

# Trends in 1980 Farmland Values

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Trends in North Dakota farmland values continued upward in 1980, despite earlier reports which indicated values would decline due to adverse weather and prices. The state farmland average value for land and buildings on November 1 was \$433 an acre, up \$18 or 4.3 per cent from the previous year. This report presents average values for pasture and cropland by eight farming areas, and reports figures by characteristics of buyers, sellers, and tracts sold.

The year 1980 presented most of North Dakota with near drought conditions and adverse prices. Reporters indicated that land prices had declined or softened in some areas but had recovered and were rising near the end of the year. Figure 1 presents estimated farmland values per acre for land and buildings by eight farming areas and the state as of November 1 for the last five years. Land values have increased in all eight farming areas at a slower rate than in the last six years.

The dollar and percentage increases in average estimated farmland values by farming areas are presented in Table 1. The Southeast Central area had the largest reported increase, and this change was based on 28 well-distributed estimates within the area. The increase may partly reflect an attempt by the reporters to catch up with the average of present farmland values. The increase in average estimate is supported by the increase reported for the value of cropland in the area.

The overall impression is that farmland values softened over much of the state in early 1980, then recovered near the end of the year. Recovery and advance were not

uniform. The Southeast Central area showed greater recovery during the year.

Table 2 includes the estimated average value of crop and pastureland in eight farming areas for the last three years. Cropland values had not fully recovered in all areas by November 1 according to the reporters. North and South Red River Valley cropland values were up sharply, as were cropland values in the Southeast Central farming area. Red River Valley soils tend to produce a better than average crop output despite dry or wet years.

Pastureland values also rose in 1980, but not by as much as cropland values. The drought in 1980 severely affected the rangelands, but values in most areas had risen by November 1. Red River Valley areas have very little pastureland, so those figures should be so considered.

The 1980 study is based on estimates by 144 farm real estate brokers, appraisers, and county supervisors of the Farmers Home Administration. Addition of the latter group has greatly improved the geographical distribution of the reports. Their cooperation in this study is greatly appreciated.

Reporters are asked for two kinds of information: (1) estimates of the general condition of the farmland market in their service areas, and (2) details on actual farm sales. General condition estimates and farm sales data are calculated for the eight farming areas to develop averages. Individual reports are not revealed. The eight farming areas best represent current land uses, and hence, current land values. The number and location of reporters and farm sales vary from year to year and introduces some anomalies in the calculated averages.

The procedure used to calculate estimated average values first averages four figures (last year's and this year's average crop and pastureland) separately for each county. Each county average is weighted by the land in farms in the appropriate county to develop the farming area weighted average estimated value per acre. The calculated figures reflect average quality farmland and buildings in the reporter's service area that will continue in agricultural use.

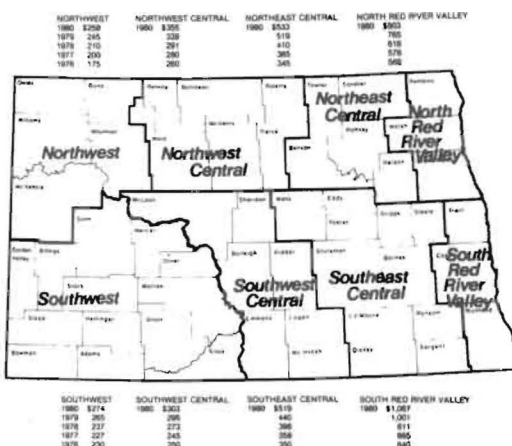


Figure 1. Estimated Average Farmland Values Per Acre in North Dakota: State: 1980—\$433, 1979—\$415, 1978—\$365, 1977—\$330, 1976—\$325.

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TABLE 1. ESTIMATED AVERAGE FARMLAND VALUES IN 1980 AND 1979 AND CHANGES PER ACRE

Farming Areas	Estimated Value In:		Dollar Change	Percentage Changes
	1980	1979		
1 Northwest	285	245	\$13	5.3%
2 Southwest	274	265	9	3.4
3 NW Central	355	338	17	5.0
4 SW Central	303	295	8	2.7
5 NE Central	533	519	14	2.7
6 SE Central	519	440	79	18.0
7 North RRV	803	765	38	5.0
8 South RRV	1,067	1,001	66	6.6
STATE	433	415	18	4.3

TABLE 2. ESTIMATED CROP AND PASTURELAND VALUES PER ACRE

Farming Areas	Cropland			Pastureland		
	1980	1979	1978	1980	1979	1978
1 Northwest	334	316	262	134	140	145
2 Southwest	328	331	298	179	172	159
3 NW Central	435	440	384	192	179	169
4 SW Central	353	339	327	201	207	194
5 NE Central	642	615	472	290	264	207
6 SE Central	570	503	467	254	241	205
7 North RRV	985	886	673	298	288	236
8 South RRV	1,100	1,021	835	485	377	274
STATE	503	490	420	228	221	191

Two types of information are obtained: estimates of value and actual sales. Estimates are a better indicator of trends in farmland value over time than are actual farm sales data. The estimates are averaged by counties and weighted by the average of land in farms in each county to create the average estimated farmland value for each farming area. Data on actual farm tract sales are desired as a support to the trends indicated by the estimates. This detailed information also provides information on the characteristics of recent buyers, sellers, and of the tracts themselves.

### The Slow Market Continues

The rate of farm transfers per 1,000 farms continued its slow pace in 1980. The trend in the number of farm transfers per thousand farms is presented in Table 3. The rise in the number of voluntary sales continues for a second year, from a low in 1978. The estimated number of voluntary sales was up by 31 per cent in 1979 over 1978, and rose 12 per cent to 17.2 per thousand farms in 1980. The rate in 1980 is still far below the number of voluntary sales estimated for 1973 or 1974.

TABLE 3. ESTIMATED NUMBER OF FARM TITLE TRANSFERS PER 1,000 FARMS BY METHOD OF TRANSFER, YEAR ENDING MARCH 1, 1971-75, AND FEBRUARY 1, 1976-80, NORTH DAKOTA

Year	Voluntary Sales	Estate Settlement	Foreclosures <sup>1</sup>	All Others <sup>2</sup>	Total All Classes
1980	19.2	5.0	1.2	4.1	29.5
1979	17.2	3.9	1.2	5.2	27.5
1978	13.1	5.4	1.8	6.8	27.0
1977	15.1	6.6	1.4	8.2	31.3
1976	20.2	5.3	1.0	5.3	31.9
1975	20.8	5.0	---	4.7	30.5
1974	24.0	7.2	0.3	2.8	34.3
1973	26.3	7.2	0.3	3.1	36.9
1972	23.6	5.9	1.6	6.2	37.3
1971	17.6	6.3	1.2	7.8	32.9

<sup>1</sup>Forced sales include transfers to avoid foreclosure.

<sup>2</sup>Includes inheritances, gifts, tax sales, and other transfers.

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

The rate of foreclosures continued at 1.2 per thousand farms in 1980. Both the rate of estate settlements and all other transfers fluctuate substantially from year to year.

The number of sales in 1980 can be estimated by multiplying the rate by the estimated number of farms in the state. The number of farms is used although farmers often sell tracts and not whole farms as they adjust the size of unit owned. Using an estimate of 40,000 farms in 1980, we obtain an estimate of 768 voluntary transfers and a total of 1,180 transfers for all classes in North Dakota.

The reporters were asked their opinion on the number of farms they had listed for sale in 1980 compared to 1979. Two-thirds of the 103 reported said they had the same number listed for sale, while 11 per cent reported more, and 24 per cent reported having fewer farms listed for sale in 1980 compared to 1979.

The number of farms sold in 1980 and 1979 was asked of the reporters. The average number sold for those reporting sales was about one farm in 1980, compared to 1.4 farms in 1979. These low figures reflect the slow market in general, the tendency for direct sales by landowners to buyers or the auction sales, and more transfers within the family to help children get started in farming.

#### Characteristics of 1980 Farm Sale Tracts

Averages based on characteristics of actual farm sales can vary greatly from year to year and from locality to locality for several reasons. The number and geographical location of sales, quality of buildings and soils, sizes of tracts sold, and motives attributed to buyers and sellers all vary greatly. The averages should not be applied to any individual farm since this report only provides trends and generalized information about the 1980 North Dakota farmland market.

The number of sales, average size, and sales prices per acre are presented in Table 4. The 319 sales are well distributed, with the lowest number in the Northwest farming area. The average size was 320 acres in 1980 compared to 352 acres in 1979. Some area averages for size and prices per acre were larger in 1980 than 1979, but not consistently. The average sales price was \$432 in 1980 and \$420 in 1979.

The size of tract tabulation shows that nearly 31 per cent of the tracts reported were quarter section in size, 9 per cent were half sections, 6 per cent had 80 acres, 3½ per cent contained 240 acres, and 3 per cent were full section (640 acres) in size. The quarter section size was the most common size purchased in every farming area, ranging from 23 per cent of the sales in the South Red River Valley to a high of 42 per cent of the transfers in

the Northeast Central area. About one-third of the tracts were over a quarter section in size in both Red River Valley areas. In the Northwest nearly 47 per cent and in the Southwest 58 per cent of the sales were larger than 160 acres.

The most commonly reported sales price per acre among the tracts sold was \$300, closely followed by \$500; but the sales prices were so widely distributed that the two prices listed accounted for only 7 per cent of the sales. Sale prices ranged from \$39 to \$1,975 per acre across the state in 1980.

Most tracts reported in 1980 were base tracts, i.e., unimproved or without any buildings. Unimproved tracts accounted for 72 per cent of the tracts with 56 per cent of the average sold. This is up from the 68 per cent of sales in 1979. The 7 per cent of all sales with good quality buildings had 10 per cent of the land. Tracts with average quality buildings made up nearly 13 per cent of the sales, and contained 21 per cent of the acreage bought in 1980.

Tracts sold in 1980 with good quality soil consisted of one-third of the sales, with one-fourth of the acreage and sold for an average \$710 an acre. Tracts with average quality soils accounted for 58 per cent of all sales and 66 per cent of the land area, and brought an average price of \$343 an acre. Tracts classified as having poor quality land made up only 9 per cent of the sales with 9 per cent of the acreage, and sold for an average of \$303 per acre.

Methods used to finance the tracts are presented in Table 5. Contracts for deed continued at 39 per cent; mortgages declined from 45 per cent in 1979 to 30 per cent in 1980; and cash purchases rose from 16 per cent of all sales in 1979 to 31 per cent in 1980. Cash purchases included 27 per cent of the land, and sold for an average of \$517 an acre. Mortgage financed purchases included nearly 23 per cent of the acreage at an average \$465 an acre and with an average size of 253 acres. The contract for deed purchases were larger than other categories. These 39 per cent of the tracts included nearly 49 per cent of the land, for an average size of 408 acres but at a lower average sales price of \$360 an acre.

Credit was used to finance 69 per cent of the tracts, which contained 73 per cent of the acreage transferred, at an average sales price of \$394 an acre, or an average total value of \$134,563 a tract.

Sellers financed one-half of the tracts with 52 per cent of the land sold. One-fourth of the tracts (containing 24 per cent of the acreage) was financed by Federal Land Bank Associations. The Farmers Home Administration was involved in at least 9 per cent of the sales with 12 per cent of the land, but these figures are tentative and the questionnaire will be revised to handle joint financing practices that have become more common in the last

TABLE 4. AVERAGE TRACT SIZE AND ACTUAL SALES PRICES PER ACRE BY EIGHT FARMING AREAS

Item	North-West	South-West	NW Central	SW Central	NE Central	SE Central	North RRV	South RRV	State
Number of Sales	15	53	36	64	33	48	35	35	319
Average Size-Acres	239	441	397	390	287	275	171	205	320
Average Sales Price/Acre	358	241	316	300	649	506	698	1,136	432

two years. Insurance companies and "individuals and others" were not significantly involved in the 1980 farmland financing picture.

### Some Seller Characteristics

Active farmers sold 40 per cent of the tracts with one-half of the acreage, for an average sales price of \$374 an acre and an average tract size of 419 acres. Retired farmers sold 21 per cent of the tracts which held 16 per cent of the land. Their sales had a smaller average size (246 acres) but the average price being much higher at \$547 per acre. Estate settlements contributed 17 per cent of the sales with 15 per cent of the acreage at an average price of \$492 an acre and an average size of 293 acres. "Absentee owners" sold one-fifth of the tracts containing 17 per cent of the land sold in 1980. Their tracts averaged 274 acres sold for an average sales price of \$381 per acre.

The most common reasons given for selling were (1) health or retirement due to age for 28 per cent of the tracts with one-third of the land at an average size of 392 acres and average price of \$386; (2) settle estates for one-fifth of the sales with 31 per cent of the acreage at average size of 392 acres and an average price of \$358; (3) financial pressures for one-sixth of the tracts with 12 per cent of the land for an average size of 261 acres at an average sales price of \$486; (4) changing occupations with 7 per cent of the sales with 5 per cent of the land; and (5) reducing size of operation was given as a reason for sale for 5 per cent of the tracts with nearly 5 per cent of the land reported sold in 1980. The order of reasons and relative per cent of tracts and acreages are similar to figures reported for previous years.

Average age of all sellers (excluding estates) was 53.0 years, with the age distribution given in Table 6. Seller ages ranged from 16 to 89 years. The 1980 percentage distribution shows more younger sellers, perhaps those involved in a change in occupation.

### Characteristics of Buyers

Just over 85 per cent of the buyers, who purchased 79 per cent of the land, lived in the county in which the land was located. Their tracts averaged 302 acres in size and were acquired for \$448 per acre. Nine per cent of buyers lived in a nearby county, 3 per cent in a distant county, and 2 per cent came from another state. These figures are close to those reported in the 1979 market.

There was an increase in the per cent of related buyers and sellers in the 1980 market. The per cent rose to 7 per cent in 1980 from 4 per cent in 1979. More significant was that related buyers in 1980 acquired 9.7 of the acreage transferred compared to 4.2 per cent in 1979. Related buyers paid an average of \$347 an acre compared to nonrelated buyers who had an average price of \$443 an acre. The average size of unit acquired by related buyers was 439 acres, compared to 311 acres for the nonrelated buyers.

Buyers who came from a little further bought somewhat larger tracts and at a lower price on the average than those living in the same county as the land was located. The 9 per cent of all buyers living in a nearby county bought 13 per cent of the acreage, so their average size was much larger at 444 acres and an average sales price of \$366 per acre. Buyers coming from a distant county bought 3.3 of the tracts with 5.1 per cent of the land, for the largest average size of 498 acres and a lower average price of \$317 an acre. The few buyers from another state purchased 2.3 per cent of the tracts and 3 per cent of the acreage for an average size of 426 acres and the lowest average sales price of \$312 per acre. The areas reporting the most buyers from a nearby or distant county were the Southwest (20%), Northwest Central (17%), and Northwest (15%). The South Red River Valley area reported the fewest buyers coming from outside the county or state, followed by the Southeast Central farming area.

TABLE 5. PER CENT FARM SALES BY METHOD OF FINANCE IN 1980

Method of Finance	State Averages For Sales Of				
	1980	1979	1978	1977	1976
	--per cent of sales--				
Cash	31	16	37	11	26
Mortgage	30	45	29	36	30
Contract for Deed	39	39	34	53	44

TABLE 6. PER CENT OF SALES BY AGE OF SELLERS

Age Groups	1980	1979	1978	1977	1976
years	--per cent of sales--				
Under 35	5	5	2	17	4
35-44	17	10	16	8	13
45-54	22	15	15	21	15
55-64	32	33	23	23	19
65-74	21	32	34	18	35
75 and over	3	5	10	13	14

The average age of all buyers was 38.5 years. The frequency distribution is shown in Table 7. The youngest buyers were reported for South Red River Valley area, followed by those in the Northeast Central, North Red River Valley, and Northwest Central farming areas. The oldest average age of buyers was located in the Southwest Central and Northwest farming areas.

The frequency distribution of buyers shown in Table 7 shows an increase in buyers in the 35-44 age group and large decline in the age group of 45-55 years old. The age composition of the buyers does vary, probably with family, financial, and weather conditions. The proportion of buyers ages 45 years and over has declined in the last two years (to 32 per cent in 1980 from 60 per cent in 1978).

Most buyers as in previous years already owned farmland. The next largest occupational group of buyers was farm renters and farm laborers. Farm renters bought farms slightly larger than the average. The 3.6 per cent of the tracts reportedly bought by farm laborers was smaller at an average size of 236 acres at a sales price of \$513 an acre.

#### Tract Uses Before and After Sale

The farmland market in 1980 can be examined in terms of use characteristics of the tracts that exchanged hands; that is, by looking at the uses of the tracts both before and after sale. The two views offer an insight into the changing land ownership scene. The exchanges of tracts can be viewed as a flow of land resources, with annual snapshots for our examination.

Before sale, most tracts (66 per cent) were a part of another operating unit or farm with an average size of 237 acres. Those tracts contained 48 per cent of the total land reported sold in this study. The next largest group were tracts being operated as separate, individual farms. They made up 30 per cent of the tracts and 47 per cent of the land, and with an average size of 513 acres. All other tracts comprised 4½ per cent of the tracts with 4.1 per cent of the land. These latter tracts were in part-time

farm units or used as rural homes and other uses. Those used as part-time farms averaged 181 acres, and those in "other" uses averaged 353 acres in size.

Table 8 shows how the tracts are held or used after sale. This overall picture shows the typically large change which occurs in the uses of the tracts after sale. Only 13 per cent of the 1980 tracts (with nearly 28 per cent of the land) was used as separate, individual farms. Their buyers paid an average of \$354 per acre to acquire tracts averaging 661 acres. These are much larger than the 321 acre average for all tracts.

The data show that expansion buyers, seeking to expand their ongoing farms, continued to dominate the market. They purchased 83 per cent of the tracts with 70 per cent of the land. Their tracts averaged 270 acres and cost an average of \$463 an acre.

After sale, about 1 per cent of the tracts with two-thirds of 1 per cent of the land went to part-time farmers. Part-timers paid an average of \$360 an acre for an average tract size of 222 acres. Rural home buyers took 0.65 per cent of the sales with only 0.24 per cent of the land, with an average size of 120 acres. Rural home buyers paid an average of \$596 an acre. Other users bought 1.6 per cent of the tracts, with an average price of \$422 an acre and an average size of 256 acres.

Looking again at buyers of single farms versus expansion or add-on units reveals more details about the flow. About 70 per cent of the individual farms coming out of the market was from previously operated individual farms and 30 per cent was tracts previously parts of another farm. These tracts previously were operated as separate farms which averaged 763 acres, and transfers from the parts of another farm averaged 434 acres, but both sets of tracts were larger than all tracts sold in 1980.

The add-on or expansion tracts increased in number and were composed of tracts from all types of previous uses. The largest portion, 60 per cent of all sales with 42 per cent of all land transferred, had been add-on tracts. Their average size was 226 acres compared to all expansion tracts which averaged 270 acres in size. The second

TABLE 7. PER CENT OF SALES BY AGE OF BUYERS

Age Groups	1980	1979	1978	1977	1976
years			--per cent of sales--		
Under 25	11	9	7	11	7
25-34	26	28	20	13	25
35-44	31	24	33	21	28
45-55	19	28	30	39	29
55 and over	13	11	30	16	11

TABLE 8. PER CENT OF SALES BY TYPE OF BUYERS

Type of Buyer	State Averages For				
	1980	1979	1978	1977	1976
	--per cent of sales--				
Single Farm	13	14	13	10	12
Expansion Buyers	83	80	80	85	85
Other Buyers	4	6	7	5	3

largest group came from tracts previously operated as separate farms. This second group comprised one-fifth of all tracts sold and 24 per cent of the acreage transferred in 1980. These tracts had an average price of \$342 an acre and had an average size of 399 acres.

Examining the add-on or expansion tracts as one group after transfer, 72 per cent transferred within the same use, 23 per cent were tracts previously operated as separate farms, 2 per cent from the part-time farms, and nearly 3 per cent were from "other" uses. Measuring the composition of the add-on tracts after transfer, 60 per cent of the acres transferred within the add-on category, 34 per cent came from the separate farms category, and the remainder from the other categories of tract use.

Changes of tract use before and after sale can be summarized as follows: (1) for the separate or individually operated farm group there was a decline of 54 per cent in tracts and a decline of 41 per cent in the acreage operated, and (2) for the expansion-oriented farmers there was a 28 per cent increase in tracts to farm with 46 per cent more acres to operate. After sale, the smaller number of individually operated tracts had larger average size.

#### Land Value Changes Over the Last 12 Years

The index of farmland values reported by the U.S. Department of Agriculture provides comparison data for the last 12 years. The figures given are index numbers representing current dollar values per acre for North Dakota and the "48 states" as reported for their February/March 1 and November reporting dates. The indexes show that in the early period there were years of

only small rises for both North Dakota and the 48 states. The rise in land values increased in 1973, slowed down in 1975-78 and then accelerated again in 1978 and a slight reduction occurred in 1979 to 1980.

What does the future hold? The majority (51 per cent) of the reporters expected land values to continue to rise in 1981, while 6 per cent expected them to fall, and the remaining 43 per cent felt that land prices would be about the same in 1981 as in 1980. These expectations anticipate a changing farmland market after land values had fallen and were recovering when the reporters sent in their information.

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Year	North Dakota		48 States	
	February/March 1	November 1	February/March 1	November 1
		1967 = 100		
1980	475		401	
1979	413	434	351	379
1978	369	385	308	332
1977	349	360	283	296
1976	310	332	244	269
1975	265	290	213	230
1974	193	229	187	205
1973	142	168	150	170
1972	127	134	132	141
1971	122	125	122	127