

# FARMLAND VALUES IN NORTH DAKOTA CONTINUE TO CLIMB

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Farmland values in North Dakota rose by an estimated 5 per cent during 1969, according to a recent survey of farm real estate brokers. This compares with gains of 4 per cent in 1968 and 9 per cent in 1967. The estimated value of farmland in North Dakota at the end of 1969 was \$94 an acre.

Two areas of the state showed substantial increases in 1969 and two areas reported no change in land values (See Figure 1). Land value increases of about 8 per cent per acre were reported for the Southwest (1) and North Central (3A) areas. No changes in the estimated average values of farmland were calculated for the Northwest (2A) and East Central (3B) areas. A small decline in the Southeast (3C) area farmland value seems to be a survey problem related to the large average increase calculated for that area last year.

Both cropland and pastureland values increased in 1969. Cropland values rose substantially for the state as a whole and in the Red River Valley. Pastureland values increased most in the Southwest and Northwest areas and in the state average.

Reporters in this annual survey of the North Dakota farmland market are asked to provide two types of data, estimates and sales data:

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

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

Because 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.

## Number of Farm Transfers Decline

The number of farm transfers per thousand farms in North Dakota showed a marked decline in real estate activity in 1969 (See Table 1). Voluntary farm transfers declined by 23 per cent and total transfers were down by 9 per cent.

About 70 per cent of the reporters indicate no change in the number of farms listed for sale, while 13 per cent reported increases and 17 per

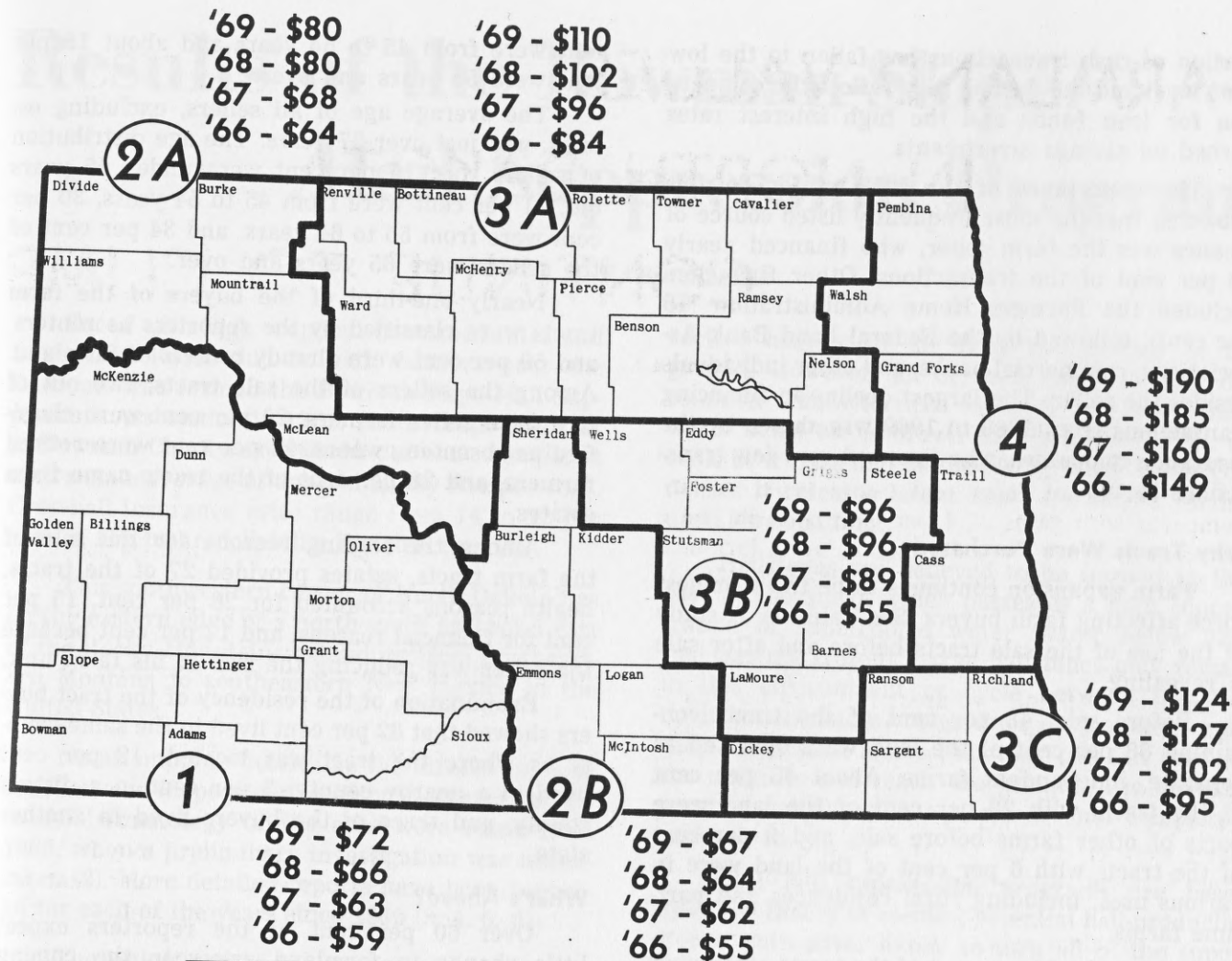
Table 1. Estimated number of farm title transfers per 1,000 farms by method of transfer, year ending March 1, North Dakota, 1959-1969.

Year	Voluntary Sales	Forced Sales*	All Others**	Total All Classes
number of transfers per 1,000 farms				
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
1959	25.0	2.0	17.9	44.9

\*Forced sales include foreclosures, tax sales, etc.

\*\*Includes inheritance, gift, and all other transfers.

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



**Figure 1. Estimated average value of farmland per acre.**  
 State: 1969 - \$94 1968 - \$90 1967 - \$86 1966 - \$79

cent decreases in number of farms listed for sale in 1969. Farm brokers reporting on the number of farms sold in 1968 and 1969 indicate a small decrease in the average number of farms sold per reporter in 1969.

**Analysis of Farm Sales**

The sales price averages reported below portray the general situation of the 1969 farmland market, which are compared to data from previous years. These averages should not be applied to individual farms whose value will reflect many local demand and supply conditions. Another factor to consider is that farm sales prices often vary greatly from year to year due to the peculiar characteristics of the sales involved.

Nearly one-half of the sales were "bare" or without buildings and about 17 per cent of each of the farm tracts sold had good, average, and poor

quality buildings. Tracts with good buildings averaged 877 acres, while the bare tracts had an average size of 233 acres.

One-third of the farm tracts were of 160 acres in size, 11 per cent were of 320 acres, 9 per cent contained 480 acres, and 6 per cent of the tracts were of 640 acres in size. Larger tracts were more common in the Southwest area.

**How Sales Were Financed**

About 81 per cent of the sales reported in 1969 were credit financed (See Table 2). The pro-

**Table 2. Per cent of farm sales by method of finance.**

Method of Finance	State Averages for Sales in			
	1966	1967	1968	1969
Cash	17	28	44	19
Mortgage	40	31	18	35
Contract for Deed	43	41	38	46

portion of cash transactions has fallen to the low 1966 level and the decline may reflect the competition for loan funds and the high interest rates earned on savings investments.

The importance of the contract for deed is shown in that the most frequently listed source of finance was the farm seller, who financed nearly 48 per cent of the transactions. Other financiers included the Farmers Home Administration (15 per cent), followed by the Federal Land Bank Associations, commercial banks, and other individuals besides the seller. The largest decline in financing transactions from 1968 to 1969 was shown by the insurance companies, who financed very few transactions in 1969.

### Why Tracts Were Purchased

Farm expansion continues to be the strongest force affecting farm buyers (See Table 3). A study of the use of the sale tracts before and after sale is revealing.

Before sale, 48 per cent of the tracts containing 68 per cent of the land were operated as separate, independent farms. About 43 per cent of the tracts with 28 per cent of the land were parts of other farms before sale, and 9 per cent of the tracts with 6 per cent of the land were in various uses, including rural residences and part-time farms.

After sale, 24 per cent of the tracts containing 37 per cent of the land entering the market were destined to be operated as separate, independent units (See Table 3). The average size of these tracts was 726 acres, compared to 393 acres for tracts being combined with existing farms. Over 68 per cent of the sale tracts, with 57 per cent of the land, became parts of another farm—reflecting the farm expansion demand. Seven per cent of the sale tracts with 6 per cent of the land went to miscellaneous uses after sale.

The average age of the farm tract buyers was 42 years for the state as a whole. Just over 23 per cent of the buyers were under 25 years of age, 31 per cent were from 35 to 44 years, 30 per

cent were from 45 to 54 years and about 15 per cent were 55 years and over.

The average age of all sellers, excluding estates, was just over 57 years. The age distribution of sellers was: 15 per cent were under 45 years old, 21 per cent were from 45 to 54 years, 30 per cent were from 55 to 64 years, and 34 per cent of the sellers were 65 years and over.

Nearly one-third of the buyers of the farm tracts were classified by the reporters as renters, and 59 per cent were already owners of farmland. Among the sellers of the sale tracts, two out of five were active farmers, 20 per cent were classified as absentee owners, 13 per cent were retired farmers, and 28 per cent of the tracts came from estates.

Among the leading reasons for the sale of the farm tracts, estates provided 27 of the tracts, health reasons accounted for 26 per cent, 15 per cent for financial reasons, and 12 per cent because the seller was reducing the size of his farm unit.

Examination of the residency of the tract buyers showed that 82 per cent lived in the same county as where the tract was located, 12 per cent lived in a nearby county, 3 per cent in a distant county, and three of the buyers lived in another state.

### What's Ahead?

Over 60 per cent of the reporters expect little change in farmland prices in the coming year, and this proportion is up from the 45 per cent of similarly indicating reporters in 1968 and 40 per cent in 1967. The proportion of reporters expecting farmland prices to rise by 5 per cent or more in the coming year was 26 per cent for the 1969 survey, 47 per cent of the reporters' survey in 1968, and 56 per cent in the 1967 survey. About 13 per cent of the reporters in 1969 expected a land price decline of 5 per cent or more in the coming year.

The major factors affecting the 1969 farmland market were listed as high interest rates and the credit situation, not much land available, and the pressures for farm enlargement.

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

Type of Buyer	State Averages by Years				1969 Sales by Areas						
	1966	1967	1968	1969	1	2A	2B	3A	3B	3C	4
	Per cent of Sales				Per cent of 1969 Sales						
Single Farm	15	21	21	24	21	8	32	13	42	39	6
Expansion Buyer	80	77	71	69	69	84	54	80	58	56	88
Other Buyer	5	2	8	7	10	8	14	7		5	6