

In North Dakota

Rise in Farmland Values Continues

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The year-end survey of North Dakota farmland realtors indicates land values rose by \$7 an acre or 9 per cent in 1967, to a new high of an estimated average of \$86 per acre. Large increases were shown in the north and central areas of the state, with substantial rises in the east and south-east areas.

Figure 1 shows the estimated average values per acre of farmland in the seven economic areas (SEA's) of the state for the last four years. Average per acre farmland values were estimated by economic areas in 1967 as \$63 in SEA 1, \$68 in SEA 2A, \$62 in SEA 2B, \$96 in SEA 3A, \$89 in SEA 3B, \$102 in SEA 3C, and \$160 in SEA 4.

The average annual percentage increase during the last five years in farmland values per acre in North Dakota, according to estimates of this survey, is about 6.1 per cent a year. This average annual increase is close to the estimate calculated from 1959 and adjusted 1964 Census of Agriculture data for North Dakota, which indicate an average annual increase in the 1959-64 period of 6.4 per cent a year.

The Department of Agricultural Economics conducts a survey of North Dakota farm real estate brokers in the late fall months. Estimates from 215 brokers and analyses of over 275 sales are used

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here. The first part of this report deals with estimates of land values, the latter part analyzes the farmland sales data.

Estimates of farmland values fluctuate from year to year because of changes in the numbers of reporters answering the survey and in the number and characteristics of the farms sold during a year. The averages reported provide general information on the farmland market, but these figures should not be applied to individual farm values, which reflect local demand and supply

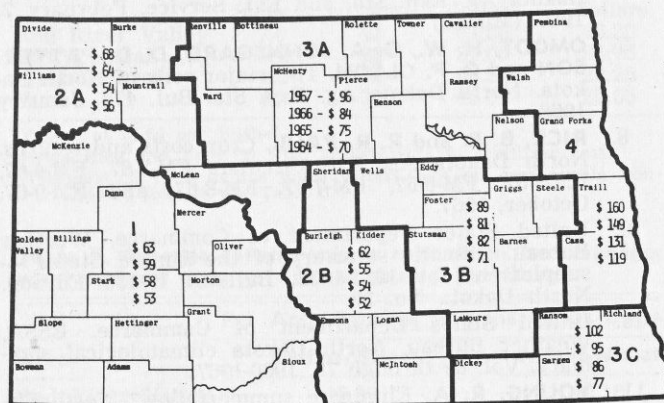


Figure 1. Estimated average value of farmland per acre. State: 1967 - \$86, 1966 - \$79, 1965 - \$72, 1964 - \$68 per acre



conditions. In general, the areas which have the highest sales prices per acre also have the widest range in sales prices per acre.

The reporters indicated that cropland had risen in value by an estimated 9 per cent for the state as a whole. Cropland values rose in all 7 economic areas of the state, with the larger increases in Areas 2A, 4, and 3A. Pastureland values were also up an estimated 9 per cent for the state, with the larger increases per acre shown in SEA's 4, 2A, 3C, and 2B.

Number of Farm Transfers

There were about 35 farm transfers per 1,000 farms in North Dakota in 1967, according to USDA estimates (Table 1). Of this total number, 23 were voluntary sales and trades, and 12 were the result of estate settlements, forced sales, or other causes.

The rate of total transfers has been at about 35 per thousand farms the last two years, rising

Table 1. Estimated number of farm title transfers per 1,000 farms by method of transfer, year ending March 15, North Dakota, 1957-67.

Year	Voluntary Sales	Forced Sales*	All Others**	Total All Classes
	number of transfers per 1,000 farms			
1967	22.9	0.6	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
1957	26.0	4.2	15.8	46.0

*Forced sales include foreclosures, tax sales, etc.

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

Source: Compiled from the annual March estimates, published in "Current Developments in the Farm Real Estate Market," U. S. Department of Agriculture.

Table 2. Per cent of farm sales by method of finance, 1964-67.

Method of Finance	State Averages By Years			
	1964	1965	1966	1967
	per cent of sales			
Cash	37	33	17	28
Mortgage	22	30	40	31
Contract for Deed	41	37	43	41

Economic Areas 1 and 2A, 2B and 3A, 3B and 3C, and 4 represent the West, West Central, East Central and Red River Valley Areas, respectively.

Table 3. Per cent of sales purchased by type of buyer, by state economics areas for 1966 with state averages for 1964-67.

Type of Buyer	State Averages By Years				1967 Sales By Areas						
	1964	1965	1966	1967	1	2A	2B	3A	3B	3C	4
	per cent of sales				per cent of sales						
New Buyers	21	19	16	21	19	14	32	7	24	24	13
Expansion Buyers	69	81	84	79	81	86	68	93	76	76	87

from the previous two-year low of about 32 transfers per thousand farms.

The number of farms listed for sale was about the same in 1967 as the year before. In 1967 just over half of the reporters said they had about the same number of farms listed for sale as in 1966, and 15 per cent said that they had more farms listed for sale. One-third reported having fewer farms listed for sale in 1967.

Among reporters selling farms in 1967, 19 per cent reported selling only one farm, 15 per cent sold two farms, 9 per cent sold three farms, 5 per cent sold four farms, and just over half sold five or more farms in 1967. In the previous survey for 1966, 24 per cent of the reporters had sold five or more farms, and 34 per cent had sold only one farm.

Farmland Sales Prices

In 1967 reporters provided data on over 275 farm sales, used in preparing the second half of this report. Sales value averages can be used to check estimated land values shown in Figure 1. The average sales price per acre calculated for all 1967 sales reported in this study was \$88 per acre, which is close to the estimated average value of \$86 per acre. The average sales price per acre was close to the estimated value in all economic areas of the state, except for SEA's 3C and 4. In SEA 3C the average sales price per acre was \$137 per acre compared to the estimated overall per acre value of \$102. In SEA 4 the average price per acre of the farm sales fluctuates considerably from year to year, and in 1967 it averaged \$207 per acre compared to the estimated overall average of \$160 per acre.

How Sales Were Financed

Seventy-two per cent of the farm sales reported for 1967 were credit financed. Land contracts were used in 41 per cent of the land transfers (Table 2). The mortgage was used in 31 per cent of the sales, and about 28 per cent of the sales were cash transactions. The proportions by state economic areas for 1967 are shown, though these proportions vary from year to year and among the areas.

The average size of tract transferred in 1967

was about 390 acres. Cash transactions averaged 260 acres, mortgage tracts averaged 375 acres, while transactions financed by land contracts averaged 470 acres. Overall, cash tracts averaged \$86 per acre, mortgage financed sales averaged \$89, and contract for deed sales averaged \$93 per acre in 1967.

Sellers financed about 41 per cent of the credit financed transactions in this survey. Federal Land Banks financed about 16 per cent, the Farmers Home Administration 13 per cent, and insurance companies 5 per cent.

Why Tracts Were Purchased

Farm expansion continues to be the strongest force affecting farm buyers. Buyers intending to add the purchased unit to an already existing farm purchased 79 per cent of all tracts reported in the 1967 survey. The percentages vary somewhat from year to year and among the areas of the state, but expansion buyers continue to account for more than three-fourths of all transactions (Table 3).

The use of the tract before and after sale was studied. Before sale about 50 per cent of the tracts were operated as independent farms, 44 per cent were parts of another farm, and 6 per cent were part-time farms, rural homes, and in other uses. After sale, just over 78 per cent became parts of another farm, 21 per cent were operated as independent units, and just under one per cent were rural homes.

After sale, tracts purchased to be operated as separate farms averaged 501 acres for the state as a whole, while the tracts to be added to already existing farms averaged 362 acres. Purchasers of tracts to be operated as separate farms paid an average of \$83 per acre, while buyers of tracts to be added to existing farms paid an average of \$89 per acre for their tracts. Of the total acreage of farms sold, 65 per cent came from tracts which had been operated as separate farms and 31 per cent came from tracts which were part of another farm. After sale, only 27 per cent of the total acreage sold was in tracts to be operated as separate farms, and 73 per cent was in tracts purchased to be combined to already existing farms by expansion buyers.

Fifty-one per cent of the sale tracts reported in this survey were without buildings, and sold for an average price of \$99 per acre. Tracts with some type of improvements sold for an average of \$83 per acre. Tracts with improvements classified as good quality sold for an average of \$88 per acre, tracts with average buildings for \$83 per acre, and

tracts with buildings classified as in poor condition sold for an average of \$77 per acre in 1967. The tracts without buildings averaged 238 acres and tracts with good quality buildings averaged 694 acres. Tracts with average quality buildings had an average size of 520 acres, while those tracts with poor buildings averaged 464 acres for the state as a whole.

The occupations of the buyers were listed for most of the tracts. About 72 per cent of the buyers already owned some farmland, 18 per cent were renters, and one per cent each were professional and nonprofessional workers. The average age of the buyers was 42 years.

The major factors influencing buyers were farm enlargement, buyer having the equipment capacity to operate more land, available credit, buyer considered tract a good buy, and location of tract made its purchase desirable.

The average age of the sellers was 57 years. About 39 per cent of the sellers were active farmers, 12 per cent were retired farmers, 21 per cent were absentee owners and 16 per cent of the tracts came from estates. The sellers' reasons for sale given by the reporters included health in 30 per cent of the sales, 19 per cent to settle estates, 12 per cent for financial reasons, 10 per cent each for profit and to let the seller move out of the state, 7 per cent were to permit the seller to acquire a different tract, and 6 per cent of the sellers were liquidating their holdings.

The major factors influencing the landowner to sell included retirement, relatively high land prices, having an uneconomic size unit, estate settlements, ill health, and change in investments.

What of Future Land Values?

Nearly 57 per cent of the reporters expect a 5 per cent increase in land values in 1968, while 40 per cent expect land values to be about the same as in 1967. Only a small percentage of the reporters expected a decline in land values in 1968.

The expectations for continued land value increases in 1968 were particularly strong in the northwestern, eastern and southeastern parts of the state.

In discussing the general condition of the farmland market, reporters listed these factors most frequently: Influence of farm enlargements, the limited amount of land available in the market, credit availability, conditions of crops in their locality, and the influence of some government programs.