

# LAND PRICES IN NORTH DAKOTA: UPWARD TREND SLOWS IN '68

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Land prices in North Dakota have risen by a total of 31 per cent during the past five years, or about 6 per cent per year (see Figure 1). The advance in 1968, however, was less than in the previous years, which may indicate a slight softening of the demand for farmland. The estimated value of farmland averaged \$90 per acre at the end of 1968, an increase of 4 per cent over the 1967 average.

The estimated average value reported for the Red River Valley area (State Economic Area 4) is closer to the market value of this land, which had been understated in value in recent studies.

Both cropland and pastureland values increased in 1968 across the state. On the average, pastureland values were reported to have risen by nearly 8 per cent, while cropland values were up by about 4 per cent.

The Department of Agricultural Economics survey of the 1968 North Dakota farm real estate market was conducted in October-November, 1968. The first part of its report deals with the reporters' estimates of average farmland values, with the latter part presenting an analysis of the farm sales reported sold in 1968.

## Number of Farm Transfers Up in 1968

The United States Department of Agriculture's March 15 estimates of the number of farm transfers per thousand farms in North Dakota showed an increase of about 6.6 per cent in 1968 (see Table 1). Most of the farm transfers, about 70 per cent of the total estimated sales, were voluntary sales.

About half of the reporters in this North Dakota survey indicated that they had about the same number of farms listed with them for sale in 1968 as in 1967. About one in eight reporters indicated more farms listed for sale in 1968, while three in eight felt that they had fewer farms in their list-

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ings. These ratios are similar to those reported in the 1967 study.

Farm realtors reporting the number of farms sold in both 1967 and 1968 indicate a slight increase in the average number of farms sold per reporter in 1968 over 1967.

## ANALYSIS OF FARM SALES

The averages reported here indicate the general situation in the farmland market. They should not be applied to individual farms whose value will reflect many local supply and demand conditions. In addition, farm sales prices or average prices may vary markedly from year to year because of changes in the quality of land and buildings transferred, motives of buyers and sellers, and numerous other factors affecting farm sales.

The average sales price determined for all farm sales reported in this study in 1968 averaged \$94 per acre, which is \$4 above the 1967 estimated average value per acre of North Dakota farmland. Average sales prices per acre for farms sold in the seven state economic areas (SEA's) exceeded the estimated average per-acre land values by 4 to 20 per cent in all SEA's except 2B and 3B. In SEA 2B, the 1968 average sales price was lower than the 1967 figure, and in 3B the average estimated farm

Table 1. Estimated number of farm title transfers per 1,000 farms by method of transfer, year ending March 15, North Dakota, 1958-1968.

Year	Voluntary Sales	Forced Sales*	All Others**	Total All Classes
	number of transfers per 1,000 farms			
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
1958	28.0	3.2	17.9	49.1

\*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.

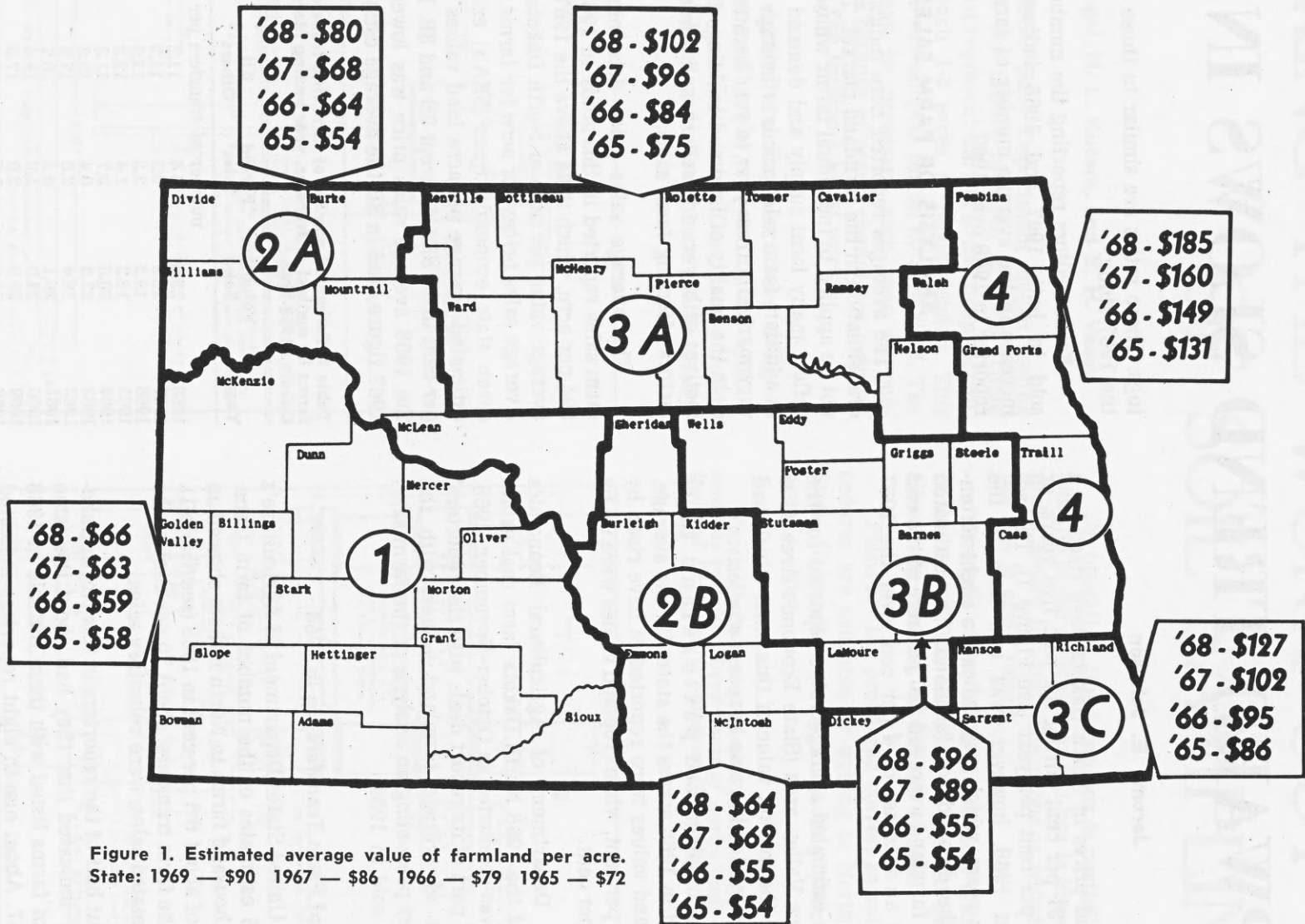


Figure 1. Estimated average value of farmland per acre.  
 State: 1969 — \$90 1967 — \$86 1966 — \$79 1965 — \$72

value per acre in 1968 rose more than the calculated average sales price per acre.

The most typical sizes of tracts sold were 160 acres (nearly one-third of all transfers) and 320 acres (over one-fifth of all transfers). Tracts under 150 acres accounted for one out of 11 transfers, while about 5 per cent were 1,000 acres or more. This size distribution is uniform across the state, except in SEA4 where close to half of the transfers were quarter-section units.

### Method of Finance

In the usual farm real estate market, somewhat over 70 per cent of all transfers are credit financed. This situation is shown in the method of finance reported for farm sales in 1965-67 (Table 2). In 1968 the per cent of credit-financed sales

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

Method of Finance	State Averages for Sales in			
	1965	1966	1967	1968
Cash	33	17	28	44
Mortgage	30	40	31	18
Contract for deed	37	43	41	38

declined to 56 per cent of all transfers. Most of the decline in credit-financed sales in 1968 occurred in the proportion of mortgaged transfers. This may reflect the rise in interest rates in the money markets and the statutory interest situation in this state.

The most important source of credit continues to be the farm-seller. About 42 per cent of the credit-financed transfers received credit from the sellers, just over 12 per cent from other private individuals, nearly 20 per cent from federal land bank associations and 10 per cent from the Farmers Home Administration.

### Use of Land Before and After Sale

Before sale, about half of the tracts transferred had been operated as separate, independent, or single farms; 38 per cent as part of another farm; and 11 per cent in other ways (part-time farms, residences, etc.) The single-farm tracts averaged 477 acres before sale, while the add-on tracts had an average size of 266 acres.

As the figures in Table 3 indicate, the dominant demand force in the market was from buyers who purchased add-on units to enlarge their existing farm units. After sale, only one-fifth of the tracts transferred, with an average size of 596 acres, were intended to be operated as single, independent farms. Just over 71 per cent of the tracts were intended to be combined with an existing farm to meet the expansion purposes of their buyers.

**Table 3. Average per cent of sales by type of buyer for 1965-1968, with averages for 1968 by state economic areas**

Type of Buyer	State Averages by Years				1968 Sales by Areas						
	1965	1966	1967	1968	1	2A	2B	3A	3B	3C	4
Single farm	18	15	21	21	15	21	29	7	50	22	9
Expansion buyers	76	80	77	71	76	71	64	86	43	67	85
Other buyers	5	5	2	8	9	8	7	7	7	11	6

Examination of the quality of buildings acquired by each type of buyer reveals a sharp contrast. Over half of the tracts acquired to be operated as single farms had good quality buildings, 27 per cent had average buildings, and 8 per cent were without buildings. In contrast, 57 per cent of the tracts going to expansion buyers were without buildings, only 7 per cent had good quality buildings, and 23 per cent had poor quality buildings.

About one in five buyers of farm tracts transferred had been tenants, 61 per cent were landowner farmers, and 18 per cent in all other occupations.

Two out of five sellers were active farmers, one out of five came from estate settlements, and the same per cent from absentee owners, while 17 per cent of the sellers were retired farmers. The most frequent reasons given for sale were retirement and health of seller, to settle estates, out-of-area owner selling out, reducing size of operation, and various financial reasons.

The average age of all buyers was 35 years, while the average age of all sellers was just over 55 years. The average of buyers reflects the importance of operators purchasing tracts to add to existing units. The average age of farm expansion buyers was about five years older than those buying tracts to be operated as single farms. About three-fourths of the buyers of tracts to be operated as single farms were under 45 years of age (with 35 per cent under 35 years of age). About half of the farm expansion buyers were under 45 years of age.

### What's Ahead

The upward price trend is expected to continue, with 47 per cent of the reporters expecting farmland values to rise 5 per cent or more in 1969 and 45 per cent expecting little change. The comparable figures from the 1967 survey were 56 and 40 per cent, respectively. Areas including above-average percentage of reporters expecting little price change were SEA's 2B, 3C and 4.

The primary factors listed by the reporters as affecting the farm real estate market in 1968 were the demand for farm enlargement and the credit problem. These same factors affect prospective farm buyers.