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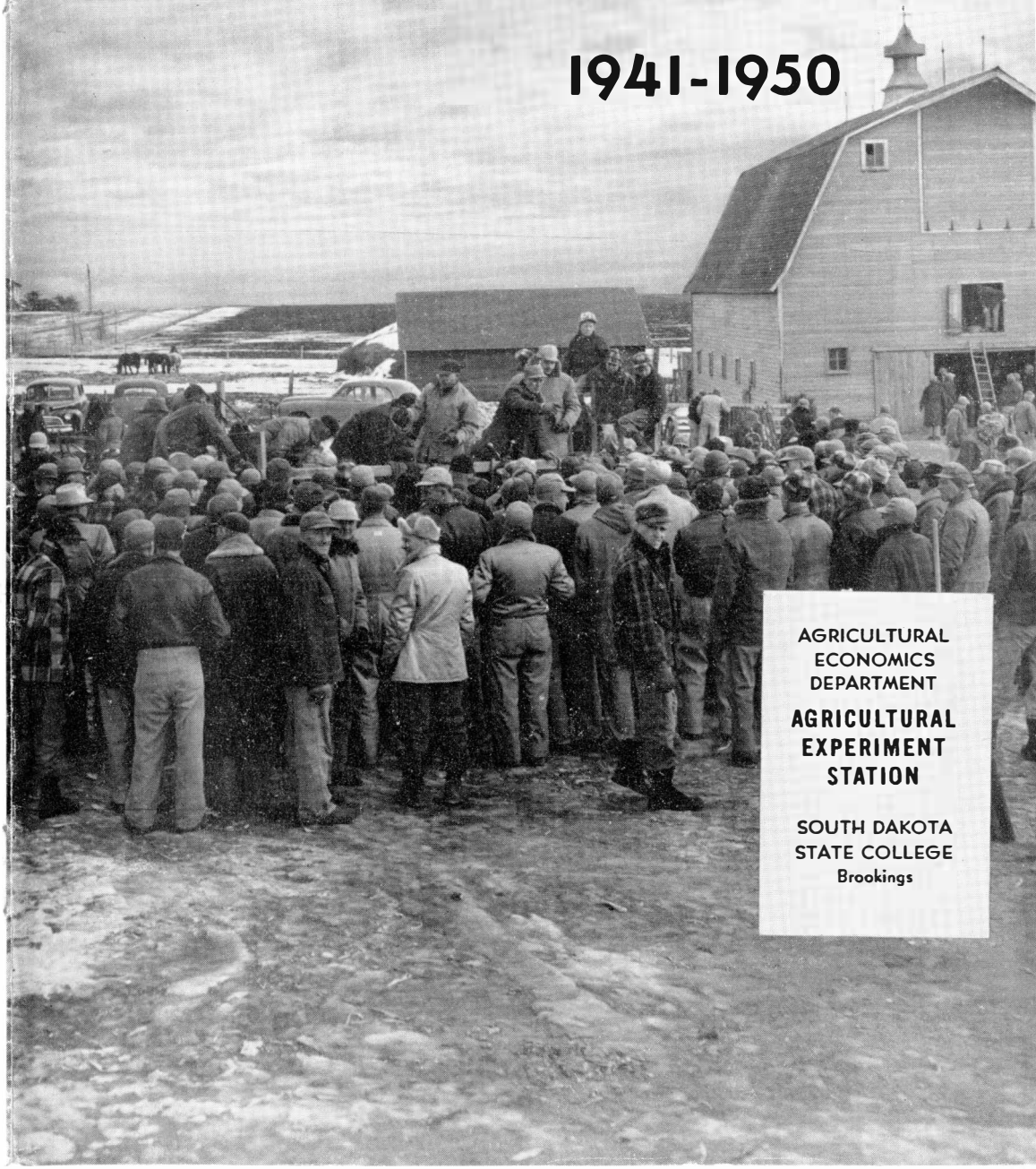
LAND MARKET

Trends

IN

SOUTH DAKOTA

1941-1950



**AGRICULTURAL
ECONOMICS
DEPARTMENT**

**AGRICULTURAL
EXPERIMENT
STATION**

**SOUTH DAKOTA
STATE COLLEGE**
Brookings

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Acknowledgment

This study has been carried on cooperatively with the Bureau of Agricultural Economics of the United States Department of Agriculture.

The original BAE leader for the region was Harry A. Steele, who was succeeded by Virgil L. Hurlburt and Clyde E. Stewart as leaders. To Mr. Hurlburt, special acknowledgment is due for helpful cooperation and suggestions in accumulating and summarizing the data as well as in the preparation of the material for publication.

LAND MARKET TRENDS IN SOUTH DAKOTA, 1941-1950

By GABRIEL LUNDY and RAY F. PENGRA¹

Present and prospective farmers are interested in the acquisition of farm land, land prices and credit terms. They also are concerned with respect to loss of land due to declining net income and mortgage foreclosure. It is for the benefit of farmers and others who may be interested, and also for the average citizen who wants to be informed about the various phases of our large agricultural industry, that the results of this study of land market activity and other related farm problems are presented.

The present study covers various aspects of the farm real estate market in eight counties for a 10-year period, from January 1, 1941 to December 31, 1950. It is a continuation and expansion of the Land Market study which the South Dakota Agricultural Experiment Station, in cooperation with the United States Bureau of Agricultural Economics, has been making for the past several years in the counties of Brookings, Brown, Clay and Haakon. The expansion includes the counties of Beadle, Faulk, Hand and Spink. In addition, some state-wide information covering a longer period of years has been used for background or explanatory purposes.

A part of these data, previously summarized and published by the Bureau of Agricultural Economics, show slightly different annual results as to number of transfers and average

prices. These differences are due to the fact that the BAE had tabulated and summarized the recorded instruments quarterly, under which system late recordings were considered back transfers and omitted from their tabulations. Because the tabulations of the S. D. Agricultural Experiment Station cover 10 years of recorded land transfer instruments, all transfers were classified and tabulated as of the specified date of sale regardless of the date of recording.²

Analysis of the data from the counties of Beadle, Faulk, Hand and Spink, in comparison with data from other counties, is intended in part to show what influence the prospective irrigation development has had on the land market.

It was also desired to show the extent to which farm land lost by farmers through mortgage foreclosure or tax proceedings during the 1920's and 1930's was being reacquired by farmers.

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²Data on farm land sales have been secured from the offices of the Register of Deeds in the eight counties studied. Information on sales of county-owned land and land sold by the Department of School and Public Lands has been secured from the County Auditors' offices. Information on cropland acreage, and information as to types of buyers and sellers has been secured from the offices of the Agricultural Production Administration; much additional information has been obtained from South Dakota farm directories published by the Farm Directory Service at Mitchell, South Dakota. Insurance companies and the Federal Land Bank offices in the specified counties as well as the Omaha office, have supplied additional information on sales made by their respective organizations.

Another purpose of the study was to show to what extent non-farmers were entering the land market for purposes of investment and speculation. Other objectives were to investigate the sources of credit for farm loans and the interest rates being charged, the specified duration of the loans and the extent of the buyers' equity.

It is hoped that such information may help farmers and others to evaluate the possibilities of stabilizing land prices in harmony with long-time income and stable land values. This could lead to the development of farm mortgage terms permitting re-

payment in harmony with current annual ability to pay.

This study is intended to present historical facts showing what has happened in the recent decade in the land market that may be of value to the farmers in arriving at future decisions. Each period has distinctive characteristics, differing in some respects from all previous experience, which must be evaluated as they develop. Conditions that are adequate for one period may not serve completely at a later date. However, as a guide in making future decisions, these historical data should be of value to farmers.

Background of the South Dakota Land Market

In order to get a picture of the farm land market situation in South Dakota for the decade of the 1940's it is necessary to recall the peculiar conditions that existed at the start of that decade and to analyze some of the factors that contributed to those conditions. The 1940's were an adjustment period during which Great Plains agriculture was trying to recover from the combined post-war depression generated by World War I and the extended drought of the 1930's.

Prior to 1941 in the Great Plains, most farm incomes for farmers as a group were hardly sufficient to cover normal operating costs. Furthermore many farmers, who had purchased farms late in the previous period of price inflation, were saddled with mortgage obligations considerably in excess of the depression value of their entire land holdings. During the decade of the 1940's the abnormally high

demand for farm products and the accompanying increase in the price level greatly alleviated the farm situation. For the previous 20 years there had been a marked trend toward increased tenancy as corporations and counties acquired title to farm land. That trend has not only been checked but tenancy has been definitely on the decline since farmers have been able to reacquire title to farm land lost through mortgage foreclosure and tax delinquency.

Farm Land Ownership

The most recent information on farm land ownership in the state, as of January 1, 1938, shows that corporations owned more than six million acres of South Dakota farm land.³ Since then, foreclosures have been started on more than one and a third million additional acres.

³"Ownership of Farm Land in South Dakota." Published by the South Dakota State Planning Board. 1938.

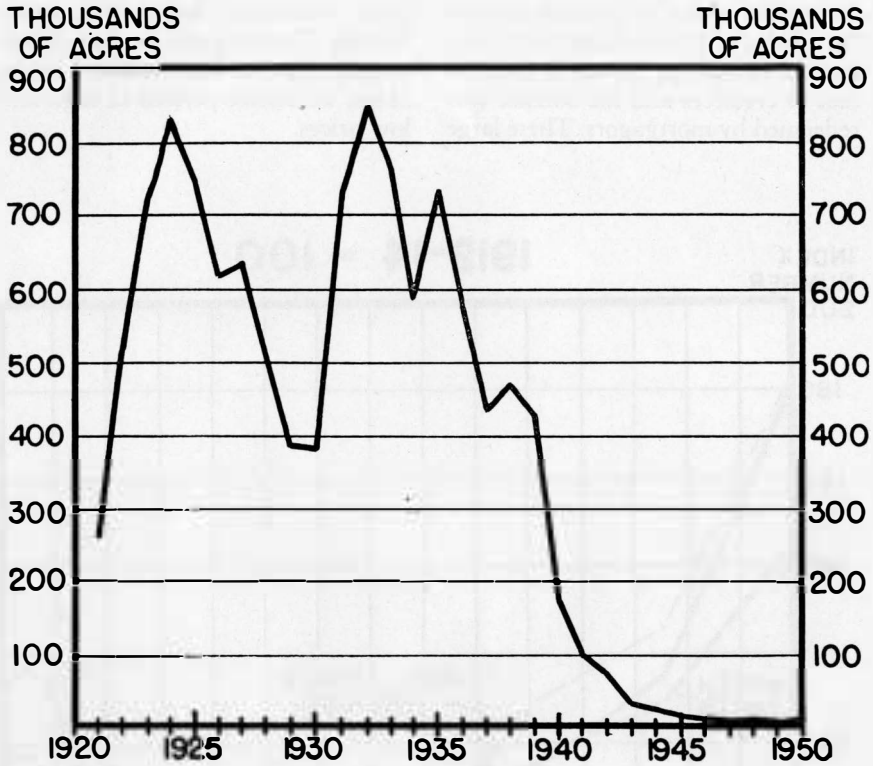


Fig. 1. Acreage of South Dakota farm land on which foreclosures were instituted, 1921-50

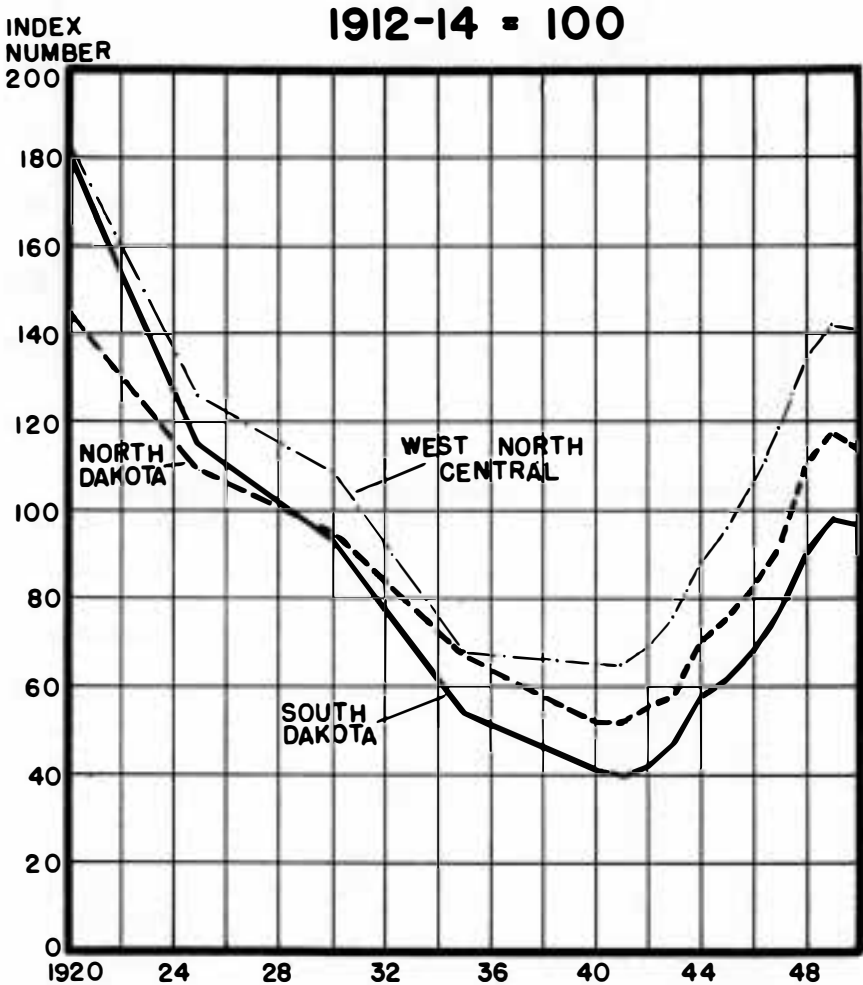
A part of this acreage involved in foreclosures was redeemed and did not actually pass to the creditors, chief of which were insurance companies, commercial banks, Federal and State agencies and other miscellaneous corporations. In addition, there were over six million acres of farm land in private ownership on which taxes were delinquent long enough to make the land subject to tax deed. Some of the farm land subject to tax deed was redeemed by the owners, but a large acreage passed to the counties and was sold by them during the period of our study.

Farm Mortgage Foreclosures

South Dakota farm land on which foreclosures were instituted during the years 1921 through 1950, totaled 11,590,284 acres (Fig. 1). Some of that acreage was redeemed, but a large portion did go to creditors. There are no figures available as to the extent to which individuals acquired farm land through foreclosure of mortgages, but there were 10,244,601 acres of South Dakota farm land on which foreclosures were instituted from 1921 through 1937 and over six million

acres were owned by various corporations January 1, 1938. A part of the difference in acreage passed to individuals as creditors and the balance was redeemed by mortgagors. These large

farm mortgage foreclosure losses forcibly illustrate the serious disadvantage farmers labor under because of our successive periods of high and low prices.



Source: Agricultural Finance Review, Nov. 1945 and May 1950

Fig. 2. Index of land value per acre, South Dakota, North Dakota, and West North Central region, 1920, 1925, 1930, 1935, and 1940 to 1950, inclusive. 1912-14 = 100

Index of Estimated Land Value per Acre

Farm land values per acre have shown greater variation since 1920 in South Dakota than in North Dakota or in the West North Central states as a whole (Fig. 2). According to the U. S. Census reports, the average farm land value in North Dakota dropped from \$41.10 per acre in 1920 to \$17.28 in 1945, a decrease of 57.9 percent. But during this period the reported drop in value in South Dakota was from \$71.40 to \$17.76, a decline of 75.1 percent.

The following census figures may indicate some of the reasons for the greater value fluctuation in South Dakota. In 1920 North Dakota had 80.6 percent of its total land area in farms; South Dakota had 70.4 percent in farms. It is probable that South Dakota in 1920 had less of its lower grade farm land in farms than did North Dakota. Hence, if in 1920 South Dakota land in farms was of higher average quality, a higher land value was justified.

Although in 1920 North Dakota had 10.2 percent more of its total land area in farms than did South Dakota, the latter added more to its land-in-farms from 1920 to 1945. This represented a relatively greater addition of low value land to the land in farms in South Dakota than in North Dakota. In 1945 South Dakota had over two million more acres in farms than did North Dakota. This would tend to bring the average farm land value in the two states closer together. The shift from 1920 inflation values to the more normal value level of 1945 naturally would lower the average land

value in both states; \$17.28 in North Dakota; \$17.76 in South Dakota.

Farm Mortgage Indebtedness and Index of per Acre Land Value in South Dakota 1910-50

The rise in the farm mortgage debt after land prices began to drop in 1921 was caused, in part, by demands from creditors whose security had become inadequate. Creditors demanded and received real estate mortgage security even on claims arising out of time purchases of farm equipment and money borrowed to cover operating expenses of the farm. In some cases, real estate mortgages were increased to cover defaulted accumulated interest.

After reaching its peak in 1924 the amount of the farm mortgage debt declined through 1948, but by January 1, 1950 there was a slight increase. However, the index of land values per acre rose from 1941 to 1949 and receded 1 percent by March 1, 1950. The relationship between land values and the mortgage debt during the last half of the 1940 decade was the best since 1910-1915 (Fig. 3).

Percentage of Tenancy

The tenure situation in South Dakota has been more stable than land prices, but as in the case of land prices, the greatest changes between 1930 and 1945 seem to have occurred in the western and central counties.

The increase in tenancy was largely the result of corporations and other loaning agencies foreclosing on farm land and the resultant loss of title by farmers. In proportion, as farmers were able to buy back the land during the period of the 1940's tenancy was reduced.

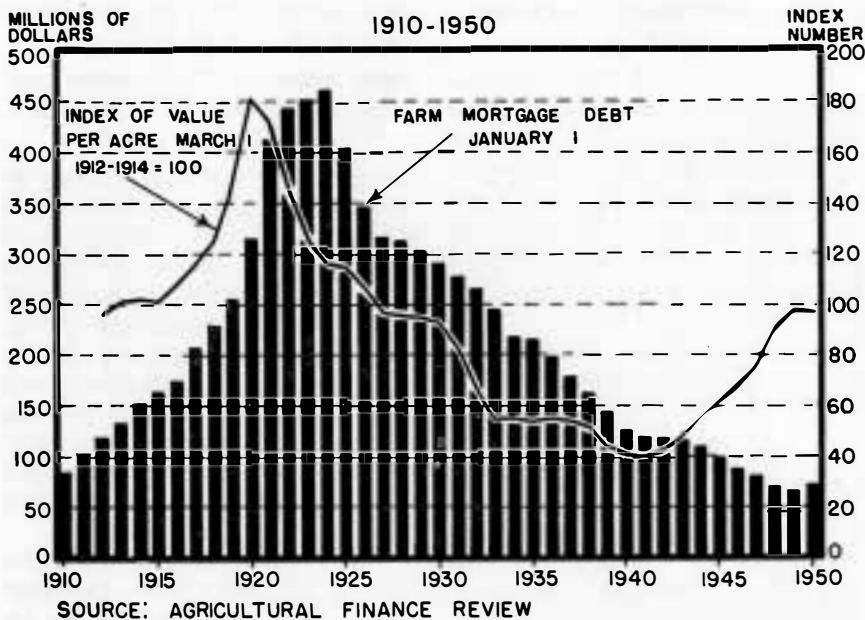


Fig. 3. Estimated farm mortgage debt and index of farm real estate value per acre, South Dakota, 1910-50

Land Value in Terms of Yield, Gross Income

The estimated farm land values per acre in the column to the left in Table 1 are the capitalized values of the estimated net rents per acre.⁴ These values show great variation from year to year. Is such variation in the price of farm land desirable? Should not the price of farm land be based on its long-term anticipated average annual net return per acre? The true value of land will depend on its long-term net rate of return or income, the long-term net rate of return from competing forms of investment and the long-term net interest rate or capitalization rate. Any other method of pricing farm land may at times result in distress and hardship for land buyers.

Two terms to be remembered in respect to South Dakota farm income and land values are variation and average. South Dakota farmers have to contend with marked annual variations in crop yields, prices for their products and net income. Land prices have also shown undue variation in the past. It is a question whether we now have adequate experience or records to enable us to anticipate the long-term average net annual income per acre.

Because of extreme variations in farm income and land prices the Federal Land Bank has been forced by its lending experience to adopt the "normal agricultural value" concept as a

⁴The Farm Real Estate Situation 1947-1948 and 1948-1949, U. S. Department of Agriculture, Circular 823, 1949, Page 35.

basis for farm mortgage loans. This value is defined as "the amount a typical purchaser would, under usual conditions, be willing to pay and be justified in paying for the property for customary agricultural uses, including farm-home advantages, with the expectation of receiving normal net earnings from the farm."⁵ This "normal agricultural value" obviously must be based on long-term average farm income.

Changes in the Purchasing Power of the Dollar

The value of the dollar at any given time is measured by the amount of various specified goods that can be bought with that dollar. When prices rise it takes more dollars to buy a given amount of goods than before the price rise. If the price of wheat alone goes up before the farmer sells

his crop he gets more dollars for it, and can buy more of the things he needs. But if all living costs and the cost of operating the farm go up equally with wheat prices, his larger dollar income will go to pay higher prices for the things he buys. In that case the value of the dollar has decreased, since it takes more of them than formerly to buy the same things. Because not all commodities experience an equal and simultaneous price change, the value of the dollar is measured in terms of the general price level and not in the price of any one commodity.

The United States Department of Commerce in Washington publishes a yearly index figure showing the purchasing power of the dollar. Its purchasing power in buying certain

⁵Annual Report of the Farm Credit Administration, 1949-50, p. 90.

Table 1. South Dakota Land Values in Terms of Yield

Year	Estimated* value per acre	Wheat price per bushel†	S. Dak. Av. wheat yield per acre†	Gross crop value per acre	Gross value of crop as % of value of land per acre	Bu. wheat to pay for one acre of land	No. of acres from which the gross income equals value of one acre
	Dollars	Dollars	Bushels	Dollars	Percent	Bushels	Acres
1930	42	.71	11.1	7.88	18.8	69	5.33
1935	23	.90	7.0	6.30	27.4	26	3.65
1940	18	.70	9.8	6.86	38.1	26	2.62
1941	17	.81	12.3	9.96	58.6	21	1.71
1942	19	.97	17.2	16.68	87.8	20	1.14
1943	22	1.23	10.9	13.41	61.0	18	1.64
1944	25	1.41	12.7	17.91	71.6	18	1.39
1945	28	1.47	15.5	22.79	81.4	19	1.23
1946	32	1.72	14.8	25.46	79.6	19	1.25
1947	39	2.40	14.5	34.80	89.2	16	1.12
1948	40	2.15	13.1	28.17	70.4	19	1.42
1949	—	1.95	8.4	16.38			

*Circular 823, U.S.D.A., B.A.E., *Farm Real Estate Situation*, p. 35. The estimated values per acre are the capitalized values of the estimated net rent per acre.

†Crop and Livestock Reporting Service.

Table 2. Farm Land Sale Price per Acre for Beadle County Adjusted to Compensate for Changes in the Purchasing Power of the Dollar

Year	Average farm land sale price per acre	Purchasing power of the dollar measured by wholesale prices 1935-39 = 100*	Land values quoted in dollars of constant purchasing power 1935-39 = 100†	Difference between sale price (col. 2) and constant dollar values (col. 4)
	Dollars	Index	Dollars	Dollars
1941.....	9.15	92.1	10.78	+1.63
1942.....	11.08	81.4	12.20	+1.12
1943.....	14.10	78.0	12.73	-1.37
1944.....	15.09	77.4	12.83	-2.26
1945.....	17.09	76.0	13.07	-4.02
1946.....	19.98	66.4	14.95	-5.03
1947.....	21.55	52.8	18.81	-2.74
1948.....	26.86	48.7	20.39	-6.47
1949.....	26.52	51.9	19.13	-7.39
1950.....	26.27	49.9	19.90	-6.37

*Supplement to Survey of Current Business Published by U. S. Department of Foreign and Domestic Commerce.

†Land value per acre each year adjusted on the basis of change in the purchasing power of the dollar as measured by the wholesale price index — 1935-1939 = 100. \$9.93 = 100.

goods on the wholesale market during the 1935-39 base period is considered one hundred. If market prices drop, the value of the dollar and its index will be more than one hundred. If market prices should rise to double the base period prices the value or purchasing power of the dollar would be one half and its index fifty.

Dollar values influence land prices. The land sale price in any county for the 1935-39 period is not known, but for the sake of illustrating the influence of dollar values one can assume that the Beadle county 1941 land price of \$9.15 per acre, like the 1941 value of the dollar, was 92.1 percent of the 1935-39 base period value. The 1935-39 land value would thus be \$9.15 divided by .921, or \$9.93 per acre.

To determine the number of dollars that would have paid for an acre of land each year in terms of dollars of

stable value, divide \$9.93 (that is, the assumed 1935-39 price per acre) by each year's index of the value of the dollar. Column 4 of Table 2 shows the results of these computations. The difference between the actual average sale price of Beadle county land, in the second column, and the corresponding year's land value in terms of dollars of constant value, in the fourth column, represents the actual per-acre value change above that explained by changes in the purchasing power of the dollar. That difference is shown in Column 5 of the table.

It is possible that the crowding of land onto the market by various corporations, including the South Dakota State Rural Credit, during the first two years of the 1940 decade resulted in the sale prices being lower than the adjusted dollar value in those years.

County Data

Significant Factors in the Land Market

Land and buildings constitute the largest investment factor for farmers who are owner-operators. This makes land prices, plus financing terms including legal regulations, matters of importance to farmers. How frequently farms are available for purchase, or when and where he can buy, and whether competing buyers are in the market, likewise are matters of concern to a prospective owner-operator.

The long-time average anticipated net farm income is an important factor in determining the price of farm land. It is, however, only one of many factors that go to make up the entire picture. The interest rate or capitalization rate likewise is important. The location of any given farm in relation to schools, churches, marketing facilities and highways as well as the type of agriculture for which it is best adapted will influence the number of individual farmers wanting that farm. All of these factors, especially the income factor, will influence the amount the various prospective buyers will be willing and able to pay for any specified farm. Hence, because of varying individual preferences among the few prospective bidders for any given farm, and because of lack of standardization of farms as to quality, size, location, etc., land is not subject to a free, competitive price-determining market in the same sense that farm products are.

The chief factors or phases of the land market covered in this study are as follows:

1. Volume of land transfers. The volume of land transfers, including the number of resales or frequency of transfer of the same tract within short periods of time, is an important feature of the land market. The volume of transfers during the 1940 decade in South Dakota was much greater than is likely to occur again, due to the sale of the great volume of farm land that had been acquired by corporate lenders through mortgage foreclosure proceedings during the previous 20 years. There was, in addition, a large acreage that had been acquired by the counties of the state as a result of tax delinquency. The bulk of these lands has been sold to individual owners and thereby greatly increased the volume of farm sales between 1940 and 1950.

2. Types of sellers. As noted above, the 1940's was an abnormal period from the standpoint of types of sellers placing land on the market. Corporations and counties were the chief sellers of farm land during the early part of the decade. Since their holdings are largely disposed of, they will not influence the land market in the near future. Farmers, non-operating owners, estates and the Department of School and Public Lands presumably will constitute the chief sellers in the near future. No doubt some of the individual non-operators bought land for long-time investment, but some, at least, appear to have been speculating with the hope of adding to their capital in a rising land market.

3. Types of buyers. The occupation of the buyers prior to purchase and

their intention or purpose—whether to operate the farm, to invest or to speculate—may influence land prices and the acreage bought at any given time. Operating owners and tenants have purchased the major share of the land sold in all the eight counties during 1941–50. Individual non-operators have also purchased considerable acreages, but in turn they have sold some of their holdings.

4. Methods of financing. Methods of financing plus sources and extent of credit needed as well as available show that approximately half of all sales studied were for cash. Insurance companies and federal and state credit agencies, as well as the counties, sold much land on contract in the early years of the decade, but such sales have decreased in volume in most of the counties studied. Next to cash deals, cash and mortgage transfers have been the most common.

5. Owner operation. Owner operation of family-sized farms is considered to be the answer to many of our farm problems. Many tenants aspire to ownership. One characteristic of the ownership of most of these farms is that they must be bought and payment obligation assumed within each successive generation. Relatively few such farms are inherited cost free. Efforts are being made to help farm families keep their farm in the family.⁶

As the older generation retires and the younger assumes family obligations, chance circumstance assumes so important a part in selecting the dates that frequently there is little choice possible as to the time to buy or sell a farm in order to secure the greatest

possible economic advantage to the individual concerned.

A recent Iowa study shows that economic factors are not given prominent consideration by the farmer in deciding whether or when to buy a farm. According to that study, farm ownership is the farmer's ultimate goal. When the opportunity to buy a farm presents itself, the farmer is inclined to buy whether or not the property is as desirable as he would prefer from a physical or economic standpoint.⁷

Foreclosures

Table 3 lists the number of foreclosures instituted and the acreage involved from January 1, 1921 to December 31, 1950 in each of the counties included in our study. This table also specifies the percentage of total land area within each such county involved in foreclosure proceedings during this 30-year period. Clay county shows the smallest percentage of land area involved in foreclosures and Bea-

Table 3. Foreclosures Started During 1921–50
Number and Acres Involved, Selected Counties

	Number	Acres	Percentage of county land area
Beadle	1337	306788	38.0
Brookings	1033	185813	36.2
Brown	1657	365973	34.1
Clay	328	41646	16.1
Faulk	881	200798	31.5
Haakon	1006	275246	23.7
Hand	1243	302497	32.9
Spink	1624	316246	32.8

Source: Supplement to Circular 17, December 1950, Agricultural Economics Department, South Dakota State College and South Dakota Experiment Station.

⁶Keeping Your Farm in the Family, South Dakota Agricultural Experiment Station, Bulletin 398, 1950.

⁷Buying of Farms in Story County Iowa, Iowa Agricultural Experiment Station, Bulletin 378, 1950.

dle the largest. In some cases the same acreage may have been included in more than one foreclosure during the 30 years covered in Table 3. A part of this acreage was redeemed by the owners, but a relatively large acreage did pass to creditors as evidenced by the acreage sold within these counties by various corporations. (Shown later in Fig. 5.)

Percentage of Tenancy

There was a decline in the percentage of tenancy, between 1940 and 1945, in each of the eight counties studied (Fig. 4). The chart shows the tenancy trend in each county from

1920 to 1945 as recorded in the United States Census reports.

The type of farming followed within a county may be one factor affecting tenure. Haakon county in the West River grazing area had less than 20 percent of its land in farms listed as cropland in 1945. Clay county in the southeastern part of the state had 86 percent of its land in farms listed as cropland. Clay, the most intensively farmed of all the counties studied, had the least year-to-year variation in tenancy. Beadle county, in 1940, had the highest tenancy percentage of any of the counties studied.

Another factor influencing the tenancy percentage in all the counties was the extent of farm mortgage foreclosures resulting from price drops after the inflation and mortgage expansion associated with World War I. In many cases, former owners continued as tenants on foreclosed land and later bought it back when farm income increased in the 1940's.

Volume of Transfers

Within the eight counties studied, the total acreage involved in land transfers during the 1941-50 decade varied from a low of 31 percent of the land area in Clay county to a high of 78 percent in Haakon (Table 4). Some of these transfers consisted of resales of land previously sold within the 10-year period.

The large volume of transfers during the early years of this decade consisted, to a great extent, of sales by corporations and counties disposing of the land they had acquired respectively through mortgage foreclosure and tax proceedings. During the last two

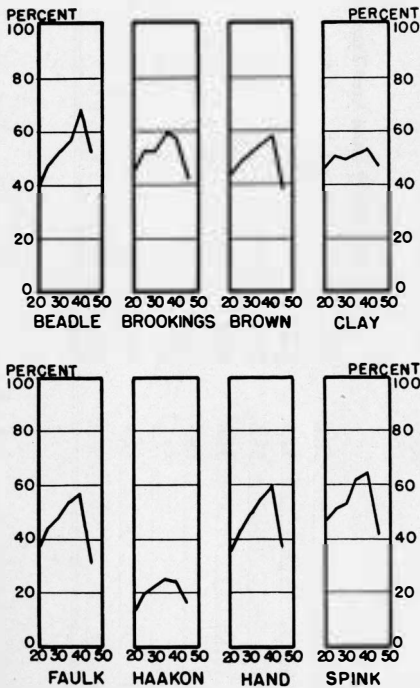


Fig. 4. Farm tenancy percentage in selected counties of South Dakota, census years 1920-45, U. S. Census

Table 4. Acreage of Farm Land Transferred in Selected Counties, South Dakota, 1941-50

	Land Area 1940 Census	Total 1941-50	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950
Beadle	807,040	569,620	47,048	53,283	62,307	54,458	63,058	92,474	70,002	64,199	29,840	32,951
Brookings	512,640	271,387	17,508	27,440	35,364	31,672	32,744	41,805	28,453	24,579	18,471	13,351
Brown	1,073,280	628,907	58,129	57,480	79,821	76,245	92,225	80,577	80,827	38,994	31,767	32,842
Clay	257,920	79,832	7,555	10,793	11,009	7,857	5,253	8,375	10,517	6,708	5,751	6,014
Faulk	638,080	437,036	29,099	43,471	52,449	63,887	47,211	56,045	53,434	47,713	22,630	21,097
Haakon	1,161,600	905,561	74,835	75,735	94,330	121,378	82,616	99,004	164,864	92,309	41,437	59,053
Hand	919,040	632,688	78,164	72,239	68,112	68,732	56,477	73,877	68,218	65,525	38,540	42,804
Spink	963,840	553,176	55,718	53,879	75,801	71,376	75,480	71,076	62,549	39,110	18,549	29,638
Total		4,078,207	368,056	394,320	479,193	495,605	455,064	523,233	538,864	379,137	206,985	237,750
Percent of Land Area Transferred												
Beadle		70.6	5.8	6.6	7.7	6.7	7.8	11.5	8.7	8.0	3.7	4.1
Brookings		52.9	3.4	5.4	6.9	6.2	6.4	8.2	5.6	4.8	3.6	2.6
Brown		58.6	5.4	5.4	7.4	7.1	8.6	7.5	7.5	3.6	3.0	3.1
Clay		31.0	2.9	4.2	4.3	3.0	2.0	3.2	4.1	2.6	2.2	2.3
Faulk		68.5	4.6	6.8	8.2	10.0	7.4	8.8	8.4	7.5	3.5	3.3
Haakon		78.0	6.4	6.5	8.1	10.4	7.1	8.5	14.2	7.9	3.6	5.1
Hand		68.8	8.5	7.9	7.4	7.5	6.1	8.0	7.4	7.1	4.2	4.7
Spink		57.4	5.8	5.6	7.9	7.4	7.8	7.4	6.5	4.1	1.9	3.1

years of the period, sales by corporations and counties had materially decreased and as a result total sales were reduced accordingly.

Sale Prices

Throughout the first eight years of this study, sale prices per acre of farm land showed a constant trend upward in all eight counties, except Haakon in 1944 (Table 5). In five of the counties the highest price of the decade was reached in 1950. Minor reductions in price occurred in 1949 and 1950 in the counties of Beadle and Brown, and in 1950 in Spink. Clay, Faulk and Haakon had price drops in 1949. The change in dollar land prices by 1950 to nearly three times the 1941 sale prices may be misleading, if we do not remember that a dollar in 1950 would

buy only about half as much goods in general as it would in 1941. (See Table 2, page 10.) The discussion on page 9 is intended to clarify this relationship.

Resales

Each resale, as tabulated in Table 6, consists of a repeated sale of the same property during any two years within the decade covered by this study. Each time a given tract was sold a second time within twenty-four months it was listed as a resale. With minor variations the percentage of resales increased through 1949 in all counties except Faulk, which had a reduction that year. Resales declined in Haakon, Hand and Spink in 1950.

Table 6 gives the ratio of resales to all sales, or the percentage which the acreage in resales is of the total acre-

Table 5. Average Sale Price Per Acre of Farm Land Transferred, Selected Counties South Dakota 1941-50, Inclusive

	Beadle	Brookings	Brown	Clay	Faulk	Haakon	Hand	Spink
1941	\$ 9.15	\$31.48	\$13.85	\$ 57.66	\$ 6.52	\$2.34	\$ 6.26	\$12.90
1942	11.08	32.21	16.33	59.55	7.91	2.61	7.00	14.74
1943	14.10	38.47	20.19	66.31	9.49	2.64	8.94	16.45
1944	15.09	43.58	23.45	74.25	10.03	2.52	9.69	18.60
1945	17.10	42.25	23.64	99.57	10.31	2.89	11.18	22.01
1946	19.98	49.39	26.23	95.70	13.27	4.95	14.47	23.34
1947	21.55	57.06	29.04	101.15	14.28	6.57	16.48	28.55
1948	26.86	60.50	37.91	125.85	18.37	8.50	21.75	33.22
1949	26.52	68.86	35.16	118.53	17.95	8.47	22.46	35.42
1950	26.27	79.29	33.97	147.21	20.72	9.58	25.49	32.15

Table 6. Resales as Percentage of Total Sales in Selected Counties, South Dakota, 1941-50

Year	Beadle	Brookings	Brown	Clay	Faulk	Haakon	Hand	Spink
1941	4.9	2.7	2.9	.5	5.1	1.0	2.1	2.1
1942	1.5	3.5	3.8	—	1.1	1.5	6.6	3.0
1943	3.9	4.5	5.4	4.9	3.4	4.7	11.3	3.6
1944	3.9	5.4	11.0	3.1	9.3	1.4	16.7	10.8
1945	9.4	6.0	10.1	16.8	13.9	2.8	21.8	12.5
1946	14.0	13.7	17.9	14.8	15.0	4.4	23.6	13.3
1947	22.6	33.0	28.5	15.1	26.9	15.4	29.8	26.1
1948	26.4	41.1	37.3	24.6	44.1	21.4	34.9	25.4
1949	34.3	45.8	37.9	30.5	38.3	39.3	38.3	52.0
1950	41.6	53.9	38.1	43.0	44.1	19.5	12.8	45.7

age sold each year. As prices advanced, non-farmers sold a part of the land they had purchased earlier in the decade from counties and corporations. The latter, having acquired the land through tax deed and mortgage foreclosure, at times forced the land on the market faster than farmers were in position to buy it. The high percentage of resales seems to indicate that certain properties or tracts have not entered stable ownership and have been sold several times because of being owned by non-farmers, in some cases on a speculative basis.

Types of Sellers

In order to account for the volume of land sales and get a complete picture of the land market situation during the period covered by this study, it will be necessary to consider carefully who was selling land during the decade of the 1940's. The sellers have been classified as follows: (1) Farmers, (2) Non-farmers, (3) Estates, (4) Corporations, and (5) State and Counties.

1. Some farmers sold land in order that they might retire or shift to some other occupation. Then too, some farmers sold only a part of their land, either to dispose of farm land inconveniently located, to sell land held as an investment, or to reduce the size of their farm.

2. Individual non-farmers include individual sellers who, at the time of sale, were not operating farm land either in the county within which the land was sold or in an adjoining county.

3. Estate sales include all sales made by administrators, executors or trustees, as well as sales made by a group

of individual heirs disposing of inherited property in order to settle an estate. Estate sales were few in most of the counties studied in the early part of the 1941-50 period. This may have been due to the low sale prices obtainable at that time. During the last half of the decade, sales by estates increased as sales prices advanced.

4. Sales by corporations, as shown in Fig. 5, include such sellers as insurance companies, commercial banks, federal and state credit agencies, as well as such corporations as schools, charitable institutions and the like. Corporations constituted one of the chief types of sellers of farm land during the early part of this 10-year period.

5. State sales, as shown, include only those sales made by the State Department of School and Public Lands. State sales of this land are conducted once each year in each county and all sales of school land made within each county each year are shown as of date of that sale. Relatively few of the school land sales were for cash. Most such sales were made by contract for deed. County auditors' records were used as sources of information on these sales. Sales of county land consisted of sales of land acquired through tax delinquency and through foreclosure of loans made by the County Commissioners from School Endowment funds.

In each of the counties studied the volume of land sales tended to decline toward the end of the decade. This was especially marked in the central and western counties. In the early years of the decade, corporations, as "unwilling owners," accounted for

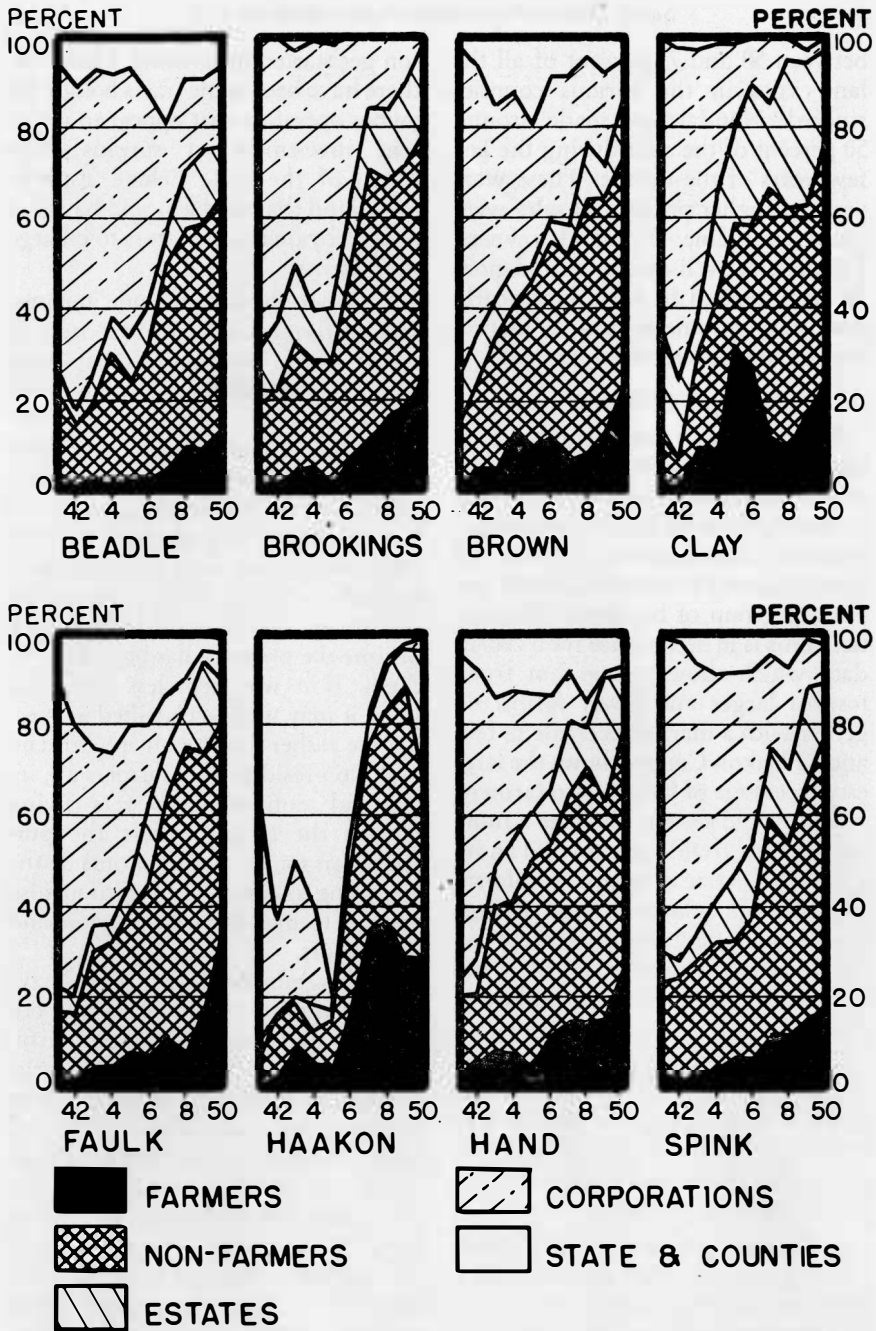


Fig. 5. Percentage of acreage transferred in selected counties by types of sellers 1941-50

between 58 and 74 percent of all the land sales in the various counties studied. Non-farmers made around 50 percent of the sales during the last few years of the decade. These were years of higher prices, and sales were more profitable for land owners. Farmers, as well as estates and non-farmers, tended to vary their yearly land sales volume somewhat in proportion to prices received for land.

Types of Buyers

While there is considerable variation from year to year within counties, as well as between counties, as to types of buyers, farmers (including owner-operators, tenants, sons of farmers and farm laborers) have been the most important group of buyers in all counties. This is in accordance with census data which shows a constant trend toward larger and fewer farms, together with a marked decrease in tenancy. Haakon County shows the largest percentage of land sold to farmers, which would seem to indicate a more pronounced trend there toward an increase in the size of farms. Non-farmers bought a relatively large acreage in all counties studied except in Haakon, but a good share of it has been sold in recent years, as indicated in Fig. 5.

Buyers have been classified in four types or classes based on occupation prior to date of transfer. These are: (1) owner-operators, (2) other farmers, (3) resident-non-farmers, and (4) non-resident non-farmers.

1. Owner-operators include those owning part or all of the farm land they operate. They usually buy either to substitute land ownership for renting, to enlarge their farm, or to help a

son get started in farming. However, there have been some tracts bought by owner-operators that appear to represent investment of surplus cash. Much of the State School Endowment land that has been sold has been bought by owner-operators to enlarge their farms.

2. Other farmers include tenants, sons of farmers and farm laborers. It seems a safe assumption that these have bought with the intention of operating the land.

3. Resident non-farmers cover those land buyers living in the county where the sale was made, or in an adjoining county and engaged in some other occupation than farming. It is difficult to classify this group as to intent except on the basis of the length of time the property has been kept by them. If it was kept less than two years it may well be classified as speculative rather than as an investment.

4. Non-resident non-farmers are individual non-farmer buyers living outside the county where the purchase was made, as well as outside the adjoining counties. This group also appears to include both investors and speculators.

In the counties studied there have been a number of purchases by both resident and non-resident non-farmers who have bought rather large acreages and who later have resold the land in small tracts. This has been an important factor in resales. One purchaser has retained such acreage several years after he bought it from an insurance company. The variation in acreage transferred by type of buyer shows rather extreme changes from year to year, due in part to these large sales to individuals (Fig. 6).

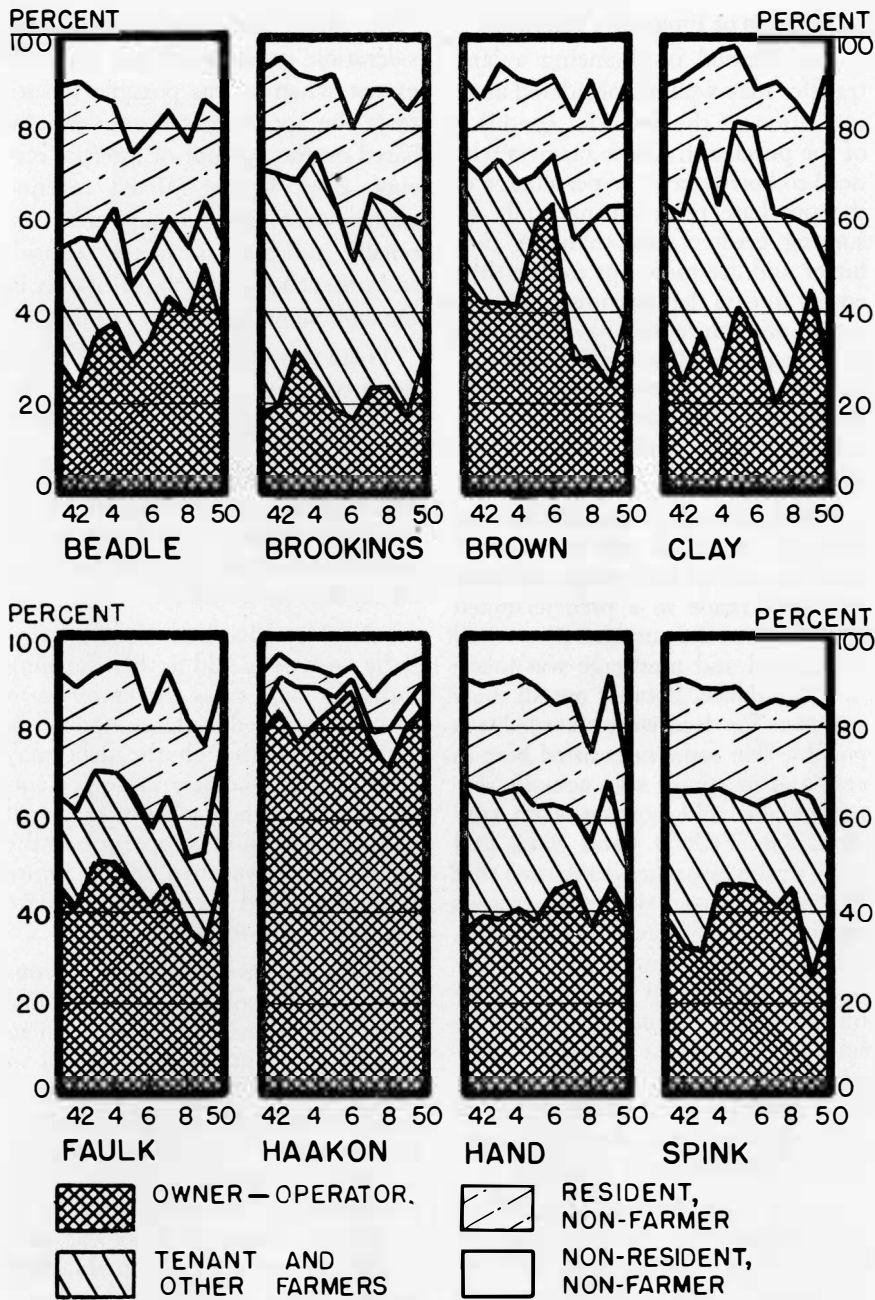


Fig. 6. Percentage of acreage transferred in selected counties by type of buyer, 1941-50

Methods of Financing Purchases

The method of financing a land transfer may well be considered as an indication of the financial condition of the purchaser. Those farmers who need to borrow a large percentage of the purchase price are naturally assuming greater risks than the cash buyer and are more apt to lose their equity in case they encounter adverse conditions before they have been able to reduce their debt. Cash buyers obviously, are much more secure in their possession. Contracts for deed are usually made with small down payments.

Both insurance companies and the Federal Land Bank sold considerable land on contract and, when payments had been made to a predetermined percentage of the purchase price, deed was issued and mortgage was taken for the balance. Because not all these contracts for deed were recorded it is possible that some sales listed here as cash and mortgage sales actually represent land sold previously on contract. The Federal Land Bank and some of the insurance companies that had not destroyed their sales records furnished additional information, thus permitting a more correct classification than would have been possible otherwise. Many of the county sales, as well as those made by the Department of School and Public Lands, were made by contract for deed and contracts were carried as such until the full purchase price was paid.

Figure 7, on methods of financing purchases, shows the percentage of the classified transfers for which full information was available as to financing terms and consideration.

“One dollar and other valuable consideration” sales were not included except when it was possible to estimate the approximate consideration, based on the amount of internal revenue paid. Unless affixed revenue stamps were enough to appear to be a reliable indication of the total consideration, such sale was classified only in the table showing volume of sales.

There has been considerable variation from county to county in the type of financing. On the whole, fully 50 percent of the classified sales were for cash (Fig. 7). Haakon county had the largest percentage of cash sales. While it may have been incidental, sale prices for Haakon county were the lowest of any county in the study.

School land has been bought largely by farmers to add to their farming units. In such cases the entire farm was not included in the contract obligation. Even though the debt may have been a relatively large percentage of the purchase price, it may well have been small in comparison to the equity the buyer had in his entire farm and so did not necessarily place the farmer in a difficult position.

Cash transfers were most numerous except in Brookings county. The range was from 38.6 percent cash in Brookings county to 66.5 percent in Haakon. In most of the counties, except Beadle and Brookings, cash transfers constituted about 50 percent of all transfers. In Brookings county “cash and mortgage” transfers led with 57 percent. Contract for deed was least frequently used except in Haakon county where contracts ranked second with 20 percent.

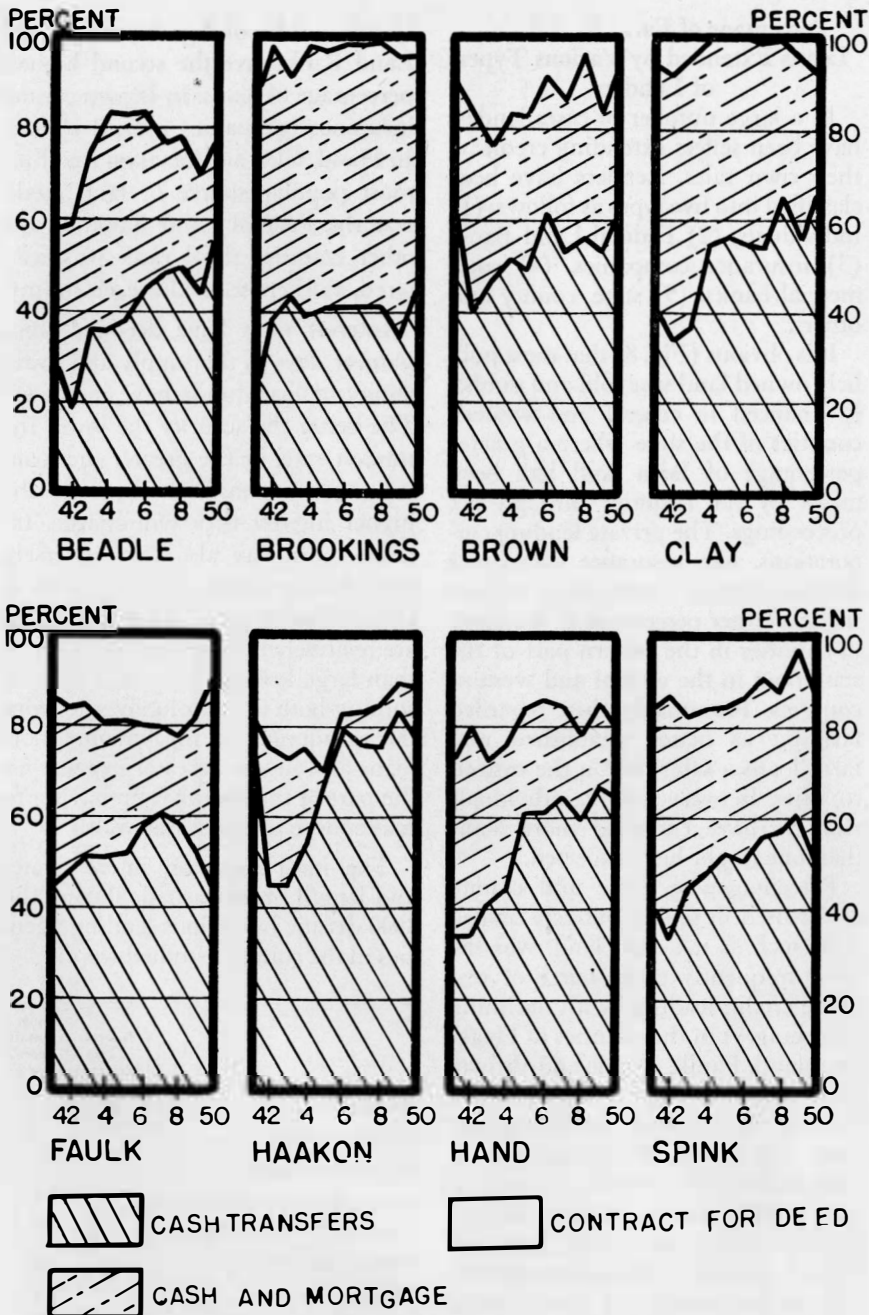


Fig. 7. Percentage of all transfers classified by type of financing, selected counties, 1941-50

Percentage of Farm Real Estate Loans Extended by Various Types of Lenders

In a large number of cases lenders have been sellers extending credit on their own sales. Lenders have been classified into five types as follows: (1) individuals, (2) Federal Land Bank, (3) insurance companies, (4) commercial banks, (5) state, county and others.

It is obvious (Fig. 8) that most publicly owned land was sold and publicly financed in central and western counties of the state where a greater percentage of farm land had been taken by the counties through tax proceedings. The private lending corporations, like insurance companies and commercial banks, seem to have made a larger percentage of the loans in counties in the eastern part of the state than in the central and western counties. Presumably they regarded farming as better established and farm loans a safer risk in the eastern counties. In every county, individuals seem to have extended more loans than one might have expected.

Percentagewise, state and county credit used in selling publicly owned land such as tax deed land, was the most frequently used source of real estate credit, leading (with declining percentages) in the counties of Haakon, Hand, Faulk, Beadle and Brown. Similarly, insurance company loans lead in the counties of Brookings, Clay and Spink. Percentagewise in most of the eight counties, the second most popular source of land mortgage loan funds was individuals. This type ranked second by declining percentages in the counties of Clay, Faulk, Spink, Haakon and Hand. Only in

Beadle and Brookings did the Federal Land Bank have the second highest percentage of loans. In Brown county insurance companies ranked second. In Hand, Clay and Haakon the third most popular source of land credit was the Federal Land Bank. In the other counties third rank was scattered, a different one for each county.

Interest rates have declined since pioneer days as the supply and availability of loan funds have increased. The better the security the lower the interest rate, or the greater the loaning agency considers the risk the higher interest they will charge. Interest rates may also vary inversely with the size and length of the loan in terms of years. Small short time loans are relatively more expensive to make than large loans of long duration, assuming both are absolutely safe from the standpoint of repayment. Short loans also involve greater expense on the part of the borrower in having to make more frequent renewals.

The most common interest rates and length of loans made during the 1940 decade by various lending agencies in the counties studied were:

	Interest rate (Percent)	Most common term in years
Individuals	3-6	5
Commercial banks	5	5
Insurance companies	4½	15
Farm and Home Administration and F.H.A. guaranteed	3	40
Federal Land Bank	4	34
Counties	5	5
Dept. of School and Public Lands	5	20

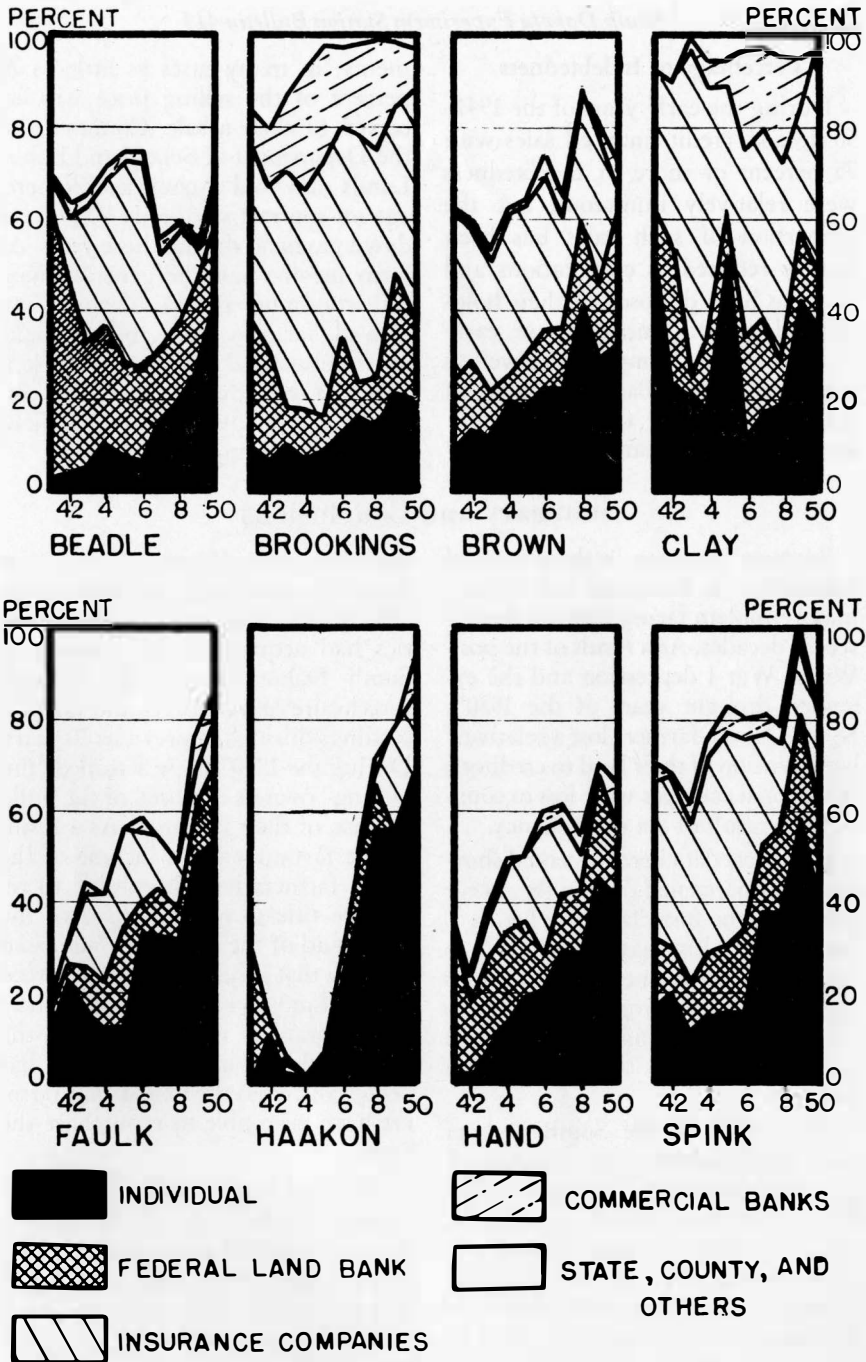


Fig. 8. Loans from each type of lender as a percentage of all loans classified, selected counties, 1941-50

Percentage of Indebtedness

During the early years of the 1941-50 decade, credit financed sales with 75 percent or more of indebtedness were relatively numerous, but the proportion of such sales has been greatly reduced as corporations and counties have disposed of their holdings (Fig. 9). During those early years, insurance companies as well as the Federal Land Bank sold much of their holdings on the contract for deed basis with small down pay-

ments; in many cases as little as 20 percent of the selling price was accepted to close a sale. Counties and the Department of School and Public Lands also sold a considerable acreage on contract with only 20 percent down payment during those years. As farm income and the general financial condition of the farmers improved, farmers were able to make more substantial first payments. It is also true that counties as well as corporations have disposed of the bulk of their land holdings.

Summary and Conclusions

Extreme variation in the price and ownership of farmland has been a major problem facing farmers during recent decades. As a result of the post-World War I depression and the extended drought years of the 1930's, South Dakota farmers lost a relatively large portion of their land to creditors. Additional acreages were lost to counties as a result of tax delinquency.

Historical data here presented show what has happened during the recent decade in the farm land market. It is hoped that this may be of help to farmers in making necessary decisions as to their farm programs and as to the desirability and possibility of acquiring title to additional farm land.

This study of the South Dakota farm land market in the counties of Beadle, Brookings, Brown, Clay, Faulk, Haakon, Hand and Spink covers the 10-year period from January 1, 1941 to December 31, 1950 plus additional statewide information as background, some data going back as far as 1920. Farm land ownership in

the entire state of South Dakota underwent a marked change during the 1940 decade. Corporations and counties had acquired large acreages of South Dakota farm land through foreclosure of mortgages and tax proceedings during the previous 20 years. During the 1940's these so-called "unwilling" owners disposed of the bulk, at least, of their holdings. As a result of the favorable farm income of the 1940's farmers have been able to reacquire title to a good share of the farm land of the state. The increased tenancy that resulted from the forced shift of land ownership from farmers to corporations and counties in the post-World War I depression has been reduced to the extent that farmers have been able to repurchase the land.

The total acreage sold in the eight counties within the 1941-50 decade amounted to 64.4 percent of the land area of those same counties. A part of this acreage has been counted at least twice, as some tracts have been sold more than once during the decade;

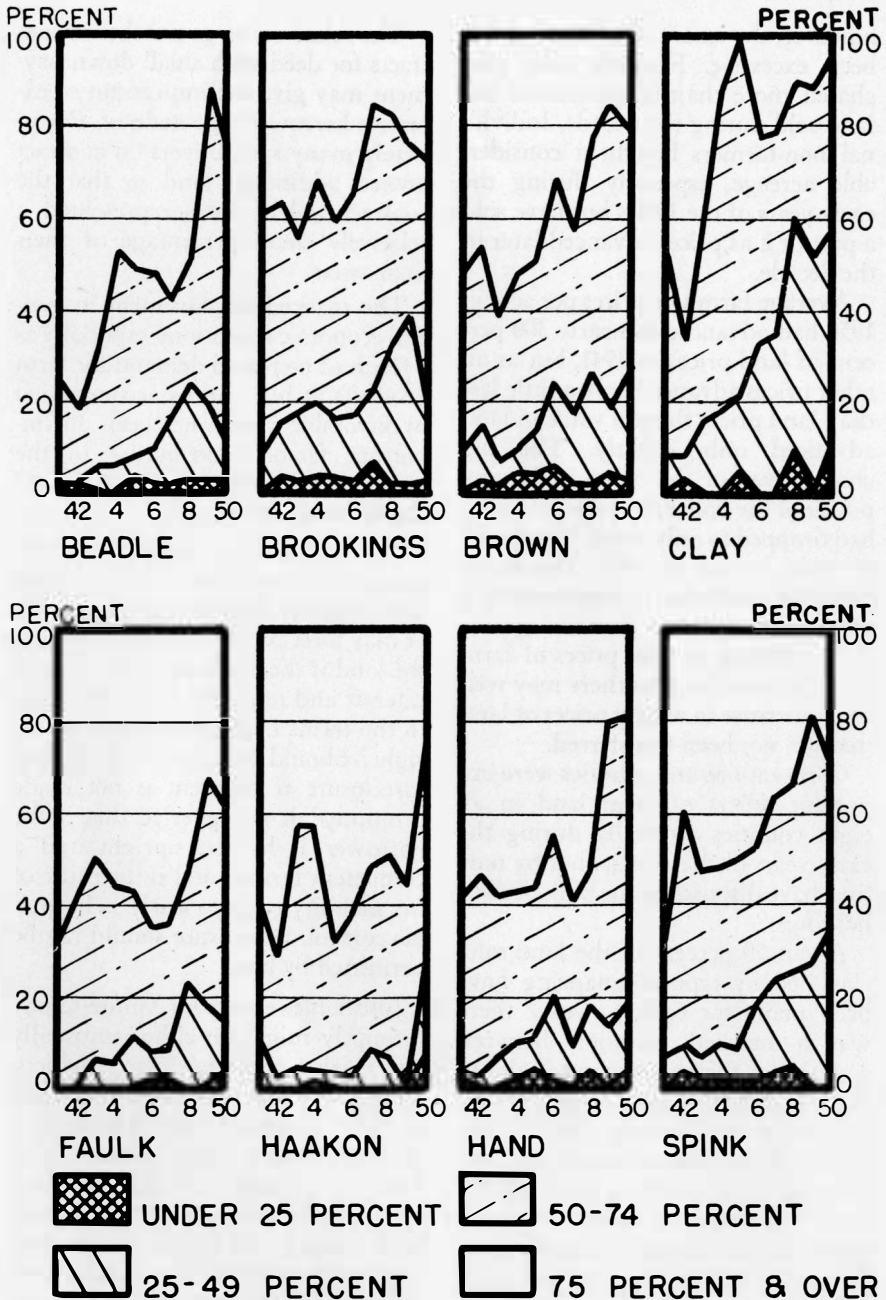


Fig. 9. Percentage of credit financed land transfers classified according to ratio of encumbrance to consideration, selected counties, 1941-50

however, the extent of resales has not been excessive. Farmers have purchased more than 60 percent of the land sold during the decade. Individual non-farmers bought a considerable acreage, especially during the early years of the 1940's but have sold a part of it as prices advanced later in the decade.

Average farm sale prices per acre in 1950 had advanced to nearly 300 percent of land prices in 1941, but as all other prices advanced only a little less than land prices the real value of land advanced only slightly. The big change was in the value or buying power of the dollar; by 1950 this value had dropped to only about 50 percent⁸ of what it was in 1941. The much talked of land boom in the prospective Oahe irrigation area does not appear to be reflected in sales prices of farm land. Within this area there may well be an increase in asking prices of land that has not been transferred.

Corporations and counties were important sellers of farm land in all eight counties especially during the early years of the decade, but by now they have disposed of the bulk of their holdings.

About 50 percent of the land sales classified by type of financing have been made for cash, however there was a marked variation between counties in the percentage of sales in the various financing classifications. Especially in the early years of the decade, corporations as well as counties sold many tracts on contracts for deed. Sales made by these two groups were financed largely by the sellers so that in the majority of cases new credit funds were not needed to make the sale.

The relatively large number of contracts for deed with small down payment may give the impression of excessive borrower indebtedness. Fortunately many such buyers on contract owned additional land so that the contract indebtedness represented a relatively small percentage of their total assets.

The marked improvement in general economic conditions, especially as a result of increased demand for farm products at high prices accompanied by favorable yields, has been an important factor contributing to the greatly improved financial status of the farmers of the state.

The statements in most farm mortgages, and the laws of all or most states, specify that the mortgage holder may foreclose and collect by selling the land if the borrower does not pay interest and repay the loan according to the terms of the mortgage. Is this right? Should the law always permit foreclosure if payment is not made promptly? It is suggested that if the borrower is honest, upright and a competent farmer, and if the cause of his inability to pay clearly is beyond his control, foreclosure should not be permitted by law.

Justifiable reasons for failure to pay promptly might be either unusually low market prices for farm products, crop failure due to climatic variations or other natural causes. All income-reducing factors that would justify delay in payment on the mortgage loan should be such as are beyond both control and escape by the borrower. He should then legally and automatically be granted extension of

⁸Department of Commerce, Survey of Current Business.

time until he can acquire income. But the lender also should be protected when he thus is forced to extend the time or duration of the loan. His security in the land should continue and interest should be earned until all interest and principal payments have been made.

If farmers are to remain in possession of the land they operate the majority of farms will have to be bought and paid for within each successive

generation. This can be accomplished only so long as supply of and demand for farm products result in prices sufficient to provide farmers with income great enough to enable each successive generation to acquire title to the land. This obviously necessitates that extremely high net farm incomes should not be capitalized into land prices that are excessive, and also that the general price level is not unduly disturbed by alternating periods of inflation and deflation.