AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Minnesota Agricultural Economist

MINNESOTA EXTENSION SERVICE
UNIVERSITY OF MINNESOTA

No. 668 Winter 1992

Minnesota Rural Real Estate Market in 1991

James Heintz and Philip Raup[1]

Summary

The statewide average **estimated value** per acre of Minnesota rural real estate was $853, a decrease of 4 percent from July 1990 to July 1991. Each district in the state showed a decrease in value, except for the Southwest where estimated values climbed 4 percent.

The statewide unadjusted average **sales price** per acre received in actual sales from January to July 1991 increased 4 percent over 1990, reaching $891 per acre. The Southeast, Southwest, and West Central Districts showed an increase in the average sale price per acre, while the East Central, Northwest, and Northeast Districts reported declines in average sales price of 2, 15, and 35 percent, respectively.

Adjusting sales price per acre in order to remove the effect of a possible change in the mix of higher and lower priced land sold yielded an 11 percent increase in statewide sales price. In contrast, the unadjusted increase was 4 percent. The effect of the adjustment varied in size and magnitude among regions.

The total acreage in reported sales statewide declined 2 percent from 1990 to 1991—its second lowest point since 1980. While this figure refers only to the first half of 1991, it indicates a relatively stable level of market activity throughout the past two years.

Retirement remains the primary reason to sell farm land, accounting for 28 percent of the total sales reported in the first half of 1991. Death accounted for another 21 percent. Sales due to financial difficulty in 1991 continued a decline beginning in 1987 and accounted for only 12 percent of farm sales. Even if "left farming" (6 percent) and "to reduce size" (10 percent) are included as possible indications of financial difficulty, the percentage of sales due to presumed financial problems summed to 28 percent, the lowest point in the last ten years.

Expansion buyers continued to play the largest role in the rural real estate market in 1991, buying 84 percent of the total tracts sold. Sole-tract operators accounted for a steady 9 percent of purchases while investor activity dropped, accounting for only 7 percent of tracts sold.

Cash remained the predominant method of financing purchases, accounting for 40 percent of the tracts sold in 1991. Financing by contract for deed decreased from 33 percent in 1990 to 28 percent of reported sales, while mortgages were used to finance 32 percent of the sales, an increase from 29 percent in 1990.

Introduction

The University of Minnesota has collected and analyzed information on rural farm land markets for the state since 1910. Individuals familiar with the rural real estate market in Minnesota, including real estate brokers, appraisers, farm managers, county officials, and agricultural credit officials, supplied the data for this report. Over 1,100 questionnaires were mailed in July 1991 and over 43 percent were returned. The questionnaires included questions concerning estimates of land value and actual sales prices. In addition, the 485 usable responses contained information about acreage, quality of land and buildings, reason for sale, methods of financing, and characteristics of the buyers and sellers. In analyzing the responses, duplicate reports of sales were eliminated, any data for Hennepin and Ramsey Counties were omitted, and respondents were asked not to report sales between close relatives.

Two categories of data characterize this survey: questions related to **estimated value** and those related to **sales price**. Respondents provided estimates of land value per acre as of July 1991 for farms of average size in their communities. Aggregated values for counties, districts, economic development regions, and for the state as a whole were calculated from the individual estimates. Weighting the estimated values by the acres of land in farms in each county as reported in the **1987 U.S. Census of Agriculture** produced the aggregate estimates.

Data on reported sales refer to farm land sales occurring between January 1 and July 1, 1991. Summing the total sales proceeds for each sale in an area and dividing by the total numbers of acres sold in that area yielded an average sales price for each county, district, and economic development region. In addition, an adjusted sales price which compensates for geographical shifts in real estate sales activity from year to year was calculated for each district and economic development region.

From January to July 1991, total acres sold remained roughly at the same level compared to 1990. Since the bulk of the sales in Minnesota occur in the first half of the year, the small change in acres sold indicates a corresponding small change in market activity. The Southeast and the East Central Districts showed a decrease in sales activity, while the West Central, Northwest and Northeast reported an increase in market activity. The Southwest, an area of higher priced farm land, showed practically no variation in the amount of land reported sold from 1990 to 1991.

Recalculation of the Time Series of Estimated Values

A recurring problem in reporting trends in the rural land market arises from year-to-year shifts in the geographic distribution of land market activity. In Minnesota these shifts were large during the land boom of the 1970s and the collapse of land values in the 1980s.

In some Minnesota counties and in some years during those two decades the annual numbers of sales that were not between relatives averaged less than one per township. When measured in acres sold, the annual rate of turnover per county has varied from less than 1 percent of the acres

[1] *Research Assistant and Professor Emeritus, respectively, Department of Agricultural and Applied Economics, University of Minnesota, St. Paul.* *The authors are indebted to Andrew Schwab for his work in compiling most of the values for the revised estimates.*

of land in farms to 4 percent or more. This variability has not been uniform among regions of the state, or over time.

Figure 1 illustrates the magnitude of these shifts since 1970. Among the six land market reporting districts, the Southeast and Southwest have consistently reported the highest estimated values and highest average prices received in actual sales. Just before the beginning of the land boom these two districts accounted for 58 percent of the acres of land reported sold in the state in the first six months of each year. This percentage fell as land prices rose during the 1970s, to a low of 43 percent at the peak of the land boom in 1981.

As land prices collapsed after 1981 the statewide share of acres sold in the two highest priced districts rose, and at the end of the 1980s was back to the levels prevailing before the boom.

This variability injected a distorting influence into comparisons of year-to-year changes in average estimated values, or average sales prices. To construct averages, it is necessary to weight the data by counties to derive district, regional, and statewide figures. In this study, the weights used are the acres of land in farms as reported in the U.S. Census of Agriculture for 1987, and earlier years.

At least three trends are involved: shifts in actual land values, shifts in land market activity, and shifts in acres of land in farms. Over the past two decades, an additional element of uncertainty was introduced by changes in the composition of reporters who supply the data for this survey. Former respondents dropped out and new ones were added, and the pace of this change accelerated in the 1980s.

To reduce the variations introduced by a constantly changing panel of respondents, this study in the past adopted the practice of using estimates of value only from respondents from whom an estimate had also been received in the previous year. The individual estimates were aggregated by counties and the percentage change was then used to update the estimated value for that county from the level of the previous year. This linkage helped reduce the probability that wild estimates would unduly influence estimated values for a district, a region, or the state.

This method worked well until the population of respondents began changing rapidly throughout the 1980s, prompting an investigation of alternative methods of calculating estimated value per acre. An obvious choice is to use all the reports of estimated values for a given year and not just those for whom an earlier estimate was recorded. The results are illustrated in Figures 2 and 3. From Figure 3, it is clear that this alternative series more closely follows the trends in reported sales prices.

Table 1 shows the average estimated values per acre for 1973-1991, by districts, using this new method of aggregating the data.

Figure 1. Percentage of State Total Acreage Sold in Southeast and Southwest Districts, 1970-1991

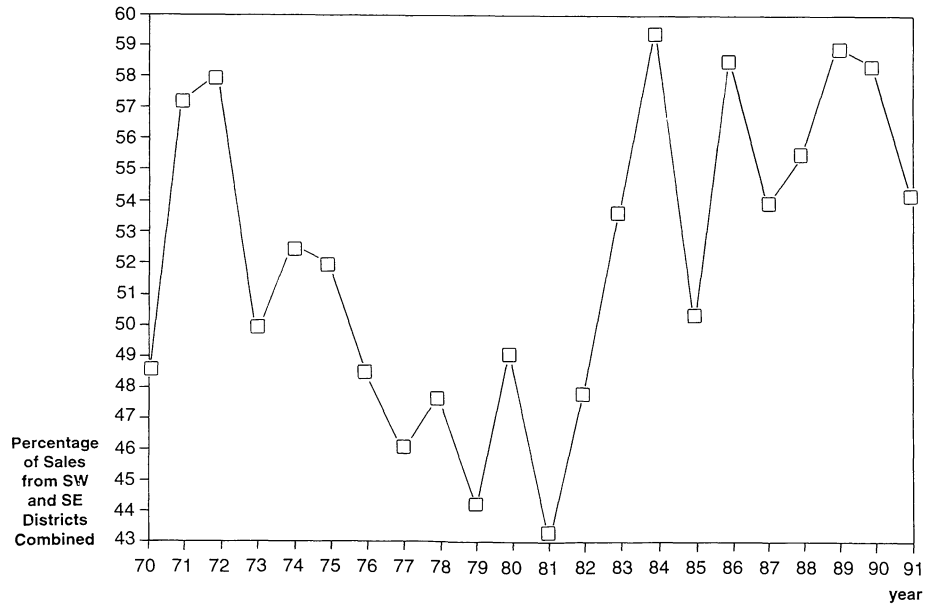
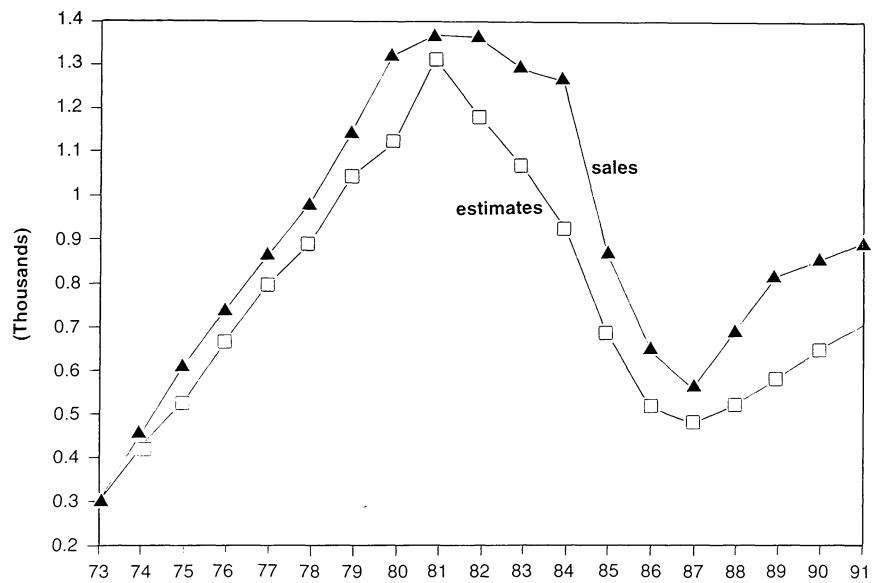


Figure 2. Statewide Average Sales Price and Estimated Value (Using Previous Calculation Method, Minnesota, 1973-91)



Analysis of Estimated Values

The 1991 statewide average estimated value per acre decreased for the first time since 1987 to $853, a change of 4 percent from $892 in 1990 (Table 1 and Figure 4). All of the districts reported a decrease in estimated value except the Southwest which reported a modest increase of 4 percent. The decreases were smaller in the Southeast (3 percent) and West Central (1 percent). If the Southeast, Southwest, and West Central, the districts containing the most valuable agricultural land in the state, are considered as a whole, there was virtually no change in estimated values from 1990 to 1991.

In contrast, the decreases were substantial in the East Central (down 8 percent), Northwest (down 21 percent), and Northeast (down 11 percent). The East

Figure 3. Statewide Average Sales Price and Estimated Value (Using New Calculation Method, Minnesota, 1973-1991)

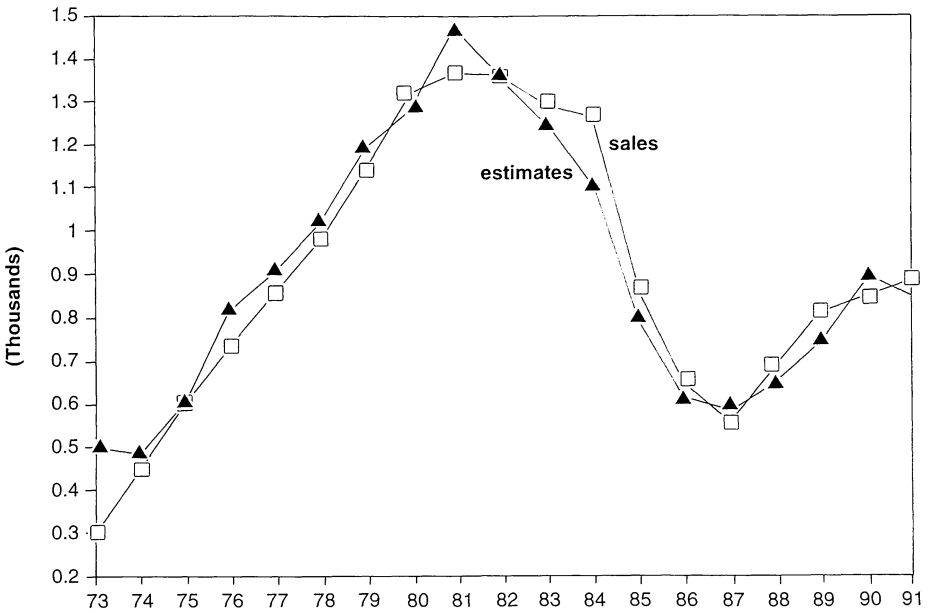


Table 1. Average Estimated Value Per Acre of Minnesota Farm Land, by District, 1973-1991

Year	South-east	South-west	West Central	East Central	North-west	North-east	State Average
1973	498	470	261	230	187	112	338
1974	667	713	400	301	267	143	482
1975	782	890	532	341	426	166	607
1976	1000	1168	672	409	510	221	774
1978	1380	1523	893	574	615	353	1023
1979	1678	1703	983	676	757	360	1191
1980	1737	1907	1074	721	803	438	1280
1981	1941	2226	1262	841	937	453	1472
1982	1727	2053	1149	740	925	410	1358
1983	1578	1766	1141	781	816	425	1240
1984	1323	1563	988	792	750	398	1100
1985	1016	1081	766	539	562	296	802
1986	708	809	589	473	468	288	616
1987	688	775	532	422	472	254	584
1988	782	920	570	442	505	218	653
1989	944	1073	643	410	450	249	721
1990	1137	1189	721	542	643	258	892
1991	1099	1233	712	497	509	230	853
Percent Change							
1990-1991	-3	4	-1	-8	-21	-11	-4
1987-1991	60	59	34	18	13[a]	6[b]	46
1990 As Percent of Peak in 1981 or 1982	57	55	56	59	54	51	58

[a] Low was in 1989.
[b] Low was in 1988.

Central District is heavily committed to dairying and almost two-thirds of the wheat acreage in Minnesota is contained in the Northwest District. Dairying and wheat were two sectors that suffered major declines in product prices in 1990-91, and this may well be an important part of the explanation for the drop in estimated values reported from those areas.

Reported Sales

Information gathered on 825 reported sales that occurred between January 1 and July 1, 1991, is summarized in Tables 2 and 3. Based on the reported sales data, the unadjusted price per acre of Minnesota farm land in 1991 was $891, an increase of 4 percent above the average sales price of $853 reported for the first six months of 1990.

By districts, decreases in sales prices were reported for the same three districts for which marked declines in estimated values were recorded: the East Central, Northwest, and Northeast. In general, both sales prices and estimated values were down north of a line from Moorhead to the Twin Cities.

South of this line, the pattern is less clear. Sales prices were up 9 percent in the Southeast, 11 percent in the Southwest, and 10 percent in the West Central, for an average increase for these three districts combined of approximately 10 percent. Recall that for the same three districts combined the estimated values in 1991 were almost unchanged from 1990.

One possible explanation of stagnant estimated value, and a 10 percent rise in sales prices is that land market activity in 1991 may have reflected a strengthened demand for higher priced land. The estimates of value reflect judgments based on all of the land in the respective communities. Sales prices refer only to lands that were sold. In 1991 and south of the Moorhead-Twin Cities line it seems apparent that the quality mix of lands sold was above average for their respective communities and districts.

Adjusted Sales Price

Changes in average sales price can be the result of two different factors—a change in the price per acre of farm land or a change in the mix of the quality of the properties sold. The following analysis attempts to remove the effect of a change in the quality of land sold from year to year on the average reported sales price.

Multiplying each county's 1991 average reported sales price per acre by the number of acres sold in that county in 1990 gives a total value of land sold in the county based on 1991 prices and 1990 acres sold. Summing this value for every county in a district and dividing by the total acres sold in that district in 1990 produces an adjusted per acre sales price for each district in the state. These district sales prices are the average prices that would have resulted if the proportion of acres sold in each county had remained unchanged from 1990 to 1991. Removing the shift in the geographical distribution of sales activity reduces the effect of a shift in the quality of the land sold. Table 3 compares adjusted and unadjusted sales prices by district.

The statewide adjusted sales price was $944 per acre, an increase of $53 over the unadjusted price of $891. This indicates that, statewide, the mix of properties sold in 1991 included a larger proportion of sales from areas with lower priced land. This is consistent with the trend in Figure 1 showing a drop in 1991 in the percentage of total acres sold in the Southeast and Southwest, the two districts containing the highest priced land.

All districts (SE, SW, and WC) showing an increase in unadjusted sales prices also

showed increases in adjusted sales prices. In the remaining three districts (EC, NW, and NE) the pattern was mixed. An unadjusted decrease of 2 percent in the East Central District became an increase of 8 percent after adjustment. The implication is that sales activity in that district in 1991 included a larger proportion of lower priced lands than had been transferred in 1990. This was also the implication in the Northwest District, where adjustment reduced the decrease to 7 percent from an unadjusted drop of 15 percent.

The sales price data for the Northeast are more difficult to interpret. This district has consistently shown the greatest variability in sales prices in the state in recent years, due to the relatively small number of sales and to the higher frequency of purchases for rural residential or recreational uses.

Table 2. Average Reported Sales Price per Acre of Farm Land by District, Minnesota, 1973-1991 (Unadjusted)

Year	South-east	South-west	West Central	East Central	North-west	North-east	State Average
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
1991	1098	1215	724	484	458	180	891
Percent Change							
1990-1991	9	11	10	-2	-15	-35	4
1987-1991	77	61	47	23a	36	7	59
1990 As Percent of Peak in 1981 or 1982	56	60	62	65	50	37	65

[a] Low was in 1988.

Reasons for Sale

In 1991, 49 percent of the sales statewide were attributed to death or retirement. This figure is unchanged from 1990 and reflects a sizable increase from the low point of 26 percent in 1987, when financial difficulty was the primary reason for selling. Table 4 shows the percentage of sales by reason for selling farm land in Minnesota from 1986 to 1991.

An encouraging sign is the continuation of the downward trend of the percentage of land sold due to financial difficulty. In 1991, only 12 percent of the reported sales occurred as a result of financial difficulty. Four years ago, in 1987, this figure was 60 percent. Even if the reasons for sale "to reduce size" (10 percent) and "left farming" (6 percent) are considered as a possible result of financial difficulty, the total becomes 28 percent of total reported sales—the lowest level in the past ten years. In addition, it should be noted that "other reasons" accounted for 21 percent of the total sales.

Table 3. Adjusted Sales Prices per Acre for 1991, by District, Minnesota

	1991		1990	Percent Change From	
	Unadjusted	Adjusted	Unadjusted	Unadjusted 1990 to Unadjusted 1991	Unadjusted 1990 to Adjusted 1991
	(1)	(2)	(3)	(1)/(3)	(2)/(3)
Southeast	1098	1163	1005	9	16
Southwest	1215	1222	1098	11	11
West Central	724	711	658	10	8
East Central	484	533	492	-2	8
Northwest	458	504	541	-15	-7
Northeast	180	152	277	-35	-45
Minnesota	891	944	853	4	11

Methods of Finance

Compared to 1990, a smaller percentage of buyers financed their purchases of farm land by contract for deed in 1991. A larger percentage, however, financed their purchases by cash and mortgage. Buyers used contracts for deed to finance 33 percent of their purchases in 1990, but only 28 percent in 1991. Table 5 illustrates the proportion of farm land sales by method of financing.

In 1991, cash financing was the primary method of financing, accounting for 40 percent of all sales. This is a slight increase over 1990, when buyers financed 38 percent of their purchases with cash. Financing by mortgages accounted for 32 percent of reported sales in 1991, an increase from 29 percent in 1990, and the highest percentage use of mortgage financing since 1971. This can be interpreted as evidence of a return to more stable conditions in farm land financing, after the boom and bust cycle of the past two decades.

Type of Buyer

In this study, buyers of Minnesota farm land are classified into three categories. "Sole-tract operators" are those buyers who purchase intact farms and are not using the purchases to extend current land holdings. "Expansion buyers" add land they purchase to existing holdings. "Investors" do not plan to farm the land themselves, but presumably expect to rent the land or to hire a manager in order to operate the farm.

Expansion buyers continued to dominate the market in 1991, accounting for 84 percent of sales statewide. In 1990, this figure was 80 percent (Table 6). Expansion buyers accounted for two-thirds or more of the sales in each district, from a low of 67 percent in the East Central District to a high of 88 percent in the Southwest and the Northwest Districts.

Sole-tract operators accounted for 9 percent of sales in both 1990 and 1991. This remains the lowest percentage of sales to sole-tract buyers ever reported since this classification of buyers was introduced in 1954. The East Central and the Northeast Districts reported the strongest percentages of sales to sole-tract buyers in the state at 30 and 26 percent, respectively. The lowest percentage of purchases by sole-tract operators was in the Southwest District, with only 4 percent of reported sales.

In 1991, the number of sales to investors dropped to 7 percent statewide, from 11 percent in 1990. As with the category of sole-tract operator buyers, the 1991 figure of 7 percent is the lowest since 1954. The strongest activity of investors was in the Southeast, with 9 percent of reported sales. The lowest activity was in the East Central District.

Figure 4. Estimated Land Values per Acre in 1991, by District (Excluding Hennepin and Ramsey Counties)

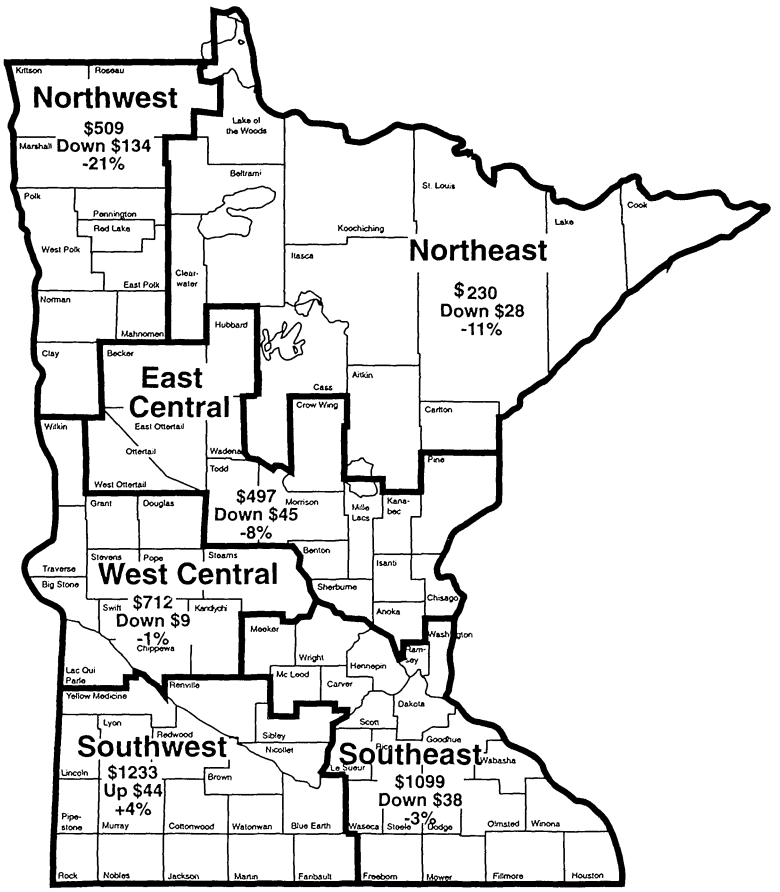


Table 4. Percentage of Sales by Reason for Selling Land, Minnesota, 1986-1991

Reason for Sale	1986	1987	1988	1989	1990	1991
Financial Difficulty	35	60	42	20	15	12
Reduce Size	17	6	8	11	10	10
Left Farming	11	5	6	5	6	6
Subtotal	**63**	**71**	**56**	**36**	**31**	**28**
Death	12	12	14	15	20	21
Retirement	18	14	23	29	29	28
Subtotal	**30**	**26**	**37**	**44**	**49**	**49**
Moved, Still Farming	1	0	0	2	0	2
Other	6	3	7	18	20	21

Table 5. Proportion of Farm Land Sales by Method of Financing, by District, Minnesota, 1990-91

Districts	Cash		Mortgage		Contract for Deed	
	1990	1991	1990	1991	1990	1991
	.....PERCENTAGE.....					
Southeast	32	30	31	36	37	34
Southwest	40	48	34	30	25	22
West Central	24	34	25	32	50	34
East Central	45	44	20	32	35	24
Northwest	59	42	23	37	18	22
Northeast	33	43	11	17	56	39
Minnesota	38	40	29	32	33	28

Trends in Sales Prices by Economic Development Regions

Classifying sales data by the state's 13 economic development regions (Figure 5) helps to emphasize the effects of year-to-year shifts in the geographic frequency of sales on the average sales price. A comparison of 1991 adjusted sales prices with 1990 unadjusted sales prices reveals changes attributable to price shifts alone, without the distorting influence in regional variations in the frequency of sales of higher and lower quality land.

Table 7 presents unadjusted average sales price by economic development region for the seventeen years from 1975 through 1991. It compares the percentage change in sales prices from 1990 to 1991 for each region, first for the unadjusted sales prices for 1991, followed by the adjusted 1991 sales prices. From the unadjusted analysis, the decreases in sales price are all clustered in the first four economic development regions. In 1991, all other regions showed an increase in the average reported sales price. When the sales prices are adjusted for geographical shifts, the pattern remains much the same. After adjustment, Economic Development Regions 1, 2, 3, and 4 showed a decrease in sales price while the remaining regions demonstrated an increase.

Of the regions with an increase in the adjusted price, the percentage changes in Regions 5, 9, and 10 were the most pronounced. In Region 9, an unadjusted increase of 3 percent became an adjusted increase of 10 percent and, in Region 10, an increase of 11 percent became an increase of 17 percent. In the remaining economic development regions with an increase in the adjusted price, the percentage changes were either roughly the same between the adjusted and unadjusted values, or the adjusted percentage change was smaller. Most notably, Region 5 showed a dramatic change after adjustment, from a 49 percent increase to a 3 percent increase.

In 1991, the Twin Cities Metro Region, Region 11, reported the highest unadjusted sales price of farm land at $1,766 per acre. The next highest average sales price was in Region 9 at $1,343 per acre. The lowest unadjusted sales prices per acre were in Regions 2 and 3 at $198 and $204, respectively.

The economic development regions with the strongest percentage increases over 1990 prices, both before and after adjustment, were Region 6W and Region 11. The largest decreases, in percentage terms, occurred in Regions 2 and 3.

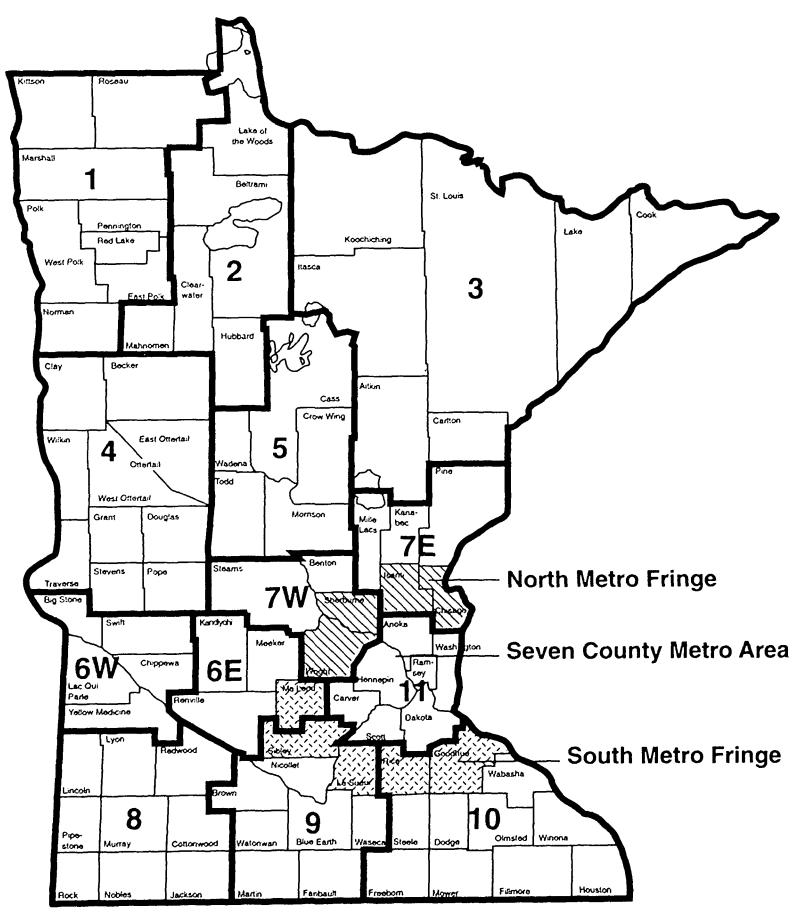
Farm Land Prices in the Greater Twin Cities Metro Area

In this study, the Greater Twin Cities Metropolitan Area is defined as the 14 counties surrounding the Twin Cities counties of Hennepin and Ramsey. The

Table 6. Proportion of Farm Land Sales and Average Sales Price per Acre by Type of Buyer, by District and Minnesota, 1990-1991

District	1990 % of sales	1990 $ per acre	1991 % of sales	1991 $ per acre
Sole-Tract Operator Buyer				
Southeast	10	1231	10	1071
Southwest	5	624	4	1148
West Central	13	547	9	853
East Central	20	501	30	462
Northwest	0	0	8	296
Northeast	22	294	26	258
Minnesota	**9**	**680**	**9**	**757**
Expansion Buyer				
	1990 % of sales	1990 $ per acre	1991 % of sales	1991 $ per acre
Southeast	76	1003	81	1118
Southwest	90	1150	88	1239
West Central	76	696	85	729
East Central	62	502	67	485
Northwest	90	596	88	488
Northeast	56	286	70	162
Minnesota	**80**	**899**	**84**	**915**
Investor Buyer				
	1990 % of sales	1990 $ per acre	1991 % of sales	1991 $ per acre
Southeast	14	886	9	1063
Southwest	5	1113	7	1039
West Central	11	615	6	601
East Central	18	440	3	630
Northwest	10	378	4	431
Northeast	22	230	4	208
Minnesota	**11**	**730**	**7**	**820**

Figure 5. Minnesota Economic Development Regions and the Greater Twin Cities Metropolitan Area



creation of three sub-areas facilitates a detailed analysis of the region. The definition of the sub-areas arises from population levels, the productivity of surrounding land, and the historical trends in land values in the different counties.

The first sub-area is the Twin Cities Metro Area consisting of Anoka, Carver, Dakota, Scott, and Washington Counties (i.e., Economic Development Region 11 without Hennepin and Ramsey counties). The second sub-area is the South Metro Fringe made up of Goodhue, LeSueur, McLeod, Rice, and Sibley. The third division is the North Metro Fringe made up of Chisago, Isanti, Sherburne, and Wright.

All three areas experienced an increase in average reported sales price (Table 8). The Twin Cities Metro Area reached $1,766 per acre, an increase of 35 percent over 1990 and the highest value since 1983. The South Metro Fringe reported an increase of 15 percent, to $1,144 per acre, and the North Metro Fringe reported an increase of 31 percent, reaching $1,239 per acre. Overall, the Greater Twin Cities Metropolitan Area showed an increase of 17 percent, with an average reported price of $1,222 per acre.

The strength in this area that experiences the greatest urban impact on the market for farm land is a return to the patterns that prevailed before the land boom of the 1970s. At the height of the boom in 1978-81, the urban influence on farm land prices was overwhelmed by the run-up in prices in the explicitly rural south-central counties. In 1981, Region 9 reported sales prices averaging $2,865 per acre compared to $1,830 per acre in Region 11, the 7-county Twin Cities Area. By 1991 this relationship had reversed, with the highest farm land prices centered again on the Twin Cities.

Deflated Reported Sales Price

The rate of inflation in the overall economy strongly influences the changes in the sales prices of farm land. One method of removing the effects of inflation is to deflate the prices with the consumer price index (CPI). Using 1967 as a base of 100, the average CPI for the first six months of 1991 was 405. Dividing the 1991 prices by 4.05 will remove the effects of inflation. Table 9 shows the reported sales prices deflated with the CPI for the period 1954 through 1991.

After adjustment for inflation, the real average reported sales price per acre of farm land in the state decreased less than 1 percent from the 1990 real (deflated) sales price. In Table 2, the current dollar increase in sales prices was 4 percent, but inflation eroded this nominal gain. Looking at the district values, the strong decreases in real sales prices in the East Central, the Northwest, and the Northeast Districts pulled down the state average. Modest

Table 7. Average Reported Sales Price per Acre of Farm Land by Economic Development Regions, Minnesota, 1975-1991 (Unadjusted) and 1991 Adjusted Sales Price

	Economic Development Regions													
Year	1	2	3	4	5	6W	6E	7W	7E	8	9	10	11	State
Unadjusted														
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	237	279	591	286	634	964	758	492	944	1300	985	1304	853
1991	428	198	204	569	425	829	1028	897	497	1114	1343	1092	1766	891
% Change of Unadjusted Prices 1990-1991	-12	-16	-27	-4	49	31	7	18	1	18	3	11	35	4
Adjusted 1991 Prices	462	151	204	565	369	808	1028	807	497	1051	1433	1150	1663	944
Percentage Change from 1990 Unadjusted to Adjusted 1991 Prices	-5	-36	-27	-4	3	27	7	6	1	11	10	17	28	11

increases in real sales prices in the Southeast, the Southwest, and the West Central Districts failed to offset the fall in real prices in the other districts. Hence, the state average fell.

The Southwest District had the highest real price for farm land at $300 per acre in 1967 dollars and also, along with the West Central District, displayed the largest real price increase in 1991 (5 percent). The Northeast, on the other hand, had the lowest real price at $44 per acre and also showed the sharpest decline in real prices (39 percent).

In 1991, the districts containing the higher priced farm land showed some growth in real price per acre whereas the lower priced districts experienced relatively large decreases in real price per acre. The state average, practically unchanged from the 1990 value, reflects these countervailing trends.

In terms of real prices, the level of prices in 1991 was approximately the same as the average level of real prices over the five years, 1966-1970, for the state as a whole, and for all six districts. In dollars of constant purchasing power, the current level of farm land prices is back where it was before the boom and bust of the past two decades began.

Table 8. Average Reported Sales Price per Acre For Farm Land, Greater Twin Cities Metropolitan Area and Sub-areas, 1974-1991

Year	"Seven" County Metro[a]	South Metro Fringe[b]	North Metro Fringe[c]	Greater T.C. Metro (14 counties)[d]	Minnesota
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
1991	1766	1144	1239	1222	891
Percent Change 1990-1991	35	15	31	17	4

[a]Anoka, Carver, Dakota, Scott, and Washington Counties (Hennepin and Ramsey are excluded for reporting purposes.)
[b]Goodhue, Le Sueur, McLeod, Rice, and Sibley Counties
[c]Chisago, Isanti, Sherburne, and Wright Counties
[d]All fourteen counties named above

Table 9. Average Price Per Acre of Reported Farm Sales, State and Districts, Deflated by the CPI, Minnesota, 1954-1991

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
1991	271	300	179	120	113	44	220
Percent Change 1990-1991	4	5	5	-6	-19	-39	0

Minnesota Agricultural Economist

No. 668 Winter 1992

W.B. Sundquist ..... Managing Editor

Richard Sherman ... Production Editor

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 Professor W.B. Sundquist, Department of Agricultural and Applied Economics, 1994 Buford Avenue, University of Minnesota, St. Paul, MN 55108.

Please send all address changes for *Minnesota Agricultural Economist* to Louise Letnes, 232 Classroom Office Building, 1994 Buford Ave., University of Minnesota, St. Paul, MN 55108-6040.

The information given in this publication is for educational purposes only. Reference to commercial products or trade names is made with the understanding that no discrimination is intended and no endorsement by the Minnesota Extension Service is implied.

The University of Minnesota is committed to the policy that all persons shall have equal access to its programs, facilities, and employment without regard to race, color, creed, religion, national origin, sex, age, marital status, disability, public assistance status, veteran status, or sexual orientation.

Beth Walter Honadle
Program Leader and Professor
Community Resources

Printed on recycled paper with agribased inks

UNIVERSITY OF MINNESOTA
232 CLASSROOM OFFICE BLDG
1994 BUFORD AVE
SAINT PAUL MN 55108-6040

NONPROFIT ORG.
U.S. POSTAGE
PAID
MPLS., MN
PERMIT NO. 155