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Minnesota Rural Real Estate Market in 1992

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Summary

The statewide estimated value of rural real estate in Minnesota increased 7% between July 1991 and July 1992. Nominally, the value reached $912 per acre, its highest level since 1984. All districts in the state showed increases in 1992, with the highest percentage changes occurring in the West Central and Northwest Districts (+12% and +11%, respectively). The district gaining the least in estimated values was the East Central (+4%), while the Southwest, Southeast, and Northeast Districts gained 7%, 7%, and 8% respectively.

The average reported sales price of Minnesota farm land and buildings rose 5% from 1991 to 1992. This value reached $937 per acre, which is also the highest level since 1984 in nominal terms. The largest changes in sales prices were seen in the Northeast and Northwest Districts, with increases of 66% and 36% respectively. The sales prices for the Northeast District must be interpreted with care due to high volatility from year to year and a low number of reported sales. The West Central District also showed a strong gain, with reported sales prices 11% higher than 1991. The Southeast, Southwest, and East Central Districts increased 2%, 4%, and 1% respectively.

Adjusting the reported sales prices to remove some of the effects of changes in land quality sold resulted in a statewide increase of 10%, which suggests that the mix of land sold in 1992 included a larger proportion of lower priced land than did the mix of land sold in 1991. These adjusted prices are calculated by multiplying the 1992 average sales price for a given county by the number of acres sold in that county in 1991. The sum of the resulting values for an area is then divided by the total number of acres sold in that area in 1991, resulting in an adjusted 1992 average price for a district based on 1992 prices and the 1991 distribution of land sales. The Northeast, Northwest, and West Central Districts again showed the largest increases (70%, 23%, and 15% respectively), while the Southeast and Southwest Districts had more moderate adjusted increases of 3% and 4%. The adjusted sales price for the East Central District declined 1% from its unadjusted 1991 level.

Buyers who purchased land to increase the size of existing land holdings continued to dominate the market in 1992. They accounted for 79% of the reported acres sold and were involved in 81% of the statewide number of sales. Only 9% of the sales went to buyers who plan to use the land as their sole tracts of operation. This has hovered around 9% over the last three years, and continues to be the lowest percentage on record of sales to sole-tract buyers. Investor buyers made up the remaining 10% of statewide sales.

As a reason for selling land, retirement accounted for 29% of 1992 sales, a level that has changed very little over the last four years. Death accounted for 18% of sales, and financial difficulty was the reason for 15% of sales. Reducing the size of an existing operation has continued to increase its role as a reason for selling land. It accounted for 14% of 1992 sales, up from 6% in 1987.

Mortgages were used to finance 40% of 1992 sales, up from 32% in 1991 and overtaking cash to become the predominant method of financing purchases of reported sales of Minnesota farm land in 1992. Financing by contract for deed decreased, being employed in only 24% of sales in 1992 versus 33% in 1990 and 28% in 1991.

Some of the year-to-year volatility in market activity and sales prices throughout the state may be attributable to the unusual pattern of interest rate changes during the survey period. Near-term interest rates declined sharply, while long-term rates declined very little. By the end of the summer of 1992, the ratio of long-term to near-term rates was approximately 2 to 1, the highest ratio on record. By ignoring the risk of a future rise in short-term rates, buyers in 1992 who chose to finance their purchases with adjustable rate mortgages could have cut their current annual financing costs by more than one third when compared to annual carrying costs of conventional mortgages in 1990-91. This situation is highly unstable, but it could explain some of the increase in sales prices in 1992.

Background

Since 1910, the University of Minnesota has gathered and analyzed survey data on Minnesota rural real estate markets. Survey respondents include bankers, appraisers, brokers, county officials, loan officers, and other individuals with knowledge of rural real estate market activities and trends. This year's response rate was 40%, with 428 usable responses.

The questionnaire also sought information on actual sales, including county and township of sale, acres sold, price per acre, subjective estimates of building and land quality, reason for selling, characteristics of buyer and seller, method of finance, and buyer's proximity to the tract purchased.

The questionnaire also asked for estimates of the value of farm land and buildings and trends within the respondents' communities, for three classes of land: good, average, and poor. Duplicate reported sales were eliminated from the data, and respondents were asked not to report sales of farm land between close relatives.

Estimates of land value make up the first portion of the survey. Respondents provided estimates of land value per acre for their particular area as of July, 1992. These estimates were averaged by county, and weighted by the amount of land in farms in each county as reported in the 1987 U.S. Census of Agriculture. Summing this total value for the state and dividing by

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the total land in farms in Minnesota provided the statewide average estimated value per acre of Minnesota farm land. The same procedure was used to calculate estimated values for the individual districts.

Actual sales data make up the major portion of the survey. The respondents were asked to report on sales made between January and July of 1992. Summing the total sales proceeds for a given area and dividing by the total acres sold yielded the average reported sales price for that area.

Total reported acres sold increased in 1992, reaching its highest level since 1989 for most districts and the state as a whole. All districts reported some increase in market activity with the exception of the Northwest. Despite the increase, total market activity remained light.

Analysis of Estimated Values

The 1992 statewide average estimated value per acre of Minnesota farm land increased to $912, up 7% from 1991. This continues the upward trend which began in 1987, after the land market collapse of the mid-1980s. The 1992 value was the highest nominal value since 1984. Table 1 shows the estimated values for the six districts and the state as a whole for 1973-1992. Figure 1 displays a map of the six districts with their respective average estimates. Deflated prices are examined in a later section.

The strong increase in estimated value in the Northwest District (+11%) may be attributable in part to volatility in wheat market prices in 1991-92. This district contains two-thirds of the wheat acreage in the state. Wheat prices had fallen sharply in 1990-91, just prior to the 1991 survey. The winter of 1991-92 brought higher wheat prices which could have contributed to reversing the pessimism of the previous year. Sugar beets are also a major cash crop in the Northwest District and a good harvest and favorable prices for beets in 1991-92 undoubtedly added to an optimistic outlook.

A similar explanation may account in part for the 12% increase in the West Central District. Estimated values in this district had decreased slightly in 1991, while the neighboring Southwest District had increased. In 1992, as the Southwest District again increased, spillover effects may have contributed to a market price correction in the West Central District.

Sale prices in all other districts in the state also increased at levels higher than inflation. The Southwest District (+7%) continued to have the highest estimated value of farm land in the state at $1,319 per acre, while the Southeast (+7%) was second highest at $1,172 per acre. The East Central and Northeast Districts rebounded from 1991 to post increases in estimated values of 4% and 8% respectively.

Table 1. Average Estimated Value per Acre of Minnesota Farm Land, by District, 1973-1992

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
1977	1204	1413	788	475	535	294	908
1978	1308	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
1992	1172	1319	795	517	563	248	912
Percentage Change							
1991-1992	7	7	12	4	11	8	7
1987-1992	70	70	49	23	19	-2	56
1992 As Percent of Peak							
	60	59	63	61	60	55	62

Figure 1. Estimated Land Values per Acre, by District, Minnesota, 1992

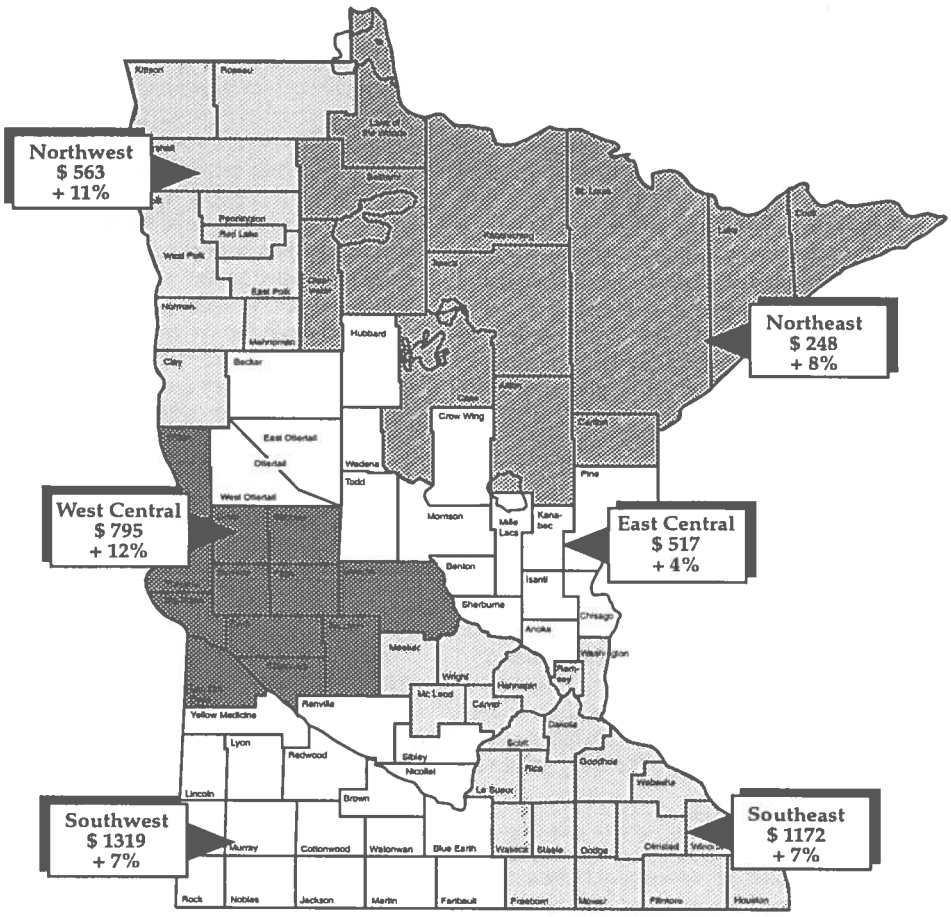
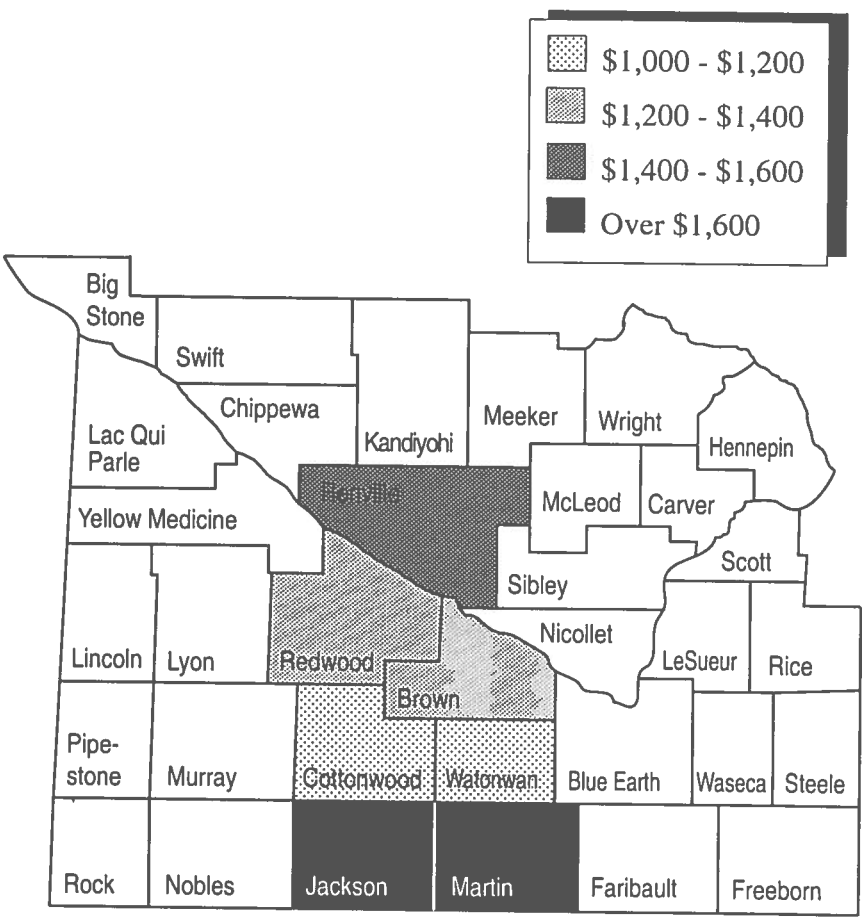


Table 2. Average Reported Sales Prices per Acre of Farm Land, by District, Minnesota, 1973-1992 (Unadjusted)

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	793	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	1115	1215	717	492	458	157	891
1992	1138	1269	795	495	621	260	937
Percent Change							
1991-1992	2	4	11	1	36	66	5
1987-1992	83	68	61	15	84	55	68
1992 As Percent of Peak							
	58	63	68	66	68	54	69

Figure 2. Average Reported per Acre Sales Price, Selected Counties, Southwest District, 1992



Analysis of Reported Sales Prices

The average reported statewide sales price of farm land continued the upward trend that began in 1988, reaching $937 for the first six months of 1992, up 5% from $891 per acre in 1991 (Table 2). The highest percentage gain was posted in the Northeast (+66%), which may be an anomaly due to a limited area of agriculturally used land and low number of reported sales in the district. The second highest increase was in the Northwest District ($621 per acre in 1992, up 36% from $458 in 1991). More moderate gains were reported in the West Central, Southwest, Southeast, and East Central Districts.

As with the estimated values, some of the gain in the Northwest District may be due to favorable trends in the wheat and sugar beet markets. The average land price for this district had dropped 15% in the 1991 survey, only to rebound sharply in 1992. Another possible reason for the strengthening of land prices in this area is the reduced amount of 1992 sales activity in counties with lower priced land as compared to previous years. The reported acres sold in 1992 for this district was 27% lower than in 1991. We attempt to adjust for this slowdown with a sales price adjustment method later in this report.

In the Southwest District, strength was shown particularly in the counties bordering Iowa. Sales prices in Jackson and Martin Counties together averaged $1,613 per acre. The two counties bordering them on the north, Watonwan and Cottonwood, together averaged $1,058 per acre, or only 66% of the average of Jackson and Martin. In contrast, the average of Brown and Redwood Counties, just to the north of Cottonwood and Watonwan, was $1,331 per acre, or 83% of the Jackson-Martin average. The result was a sales price "dip" as one moves north through the Southwest District. This relationship is shown in Figure 2.

The configuration of this valley in sales prices in the Southwest District in 1992 is given additional emphasis by reference to Renville County, in the next tier north. Here the average sales price in 1992 reached $1,454 per acre. This continues a pattern noted in recent years and is undoubtedly a reflection in land prices of the vigorous expansion of the Southern Minnesota Sugar Cooperative in that county.

Reversal of History

From 1973 to 1981, estimated values were generally higher than corresponding average sales prices for the state as a whole (Figure 3). As the land market collapsed from 1982 to 1987, estimated values generally were lower than sales prices. The current trend, which is obviously upward, indicates that estimated values are lagging

behind sales prices. This is a reversal of the relationship during the boom years of 1973-1981.

Why this reversal? The estimated value is a generally subjective measure of land values which respondents estimate based on their knowledge of local land markets. One possibility is that these estimates have become more conservative as respondents reflect on the land market collapse of the mid-1980s.

Another possibility is that this is an indication of more short-term land price volatility in either direction. This study collects information on sales that took place between January and July of each year, while land values are estimated as of July. The result is a time-lag between sales prices and estimated values that may cause discrepancies between sales prices and estimated values in response to shifts in crop conditions or commodity prices.

Still another possibility is that a reduction in the number of reported sales that has occurred since 1989 has involved a proportionately greater decline in the transfer of lower priced lands. The estimated values encompass all of the land in the communities of the various respondents. Sales prices involve only lands that were sold. For the state as a whole, over 7 percent of all land in farms has been entered in the Conservation Reserve Program (CRP). These lands can be sold, but in recent years sales have been infrequent. In general terms, the CRP involves the lower priced farm lands of the state. If they appear with reduced frequency in the volume of lands sold, the effect is an under-representation of the lower portion of the land quality scale in the compilation of land sales prices. This could lead to sales prices that trend above estimated values, as has been the case in four of the last five years.

Figure 3. Average Estimated Value and Sales Price of Minnesota Farm Land, 1973-1992

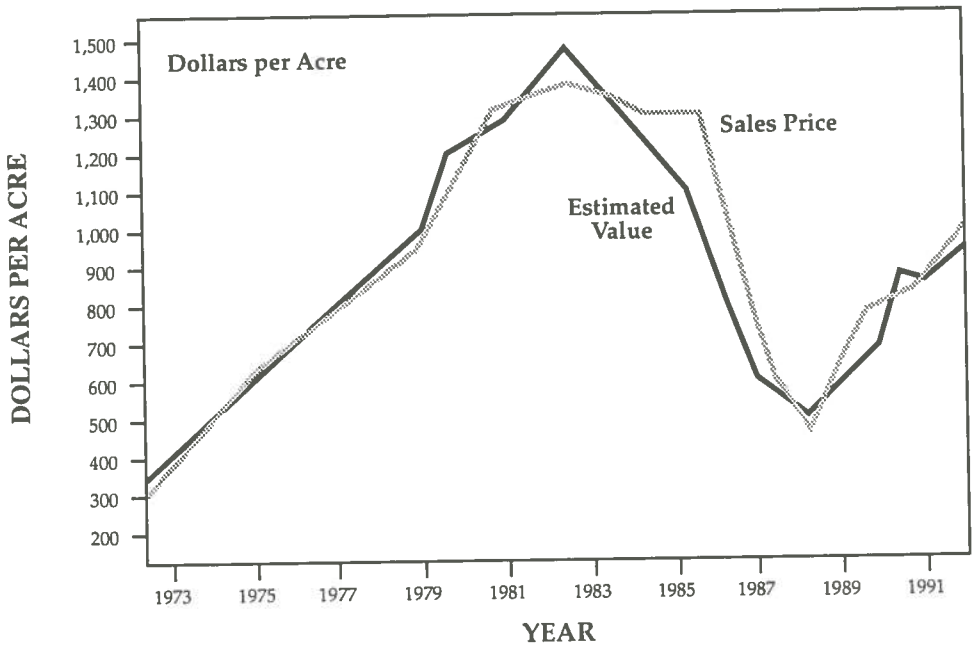


Table 3. Adjusted Sales Prices per Acre, by District, Minnesota, 1992

	1992		1991	Percent Change From	
	Unadjusted	Adjusted	Unadjusted	Unadjusted 1991 to Unadjusted 1992	Unadjusted 1991 to Adjusted 1992
Southeast	1138	1143	1115	2	3
Southwest	1269	1268	1215	4	4
West Central	795	827	717	11	15
East Central	495	486	492	1	-1
Northwest	621	564	458	36	23
Northeast	260	267	157	66	70
Minnesota	937	983	891	5	10

Adjusted Sales Prices

Changes in sales prices may be attributed to more than just changes in the value of homogeneous areas of land. One source of variability is change in the mix of higher and lower priced land sold over time. We attempt to adjust for these land quality changes by asking the question, "What would land prices have been in 1992 if the spatial distribution of sales had been the same as for land that was sold in 1991?" Obviously, this question cannot be answered precisely, but one method of adjusting the 1992 prices is to multiply each county's 1992 average price by the number of acres sold in that county in 1991. We then sum these values for each district and divide by the total number of acres sold in 1991 in that district. This results in a 1992 adjusted sales price based on 1992 county average prices and 1991 distribution of acres sold.

The results of these calculations are summarized in Table 3. Adjusting the sales prices resulted in higher prices for the Southeast, West Central, and Northeast Districts. This suggests that a larger percentage of land sold in 1991 was in counties with higher priced land than was the case in 1992, in these districts. The reverse is true for the East Central and Northwest Districts. Again, reduced market activity in lower priced land in the Northwest may be a cause. Adjusted values in the Southwest District showed no change from their unadjusted values, suggesting that the mix of higher and lower priced land sold in the Southwest generally did not change from 1991 to 1992.

This adjustment supports the conclusion that sales prices in the West Central District may have increased by as much as 15% from 1991 to 1992. The East Central District may have declined slightly in terms of sales prices for comparable land.

Adjusted sales prices for the state as a whole suggest that land prices increased by as much as 10% from 1991 to 1992, although unadjusted prices increased only 5%. Some of this difference is apparently due to reduced market activity in areas of the state with lower values relative to areas with higher land values.

Northwest District Adjustment

The above adjustment may be suspect for the Northwest District because there were no reported acres sold in the survey period (January-June) in 1992 in two key counties of the district: Kittson and Roseau. The 1991 district average sales price contained data from these counties, but the 1992 average did not. This makes comparison difficult because the location of sales activity was not the same between the two years. This is a continuing problem in reporting sales price trends over time. Its effect increases when sales volume declines.

Table 4. Percentage of Sales by Reason for Selling Land, Minnesota, 1987-1992

Reason for Sale	1987	1988	1989	1990	1991	1992
Death	12	14	15	20	21	18
Retirement	14	23	29	29	28	29
Subtotal	**26%**	**37%**	**44%**	**49%**	**49%**	**47%**
Financial Difficulty	60	42	20	15	12	15
Reduce Size	6	8	11	10	10	14
Left Farming	5	6	5	6	6	7
Subtotal	**71%**	**56%**	**36%**	**31%**	**28%**	**36%**
Moved, Still Farming	0	0	2	0	2	1
Other	3	7	18	20	21	16

Figure 4. Percentage of Reported Sales by Method of Financing, Minnesota, 1992

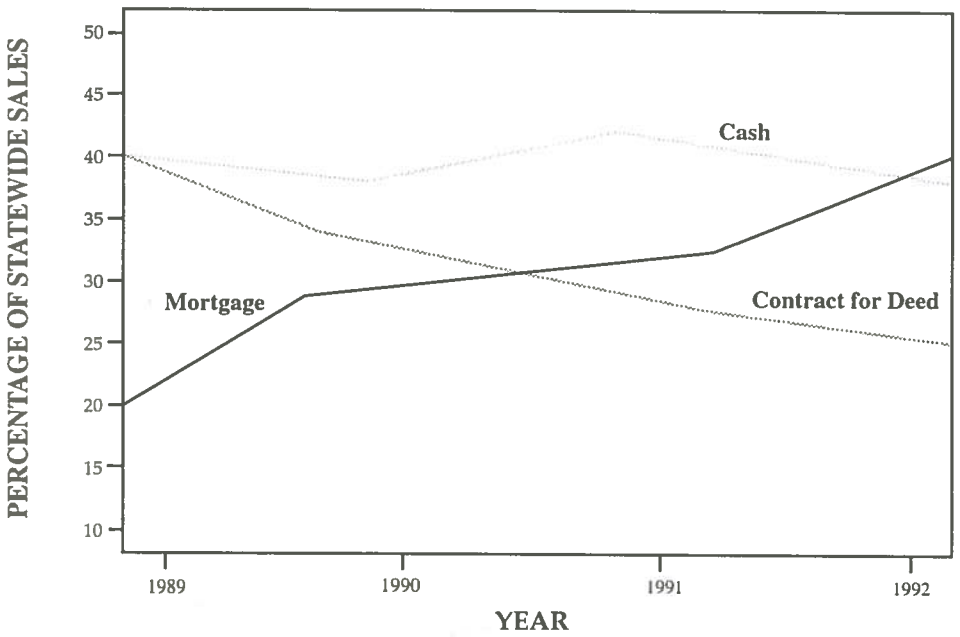


Table 5. Proportion of Farm Land Sales by Method of Financing, by District, Minnesota, 1989-1992

	South-east	South-west	West Central	East Central	North-west	North-east	State Average
Cash							
1989	34	47	39	27	51	39	40
1990	32	40	24	45	59	33	38
1991	30	48	34	44	42	43	40
1992	31	41	30	36	38	44	36
Mortgage							
1989	30	21	21	28	13	12	20
1990	31	34	25	20	23	11	29
1991	36	30	32	32	37	17	32
1992	30	41	46	50	42	31	40
Contract for Deed							
1989	36	33	33	46	36	52	40
1990	37	25	50	35	18	56	33
1991	34	22	34	24	22	39	28
1992	39	18	24	14	21	25	24

One method of dealing with this discrepancy is to remove Kittson and Roseau Counties from the 1991 data by calculating a reverse of the above price adjustment. This tells us what the average price of land sold in 1991 in the Northwest District would have been if the proportion of land sold in each county in 1991 was the same as in1992. The result of this calculation is a "reverse adjusted" 1991 sales price of $509 per acre, which puts the percentage change from 1991 to 1992 at 22%. This indicates that, although prices did increase for the Northwest District in 1992, they did not increase as much as the unadjusted levels indicate.

Reasons for Sale

Retirement remains the most frequent reason cited for the sale of a farm, with death being the second most prevalent reason. Together, retirement and death accounted for almost half of the state's land sales.

Financial difficulty remains low in frequency compared to levels prior to 1989, while 14% of sales occurred because the seller wished to reduce the size of an existing operation, up from only 6% in 1987. Table 4 summarizes the relative frequency of reasons for selling land from 1987 to 1992.

Methods of Financing

The proportional use of mortgages to finance land purchases has doubled in the last four years, surpassing cash as the most prevalent method of financing land transactions in 1992. This is the first year since 1960 that mortgages were used more frequently than either cash or contracts for deed in financing farm land sales. Large increases were observed for mortgages in every district except the Southeast, where the relative use of mortgages decreased from 1991 to 1992 (Figure 4, Table 5).

Usage of contracts for deed has been replaced to some extent by mortgages over the last four years. Forty percent of all 1987 sales were financed by contract for deed. As of 1992, this had fallen to 24%. The frequency of cash sales has been generally stable over the last four years, although the relative usage of cash did fall by 4 percentage points from 1991 to 1992.

These trends can be interpreted as a reflection of the sharp reduction in mortgage interest rates in the last two years. The rates prevailing in 1992, for example, were approximately two percentage points below rates on comparable mortgages in 1990-1991. The persistence of lower interest rates over time will exert a powerful upward force on land values and sales prices.

Table 6. Proportion of Farm Land Sales and Average Sales Price per Acre by Type of Buyer, by District, Minnesota, 1991-1992

Sole-Tract Operator Buyer

District	1991 % of Sales	1991 $ per Acre	1992 % of Sales	1992 $ per Acre
Southeast	10	1071	11	1066
Southwest	4	1148	3	1217
West Central	9	853	13	816
East Central	30	462	23	465
Northwest	8	296	0	N/A
Northeast	26	258	6	205
Minnesota	**9**	**757**	**9**	**832**

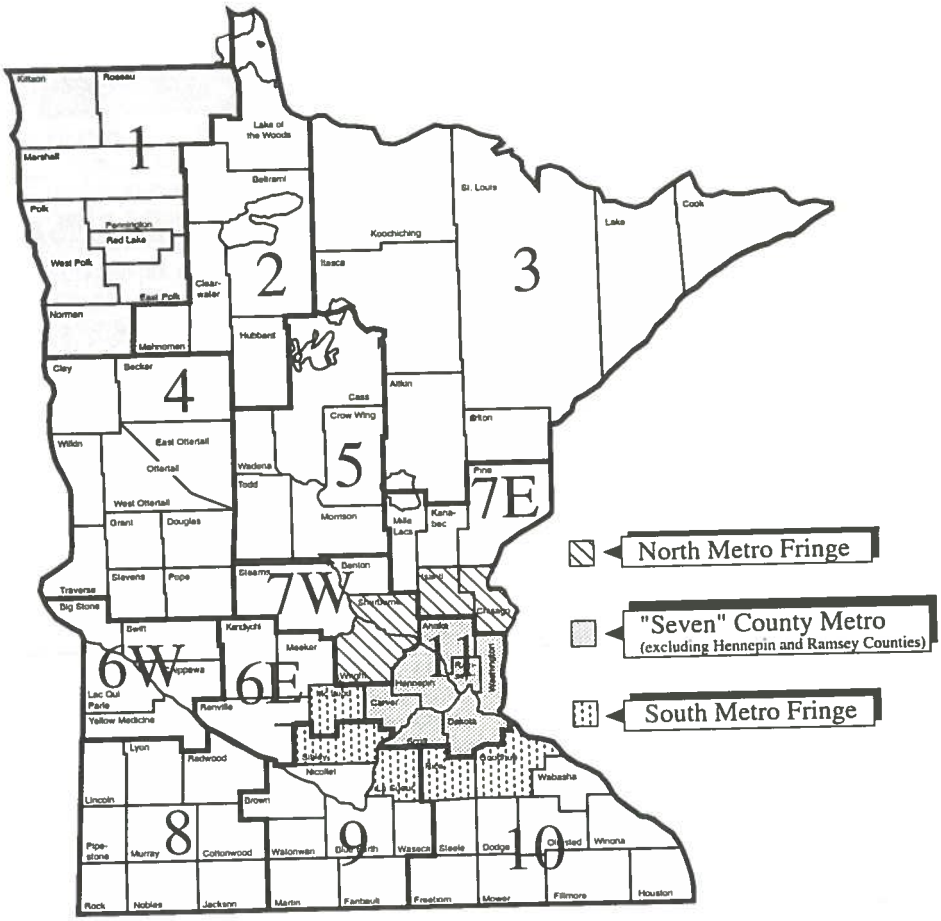
Expansion Buyer

District	1991 % of Sales	1991 $ per Acre	1992 % of Sales	1992 $ per Acre
Southeast	81	1118	74	1158
Southwest	88	1239	88	1287
West Central	85	729	74	804
East Central	67	485	71	540
Northwest	88	488	96	639
Northeast	70	162	81	268
Minnesota	**84**	**915**	**81**	**981**

Investor Buyer

District	1991 % of Sales	1991 $ per Acre	1992 % of Sales	1992 $ per Acre
Southeast	9	1063	15	1233
Southwest	7	1039	9	1094
West Central	6	601	12	764
East Central	3	630	7	557
Northwest	4	431	4	515
Northeast	4	208	13	347
Minnesota	**7**	**820**	**10**	**932**

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



Type of Buyer

This study classifies buyers of Minnesota farm land 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, hire a manager to operate the farm, or collect CRP income.

The trend has remained the same with regard to type of buyer in Minnesota regardless of whether land values are booming or busting. Expansion buyers have dominated the market for farm land since the 1960s, and the 1992 data give no indication that this will reverse. Expansion buyers were involved in 81% of 1992 sales and purchased 79% of the statewide farm land sold. Farm land sales by type of buyer for 1991 and 1992 are summarized in Table 6.

Investor buyers purchased 11% of the acres sold and were involved in 10% of the sales. Sole-tract buyers once again were involved in only 9% of statewide sales and purchased 10% of the land sold. Expansion buyers continue to pay a higher price per acre for land than other buyers. This has much to do with the areas in which expansion buying is most prevalent. These buyers were most active in the Northwest District (96% of sales) and the Southwest District (88% of sales). These two districts have consistently shown higher sales prices than their neighboring districts. Conversely, sole-tract buyers were most likely to be active in the East Central, West Central, and Southeast Districts. Although the proportions of total sales to investor buyers remain small, it is noteworthy that these are the same three districts in which investor buying showed the greatest increases in 1992.

Sales Prices by Economic Development Region

For another picture of changes in farm sales prices around the state, this study has compiled average sales prices by the state's 13 economic development regions for the years 1975 to 1992. Figure 5 shows the boundaries of the state's economic development regions, and the data from this compilation are shown in Table 7.

Both the adjusted and unadjusted sales prices for 1992 are calculated as discussed previously. The adjusted prices are an attempt to remove the effects of geographical shifts in land sold.

In 1991, this study reported that decreases in sales prices were observed in the northern and northwestern regions (1-4). This year the opposite is true. Sales prices in Regions 2, 3, and 4 increased more significantly than in any other area of the state.

The largest decreases occurred in Region 5 and the Twin Cities Metro Region 11. The decline in the seven-county metro area was largely due to the fact that there were no reported farm land sales in the first six months of 1992 for Dakota County, which had previously shown high sales prices relative to Scott and Carver Counties.

The southwestern section of the state showed a significant increase, while increases in the southeastern and south-central areas were more moderate. This lends further credence to the sales price "valley" phenomenon of 1992 discussed previously.

Table 7. Average Reported Sales Price per Acre of Farm Land by Economic Development Regions, Minnesota, 1975-1992

	Economic Development Regions													
Year	1	2	3	4	5	6W	6E	7W	7E	8	9	10	11	State
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
1992	514	341	267	699	245	817	1065	857	463	1210	1380	1141	1531	937
% Change of Unadjusted Prices 1991-1992														
	20	72	31	23	-42	-1	4	-4	-7	9	3	4	-13	5
Adjusted 1992 Prices														
	472	403	285	709	238	852	1123	856	625	1243	1350	1142	1534	983
% Change from 1991 Unadjusted to 1992 Adjusted Prices														
	11	104	40	25	-44	3	9	-5	26	12	1	5	-13	10

Table 8. Average Reported Sales Price per Acre for Farm Land, Greater Twin Cities Metropolitan Area and Sub-areas, 1974-1992

Year	Seven-County Metro	South Metro Fringe	North Metro Fringe	Greater T.C. Metro (14 counties)	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
1992	1531	1210	864	1204	937
% Change 1991-1992					
	-13	6	-30	-1	5

Farm Land Prices in The Greater Twin Cities Metropolitan Area

This study defines the Greater Twin Cities Metropolitan Area as the 14 counties which surround the counties of Hennepin and Ramsey. A detailed analysis of the region is enhanced by the creation of three sub-areas. The first sub-area contains Anoka, Carver, Dakota, Scott, and Washington Counties and is called the Twin Cities Metro Area. The next sub-area is the South Metro Fringe and is made up of Goodhue, Le Sueur, McLeod, Rice, and Sibley Counties. Finally, the North Metro Fringe consists of Chisago, Isanti, Sherburne, and Wright Counties. These areas are shown in Figure 5.

The results of the analysis are summarized in Table 8. The 1992 decline in the North Metro Fringe was due primarily to the lack of 1991 sales from Sherburne, Isanti, and Chisago Counties, artificially inflating the 1991 sales price for the sub-area. Sales prices were reported from these counties in 1992, and this dropped the average sales price to approximately the level prevailing in 1989 and 1990.

A similar situation occurred in the seven-county metro sub-area. There were no sales of farm land reported for Dakota County in 1992, which artificially deflated the 1992 metro area value relative to 1991. The absence of reported farm land sales in Dakota County in 1992 could be related to the well-publicized designation of a Dakota County "search area" for possible relocation of the Minneapolis-St. Paul airport. This may have inhibited land market activity in 1992.

Deflated Reported Sales Prices

A strong influence on the sales prices of farm land is the rate of inflation in the overall economy. One method of removing the effects of inflation is to deflate reported sales prices with the corresponding consumer price index (CPI) for the relevant time period. Using a base of 1982-84=100, the average CPI for the first six months of 1992 was 139. We can therefore remove the effects of inflation by dividing the 1992 average prices by 1.39. The results of deflating the prices for 1961 to 1992 in this manner are summarized in Table 9. The table shows a modest two percent increase in the real sales price of farm land from 1991 to 1992 for the state as a whole.

This is in contrast to real prices that stagnated from 1989 through 1991. The only districts to decline in real price were the Southeast and East Central, and there the declines were small. Real prices in the two northern districts tended to increase at a higher rate than in other districts in 1992.

Table 9. Average Price per Acre of Reported Farm Sales, Deflated by the CPI, by District, Minnesota, 1961-1992 (1982-84=100)

Year	South-east	South-west	West Central	East Central	North-west	North-east	Minnesota
1961	634	859	436	299	309	128	554
1962	649	758	467	252	245	99	533
1963	702	728	446	282	357	157	551
1964	689	757	485	278	337	168	576
1965	643	742	424	306	338	127	567
1966	786	807	509	351	320	96	630
1967	822	924	541	281	353	154	650
1968	919	956	541	302	262	137	674
1969	942	923	536	359	334	141	657
1970	901	885	536	367	294	117	633
1971	856	853	510	373	249	109	644
1972	937	882	535	349	258	183	706
1973	1021	943	513	409	276	280	685
1974	1243	1310	707	505	424	299	936
1975	1494	1592	930	564	666	300	1145
1976	1664	1982	1179	570	670	373	1306
1977	2030	2237	1184	745	721	331	1434
1978	2113	2064	1419	866	788	400	1531
1979	2369	2376	847	874	866	581	1612
1980	2276	2315	1374	747	941	489	1634
1981	2203	2248	1313	762	1030	541	1533
1982	1831	2117	1223	781	929	425	1424
1983	1489	1897	1082	688	720	332	1308
1984	1346	1610	1031	625	680	217	1226
1985	949	1106	816	478	538	208	807
1986	616	760	551	509	376	201	595
1987	552	671	438	381	299	149	496
1988	681	779	488	338	351	157	591
1989	763	874	504	331	375	154	663
1990	780	852	510	382	420	215	662
1991	824	898	530	364	339	116	659
1992	818	912	571	356	446	187	673
% Change 1991-1992	-1	2	8	-2	32	61	2

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