

SOME FARMLAND VALUE

INCREASE APPARENT IN 1971

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Farmland values in 1971 in North Dakota have increased by about 1.5 percent or \$1.50 per acre for the entire state. This change is smaller than figures reported for the United States as a whole, but comparable with reports from neighboring states. Some evidence exists that most of the change occurred in the latter half of the year, reflecting changes in the farm mortgage market.

Estimates by our North Dakota reporters indicate that pastureland increased in value in all parts of the state in 1971. Cropland values do not appear to have increased much over the state and least in the higher-valued east and southeast areas of the state.

The overall farmland value picture obtained from the 1971 and previous annual surveys are shown in Figure 1. Estimates reported are not modified by the Department of Agricultural Economics, so some fluctuations are induced by how reporters feel when they make out their annual estimates. Overall, the average value of all farmland in each area has not changed much in the past three years compared to the substantial increases over the previous 26 years when land values rose 4 to 6 percent a year (except for 1950, 1954 and 1961).

The 1971 report is based on 141 general estimates of the farmland market and on detailed information reported for 221 farm sales. Few estimates and sales were reported in the northwest area 2A. Reporters in this annual survey are asked to provide two types of information, general esti-

mates of their local farmland market condition, and actual **sales data**.

Estimates of their local farmland market conditions show the current average market value for **all** farmland for typical non-irrigated farms in their locality. Reporters also are asked to provide estimates for pasture or grazing land and cropland. Estimates are averaged by counties and weighted by the amount of land in farms in each county to obtain area average land values.

Sales data on farms sold in the reporter's locality include sales prices, sources of financing and characteristics of the sales tracts, buyers and sellers.

Since the size and quality of sales tracts and the motives of buyers and sellers can vary widely from year to year, the **estimates** of farmland value are more reliable for analyzing value trends over time, while **sales data** provide information on characteristics of recent farm sales.

Low Numbers of Farm Transfers

The number of farm transfers per thousand farms in North Dakota continues at a low level (Table 1). The trend has been for a fairly slow market in recent years.

About 73 percent of the reporters indicated no change from the 1970 year in number of farms listed for sale, while 16 percent indicated more and 12 percent had less farms listed for sale in 1971 compared to the previous year.

Analysis of Farm Sales

The sales information reported shows the general situation of the 1971 farmland market, with comparisons to previous years. These aver-

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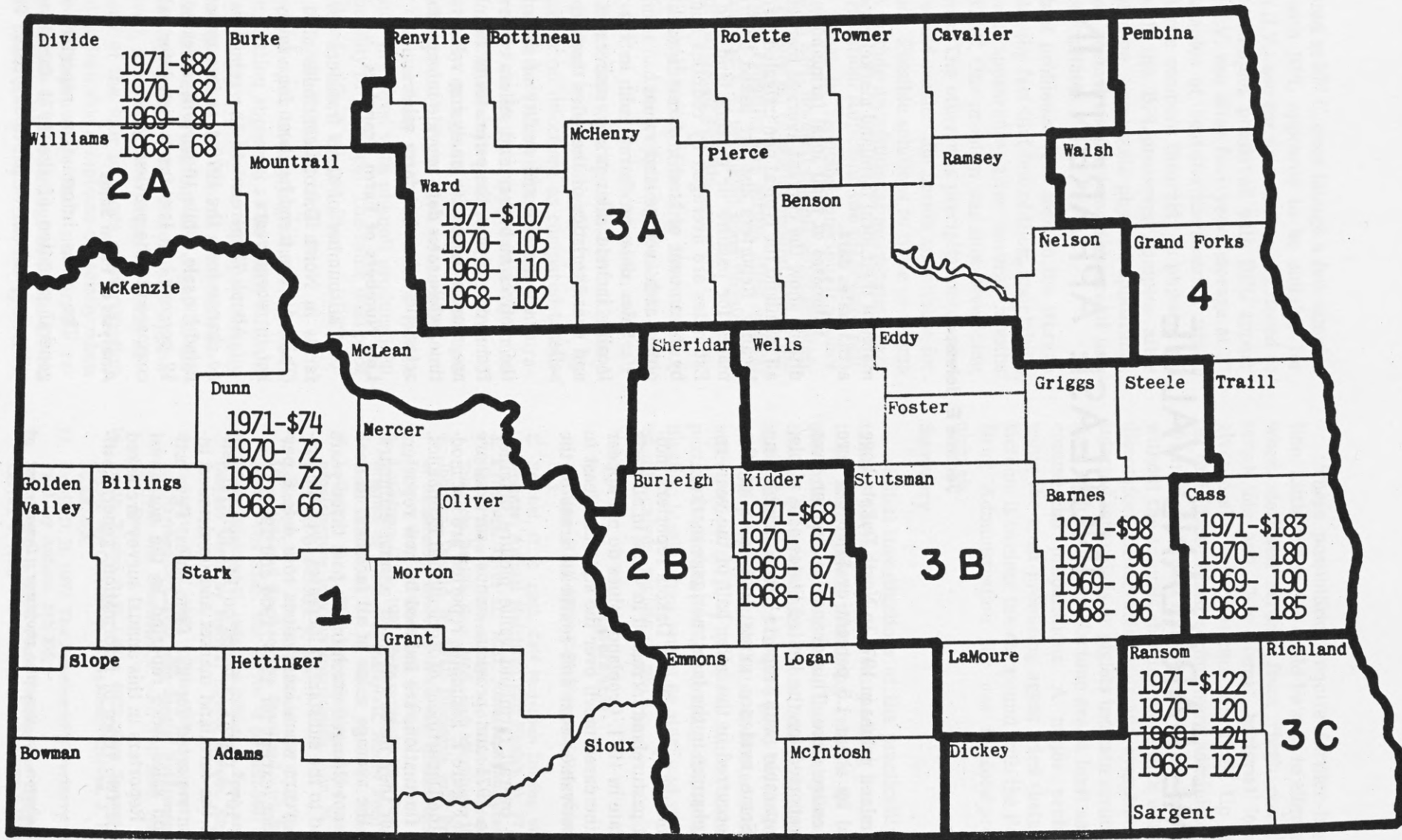


Figure 1. Estimated average value of farmland per acre. State: 1971-\$95.50, 1970-\$94, 1969-\$94, 1968-\$90, per acre.

Table 1. Estimated number of farm title transfers per 1,000 farms by method of transfer, year ending March 1, North Dakota, 1960-1971.

Year	Voluntary Sales	Forced Sales ¹	All Other ²	Total All Classes
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
1965	18.2	1.4	12.3	31.9
1964	20.6	0.7	11.2	32.5
1963	23.5	0.4	12.6	36.5
1962	18.4	2.0	17.3	37.7
1961	20.1	0.5	16.7	37.3
1960	24.0	1.8	14.4	40.2

¹Forced sales include foreclosures, tax sales, etc.

²Includes inheritance, gift, and all other transfers.

SOURCE: Annual March estimates, published in "Current Farm Real Estate Market Developments," U.S. Department of Agriculture.

ages should not be considered applicable to any individual farm whose value will reflect many local demand and supply conditions. Another consideration is that farm sales in any one year often vary from other years due to the peculiar characteristics of the sale tracts involved.

Just over half of the sale tracts reported in the 1971 survey were bare or without buildings, while 11 percent had "good" buildings, 16 percent had average buildings and 19 percent reportedly had poor quality buildings. Bare tracts averaged only 216 acres in size, while tracts with good quality buildings averaged 605 acres, those with average buildings had a mean size of 507 acres, and tracts with poor buildings averaged 407 acres.

For the state as a whole, 41 percent of the tracts had good quality land, 48 percent were average and only 12 percent were reported to have poor quality land. Tracts with good quality land averaged 318 acres in size, while those classified by the reporters as average or poor had a mean size of 355 acres.

About 10 percent of the sales tracts were under 160 acres in size, one-third were of 160 acres, 15 percent contained 320 acres and 9 percent were more than a section in size. The larger tracts

were more common in the southwest and northwest areas.

How Sales Were Financed

About 69 percent of the farm sales reported in 1971 were credit financed (Table 2). The proportion of cash sales varies greatly over the years, perhaps reflecting the competition for loan funds and the prevailing interest rate.

Table 2. Percent of farm sales by method of finance.

Method of finance	State averages for sales					
	1966	1967	1968	1969	1970	1971
	Percent					
Cash	17	28	44	19	39	31
Mortgage	40	31	18	35	19	25
Contract for deed	43	41	38	46	42	44

The continued importance of the contract for deed is shown in Table 2. It is still the most frequently used method of farm financing in North Dakota, and its strength reflects the importance of the seller and other individuals in the North Dakota farm credit system. The seller and other individuals helped finance about half of the farm sales reported in 1971, and Federal Land Bank Associations and the Farmers Home Administration each financed about 15 per cent of the tracts. Insurance companies have financed few of the transactions reported in the last three years.

Cash transactions averaged 224 acres, mortgage-financed sales had a mean size of 421 acres, while contract for deed transfers averaged 386 acres.

Why Tracts Were Purchased

Farm expansion continues to be the strongest force affecting farm buyers (Table 3). A study of the use of the sale tracts before and after sale yields some insights to current changes in the North Dakota farm scene.

Before sale, 39 percent of the sale tracts with 56 percent of the land being transferred had been used as separate independent farm units. About 52

Table 3. Percent of sales by type of buyer for 1966-1971, with averages for 1971 SEAs.

	State averages by years					1971 sales by State Economic Areas						
	1967	1968	1969	1970	1971	1	2A	2B	3A	3B	3C	4
	Percent					Percent						
Single farm	21	21	24	18	22	10	45	22	24	8	43	17
Expansion buyer	77	71	69	74	70	82	37	67	71	88	46	81
Other buyer	2	8	7	8	8	8	18	11	5	4	11	2

percent of the tracts with 39 percent of the land were parts of another farm before sale, 6 percent had been used as part-time farms and 2 percent were in other uses before sale. The sale tracts used as independent farm units before sale averaged 482 acres in size, while the tracts which were parts of another farm averaged 256 acres.

After transfer, only 22 percent of the tracts with 30 percent of the acreage sold were destined to be operated as separate, independent farm units. Their average size of 455 acres was smaller than the independently-operated tracts which had entered the market, while tracts which became parts of another farm averaged 323 acres after sale. About 70 percent of the tracts transferred 67 percent of the acreage sold and were destined to join existing farm units, which reflects the strong farm expansion demand. Seven percent of the tracts with only four percent of the acreage went to miscellaneous uses after sale.

The figures reveal that tracts to be operated as separate independent farms after sale consisted of 26 percent of the tracts operated as separate farms before sale, plus 26 percent of the tracts which were formerly parts of other farms. Seventy percent of the tracts which were formerly parts of another farm were joined by 70 percent of the tracts formerly operated as separate farm units to make up the great numbers of sale tracts which went to expansion-oriented farmers.

The average age of all farm buyers reported in the 1971 survey was 42 years, with their age distribution given in Table 4. About 27 percent of the buyers were under 35 years of age, and about 60 percent were between 35 and 55 years of age.

Table 4. Percent of sale tracts by age of buyers

Year	Percent
under 25	3
25-34	24
35-44	30
45-54	30
55-64	10
65 & over	3

The average age of all farm tract sellers reported in 1971 was 59 years, with their age distribution presented in Table 5. About 17 percent were under 45 years of age, while 12 percent were 75 years and over. The largest age group of sellers (35%) was from 65 to 74 years old, with 21 percent in the 45- to 54-year bracket and 15 percent in the 55- to 64-year age category.

Table 5. Percent of sale tracts by age of sellers

Year	Percent
under 35	6
35-44	11
45-54	21
55-64	15
65-74	35
75 & over	12

Other information gathered in the 1971 survey shows that only 6.3 percent of the buyers and sellers were related, with about the same average size of tract acquired by related and non-related buyers. About 23 percent of the tract buyers had been farm renters, while over 65 percent were farm owners, and 3 percent were in non-farm occupations. Just over 94 percent of the buyers were residents of the county in which the sale tract was located or in a nearby county, while nearly 4 percent came from another state.

Active farmers sold 40 percent of the tracts with 50 percent of the land reported in the 1971 survey. Retired farmers sold 21 percent of the sale units, absentee owners accounted for 27 percent of the tracts, and estates provided just over 13 percent of the tracts sold.

Among the leading reasons for the sale of farm tracts were health or retirement (29 percent of the transfers), settle estate (13 percent), financial (16 percent), reduce size of operation (16 percent), exchange for another tract (7 percent), and change occupation (3 percent).

What's Ahead

More than 70 percent of the reporters in the 1971 survey expect little change in farmland prices in the coming year. This continues the trend set in 1969 and 1970 where a majority expect land prices to continue about the same, compared to a more bullish position in earlier years. In the 1971 survey, about 16 percent look forward to land price increases of 5 percent or more in the coming year. Some 12 percent of the reporters expect farmland values to decline in 1972, compared to just over 30 percent in 1970 and 13 percent in the 1969 survey expecting a price decline of 5 percent or more in the following year.

Credit availability and terms in acquiring land ownership, influence of government programs and expected market returns, availability of land, costs of operating farmland and continued desire to enlarge farm units continue to be the major factors influencing the current North Dakota farm real estate market.