

1976 Farmland Market Study

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The annual North Dakota farmland market study reported a December, 1976, average value of land and buildings of \$325 per acre. This represents a 14 per cent increase over 1975 study results. Estimated average values of crop and pastureland are reported by State Economic Areas. Characteristics of buyers, sellers, and of the tracts sold were examined. Farm expansion continued as the dominant force in the North Dakota farmland market in 1976.

The average value of average quality North Dakota farmland and buildings rose to an estimated \$325 per acre by December, 1976. The increase in calendar year 1976 was about \$40 per acre, or about 14 per cent (see Table 1 and Figure 1). The increase of 14 per cent in the last year is still about double the rate of inflation, but down sharply for the estimated annual increases of about 40 per cent for each of the three years of 1973 through 1975.

Table 1 presents the estimated average values per acre for average quality farmland and buildings by the seven State Economic Areas (SEA's) and the state for 1976 and 1975, and the dollar and percentage changes. SEA's tend to represent similar agricultural land use patterns, and are identified in Figure 1.

These estimates are based on 113 reports from farm real estate brokers. The total number of reports varies from year to year, and also varies in number of reports in each SEA. The small number of reports prevents estimating any county average farmland values.

Table 1. Estimated Average Farmland Values in 1976 and 1975 and Changes Per Acre.

| State Economic Area | Estimated value in | | Dollar change | Percentage change |
|---------------------|--------------------|-------|---------------|-------------------|
| | 1976 | 1975 | | |
| Dollars Per Acre | | | | |
| 1 | \$225 | \$190 | 35 | 18 |
| 2A | 260 | 275 | — | — |
| 2B | 225 | 200 | 25 | 12 |
| 3A | 285 | 260 | 25 | 10 |
| 3B | 340 | 305 | 35 | 11 |
| 3C | 440 | 395 | 45 | 11 |
| 4 | 615 | 560 | 55 | 10 |
| State | 325 | 285 | 40 | 14 |

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The change in the estimated average value of average farmland and buildings per acre in the northwest (SEA 2A) indicates the problem of only a few reports and the changes in who reports from year to year.

It may be that the average was overstated in 1975, and possibly even understated in 1976. Our policy, nevertheless, has been to accept the estimates reported at face value and not to manipulate the information sent in. This policy may yield some anomalies from time to time, but accepts all estimates as sent in and as of equal importance in the study. Table 2 presents the average estimated value per acre for crop and pastureland by SEA's and for the state for the last three years. Both crop and pastureland average values per acre continued to increase in 1976, but at a slower rate than in present years.

Table 2. Estimated Crop and Pastureland Values Per Acre.

| State Economic Area | Cropland | | | Pastureland | | |
|---------------------|----------|-------|-------|-------------|-------|-------|
| | 1976 | 1975 | 1974 | 1976 | 1975 | 1974 |
| Dollars Per Acre | | | | | | |
| 1 | \$280 | \$240 | \$165 | \$145 | \$113 | \$108 |
| 2A | 320 | 285 | 200 | 150 | 210 | 110 |
| 2B | 260 | 215 | 165 | 170 | 143 | 100 |
| 3A | 350 | 330 | 240 | 170 | 135 | 105 |
| 3B | 400 | 315 | 280 | 195 | 179 | 145 |
| 3C | 445 | 445 | 360 | 250 | 230 | 165 |
| 4 | 675 | 585 | 500 | — | — | — |
| State | 375 | 331 | 250 | 180 | 160 | 120 |

Some smaller areas of the state had different changes than reported here, but the overall market reflected the exceptions reported in the 1975 survey. Many farmers have substantial wealth in savings and bank accounts, in addition to experiencing an appreciation in land values at about double the rate of inflation in 1976. Land values

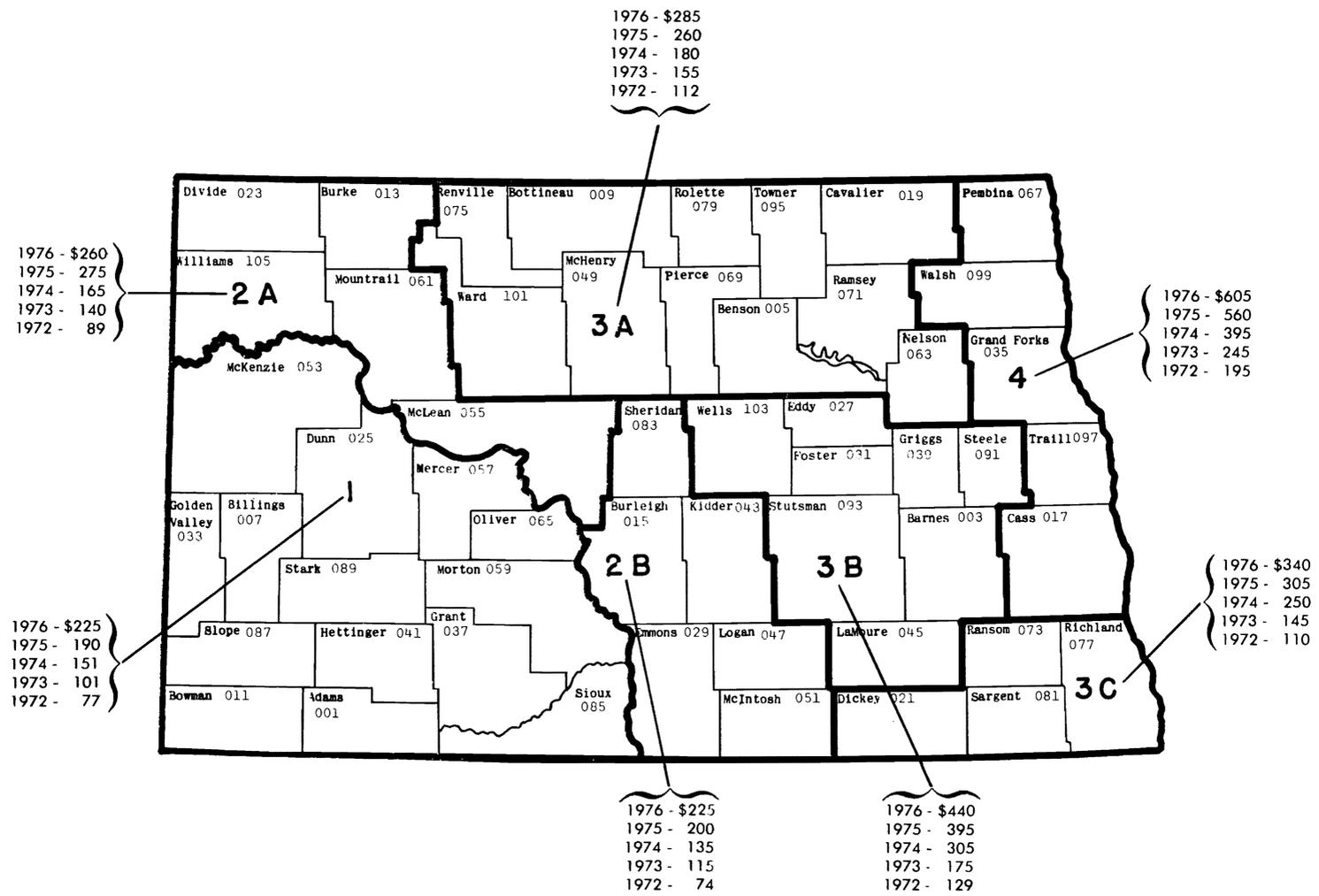


Figure 1. Estimated average value of farmland per acre. State: 1976-\$325, 1975-\$285, 1974-\$205, 1973-\$145, 1972-\$104.

have more than doubled in three years in some areas of the state giving owners substantial equity in land already owned. This has allowed them to continue to seek land with which to expand their farming units.

Reporters in this annual survey are asked to provide two types of information: (1) **estimates** of the general condition of the real estate market in their service areas for which 113 estimates were reported in 1976 and 108 in 1975, and (2) actual farm sales data. Sales tracts of less than 35 acres or those not intended for continued agricultural use were excluded from the study. Both the estimates and farm sales are aggregated by the seven SEA's, so no individual report will be revealed.

Estimates are felt to be more reliable than actual sales data for analyzing trends in farmland values over time. The reports on average crop and pastureland values per acre are averaged by counties and weighted by the average of land in farms in each county to obtain an average farmland value estimated for each SEA. The small number of reports prevents creating estimates of county values.

Slow Market Continues

North Dakota and the other northern plains states have tended to experience a slow rate of farm transfers. The rate is measured in terms of the number of farm transfers per 1,000 farms in a state. The rates for North Dakota are shown in Table 3. The rate of farm transfers for

the "48 states" was 58.3 in 1974, 47.8 in 1975, and 42.7 per 1,000 farms in 1976.

Farm title transfers per 1,000 farms in North Dakota due to estate settlements were reported as 7.2 in 1974, 5.0 in 1975, and 5.3 per 1,000 farms in 1976. These are included in the "All Other" category in Table 3.

Most reporters (54%) in the 1976 North Dakota study had about the same number of farms listed for sale in 1976 as they had in 1975. About 30 per cent reported fewer and 16 per cent reported having more farms listed for sale in 1976 than in 1975.

The reporters were asked the number of farms they sold in 1976 and 1975. One-fourth reporting farm sales said they had sold one farm in 1976, while 44 per cent had sold one farm in 1975. Of those reporting farm sales, 38 per cent sold two farms in 1976, 18 per cent sold three farms, and 19 per cent had sold four or more farms in 1976. The comparable figures for 1975 were 21 per cent who sold two farms, 21 per cent three farms, and 14 per cent had sold four or more farms in 1975.

1976 Sales Analyzed

The reader is cautioned that averages based on farm sales information can vary from year to year due to such things as the number and location of reporters, the quality of buildings and soils, the sizes of tracts sold and the motives attributed to the buyers and sellers. The 190 farm tracts reported sold in 1976 were not completely reported in all details. In addition, the number of sales reported for the southwest and the southeast were too few in number to be reported by areas.

The 190 farm tracts averaged 314 acres in size and sold for an average of \$383 per acre. The 175 sales reported in the 1975 survey had averaged 329 acres in size and sold for an average of \$323 per acre. The reader is cautioned not to apply to any individual farm the averages of this report, which offers information about the 1976 North Dakota farm sales.

Most farm tracts sold in North Dakota are "bare" tracts, without buildings. In 1976, about 62 per cent of the tracts were bare and as a group included 46 per cent of the acreage transferred with an average size of 232 acres and sold at an average price of \$380 per acre. Only 8 per cent of the tracts sold had good quality buildings. Tracts with good quality buildings averaged 718 acres in size and sold for an average of \$418 per acre. The 17 per cent of the sale tracts rated as having average quality buildings had an average size of 392 acres and averaged \$376 per acre. The remaining 12 per cent of the tracts were reported to have

Table 3. Estimated Number of Farm Title Transfers Per 1,000 Farms by Method of Transfer, Year Ending March 1, 1966-75 and February 1, 1976, North Dakota.

| Year | Voluntary sales | Forced sales ¹ | All other ² | Total all classes |
|------|-----------------|---------------------------|------------------------|-------------------|
| 1976 | 20.2 | 1.0 | 10.6 | 31.9 |
| 1975 | 20.8 | — | 9.7 | 30.5 |
| 1974 | 24.0 | 0.3 | 10.0 | 34.3 |
| 1973 | 26.3 | 0.3 | 10.3 | 36.9 |
| 1972 | 23.6 | 1.6 | 12.1 | 37.3 |
| 1971 | 17.6 | 1.2 | 14.1 | 32.9 |
| 1970 | 21.1 | 0.4 | 13.3 | 34.8 |
| 1969 | 19.4 | 1.4 | 13.0 | 33.8 |
| 1968 | 25.2 | 0.6 | 11.2 | 37.0 |
| 1967 | 22.9 | 0.3 | 11.2 | 34.7 |
| 1966 | 19.5 | 2.5 | 12.6 | 34.6 |

¹Forced sales include foreclosures, tax sales, etc.

²Includes inheritance, gift, and all other transfers.

Source: Annual estimates, published in "Current Farm Real Estate Market Development," U.S. Department of Agriculture.

poor quality buildings and sold for an average price of \$370 per acre. The bare tracts were much smaller on the average than those with buildings, but sold for about the same price per acre as those tracts rated as having average or poor quality buildings.

The reporters were asked to rate the quality of the land in each of the tracts sold. One-third of the tracts were said to have good quality land and averaged 291 acres, with an average sales price of \$529 an acre. Most tracts (57 per cent) were given the average land quality rating and sold for an average of \$346 per acre. Ten per cent of the tracts had poor quality land and sold for an average of \$219 per acre.

Examining the sales information for bare land and those with good quality buildings further shows a strong price differential for soil quality. Bare tracts rated with good quality soils averaged \$520 per acre, average quality soils sold for \$325 on the average, and those with poorer quality soils averaged \$225 an acre. Tracts with good quality buildings and good quality soil averaged \$797 per acre, those with average soils \$319 an acre, and those with the poorer soils went for less than \$200 per acre.

The method of financing the farm tracts purchased is reported in Table 4. Tracts financed by the contract for deed averaged 344 acres in size and \$415 an acre. Cash purchases as a group were smaller at an average of 272 acres and at an average sales price of \$317 per acre. The mortgage-financed tracts averaged 297 acres in size and \$394 per acre in price.

Table 4. Per Cent of Farm Sales by Method of Finance.

| Method of finance | State averages for sales of | | | | 1972 |
|-------------------|-----------------------------|------|------|------|------|
| | 1976 | 1975 | 1974 | 1973 | |
| | Per Cent of Sales | | | | |
| Cash | 26 | 37 | 27 | 30 | 32 |
| Mortgage | 30 | 26 | 22 | 20 | 20 |
| Contract for deed | 44 | 37 | 51 | 50 | 48 |

The seller continues to be the most important source of finance in the farmland market. Sellers as a group financed about 44 per cent of the sales, which included 40 per cent of the acreage reported sold in 1976. The Federal Land Bank associations were reported to have financed 29 per cent of the sales, the Farmers Home Administration 13 per cent, and other individuals and commercial banks each about 3.6 per cent of the sales.

Farm real estate brokers usually handle sales where the buyer and seller are not related. In the report for the 1976 market, only 8.6 per cent of the buyers and sellers were related. These sales involved 6.3 per cent of the acreage sold, so the average size was only 229 acres.

Summarizing the sales information according to the buyers provides some insights in the operation of the 1976 farmland market. About 62 per cent of the buyers were already landowners and another 29 per cent were renting land when they purchased land in 1976. Nine per cent of the buyers were in nonfarm occupations. About 84 per cent of the buyers lived in the county where the tract purchased was located and 12 per cent lived in a nearby county. Table 5 presents information on the age groups of the land buyers. The average age reported for all buyers was 40 years, which is about the same average as the 39.6 years reported for the 1975 market.

Table 5. Per Cent of Sales By Age of Buyers.

| Age Groups | 1976 | 1975 | 1974 | 1973 |
|-------------|----------|------|------|------|
| Years | Per Cent | | | |
| Under 25 | 7 | 14 | 2 | 3 |
| 25-34 | 25 | 18 | 16 | 23 |
| 35-44 | 28 | 29 | 32 | 40 |
| 45-54 | 29 | 27 | 37 | 21 |
| 55 and over | 11 | 12 | 13 | 13 |

Active farmers sold 35 per cent of the tracts involving 43 per cent of the acreage reported sold in 1976. Retired farmers sold 24 per cent of the tracts with 18 per cent of the acreage. Estates accounted for 11 per cent of the tracts and nearly 10 per cent of the land sold in 1976. So-called absentee owners sold 26 per cent of the tracts with 21 per cent of the acreage. The most commonly listed reasons for sale were health or retirement, changing occupations, reduced size of operations, the good price offered, and exchanging for another tract. The average age of seller was 60 years, with their age distribution shown in Table 6.

Table 6. Per Cent of Sales By Age of Sellers.

| Age Groups | 1976 | 1975 | 1974 | 1973 |
|-------------|----------|------|------|------|
| Years | Per Cent | | | |
| Under 35 | 4 | 6 | 4 | 3 |
| 35-44 | 13 | 5 | 12 | 11 |
| 45-54 | 15 | 22 | 8 | 21 |
| 55-64 | 19 | 21 | 21 | 26 |
| 65-74 | 35 | 35 | 40 | 29 |
| 75 and over | 14 | 11 | 15 | 10 |

Land Use Before and After Sale

The major buyers of the farm tracts were farmers expanding their farm units and farmers getting started in farming, as shown in Table 7. Purchases for industrial uses (for example, coal conversion plants) and other clearly nonagricultural uses were removed from this study. Rural homes with attached farmland and farm tracts operated by part-time farmers were kept in the study. The dominant force in the farmland market continues to be farm expansion, accounting for 85 per cent of all tracts purchased.

Examining the uses of the sale tracts before and after transfer highlights the importance of the expansion buyer. Before sale, 36 per cent of the tracts with 48 per cent of the acreage reported sold in 1976 were operating as separate, independent farm units. About 61 per cent of the tracts with one-half of the acreage had been operated as part of another ongoing farm unit. The other groups of rural homes, part-time farms and miscellaneous uses accounted for 3.4 per cent of the tracts and 2.3 per cent of the land entering the farmland market.

Classification of the uses of tracts after sale is shown in Table 7. Nearly 85 per cent of the tracts with 73 per cent of the acreage were purchased by expansion-minded buyers, and only 12 per cent of the tracts with 24 per cent of the acreage were purchased to be operated as separate, independent farms. Almost 3 per cent of the tracts with 3.25 per cent of the acreage were bought for rural residences and part-time farms.

Tracts to be operated as separate, independent farms after sale averaged 627 acres in size and cost an average of \$249 per acre or \$156,174 per unit. Two-thirds of the tracts had good or average quality buildings and one-third consisted of bare land. Most of these tracts had average quality land, with one-fourth having good quality land. Most of these tracts (57 per cent) had been operated as independent farm units before sale, and 38 per cent had been parts of another farm unit before sale.

The average size of the tracts purchased by expansion buyers was 283 acres, with an average sales price of \$447 per acre, or an average of \$126,635 per tract. One-third of these tracts had been operated as independent farms before sale and two-thirds had been parts of another farm before transfer.

A Look At the Last 10 Years

A review of the changes in farmland values for the period 1967 to 1976 provides some perspective on recent changes. The USDA index numbers for the current dollar values per acre for North Dakota and the "48 states" farmland are listed by their March 1 (1967 = 100) and November 1 reporting dates:

| Year | North Dakota | | 48 States | |
|------|--------------|--------|-----------|--------|
| | Mar. 1 | Nov. 1 | Mar. 1 | Nov. 1 |
| 1976 | 310 | 332 | 244 | 269 |
| 1975 | 265 | 290 | 214 | 230 |
| 1974 | 193 | 229 | 187 | 205 |
| 1973 | 142 | 168 | 150 | 170 |
| 1972 | 127 | 134 | 132 | 141 |
| 1971 | 122 | 125 | 122 | 127 |
| 1970 | 120 | 121 | 117 | 120 |
| 1969 | 117 | 121 | 113 | 116 |
| 1968 | 108 | 113 | 107 | 111 |
| 1967 | 100 | 105 | 100 | 105 |

Relatively small annual increases in farmland values can be seen for the period 1967 through 1972 in North Dakota. The USDA index shows large increases in the years 1973, 1974 and 1975, and a 14 per cent increase for the period November, 1975, to November, 1976.

The reporters in the North Dakota survey reported somewhat larger increases in 1973 (39 per cent), 1974 (41 per cent), and 1975 (39 per cent), and the same increase in 1976 (14 per cent).

One result is that the November estimates in dollar values per acre differ between those reported in the USDA studies and this study. Different reporters, numbers of reporters and study procedures probably account for the variation. The per-acre dollar value estimates of the North Da-

Table 7. Per Cent of Sales By Type of Buyers, With Averages For 1976 By State Economic Areas (SEA's).

| Type of buyer | State averages by year | | | | | 1976 sales by SEA's | | | | | | |
|-----------------|------------------------|------|------|------|------|---------------------|----|----|----|----|----|----|
| | 1976 | 1975 | 1974 | 1973 | 1972 | 1 | 2A | 2B | 3A | 3B | 3C | 4 |
| | Per Cent | | | | | Per Cent of Sales | | | | | | |
| Single farm | 12 | 5 | 13 | 14 | 10 | 50 | 14 | 23 | 0 | 27 | 8 | 5 |
| Expansion buyer | 85 | 87 | 82 | 76 | 81 | 50 | 86 | 71 | 96 | 73 | 75 | 95 |
| Other buyer | 3 | 8 | 5 | 10 | 9 | 0 | 0 | 6 | 4 | 0 | 17 | 0 |

kota studies are shown in Figure 1 for the last five years. The November 1 USDA reported or calculated dollar per acre value estimates are: 1972-\$104, 1973-\$131, 1974-\$179, 1975-\$227, and 1976-\$260. One other source of an estimated average value of farmland and buildings is the preliminary report of \$196 per acre for the end of 1974 in the U.S. Department of Commerce, Bureau of Census, **1974 Census of Agriculture**. Both the USDA study and this effort agree on the direction of North Dakota farmland increases, but the figures reported in this study have been generally higher each year.

What's Ahead

The major factors affecting the 1976 farmland market were grain and livestock prices, drought, commodity prices, need to expand, the availability of land and its cost, inflation, return on investment

and the availability of credit. Land is the hedge against inflation that many farmers know best.

Sellers were concerned with the high prices of land, retirement, health or age, the poor return on investment, need to settle an estate, crop prices, increasing operating costs and inflation. The factors reported by buyers as important were the prices of grain and livestock, need to expand farming unit, drought, returns on other investments and inflation.

Most reporters (46 per cent) expect land prices in their service areas to be about the same in 1977 as in 1976. About 30 per cent expected some declines and 25 per cent expected prices to be up by 5 per cent or more in 1977. Land value increases can be expected to equal or surpass the rate of inflation, unless the drought or grain and livestock prices continue most adversely.

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directly depend on agriculture for their jobs as they produce the machinery, equipment and supplies that serve agriculture, or haul agricultural products to market and process them to food for the grocery shelf, or serve in the financing and marketing structure for agriculture. On-farm producers and "agribusiness" in total is big business on which the consumers of America depend for food and fiber.

Farmers and all of us in agriculture need to "tell our story," educate the urban folks, speak out to protect our interests, and in general do a lot better job of "selling and informing" other folks than we have done in the past. We can't be satisfied with mostly negative publicity like "the oranges froze and the juice price is up," or "somebody sold out to the Russians in the grain deal" and the price of bread is up. Rather, we need to publicize that wheat is plentiful and cheap just now, but anyway there is only 3-5¢ worth of wheat in a loaf of bread. The wheat could be free and it would not change the price of a loaf of bread much. We need to talk about the huge quantities of high quality, highly nutritious, safe-to-eat food-stuffs that farmers produce for the American people—the food that is available to buy at a small proportion of our total income.

We need to tell our story much better. Start by telling your friends and relatives in the city what farming is all about. Tell them about all the costs that go into producing a field of wheat, and that these costs have gone up since wheat declined from \$5/bushel to \$2.50 a bushel! Don't tell it just to your neighbor or your wife, but tell it to the business people downtown, and to the city folks

you know. And, of course, don't forget to thank them for their inputs to agriculture, as we are all interdependent in this country of ours.

If you don't have all the "facts" to "tell about agriculture," see your county agent or write, call or visit NDSU for pertinent materials.

OR, BETTER YET, get acquainted with the **Agriculture Council of America**¹, a farmers' organization formed to "tell the city folks about agriculture" and to bring some city folks to the farm for visits or vacations to see the farm firsthand. Also, agricultural scientists and many others interested in promoting and telling about agriculture have organized in the **Council for Agricultural Science and Technology**² to explain, promote and defend agriculture to the general public, the Congress, and all people or agencies who need to understand the facts about agriculture and its contribution to the nation.

And the ladies are "into the act" with an organization called **WIFE**, "Women Involved in Farm Economics." They recently got good publicity and reaction with the "best testimony" before a Congressional hearing committee.

Remember, tell people about agriculture. Tell it like it is, but communicate!

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