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# Minnesota AGRICULTURAL ECONOMIST



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## The Minnesota Rural Real Estate Market in 1976

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### Introduction

Despite uncertainty about the future of grain and livestock prices and drought in most areas of the state, data from the 1976 Minnesota Rural Real Estate Market Survey indicate that rural real estate price trends continue a strong upward movement.

Regional and statewide data on the Minnesota rural real estate market have been collected since 1910. For the last 25 years, these data have been collected annually from mail questionnaires sent in July and August to real estate brokers, bankers, agricultural loan specialists, and county officials. Over the years, an average of two-thirds of those surveyed respond. In 1976, the widespread drought made it desirable to make a supplementary survey in November in order to gain additional information.

Two types of data 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 rural land sales. These include acreage, price per acre, characteristics of buyers and sellers, quality of land and buildings, and methods of finance. Sales between close relatives or of under 10 acres are excluded.

This report is in three parts. The first two discuss the Minnesota farmland market trends and characteristics prior to July 1, 1976. Part I

summarizes trends and characteristics of the market; part II focuses on the active farmland market in the Red River Valley. For this period, the discussion is based on estimates of value from 625 respondents and sales data from reports of 1,314 sales. Part III reports the initial effects of the 1976 drought on the Minnesota farmland market based on 405 reported sales for July 1-November 1, 1976.

### Part I. 1976 Farmland Market Overview of current trends

The estimated statewide average value of farmland in Minnesota in July 1976 was \$667 per acre (table 1). This is an increase of \$142 per

acre or 27 percent over 1975, and represents the second largest annual percentage increase in farmland values in this century. Only the increase in 1973-74, 42 percent, was larger. This 27 percent increase follows a 24 percent increase in 1974-75, a 42 percent increase in 1973-74, and a 20 percent increase in 1972-73. The overall result is a 169 percent increase in farmland values in the 4-year period from July 1972 to July 1976. In many instances, prevailing 1974-75 trends in land market activity continued into 1976. The shift in farm sales activity toward the farm expansion buyer was intensified, and the percentage of sales to investor buyers contin-

**Table 1. Estimated average value per acre of farmland by district, Minnesota, 1971-76\***

District	1971	1972	1973	1974	1975	1976
Southeast	333	370	433	576	674	856
Southwest	351	379	459	675	844	1,106
West Central	204	208	247	378	503	624
East Central	155	163	194	279	296	349
Northwest	119	117	146	199	295	378
Northeast	63	76	115	144	163	210
Minnesota	232	248	298	423	525	667

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

**Table 2. Annual percentage changes in estimated farm land value per acre, by district, Minnesota, 1970-76**

District	Percentage change from July to July					
	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
	percent					
Southeast	5	11	17	33	17	27
Southwest	1	8	21	47	25	31
West Central	3	2	19	53	33	24
East Central	-4	5	19	44	6	18
Northwest	-1	-2	25	36	48	28
Northeast	2	20	51	25	13	29
Minnesota	2	7	20	42	24	27

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Region	Sales Volume	Change
Northwest	\$378	Up \$83
Northeast	\$210	Up \$47
West Central	\$624	Up \$121
East Central	\$349	Up \$53
Southwest	\$1106	Up \$202
Southeast	\$856	Up \$182
State	\$667	Up \$142

**Table 3. Percentage changes in estimated farm land value per acre, by district, Minnesota, 1966-76, 1966-71, 1971-76, and 1975-76**

**Table 4. Average estimated value per acre of farmland compared with prices received in actual sales, by district, Minnesota, 1975-76**

**Table 5. Average sales price per acre and proportion of sales of improved and unimproved farmland, by district, Minnesota, 1976**

ued the decline that began with  
1971-72.

As table 2 reveals, the 1975-76 increases were notably uniform over all six districts of the state when compared with the previous 4 years. In 1972 and 1973 the highest percentage increase in estimated land value was found in the Northeast district, 20 and 51 percent, respectively. This reflects the erratic influence in that district of non-farm demand for rural land for recreational and residential uses. In the 2 previous years, 1970 and 1971, the largest percentage increases had been in the urban-influenced Southeast district, in which the Twin Cities and Rochester have an appreciable effect on farmland values. In general, the Northeast, East Central, and Southeast districts are most strongly influenced by urban, residential, and recreational land uses and are more dependent on livestock agriculture than the three western districts. 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. Over the next 3 years this trend was completely reversed.

In the Southwest, West Central, and Northwest districts, cash crops dominate land use. Prices received by farmers for cash crops (corn, soybeans, wheat, barley, sugar beets) were remarkably stable until late 1972. After the Russian grain purchases, grain prices jumped dramatically, followed by sugar beets in mid-1973. These higher crop prices were capitalized almost immediately into higher farmland prices, especially in the cash grain and sugar beet areas. Over the 3-year period, 1973 through 1975, estimated farmland values increased substantially in the Southwest, West Central, and Northwest districts, ranging from 19 to 53 percent each year (table 2). By 1975, two distinct land market regional groupings had emerged. For the three districts where cash crops dominate, farmland values rose by more than the statewide average, 25 to 48 percent. In contrast, farmland values, increased by less than the statewide average (6. to 17 percent in the Northeast, Southeast, and East Central districts where livestock farming and urban, residential, and recreational land uses prevail.

The percentage increases in estimated farmland values for 1975-76 show some tendency toward a re-adjustment in this regional balance (table 2). The rate of increase slowed in the West Central and Northwest, while the rate of increase picked up in the more urban-influenced Southeast, East Central, and Northeast districts. Consequently, the district increases cluster close to the statewide average increase of 27 percent. The slowdown in farmland value-increases evident in the more agricultural districts may be associated with the downward trend in agricultural commodity prices (corn, wheat, barley, sugar beets) over the last 2 years together with drought conditions experienced then in parts of western Minnesota (part III).

Farmland values in the Southwest district continue to lead the state, with an estimated average value of \$1,106 per acre (figure 1 and table 1). The Southwest district has maintained this top position for 30 years. Its lead generally widened from 1945 to 1960, then slowly narrowed to a difference of less than \$10 per acre over the Southeast by 1972. The narrowing was due primarily to non-farm demand for rural land during the 1960's and early 1970's. This 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 lengthened and is presently \$350 per acre above the Southeast.

Since 1966 the value of Minnesota farmland has more than tripled, from \$183 to \$667 per acre. In the Southwest and West Central districts, the increase was four-fold. As table 3 points out, this 264 percent increase has not been evenly distributed through time or over space. Approximately nine-tenths of the dollar increase since 1966 occurred in the second half of the decade. A spatial breakdown of farmland value changes over the 1966-76 period (table 3) shows that the most urbanized district, the Southeast, 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.

Information was received on 1,314 farm sales in the first 6 months

**Table 6. Average sales price per acre and proportion of tracts purchased by type of buyers and by district, Minnesota, 1975 and 1976**

District	Operating farmer buyer (sole tract)				Farm expansion buyer (operator or investor)				Agricultural investor buyer (sole tract)			
	1975		1976		1975		1976		1975		1976	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Southeast	725	25	963	22	835	55	993	64	745	20	737	14
Southwest	668	16	894	12	936	72	1,187	79	639	11	833	9
West Central	434	20	607	18	551	67	686	72	334	13	624	10
East Central	294	48	300	49	318	37	366	36	249	15	298	15
Northwest	215	15	305	15	417	75	425	75	232	10	275	11
Northeast	162	62	213	70	151	20	206	14	164	18	204	16
Minnesota	495	25	569	23	690	60	831	65	493	15	592	12

**Table 7. Price paid per acre and proportion of purchases by type of buyer for land of various quality, Minnesota, 1976**

Type of buyer	Land quality					
	Good		Average		Poor	
	\$	%	\$	%	\$	%
Operating farmer	670	32	575	54	354	14
Expansion buyer	1,030	44	713	42	535	14
Agricultural investor	860	24	595	52	351	24
All	941	39	655	46	449	15

**Table 8. Price paid per acre and proportion of purchases by type of buyer for land with various quality of buildings, Minnesota, 1976**

Type of buyer	Building Quality							
	Good		Average		Poor		None	
	\$	%	\$	%	\$	%	\$	%
Operating farmer	683	31	600	39	460	20	393	10
Expansion buyer	864	13	832	21	803	19	834	47
Agricultural investor	908	15	626	30	411	25	586	30
All	803	18	728	26	640	20	753	36

of 1976. The statewide average reported sales price for farmland was \$735 per acre (table 4). This represents a 21 percent increase over the 1975 average sales price and is somewhat less than the 27 percent increase in estimated land values. The difference is due in part to a disproportionately larger number of sales of low-priced land in 1976 than in 1975. This shift in the location of sales activity from higher-priced to lower-priced land was evident in the Southeast and Northwest districts. The discrepancy between percentage increases in estimated values and actual sales price was especially marked in the Northwest—28 versus 7 percent (table 4). Farm sales activity, both in number of sales and average size of tract, increased in the Non-Valley Comparison area relative to the Red River

Valley, accounting for much of this shift in sales from high-priced to low-priced land in the Northwest district (part II, table II).

### Analysis of reported sales

The U.S. Department of Agriculture has estimated that voluntary sales numbered 29.3 per 1,000 farms in Minnesota during 1976. This represents a 22 percent decline from 1975 and is consistent with the decreased number of sales reported in this survey, particularly in the Southeast and Southwest districts. Over the last 2 years the overall rate of farm transfers per 1,000 farms (voluntary sales plus inheritance, gifts, and forced sales) has dropped from a near record high of 59.9 in 1974 to 39.5 in 1976, the lowest rate of transfer since 1963. Notably, the number of forced sales (foreclo-

**Table 9. Proportion of farm sales by method of financing, by district, Minnesota, 1964, 1974, 1975, and 1976**

Method of Financing	District						Minn.
	South- east	South- west	West Central	East Central	North- west	North- east	
<i>Cash</i>	percent						
1964	19	17	16	30	24	36	20
1974	12	15	13	24	22	28	16
1975	12	16	13	15	18	30	15
1976	12	16	15	23	18	16	16
<i>Mortgage</i>							
1964	29	42	46	30	31	37	36
1974	19	26	26	27	24	26	24
1975	28	27	24	36	30	25	28
1976	21	31	23	28	33	34	26
<i>Contract for deed</i>							
1964	52	41	38	40	45	27	44
1974	68	59	61	49	54	47	60
1975	60	58	63	49	52	45	57
1976	68	54	62	49	50	50	58

**Table 10. Average sales price per acre of farmland by method of financing, by district, Minnesota, 1974, 1975, and 1976**

Method of financing	District						Minn.
	South-east	South-west	West Central	East Central	North-west	North-east	
	dollars per acre						
<i>Cash</i>							
1974	553	674	343	202	215	147	424
1975	742	995	476	288	440	149	645
1976	919	1,131	659	286	355	127	719
<i>Mortgage</i>							
1974	609	609	324	229	212	141	448
1975	723	912	462	316	371	176	603
1976	911	1,098	659	347	407	210	740
<i>Contract for deed</i>							
1974	596	625	357	243	196	146	454
1975	824	773	493	298	334	155	597
1976	934	1,111	668	319	369	246	736

tures and tax delinquency) in 1976 doubled from 1975 (0.3 to 0.6 per 1,000 farms). Statewide, the average size of tract sold rose from 179 acres/sales in 1975 to 183 acres/sale in 1976, reversing a 3-year downward trend.

Improved land (with buildings) constituted only 65 percent of all 1976 sales (table 5). This proportion has been steadily declining during the 1970's. In the 1960's improved land consistently accounted for 80 percent or more of all sales. Among the districts, the proportion in 1976 varied from 47 percent in the North-

west to 80 percent in the Northeast. This variation suggests that the major motivation for land purchase in the more agricultural areas has been for farm expansion through acquisition of unimproved land, while fewer farmers have increased the size of their holdings in the Northeast and East Central districts.

Statewide, the presence of buildings was associated with the lower sales prices of farmland. Table 5 shows that unimproved land sold for 103 percent of improved land prices. This is considerably above the pre-1974 trend when un-

improved land prices consistently averaged 80 percent of prices paid for improved land. By districts, unimproved land sold for substantially more than improved land in the Southwest and Northwest districts where farm expansion buyers place a higher value on land without buildings than do other buyers. This points out the strengthening of the shift in farm sales activity toward the expansion buyer in 1976.

Further insights into the effects of this intensified shift in buyer activity in the 1976 farmland market can be gained by grouping agricultural buyers into three classes: operating farmers who purchase land with the intention of holding it as owner-operators; agricultural investors who purchase land with the intention of renting it for farming purposes; and, farm expansion buyers who may be either owner-operators or agricultural investors adding land to existing holdings. Over the past 3 years expansion buyers have steadily increased their share of the market—from 53 percent in 1973 to 65 percent in 1976. Purchases by both operating farmers and agricultural investors declined proportionately. By districts, farm expansion buyers overwhelmingly dominate the land market in the three major agricultural districts, with 79, 75, and 72 percent of the 1976 sales in the Southwest, Northwest, and West Central districts, respectively. Significant increases in farm expansion sales over 1975 occurred in the Southeast, Southwest, and West Central districts (table 6). Operating farmer buyers still dominate in the East Central and Northeast, two districts in which owner-operators are often part-time and hobby farmers.

Before 1974 and statewide the highest prices were paid by investor buyers, next highest by expansion buyers, and lowest by operating farmers. By 1975, this trend was completely altered with expansion buyers paying nearly \$200 per acre more than other buyers, followed by operating farmers, and lastly, agricultural investor buyers (table 6). In 1976 expansion buyers continued strong, paying \$831 per acre, but now followed by agricultural investors who paid \$592 per acre, and then operating farmers at \$569. Expansion buyers paid notably more than other buyers in all districts except the Northeast (table 6).

Statewide, good land sold for \$941 per acre in 1976 and accounted for 39 percent of sales. Average quality land was \$655 per acre and made up 46 percent of sales. The remaining 15 percent of sales were of poor quality land, averaging \$449 per acre (table 7). Prior to 1974, agricultural investors consistently outbid other buyers for land of good and average quality, while farm expansion buyers always paid less than other types of buyers for poor land. However, by 1975 expansion buyers paid substantially more than all other buyers for all land, regardless of quality (from 7 to 49 percent more). This trend gained strength in 1976 as farm expansion buyers paid at least 20 percent to over 53 percent more than other buyers for the various qualities of land (table 7). Land rated good or average accounted for 86 percent of the purchases by operating farmers and expansion buyers. This is to be expected, since most agricultural buyers want to upgrade or maintain the quality of their farms. In contrast, only 25 percent of the purchases by investors were of good quality land, while another 25 percent of their purchases were poor land.

Prior to 1974, land without buildings consistently sold for less than land with buildings, regardless of building quality. This trend was modified in 1974 and further altered in 1975 and 1976. Statewide, (table 8) land without buildings now sells for more than land with either poor or average quality buildings (\$753 per acre versus \$640 and \$728 per acre, respectively) due chiefly to the dominance of expansion buyers in the land market. Remember that in both 1974 and 1975 the farm expansion buyer paid considerably more than other buyers regardless of building quality.

Use of contract for deed (or land contracts) to finance farmland purchases has been gradually increasing since the mid-1950's, while use of both cash and mortgage financing has continually, though erratically, declined. From 1964 to 1974 the statewide proportion of farm sales financed with contract for deed rose from 44 to 60 percent, the highest proportion ever reported in this annual survey (table 9). Mortgage sales were at an all-time low in 1974 at 24 percent. Since 1974, contract for deed sales have declined slightly to 58 percent in 1976 while mortgage

Figure 2. The Red River Valley and Non-Valley Comparison area

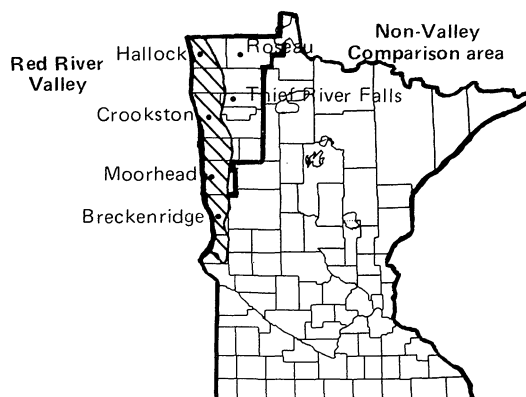


Table 11. Analysis of reported farm sales in the Red River Valley and Non-Valley Comparison areas, Northwest District, Minnesota, 1973, 1974, 1975, and 1976

Item	Red River Valley				Non-Valley Area			
	1973	1974	1975	1976	1973	1974	1975	1976
Number of sales, (Jan.-June)	74	47	63	54	72	86	76	88
Average size of tract (acres)	257	231	219	216	373	337	270	325
Average sales price per acre (dollars)	201	359	535	733	91	152	227	279
Change in sales price over preceding year (percent)	32	79	49	37	17	67	49	23

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, Minnesota, 1973-76

Area and year	Percent of sales		Price per acre		Price of unimproved land as a percent of price of improved land
	Improved	Unimproved	Improved	Unimproved	
Red River Valley	%	%	\$	\$	%
1973	36	64	220	190	86
1974	49	51	358	359	100
1975	29	71	487	559	115
1976	33	67	677	769	114
Non-Valley Comparison area					
1973	62	38	98	77	79
1974	60	40	167	126	75
1975	55	45	233	213	91
1976	53	47	281	275	98

financing increased somewhat to 26 percent of sales. A similar pattern emerges in the districts, except for the Southeast and Northeast districts, where contract for deed financing increased appreciably in 1976 (table 9).

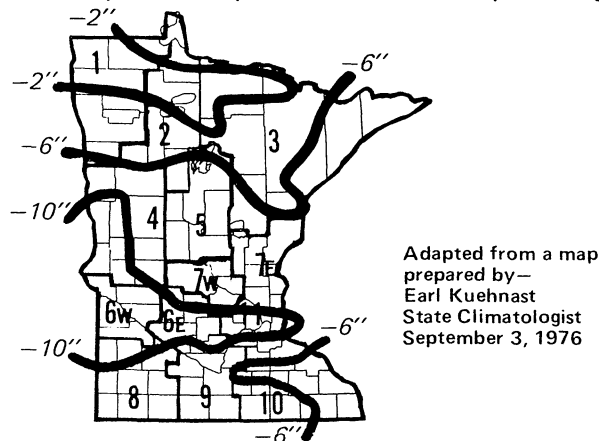
For several years prior to 1975, the highest prices per acre were

paid in sales financed by contract for deed. This trend changed in 1975 as cash sales brought the highest price per acre, statewide (table 10). The higher agricultural incomes over the 1973-75 period apparently enabled expansion buyers in the Southwest and Northwest districts, financing with cash, to outbid other

**Table 13. Percent of sales and price per acre by method of finance, Red River Valley and Non-Valley Comparison area, Minnesota, 1975-76**

Method of financing	Red River Valley				Non-Valley Comparison area			
	1975		1976		1975		1976	
	%	\$	%	\$	%	\$	%	\$
Cash	26	522	8	860	11	234	23	302
Mortgage	22	515	40	704	32	252	25	251
Contract for deed	52	530	52	763	58	218	52	279

**Figure 3. Precipitation—departure from normal—April through August 1976 (inches)**



**Table 14. Average reported sales price per acre of farmland, by economic development region, Minnesota, 1972-76, July and November.**

Economic development region	1972	1973	1974	1975	1976J*	1976N*
dollars per acre						
1	105	114	199	344	330	491
2	83	108	141	206	250	—
3	81	126	148	157	162	—
4	170	192	317	446	542	564
5	127	164	197	259	235	280
6W	238	233	341	537	696	706
6E	361	374	569	691	923	**
7W	290	291	430	472	596	658
7E	216	203	254	316	455	394
8	323	354	534	710	906	1,130
9	461	534	829	1,115	1,464	1,473
10	368	411	565	753	915	1,177
11	586	698	882	1,035	1,150	1,144
MN	293	298	450	607	735	818

\*J=July; N=November

\*\*less than 10 reported sales

buyers. However, the general downward movement of agricultural commodity prices (corn, wheat, barley) in 1975 and 1976 evidently returned cash purchases to their pre-1975 position below mortgage and contract for deed purchases:

\$719 per acre vs. \$740 and \$736, respectively (table 10). Cash purchasers still paid more than those financing with mortgages or contracts for deed in the Southwest district, but the difference over the years has narrowed considerably.

## Part II. The Farmland Market in the Red River Valley

Soil differences sharply divide the Northwest district in 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 Comparison area, on the eastern side, contrasts sharply in soil fertility, in type of farming, and in prices paid for land (figure 2).

The Red River Valley portion of the Minnesota farmland market has consistently experienced the highest annual percentage increases in sales prices the past 4 years. Price paid per acre jumped by 32, 79, 49, and 37 percent in 1973, 1974, 1975, and 1976, respectively (table 11). From July 1973 to July 1976, the average sales price rose from \$201 per acre to \$733—a remarkable 265 percent increase. Just as the estimated number of farm transfers decreased statewide in Minnesota for 1976, the number of reported farm sales and the average size of tract in the Red River Valley declined from 1975 levels. However, in the Non-Valley Comparison area, both the number of reported farm sales and average size of tract increased over the 1975 figures (table 11). The price paid per acre in the Non-Valley Comparison area increased \$52 over 1975, going from \$227 to \$279. This represents a much smaller percentage increase than reported in the Red River Valley and it results from a much lower base-year price (\$227 versus \$535 in 1975). These geographic changes in the farmland market account for much of the shift in sales activity from high-priced to low-priced land evident in the Northwest district in 1976.

The Red River Valley leads all areas of the state in the proportion of sales of unimproved land. In 1975, 71 percent of the sales in the Red River Valley were of land without buildings. Unimproved land sales in the Red River Valley declined slightly in 1976 (table 12). Unimproved land sold for considerably more per acre than improved, \$769 versus \$677, which points out the strong role of farm expansion buyers in the Valley. In contrast, in the Non-Valley Comparison area, sales of improved land continued to exceed unimproved land sales, both as to number and price paid per

acre. But as table 12 points out, these differences have been continually narrowing over the last 4 years.

As in previous years, expansion buyers overwhelmingly dominated the land market, accounting for 89 percent of all farm purchases in the Red River Valley, while making up 70 percent of sales in the Non-Valley Comparison area. Similarly, good and average quality land constituted 87 percent of all Valley sales in 1976, and accounted for 78 percent of the land sold in the Non-Valley. These quality categories are relative terms used to compare land qualities within an area, not between areas. The sharp contrast in land quality between the Valley and Non-Valley is obvious with good Valley land selling for nearly three times as much as land rated good in the Non-Valley, \$920 versus \$311 per acre. Likewise, land quality judged average in the Valley sold for more than double the amount paid for average Non-Valley land, \$615 versus \$304 per acre.

Use of contract for deed financing has generally been increasing over the last 5 years in both areas of the Northwest district, associated with the much higher-priced land now found in this district. Over half of both Valley and Non-Valley purchases (52 percent) were financed by contract for deed in 1976 (table 13). In 1975, cash sales were much more frequent in the Valley than in the Non-Valley area, 26 versus 11 percent. In 1976 these proportions were almost exactly reversed, 8 versus 23 percent. Since contract for deed financing remained constant in the Valley in 1975 to 1976, the substantial slackening in cash purchases was entirely replaced by increased mortgage financing, from 22 to 40 percent of sales, (table 13). Cash sales notably brought the highest prices per acre in both the Valley and the Non-Valley in 1976, a change from the trend of previous years.

### Part III.

#### The Effect of Drought on the Farmland Market

Minnesota Rural Real Estate Market Reports use a reporting period from January 1-July 1 of each year. In 1976, the timing of the summer drought made it desirable to gather additional information. The final intensity of the drought was unknown to both buyers and sellers prior to July and therefore did not

**Table 15. Percent of tracts purchased by type of buyer, by region, Minnesota, 1975, 1976, July and November**

Region	Operating farmer buyer (Sole tract)			Farm expansion buyer (Operator or investor)			Agricultural investor buyer (Sole tract)		
	1975	1976J*	1976N*	1975	1976J*	1976N*	1975	1976J*	1976N*
	percent								
1	13	13	15	77	75	62	10	13	24
2	39	55	—	48	34	—	13	10	—
3	86	64	—	5	23	—	9	14	—
4	24	25	27	60	65	69	16	10	4
5	58	52	42	23	30	32	19	18	26
6W	21	10	10	68	77	82	11	13	3
6E	17	17	**	72	71	**	10	12	**
7W	25	39	47	52	38	47	23	21	5
7E	60	51	55	26	36	10	15	13	35
8	21	14	10	64	73	83	15	13	8
9	11	12	5	82	83	88	6	4	7
10	26	23	18	55	63	61	19	14	22
11	29	21	11	38	66	79	33	13	11
MN	25	23	20	60	65	67	15	12	13

\*J=July; N=November

\*\*less than 10 reported sales

**Table 16. Proportion of sales of land of various quality, Minnesota, 1973-76, July and November**

Land quality	Good	Average	Poor
	%	%	%
1973	35	48	17
1974	36	46	18
1975	37	48	15
1976 (July)	39	46	15
1976 (Nov.)	41	49	10

**Table 17. Percent of sales according to quality of land, regions 4, 6W, 7W, and 8, Minnesota, July and November 1976**

Region	Quality of land					
	Good		Average		Poor	
	July	Nov.	July	Nov.	July	Nov.
	percent					
4	38	29	43	58	19	13
6W	34	45	51	52	15	03
7W	40	63	39	32	21	05
8	41	63	46	36	13	02

substantially affect the rural real estate market during the first half of the year. To test the effect of the drought, a supplementary survey was made in November. Questionnaires were mailed to a smaller sample of the January-July respondents and the resulting data were analyzed in the same manner as the January-July data. To simplify, this supplemental report will be called the November survey while the main report will be the July survey.

Land market information gained from the November survey was ag-

gregated by Minnesota development regions. The summer drought hit hardest in the western and central parts of the state defined by regions 4, 6W, 7W, 7E, and 8 (figure 3). While there was no discernible impact of the drought on farmland price trends, the impact was clearly apparent in reduced land market activity. Sales volume slackened in the drought regions while no slowdown occurred in the rest of the state.

Information was received on 405 farm sales in the 4 months, July 1-

November 1, 1976. The statewide average price of farmland was \$818 in the November survey, an 11 percent increase from the July statewide average of \$735 (table 14). The largest dollar increase in average sales price occurred in region 1, northwestern Minnesota; the largest dollar decrease in average sales price occurred in region 7E, immediately north of the Twin Cities. It is difficult to draw any conclusions about the effect of the drought on land prices since there are no consistent patterns in the price data of the more droughty regions.

The real impact of the drought has been a slow-down of farm sales, characterized by a decrease in the proportion of sales of poor quality land and a decrease in the proportion of sales to investor buyers.

Within the droughty regions, there was a noticeable change in land purchases by type of buyer. Over the last 3 years, expansion buyers have been dominant in all regions except north and central Minnesota (region 2, 3, 5, 7W, and 7E), at the expense of both operating farmers and agricultural investors. In the November survey, expansion buyers increased their



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dominance statewide from 65 percent to 67 percent of all sales (table 15) but, unlike previous years, this broadening came largely at the expense of agricultural investors in the droughty regions 4, 6W, 7W, and 8. In these regions, the proportion of sales to agricultural investors ranged from 10 percent to 21 percent of all sales in July and declined to a range of 3 percent to 8 percent of all sales in November (table 15).

The slackening of the volume of sales in the drought areas is also evident when the sales are classified by quality of land. Much of the weakening in volume of sales in these regions is accounted for by

the decline in sales of poor quality land. In the July 1976 survey, good quality land accounted for 39 percent of the sales statewide, average quality land 46 percent, and poor quality land 15 percent (table 16). In the November survey, good and average land accounted for 41 percent and 49 percent, respectively, of the statewide sales while sales of poor quality land dropped to 10 percent of all sales. By region, the drop in the proportion of poor quality land sales was most dramatic in the droughty regions, 4, 6W, 7W, and 8 where the proportions dropped 6, 12, 16, and 11 percentage points, respectively, from the previous July (table 17).

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