

NORTH DAKOTA FARMLAND VALUES LEVELED OFF IN 1970

Jerome Johnson and Harvey Vreugdenhil

A year-end survey of North Dakota farm real estate brokers indicated that land values remained relatively unchanged for the state as a whole in 1970. This is in contrast to a five percent increase in 1969 and a four percent increase in 1968. The estimated value of all farmland in North Dakota for 1970 continued about \$94 an acre.

Estimated average values of farmland per acre for 1967 through 1970 are shown in Figure 1 by SEA's (state economic areas). The estimated average farmland values per acre were estimated for 1970 as \$72 in SEA 1, \$82 in SEA 2A, \$67 in SEA 2B, \$105 in SEA 3A, \$96 in SEA 3B, \$120 in SEA 3C, and \$180 in SEA 4, with the average value of \$94 an acre for the state as a whole.

Reporters indicated that cropland had risen in value by about one percent for the state as a whole. Four out of the seven economic areas had cropland value increases, while cropland values apparently decreased in SEA's 3A, 3B, and 4. Pastureland for the state may have decreased by as much as five percent in value with approximate decreases of 10 percent in SEA's 3A, 3B, and 4, while the remaining SEA's showed only minor changes.

Dr. Johnson is assistant professor and Vreugdenhil is a graduate assistant, Department of Agricultural Economics.

The Department of Agricultural Economics conducts its annual land market study of North Dakota farm real estate brokers by asking for two types of data, (1) estimates and (2) sales. The estimates provided by the brokers represent their overall judgements for their respective local market conditions. Estimates are obtained for the values of cropland, pastureland, and average quality farmland in their area. County average estimates are calculated, which are weighted by the amount of land in farms in each county to obtain an estimated land value, for each SEA and the state as a whole.

Sales data consist of a list of farms sold in 1970 in each of the reporting areas, including the sales price, source and method of financing, other characteristics of the sales tracts, and some reasons for buying and selling. The data on sales provide a check on the estimates that are made each year (Figure 1). The first part of this report was based on estimates of land value, while what follows is an analysis of farm sales in 1970 in North Dakota.

Numbers of Farm Transfers Increase

The number of farm transfers per 1,000 farms in North Dakota increased slightly (two percent) in

1970, according to the USDA estimates shown in Table 1. Voluntary sales increased eight percent, while the small forced sales category showed a considerable decline (71 percent).

Table 1. Estimated number of farm title transfers per 1,000 farms by method of transfer, year ending March 1, North Dakota, 1960-1970.

Year	Voluntary Sales	Forced Sales ¹	All Other ²	Total All Classes
	number of transfers per 1,000 farms			
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.

In 1970, there were approximately 35 farm transfers per 1,000 farms in the state. Voluntary sales accounted for 60 percent (21 of the 35/1,000 sales) of the total farm transfers with forced and other types of sales providing the remaining 40 percent (or 14 sales per 1,000).

About 69 percent of the reporters in this North Dakota Farmland Market Survey reported that they had completed approximately the same number of sales in 1970 as they had in 1969. Only 13 percent stated that they had completed more sales, while 18 percent indicated that they had fewer sales in 1970.

ANALYSIS OF THE FARM SALES

The remaining portion of this report is based on an analysis of 181 farm sales listed by the reporters who provided the general picture of the 1970 farmland market situation. These sales averages should not be applied to any particular individual farm, because they do not reflect many of the local supply and demand conditions. In addition, average farm sales prices vary considerably from year to year because of the number of reports, goals of buyers and sellers, quality of land and buildings transferred, and many other factors influencing each sale.

Average sales price determined for all farm sales reported in the 1970 study was \$99 an acre, which is \$5 an acre higher than the **estimated** value. The estimated values reported in part I above were

close to the average sale prices calculated for all economic areas of the state except SEA's 2A and 4. In SEA 2A, average sale price was substantially higher than in 1970. A large portion of this increase can be explained by looking at the differences in the quality of land and buildings reported both years. More sales with better quality land were reported in 1970, with more than 90 percent of the land reported in the better to average categories compared to approximately 60 percent for 1969. Quality of buildings was also better in the 1970 survey, with 57 percent of the tracts having buildings rated by reporters as good to average compared to 13 percent for 1969. Therefore, part of the increase in land value in SEA 2A appears to be due to the better quality of land and buildings in the tracts sold in 1970. In SEA 4, the average land price declined by about 10 percent while the quality of land buildings was approximately the same for both surveys. It can be concluded that the land prices in SEA 4 decreased, which also was the trend among higher valued lands in other states in 1970.

How Sales Were Financed

Sixty-one percent of the farm sales reported in 1970 were credit financed. The contract for deed was used in 42 percent of the land transfers, as shown in Table 2. Mortgages were used in 19 percent of the credit sales, while 39 percent of the sales were cash.

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

Method of Finance	State Averages for Sales in			
	1967	1968	1969	1970
	percent			
Cash	28	44	19	39
Mortgage	31	18	35	19
Contract for Deed	41	38	46	42

The average size tract transferred in 1970 was about 440 acres and sold for \$94 an acre. Tracts purchased by cash averaged 335 acres at an average price of \$88 per acre, mortgage transactions averaged 360 acres at \$107 an acre, while tracts financed by contract for deed sold for an average of \$94 an acre with an average size of 570 acres.

The contract for deed as a credit instrument is still of major importance, since the most frequently listed source of finance was the farm seller, who accounted for 55 percent of the credit financed transactions. The Farmers Home Administration and "other individuals" each financed 10 percent of the credit transactions, with the Federal Land Bank financing eight percent. The remaining

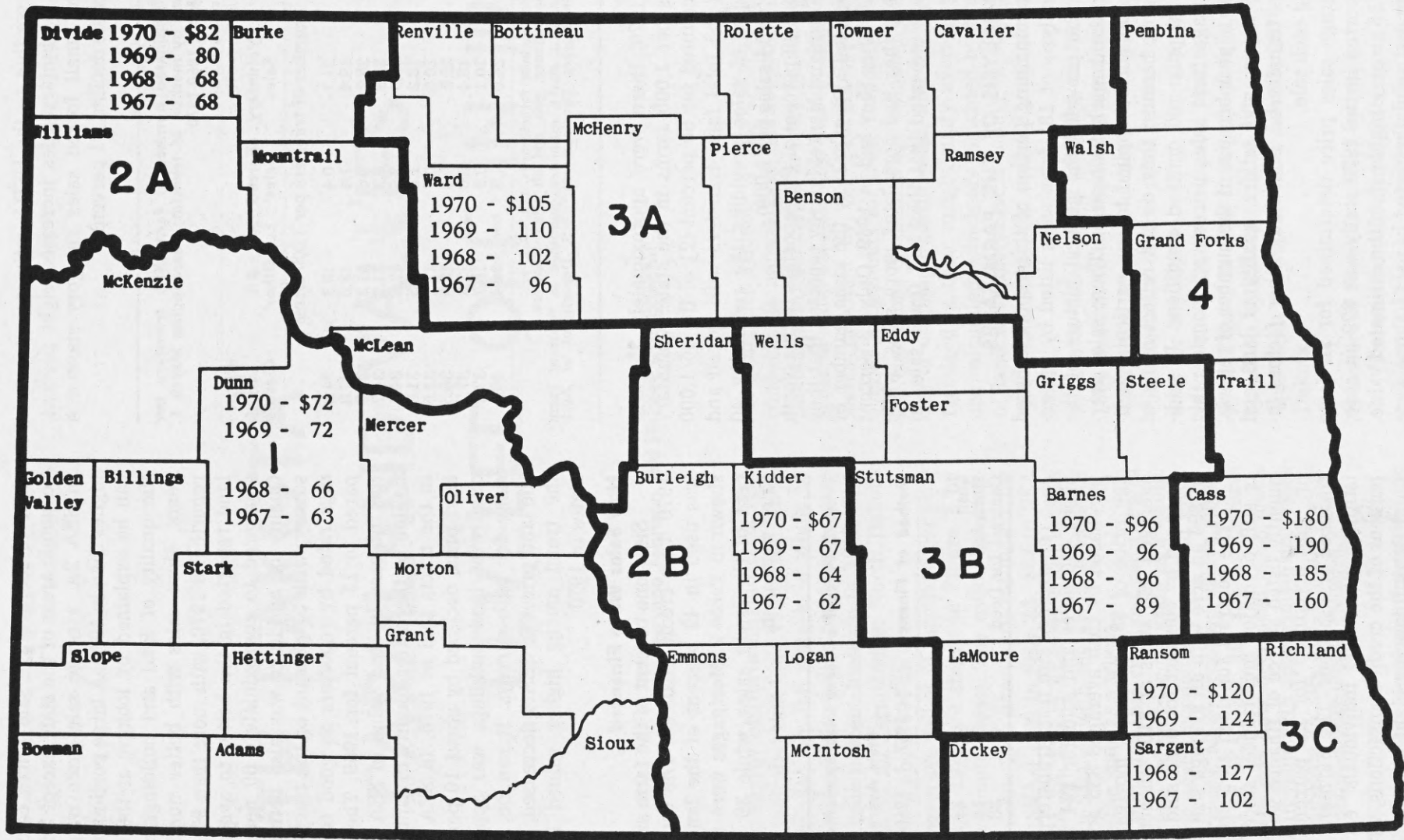


Figure 1. Estimated average value of farmland per acre. State: 1970 - \$94, 1969 - \$94, 1968 - \$90, 1967 - \$86 per acre.

Table 3. Average percent of sales by type of buyer for 1966-1969, with averages for 1970 for state economic areas.

Type of Buyer	State Averages by Years				1970 Sales by Areas						
	1967	1968	1969	1970	1	2A	2B	3A	3B	3C	4
	percent				percent						
Single Farm	21	21	24	18	18	31	22	22	20	15	7
Expansion Buyer	77	71	69	74	61	69	67	75	80	85	89
Other Buyer	2	8	7	8	21	—	11	3	—	—	4

tracts were financed by insurance companies, commercial banks and other financial sources.

Why Tracts Were Purchased

Farm expansion continues to be a mighty force affecting farm buyers. Seventy-four percent of the sales were purchased by expansion buyers.

Table 3 shows the state averages for the last four years with at least two-thirds of the purchased tracts bought by expansion buyers. It also shows the classification of types of buyer for the seven economic areas for 1970.

Use of the land tracts before and after sale was studied for the state as a whole. Before the sales, 59 percent of the acres sold had been operated as a single farm with an average size of 562 acres, accounting for 46 percent of the entries in the market. Tracts which had been a part of another farm represented 47 percent of the entries, 35 percent of the acreage sold, and had an average size of 329 acres. Part-time farms, rural homes, and other land uses provided only seven percent of the entries and six percent of the acreage sold.

After the transfer, farm tracts purchased to be operated as a single farm averaged 750 acres but made up only 18 percent of the transfers, accounting for 31 percent of the acreage transferred. Expanding farmers, who purchased land tracts to be added to their base unit or an already existing farm, purchased 64 percent of the land, representing 74 percent of the tracts. The average size of these tracts was 380 acres. Five percent of the land sold went to part-time farmers, for rural home users or for other uses.

Almost half of the land tracts sold were of average quality land and sold for \$71 an acre. Good quality land sold for \$142 an acre and made up 40 percent of the transfers.

Fifty-four percent of the sales tracts were without buildings and sold for an average of \$96 an acre. Tracts with good quality improvements sold for an average of \$149 per acre; land with average buildings averaged \$75 an acre; and tracts with buildings in poor condition sold for an average of \$84 an acre. Bare land tracts averaged 247 acres in size, while tracts with good quality buildings averaged 697 acres per sale. Tracts with average buildings had an average size of 818 acres, while

sales with poor quality buildings averaged 552 acres for the whole state.

About 57 percent of the buyers already owned some land, 25 percent were renters, and 18 percent had other occupations. Average age of all buyers was 43 years, with two-thirds being from 32 to 54 years old.

Farm enlargement continues to be the most important force influencing prospective land buyers. Other reasons listed for land purchases were available credit, government programs, spreading the machinery cost over more acres, and increasing land value or land as an investment.

Average age of all sellers was 61 years, with two-thirds being from 46 to 76 years old. Twenty-nine percent of the sellers were active farmers, 24 percent were absentee owners, 22 percent were retired farmers, 20 percent were sales to settle estates, and five percent had other occupations. Health and retirement were listed as the leading reasons for selling in 36 percent of the sales, while 17 percent each named various financial reasons and liquidation or reducing the size of the farm operation. Other reasons included estate settlements, profit from the sale, changes in occupations or moved out of the state. Farmland brokers reported that retirement, having an uneconomic size unit, increasing land values, and high interest costs were the most important factors influencing land-owners to sell.

What's Ahead for Next Year?

About 54 percent of the reporters expected land prices to remain about the same in 1971, a six percent decrease from last year. About 15 percent expected land prices to rise five percent or more for the coming year, while in 1969, 26 percent expected land prices to increase. Over 30 percent of the reporters in 1970 expected land prices to decline by five percent or more in 1971, which is an 18 percent increase from the 1969 survey.

The most important factors listed by the reporters affecting the farm real estate market are: credit availability and high interest costs in acquiring land-ownership, influence of government programs and market returns, cost of machinery, availability of land to be purchased, and the continued desire for farm enlargements.