

Land Market Activity in North Dakota¹

Last Quarter, 1940 - Third Quarter, 1944

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THE welfare of agriculture, as well as the general welfare of North Dakota, is influenced very materially by land prices. Much of the distress and insecurity of the past quarter century was the result of inflated land prices. Farmers have had the experience of a "bust" as well as a "boom" in the land market. Following the severe drought and depression, land prices reached exceptionally low levels. At the present time, crop yields and war-time prices are making record returns on land. This war-time income must be viewed carefully if warranted land values are not to be over estimated. The critical period in the land market may be reached during the next year or two or as after World War I, in the early post-war years.

The purpose of this article is to show the recent trends in the land market in North Dakota as indicated by studies in Morton, Stutsman, Traill and Ward Counties. The long-time return of a farm is the major factor in determining its value, although such information as who has been selling land, who has been buying, was land purchased to operate or to lease, what people have been paying and how are they financing sales should also aid prospective purchasers to better understand the market.

The price per acre of farm real estate in the United States during this war has risen at about the same rate as it did in the corresponding period of World War I. In North Dakota, prices before and during World War I were on a gradual increase, but before World War II, prices were declining and continued to do so until about 1941. Since 1941, the rate of increase, although from a much lower base, is somewhat similar to the comparable period of World War I. Farm real estate prices in North Dakota declined approximately 64 percent from the peak in 1920 to the low of 1940 and 1941. Since 1941, land prices have risen steadily, and although the increases are from a low level, they are very significant.

The price of land in an area is extremely difficult to determine be-

cause there is no central market, no market grades, and prices are dependent upon the title as well as the quality and many other factors. Changes in land prices are even more difficult to determine, but one method often used is to compare the changes in average prices of recorded sales upon which full consideration is given. In Morton County, such an average indicates that land prices increased 31 percent between 1941 and 1942, an additional 25 percent in 1943 and another 12 percent in the first 9 months of 1944 (table 1). In Stutsman County, the average price increased 38 percent between 1941 and 1942, made no change in 1943 and increased 33 percent in the first three quarters of 1944. In Ward County, the increases were 3 percent, 20 percent and 51 percent, or a total of 74 percent over

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**Table I. Average Price Per Acre of All Sales With Full Consideration
1940-44**

Year and Quarter		Morton Dollars	Stutsman Dollars	Traill Dollars	Ward Dollars
1940	4th	6.28	5.85	26.14	11.83
1941	1st	5.79	5.36	25.11	6.39
	2d	5.54	4.99	26.30	8.58
	3d	5.36	7.18	27.98	10.77
	4th	5.84	6.09	25.48	7.64
	Average	5.71	6.08	26.43	7.56
1942	1st	8.10	6.80	30.72	8.11
	2d	6.12	8.32	27.58	7.09
	3d	4.58	10.29	25.96	9.96
	4th	7.89	9.15	31.38	7.37
	Average	7.46	8.41	31.88	7.75
1943	1st	7.66	7.83	26.90	8.14
	2d	9.60	8.07	25.86	9.53
	3d	9.37	9.83	27.52	10.40
	4th	9.03	7.96	35.75	9.34
	Average	8.90	8.37	30.39	9.31
1944	1st	8.94	10.50	35.34	13.82
	2d	10.03	10.26	38.19	12.52
	3d	10.98	10.40	28.76	12.97
	Average	9.59	10.41	33.01	13.16

1941. It appears that the average prices in the three counties in 1944 are approximately 70 percent over 1941 levels. Land prices in Traill County increased approximately 37 percent in the first half of 1944. Land values did not go as low as in the above counties, and there has been practically no county-owned land to sell.

The average price of county-owned land sold has been decreasing largely because of the decrease in the quality of this land. The proportion of these low-priced sales has been decreasing while the price and proportion of privately-owned land has been increasing. This tends to accentuate the increases in the average price per acre. Since no adjustment is available for the changes in the quality of the land, these averages should only be considered as approximate.

The volume of voluntary transfers in the four sample counties increased from 824 in 1941 to 957 in 1942, and to 1548 in 1943. These were increases of 16 percent and 88 percent over 1941 levels. The peak volume on a quarterly basis was reached in the fourth quarter of 1943, when 581 tracts were sold. Since the peak in 1943, the volume

has decreased constantly, and only 127 tracts were sold in the third quarter of 1944 (figure 1). In 1941, 4.3 percent of the land in farms was sold compared with 5.6 percent in 1942 and 9.1 percent in 1943.

There is a definite seasonality in land sales. There are more sales in the winter than in the summer. Much of this is due to the fact that buyers, particularly farmer buyers, have a large part of their yearly income after harvest; they have more time to complete purchases; and places purchased through the winter usually include the right to occupy the farm the next crop year.

The peak in the recorded number of individual sales, including estates, was reached in the first quarter of 1944, while the peaks in state and county sales, combined and corporate, was reached one quarter earlier. It is thought, however, that the larger number of corporate sales was in 1942. But because many of the corporate sales were by unrecorded contracts for deed, the actual volume did not appear in the records.

The proportion of individual sales, including estates, changed relatively little from 1940 to the end of 1943.

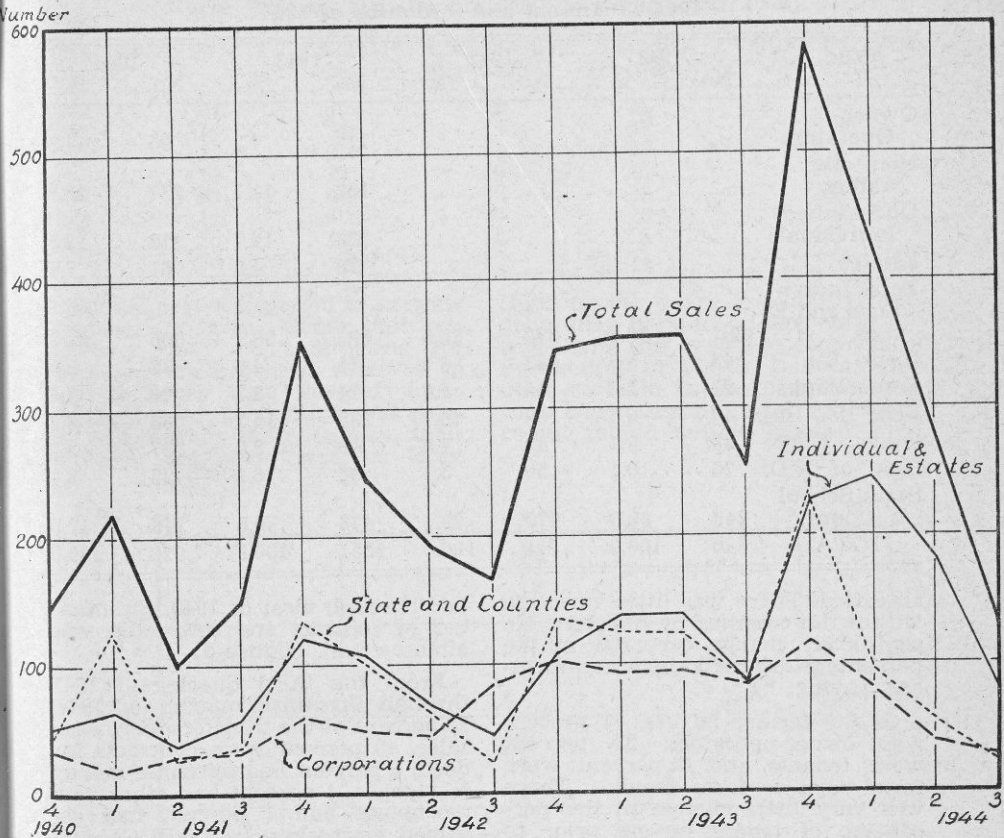


Figure 1.—Total voluntary sales and types of sellers by quarters in four selected counties, North Dakota 4th quarter 1940—3rd quarter 1944

Since 1943, the proportion of individual sales has increased from 38 percent to 60 percent of the total. State and county sales combined have varied considerably from quarter to quarter, but showed little change in the trend prior to 1944. Since the last quarter of 1943, state and county sales have decreased from 40 percent to 18 percent of the total. The proportion of corporate sales increased up to the third quarter of 1942 and have tended to decrease since. In the third quarter of 1944, corporate sales represented 22 percent of the total.

Individual non-operator sellers account for a large part of the increase in individual sales between 1943 and 1944. They have increased from

12 percent of the total in 1943 to 29 percent in 1944. Owner-operators who sold about 7 percent of the tracts in 1943 have sold approximately 12 percent so far in 1944. The proportion of estate sales in the same period has increased from 5 to 7 percent (table 2). Of the owner-operators selling in 1943 and so far in 1944, about four-fifths have sold a portion of their holdings and are still farming, about 15 percent have retired and 6 percent have gone into other work.

Farmers have bought 85 percent of the land sold since the last quarter of 1942. In Morton and Ward Counties, 90 percent of the buyers were farmers, and in Stutsman and Traill Counties, about 80 percent were so

Table 2. Type of Sellers in the Four Selected Counties, North Dakota, 1941-43 Annual and 9 Months of 1944

Type	1941		1942		1943		1944	
	No.	%	No.	%	No.	%	No.	%
Owner-Operators					113	7.2	95	11.5
Non-operators					182	11.7	237	28.6
Unclassified Individuals					228	14.7	112	13.5
Estates					70	4.5	61	7.4
Total Individuals and Estates	281	38.0	329	35.5	593	38.1	505	61.0
Insur. Co.	43	5.8	83	8.9	71	4.6	32	3.9
Com. Banks	21	2.8	55	5.9	34	2.2	20	2.4
Fed. Ld. Bnk.	49	6.6	99	10.7	235	15.2	68	8.2
Other. Corp.	23	3.1	42	4.5	49	3.2	27	3.2
Bnk. of N.D.	75	10.1	50	5.4	96	6.2	28	3.4
State School & County	248	33.6	270	29.1	473	30.5	148	17.9
TOTAL	740	100.0	928	100.0	1551	100.0	928	100.0

classified. There was little variation within the counties by quarters. No significant change occurred in the percentage of individual non-farmers buying.

Of the farmer buyers, 71 percent were owner-operators, 23 percent were tenants and 6 percent were farm boys or farm hands. There was very little change in the percentage of tenant buyers prior to 1944, but since that time, there has been a marked decrease in tenant buyers and a corresponding increase in the percent of owner-operator buyers. In the third quarter of 1944, only 13 percent of the farmer buyers were tenants and 85 percent were owner-operators (table 3).

Over the two-year period, tenants in Stutsman and Traill Counties purchased approximately 30 percent of the tracts, and in Morton and Ward Counties about 20 percent.

Cash sales have increased from 23 percent in the third quarter of 1942 to an average of 60 percent through 1944. Mortgage sales, which averaged about 10 percent of the sales, have changed only slightly, thus the variation has been in the contracts for deed and cash sales, which have varied inversely. Contracts for deed have decreased from 64 percent to 33 percent of the to-

tal. Through most of 1943, the number of contract and cash sales was almost equal. (figure 2)

From the third quarter of 1942 through the third quarter of 1944, 50 percent of the transfers were cash sales, 40 percent were contracts for deed, 5 percent had purchase money mortgages, 4 percent had other new mortgages and 1 percent had assumed mortgages. In Traill County, the percentage of cash sales is similar to that of the other counties, but contracts for deed account for only 11 percent and mortgages 38 percent.

The largest acreage of distress transfers was in 1941 when 3.3 percent of the land in farms was foreclosed, assigned to creditors or taken by tax deed, compared with 2.3 percent in 1942 and 0.76 in 1943. From the last quarter of 1940 to the third quarter 1944 inclusive, distress transfers represented 8.3 percent of all land in farms. Most of the land that was foreclosed by creditors has now been resold, as was a large part of the tax deed land, however, counties still own a sizeable acreage, but it is generally of very poor quality.

Many farmers of North Dakota have bought war bonds, reduced debts, or otherwise set aside reserves for later use. These farmers will

Table 3. Classification of Farmer Buyers in Four Selected Counties, North Dakota, 4th Quarter 1942 to 3d Quarter 1944

Year and Quarter	Total No.	Owner-Oper. (Percent)	Tenants (Percent)	Other Farmers (Percent)
1942 4th	309	59	24	17
1943 1st	238	71	23	6
2d	215	71	23	6
3d	121	69	25	6
4th	447	75	23	2
1944 1st	309	67	29	4
2d	192	80	18	2
3d	96	85	13	2

enter the post-war period in a strong financial position. Some farmers, however, may be contracting for farms or risking cash reserves in land in hopes that several more years of good production and prices will enable them to pay their debts or set aside reserves later.

High-income years are limited and debts may have to be paid with income from bad as well as good years. Production in North Dakota has been variable in the past, and the risks and uncertainties of future incomes should not be ignored.

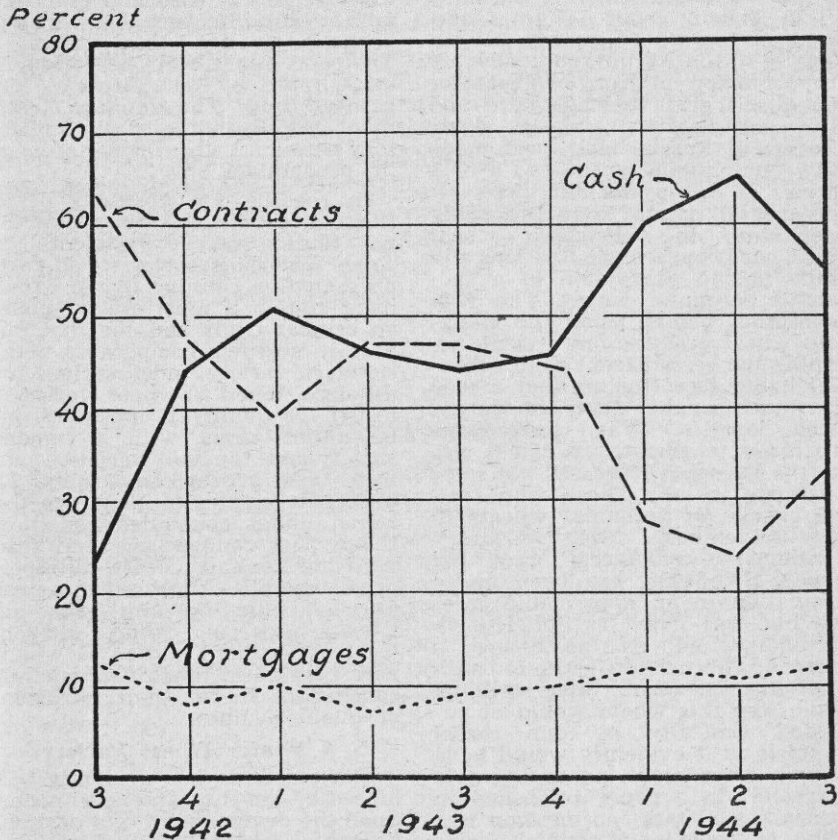


Figure 2.—Type of financing of sales by quarters in four selected counties, North Dakota. 3rd quarter 1942—3rd quarter 1943.