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Minnesota Rural Real Estate Market in 1990

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Summary

The statewide average **estimated value** per acre of Minnesota rural real estate increased 12 percent from July 1989 to July 1990, to $651 per acre. Each district showed an appreciation in values of at least 10 percent except the Northwest, which was unchanged.

In contrast, the statewide average **sales price** per acre received in actual sales from January to July 1990 increased only 5 percent over the previous year, to reach $853 per acre. All districts reported increases in average sales price per acre but increases were small in the Southeast, Southwest and West Central Districts at 7, 2 and 6 percent, respectively.

The adjustment of sales prices per acre to remove the effect of a possible change in the quality of land sold did not affect the statewide 5 percent increase in average sales price. However, in the Northwest a 17 percent increase was converted to a 12 percent decrease and in the East Central District a 21 percent increase was reduced to an 8 percent increase. The Southeast, Southwest and West Central Districts maintained small increases of 9, 4 and 3 percent. The Northeast, with a limited number of sales of farm land, reported an increase after adjustment of 46 percent versus 47 percent before adjustment.

The total acreage in reported sales statewide was at its second lowest point since 1980 with 122,142 acres reported sold from January to July 1990, compared to 176,002 acres in reported sales for the first half of 1989. Every district experienced a decrease, with four of the six districts reporting declines of 18 percent or more. The Southeast reported an 18 percent decrease, the Southwest 40 percent, the West Central 36 percent and the East Central 43 percent. Of the total decrease of 53,860 acres, the Southwest alone accounted for 47 percent of the statewide decline in acres sold.

Retirement remained the primary reason for farm land sales, accounting for 29 percent of total sales reported for the first half of 1990. Death (20 percent) rather than financial difficulty (15 percent) was the secondary reason given for farm land sales. Even if "left farming" (6 percent) and "reduce size" (10 percent) are included as possible indications of financial difficulties, the percentage of sales due to presumed financial deterioration totaled 31 percent in 1990 and was at its lowest point since 1981.

Expansion buyers continued to dominate the rural real estate market in 1990, purchasing 80 percent of total tracts reported sold. Investors and sole-tract operators accounted for 11 and 9 percent respectively.

Cash was the predominant method of financing statewide, accounting for 38 percent of sales, while financing by contract for deed decreased from 40 percent in 1989 to 33 percent of farm land sales in 1990. Mortgages were used in financing 29 percent of farm land sales, up from 20 percent in 1989.

Introduction

The University of Minnesota has collected and analyzed information on rural farm land markets in the state for 80 years. Data for this report were collected from individuals familiar with the rural real estate market in Minnesota, including real estate brokers, appraisers, farm managers, county officials and agricultural credit and bank officials. Approximately 1,000 questionnaires were mailed in July 1990 and over 43 percent were returned with responses to questions concerning estimates of land value and actual sales prices. In addition, the 435 usable responses included information about acreage, quality of land and buildings, reason for sale, method of finance and buyer characteristics.

In analyzing the data, duplicate reports of sales were eliminated, data for Hennepin and Ramsey Counties were omitted, sales of under 20 acres were generally deleted and respondents were asked not to report sales between close relatives.

Two types of data were collected for this survey: **estimated values** and **sales prices**. Respondents were requested to provide estimates of value per acre as of July 1990 for farms of average size in their communities. These estimates of value were aggregated by county, district, economic development region, and finally for the state as a whole. The estimated values were weighted by the acres of land in farms in each county as reported in the *1987 U.S. Census of Agriculture*.

Data on reported sales refer to farm land sales occurring between January 1 and July 1, 1990. An average sales price per acre was calculated for each county, district and economic development region by summing the total sales proceeds for each sale in an area and dividing this total sales value by the total number of acres sold in the area. In addition, an adjusted sales price which compensates for geographical shifts in real estate sales activity from year to year was calculated by districts.

In recent years in particular, average estimated values per acre have been lower than average sales prices per acre. This may reflect a relative concentration of sales activity in counties and districts containing the state's higher priced lands, and the fact that respondents are requested to provide estimates for "average" land in their areas and are overly conservative in their estimates. In 1990, market activity in the state's higher priced lands experienced a slowdown.

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Figure 1. Estimated Land Values per Acre in 1990 (Excluding Hennepin and Ramsey Counties)

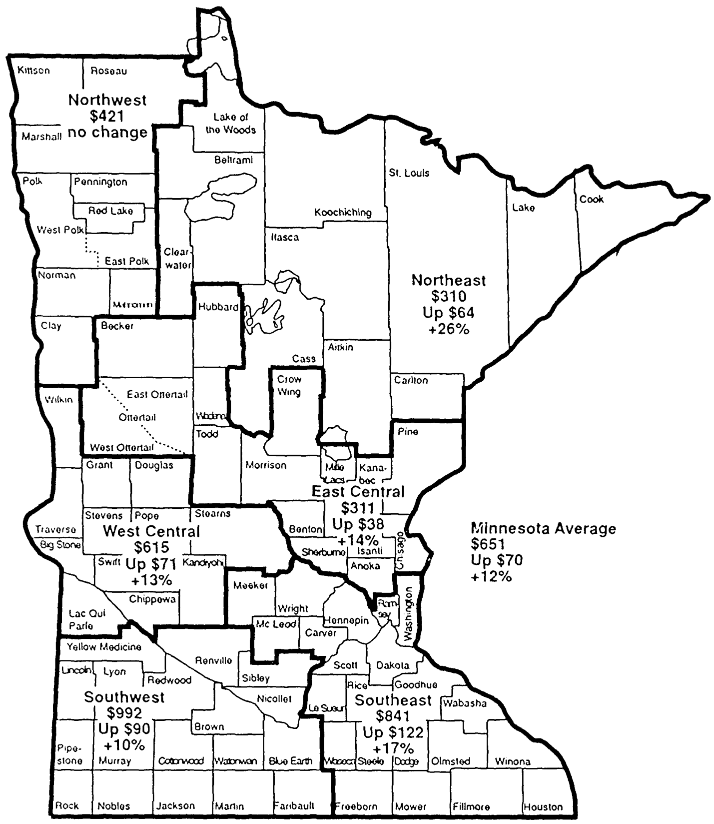


Table 1. Estimated Average Value per Acre of Minnesota Farmland, by District, 1972-1990

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
1988	648	784	499	268	390	251	523
1989	719	902	544	273	421	246	581
1990	841	992	615	311	421	310	651
Percent Change							
1989-1990	17	10	13	14	0	26	12
1987-1990	51	48	30	20	12	6	36
1990 as percent of peak in 1981 or 1982	49	48	54	46	52	64	50

Although every district in Minnesota reported a decline, for a statewide decrease of 53,860 acres sold compared with 1989, this decrease was most severe in areas of higher priced farm land, with the Southwest District alone accounting for 47 percent of the total decline. In 1990, only 37,302 acres were sold in the Southwest, a decrease of 25,341 acres from the 62,643 acres sold in 1989.

Estimated Values

The 1990 statewide average estimated value per acre increased for the third consecutive year to reach $651, an increase of 12 percent from $581 in 1989 (Figure 1). None of the districts reported a decline in estimated value per acre. In five districts, estimated values increased at least 10 percent or more with the largest increase of 26 percent in the Northeast, followed by 17 percent in the Southeast, 14 percent in the East Central, 13 percent in the West Central and 10 percent in the Southwest. Estimated values in the Northwest District showed no change. The estimated average values from the beginning of the land boom in 1972 through 1990 are shown in Table 1.

Reported Sales

Information was gathered on 813 reported sales that occurred between January 1 and July 1, 1990. The data are summarized in Tables 2 and 3. Based on reported sales, the unadjusted average sales price per acre of Minnesota farm land in 1990 was $853, an increase of only 5 percent above the average sales price of $815 reported for the first six months of 1989.

Although every district reported an increase in average sales price per acre, the smallest increases were registered in the Southeast (7 percent), West Central (6 percent) and Southwest (2 percent), versus increases of 17, 21 and 47 percent in the Northwest, East Central and Northeast Districts, respectively. Since the smallest unadjusted increases were reported in the districts which traditionally report the highest sales prices per acre, the data indicate a slowdown in the increase in sales prices of higher priced farm lands in Minnesota.

The highest average sales price for farmland was reported in the Southwest District, at $1,098 per acre, followed in descending order by the Southeast at $1,005, West Central at $658, Northwest at $541, East Central at $492 and Northeast at $277. Although there are wide differences among the estimated values and reported sales prices, the rank order of estimated values by district is the same as that outlined above for actual sales prices.

The difference between the percentage changes in average estimated value and average reported sales prices from 1989 to 1990 may indicate an unanticipated change in the frequency of sales of higher priced rural real estate (Figure 2). Three districts that usually report the highest sales prices per acre, the Southeast, Southwest and West Central, reported greater percentage changes in estimated value than in sales price. Respectively, the percentage change in estimated value compared to the percentage change in reported sales price for those districts is as follows: Southeast, 17 percent increase in estimated values versus an 7 percent increase in sales prices; Southwest, 10 percent versus 2 percent; West Central, 13 percent versus 6 percent.

The remaining three districts reported higher percentage changes in sales price than in estimated value. One reason for the difference between estimated values and sales prices in the Northwest District may be the lower frequency of sales in the eastern parts of that district where entries in the Conservation Reserve Program are concentrated. This increases the relative frequency of sales in the higher priced portions of the district lying within the Red River Valley, where the production of sugar beets is prominent. The differences in percentage change in estimated value compared to percentage change in sales price are as follows: East Central, a 14 percent increase in estimated values versus a 21 percent increase in sales prices; Northwest, no change versus a 17 percent increase; Northeast, a 26 percent increase versus a 47 percent increase.

Table 2. Average Reported Sales Price per Acre of Farmland by District, Minnesota, 1972-1990 (Unadjusted)

Year	Southeast	Southwest	West Central	East Central	Northwest	Northeast	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	621	755	493	429	337	168	559
1988	797	911	571	395	411	184	691
1989	938	1074	620	407	461	189	815
1990	1005	1098	658	492	541	277	853
Percent Change							
1989-1990	7	2	6	21	17	47	5
1987-1990	62	45	33	25[a]	61	65	53
1990 as percent of peak in 1981 or 1982	51	54	56	66	59	57	62

[a] Low was in 1988

Table 3. Acreage of Land Sold, Average Acres Per Sale and Percentage of Total Acres Sold, by District, Minnesota, January 1-July 1, 1980-1990

	Acres Sold						
Year	Southeast	Southwest	West Central	East Central	Northwest	Northeast	Minnesota
1980	46894	43867	29783	27089	31929	4908	184476
1981	47236	44975	45439	27463	36679	12456	214247
1982	34978	36283	25718	19662	21527	10994	149162
1983	40878	50127	31190	20421	24211	3007	169834
1984	45520	52855	34771	15599	15023	1346	165114
1985	29601	27336	22377	10475	16652	7243	113714
1986	49133	39281	28912	12175	17996	3109	150696
1987	49109	63130	33577	17148	41669	4280	208913
1988	44632	52335	41297	12069	20878	3663	174874
1989	41286	62643	37229	14865	16291	3688	176002
1990	33926	37302	23934	8405	15351	3224	122142
1989-1990 Percent Change	-18	-40	-36	-43	-6	-13	-31
Percent Total Decline 1989-1990	14	47	25	12	2	1	100

Adjusted Sales Prices

Since change in average sales price can be the result of two variables, a change in the price or a change in the mix of properties sold, an effort is made in each survey to remove the effect on sales price of a change in the quality of land sold from year to year.

Adjusted sales prices were derived by multiplying each county's 1990 average reported sales price per acre by the number of acres sold in that county in 1989. These total county values based on 1990 prices and 1989 acres sold were then summed by district. This district value was then divided by the total acres sold in the district in 1989 to produce the district average price per acre for 1990 that would have resulted if each county's proportion of acres sold had remained unchanged from 1989. By removing the shift in geographic distribution of sales activity among counties and districts, the effect of the shift in quality difference is reduced. Table 4 compares unadjusted and adjusted sales prices by district.

The statewide unadjusted sales price was $853, which compares closely to the statewide adjusted sales price of $855. More interesting are the comparisons of unadjusted to adjusted sales prices by districts. The three districts which reported very small percentage increases in their unadjusted average sales prices maintained similarly small percentage increases in their adjusted sales prices over 1989. The Southeast with an unadjusted 7 percent increase had an adjusted 9 percent increase in sales price, the Southwest with an unadjusted 2 percent increase experienced an adjusted 4 percent increase, and the West Central with an unadjusted 6 percent increase had an adjusted 3 percent increase in sales price per acre.

Of the other three districts which reported large increases in unadjusted average sales price per acre, increases in two districts were significantly reduced by adjustment. In the East Central District an unadjusted 21 percent increase became an adjusted 8 percent increase, and in the Northwest an unadjusted 17 percent increase turned into an adjusted 12 percent decrease. The only district to report a

Figure 2. Average Estimated Value and Average Sales Prices per Acre for Minnesota, 1972-1990

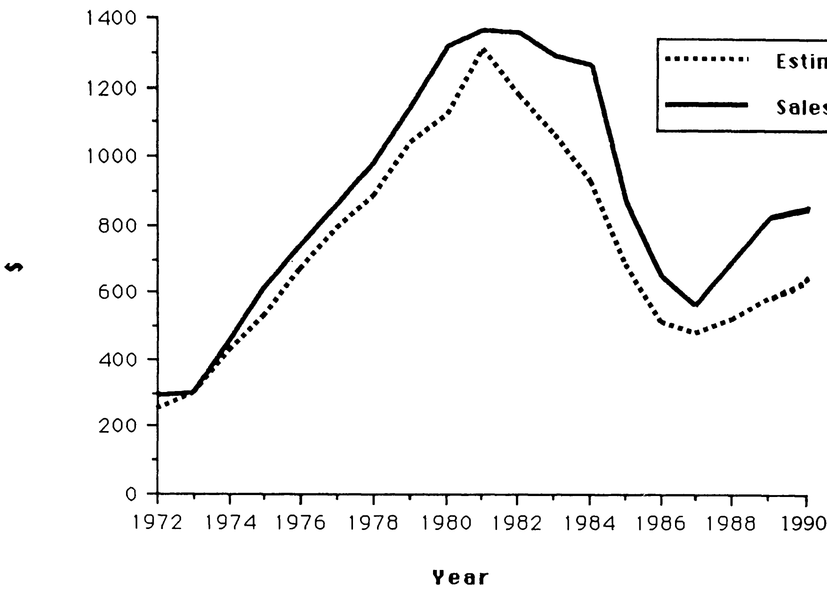


Table 4. Adjusted Sales Prices per Acre for 1990, by District, Minnesota

District	1990 Unadjusted Price	1990 Adjusted Price	1989 Unadjusted Price	1989 Adjusted Price	Percent Change 1989 to 1990 Unadjusted	Unadjusted 1989 to Adjusted 1990
	(1)	(2)	(3)	(4)	(1)/(3)	(2)/(3)
Southeast	1005	1022	938	938	7	9
Southwest	1098	1121	1074	1099	2	4
West Central	658	637	620	620	6	3
East Central	492	439	407	462	21	8
Northwest	541	405	461	442	17	-12
Northeast	277	275	189	177	47	46
Minnesota	**853**	**855**	**815**	**793**	**5**	**5**

Table 5. Percentage of Sales by Reason for Selling Land, Minnesota, 1985-90

Reason for Sale	1985	1986	1987	1988	1989	1990
Financial Difficulty	16	35	60	42	20	15
Reduce Size	18	17	6	8	11	10
Left Farming	12	11	5	6	5	6
Subtotal	**46**	**63**	**71**	**56**	**36**	**31**
Death	17	12	12	14	15	20
Retirement	25	18	14	23	29	29
Subtotal	**42**	**30**	**26**	**37**	**44**	**49**
Moved, still Farming	2	1	0	0	2	0
Other	10	6	3	7	18	20

large unadjusted increase and maintain a large increase after adjustment was the Northeast District which reported an unadjusted increase of 47 percent and an adjusted increase of 46 percent.

Reasons for Sales

In 1990, 49 percent of sales statewide were the result of death or retirement. This continues a reversal in the trend reported between 1981 and 1987 when financial difficulty was the primary reason for farm land sales. Since 1987, death and retirement have steadily increased from 26 percent in 1987 to 37 percent in 1988, 44 percent in 1989, and 49 percent in 1990 (Table 5).

In 1990, only 15 percent of sales occurred specifically as a result of financial difficulty, whereas 60 percent of sales in 1987 were triggered by financial difficulty. Even if the reasons for sale "to reduce size" (10 percent) and "left farming" (6 percent) are considered a possible result of financial difficulty, a total of only 31 percent of total sales in 1990 could be considered the result of financial difficulty. This is in sharp contrast to 36 percent in 1989, 56 percent in 1988 and 71 percent in 1987. It should be noted that 20 percent of sales were attributed to "other reasons."

Methods of Finance

Compared with 1989, a smaller percentage of buyers financed their purchases of farm land by contracts for deed or by cash. Contracts for deed were used to finance 40 percent of 1989 sales, the first increase in the percentage of sales financed by contracts for deed in nine years. In contrast, only 33 percent of sales were financed by contract for deed in 1990 (Table 6).

Cash financing was the primary method used in 1990 to purchase rural real estate, accounting for 38 percent of farm land purchases, down from 40 percent in 1989. Contracts for deed financed 33 percent of purchases while mortgage financing was used in 29 percent of sales, up from 20 percent in 1989.

Cash or contract for deed was the predominant method of financing in every district. Cash sales predominated in the Southwest (40 percent), East Central (45 percent) and Northwest (59 percent) while contracts for deed led in the Southeast (37 percent), West Central (50 percent) and Northeast (56 percent). The most frequent use of mortgages was in the Southeast (31 percent) and the Southwest (34 percent).

Type of Buyer

Buyers of Minnesota farm land are classified into three categories for this study. "Sole-tract

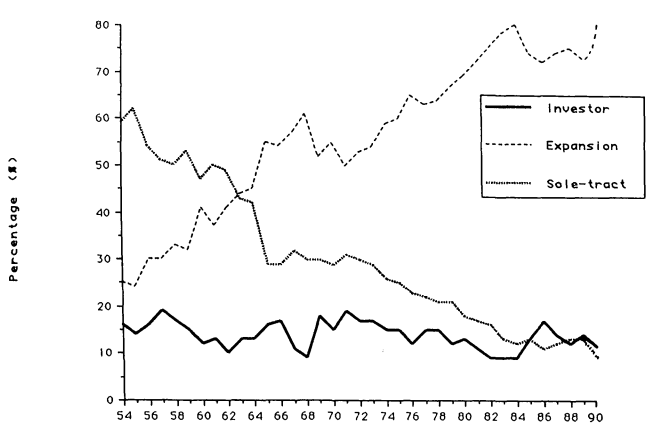
Table 6. Proportion of Farm Land Sales by Method of Financing, by Districts, Minnesota, 1989-90

Districts	Cash 1989	Cash 1990	Mortgage 1989	Mortgage 1990	Contract for Deed 1989	Contract for Deed 1990
	Percentage					
Southeast	34	32	30	31	36	37
Southwest	47	40	21	34	33	25
West Central	39	24	21	25	33	50
East Central	27	45	28	20	46	35
Northwest	51	59	13	23	36	18
Northeast	39	33	9	11	52	56
Minnesota	**40**	**38**	**20**	**29**	**40**	**33**

Table 7. Proportion of Farm Land Sales and Average Sales Price per Acre by Type of Buyer, by District and Minnesota, 1989-1990

	Sole-Tract Operator Buyer			
District	1989 % of sales	1989 $ per acre	1990 % of sales	1990 $ per acre
Southeast	17	992	10	1231
Southwest	6	902	5	624
West Central	11	688	13	547
East Central	20	436	20	501
Northwest	4	511	0	0
Northeast	22	231	22	294
Minnesota	**13**	**627**	**9**	**680**
	Expansion Buyer			
	1989 % of sales	1989 $ per acre	1990 % of sales	1990 $ per acre
Southeast	69	910	76	1003
Southwest	88	1104	90	1150
West Central	79	633	76	696
East Central	63	447	62	502
Northwest	91	467	90	596
Northeast	48	163	56	286
Minnesota	**73**	**621**	**80**	**899**
	Investor Buyer			
	1989 % of sales	1989 $ per acre	1990 % of sales	1990 $ per acre
Southeast	14	1035	14	886
Southwest	6	1129	5	1113
West Central	9	502	11	615
East Central	17	297	18	440
Northwest	5	307	10	378
Northeast	30	191	22	230
Minnesota	**14**	**577**	**11**	**730**

Figure 3. Percentage of Farm Sales by Type of Buyer, Minnesota, 1954-1990



operator" buyers are those who buy intact farms and are not using the purchases to expand existing land holdings. "Expansion buyers" add land they purchase to existing holdings and "investor" buyers are those who do not plan to operate the land themselves, but presumably expect to rent it out or have a manager operate the farm.

Expansion buyers dominated the market in 1990, accounting for 80 percent of sales statewide, compared to 73 percent in 1989 (Table 7 and Figure 3). Expansion buyers accounted for over 50 percent of the sales in every district, from a low of 56 percent in the Northeast District to a high of 90 percent in the Southwest and Northwest.

Sole-tract operator buyers accounted for 9 percent of sales, a sharp drop from 1989 when they contributed 13 percent of total sales. This is the lowest percentage of sales to sole-tract buyers ever reported since this classification of buyers was introduced in 1954. The East Central and Northeast reported the strongest activity of sole-tract operator buyers who accounted for 20 and 22 percent of total sales in those districts, respectively. These are districts in which part-time farming and rural residential use of land are prominent.

Investor buyers accounted for only 11 percent of all sales statewide in 1990, compared to 14 percent in 1989. Their strongest activity was the Northeast, where they accounted for 22 percent of sales.

Trends in Sales Prices by Economic Development Regions

Classifying sales data by the state's 13 economic development regions (Figure 4) helps to emphasize the effects of year-to-year shifts in the geographic frequency of sales on average sales prices. A comparison of 1990 adjusted sales prices with 1989 unadjusted sales prices reveals changes that can be attributed to price shifts alone and that are not due to regional variations in the frequency of sales of higher and lower priced land.

Table 8 presents unadjusted average sales prices by economic development region for the seventeen years from 1974 through 1990. It then compares the percentage change in sales prices from 1989 to 1990 for each region, using first the unadjusted sales prices for 1990 and then the adjusted 1990 sales prices. The comparison reveals several striking patterns. When unadjusted, the only price declines from 1989 to 1990 were reported for Regions 7W and 8. When adjusted, these two regions still showed decline, but they were also joined by Regions 1, 5, 7E and 11. Note that in Region 1 a nominal price increase of 21 percent became a substantial price decrease of 22 percent and, when adjusted, a similar reversal occurred in

Figure 4. Minnesota Economic Development Regions and the Greater Twin Cities Metropolitan Area

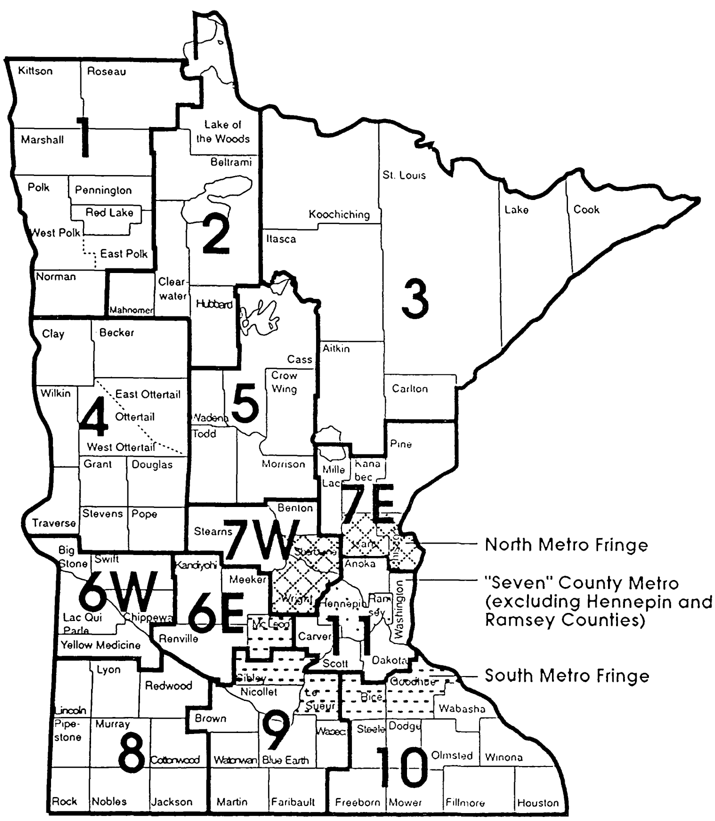


Table 8. Average Reported Sales Price per Acre of Farmland by Economic Development Regions, Minnesota, 1974-1990 (Unadjusted) and 1990 Adjusted Sales Price Data

	Economic Development Regions													
Year	1	2	3	4	5	6W	6E	7W	7E	8	9	10	11	State
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	506	635	592	687	703	878	577	827	559
1988	375	269	191	504	381	582	831	804	670	795	1061	749	1070	691
1989	404	188	204	553	270	618	880	770	406	1034	1143	951	1215	815
1990	487	290	279	591	286	634	964	758	492	903	1300	985	1304	853
% Change of Unadjusted Prices 1989-1990	21	54	37	7	6	3	10	-2	21	-13	14	4	7	5
Adjusted 1990 Prices	314	354	292	579	230	616	1012	757	394	978	1267	1031	1193	855
Percentage Change from 1989 Unadjusted to Adjusted 1990 Prices	-22	88	43	5	-15	0	15	-2	-3	-5	11	8	-2	5

Regions 5, 7E and 11. This indicates that the sales prices entering into the averages contained substantially more sales of lower priced land in 1989 than in 1990, in those regions.

The shift in sales activity in 1990 that reduced the relative role played by lower priced lands, when compared to 1989, was sharpest in Region 1. That region contains 17 percent of the acres of land in farms in Minnesota, but has 43 percent of total statewide entries in the Conservation Reserve Program. Apparently a high concentration of entries in the CRP is associated with a sharp decline in the frequency of sales of lower-priced lands.

Overall, in 1990 Region 11 reported the highest unadjusted sales price of $1,304 per acre, followed closely by Region 9 at $1,300. The lowest unadjusted prices per acre were found in Region 3 with $279 and Region 5 with $286 per acre.

Regions 6E and 9 maintained strong increases in average sales price even after adjustment, reporting 15 and 11 percent increases respectively from unadjusted 1989 to adjusted 1990 prices. The contrast is sharp between Region 6E, which includes the sugar processing plant in Renville county, and neighboring Region 8, which reported an adjusted 5 percent decrease in sales price.

Farm Land Prices in the Greater Twin Cities Metropolitan Area

For this study the Greater Twin Cities Metropolitan Area is defined as the 14 counties surrounding the Twin Cities counties of Hennepin and Ramsey. To facilitate a detailed study of the area, three sub-areas have been identified according to population-levels, productivity of the land and historical trends in land values.

The first sub-area is the Twin Cities Metro area consisting of Anoka, Carver, Dakota, Scott and Washington Counties (economic development Region 11 excluding Hennepin and Ramsey Counties). The second sub-area is the South Metro Fringe made up of Goodhue, McLeod, LeSueur, Rice and Sibley Counties and the third is the North Metro Fringe including Chisago, Isanti, Sherburne and Wright Counties.

The South Metro Fringe area experienced no increase in sales price from 1989 to 1990 while the North Metro Fringe recorded a 9 percent increase and the Twin Cities Metro area reported a 7 percent increase (Table 9). Overall, the Greater Twin Cities Metropolitan Area experienced a 9 percent increase in average sales price while statewide a 5 percent increase was recorded for 1990.

Table 9. Average Reported Sales Price per Acre, Greater Twin Cities Metropolitan Area and Sub-Areas, 1973-1990

Year	Twin Cities "Seven" County Metro[1]	South Metro Fringe[2]	North Metro Fringe[3]	Greater T.C. Metro (14 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
1985	1423	1069	1051	1152	864
1986	1127	846	721	855	650
1987	827	752	764	772	559
1988	1070	848	1159	928	691
1989	1215	991	864	958	815
1990	1304	994	943	1044	853
Percent Change 1989-1990	7	0	9	9	5

[1]Anoka, Carver, Dakota, Scott, Washington Counties (Hennepin and Ramsey are excluded for reporting purposes)
[2]Goodhue, McLeod, Le Sueur, Rice and Sibley Counties
[3]Chisago, Isanti, Sherburne, Wright Counties
[4]All fourteen counties named above

Table 10. Average Estimated Value Per Acre, State and Districts, Deflated by the CPI, Minnesota, 1954-1990

Year	Southeast	Southwest	West Central	East Central	Northwest	Northeast	Minnesota
	dollars per acre in 1967 dollars						
1954	173	232	123	82	89	50	140
1955	187	256	128	85	91	56	151
1956	192	263	131	86	93	52	155
1957	196	273	145	91	102	58	164
1958	207	279	142	97	104	75	170
1959	219	292	153	102	118	66	180
1960	212	280	150	106	112	72	175
1961	223	292	157	112	118	76	184
1962	212	276	152	109	115	76	175
1963	212	268	155	112	124	74	176
1964	222	271	156	119	124	64	179
1965	232	276	154	119	120	54	181
1966	249	285	157	126	115	60	188
1967	262	303	163	128	108	62	194
1968	275	320	174	129	117	55	203
1969	283	321	180	134	110	50	205
1970	273	299	171	139	103	53	196
1971	275	290	169	128	98	52	192
1972	296	303	166	130	94	61	198
1973	326	345	186	146	110	86	224
1974	392	459	257	190	135	98	288
1975	418	524	312	184	183	101	326
1976	502	649	366	205	222	123	391
1977	566	725	402	229	225	154	437
1978	610	727	411	255	247	156	455
1979	668	745	406	263	275	169	478
1980	618	709	390	241	277	158	454
1981	627	765	417	249	298	169	481
1982	520	649	361	202	259	167	408
1983	454	559	329	188	221	138	357
1984	374	450	281	162	188	140	298
1985	267	300	214	116	158	112	213
1986	185	213	156	91	128	94	158
1987	166	199	140	77	111	87	143
1988	185	224	143	77	111	72	149
1989	199	250	151	76	116	68	161
1990	218	257	159	81	109	80	169
Percent Change 1989-1990	10	3	5	7	-6	18	5

Deflated Estimated Values and Reported Sales Prices

Fluctuations in the estimated values and sales prices of farm land are heavily influenced by the rate of inflation in the general economy. One way to remove the effects of inflation is by deflating with the consumer price index (CPI). Using 1967 as a base of 100, the average CPI for the first six months of 1990 was 385.5. The effect of inflation on estimated values and sales prices of Minnesota farm land between 1967 and 1990 can be removed by dividing the 1990 figures by 3.855. Table 10 presents average estimated values per acre deflated by the CPI from 1954 to the present, and Table 11 shows reported sales prices deflated by the CPI for the same years.

After removing the effect of inflation, real average estimated values per acre statewide increased a mere 5 percent over 1989 compared to the increase in nominal dollars of 12 percent reflected in Table 1. The deflated average estimated value per acre of $169 in 1990 is greater than the statewide deflated values for 1986, 1987, 1988 and 1989, but is no higher than the real price of farm land in 1958, when a deflated average of $170 was recorded. A detailed analysis by district reveals that in 1990 each district reported an increase in real estimated value per acre except the Northwest, which reported a 6 percent decrease in deflated estimated value.

After adjusting for inflation, the average reported sales price per acre statewide actually decreased 2 percent, more than wiping out the 5 percent current dollar increase reported in Table 2. A detailed analysis of the deflated average reported sales prices per acre reveals that the statewide decline of 2 percent was due primarily to the fact that the Southwest's deflated sales price of $285 was 4 percent below 1989's deflated sales price of $297. The West Central's deflated sales price of $171 was also slightly less than 1989's deflated price of $172.

Although the Southeast recorded a small increase in deflated sales price of 1 percent over 1989, and the East Central, Northwest and Northeast recorded increases of 13, 9 and 38 percent respectively, these failed to counterbalance the heavy weight that the higher priced land in the Southwest District exercises in computing a statewide average.

In general the higher-priced districts of Minnesota experienced very slight increases or actual decreases in average sales price per acre in 1990 whereas lower-priced districts experienced the larger percentage increases in sales price. There was a slowdown in 1990 in the number of acres sold in the higher-priced regions of Minnesota and an accompanying slowdown in the rate of increase in sales price in those same regions.

Table 11. Average Price Per Acre of Reported Farm Sales, State and Districts, Deflated by the CPI, Minnesota, 1954-1990

Year	South-east	South-west	West Central	East Central	North-west	North-east	Minnesota
	dollars per acre in 1967 dollars						
1954	182	231	131	71	79	48	153
1955	207	263	126	81	84	57	180
1956	197	254	123	70	95	50	171
1957	208	257	131	80	104	47	171
1958	194	270	133	89	91	60	179
1959	241	278	148	83	97	70	198
1960	213	271	154	78	114	56	181
1961	211	285	145	99	103	42	184
1962	216	252	155	84	82	33	178
1963	233	242	149	94	119	52	183
1964	230	252	162	93	112	56	192
1965	214	246	141	101	112	42	188
1966	261	268	169	116	106	31	209
1967	272	306	179	93	117	51	215
1968	303	316	179	100	86	45	223
1969	310	304	176	118	110	46	217
1970	298	292	177	121	97	39	209
1971	283	283	169	124	83	36	214
1972	311	292	177	116	86	61	234
1973	333	308	168	134	90	91	224
1974	405	427	230	164	138	98	305
1975	491	524	306	185	219	99	377
1976	550	654	389	188	221	123	431
1977	670	739	390	246	238	109	473
1978	692	676	464	284	258	131	501
1979	770	773	284	284	282	189	524
1980	744	757	444	244	307	160	534
1981	721	736	430	250	337	177	502
1982	605	700	404	258	307	140	470
1983	493	627	358	227	238	110	433
1984	446	533	341	207	225	72	406
1985	314	367	271	158	178	69	268
1986	205	253	183	169	125	67	198
1987	182	222	145	126	99	49	164
1988	228	260	163	113	117	53	198
1989	260	297	172	113	128	52	226
1990	261	285	171	128	140	72	221
Percent Change 1989-1990	1	-4	-1	13	9	38	-2

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