	28	66	52
Southwest	16	14	22	40	62	46
West Central	11	26	16	38	73	35
East Central	7	45	24	15	69	41
Northwest	11	29	19	34	70	37
Northeast	31	27	21	29	48	44
State	16	27	19	29	65	44

In the Southeast dairy area of the state about as many brokers reported an increase in farm sales in 1955 as had reported an increase in 1954, while the number who reported a decrease in farm sales was only half as great in 1955 as was the case in 1954. Apparently in this area some strengthening in farm real estate market activity took place in the past year. It is significant that the percentage of brokers in the Southeast who reported a decrease in sales, 1955 over 1954, was the smallest of any of the regions of the state.

If we consider Tables 7 and 8 together, the following conclusions can be drawn: Farm listings have been hard to get in 1955, as in 1954, for most areas of the state, except for the East Central and Northeast counties. The difficulty of obtaining listings is particularly noticeable in the Southwestern area. The volume of sales has remained relatively stable at the low level of 1954, with some increase in the number of sales noticeable in the Southeast dairy region, and in the Northeastern counties.

Analysis of Reported Farm Sales

The Average Price Per Acre Received for Farms Sold in 1955 Continues to Increase.

The estimates of percentage changes in farm land prices on which this report is based were obtained in response to the question: What is the current price of the average size farm of average value in your community? These estimates, based on farms of average size and value, are the basis for reports of year to year changes. In addition, data are also collected from respondents regarding the actual prices received for farms that they know were sold in their community in the period in question. During the first six months of 1955 a transfer of 244,000 acres was reported by 520 respondents to the survey. For the similar period in 1954, approximately 300 respondents reported a transfer of 125,000 acres. As pointed out in the footnote on page 1, the size of the sample on which this survey was based was considerably increased in 1955, with the result that a much larger volume of reported

sales was obtained. The acreage transferred in the first six months of 1955 involved 1472 transactions,^{1/} at an overall average price of \$144 per acre. This represents a steady increase in the average price received in reported sales from \$111 per acre in 1953 to \$123 per acre in 1954 and the current \$144 per acre in 1955. These differences for the past three years, by regions, are shown in Table 9.

Table 9. Number of Sales Reported, Range in Prices in 1955, and Average Price Per Acre Sold in 1953, 1954, and 1955.

District	No. of Reported Sales, 1955	Range in Price Per Acre, 1955	Average Price Per Acre		
			1955	1954	1953
Southeast	428	\$ 25-340	\$166	\$146	\$133
Southwest	479	65-500	211	186	181
West Central	172	18-225	101	106	91
East Central	202	15-155	65	57	57
Northwest	147	8-200	68	63	63
Northeast	44	10-200	46	38	57
State	1472	8-500	\$144	\$123	\$111

An increase in the average price per acre for reported sales of Minnesota farm land is not necessarily indicative of an increase in land values. Sales in one year may involve farms having different soil qualities, different locational characteristics, or otherwise not comparable with the farms sold in a preceding year. There is a wide spread in soil fertility, climatic factors, quality of buildings and locational advantages in the different areas of the state. As indicated in Table 9 reported sales ranged from prices of \$8 to \$10 per acre in the Northwest and Northeast regions to a top price of \$500 per acre in the Southwest.

In interpreting the data on reported sales it is important to note that there has been a shift in the volume of sales among districts of the state. A larger proportion of the reported sales in 1955 was in the high-priced southern areas of the state than was true in 1953 or 1954. If the total acres reported sold in 1955 had been distributed among districts in the same proportions that prevailed in 1954, the resultant state-wide average price would have been \$136 per acre instead of \$144. This points up the fact that brokers' estimates of the extent to which prices have changed in any given year are as a rule more reliable than are data based on the statistical reports of actual sales.

In all except the West Central region the average price for reported sales in 1955 was above the 1954 average per acre. The magnitude and direction of these average increases support the estimates made by the brokers and used as a basis for the conclusion that land prices have strengthened in the past year throughout most of the state.

^{1/} Estimated to be over one-half of all farm sales occurring in the state in that period.

Price Spreads Vary Widely According to the Grade of Land.

Respondents were asked to estimate the quality of land involved in the various reported sales. The average prices of land according to three classes, good, average and poor, in the various regions of the state are shown in Table 10.

Table 10. Average Price of Farm Land Sold, Classified According to Brokers' Estimates of Quality of Land, 1955.

District	Average Price Per Acre		
	Good	Average	Poor
Southeast	\$201	\$137	\$103
Southwest	245	193	136
West Central	116	98	65
East Central	78	55	38
Northwest	96	51	25
Northeast	50	51	58
State	\$179	\$124	\$ 83

The price spreads among "good", "average", and "poor" land are highest in the areas where wide differences in soil quality and production possibilities exist. In the Northwest, for example, four acres of poor land can be bought for the price of one acre of good land. In the East Central and Southeast dairy areas the local price of good land is approximately twice that of poor land, while in the Southwest and West Central regions of the state one acre of good land will buy less than two acres of poor land.

One of the anomalies in the Minnesota land market is set forth in Table 10, where the average price reported as received for "good" land in the Northeast district was lower than the average price received for "poor" land. This seeming inconsistency is explained by the fact that residential values, nearness to the Iron Range, and other non-agricultural considerations play a dominant role in the land market of that region. Apparently some of the relatively "good" farm land sold in 1955 was not adjacent to local population centers, or otherwise desirable from a residential point of view, while some of the admittedly "poor" farm land suitable for residential or part-time farming purposes, or for lake shore lots, actually sold at higher prices per acre. This underlines the fact that purely agricultural considerations play a minor role in the market for land in parts of the Northeastern counties of the state.

The Distribution of Reported Farm Sales by Price Per Acre and Acres Per Sale.

While there are parts of the Northeastern area of the state not well adapted for farming, this district did not report the lowest prices. The concentration of farm land sales at low prices per acre was heaviest in the East Central and Northwest districts. These differences are shown in Table 11 by regions and for the state as a whole.

Table 11. Distribution of Reported Farm Sales by Price Per Acre
Minnesota, by Districts, January 1 - June 30, 1955.

District	Total Sales Reported	Price Per Acre			
		Under \$100	\$100-199	\$200-299	\$300 & over
		Number of Sales			
Southeast	405	55	217	112	21
Southwest	470	23	181	181	85
West Central	163	71	87	5	-
East Central	210	175	31	1	3
Northwest	139	101	34	4	-
Northeast	58	37	11	9	1
State	1445	462	561	312	110
		Per Cent of Sales			
Southeast	100	13.6	53.6	27.6	5.2
Southwest	100	4.9	38.5	38.5	18.1
West Central	100	43.6	53.4	3.0	-
East Central	100	83.3	14.8	0.5	1.4
Northwest	100	72.7	24.5	2.8	-
Northeast	100	63.8	19.0	15.5	1.7
State	100	32.0	38.8	21.6	7.6

For the state as a whole, approximately one-third of all reported sales in 1955 were at prices under \$100 per acre. Nearly 40 per cent were in the \$100-\$199 price range while 22 per cent were between \$200 and \$300. Only 7.6 per cent of all reported sales were at prices of \$300 per acre or over. As is to be expected, sales at high prices per acre were concentrated in the southern regions of the state. Ninety-five per cent of all sales of over \$200 per acre were in the Southeast and Southwest districts. Similarly, 70 per cent of all sales of over \$300 per acre were in the Southwest district alone. A parallel concentration of sales at low prices per acre occurs in the East Central, Northwest, and Northeast districts, where 76 per cent of all sales in the three districts combined were at prices of under \$100 per acre.

There were similar wide ranges in the distribution of reported farm sales by size of tracts throughout the various districts of the state. These are shown in Table 12.

Table 12. Distribution of Reported Farm Sales by Size of Tracts and Districts, Minnesota, January 1 - June 30, 1955.

District	Total Sales Reported	Size of Tract in Acres			
		Under 100	100-199	200-299	300 & over
		Number of Sales			
Southeast	410	110	211	64	25
Southwest	473	112	250	75	36
West Central	163	21	76	33	33
East Central	205	74	88	31	12
Northwest	139	20	63	29	27
Northeast	60	27	21	8	4
State	1450	364	709	240	137
		Per Cent of Sales			
Southeast	100	26.8	51.5	15.6	6.1
Southwest	100	23.7	52.8	15.9	7.6
West Central	100	12.9	46.7	20.2	20.2
East Central	100	36.1	42.9	15.1	5.9
Northwest	100	14.4	45.3	20.9	19.4
Northeast	100	45.0	35.0	13.3	6.7
State	100	25.1	48.9	16.6	9.4

For the state as a whole one-fourth of all sales were of tracts of under 100 acres; one-half of all sales were of tracts 100-199 acres, and the remaining one-fourth were of tracts of 200 acres or over. As is to be expected the larger tracts occur in the West Central and Northwest districts, where approximately 40 per cent of all tracts sold were 200 acres or larger. Small holdings are concentrated in the East Central and Northeast. If the two districts are taken as a unit, approximately 40 per cent of all tracts sold were under 100 acres.

In terms of the size of tract sold, some remarkable uniformities are apparent among the districts of the state. For example, the distribution of size of tracts sold is virtually identical in both the Southeast and the Southwest districts. It is similarly uniform, although in accordance with a different pattern, in the West Central and Northwest districts, while a third pattern is apparent in the East Central and Northeast sections of the state. As a result we can distinguish three distinct areas of the state, as regards the size of tracts sold in 1955. The Southeast and Southwest districts constitute one area of uniform distribution, corresponding very closely to the pattern noted for the state as a whole: one-fourth of all sales under 100 acres, one-half of sales 100-199 acres, and one-fourth of all sales 200 acres and over. The second area of uniformity, comprising the West Central and Northwest districts, has the largest percentage of big tracts of any area of the state. Small sales tracts are the distinctive feature of the East Central and Northeast districts.

PART III. BROKERS COMMENTS, BY DISTRICTS

Southeastern Minnesota

Average Price: \$150 per acre, July 1, 1955,
up \$11 from June 1, 1954,
an increase of 8 per cent.

By and large, real estate dealers expect the upward trend of land prices to continue. A total of 83 respondents in this district expressed opinions in the questionnaire. About one-half (49 per cent) did not expect any change; 47 per cent expected an increase, and only 4 per cent expected a decline.

A number of brokers based their expectations on the continuing influx of out-of-state buyers, a few others on the strong demand for residential and part-time farms. One out of four brokers commented on the fewness of farms for sale and one out of five reported difficulties in financing farm transactions. A few of the characteristic comments are presented below:

"Owners keep raising their prices. It is getting tougher to get listings at prices that buyers can handle."

"We have many inquirers for farms but there are not many for sale. The only reason we can give for rising prices is scarcity of farms."

"There are more buyers this year than last year. I have found that there are a lot of buyers, but all seem to have only a small down payment. Lots of town people are looking for farms of small sizes."

"Very few of our better farms are being offered. Land if good without buildings sells very well. Most good farms are looking for extra 80 acres."

"There are not many good farms for sale; the poorer farms do not sell readily. Renters have a rather hard time finding farms."

"Dodge County has mostly contract for deed buyers; Iowa people, who are driven out because of high rentals, use their few thousand savings, stay for a few years, then sell out, go elsewhere."

"We do find that the buyers have a smaller downpayment this year than in any previous year in the past eight."

"There has been about twice as many people who would like to purchase a farm this last year, but very few had any money or very little."

Southwestern Minnesots

Average Price: \$205 per acre on July 1, 1955,
up \$18 from June 1, 1954,
an increase of 10 per cent.

Expectations of real estate brokers in Southwestern Minnesota are almost identical with those expressed by brokers in Southeastern Minnesota. Among 108 replies tabulated, 49 per cent expressed the opinion that no change would occur, 46 per cent expected prices to increase further, and only 5 per cent expected prices to decrease.

More than one out of three brokers gave the shortage of farms for sale as the reason for the price increase. Town buyers are fairly active bidders in the Southwestern Minnesota land market. However, it has been noted that the buying trend is moving northward in search of lower prices. Various comments illustrate the situation in the land market in this part of the state:

"Still a seller's market. We just can't find enough average and good farms for sale in this area and have had to go considerably afield this year to find something to offer to our customers. This is . . . the most profitable six months' period we have had as real estate brokers since starting in business in early 1948."

"The average buyer hates to pay these high asking prices but hates to quit too. So they wait as long as possible, then finally take a hold anyway and hope to make it. They usually do unless they buy too much machinery, automobiles, etc."

"Getting slower. Most sales, if any, are made direct from buyer to seller, and most sales are made to home buyers."

"Supply can't keep up with demand."

"All indications are that land prices are strengthening."

"Market activity increased during the last half of 1954 with a conservative increase in price of ten per cent. Early in 1955 it became apparent that the trend was continuing, and we feel that another six to eight per cent has been added. No indication of a let-down at this time."

"It is impossible to rent a farm. With the drop in farm prices don't understand why land should be so high."

"We have a father-son transfer of farms around here, and there are few farms sold to outsiders."

"Demand is strong for farms. Buyers are willing to pay any price as long as they can get credit. Lending companies are more willing to extend more credit than a year ago."

"There have been more folks up from the south, mostly from Iowa, so far this year."

"The average to poor farms are plentiful but biggest percentage of buyers do not have large enough a downpayment. The farm buying trend is northward because of lower prices."

West Central Minnesota

Average Price: \$103 per acre on July 1, 1955,
up \$4 from June 1, 1954,
an increase of 4.5 per cent.

Brokers' expectations follow the pattern noted in the Southeast and Southwest, except that they are somewhat more conservative. Based on 50 answers received, 64 per cent of the real estate dealers expect no change, 28 per cent expect an increase, and only 8 per cent anticipate a decline in land values.

One out of three brokers thinks that the fewness of farms for sale is to be held responsible for the situation in the farm real estate market. One out of four brokers mentioned financing difficulties in farm transactions.

"There seems to be quite a bit of land activity the past sixty days. Lots of buyers, but funds are limited. Buyers mostly from Iowa and Southern Minnesota. They say they are moving here on account of high rents. Some are selling there for a big price and buying cheaper land."

"Good farms increasingly hard to get. More buyers than ever but fewer farms. Trend continues in 1955."

"Present demand slow and for better farms with good buildings. Farm operators social security program has a retarding effect upon listings."

"Buyers in general are from the Southern part of the state or from Iowa, a few from the Dakotas. Most are renters who are more or less forced to leave there because of the high cash rentals asked."

"Hard to buy a farm here as more and more farmers are the land owners."

"Good demand. Little money for down payment on part of young operators. Tendency for large, well established farmer to add to his present holdings. Not as much interest on part of businessmen to invest, one reason lack of good unimproved offerings."

"Expect an influx of southern buyers due to rising land prices in that area."

East Central Minnesota

Average Price \$68 per acre on July 1, 1955,
up \$2 from June 1, 1955,
an increase of 3.5 per cent.

Three-fourths of the 50 brokers who expressed their expectations were equally divided between "decrease" and "no change" and only one out of four brokers expects land prices to rise. The obviously less optimistic expectations of real estate brokers in this district, which is predominantly a dairy region, are largely caused by the unfavorable income situation in the dairy industry during the past few years. This fact is also reflected in the comments received:

"Sales slow--small demand. Dairy area, low prices hurt."

"More farms being listed for sale and fewer buyers. In our location it is mostly dairy farmers. Their income is down and there is plenty of work where they make more than in farming."

"Very few sales, downpayment hard to raise, people do not seem very much interested in farming at present. Pay is too good in other jobs and shorter hours. The ones interested do not have the money for downpayment."

"We have more farms for sale in the high grade farms. Not as many prospects this year and smaller downpayments. I know of farms up here that can be bought for less money than the owners paid for the land back in 1918 without improvements and nothing open."

"In the last few years more farms have been sold to buyers from Nebraska, Illinois and the Dakotas . . . the price of land in this community is much below that of the above-mentioned states . . . the markets on beef and cattle are the same in our St. Paul markets." (Morrison County)

"Present land market is 50 per cent over last year and looks good. I have sold to more out-of-state buyers than last year. This year, for the first time I have sold to Wisconsin and Illinois people." (Morrison County)

"We think the land market is definitely bad. We have seen fewer people than a year ago and their financing problems are much greater."

"Small downpayments so the farms around here can be sold if we can get the owner to take a small downpayment."

"Land prices or sales are demanding lower downpayments. Farms listed with low downpayments are sold quite readily."

"Farms that are for sale are on side roads, therefore, not any buyers for such farms. About the only sales are to farmers who are adding to their present holdings."

Northwestern Minnesota

Average Price: \$73 per acre, on July 1, 1955,
up \$1 from June 1, 1954,
an increase of 1 per cent.

Over one-half of the brokers report that they expect no change in land values; one out of four brokers expects prices to increase and only one out of six expects a decline. One out of four brokers commented on the fact that there are only a few farms for sale and one out of five reported difficulties in financing farm transfers. A selection of typical comments follows:

"Very few owners wish to sell. The present market is good. Farm prices promise to be steady or high during the coming year."

"Last season we experienced an especially good year in farm sales. This year, however, at least up to date, we have made less sales out of this office than we have for many years."

"Big demand for the better land west of _____ to Red River. Here we have the bigger operators with big equipment and these farmers are looking for more land, that is land without improvements."

"Land value about the same--buyers with small downpayments, looking for long terms."

"Do not expect much change--farmers presently have declining incomes in our area due to very mediocre crops and declining prices. Prices seem to hold fairly steady for real estate, however."

"If the grain prices stay up, land will increase more."

"I expect considerable more activity in farm lands for the rest of 1955 than there was in 1954."

Northeastern Minnesota

Average Price: \$45 per acre on July 1, 1955,
up \$5 from June 1, 1954,
a 12 per cent increase.

It may be questioned if this reported increase represents a genuine rise in land values. The Northeastern district is largely a subsistence and part-time farming area, and a considerable part of the farm value is derived from residential value. This increase in farm prices very likely reflects a keen demand for rural residences. Reports indicate that economic activity in this area was at a higher level in 1955 than in the preceding year. Several brokers' comments are quoted below:

"Farm sales are very good. Most of the buyers are looking for a small place on a good road, five to ten acres, and work out."

"Land value too high with respect to potential income. Farms have become homes with farming secondary."

"We just don't sell many farms. Only those close to Duluth are marketable."

"Trend will continue down. Banks in this area will not loan on farm lands at all."

"Farms here are simply not selling; you can hardly give one away. Situation will not improve very soon."

"Farms are being abandoned. Auction sales of personal property are taking place at this time. Some of these farmers are seeking employment in the mines, others in defense plants, and some are leaving without anything definite planned for the future."

"Business men have in the past purchased farms at high prices and are now trying to sell them at much lower prices."

"Apparently there are more farms for sale, possibly 20 per cent. Prices are about 20 per cent lower except for the few good farmsteads which are about 10 per cent lower."

Statistical Note

One of the uncertainties 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 sales in the several regions 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 13 for the actual sales reported by brokers in 1954 and 1955. Although the range of individual sales prices around the district average varies considerably among districts, there is a gratifying consistency from year to year, for any given district. These data support the conclusion that the upward trend in prices per acre reported for 1955 was not due to the distorting influence of a few freakish sales.

Table 13. Number of Acres Reported Sold, Average Price Per Acre, Standard Deviation and Coefficient of Variation, Minnesota, by Districts, 1954 and 1955 a/

District	No. of Acres Sold		Average Price Per Acre		Standard Deviation		Coefficient of Variation	
	1954	1955	1954	1955	1954	1955	1954	1955
Southeast	30,983	63,890	146.29	166.05	60.5	67.3	41.4	41.4
Southwest	33,756	78,944	186.33	211.30	59.4	71.5	31.9	33.8
West Central	22,147	34,621	105.63	101.00	32.9	35.7	31.1	35.3
East Central	1,593	28,139	57.25	65.13	32.6	31.9	56.9	53.7
Northwest	21,000	30,924	63.45	67.48	39.5	43.0	62.3	63.5
Northeast	2,169	5,380	38.47	45.70	27.5	33.9	71.5	74.2
State	125,148	241,898	123.39	144.48	70.4	84.6	57.1	59.1

a/ Each acre is treated as a unit in calculating the standard deviations and coefficients of variation. The increased acreage reported sold in 1955 is due to increase in the size of sample and not to increased activity in the real estate market.