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# MINNESOTA AGRICULTURAL ECONOMIST

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## The Minnesota Rural Real Estate Market in 1987

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### Summary

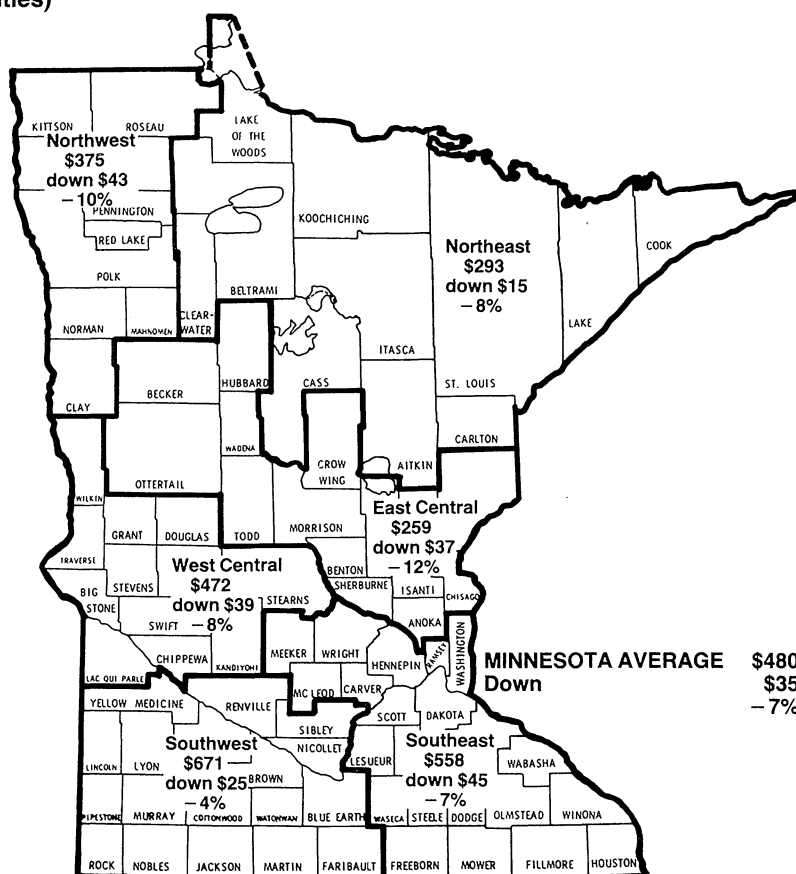
The estimated average value of Minnesota farm land and buildings as of July 1987 was \$480 per acre, a decline of 7 percent from July 1986. This was the smallest annual decline since land values began to fall in 1981-82. All reporting districts experienced declines, but the smallest declines were the Southeast and especially in the Southwest.

The average price per acre received in actual sales for the period from January to June 1987 was \$559, down 14 percent from the same period in 1986. Adjusting to remove the effect of an increased volume of sales of lower priced land in 1987 reduced the statewide decline in sales price to 10 percent. All districts reported declines, in unadjusted sales prices, but adjustment reduced the decline in the Southwest from 9 percent to 5 percent, and converted a drop of 18 percent into an increase of 12 percent in the Northwest, due primarily to expanded sales activity in the northern (and lower priced) counties of the district.

When deflated with the Consumer Price Index (1967 = 100), the average estimated value was \$143 per acre in 1987, slightly below the deflated estimated value of \$146 per acre in 1910-11. The deflated average sales price per acre in 1987 was \$166, the lowest since 1953.

Expansion buyers bought 74 percent of all tracts sold, investor buyers 14 percent, and sole-tract operating (non-expansion) buyers accounted for 12 percent. As in all recent years, expansion buyers dominated the market in 1987 in the Southwest and Northwest Districts (86 and 89 percent, respectively) and acquired 72 percent of all tracts sold in the West Central District. Sole-tract operating buyers were an important part of the market only in the East Cen-

Figure 1. Estimated Land Values per Acre in 1987<sup>1</sup> (Excluding Hennepin and Ramsey Counties)



<sup>1</sup>Based on reported estimates of average value per acre of farm land for the first six months of 1986.

tral and Northeast Districts.

Cash financing was used in 40 percent of all sales, mortgages in 22 percent, and contracts for deed in 38 percent. In the Northwest District, 52 percent of all transactions in 1987 were cash sales, the first time in the history of this survey that over half of all sales in any district were cash sales.

In spite of the general downward trend in 1987 there were areas of stability in the farmland market, primarily in parts of the Southeast, Southwest, and Northwest Districts. These were areas in which government price and income support programs were especially significant, or in which en-

tries in the Conservation Reserve program were concentrated. Anecdotal reports have been received of some price increases since mid-1987, but the farm land market remains subject to much uncertainty and is generally lacking in buoyancy.

### The Minnesota Rural Real Estate Market in 1987

For 77 years the University of Minnesota has been reporting information on the state's rural real estate market by the six land market districts shown in figure 1. Since 1953, the information has been col-

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lected through questionnaires mailed each July to brokers, bankers, farm managers, appraisers, and others familiar with the land market.

Respondents to the survey provide two types of information. The first is their estimates of the values of different grades of farm land in their communities, trends in those values, changes in the frequency of sales, and other items. Second, they report data on actual sales occurring in their communities during the period from January to June 1987, including price, acreage, location, characteristics of buyer and seller, financing methods used, and quality of land and any buildings involved.

In analyzing the data, duplicate reports of sales are eliminated, data for Hennepin and Ramsey Counties (Minneapolis and St. Paul) are excluded, and respondents are asked not to report sales between close relatives (father-son, etc.)

## The 1987 Estimated Value of Rural Real Estate in Minnesota

For the state as a whole, the **average estimated value per acre** in 1987 was \$480, a 7 percent drop from the 1986 value of \$515 (table 1). This was the smallest annual decline since the peak estimated value of \$1,310 per acre in 1981.

Each district experienced declines in value in 1987, although the pattern of declines was not uniform. The smallest declines were experienced in the southern third of the state, in the Southeast District (7 percent) and in the Southwest District (4 percent).

This was a reversal from the regional pattern of decline that prevailed from 1982 through 1986, in which the sharpest drops had been in the higher Agricultural Act seem clearly apparent. This stabilization was reinforced in areas where livestock feeding is prominent. The reinforcement was due to the generally favorable relation between livestock prices and feed costs in 1986-87.

Among the six districts, the largest declines in estimated values in 1987 were the 12 percent drop in the East Central District, north and west of the Twin Cities, and the 10 percent drop in the Northwest. The declines tended to be greatest in the counties bordering the Mississippi river in the East Central District and east of the Red River Valley in the Northwest District.

From the peak in estimated values in 1981 (1982 in the Northeast District) the greatest declines by districts occurred in the Southeast (– 67 percent) and Southwest (– 68 percent), containing the state's highest valued lands. Slightly smaller declines were recorded in the East Central

**Table 1. Estimated Average Value Per Acre of Minnesota Farm land by District, 1972-1987**

Year	South-east	South-west	West Central	East Central	North-west	North-east	State Average
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
1985	861	967	690	374	510	362	686
1986	603	696	511	296	418	308	515
1987	558	671	472	259	375	293	480
% Change							
1986-87	– 7	– 4	– 8	– 12	– 10	– 8	– 7
1981-87	– 67	– 68	– 58	– 62	– 54	– 39 <sup>a</sup>	– 63

<sup>a</sup>1982-87

**Table 2. Average Reported Sales Price per Acre of Farm land by District, Minnesota, 1972-1987 (Unadjusted)**

Year	South-east	South-west	West Central	East Central	North-west	North-east	State Average
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	1665	1062	644	700	223	1263
1985	1013	1181	872	510	575	222	864
1986	673	830	602	556	411	220	650
1987	622	755	491	431	337	168	559
% Change							
1986-87	– 8	– 9	– 19	– 23	– 18	– 24	– 14
1981-87	– 68	– 63 <sup>a</sup>	– 58	– 42 <sup>a</sup>	– 63	– 65	– 59

<sup>a</sup>1982-87

District (– 62 percent) and West Central District (– 58 percent). The smallest declines among districts were in the Northwest (– 54 percent) and the Northeast (– 39 percent). Excluding the largely non-agricultural Northeast District, land value declines since 1981-82 have wiped out just under two-thirds of the peak values of Minnesota's farm lands.

## Reported Sales in 1987

The 1987 survey assembled data on 1,241 sales of farm land and buildings, occurring between January 1 and July 1. The **average reported sales price per acre**

was \$559 (table 2), down 14 percent from the 1986 value of \$650. This was the smallest percentage decline since 1984.

The regional pattern of decline in sales prices was similar to that shown for estimated values. All the districts showed a decline in average sales price per acre, with the smallest decline in the Southeast District, at 8 percent. This pattern was also a reversal of the pattern in 1986, when the rate of decline in sales prices was greatest in the south and west. The rates of decline in sales prices by district in 1987 in descending order were as follows: Northeast (– 24 percent), East Central (– 23 per-

cent), West Central (− 19 percent), Northwest (− 18 percent), Southwest (− 9 percent), and Southeast (− 8 percent).

The highest sales prices for farmland were reported in the Southwest at \$755 per acre. This district has consistently reported the highest sales prices since 1974, with the single exception of 1978. The ranking of sales prices in descending order was essentially the same as for estimated values. The exception was the East Central District, which was ranked lowest in estimated values in 1987, but was fourth in the standings with reference to actual sales. A possible explanation for sales prices well above estimated land values is that a majority (62 percent) of the sales in that district involved land with buildings. This illustrates the support that non-agricultural demand for rural home sites or part-time farms exerts in the East Central District, and the significance of building values in areas where dairying is prominent.

The effect of non-agricultural demand is given additional emphasis if we compare estimated values and sales prices since 1981-82. In general terms, the declines are parallel in the Southeast, Southwest, and West Central Districts. The divergence is greater in the Northwest and greatest in the East Central and Northeast Districts. In the two latter districts, the effect of non-farm demand for rural land led to much smaller declines in sales prices relative to the estimated values of the land for farming, in the East Central District, and to sales price declines much greater than those for estimated values, in the Northeast. It seems reasonable to ascribe this to the generally buoyant housing market in the Twin Cities-St. Cloud area, and to the economic stress and resultant depressed housing market in the Iron Range and the Northeast.

Adjusted Sales Prices

A change in average sale price may be a result of shifts in two variables: a change in price, and a change in the composition or mix of properties sold. In 1987, a smaller proportion of reported sales occurred in the southern districts than in 1986, and a higher proportion in the Northwest District. This exaggerated the price decline in 1987, since the data base contained a smaller proportion of sales from the higher priced southern districts and a larger proportion from the northern districts where prices were lower. To account for this shift, adjusted average sales prices were calculated by districts and for the state.

The adjusted prices were computed by multiplying the average reported sales price per acre for 1987 for each county by

the number of acres sold in that county in 1986. These values were then summed for the counties within a district and the product divided by the total acres sold in the district in 1986. In effect this process asks: What would have been the district average sale price per acre in 1987 if each county's proportion of acres sold had remained unchanged from 1986? A similar calculation was made at the state level, in aggregating district average prices in 1987 weighted by acres sold in each district in 1986. This process removes the effect of the shift in the geographic distribution of sales activity (table 3).

When adjusted in this way, the reported sales price per acre for the state as a whole in 1987 showed a decline of 10 percent. This is substantially smaller than the 14 percent decline in unadjusted sales prices. Within the state, all districts experienced a drop except the Northwest District. The greatest decline in adjusted sales prices occurred in the Northeast District at 37 percent. In descending order the rates of decline in the remaining districts were: East Central (− 30 percent), West Central (− 19 percent), Southeast (− 11 percent), and Southwest (− 5 percent). When adjusted, sales prices in the Northwest District showed an increase of 12 percent over 1986.

Deflated Estimated Values and Land Prices

Trends over time in estimated values and sales prices are heavily influenced by the rate of price inflation in the general economy. One way to remove this is by deflating with the Consumer Price Index (CPI), which is a measure of shifts in the cost of a specific combination of consumer

goods in 1967 dollars. With the average cost of this combination of goods in 1967, taken as 100, inflation had raised the index to an average of 336.65 in the first six months of 1987. The change due to inflation can be removed from the estimated values and land prices by dividing the data reported for 1987 by 3.3665.

In 1987, the estimated value per acre was \$480 in nominal (current) dollars. This was the lowest estimated value since 1975. The reported sales price in 1987 in nominal dollars was also the lowest price since 1975, at \$559. These nominal values and prices were still not below the 1972 "pre-boom" levels of \$248 for estimated value and \$293 for average sales price per acre.

When the figures are adjusted for inflation a different picture emerges. In 1987, the estimated average value of Minnesota farmland in 1967 dollars was \$143 per acre (table 4). This is the lowest level of real (deflated) value since 1954, and is slightly below the deflated estimated value of \$146 per acre reported for 1910-11, when this annual survey began. The 1987 average reported sales price of \$559 per acre in current dollars is equivalent to \$166 in constant (1967) dollars. This is the lowest real price since 1953. To mid-1987, land price declines had wiped out all of the increase in the purchasing power of asset values in Minnesota farmland occurring since the end of the Korean War.

Type of Buyer

The survey provided information on type of buyer, in three categories: **Sole-tract buyers** are operating farmers who are planning to manage the farms they buy and are not using the purchases to expand

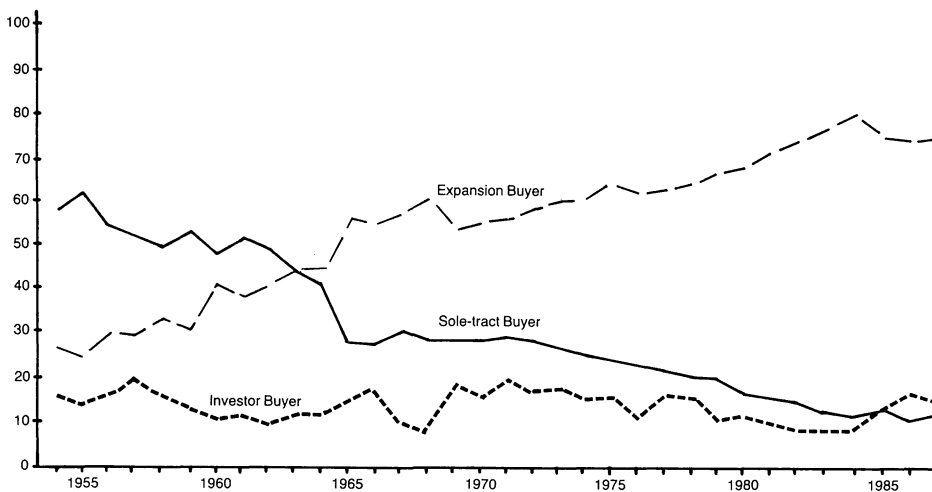
Table 3. Adjusted Sales Prices for 1987, by Region

Region	1986 Price	1987 Adjusted Price	% Change 1986 to 1987
Southeast	673	600	− 11%
Southwest	830	792	− 5%
West Central	602	486	− 19%
East Central	556	392	− 30%
Northwest	411	461	12%
Northeast	220	139	− 37%
Minnesota	650	584	− 10%

Table 4. Estimated Average Values and Sales Prices Per Acre of Minnesota Farm land in 1987, Deflated by the CPI, by District

	South-east	South-west	West Central	East Central	North-west	North-east	State Average
Estimated Value	166	199	140	76	111	87	143
Sales Price	185	224	146	128	100	50	166

**Figure 2. Percent of Minnesota Farm Land Sales by Type of Buyer, 1954-1987**



existing land holdings. **Expansion buyers** are adding the land purchased to existing holdings. **Investor buyers** are non-expansion buyers who do not plan to operate the land themselves but presumably expect to rent it out, or have it operated by a manager.

Expansion buyers were the purchasers in 74 percent of all sales in 1987 (table 5 and figure 2). This was slightly above the 1986 figure of 72 percent but below the all-time high of 79 percent in 1984. Sole-tract buyers purchased 12 percent of all sales in 1987, up from 11 percent in 1986. Investors accounted for 14 percent of the sales, down from 17 percent in 1986, which had been the highest level of sales to investors since 1973.

By districts, expansion buyers dominated the market in the Southwest (86 percent) and Northwest (89 percent), and took just under three-fourths of all sales in the West Central District. Sole-tract buyers were a significant part of the market only in the Southeast, East Central, and Northeast, and these were the same districts with the highest proportion of sales to investor buyers.

A further characteristic of the rural real estate market is that it remains largely localized. Buyers living fewer than five miles from their purchased land in 1987 bought 51 percent of the acres sold. Purchasers buying land within ten miles of their residences accounted for 74 percent, and buyers living within 50 miles purchased 92 percent of the acres sold. This high proportion of neighborhood buyers in 1987 continues a trend that has been prominent for many years.

## Method of Finance

The methods used in financing farm purchases have changed sharply in the pe-

imately the same level of use prevailing since 1981. Relative to 1986, the use of cash decreased by 1 percentage point, mortgage usage increased by 3 points and contracts for deed declined by 2 points.

There were wide regional variations, with the Northwest District reporting by far the highest proportion of cash sales. In descending order the proportion of cash financed sales was Northwest (52 percent), West Central (44 percent), Southwest (43 percent), Southeast (35 percent), East Central (23 percent), and Northeast (22 percent). The East Central District was the only one that financed the majority of its 1987 sales with contracts for deed (61 percent). In the Northwest District, 57 percent of all sales had been financed with contracts for deed in 1981, the year of peak prices, while this method was used in only 20 percent of the sales in that district in 1987.

In general, the frequency of cash sales was greatest in the Western districts and lowest in the area north and east of the Twin Cities. Where cash sales increased there was an accompanying decline in use of contracts for deed.

**Table 5. Proportion of Farm Land Sales and Average Sales Price per Acre by Type of Buyer, by District, 1986 and 1987<sup>a</sup>**

District	1986 %	Sole-Tract Operator Buyer		
		1986 \$	1987 %	1987 \$
Southeast	11	749	17	687
Southwest	5	842	5	620
West Central	11	585	14	564
East Central	38	709	28	536
Northwest	4	409	6	387
Northeast	32	231	32	161
Minnesota	11	681	12	572
District	1986 %	Expansion Buyer		
		1986 \$	1987 %	1987 \$
Southeast	68	656	63	599
Southwest	79	824	86	780
West Central	77	612	72	500
East Central	42	523	53	382
Northwest	91	421	89	350
Northeast	45	168	32	173
Minnesota	72	645	74	581
District	1986 %	Investor Buyer		
		1986 \$	1987 %	1987 \$
Southeast	21	692	21	636
Southwest	16	841	9	631
West Central	13	594	14	419
East Central	19	520	19	498
Northwest	5	305	5	184
Northeast	23	295	37	168
Minnesota	17	717	14	515

<sup>a</sup>Percentages may not add to 100 due to rounding.

Table 6. Proportion of Farm and Sales by Method of Financing, by District, Minnesota, 1986 and 1987

Method of Financing	South-east	South-west	West Central	East Central	North-west	North-east	Minnesota
	%						
Cash							
1986	32	56	36	24	49	19	41
1987	35	43	44	23	52	22	40
Mortgage							
1986	17	19	19	18	19	24	19
1987	26	21	16	16	28	44	22
Contract for Deed							
1986	51	25	44	58	32	57	40
1987	40	36	40	61	20	33	38

Reason for Sale

Financial difficulties were given as the primary reason for sale in 60 percent of the sales in 1987. An additional 5 percent were triggered by a decision to leave farming, and 5 percent were sales to reduce size of operation. Assuming that decisions to quit or to reduce size were strongly influenced by financial considerations, then 70 percent of the sales in 1987 can be attributed to deteriorating financial positions. One result is that the significance of sales by banks and other credit institutions is understated, since many respondents noted that sales classified as “for financial reasons” were in fact precipitated by creditors.

The remaining sales were triggered by other reasons. Retirement accounted for 14

percent of the decisions to sell, and death for 12 percent.

Trends in Sales Prices by Economic Development Regions

A more detailed analysis of sales price trends is made possible by a classification of the data by Economic Development Regions (figure 3 and table 7). The unadjusted data for 1987 emphasize the sharp declines from 1986 levels in regions 4, 5, 7W, 7E and 11. When the 1987 sales prices are adjusted, as explained in the discussion of table 3 above, the data show a 20 percent increase over 1986 in Region 1, and a 3 percent increase in Region 8. The magni-

tudes of the declines in Regions 5 and 7E are increased to 34 percent and 35 percent respectively, while the declines are significantly reduced in Regions 2, 4 and 7W.

In general, the sharpest declines occurred in the counties north and east of the Twin Cities metropolitan area, in the transition zone between farming and forestry. This area produces only small quantities of the crops that have benefitted from price support and deficiency payments under the 1985 Agricultural Act, and lacks proximity to any urban centers that might provide an alternative non-farm demand for rural land.

The Rural Real Estate Market in the Greater Twin Cities Metropolitan Area

The Greater Twin Cities Metropolitan Area is defined for this study as the 14 counties surrounding the Twin Cities core. These 14 counties are divided into three sub-areas, to facilitate more detailed study based on population levels, recent rates of population growth, productivity of the land, and historical trends in land values. The North Metro Fringe includes four counties: Chisago, Isanti, Sherburne, and Wright. The South Metro Fringe contains five counties: Goodhue, McLeod, LeSueur, Rice, and Sibley. The center comprises the “Seven” County Metro Area which is Region 11 among the Eco-

Table 7. Average Reported Sales Price per Acre of Farm land by Economic Development Regions, Minnesota, 1974-1987 (Unadjusted) and 1987 Adjusted Sales Price Data

Year	Economic Development Regions													Minnesota
	1	2	3	4	5	6W	6E	7W	7E	8	9	10	11	
Unadjusted														
1974	199	141	148	317	197	341	569	430	254	534	829	565	882	450
1975	344	206	157	446	259	537	691	472	316	710	1115	753	1035	607
1976	300	250	162	542	235	696	923	596	455	906	1464	915	1150	735
1977	367	277	179	558	297	746	1027	778	473	1058	1835	1197	1437	859
1978	433	321	280	853	478	906	1171	927	575	1199	1682	1373	1396	980
1979	560	520	310	828	483	960	1528	1112	768	1574	2111	1645	1799	1140
1980	132	452	271	868	506	1051	1735	1056	741	1674	2320	1864	1778	1318
1981	888	645	386	973	695	1303	1949	1300	790	1646	2865	1941	1830	1367
1982	806	459	325	987	556	1259	1876	1240	873	1701	2484	1713	1711	1360
1983	671	515	141	874	605	1090	1569	1187	780	1743	2139	1395	1878	1291
1984	636	460	256	955	502	1098	1391	1123	828	1405	1964	1337	1642	1263
1985	533	390	192	691	467	872	1163	869	604	986	1392	929	1423	864
1986	342	231	268	622	499	552	746	738	889	701	953	629	1127	650
1987	325	198	—	458	360	498	635	592	678	703	878	577	835	559
% Change of Unadjusted Prices 1986-1987	-5%	-14%	—	-26%	-28%	-10%	-15%	-20%	-24%	0%	-8%	-8%	-26%	-14%
Adjusted 1987 Prices	410	227	—	491	330	478	621	640	581	718	876	570	798	584
Percentage Change from 1986 Unadjusted to Adjusted 1987 Prices	20%	-2%	—	-21%	-34%	-13%	-17%	-13%	-35%	3%	-8%	-9%	-29%	-10%

conomic Development Regions. In this analysis it includes only five counties: Anoka, Carver, Dakota, Carver, Dakota, and Scott (see figure 3). It excludes Hennepin and Ramsey (Minneapolis and St. Paul).

For the Greater Twin Cities Metro Area, reported sales prices in 1987 averaged \$770 per acre, down 10 percent from 1986 (table 8). Among the three sub-areas, the highest average reported price per acre was for the “Seven” County Metro Region, at \$835. The South Metro Fringe counties are the most explicitly agricultural among the sub-areas and here the average price was \$748. The North Metro Fringe, with poorer soils than the South, reported an average sales price of \$755. This is a reversal from the trend in recent years, in that the South Metro Fringe has typically reported higher per acre prices than the North. The prices were essentially the same in 1987.

The decline of 10 percent from 1986 to 1987 in the Greater Twin Cities Metropolitan Area was the same as the 10 percent drop in the adjusted sales prices for the state as a whole. The South Metro Fringe declined 12 percent from 1986 to 1987, while sales prices in the North Metro Fringe increased 5 percent from the 1986 value of \$721.

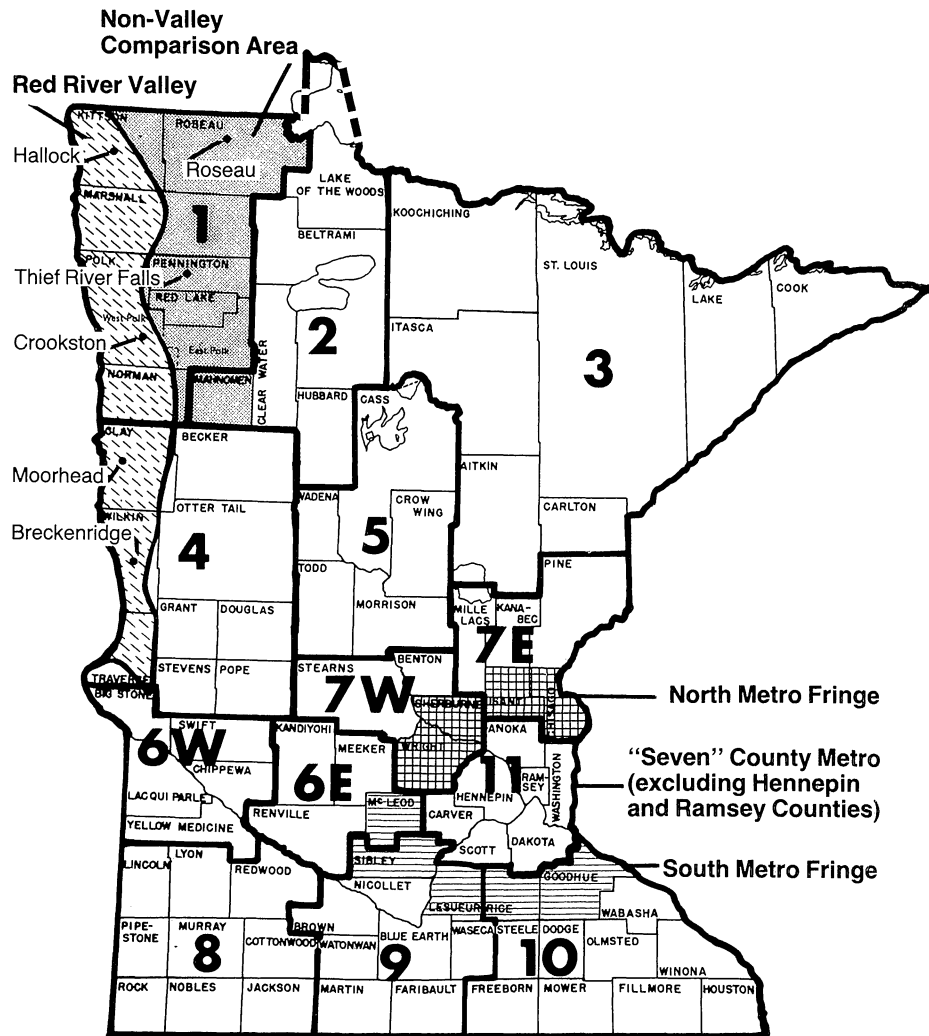
### Farm Land Prices in the Red River Valley and Adjacent Areas

The differences in land quality that distinguish the former glacial lake plain known as the Red River Valley from adjacent areas create one of the sharpest dividing lines in Minnesota agriculture. Any analysis based on county, regional, or land market district data is distorted by inclusion of both Valley and non-Valley land. To reduce this distortion, a separate analysis has been made. Data by townships have been classified into a Red River Valley group and a second comparison group made up of the non-valley townships or counties falling primarily into the Northwest District as defined in this report. The outlines of the Red River Valley and the Non-Valley Comparison Area are shown in figure 3.

In the years of greatest price declines in 1985 and 1986 the drop in sales prices was greatest in the Non-Valley Comparison Area. This pattern was sharply reversed in 1987, with a drop of 20 percent in the Valley and only 8 percent in the comparison area (table 9). Although average prices per acre in the Valley are more than double the prices in the comparison area the gap has narrowed.

The data gathered for this report do not permit an exploration of the motives of

**Figure 3. Minnesota Economic Development Regions and the Greater Twin Cities Metropolitan Area. The Red River Valley and Comparison Area.**



**Table 8. Average Reported Sales Price per Acre, Greater Twin Cities Metropolitan Area and Sub-areas, 1973-87**

Year	"Seven" County Metro <sup>1</sup>	South Metro Fringe <sup>2</sup>	North Metro Fringe <sup>3</sup>	Greater T.C. Metro (14 counties) <sup>4</sup>	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
1985	1423	1069	1051	1152	864
1986	1127	846	721	855	650
1987	835	748	755	770	559

<sup>1</sup>Anoka, Carver, Dakota, Scott, and Washington Counties (Hennepin and Ramsey are excluded for reporting purposes.)

<sup>2</sup>Goodhue, McLeod, Le Sueur, Rice, and Sibley Counties

<sup>3</sup>Chisago, Isanti, Sherburne, and Wright Counties

<sup>4</sup>All fourteen counties named above

**Table 9. Farm land sales prices and average tract size for Red River Valley and Comparison Area, 1981-1987**

Year	Price Per Acre (\$)		Percent Change From Previous Year (%)		Average Size of Tracts Sold (acres)	
	Valley	Comparison Area	Valley	Comparison Area	Valley	Comparison Area
1981	1195	788	7	24	281	284
1982	1239	629	4	-20	164	287
1983	998	561	-19	-11	190	249
1984	939	524	-6	-7	186	248
1985	755	387	-20	-26	180	203
1986	625	266	-17	-31	187	265
1987	499	243	-20	-8	231	381

**Table 10. Proportion of sales by type of buyer (top number) and average price per acre (bottom number), 1982-1987. For example in 1987, 100% of the Red River Valley sales were to expansion buyers, who paid an average of \$506 per acre.**

	1982	1983	1984	1985	1986	1987
<b>RED RIVER VALLEY</b>						
Sole-Tract Buyer	3 579	2 1150	2 1250	0 —	2 513	0 —
Expansion Buyer	95 1254	98 995	98 1005	92 740	96 626	100 506
Investor Buyer	2 1400	0 —	0 —	8 857	2 897	0 —
<b>COMPARISON AREA</b>						
Sole-Tract Buyer	26 638	11 646	17 445	9 578	6 356	13 387
Expansion Buyer	69 625	81 561	80 544	68 402	88 258	77 232
Investor Buyer	5 613	8 399	3 350	23 289	6 393	10 184

**Table 11. Proportion of Sales and Average Sales Price Per Acre of Improved and Unimproved Land in the Red River Valley and Non-Valley Comparison Area, 1981-1987**

Area and Year	Percentage of Sales		Price Per Acre		Price of Unimproved Land as a % of Price of Improved Land
	Improved	Unimproved	Improved	Unimproved	
	%	%	\$	\$	
Red River Valley					
1981	25	75	1,083	1,293	119
1982	29	71	1,358	1,187	87
1983	25	75	959	1,027	107
1984	15	85	1,051	918	87
1985	8	92	755	755	106
1986	30	70	581	648	112
1987	20	80	423	527	125
Non-Valley Area					
1981	39	61	886	677	76
1982	42	57	663	596	90
1983	28	72	618	523	85
1984	40	60	485	561	116
1985	28	72	387	388	100
1986	24	76	238	276	116
1987	41	59	237	253	107

buyers and sellers, but it may be significant that the counties and parts of counties included in the comparison area are among those in which large areas have been entered in the Conservation Reserve, authorized by the 1985 Agricultural Act. The availability of lease payments for Conservation Reserve land may have set a floor under farm land prices in this Comparison Area in a more pronounced manner than in other areas of the state.

In the Red River Valley all of the sales reported in 1987 were to expansion buyers, 80 percent of them were of land without buildings (unimproved), and 60 percent of the sales were reported as cash sales (tables 10, 11, and 12). In contrast, expansion buyers acquired 77 percent of the tracts in the Non-Valley Comparison Area, operating farmers 13 percent and investors 10 percent. Tract size was much larger in the Non-Valley Comparison Area, and the use of mortgages and contracts for deed was more frequent.

Land market activity in the Red River Valley and in the Non-Valley Comparison Area in 1987 provides a good example of the need to adjust sales prices to take account of year-to-year shifts in the geographic location of sales activity.

In 1986, for example, 33 percent of all acres sold in the state were in the Southeast District, containing some of the state's highest priced land. Only 12 percent were in the Northwest District, which includes almost all of the Red River Valley. In 1987, sales in the Southeast District involved only 24 percent of the acres reported sold, while the Northwest District sales accounted for 20 percent. Most of this increase in acreage sold in the Northwest District occurred in areas of lower priced land, typified by the area specified here as the Non-Valley Comparison Area. The effect can be seen most emphatically in table 7, in which the unadjusted sales price in 1987 in Economic Development Region 1 (containing much of the Red River Valley) showed a decline of 5 percent from 1986. When adjusted to reflect the relative proportions of land sold in 1986 compared to 1987, this is converted into a 20 percent increase in 1987.



**Table 12. Proportion of Sales and Price Paid Per Acre by Method of Finance, Red River Valley and Non-Valley Comparison Area, 1986-1987**

Method of Finance	Red River Valley				Non-Valley Area			
	1986		1987		1986		1987	
	%	\$	%	\$	%	\$	%	\$
Cash	49	715	60	592	45	279	39	291
Mortgage	13	601	20	429	32	303	36	245
Contract for Deed	38	598	19	447	23	202	25	175

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Prepared by the Minnesota Extension Service and the Department of Agricultural and Applied Economics. Views expressed are those of the authors, not necessarily those of the sponsoring institutions. Address comments or suggestions to Assistant Professor Kent D. Olson, Department of Agricultural and Applied Economics, 1994 Buford Avenue, University of Minnesota, St. Paul, MN 55108.

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