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# Minnesota AGRICULTURAL ECONOMIST



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## The Minnesota Rural Real Estate Market In 1975

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### INTRODUCTION

REGIONAL AND STATEWIDE data about Minnesota's rural real estate market have been collected and reported since 1910. Since 1953, these data have been collected yearly from mail questionnaires sent in July and August to real estate brokers, bankers, agricultural loan specialists, and county officials.

Two types of information are collected. First, respondents are asked to estimate the average value per acre of various grades of farmland in their communities. Second, details are requested on actual farm sales during the first 6 months of the year. These include acreage, sales price per acre, types of buyers and sellers, quality of land and buildings, and methods of finance. Sales between close relatives are excluded.

This report of the 1975 survey is in three parts. The first part discusses Minnesota's 1975 farmland market. The second part deals with the Red River Valley, one of the most active segments of the land market during the past 3 years. The third section examines the Southwestern quarter of the state which contains most of the state's best farmland, but also some areas which are more vulnerable to climatic risk.

### PART I: 1975 FARMLAND MARKET

#### Overview of current trends

Minnesota's farmland market continued very strong in 1975, following a 42 percent increase in 1974—the largest ever recorded in Minnesota's history. In many instances, trends in land market activity that were first evident in 1974 were even more pronounced in 1975—

especially the dominant role played by expansion buyers. As in 1974, the 1975 market was most active in strictly agricultural areas (particularly in the cash grain regions of southern and western Minnesota and in the Red River Valley). The 1975 estimated statewide average value of Minnesota farmland was \$525 per acre (table 1). This is an increase of \$102 per acre (24 percent over 1974) and represents the third largest annual percentage increase in farmland values in the 20th century. Only the increases in 1919-20 and 1973-74 (27 and 42 percent respectively) were larger. This 24 percent increase on top of a 42 percent increase in 1973-74 and a 20 percent increase in 1972-73 resulted in a 112 percent increase in farmland values from July 1972 to July 1975.

Figure 1 and table 1 show that the 1974-75 increase was not evenly distributed. Where cash grain crops dominate land use—in the Southwest, West Central, and Northwest Districts—farmland values rose by more than the statewide average (25 to 48 percent, table 2). In the Southeast, East Central, and Northeast Districts—which are more dependent upon livestock agriculture and are more influenced by urban, residential, and recreational land uses—1974-75 farmland values increased by less than the statewide average in all three districts (from 6 to 17 percent). Throughout the 1960's and to July 1972, the largest annual percentage increases in farmland values typically occurred in these three livestock and urban-oriented districts. As table 3 points out, this trend has been exactly reversed over the past 3 years.

Farmland values in the South-



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west District continue to lead the state, with an estimated average value of \$844 per acre (figure 1). In fact, the Southwest District has maintained its top position for the past 30 years. During this period, its lead generally widened from 1945 until 1960 and then slowly narrowed to a difference of less than \$10 per acre over the Southeast by 1972. The narrowing was due primarily to nonfarm demand for land during the 1960's and early 1970's, which was especially intense in the urbanizing corridor of the state running from St. Cloud southeast through the Twin Cities to Rochester. Starting in 1973, the Southwest's lead again started to lengthen; it is presently \$170 per acre above the Southeast.

Since 1965, the value of Minnesota farmland has more than tripled from \$171 to \$525 per acre. As



table 2 points out, this 207 percent increase has not been uniformly distributed throughout time or over space. Over five-sixths of the dollar increase since 1965 occurred in the second half of the decade. A spatial breakdown of value changes during 1965-75 (table 2) shows that the more urbanized Southeast and East Central Districts dominated the first half of the decade, while the more agricultural Southwest, West Central, and Northwest Districts experienced larger percentage increases in the second half. It should also be noted that, over the 3 most recent years (1972-75), only the Northwest District has experienced an accelerated upward movement in annual percentage increases in farmland value—25, 36, and 48 percent respectively (table 3).

Information was received on 1,429 farm sales in the first 6 months of 1975. The statewide average reported sales price for farmland was \$607 per acre (table 4). This represents a 35 percent increase over the

1974 average sales price and is significantly greater than the 24 percent increase in estimated land values. The difference is due, in part, to a disproportionately larger number of sales of high-priced land in 1975 than in 1974. This shift in the location of sales activity from lower priced land to higher priced land was evident in the Southeast and West Central Districts; it was unmistakable in the Northwest District.

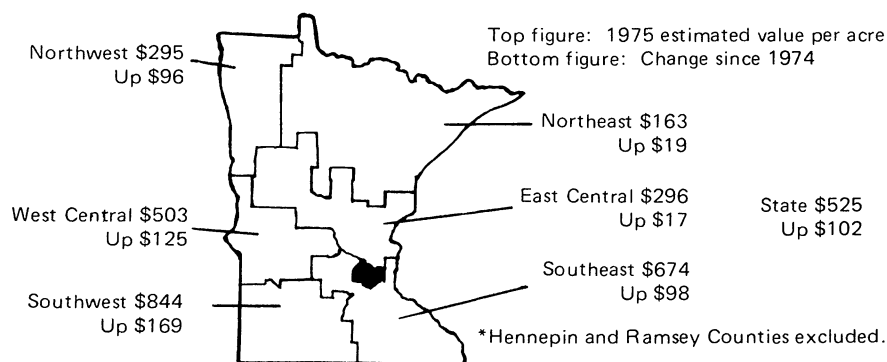
In the Southeast District, the predominance of sales of higher-valued farmland was most apparent in the cash grain-producing counties of south central Minnesota, particularly Rice, Freeborn, Steele, and Waseca Counties—with sales prices averaging over \$1,000 per acre in the latter three counties. Farm sales activity in 1974-1975 intensified in the Red River Valley relative to the non-Valley comparison area (table 12). This accounted for much of the shift in sales from low-priced to high-priced land in the Northwest

and West Central Districts.

The spatial shift in land market activity toward higher-priced lands does not adequately explain the discrepancy between estimated land values and actual sales prices. Two other factors may have contributed to this difference. First is a time lag between the negotiation of actual sales prices and the estimation of land values. Information on actual sales in 1975 was collected for Jan. 1-July 1, while respondents usually estimated land values in August or September. Consequently, land value estimates were made after downward trends were clearly visible in some 1975 agricultural commodity prices. Presumably, reporters considered the lower prices for corn, soybeans, wheat, barley, and sugar in their estimates of land values. In contrast, buyers may have been capitalizing the higher 1974 crop prices into their purchase bids, especially for land bought in early 1975.

Second, many farmers apparently purchased additional land with their record 1973 and 1974 incomes. Competition for land by expansion-minded farmers has pushed prices up substantially during the past 2 years. Expansion buying accounted for three-fifths of all purchases in 1974-75, and expansion buyers paid considerably higher prices than did other buyers (table 7). As a result, some reporters may have felt land values are being distorted by buyers who use their existing holdings to finance additional land. This reasoning explains some of the divergence between estimated land values and actual sales prices. Thus, in addition to a spatial shift in land market activity over the past 2 years, a shift in buyer activity is also noted.

**Figure 1. Estimated average rural land values from reporters' estimates 1975.**



**Table 1. Estimated average value per acre of farmland by district, Minn. 1965-1975\***

Years	South-east	South-west	West Central	East Central	North-west	North-east	Minn.
-dollars per acre-							
1965	219	261	146	112	113	51	171
1966	242	277	153	122	112	58	183
1967	262	303	163	128	108	62	194
1968	286	333	181	134	122	57	211
1969	308	350	196	146	120	54	223
1970	317	347	198	161	120	62	227
1971	333	351	204	155	119	63	232
1972	370	379	208	163	117	76	248
1973	433	459	247	194	146	115	298
1974	576	675	378	279	199	144	423
1975	674	844	503	296	295	163	525

\*Based on reporters' estimates of average value per acre of farm land in their area.

### Analysis of reported sales

The U.S. Department of Agriculture has estimated that voluntary sales in 1975 numbered 37.4 per 1,000 Minnesota farms. This represents a 22 percent decline from 1974 and is consistent with the decreased number of sales reported in this survey for all districts except the Northwest. Statewide, the average-sized tract also declined from 186 acres/sale in 1974 to 179 acres/sale in 1975.

The two most frequent reasons for selling land in Minnesota—retirement and death—accounted for almost three-fifths of all decisions to sell in 1975. These two reasons were

most prominent in the Southwest and West Central Districts. Statewide, 15 percent of the sellers left farming for another job. This is an increase from 1974 (12 percent), but is still notably less than in 1973 and in earlier years when exit from agriculture consistently accounted for about 20 percent of all sales. The 1975 increase over 1974 is largely due to substantial departures from farming in the East Central (24 percent) and Northeast (35 percent) Districts, whose agriculture is heavily dependent upon milk and livestock production.

Improved land (having buildings) constituted only 66 percent of all 1975 sales (table 5). This proportion has been steadily declining over the past 5 years. In the 1960's, improved land consistently accounted for 80 percent or more of all sales. Among the districts are two well-defined groupings. The more agricultural Southwest, West Central, and Northwest Districts all have had proportions of improved land sales notably lower than that of the statewide average. The remaining three less agricultural districts have had significantly above average proportions of improved land transactions. This suggests land purchase in the more agricultural areas has been primarily for farm expansion through acquisition of unimproved land, while fewer farmers have increased the sizes of their holdings in the East Central, Southeast, and Northeast Districts.

Statewide, buildings have had a depressing effect on the sales price of farmland. Table 5 shows that unimproved land sold for 101 percent of improved land prices. This is substantially above the trend of the previous decade, when unimproved land prices averaged 80 percent of prices paid for improved land. The depressing price effect exerted by the presence of buildings was evident in the less agricultural Southeast and East Central Districts as well as in Minnesota's more agricultural areas. In previous years, this trend has been detected only in the more agricultural areas which had been dominated by farm expansion buyers who placed a higher value on land without buildings. In all districts except the Northeast, land without buildings sold for prices equal to or above those paid for land with buildings. Therefore statewide, unimproved land sold for more than did improved

**Table 2. Percentage changes in estimated farmland value per acre by district, Minn., 1965-75, 1965-70, 1970-75, and 1974-75**

District	Estimated 1975 value per acre	-----Percent change-----			
		1965-75	1965-70	1970-75	1974-75
	-dollars-			-percent-	
Southeast	674	208	45	113	17
Southwest	844	223	33	143	25
West Central	503	245	36	154	33
East Central	296	164	44	84	6
Northwest	295	161	6	146	48
Northeast	163	220	22	163	13
Minnesota	525	207	33	131	24

**Table 3. Annual percentage changes in estimated farmland value per acre by district, Minn. 1969-1975**

District	-----Percentage change from July to July-----					
	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
			-percent-			
Southeast	3	5	11	17	33	17
Southwest	—1	1	8	21	47	25
West Central	1	3	2	19	53	33
East Central	10	—4	5	19	44	6
Northwest	0	—1	—2	25	36	48
Northeast	14	2	20	51	25	13
Minnesota	2	2	7	20	42	24

**Table 4. Average price per acre of farmland, estimated value and actual sales by district, Minn. 1974-1975**

District	-----1974-----		-----1975-----		Percent changes over 1974	
	Estimated value	Sales price	Estimated value	Sales price	Estimated	Actual
		-dollars per acre-			-percent-	
Southeast	576	598	674	792	17	32
Southwest	675	630	844	844	25	34
West Central	378	340	503	493	33	45
East Central	279	243	296	299	6	23
Northwest	199	204	295	353	48	73
Northeast	144	144	163	159	13	10
Minnesota	423	450	525	607	24	35

**Table 5. Average sales price per acre and proportion of sales of improved and unimproved farmland by district, Minn. 1975**

District	Improved land		Unimproved land		Unimproved as a percent of improved
	\$	%	\$	%	
Southeast	786	72	815	28	104
Southwest	841	61	851	39	101
West Central	466	58	545	42	117
East Central	298	82	302	18	101
Northwest	353	48	353	52	100
Northeast	172	72	112	28	65
Minnesota	605	66	613	34	101

land for the first time in Minnesota's history.

Further insight into the effects of this shift can be gained by grouping agricultural buyers into three class-

es: operating farmers who buy complete farm units as owner-operators; farm expansion buyers, who may be operating farmers or investors increasing the sizes of their holdings;

and agricultural investor buyers, who are nonfarmers who have bought land to be rented out or managed for farming (land not being added to land already owned). In 1974, a significant change occurred in the proportion of farmland sold to these three classes of buyers, and this trend intensified in 1975 (table 6). Expansion buyers have increased their share and now account for three-fifths of farm tracts purchased (versus 54 per cent in 1973). Purchases by both operating farmers and agricultural investors have declined proportionately. By districts, farm expansion buyers dominated the land market in the three major agricultural districts—with 75, 72,

and 67 percent of the sales in the Northwest, Southwest, and West Central districts, respectively. Operating farmer buyers still predominate in the East Central and Northeast, two districts associated with a larger proportion of part-time and "hobby" farms.

Before 1974, the highest prices were typically paid by investor buyers, next highest by expansion buyers, and lowest by operating farmers. This trend was modified in 1974 and completely altered in 1975. Expansion buyers paid almost \$200 per acre more than did other buyers in 1975 (table 7). Statewide, expansion buyers paid \$690 per acre, followed by operating farmers

who paid \$495 per acre, and agricultural investors at \$493. The average price paid by expansion buyers represents an extraordinary 131 percent increase in the last 2 years. For operating farmers, the average sales price increased 74 percent from 1973 to 1975, while investors were only willing to pay 54 percent more during this period. In all districts except the Northeast, expansion buyers paid significantly more than did other buyers. This difference ranged from 8 percent in the East Central to 94 percent in the Northwest District.

Effects of this shift in type of buyer, first evident when examining land and building quality in 1974, were intensified in 1975. Statewide, good land sold for \$771 per acre in 1975 and accounted for 37 percent of sales. Land of average quality was \$565 per acre and made up 48 percent of sales. The remaining 15 percent of sales was of poor quality land, averaging \$357 per acre (table 8). In 1974, expansion buyers paid just as much or more than did other buyers for good and average land; this was a change from previous years when agricultural investors consistently outbid other buyers for land of good and average quality. However in 1974 as well as in earlier years, farm expansion buyers paid less than did other buyers for poor land. But in 1975, expansion buyers paid substantially more for all land, regardless of quality. Table 8 also points out that land rated good or average accounted for 88 and 84 percent, respectively, of the purchases by expansion buyers and operating farmers. This is to be expected, since most agricultural buyers want to upgrade or maintain the quality of their farms. Interestingly, the proportions for expansion buyers and operating farmers are reversed from 1974. Operating farmers, unable to compete against expansion buyers for good and average land, are apparently purchasing lower-quality land.

Another change in the land market (first apparent in 1974 and which gained strength in 1975) is presented in table 9. In 1974, for the first time, land without buildings sold for more than did land with poor-quality buildings. This trend intensified in 1975 as land without buildings sold for \$613 per acre, while land with average and poor buildings sold for less (\$599 and \$515 per acre, respectively). As was first true in 1974, farm ex-

**Table 6. Percent of tracts purchased by type of buyer, by district, Minn. 1969-1973 average, 1974 and 1975**

District	Operating farmer buyer (sole tract)			Farm expansion buyer (operator or investor)			Agricultural investor buyer* (sole tract)		
	1969-1973 (Average)	1974	1975	1969-1973 (Average)	1974	1975	1969-1973 (Average)	1974	1975
	-percent-								
Southeast	33	26	25	41	54	55	26	21	20
Southwest	20	18	16	69	70	72	11	12	11
West Central	27	29	20	61	60	67	12	12	13
East Central	53	46	48	27	39	37	20	15	15
Northwest	21	19	15	67	71	75	12	10	10
Northeast	45	49	62	24	13	20	31	38	18
Minnesota	30	26	25	53	59	60	17	15	15

\*"Agricultural investors" are defined as those who buy farmland to be rented out or managed for farming.

**Table 7. Average sales price per acre by type of buyer by district, Minn. 1973, 1974, 1975**

District	Operating farmer			Expansion buyer			Investor buyer (agricultural)		
	1973	1974	1975	1973	1974	1975	1973	1974	1975
	-dollars per acre-								
Southeast	453	583	725	418	607	835	470	602	745
Southwest	390	544	668	423	687	936	383	483	639
West Central	226	321	434	219	377	551	230	309	334
East Central	172	231	294	177	257	318	198	208	249
Northwest	104	196	215	124	204	417	108	189	232
Northeast	94	160	162	190	97	151	92	132	164
Minnesota	285	404	495	299	492	690	321	418	493

**Table 8. Price per acre and percent of purchases by type of buyer for land of various quality, Minn. 1975**

Type of buyer	-----Land quality-----					
	Good		Average		Poor	
	\$	%	\$	%	\$	%
Operating farmer	614	31	506	53	289	16
Expansion buyer	818	41	625	47	431	11
Agricultural investor	767	28	458	47	341	25
All	771	37	565	48	357	15

pansion buyers paid considerably more than did other buyers, regardless of building quality.

Use of contracts for deed to finance land purchases has been gradually increasing since the mid-1950's, reaching the highest proportion ever reported in 1974 (60 percent). Contract for deed sales declined somewhat in 1975 to 57 percent, while mortgage financing involved 28 percent of sales and cash sales stood at 15 percent. In previous years, the highest prices per acre were paid in sales financed by contract for deed. In 1975, this trend was altered statewide, with cash sales bringing the highest price per acre, \$645 compared to \$597 per acre for contract for deed sales.

Much improved agricultural incomes over the last 3 years evidently enabled expansion buyers financing with cash to outbid other buyers. Also, cash buyers paid notably more for both good and average quality land compared to other buyers. In contrast, for the years before 1975, the highest prices paid for good and average quality land have typically been associated with sales financed by contract for deed. Traditionally, contracts for deed have been more heavily used in areas of higher priced lands (Southwest and Southeast Districts) because of sellers' tax advantage (spread capital gains out over a period of years). However in 1975, the higher prices paid by cash buyers apparently outweighed the tax ad-

vantage to sellers using contract for deed, particularly in the more agricultural Southwest and Northwest Districts.

Finally, the 1975 shift toward the farm expansion buyer is illustrated again in table 10. Minnesota's farmland market has always been distinctly local in character, with about 60 percent of all buyers living less than 10 miles from the purchased tract and over 80 percent of them living less than 50 miles away. The median distance of buyer from tract has consistently been 5 miles since 1970. Due to heavy expansion buying in 1975, the land market became even more localized statewide and in all districts except the East Central (where expansion buyers did not dominate the market). Median distance declined in the other five districts and statewide. As table 10 points out, 67 percent of all buyers lived less than 10 miles from the purchased tract, and over 50 percent lived less than 5 miles away. Even more noteworthy are the significant increases over 1974 in proportions of purchases less than 2 miles from the buyers' residences (except in the East Central District). In the Northwest, this increase was only one percentage point; however in the 2-4 mile category, the increase was substantial over that of 1974 (from 20 to 32 percent). Since expansion buyers overwhelmingly dominated the Northwest District during the last 3 years (76, 71, and 75 percent for 1973, 1974, and 1975, respectively, table 6), these buyers must now apparently range further from home to find land.

**Table 9 Price per acre and percent of purchases by type of buyer for land with various qualities of buildings, Minn. 1975**

Type of buyer	-----Building quality-----							
	Good		Average		Poor		None	
	\$	%	\$	%	\$	%	\$	%
Operating farmer	646	30	486	41	351	21	349	8
Expansion buyer	801	12	718	23	650	18	642	47
Agricultural investor	706	16	435	24	438	28	528	32
All	722	17	599	28	515	20	613	35

**Table 10. Classification of farmland sales by distance of buyer's residence from tract by district, Minn. 1974 and 1975**

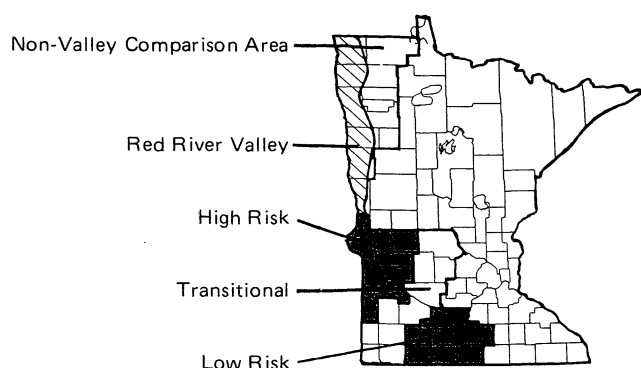
Distance of buyer's residence from tract purchased	South- east	South- west	District			North- east	Minn.
			West Central	East Central	North- west		
-percent of sales-							
<b>less than 2 miles</b>							
1974	21	21	21	17	20	9	20
1975	25	27	25	16	21	14	24
<b>2-4 miles</b>							
1974	23	33	26	15	20	7	25
1975	27	34	29	17	32	12	28
<b>5-9 miles</b>							
1974	15	16	15	17	22	16	16
1975	17	15	16	12	19	5	15
<b>10-49 miles</b>							
1974	21	16	16	23	26	27	20
1975	19	15	14	21	18	31	17
<b>50-299 miles</b>							
1974	12	11	13	23	7	18	13
1975	8	8	14	25	4	19	11
<b>300 miles and over</b>							
1974	7	3	8	4	5	23	6
1975	4	2	2	10	5	19	4
<b>Median Distance in Miles</b>							
—miles—							
1974	5	4	5	10	5	20	5
1975	4	3	4	10	4	15	4

## PART II: THE FARMLAND MARKET IN THE RED RIVER VALLEY

In soil differences, the Northwest District is sharply divided into two parts. The Red River Valley, comprising the western part of the Northwest District, has fertile soil and relatively large-scale farming. The non-Valley area, on the eastern side, contrasts sharply in soil fertility, in type of farming, and in prices paid for land (figure 2).

The land market in the Red River Valley has been consistently the most active part of the Minnesota farmland market over the past 3 years. Price paid per acre jumped by 32, 79, and 49 percent in 1973, 1974, and 1975, respectively (table 11). From July 1973 to July 1975, the average sales price rose from

**Figure 2. The Red River Valley and Comparison area; and high-risk, transitional, and low-risk areas in southwestern Minnesota.**



**Table 11. Analysis of reported farm sales in the Red River Valley and non-Valley areas, Northwest District, Minn. 1973, 1974, and 1975**

Item	Red River Valley			Non-Valley area		
	1973	1974	1975	1973	1974	1975
Number of sales (Jan.-June)	74	47	63	72	86	76
Average size of tract (acres)	257	231	219	373	337	270
Average sales price per acre (dollars)	201	359	535	91	152	227
Change in sales price over preceding year (percent)	32	79	49	17	67	49

**Table 12. Percent of sales and average sales price per acre of improved and unimproved land in the Red River Valley and non-Valley comparison area, Minn. 1972-1975**

Area and year	Improved land		Unimproved land		Unimproved as a percent of improved
	%	\$	%	\$	
Red River Valley					
1972	47	169	53	134	79
1973	36	220	64	190	86
1974	49	358	51	359	100
1975	29	487	71	559	115
Non-Valley comparison area					
1972	66	84	34	67	80
1973	62	98	38	77	79
1974	60	167	40	126	75
1975	55	233	45	213	91

**Table 13. Percent of sales and price per acre by quality of land, Red River Valley and non-Valley comparison area, Minn. 1974-1975**

Land quality	Red River Valley				Non-Valley area			
	1974		1975		1974		1975	
	%	\$	%	\$	%	\$	%	\$
Good	48	424	58	659	27	214	24	321
Average	40	321	39	445	53	173	50	222
Poor	12	223	3	177	20	88	26	142

\$201 per acre to \$535—a remarkable 166 percent increase. Also while the estimated number of farm transfers declined statewide in Minnesota for 1975, the number of reported farm sales (and total acreage sold from these sales) increased significantly over 1974 in the Red River Valley. In the non-Valley comparison area, however, both the number of reported farm sales and acreage sold went down over the 1974 figures (table 11). Price paid per acre in the non-Valley area increased \$75 over 1974, going from \$152 to \$227. Although this amounts to the same percentage increase reported in the Red River Valley (49 percent), it results from a much lower base-year price (\$152 versus \$359 in 1974).

Unimproved land sales were up substantially in 1975, accounting for 71 percent of reported sales in the Red River Valley (table 12). The intense land market activity in the Valley is exhibited in table 12, with unimproved land selling for considerably more per acre than did improved (\$559 versus \$487). In contrast, in the non-Valley area, sales of improved land continued to exceed unimproved land sales, both in number and in price paid per acre. As in 1973 and 1974, expansion buyers overwhelmingly dominated the land market in the Red River Valley, accounting for 94 percent of all farm purchases. These buyers paid a much higher price than did either agricultural investor or operating farmer buyers (\$563 per acre versus \$427 and \$217, respectively).

Good and average quality land made up 97 percent of all Valley sales in 1975, while accounting for only 74 percent of the land sold in the non-Valley comparison area (table 13). These quality categories are relative terms used to compare land qualities within an area—and not between areas—as is illustrated in table 13 which emphasizes the sharp contrast in land quality between the Valley and non-Valley area. There it is shown that good and average quality land in the Valley sold for more than twice the amount paid for land judged good and average in quality in the non-Valley area. Use of contract for deed financing has been increasing over the past 3 years in both areas of the Northwest district. This is because of the much higher priced land now found in this district. Over half of both Valley and non-Valley

purchases (52 and 58 percent, respectively) were financed by contract for deed in 1975. However, cash sales were much more frequent in the Valley than in the non-Valley area (26 versus 11 percent). Again, these trends point out the intense activity by farm expansion buyers, many of whom apparently used their increased agricultural income from the past 3 years to make cash purchases of land.

### PART III: THE FARMLAND MARKET IN SOUTHWESTERN MINNESOTA

The Southwestern quarter of the state contains most of Minnesota's best farmland, but it also has some of the more vulnerable areas of climatic risk. Consequently in previous land market studies, the Southwestern quarter of the state was divided into the three areas illustrated in figure 2. These areas were delineated on the basis of their variability in crop yields over time. The "high risk" farming area comprises 9 counties having large crop yield fluctuations from year to year because of occasionally severe weather conditions (principally drought). In contrast, the "low risk" farming area is a fairly well-defined block of 9 counties in south central Minnesota which contains the highest-priced farmland in the state. Linking these two extremes is the "transitional" belt of counties where land is of roughly the same quality as in the high-risk area, but whose climatic risks are less.

The differences between the three areas are clearly apparent in land price comparisons of the past 3 years (table 14). Each of these years, farmland in the low-risk area sold for far more than double the price paid for land in the high-risk area. Also over the last 3 years, the average sales price of land climbed 150 percent in the low-risk area, increased 121 percent in the high-risk area, and rose 106 percent in the transitional area. The smaller increase in sales price for the transitional area in 1975 (23 percent) is undoubtedly because of the unfavorable weather conditions experienced by several counties in this area in 1974. A further reflection of the bad weather in 1974 is the significant decline in the number of sales reported for the first 6 months of 1975 in the transitional and high-risk areas (decreases of 25 and 28 percent respectively). Average size of tract purchased has been consistently

larger over the years in the high-risk area than in the other two areas. Table 14 also shows that the size of tract declined notably in both the high- and low-risk areas in 1975.

The dominant role in land market activity played by expansion farm buyers during the past 2 years is shown in table 15. Although 1974-75 expansion buying declined somewhat in the transitional area, it increased significantly in the other two areas. Purchases by expansion buyers accounted for 88 percent of all sales in the low-risk area; this is substantially above the proportion of expansion purchases in the high-risk and transitional areas (61 and 62 percent, respectively). Expansion buyers paid considerably more per acre than did other buyers in all three areas in 1975. This trend was evident to a lesser degree in 1974, but it is a reversal of the pattern found in years prior to 1974. For example, both operating farmers and

agricultural investors paid higher prices than did expansion buyers in the high-risk area in 1973. In 1975, the agricultural investor is a distant third in price paid per acre compared to other buyers in the low- and high-risk areas. This, too, is a reversal of earlier trends when agricultural investors bid just as much or more than did other buyers. In the transitional area, the investor still competes favorably with operating farmers, but not with expansion buyers.

Good and average quality land accounted for 80 percent or more of all sales in the Southwestern areas of Minnesota over the last 3 years (table 16). The highest proportion of purchases of good quality land has consistently occurred in the low-risk area, and not surprisingly, the highest prices paid for all qualities of land have been found in this area. The percentage differences between prices paid in the low-risk

**Table 14. Analysis of reported farm sales in the high-risk, transition and low-risk areas, Minn. 1973, 1974, and 1975**

Item	High-risk area			Transition area			Low-risk area		
	1973	1974	1975	1973	1974	1975	1973	1974	1975
Number of sales (Jan.-June)	259	234	169	369	344	259	243	200	181
Average size of tract (acres)	221	217	205	180	174	175	155	156	139
Average sales price per acre (dollars)	217	325	480	348	532	653	522	794	1145
Change in sales price over preceding year (percent)	1	50	48	10	53	23	14	52	44

**Table 15. Percent of sales and average price paid per acre by type of buyer in the high-risk, transitional, and low-risk areas, Minn. 1973, 1974, and 1975**

Type of buyer and year	High-risk area		Transitional area		Low-risk area	
	%	\$	%	\$	%	\$
Operating farmer						
1973	28	226	22	350	14	460
1974	30	323	23	477	9	727
1975	22	440	23	578	8	1061
Expansion buyer						
1973	61	213	60	358	79	533
1974	57	338	64	564	84	834
1975	61	550	62	702	88	1170
Agricultural investor						
1973	11	216	17	309	7	534
1974	14	307	14	504	7	499
1975	17	346	15	611	4	860



area and in the other two areas for land of all qualities have generally been widening over the last 3 years. The one notable exception is good quality land in the high-risk area which narrowed the gap substantially in 1975. Even so, poor quality land in the low-risk area still sold for more than good quality land in the high-risk area in 1975—as was true of previous years (table 16). This points out that these quality categories are relative terms used to compare land qualities within an area, not between areas.

The intense activity of farm expansion buyers is again apparent from improved versus unimproved farmland sales. For all three areas of Southwestern Minnesota, the proportion of unimproved land purchases (no buildings) has been rising over the last 3 years; it now stands at 39 percent of sales in all three regions. However, the pattern in prices paid for land with various building qualities is different between the three areas. In the high-risk and transitional areas, land without buildings only brought more than did land with poor quality buildings in 1975 (\$454 per acre versus \$391

**Table 16. Percent of sales and price per acre by quality of land in the high-risk, transitional, and low-risk areas, Minn. 1973, 1974, and 1974**

Quality of land and year	High-risk area		Transitional area		Low-risk area	
	%	\$	%	\$	%	\$
Good						
1973	33	287	33	431	46	611
1974	35	412	38	655	40	956
1975	36	692	37	748	43	1313
Average						
1973	48	210	49	327	38	488
1974	48	308	42	512	42	798
1975	46	447	47	654	46	1117
Poor						
1973	18	143	17	249	15	349
1974	18	206	20	359	19	442
1975	18	249	16	429	11	704

and \$645 versus \$543, respectively). This trend was stronger in the low-risk area as land without buildings sold for more than land with both poor and average quality buildings (\$1,178 per acre versus \$974 and \$1,161). Furthermore, buyers who financed with cash in the low-risk area in 1975 jumped by two-thirds

over 1974, accounting for 25 percent of all purchases in this area (compared to 15 percent statewide and even less in the high-risk and transitional areas). As in the Red River Valley, these trends reflect the shift in 1975 toward farm expansion buyers, particularly in the state's best agricultural areas.

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