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Minnesota AGRICULTURAL ECONOMIST



NO. 595
JANUARY 1978

The Minnesota Rural Real Estate Market in 1977

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INTRODUCTION

Falling crop prices and drought conditions over the last 2 years have combined to soften and even bring the price of some types of farmland down in parts of western Minnesota in 1977. Statewide though, data from the *1977 Minnesota Rural Real Estate Market Survey* indicate that farmland prices continued upward as in recent years.

Regional and statewide data on the Minnesota rural real estate market have been collected since 1910. For the last 26 years, these data have been gathered annually from mailed questionnaires sent in July and August to real estate brokers, bankers, agricultural loan specialists, and county officials. 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 for the period January 1-July 1 of each year. These include acreage, price per acre, characteristics of buyers and sellers, quality of land and buildings, and methods of finance. Over the years, including 1977, an average of two-thirds of those surveyed respond.

Part I of this three-part report discusses the overall Minnesota farmland market and trends in 1977. Part II deals with the farmland market in the Red River Valley, while Part III focuses on Southwestern Minnesota, particularly those areas hit hard by both drought conditions and declining crop prices over the last 2 years.

PART I

1977 Farmland Market Overview of Current Trends

The estimated statewide average value of farmland in Minnesota in 1977 (July) was \$794 per acre (table 1), an increase of \$127 per acre or 19 percent over 1976. While still substantial, this is the smallest annual

Table 1. Estimated average value per acre of farmland by district, Minnesota, 1967-77*

Years	South-east	South-west	West Central	East Central	North-west	North-east	Minn.
-----dollars per acre-----							
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
1976	856	1106	624	349	378	210	667
1977	1027	1316	730	415	427	279	794

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

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Table 2. Annual percentage changes in estimated farmland value per acre, by district, Minnesota 1971-77

District	Percentage change from July to July					
	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
	-----percent-----					
Southeast	11	17	33	17	27	20
Southwest	8	21	47	25	31	19
West Central	2	19	53	33	24	17
East Central	5	19	44	6	18	19
Northwest	-2	25	36	48	28	13
Northeast	20	51	25	13	29	33
Minnesota	7	20	42	24	27	19

percentage increase since 1972 and reflects some slowdown in the farmland market in several regions. The annual increases in Minnesota farmland values from 1972 to 1976 were 20, 42, 24, and 27 percent, respectively (table 2). Several prominent trends in land market activity in 1974 intensified in 1975 and 1976, then softened and even shifted direction in 1977. For example, the reported sales price per acre of poor farmland declined in 1977 and the average price paid for improved land (meaning with buildings) was once again higher than that paid for farmland without buildings (see the next section—analysis of reported sales). Overall, farmland values have more than tripled since grain prices moved significantly higher in late 1972 following the Russian wheat purchases (\$794 in 1977 vs. \$248 in 1972, table 1).

During the 1970's two distinct land market regional groupings have emerged. The three eastern districts — the Northeast, East Central, and Southeast — 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 (table 2). Over the next 3 years this trend was com-

pletely reversed as estimated farmland values rose substantially in the Southwest, West Central, and Northwest districts (ranging from 19 to 53 percent each year during 1973-75).

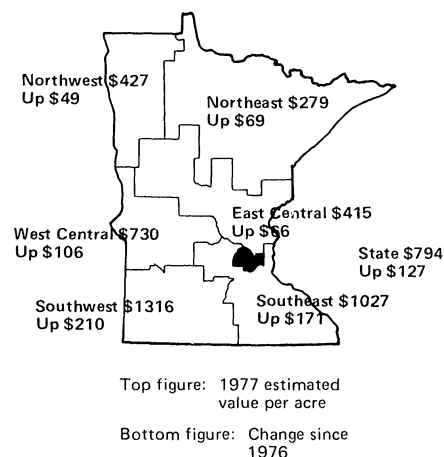
In the three western districts cash crops dominate land use. Prices received by farmers for cash crops (corn, soybeans, wheat, barley, sugar beets) were remarkably stable until late 1972. After the Russian grain purchases, grain prices rose dramatically, with sugar beets following that trend in mid-1973. These higher crop prices were quickly capitalized into higher farmland prices. Many farmers used their record incomes to expand the size of their land holdings, adding further to upward pressure on farmland prices. By 1975, farmland values rose by more than the statewide average in the three western districts (25 to 48 percent) while farmland values increased by notably less than the statewide average (6 to 17 percent) in the eastern districts where livestock farming and urban, residential, and recreational land uses are prominent (table 2).

By districts, the percentage increases in estimated farmland values for 1976-77 continue a readjustment in this regional balance that emerged in 1976 (figure 1). As table 2 reveals, the higher percentage increases in 1977 took place in the livestock, urban, and recreation-oriented eastern districts

(19 to 33 percent) while in the three western districts where cash crops dominate, farmland values rose by less (13 to 19 percent). This slowdown in farmland value increases in the western districts is apparently associated with the downward movement of cash grain and sugar beet prices over the last 2 years together with recent drought conditions that were especially severe in parts of western Minnesota.

During the last decade the estimated value of Minnesota farmland has quadrupled, from \$194 to \$794 per acre. This 309 percent increase has not been evenly distributed in years or locations. In the second half of the decade (1972-77) Minnesota farmland values more than tripled from \$248 to \$794 per acre, with over nine-tenths of the last decade's actual dollar increase occurring after 1972. A breakdown of farmland value changes during 1967-77 reveals the same regional pattern just discussed. The eastern districts, where livestock production and urban and recreational demands prevail, dominated the first half of the decade while the western cash grain districts experienced greater percentage increases in the second half.

Figure 1. Estimated average rural land values from reporters' estimates excluding Hennepin and Ramsey counties



Analysis of Reported Sales

Information was received on 1,332 farm sales from January through June 1977. The statewide

average reported sales price for farmland was \$859 per acre (table 3). This represents a 17 percent increase over the 1976 average sales price and is consistent with the slowdown recorded here for estimated farmland values when compared to the 3 previous years. The regional shift in land market activity toward the more livestock, urban, and recreationally oriented Southeast and East Central districts, evident in the estimated values, is even more pronounced in the reported sales data. The average sales price rose 30 and 39 percent in these two eastern districts, while the increase was 20 percent or less in the three western districts where cash grain crops dominate land use. The 39 percent rise in 1977 was substantial enough to place the East Central district's average sales price above that of the Northwest, thus reversing the trend of the previous 2 years (part II). Among the five most agricultural districts, the percentage rise was smallest in the West Central, a district hit hard over the last 2 years by both drought and falling crop prices (part III).

The U.S. Department of Agriculture has estimated that voluntary sales numbered 31.6 per 1,000 farms in Minnesota for the year ending February 1, 1977. This represents an 8 percent rise from 1976 and is consistent with the increased number of sales reported in this survey, particularly in the Southwest district. However, the volume of sales activity is still notably less than the 1974 record high of 47.7 voluntary transfers per 1,000 farms. Statewide, the average size of tract sold dropped from 183 acres/sale in 1976 to 178 acres/sale in 1977. Over the past 5 years this decline has been fairly uniform in all the districts except the East Central and Northeast. This follows since farm expansion buyers do not dominate in these two districts as they do in the other four (table 5).

Retirement is the most frequent reason for selling land in Minnesota, accounting for about two-fifths of all decisions to sell in 1977. Over the past 5 years fewer sellers left farming for another job: a decline from over 20 percent to 1977's 15 percent. Departures from farming are still substantial in the East Central

Table 3. Average estimated value per acre of farmland compared with prices received in actual sales, by district, Minnesota, 1976-77

District	1976		1977		Percent changes over 1976	
	Estimated value	Sales price	Estimated value	Sales price	Estimated	Actual
	-----dollars per acre -----				-----percent -----	
Southeast	856	937	1,027	1,216	20	30
Southwest	1,106	1,116	1,316	1,340	19	20
West Central	624	664	730	709	17	7
East Central	349	321	415	446	19	39
Northwest	378	377	427	432	13	15
Northeast	210	210	279	198	33	-6
Minnesota	667	735	794	859	19	17

Table 4. Proportion of sales and average sales price per acre of improved and unimproved farmland, by district, Minnesota 1976-77

District	Improved land				Unimproved land				Unimproved as a percent of improved	
	1976		1977		1976		1977		1976	1977
	%	\$	%	\$	%	\$	%	\$	%	%
Southeast	69	950	67	1,230	31	883	33	1,167	93	95
Southwest	57	1,069	55	1,420	43	1,213	45	1,219	113	86
West Central	66	672	58	736	34	640	41	664	95	90
East Central	76	327	75	445	24	293	25	448	90	101
Northwest	47	332	37	512	53	438	63	360	132	70
Northeast	80	230	63	192	20	100	37	212	43	110
Minnesota	65	729	60	899	35	753	40	782	103	87

district (29 percent of all sales) where agriculture depends heavily on milk and livestock production. A significant change from previous years occurred in the West Central district where sales due to leaving agriculture increased from 8 percent in 1975 to 17 percent in 1977, perhaps another reflection of drought conditions and falling crop prices.

Improved land accounted for only 60 percent of 1977 Minnesota farm sales (table 4); prior to the

1960's it consistently made up 80 percent or more of all sales. The three western cash grain districts, the Southwest, West Central, and Northwest, all had proportions of improved land transactions well below the statewide average. The three less agricultural eastern districts had proportions of improved land sales significantly above the average. This illustrates that the major reason for land purchase in the cash grain areas has been for farm expansion through acquisition

of unimproved land. Fewer farmers have increased the size of their holdings in the Southeast, East Central, and Northeast districts, and the demand for land with buildings for residential purposes has remained strong.

Prior to 1974 unimproved land prices consistently averaged 80 percent of prices paid for improved land. In 1975 and 1976 this statewide trend was reversed and unimproved farmland prices took the lead. During 1975 and 1976 the absence of buildings was strongly associated with higher farmland prices in the three western districts (table 4) where farm expansion buyers placed a greater value on land without buildings than did other buyers. In 1977 the trend shifted again for both the statewide average and regional groupings. Once more unimproved land prices averaged significantly less than the prices paid for improved land (\$782 vs. \$899, or 87 percent). Among the districts, the absence of buildings is now associated with higher farmland prices in two of the eastern districts—the East Central and Northeast. To gain further insight into these and other land market shifts, persons who purchase farmland will be discussed next as three distinct types of buyers.

Agricultural buyers are grouped in the following three classes in this survey: operating farmers, buying

complete farm units as owner-operators; farm expansion buyers, either operating farmers or investors increasing the size of their holdings; and agricultural investor buyers, nonfarmers who have bought land to be rented out or managed for farming purposes (rather than to expand the size of farms already owned). Over the 5-year period 1969-1973 each class of buyers maintained its relative land market share at a remarkably constant proportion. For the state as a whole, the proportion of sales in those years to operating farmers, expansion buyers, and agricultural investors averaged 30, 53, and 17 percent, respectively. In 1974 a significant shift occurred in the proportion of farmland sold to these three classes of buyers and it intensified over the next 2 years. By 1976 expansion buyers accounted for 65 percent of all farm tracts purchased in Minnesota, while sales to both operating farmers and agricultural investors declined proportionately (table 5). By districts, farm expansion buyers overwhelmingly dominated the land market in the three western cash grain areas with 79, 75, and 72 percent of the 1976 sales in the Southwest, Northwest, and West Central districts, respectively.

In 1977, there has been a slight shift away from expansion buying, statewide, particularly in the West

Central, East Central, and Northwest districts (table 5). However, in the West Central and Northwest districts, it should be emphasized that expansion buyers are still involved in two of three sales (67 and 68 percent, respectively). Operating farmer buyers continue to dominate in the East Central and Northeast, two districts associated with a larger proportion of part-time and "hobby" farms. Statewide, agricultural investors reversed a 5-year decline in their market share of farmland purchases in 1977, with increases in all districts except the West Central.

More evidence of a slowdown in the Minnesota land market in 1977 can be obtained by sorting the average sales price per acre by type of buyer (table 5). Statewide, investor buyers paid less on the average in 1977 for farmland than they did in 1976 (\$582 in 1977 vs. \$592 in 1976). These slightly lower prices, together with an increased market share for investor buyers in 1977, may indicate a future softening of prices paid by other buyers as well. Expansion buyers led all other buyers in average price paid in 1977, both statewide and in all districts except the Northeast. However, the price differentials were small in the eastern livestock and urban oriented districts and much larger in the western cash grain districts. For both operating farmers and expansion buyers, the statewide average price per acre from 1976 to 1977 rose an identical 22 percent.

Land of good and average quality increased in price by 26 and 24 percent over 1976, to \$1,187 and \$813 per acre, respectively (table 6). Statewide, since 1974 good quality land has consistently sold for more than twice the price of poor quality land, and in 1977 this trend was strengthened (\$1,187 vs. \$438 per acre for poor land). The noteworthy market shift in 1977 concerns the relative changes in sales price among the various land quality categories. For 1975-76, poor quality land had a larger percentage price rise per acre than did land rated good or average in quality (26 percent vs. 22 and 16 percent, respectively). This had not occurred in the Minnesota farmland market since 1971. For 1976-77, the average

Table 5. Proportion of tracts purchased and average sales price per acre by type of buyer, by district, Minnesota, 1976-77

District	Operating farmer buyer (sole tract)				Expansion farmer buyer (operator or investor)				Agricultural investor buyer (sole tract)			
	1976		1977		1976		1977		1976		1977	
	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$
Southeast	22	963	20	1,269	64	993	63	1,280	14	737	18	1,023
Southwest	12	894	11	1,117	79	1,187	77	1,392	9	833	11	1,160
West Central	18	607	23	649	72	686	67	743	10	624	10	667
East Central	49	300	54	460	36	366	30	463	15	298	16	364
Northwest	15	305	12	449	75	425	68	536	11	275	20	264
Northeast	70	213	40	233	14	206	32	216	16	204	29	135
Minnesota	23	569	22	694	65	831	63	1,018	12	592	15	582

per acre price paid for land of poor quality fell from \$449 to \$438. Historically a decrease in the sales price of poor quality land has marked the beginning of an overall slowdown or decline in the entire farmland market.

Farm expansion buyers in 1977 (as in 1975-76) paid substantially more than other buyers for all land, regardless of quality (table 6). Before 1975, expansion buyers generally paid less than other types of buyers for poor land, while agricultural investors consistently outbid all other buyers for land of good and average quality. In 1977 investor buyers were willing to pay more than operating farmers for only one quality category — good land (\$1,075 vs. \$865, table 6). They paid substantially less for poor land (\$252 per acre) compared both to other buyers and to 1976 prices.

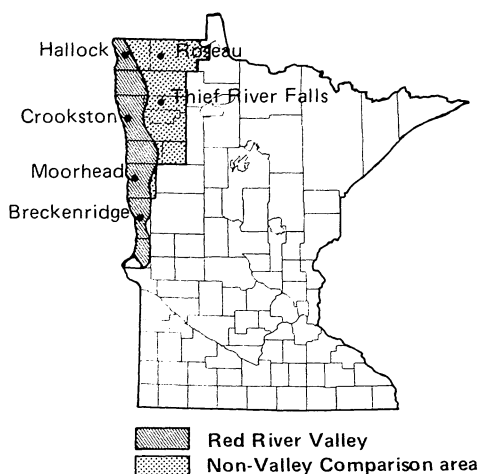
Use of contract for deed (or land contract) to finance Minnesota farmland transfers increased gradually from the mid-1950's to the mid-1970's, reaching an alltime high in 1974 of 60 percent of purchases. Mortgage sales dropped to 24 percent by 1974, the lowest proportion ever reported in this survey. Since 1974, mortgage financing has risen statewide to 28 percent in 1977 while contract for deed sales have fallen to 56 percent and cash sales have remained steady at 16 percent. The various proportions regarding method of financing are

the most stable from year to year in the more agricultural Southwest and West Central districts.

Statewide and prior to 1975, the highest prices per acre were consistently paid in sales financed by contract for deed. This resulted from the heavy use of contract for deed in areas of higher priced lands (the Southwest and Southeast districts), due probably to the tax advantage to sellers achieved by spreading capital gains over a period of years. In 1975 cash sales brought the top price per acre as greater agricultural incomes over the 1973-75 period apparently enabled expansion buyers financing with cash in the Southwest and Northwest districts to outbid other buyers. The higher prices offered by cash buyers in these districts evidently outweighed any tax advantage to sellers from the use of contract for deed. The general downward movement of cash grain and sugar beet prices over the last 2 years has returned cash purchases to their pre-1975 position, below mortgage and contract for deed purchases. In 1977 mortgage financed sales were associated with the highest prices per acre, statewide (\$939 vs. \$838 and \$820 per acre), although the pattern varied widely among districts. When ranked by method of financing, cash purchases are on top in the Southwest, mortgage financing leads in the Southeast and Northeast, and contract for deed is ahead

in the West Central, East Central, and Northwest districts in 1977. The average prices paid per acre dropped for both cash and mortgage purchases, 1976-77, in the Northwest and West Central districts (parts II and III).

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



PART II

The Farmland Market in the Red River Valley

Soil differences split the Northwest district in two. The Red River Valley, the western part of the district, has fertile soil and relatively large-scale farming. The Non-Valley Comparison area just to the east contrasts sharply in soil fertility, type of farming, and prices paid for land (figure 2).

During 1973-76, the Red River Valley was the most active part of the Minnesota farmland market, consistently reporting the highest annual percentage increases in sales prices. In the 3 years from July 1973-76 the average price paid per acre climbed from \$201 to \$733, an annual rate of increase of 79, 49, and 37 percent, respectively. From July 1976 to July 1977 this rate slowed to 6 percent with resultant average sales price standing at \$780 per acre in 1977 in the Red River Valley (ta-

Table 6. Proportion of purchases and price paid per acre by type of buyer for land of various quality, Minnesota, 1976-77*

Type of Buyer	Land quality											
	Good				Average				Poor			
	1976		1977		1976		1977		1976		1977	
	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$
Operating farmer	32	670	40	856	54	575	47	643	14	354	13	411
Expansion buyer	44	1,030	40	1,335	42	713	46	942	14	535	14	546
Agricultural investor	24	860	24	1,075	52	595	58	642	24	351	18	252
All	39	941	38	1,187	46	655	48	813	15	449	14	438

*Respondents are asked to classify the land involved in reported sales as good, average, or poor for agricultural use. The quality classes thus reflect local standards, and are not necessarily uniform among districts or cropping regions.

ble 7). The price paid per acre in the Non-Valley Comparison area rose 10 percent over 1976: from \$279 to \$306 per acre. The slowdown in the land market in the Red River Valley is also evident in fewer reported farm sales in 1977 when compared with previous years (table 7).

The Red River Valley continues to lead all areas of the state in the proportion of sales of unimproved land, with 70 percent of 1977 farm sales comprising land without buildings. Reversing the trend of the last 3 years, improved land now sells for more per acre than unimproved land, due partly to the declining role played by expansion buyers in the Valley (see table 5). In the Non-Valley Comparison area, the proportion of sales of unimproved land exceeded improved land sales for the first time (63 vs. 37 percent), but improved land continued to sell for more than the average price paid for unimproved land (\$345 per acre vs. \$278).

Good and average quality land made up 92 percent of all Valley sales in 1977, while accounting for only 79 percent of the land sold in the Non-Valley Comparison area (table 8). These quality categories are relative terms used to compare land quality within an area, not between areas. The sharp contrast in land quality between the Valley and Non-Valley Comparison area is obvious, with Valley land selling for two to three times as much as Non-Valley land in all quality categories in 1977. Further evidence of a slowdown in the Northwestern farmland market is apparent in table 8, with poor Non-Valley land selling for less in 1977 than in 1976 (\$178 vs. \$200 per acre), and with only small price increases for land rated average in both areas. The price of land judged poor in the Valley went up substantially over 1976 but because only a very small number of the sales of poor Valley land are reported in any given year, it makes year to year comparisons less reliable.

Use of contract for deed financing has generally been increasing during the 1970's, which are associated with the much higher-price land now found in both areas of the Northwest district. Well over half of both Valley and Non-Valley sales

Table 7. Analysis of reported farm sales in the Red River Valley and Non-Valley Comparison area, Northwest District, Minnesota, 1973-77

Item	Red River Valley					Non-Valley Area				
	1973	1974	1975	1976	1977	1973	1974	1975	1976	1977
Number of sales (Jan.-June)	74	47	63	54	37	72	86	76	88	75
Average size of tract (acres)	257	231	219	216	284	373	337	270	325	287
Average sales price per acre (dollars)	201	359	535	733	780	91	152	227	279	306
Change in sales price over preceding year (percent)	32	79	49	37	6	17	67	49	23	10

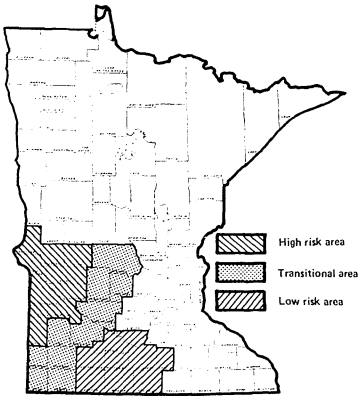
were financed with contract for deed in 1977 (65 and 57 percent, respectively). Cash purchases declined significantly over the last 2 years, both in frequency and average price paid in the Valley (\$788 per acre in 1977 vs. \$860 in 1976) and Non-Valley (\$258 per acre in 1977 vs. \$302 in 1976). This emphasizes the decrease in activity by farm expansion buyers.

PART III

The Farmland Market in Southwestern Minnesota

The Southwestern quarter of Minnesota contains most of the best farmland in the state, but some of its areas also have the most climatic risk. In 1976 parts of western Minnesota experienced the driest summer ever recorded. To test the drought's impact the Southwestern quarter of the state was divided in three areas on the basis of variability in crop yields over time (figure 3).

Figure 3. High risk, transitional, and low risk areas in Minnesota



The "high risk" farming area comprises a group of nine counties in west central Minnesota with large crop yield fluctuations from year to year due to occasionally severe weather conditions (principally drought). In contrast, the "low risk" farming area consists of a fairly well-defined block of nine

Table 8. Proportion of sales and price paid per acre by quality of land, Red River Valley and Non-Valley Comparison area, Minnesota, 1976-77

Land quality	Red River Valley				Non-Valley Area			
	1976		1977		1976		1977	
	%	\$	%	\$	%	\$	%	\$
Good	62	920	56	1,058	30	311	35	454
Average	25	615	36	633	48	304	44	325
Poor	13	243	8	558	22	200	21	178

Table 9. Analysis of reported farm sales in the high risk, transition, and low risk areas, Minnesota, 1974-77

Item	High risk area				Transition area				Low risk area			
	1974	1975	1976	1977	1974	1975	1976	1977	1974	1975	1976	1977
Number of sales (Jan.-June)	234	169	162	185	344	259	223	265	200	181	159	198
Average size of tract (acres)	217	205	236	195	174	175	161	157	156	139	135	133
Average sales price per acre (dollars)	325	480	638	644	532	653	852	1,025	794	1,145	1,495	1,812
Change in sales price over preceding year (percent)	50	48	33	1	53	23	30	20	52	44	31	21

counties in south central Minnesota containing the highest priced farmland in the state. Linking these two extremes is the "transitional belt" of counties where land is about the same quality found in the high risk area, but climatic risks fewer.

The difference among the three areas is obvious when comparing land price levels over the last 4 years (table 9). Farmland in the low-risk counties averaged considerably more than double the price paid for land in the high-risk group from 1974 to 1976. In 1977 the differential between the two areas approached three-fold, with land prices increasing 21 percent in the low-risk block while rising only 1 percent in the high risk counties. This substantial slowdown in the 1977 land market in the west central counties of Minnesota apparently stems from the combination of drought conditions and declining prices experienced for the principal crops in this area over the last 2 years. An analysis of the data by type of buyer and quality of land purchased reveals not only further slowdowns, but several instances of significant land price declines over the past year.

Although expansion buyers generally dominated in all three areas over the last 4 years, both as to proportion of purchases and average price paid per acre, this dominance was less marked in 1977 (table 10). The proportion of sales to expansion buyers declined in the transitional and low-risk areas in

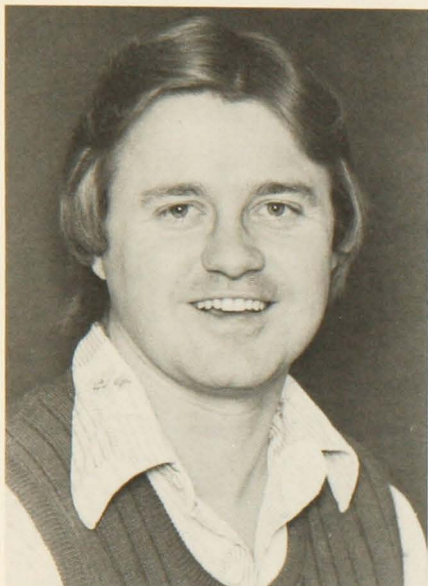
1977, and the price differential among types of buyers in these two areas narrowed appreciably over the last year. In contrast, the gap widened in the high-risk counties in 1977 as the average price paid by both operating farmers and agricul-

tural investors dropped markedly from 1976 levels, from \$619 to \$494 per acre, and from \$731 to \$540 per acre, respectively (table 10).

During the last 4 years, land rated poor in quality in the low-risk area consistently sold for more per acre

Table 10. Proportion of sales and average price paid per acre, by type of buyer in the high risk, transitional, and low risk areas, Minnesota, 1974-77

Type of buyer and year	High risk area		Transitional area		Low risk area	
	%	\$	%	\$	%	\$
Operating farmer						
1974	30	323	23	477	9	727
1975	22	440	23	578	8	1,061
1976	16	619	18	788	10	1,106
1977	19	494	17	953	10	1,694
Expansion buyer						
1974	57	338	64	564	84	834
1975	61	550	62	702	88	1,170
1976	70	625	71	892	86	1,558
1977	70	708	69	1,046	81	1,831
Agricultural investor						
1974	14	307	14	504	7	499
1975	17	346	15	611	4	860
1976	14	731	11	682	4	1,100
1977	11	540	14	1,017	9	1,726



Rodney Christianson

than land judged good in the high-risk area. This difference widened sharply in 1976 and 1977. The 1974 and 1975 sales prices per acre of poor land in the low-risk area exceeded the prices of good land in the high-risk area by only 7 and 2 percent, respectively. In 1976 this difference was 38 percent, and in 1977, 45 percent (\$1,221 over \$841). As was emphasized for the Red River Valley, these quality

categories are relative terms, primarily useful in comparing land qualities within an area. The interesting observation is that the relative differences between average prices paid in the low-risk counties and in the other two areas for all qualities of land have been growing wider over the last 4 years. The price of poor quality land in the low-risk area surpassed the price of average quality "transitional" land in 1975 and is about to overtake the price paid for good quality land in the transitional belt, as well (\$1,221 vs. \$1,237 per acre in 1977. In the high-risk area, the frequency of sales of poor quality land rose from 16 percent in 1976 to 22 percent in 1977 while the average price paid for poor land declined from \$427 to \$398 per acre. The price rise for poor land slowed substantially in the transitional belt in 1976-77, but not in the low-risk area.

Methods of financing land purchases have shifted back and forth over the past 4 years in Southwestern Minnesota. Cash purchases in the low-risk area climbed to 25 percent of sales in 1975, a year of record farm incomes and expansion buying, then fell over the next 2 years. Use of contract for



Philip M. Raup

deed financing has generally been increasing in the low-risk and high-risk areas, while mortgage sales recently appear to have regained ground in the transitional belt. More evidence of the selective downward movement of farmland prices in the high-risk area is seen with the average 1976-77 prices paid in cash and mortgage purchases declining from \$555 to \$494 per acre, and from \$670 to \$630 per acre, respectively.

Jerome W. Hammond Editor

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