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The Minnesota Rural Real Estate Market in 1984

Carolyn J. Emerson and Philip M. Raup

Summary

The decline of Minnesota farm real estate values in 1984 represents the third consecutive annual decline in average estimated value and average reported sales price. This decline was 13 percent for the average estimated value and 8 percent for the average reported sales price from July 1983 to July 1984. In the major agricultural areas the decline was slightly greater than in the minor agricultural areas, such as the East Central part of the state. The number of Cash and Mortgage financed sales showed a small increase in 1984, but contracts for deed are still the preferred method of finance for half of the sales reported. The farm expansion buyers continued to dominate the market in 1984 by purchasing almost 80 percent of the tracts reported sold.

Introduction

Data have been collected by the University of Minnesota for over 70 years on regional and statewide developments in the Minnesota rural real estate market. During the past 32 years, information has been collected from a questionnaire mailed each summer to farm brokers, appraisers, finance officers, and others knowledgeable of the rural property market in their areas. The survey response rate was 52 percent in 1984.

Respondents are asked to provide two types of information. First, they are asked to estimate the current average value of various grades of farmland in their communities. Second, they are asked to report on actual sales of farmland occurring in the first six months of the year, including acreage, price per acre, characteristics of buyer and seller, method of finance, and quality of the buildings and land. Sales which may not reflect current market conditions,

such as those between close relatives, are excluded.

This report is divided into four sections. Section One discusses current rural land market trends using a six-district division of the state for which data extend back to 1910. Section Two examines reported sales by economic development regions. Section Three looks at the farmland market in the Greater Metropolitan Twin Cities Area. Section Four focuses on farmland prices in three areas of Southwestern Minnesota.

SECTION I 1984 Farmland Market Estimated Values

The statewide average estimated value of Minnesota farmland was \$927 per acre for the first six months of 1984, a drop of 13 percent or \$138 since 1983 (Tables 1 and 2). This is the third consecutive annual decline in average estimated farmland value and is the greatest annual decline since the peak in Minne-

sota's average estimated value in 1981. With the exception of small declines of \$2 per acre in 1941, 1953, and 1960, these are the first declines reported since 1934-35. Through 1981, the state had experienced almost continuously rising land values for 37 years.

Average estimated values declined in five of the state's six districts in 1984. In four districts, comprising the major agricultural areas of southern and western Minnesota, the declines of 11 to 16 percent were greater than in 1983 (Table 2 and Figure 1).

The decline of 10 percent in average estimated value in the East Central district was the smallest for the five districts reporting declines. The influences of recreation, residential land uses, and livestock agriculture explain some of the diversity between this area and the major agricultural areas of the state. The East Central district represents a transitional agricultural area with strong urban influences.

In dollar terms, the state's most valuable farmland is still in the South-

Table 1: Estimated Average Value Per Acre of Farmland, by District, Minnesota, 1972-84.

Years	South-east	South-west	West Central	East Central	North-west	North-east	Minnesota
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
1978	1191	1421	803	498	483	304	889
1979	1453	1620	883	573	599	368	1040
1980	1526	1750	962	596	683	390	1120
1981	1709	2083	1135	679	813	460	1310
1982	1504	1875	1044	584	748	483	1179
1983	1354	1669	981	561	658	411	1065
1984	1164	1401	873	505	586	436	927

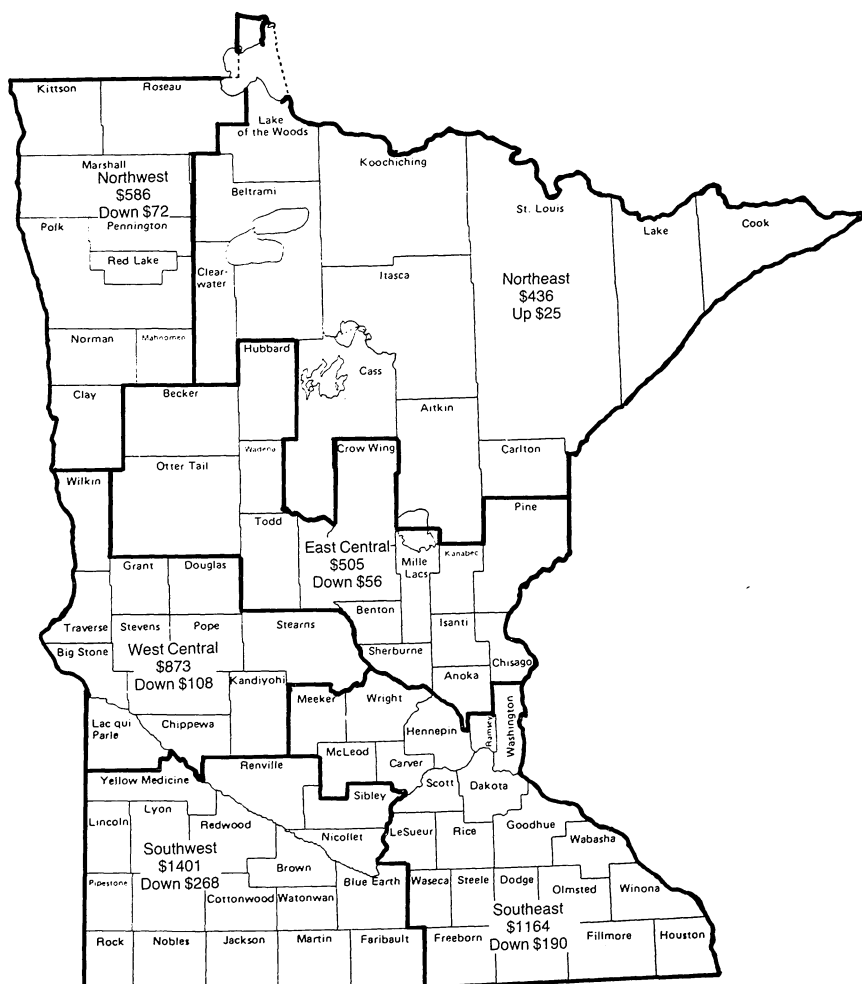
Table 2: Annual Percentage Changes in Estimated Farmland Value per Acre, by Districts, Minnesota, 1972-84.

Years July-July	South- east	South- west	West Central	East Central	North- west	North- east	Minnesota
1972-73	17	21	19	19	25	51	20
1973-74	33	47	53	44	36	25	42
1974-75	17	25	33	6	48	13	24
1975-76	27	31	24	18	28	29	27
1976-77	20	19	17	19	13	33	19
1977-78	16	8	10	20	13	9	12
1978-79	22	14	10	15	24	21	17
1979-80	5	8	9	4	14	6	8
1980-81	12	19	18	14	19	18	17
1981-82	-12	-10	-8	-14	-8	5	-10
1982-83	-10	-11	-6	-4	-12	-15	-10
1983-84	-14	-16	-11	-10	-11	6	-13

west district, with an average estimated value of \$1,401 per acre. The Southeastern district had the second highest average estimated value of \$1,164 per acre followed by West Central (\$873),

Northwest (\$586), East Central (\$505), and Northeast (\$436) districts. This order of farmland real estate values by districts has been quite stable since 1975, except for the fluctuation between the

Figure 1: Estimated Land Values per Acre (Excluding Hennepin and Ramsey Counties)



East Central and Northeast districts.

When the average estimated values are deflated by the GNP Implicit Price Deflator for Personal Consumption Expenditures or by the Consumer Price Index (CPI), the 1984 deflated average estimated value is about the same as the deflated value in 1975. In comparison, the non-deflated (nominal) average estimated value of \$927 per acre in 1984 is about the same as the nominal estimated value in 1978. The deflated series showed relatively little change from the middle 1950's to the middle 1970's, but from 1973 to 1981 real values increased 125 percent using the GNP deflator and 115 percent using the CPI.

Reported Sales

Data were collected by the Minnesota Rural Real Estate Market Survey on 1,233 reported sales occurring between January 1, 1984, and July 1, 1984. Based on these reports, the average sales price per acre of Minnesota farmland in 1984 was \$1,263 per acre (Table 3). This value represents a nominal decline of 2 percent from the 1983 average sales price per acre of \$1,291. This decline of only 2 percent reflects an increase in frequency of sales of higher valued land in the East Central district and relatively little change in the Southeast. An increase in the frequency of sales of lower valued land occurred in the Southwest, West Central, Northwest, and Northeast districts.

To take into account these shifts in market activity, adjusted average sales prices were computed. The adjusted sales price is determined for each district on a county by county basis. Within each district the average sales price for each county in 1984 is multiplied by the county's respective percentage of the total farmland reported sold in that district in 1983. These products for the counties within a district are then summed to obtain the adjusted average sales price for that district in 1984. The adjusted average sales price for the whole state is similarly computed by multiplying the average sales price for each of the six districts in 1984 by the district's respective percentage share of total farmland reported sold statewide in 1983. These products of the six districts are then summed to obtain the statewide average adjusted sales price in 1984.

The adjusted average sales price computed for 1984 represents a decline of 8 percent from 1983 (Table 4). This 8

*Based on reported estimates of average value per acre of farmland for the first six months of 1984.

percent decline in prices received in actual sales is smaller than the decline of 13 percent reported for the average estimated value in 1984. In comparing the annual percentage changes in average adjusted sales prices (Table 4) to those in average estimated values (Table 2), there were similar declines in the Southwest district but much greater declines in estimated values for the Southeast, West Central, and Northwest districts.

Four of the districts showed smaller declines than in 1983, for both the adjusted and unadjusted sales prices. The exceptions were the Southwest, and the large decrease in the Northeast. Sales prices in the Northwest district fell only 4 percent in 1984, in contrast to the big decline of 20 percent in 1983. The East Central district showed an increase of 6 percent in adjusted sales price. This is in sharp contrast with the 10 percent decline in estimated value for the district in 1984. The West Central district showed a decrease of 3 percent in adjusted sales price in 1984, considerably less than the 11 percent decline in estimated value for the same year.

Table 4 also shows the real declines in sales price when taking into account the increase in the Consumer Price Index (CPI) and the GNP implicit deflator for Personal Consumption Expenditures (PCE). Combining the adjusted average sales price with the CPI gives a real adjusted sales price decline of over 12 percent from 1983 to 1984. When using the PCE index, the real adjusted sales price decline is just over 11 percent. Over the three year period since the 1981 peak in Minnesota rural land values there has been a real decline in adjusted sales price of 28 percent, using the CPI, and a real decline of 25 percent using the PCE index. In comparison, the real declines in estimated values from 1981 to 1984 were 38 percent, using the CPI, and a real decline of 35 percent using the PCE index.

Type of Buyer

The Minnesota Rural Real Estate Market Survey distinguishes between three types of buyers. Expansion buyers are land owners who purchase farmland to add to an existing unit. Agricultural investors are those who purchase with the intention to rent out or operate the land through a manager. Sole-tract operators are those who intend to farm the land themselves and are not using their purchase to expand an existing holding.

Table 3: Average Reported Sales Price per Acre of Farmland, by District, Minnesota, 1972-84 (Unadjusted)

Years	South-east	South-west	West Central	East Central	North-west	North-east	Minnesota
1972	389	366	222	145	107	76	293
1973	444	410	223	178	120	122	298
1974	598	630	340	243	204	144	450
1975	792	844	493	299	353	159	607
1976	937	1116	644	321	377	210	735
1977	1216	1340	709	446	432	198	859
1978	1352	1321	908	554	504	256	980
1979	1675	1680	949	618	612	411	1140
1980	1837	1868	1095	603	759	394	1318
1981	1965	2005	1171	680	919	483	1367
1982	1749	2022	1168	746	887	406	1360
1983	1470	1872	1068	679	711	328	1291
1984	1386	1658	1062	644	700	223	1263
% Change 1983-84	-6	-11	-1	-5	-2	-32	-2

Table 4: Annual Percentage Changes in Adjusted Sales Price per Acre, by District, Minnesota, and CPI and GNP Implicit Price Deflator, 1975-84.

District	1975	1976	1977	1978	1979	1980	1981	1982	1983
	-76	-77	-78	-79	-80	-81	-82	-83	-84
<i>Percentage Change in Adjusted Sales Price</i>									
Southeast	23	23	13	13	6	6	-8	-14	-7
Southwest	33	20	2	22	12	15	-8	-11	-13
West Central	32	8	18	4	9	13	-9	-9	-3
East Central	6	32	37	16	0	19	4	-7	6
Northwest	10	10	12	44	18	18	-14	-20	-4
Northeast	21	8	-24	47	-27	-4	-18	-17	-44
Minnesota	26	18	10	17	9	11	-8	-12	-8
CPI ¹	6.2	6.4	6.8	10.3	14.3	10.5	7.2	3.5	4.4
GNP Implicit ^{1,2}									
Deflator for Personal Consumption Expenditure	5.5	5.7	6.3	8.7	10.1	9.2	6.6	4.0	3.2

¹The changes in price indexes were calculated by comparing the average prices for the first six months of the year with the average prices for the first six months of the previous year.

²Economists often contend that the gross national product (GNP) implicit price deflator for Personal Consumption Expenditures is a better indicator of price changes than the consumer price index (CPI). The CPI measures prices for a specified collection of goods and services which are typically purchased by urban consumers. The GNP implicit price deflator indicates the price changes of all goods and services acquired through personal consumption expenditures.

Analysis of the type of buyer active in the market has been one of the most useful survey responses to help explain trends in Minnesota rural land values, as shown in Figure 2.

Expansion buyers continued to dominate the market in 1984, purchasing 79 percent of all tracts reported sold in the state. In the three western districts, expansion buyers purchased from 85 to 91 percent of all tracts reported sold in these districts during 1984. The proportion purchased by expansion buyers in the Southeast district

was slightly less at 70 percent of the market. In other words, expansion buyers dominate the market in the agricultural areas of higher valued land.

Purchases by sole-tract operators represented over 60 percent of the market in the early 1950's but their share has steadily declined to a record low of 12 percent of the market in 1984. Only in the East Central and Northeast districts have sole-tract operators continued to represent a significant proportion of the market, in 1984, at 34 and 38 percent, respectively. The proportion of

purchases by investor buyers has remained fairly constant since the early 1950's and has represented 9 percent of the market since 1982.

The high proportion of purchases by expansion buyers has made the Minnesota rural real estate market extremely local in nature. Statewide, purchases made by buyers living under 5 miles from the tracts purchased accounted for 59 percent of all tracts reported sold. Purchases made by buyers living less than 10 miles away represented 80 percent of the market. The only district that did not follow this statewide trend was the Northeast, where the majority of purchases were made by those living 10 to 49 miles away.

Reason for Sale

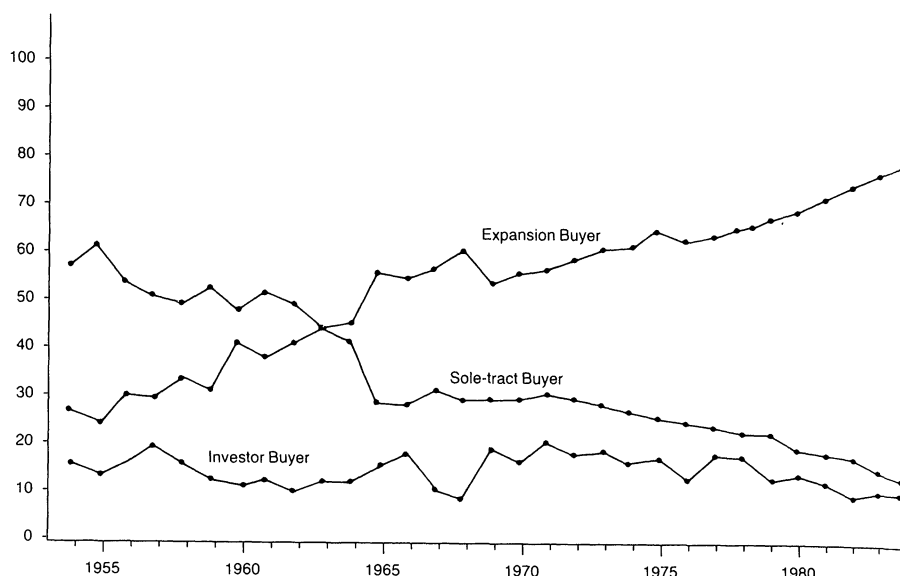
For over a decade the single most frequently reported reason for selling land has been retirement, accounting for 36 to 46 percent of all sales from 1970 to 1981. This percentage has declined from 41 percent in 1979 to 22 percent in 1984. In contrast, there has been a sharp increase in sales triggered by decisions to "reduce size of operation." In 1984, this reason was given for 25 percent of all sales, exceeding the percentage of sales occasioned by retirement for the first time since reduced size was included in the survey. In an additional 9 percent of all sales, financial difficulties or foreclosure were explicitly given as the reason for the sale. Thus, over one-third of all sales in 1984 were a reflection of financial difficulties or of decisions to reduce the scale of farm operations.

To reduce the size of operation was the reason most often used in the southern and western districts where expansion buying was also the heaviest. In the less agricultural areas, where purchases by agricultural investors and sole-tract buyers were more frequent, the reason for selling farmland was usually to leave farming entirely.

Method of Finance

The percentage of reported sales by methods of finance, in 1984, were 26 percent for cash financing, 24 percent for mortgage financing, and 50 percent for contract for deed financing. Contracts for deed are still the preferred method to finance farm transfers in Minnesota, but are down slightly from the proportion in 1983. Mortgage financing also lost some of its popularity

Figure 2. Minnesota: Percent of Farmland Sales by Type of Buyer, 1954-1984



in 1984, but cash financing increased its proportion of the tracts sold in 1984. In the eastern districts, contracts for deed represented more than 50 percent of the reported sales with a high in the Northeast of 75 percent. The reduction in popularity of contracts for deed in the western districts was replaced by cash financing in the Southwest district and replaced by a combination of both cash and mortgage financing in the West Central and Northwest districts.

Mortgage financing has regained some of the lost popularity in 1982 in the western districts, but still represents only 18 percent in the Southeast district. Cash financing represents the lowest proportion of sales in half of the districts but has reached a high of 32 percent of sales in the Southwest district.

There is difficulty in interpreting the influence of financing methods on the price of farm land because contracts for deed are typically used in transfers of higher priced lands. It is questionable, therefore, to conclude that contracts for deed inflate sales prices when this method of finance is mainly used for the more valuable lands. Contracts for deed are attractive both to buyers and sellers; the buyer benefits from a smaller down payment and the seller can often enjoy preferential capital gains tax treatment. In a period of declining land values it is not at all clear that contracts for deed lead to inflated land prices.

SECTION II Market Trends by Economic Development Regions

Alternative analysis of the Minnesota Rural Real Estate Market by the 13 Economic Development Regions provides a more detailed perspective on trends in land sales prices and possible causal influences (Figure 3).

Region 9, a predominantly cash-crop area, continued to have the highest average sales price of \$1,964 per acre in 1984, despite an 8 percent drop from 1983 (Tables 5 and 6). After adjusting for inflation by either the CPI or the PCE indexes, the real price declined by 11 to 12 percent from 1983.

In percentage terms, the largest nominal decline in sales prices was in Region 8, in the southwest. The 19 percent decrease in prices in current dollars becomes a decrease of 22 or 23 percent in real purchasing power, July 1983 to July 1984. Region 4 in West Central Minnesota showed a moderate increase in deflated sales prices in 1984 while there was little change in real (deflated) sales prices in adjacent Region 6-W.

The erratic movements of sales prices in the northeast Regions 2, 3, and 5 must be interpreted with care due to the history of volatile fluctuations in sales prices from year to year. These fluctuations result primarily from the

small number of land sales that can be classified as farmland in these regions.

A mixture of urban-type land uses, livestock agriculture, and cash-crop farming is pronounced in Regions 7W, 7E, 11, and 10 in east central and south-east Minnesota. Although Region 11, the Twin Cities Metropolitan area, had the second highest average sales price of all Regions in 1984 at \$1,642 per acre, its decline of 12 percent from 1983 levels was among the largest in the state. Region 10, known for its livestock, dairy, and cash-crops also had a high average sales price of \$1,337 per acre. The decrease of 4 percent from 1983 was a much smaller decline than in 1982 and 1983 in this region. Region 7W, heavily influenced by livestock agriculture, showed a decrease in average sales price of 5 percent from 1983, while average sales prices in Region 7E increased 6 percent in 1984.

Taking inflation into account, sales prices in the regions experiencing the strongest urban influences declined less than in the cash-crop regions of the state.

SECTION III
The Farm Real Estate
Market in the
Greater Metropolitan
Area

A comparison of urban influences on the farm real estate market was made by designating the area of 16 counties shown in Figure 3 as the Greater Twin Cities Metropolitan Area and then dividing it into subareas. The subareas were determined by differences in population, recent rate of population growth, agricultural productivity, and historical land values.

The Twin Cities Metropolitan core includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. This core is bordered by a North Metropolitan Fringe area of 4 counties and a South Metropolitan Fringe area of 5 counties. Agricultural uses are still significant in all of the counties in the Greater Twin Cities Metropolitan Area (except Ramsey) and thus are of interest in determining the significance of urban demands for nonfarm uses of rural lands.

The Twin Cities Metropolitan core contains almost half of the state's population and reported the highest rural land values until 1975. Average sales

Figure 3. Minnesota Economic Development Regions and the Greater Twin Cities Metropolitan Area.

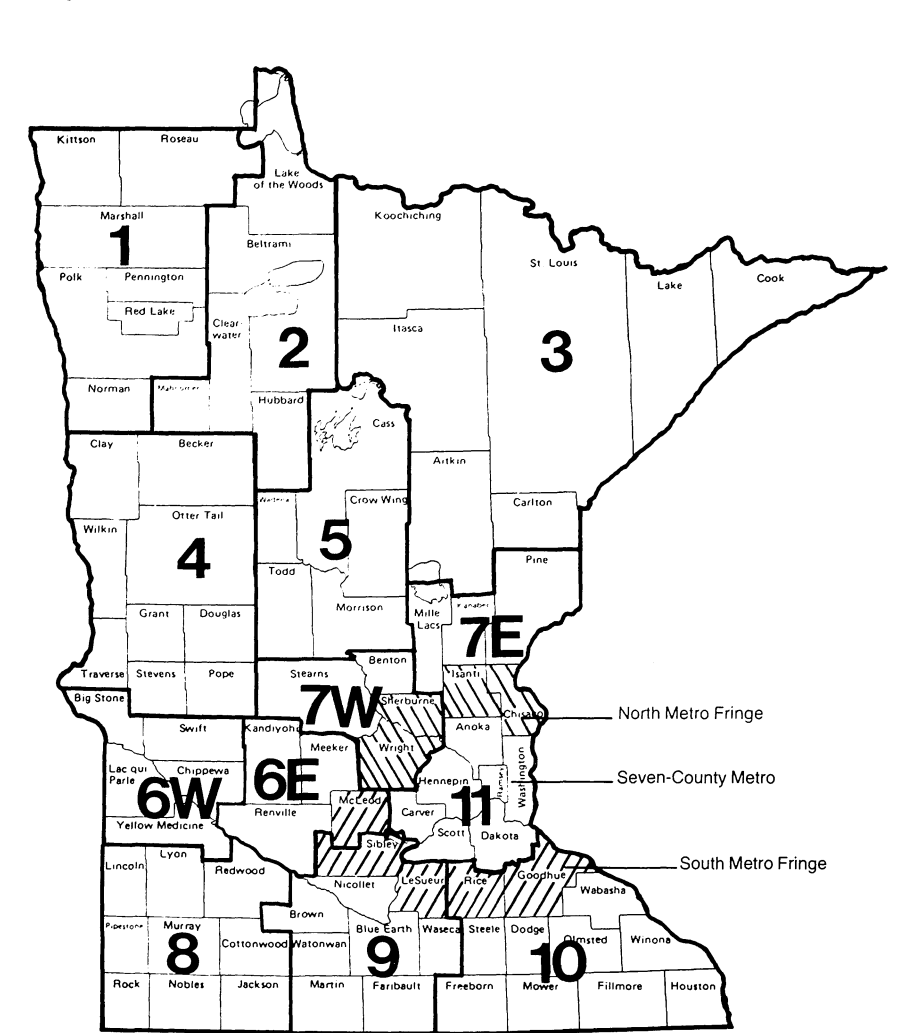


Table 5. Average Reported Sales Price per Acre of Farmland, by Economic Development Regions, Minnesota, 1974-84.

Economic Development Region	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Dollars per Acre											
1	199	344	300	367	433	560	732	888	806	671	636
2	141	206	250	277	321	520	452	645	459	515	460
3	148	157	162	179	280	310	271	386	325	141	256
4	317	446	542	558	853	828	868	973	987	874	955
5	197	259	235	297	478	483	506	695	556	605	502
6W	341	537	696	746	906	960	1051	1303	1259	1090	1098
6E	569	691	923	1027	1171	1528	1735	1949	1876	1589	1391
7W	430	472	596	778	927	1112	1056	1300	1240	1187	1123
7E	254	316	455	473	575	768	741	790	873	780	828
8	534	710	906	1058	1199	1574	1674	1646	1701	1743	1405
9	829	1115	1464	1835	1682	2111	2320	2865	2484	2139	1964
10	565	753	915	1197	1373	1645	1864	1941	1713	1395	1337
11	882	1035	1150	1437	1396	1799	1778	1830	1711	1878	1642
Minnesota	450	607	735	859	980	1140	1318	1367	1360	1291	1263

Table 6: Annual Percentage Change in Sales Price per Acre, by Economic Development Regions, Minnesota, and the CPI and GNP Implicit Price Deflator, 1974-84.

Economic Development Region	% Change in Sales Price									
	1974 -75	1975 -76	1976 -77	1977 -78	1978 -79	1979 -80	1980 -81	1981 -82	1982 -83	1983 -84
1	73	-4	11	18	29	31	21	-9	-17	-5
2	46	21	11	16	62	-13	43	-29	12	-11
3	6	3	10	56	11	-13	42	-16	-56	44
4	41	22	3	53	-3	5	12	1	-11	8
5	31	-9	26	61	1	5	37	-20	9	-17
6W	57	30	7	21	6	9	24	-3	-13	1
6E	21	34	11	14	30	14	12	-4	-15	-12
7W	10	26	31	19	20	-5	23	-5	-4	-5
7E	24	44	4	22	34	-4	7	11	-11	6
8	33	28	17	13	31	6	-2	3	2	-19
9	35	31	25	-8	26	10	24	-13	-14	-8
10	33	22	31	15	20	13	4	-12	-19	-4
11	17	11	25	-3	29	-1	3	-7	10	-12
Minnesota	35	21	17	14	16	16	4	-1	-5	-2
CPI	10.4	6.2	6.4	6.8	10.3	14.3	10.5	7.2	3.5	4.4
GNP Implicit Price Deflator for Personal Consumption Expenditures	8.5	5.5	5.7	6.3	8.7	10.1	9.2	6.6	4.0	3.2

prices in the seven county metropolitan area peaked in 1983 at \$1,878 per acre (Table 7). This peak occurred later than the average sales price peak for the Greater Metropolitan Area including the seven county core plus Goodhue, McLeod, LeSueur, Rice, Sibley, Chisago, Isanti, Sherburne, and Wright Counties. Sales prices in this larger area peaked in 1981 as did the statewide average sales price.

The South Fringe followed more closely the statewide trend by peaking in 1980. In the early 1980's this area contained the most highly valued rural land in the Greater Metropolitan area but fell below the seven-county core area in average sales price in 1984. The average sales price for this area in 1984 of \$1,464 per acre was a 10 percent drop from 1983. The South Fringe is also the most agriculturally active area within the Greater Metropolitan area.

The North Metropolitan Fringe, containing Wright, Sherburne, Isanti, and Chisago counties, is less agriculturally active than the South Fringe, reflected in the historically lower agricultural land values in this area. In 1984 the South and North Fringes reported similar average sales prices \$1,464 and \$1,458 per acre, respectively.

The Greater Metropolitan area has exercised a stabilizing influence on statewide average sales prices. This effect is supported by the data series showing a slower increase between 1973 and 1984 in the Greater

Metropolitan Area than for the state as a whole. The increases from 1973 to 1984 were 135 percent for the seven-county metropolitan core, 182 percent for the Greater Metropolitan area, versus a 324 percent increase statewide for the same time period. The urban influence in the Greater Metropolitan area has made it less subject to the large fluctuations in land values occurring predominantly in the cash-crop areas.

Table 7: Average Reported Sales Prices Per Acre, Greater Twin Cities Metropolitan Area and Subareas 1973-84.

Year	Seven-County Metro ¹	South Metro Fringe ²	North Metro Fringe ³	Greater T.C. Metro (16 counties) ⁴	Minnesota
1973	698	475	353	516	298
1974	882	647	556	689	450
1975	1035	808	599	839	607
1976	1150	1086	718	1045	735
1977	1437	1285	752	1198	859
1978	1396	1313	892	1185	980
1979	1799	1799	1309	1694	1140
1980	1778	2097	1170	1781	1318
1981	1830	1955	1334	1791	1367
1982	1711	1867	1446	1759	1360
1983	1878	1614	1325	1581	1291
1984	1642	1464	1280	1458	1263

¹Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington Counties.

²Goodhue, McLeod, LeSueur, Rice and Sibley Counties.

³Chisago, Isanti, Sherburne, Wright.

⁴All sixteen counties named above.

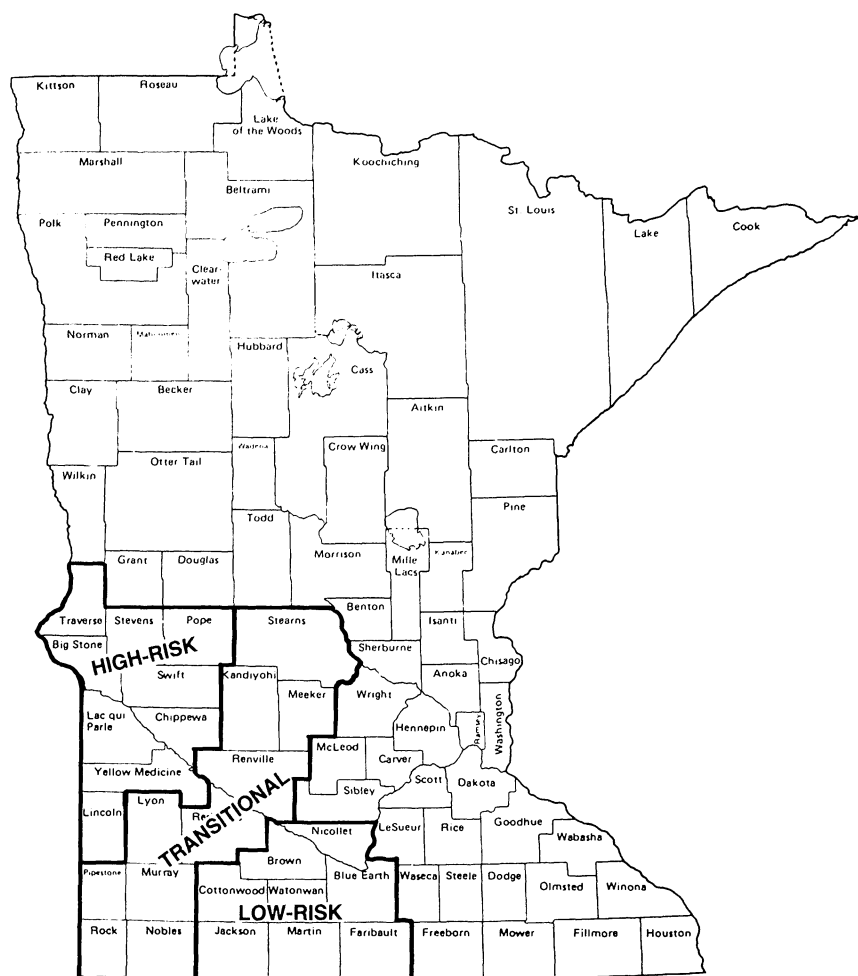
SECTION IV

The Farm Market Real Estate in Southwest Minnesota

The southwestern area of the state has been divided into three areas based on climatic factors and crop yield functions to analyze the influence of these factors on land values (Figure 4). The Low-Risk area is characterized by the highest land values and historically lower climatic fluctuations. The High-Risk area has the lowest land values of the three areas and the greatest climatic fluctuations, while the Transitional area falls in between.

In the analysis of these three areas in 1984 it would not have been surprising to find changes from 1983 in the land value characteristics of the High-Risk and Transitional areas induced by the 1983 drought. Based on crop yield fluctuations and precipitation levels the area that seems to have been affected most by the 1983 drought was the Transitional area. These physical variables are reinforced by the changes in land value characteristics of the Transitional area in 1984, including a decrease in average sales price of 15 percent, a decrease in the number of purchases made by investor buyers, and a decrease in the proportion of purchases of high quality land from 1983 (Table 8). In comparison, the average sales price in 1984 for the Low-Risk area decreased by 9 percent, while the High-Risk area decreased only 1 percent from 1983. The proportion of sales to expansion buyers

Figure 4. High-Risk, Low-Risk, and Transitional Areas of Minnesota, 1984



was exceptionally high in all three areas, ranging from 80 to 95 percent of all sales.

The changes in nominal sales prices in these three areas from 1981 to 1984 involved a decrease of 14 percent in the High-Risk area, a decrease of 19 percent in the Transitional area, and a decrease of 29 percent in the Low-Risk area. In real terms (taking inflation into account) the changes in sales value from 1981 to 1984 were a decrease of 20 percent in the High-Risk area, a decrease of 25 percent in the Transitional area, and a decrease of 34 percent in the Low-Risk area, using the GNP implicit price deflator for Personal Consumption Expenditure (PCE). The large decrease in deflated (real) sales prices in the Low-Risk area is particularly significant since this area contains some of Minnesota's best farmland. This large decrease also suggests that the general weakness in farmland values in the Low-Risk area has outweighed any climatic influences in recent land price trends.

The Low-Risk area still contains the highest valued land in the state with an average sales price of \$1,954 per acre in 1984. However, the differences in value among the Low-Risk, Transitional and High-Risk areas are narrowing. In all three areas the average size of tract reported sold has been decreasing since the 1970's. Coupled with this decrease in tract size is an increase in the number of sales reported in 1984 in the Low-Risk and Transitional areas, and a decrease in the number of sales reported in the High-Risk area.

Consistent with the trend for the state as a whole, there has been an increase in the proportion of expansion buyers at the expense of sole-tract buyers in all three areas. In comparing the percentage of sales made to expansion buyers in 1974 and 1984, there has been an increase from 57 to 83 percent of all sales in the High-Risk area, an increase from 64 to 85 percent in the Transitional area, and an increase from 84 to 95 percent in the Low-Risk area. The dominance of expansion buyers in the Low-Risk area is especially important, since they exercise a major influence on land values in the areas of highest priced land in the state. Expansion buyers accounted for 240 out of a total of 252 reported sales in the Low-Risk area in the first six months of 1984.

Table 8. Analysis of Reported Farm Sales, High Risk, Transitional, and Low Risk Areas, S.W. Minnesota 1980-1984.

Item	High Risk Area					Transitional Area					Low Risk Area				
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
Number of Sales (Jan.-June)	120	167	114	118	109	179	226	180	231	281	143	153	136	200	252
Average Size Tract (Acres)	167	191	158	162	167	152	156	136	150	127	140	111	110	110	101
Average Sales Price Per Acre (Dollars)	951	1159	1140	1016	1001	1558	1680	1698	1590	1356	2314	2760	2529	2145	1954
Changes in Sales Price Over Preceding year	-3	22	-2	-11	-1	1	8	1	-6	-15	13	19	-8	-15	-9

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Dale C. Dahl Editor

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Please send all address changes for Minnesota Agricultural Economist to Barb Marsh, 231 Classroom Office Building, 1994 Buford Ave., University of Minnesota, St. Paul, MN 55108.

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Gordon D. Rose
Extension Economist
Agricultural and Applied Economics

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