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THE MINNESOTA FARM REAL ESTATE MARKET IN 1957

by

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and

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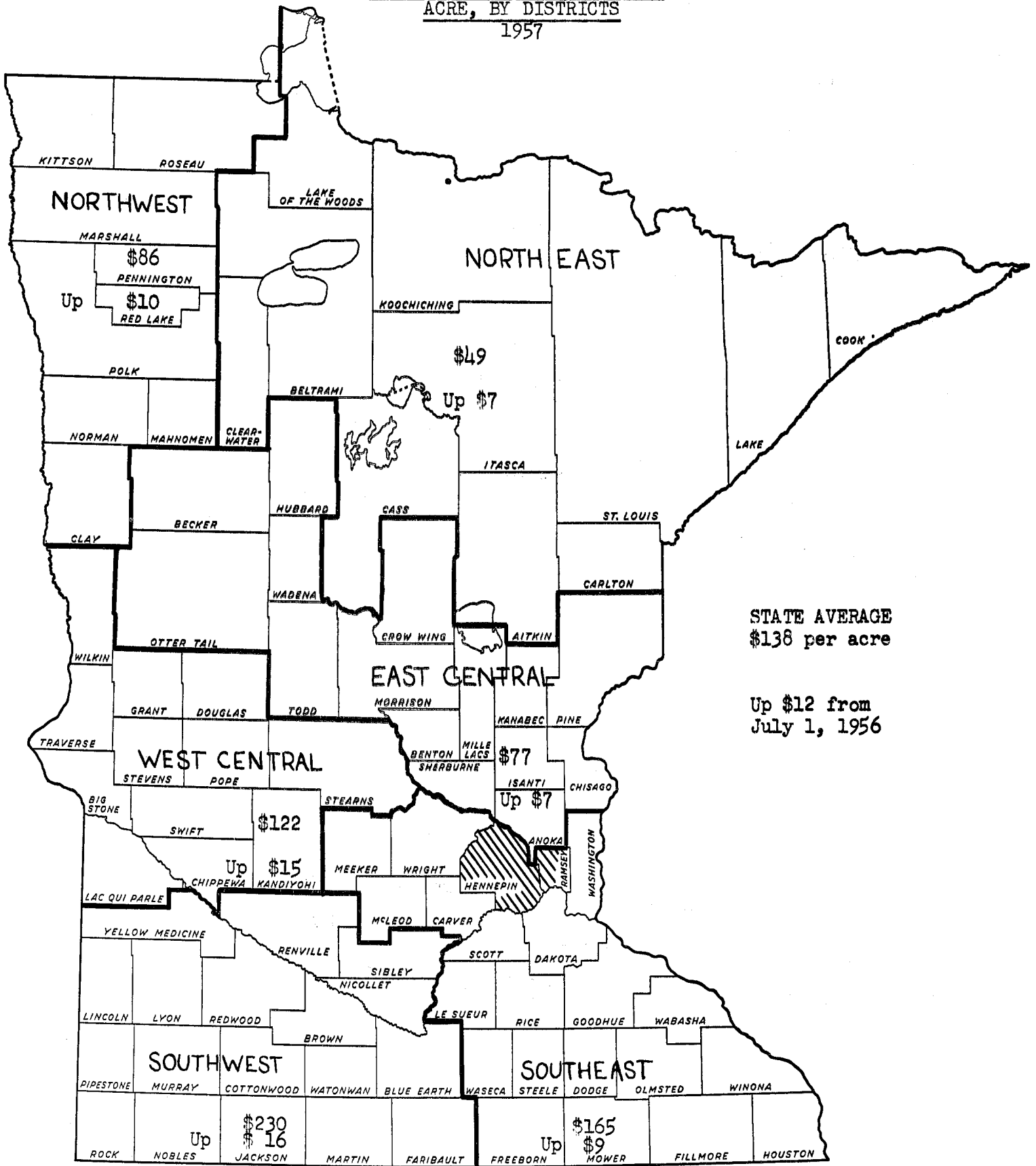
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MINNESOTA
AVERAGE FARM LAND PRICE PER
ACRE, BY DISTRICTS
 1957



STATE AVERAGE
 \$138 per acre

Up \$12 from
 July 1, 1956

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PART I. LAND PRICE TRENDS

Farm Land Prices Increased Again in 1957

Minnesota farm land prices increased an estimated 9.5 per cent from 1956 to 1957, in the fourth consecutive year of uninterrupted land price increases. The 1957 annual survey of Minnesota farm land market trends reveals an estimated average price per acre of \$138 for improved land in 1957 or a \$12 per acre rise over 1956. The 1957 estimates and the trends in per acre prices since 1952 are shown by districts in Table 1, with district boundaries shown on the map on the inside cover page.

Table 1. Estimates of Average Price Per Acre of Minnesota Farm Land, by Districts, 1952-57 ^{a/}

	Average Price Per Acre						Per cent Change, 1957 over:			
	1952	1953	1954	1955	1956	1957	1953	1954	1955	1956
	dollars						per cent			
Southeast	131	130	139	150	156	165	27	19	10	6
Southwest	175	175	187	205	214	230	31	23	12	8
West Central	96	95	99	103	107	122	28	23	18	14
East Central	58	62	66	68	70	77	24	17	13	10
Northwest	68	64	72	73	76	86	34	18	13	13
Northeast	42	40	40	45	42	49	23	23	9	17
State	107	105	113	121	126	138	31	22	14	9.5

^{a/} Based on a mail questionnaire covering the period January-June, 1957, returned by 823 respondents located throughout the state. A total of 733 returns were completely filled in. Respondents were farm real estate dealers, farm loan agents, bankers, lawyers and others with knowledge of their local farm real estate situation.

In percentage terms these changes are not evenly distributed over the six districts. Although the lowest average per acre prices were reported from the Northeast, this district also reported an increase in 1957 of 17 per cent in the average price of farm land. In this district, where forestry, mining, recreational, and residential land-uses predominate, land prices are largely influenced by the condition of the dwelling and by the income situation in the "non-farm" sector of the market. The large percentage increase actually represents a very modest rise of \$7 per acre. In this area it has been the low and medium grades of farm land that recorded the largest percentage increases in 1957.

In the West Central and Northwest areas there were increases of 14 and 13 per cent, respectively. In these two areas the reported increases have been most marked for lands of medium and good quality. The increase in the East Central area was almost identical with the state average, at 10 per cent.

The percentage increases in 1957 in the Southeast and Southwest districts were below the state average, in percentage terms, while in dollars they averaged \$10 per acre in the Southeast and \$16 in the Southwest.

Caution should be used in interpreting the percentage increase in the Northeast. In dollar terms, there have been comparatively minor changes in land prices in this area.

since the Korean War. The percentage changes in the southern and western sectors of the state, on the other hand, represent large and consistent price rises, in both dollar and percentage terms, over the past five years.

Number of Farm Sales Increased in 1957 1/

Farm transfers by voluntary sale increased from 31.1 per thousand farms in 1956 to 34.0 per thousand in 1957. Forced sales (foreclosures, tax delinquencies, and the like) declined in 1957, while transfers by gift, inheritance, administrators and executors sales, etc. reached a level of 15.6 per thousand. These estimates for 1957 and for the four preceding years are shown in Table 2.

Table 2. Estimated Number of Farm Title Transfers Per Thousand Farms, By Method of Transfer, Years Ending March 15, Minnesota 1953-57. a/

Year	Voluntary Sales	Forced Sales	Inheritance	Total
		(Foreclosures, Tax Sales, Etc.)	Gift and All Other Transfers	All Classes
Number of Transfers Per Thousand Farms				
1957	34.0	2.8	15.6	52.4
1956	31.1	6.4	12.9	50.4
1955	32.5	3.0	9.8	45.3
1954	27.1	1.2	11.5	39.8
1953	28.4	1.6	9.2	39.2

a/ Source: "Current Developments in the Farm Real Estate Market", U. S. Department of Agriculture, Washington, D.C.; October 1957, p. 18; July 1956, p. 30; and March 1955, p. 36.

These recent increases in the rate of farm transfers have marked a definite upturn from the low point reached in 1953-54. For both the rates of "total transfers" and of "voluntary sales", the low points reached in 1953-54 were below any levels recorded since 1926, when systematic collection of these data on a state-by-state basis was first begun by the U.S. Department of Agriculture. The recent increases have been substantial. From 1954 to 1957 the rate of voluntary sales increased by more than 25 per cent, and the rate of total transfers by 32 per cent. While the 1957 rates of transfer appear low in comparison with the 1947 post-war high of 80 transfers per thousand farms, they may well be at or approaching what might be considered a "long term normal" rate of farm transfer.

The current rate of total transfers in Minnesota (52.4 per thousand farms) is the highest rate since 1951, and is above the ten-year (1948-57) average rate of 51.3. Voluntary sales, at 34 per thousand in 1957, are also at the highest rate since 1951, though still below the ten-year average, 1948-57, of 37 per thousand.

The rate of farm transfers in Minnesota in 1957 was above the U.S. average rate of 47.8 per thousand farms, and was higher than in any other Mid-West state, although the rates in Ohio and Indiana were almost as high.

Transfers by Inheritance Sharply Up. The most pronounced increase in Minnesota farm land transfers in the past two years has taken place in transfers by gift, inheritance, and sales to close estates. The 1957 rate of 15.6 per thousand is over 50 per cent

1/ This analysis of farm transfers is based on state-wide data collected annually by the U.S. Department of Agriculture, as of March of each year. For 1957, see Current Developments in the Farm Real Estate Market, USDA ARS 43-6F (CD-47), October 1957, pp. 18-19.

above the 1953-55 low, and is higher than in any year since 1940, except for the 1943-45 period and 1947. ^{1/} It is roughly true that for every two farm transfers by voluntary sale in 1957 there was a third transfer by inheritance, gift, or executor's sale. These transfers connected in some manner with the process of inheritance accounted for 30 per cent of all farm transfers in Minnesota in 1957. This is the highest ratio of "inheritance" transfers to total transfers since 1926, when this statistical series was started.

These statistics unquestionably reflect the effect of the extension of social security to farm families, beginning on January 1, 1955. Transfers by gift, inheritance, etc. in the 1953-55 period averaged about ten per thousand farms, the lowest rate recorded since 1926. The rapid increase in this method of transfer in 1956 and 1957 almost surely reflects the fact that farm owners postponed retirement in 1954-55 in order to qualify for social security coverage.

While social security has influenced the rate of transfer by inheritance in recent years, other forces have also been at work. The combined effects of rising land prices and high rates of income and capital gains tax have undoubtedly led many farm owners to elect to transfer their farm by inheritance rather than by voluntary sale. In addition, an increasing tendency to hold farm real estate in "joint tenancy" (co-ownership, usually with a spouse) and not in individual fee simple title or by "tenancy in common", may have contributed to the increasing importance of transfer by inheritance.

Whatever the reason, the significant fact is that in 1957 farm transfers by various forms of inheritance in Minnesota made up a larger fraction of total land transfers than at any time in the past three decades.

Why Have Farm Land Prices Continued to Increase?

The land price increase reported in 1957 marks the fourth consecutive year of land price increases in Minnesota. During the same period gross receipts from the sale of farm products have stayed at about the same levels, while farm expenses have increased and net incomes have declined. How can these facts be reconciled?

The Long-Term Upward Trend. To understand this apparent contradiction, it is necessary to look at the broad forces that have been at work in the farm land market in recent decades. The most prominent of these is the long-term continuous rise in land values, dating from the middle 1930's and now reaching the quarter-century mark. This is one of the longest periods of sustained land price increases in modern American history. We are rapidly approaching a time when the current generation of farm families will include a majority of people who have never known anything but a bullish land market. It seems probable that a part of the current increase in land values can be attributed to the momentum of this long-term trend. Prices have gone up so steadily that there is a tendency to expect a continuation of the trend, and to bid for land with this expectation subconsciously in mind.

Roads, Schools, and Electricity. Other less intangible factors have been at work. Within the past decade there have been major improvements in roads, schools, and in the availability of electric power. These improvements occur slowly, and are scarcely noticeable in any short-time period. Over a decade they build an impressive base for higher land values.

^{1/} Although the estimate includes transfers by "miscellaneous and unclassified" means, as well as by inheritance, gift, or executors sale, these miscellaneous transfers may be ignored for they rarely occur at a rate of more than one per thousand farms.

Except in the forest fringe counties of the northern part of the State, virtually every farm has access to market through a hard-surface, all-weather road. This has made possible school bus transportation for farm children, and in turn has been associated with the construction of bigger and newer schools making even remote farm communities more attractive places in which to live and raise a family.

The Rural Electrification Administration program has also brought with it value-increasing factors of a general nature. Farm isolation from village or city life has been made less evident by electric power, radio and television, and the amenities of central heating and plumbing that have generally been associated with the coming of electricity.

As a consequence, nearness or distance from a market, or condition of roads, have become relatively minor factors in land market analysis in most of the commercial farming areas of the state. Virtually every farm is on a good road, and distance in miles has been substantially reduced when measured in minutes of travel time. This has had a pervasive upward influence on land values, pulling upward the value of the lands once considered too far from market for first class location or inadequately supplied with roads, schools, and other social and public utilities.

Capital Gains Taxes and Smaller Families. Two additional forces that have had a generalized, wide-spread influence on the increase in farm land values have been the capital gains tax, and the smaller size of families. Of those farms now in the hands of elderly couples who might normally consider retirement or sale of the farm, a significant number were acquired in the depression of the 1930's at values much lower than prevail today. If these farms were sold, a substantial capital gains tax liability might result and this has unquestionably held down the number of farm sales occasioned by old age and retirement.

A similar force acting to restrict the supply of farms for sale has been the progressive decline in the number of children per farm family. This has reduced the statistical probability that family quarrels might force the sale of an estate, or that a physical sub-division of a farm among the children would result in parcels so small that they would not be saleable in the market, thus forcing sale of the entire farm in order to settle the estate. Although factual data regarding this influence on the supply of farms for sale are difficult to obtain, it seems probable that this has had some downward effect on the number of farms that would normally be available for purchase as a result of the inheritance process.

Better Farm Management and Increased Capital Investments. The forces described above have been of a general nature, widely spread over large areas, and occasioned less by individual action than by economic and social forces of a diffuse nature. Another class of value-increasing forces has also been at work in the farm land market. These include a wide range of management practices that have in general improved the quality and the productivity of our farm land. Included are heavier rates of fertilization, and the selective application of fertilizers to small field areas, to meet the specific demands of local soil variation. The long-range effects of better soil conserving practices, terracing, contour farming, erosion control structures and other related activities promoted by the Soil Conservation Service have also unquestionably raised the quality of the state's farm land. These activities represent a major investment of private and public capital, almost all of which has gone into improvements of a permanent or long-run nature.

More buildings, better wells and water supplies, better drainage, the elimination of pot holes and "bad spots" in fields and a wide range of similar improvements have had the general effect of upgrading the quality of land in farms. Many of these

improvements have required capital investment when made, but have become a part of the land once made and exercise a permanent influence on the levels of land value.

To take a specific example, the availability of electric power has made it possible to improve water supplies, including a piped distribution system for household and stock water together with deeper wells of bigger capacity, often powered by electric pumps. Much of the investment in wells and water supplies is of the nature of a permanent improvement in the land and acts as a value-increasing force. Thus in many significant ways the trends of advancing technology and superior farm management have acted to improve permanently the productive powers of the land, and to increase its value.

No way exists to isolate these influences in the farm land market. Collectively, there are strong reasons to believe that they bulk large in any accounting of the long-term upward trend in farm land prices. In effect, the past quarter century and in particular the last ten years have witnessed a substantial capital investment in land improvements, fully justifying some long-term increases in land values. This is not to say that present levels of land values can be supported by the current income earning potential in agriculture. These considerations do give considerable ground for argument, however, that a large part (and perhaps the greatest part) of land value increases in the past decade rests solidly on a base of sustained capital investments in the land, from both public and private sources.

Most of the land market forces mentioned above have operated within the framework of the farm business. Better buildings, soil conserving practices, size of family, and farm electrification are specific examples. At the same time, a major influence on farm land values has been exerted by another group of forces, largely external to the individual farm business.

Non-farmer Demand for Farm Land. One of the strong supports for rising land values has come from non-farm buyers of agricultural lands. These include those who buy as an investment, those who seek a rural residence only, and (especially in the northern sectors of the state) those who buy rural lands primarily for recreational uses. Collectively they accounted for almost one-fifth of all land sales in 1957, as shown in Table 3.

Table 3. Per Cent of Reported Farm Sales Made to Investor Buyers, by Districts, Minnesota, 1954-57.

District	Sales to Investor Buyers as Per Cent of Total Sales in:			
	1954	1955	1956	1957
	per cent			
Southeast	17	12	13	16
Southwest	18	18	18	20
West Central	12	17	19	28
East Central	14	14	14	13
Northwest	13	9	12	12
Northeast	16	16	22	18
State	16	14	16	19

Good roads have not only brought farmers closer to markets, they have also brought city people to the country. An influential part of the demand for farm land in many areas of the state can be traced to the rapid expansion of commuting areas around

primary and secondary cities. This is most pronounced in the Twin City metropolitan area, but it can be noted in the vicinity of Duluth, Rochester, St. Cloud, Mankato, Red Wing, and in many other local suburban areas. Urban buyers bidding for rural land are interested in buildings and location. They are often relatively uninterested in the quality of the soil. As a consequence, they may offer prices for farm land that are not justified by its earning potential in agricultural use, but are entirely reasonable in terms of rural residential land use. Where this urban influence has been felt, it has tended strongly to push farm land values well above levels that can be supported by long-term farm income expectations.

From the data available for this study, it is impossible to separate out those who buy as investors from those who are simply seeking a "home in the country", or for whom recreational purposes are uppermost in their minds. They are grouped together as "investor buyers" in the table above.

One of the noteworthy changes in the past four years has been the percentage of farm sales made to investor buyers in the West Central area of the state. In 1954 this class of buyers accounted for only 12 per cent of all sales in the West Central district; by 1957 the figure had jumped to 28 per cent. Investor buyers have always been prominent in the southwestern counties; apparently the development of earlier maturing strains of hybrid corn coupled with the scarcity of good southwestern farms for sale has led this class of buyers to look farther north for land.

"Farm Expansion" Buyers. Farmers seeking to enlarge their present holdings have been one of the strongest elements in the demand for farm land in recent years. This class of buyers accounted for over one-third of all farm sales in the Southwest district in both 1956 and 1957 and they have dominated the land market in the Red River Valley. As Table 4 shows, almost two-thirds of all farm sales in the Northwest district in 1957 involved buyers who were adding to their present farms. For the state as a whole, "farm expansion" buyers averaged 30 per cent of the total number of sales in both 1956 and 1957.

Table 4. Per Cent of Reported Farm Sales Made to Farm Expansion Buyers, by Districts, Minnesota, 1954-57.

District	Farm Expansion Sales as a Per Cent of all Sales:			
	1954	1955	1956	1957
		per cent		
Southeast	18	16	25	22
Southwest	26	30	35	34
West Central	26	25	25	29
East Central	15	10	16	22
Northwest	56	52	59	64
Northeast	6	16	6	14
State	25	24	30	30

It is worth noting that "farm expansion" buyers have been most active in those areas of the state where farm size is already well above the state average. Although the Southeast, East Central and Northeast districts are characterized by relatively small farm operating units, the importance of "farm expansion" buyers has been less in these districts than in the western half of the state. While larger farm operating units may be one of the acute needs of the small-farm areas of the state, it is apparent that the land market trends of recent years do not show that expansion of farm size

is being accomplished through the purchase of additional land in these areas. On the contrary, the process of buying up existing farms in order to consolidate them into larger units is most pronounced in the Red River Valley area, where average size of farm is greater than in any other region of the state.

The Combined Effect of Investors and Farm-Expansion Buyers. Investor and farm expansion buyers taken together accounted for over 50 per cent of all sales reported in the western half of the state in 1957. By districts, they include 70 per cent of all sales in the Northwest, 47 per cent in the West Central area, and 48 per cent in the Southwest. As Table 5 shows, statewide sales made to these two groups of buyers increased from 36 per cent in 1955 to 44 per cent in 1957.

Table 5. Combined Proportion of Total Sales Made to Investor Buyers or for the Expansion of Existing Farm Units, by Districts, Minnesota, 1957 a/

District	Per cent of Total Sales in:		
	1955	1956 per cent	1957
Southeast	26	35	34
Southwest	44	47	48
West Central	37	39	47
East Central	24	29	36
Northwest	59	70	70
Northeast	31	29	30
State	36	41	44

a/ Adjusted to avoid duplication in the two classes of buyers.

The grouping of sales made to investor or farm-expansion buyers emphasizes an important characteristic of the current farm land market. As was pointed out above, the 1957 rate of transfer by voluntary sales was 34 per thousand farms. This rate, in itself, cannot be regarded as abnormally low. The data of Table 5, however, make clear the fact that almost one-half of these transfers were made to non-farm buyers, or to established farmers seeking to expand their farms. In terms of probability, a beginning farmer or a renter in 1957 had only slightly better than a 50-50 chance to emerge as the successful bidder for a farm unit transferred by voluntary sale. In the Northwestern area of the state his chances were only 3 out of 10.

In percentage terms, the rate of farm transfers to buyers who acquired a single operating unit for owner-operation in 1957 would seem to be in the neighborhood of 19 per thousand farms. 1/

When viewed in this light, it appears that, particularly in the western half of the State, the primary advantage in today's land market rests with the buyer who can draw upon capital from outside agriculture (investor or rural residential buyers) or who can devote the earnings (and the security) of an existing farm to the task of paying for additional land.

The Soil Bank. One of the abnormal forces at work in today's land market results from the federal agricultural programs collectively referred to as the "Soil Bank." On the supply side, it seems probable that these programs have reduced somewhat the number of farms offered for sale. Elderly farmers ready to quit farming, landlords seeking or

1/ Computed by reducing the reported 1957 rate of voluntary sales (34 per thousand) by 44 per cent, to remove the effect of non-farm investors and farm-expansion buyers.

forced to replace a tenant, and other owners who might normally have considered the sale of their land have been given a new alternative through the prospect of entering it under the Conservation Reserve feature of the Soil Bank.

On the demand side, non-farmers (and farmers) have found in the Soil Bank a new opportunity to buy land for investment purposes, particularly in areas of the State where tree crops can be counted upon to make the land more valuable with the passage of time.

Although not a major factor in the farm land market, these forces have almost certainly exerted some upward pressure on land prices. The extent to which land owners throughout the State participated in the Soil Bank in 1957 is shown in Table 6.

Table 6. Per Cent of Total Cropland Acres Contracted Under Soil Bank Programs, by Districts, Minnesota, 1957 a/

District	Per Cent of Total Cropland Acres in:		
	Conservation Reserve	Acreage Reserve	Total (Soil Bank)
		per cent	
Southeast	0.7	1.6	2.4
Southwest	0.2	0.7	0.8
West Central	2.1	2.2	4.3
East Central	5.6	2.5	8.0
Northwest	6.4	2.4	8.8
Northeast	6.2	0.6	6.8
State	2.8	1.7	4.3

a/ Sources: Total cropland acres from the 1954 U.S. Census of Agriculture, Soil Bank participation data from the Minnesota State Agricultural Stabilization and Conservation Committee, St. Paul, June 1957.

It will be noted that Soil Bank participation is low in the Southeast and especially in the Southwest districts. It accounted for roughly four per cent of the cropland in the West Central district, while it ranged from about seven to nine per cent of the cropland in the East Central, Northwest and Northeast districts. There is a rough relationship between land price increases in 1957, by districts, and the degree of participation in the Soil Bank (and especially in the Conservation Reserve), as is shown in Table 7.

Table 7. Land Price Increases and Soil Bank Participation, by Districts, Minnesota, 1957.

District	Per Cent Increase in Land Prices 1957 over 1956	Per Cent of Total Cropland Entered in the Soil Bank
Southeast	6	2.4
Southwest	8	0.8
West Central	14	4.3
East Central	10	8.0
Northwest	13	8.8
Northeast	17	6.8
State	9.5	4.3

While it seems highly unlikely that the Soil Bank has had any appreciable influence on farm land prices in the southern and west central sectors of the State, there is some evidence that it has helped push land prices upward in the northern and east central areas. This inference is supported by supplemental comments made by brokers on the land market questionnaires, as reported below in Part III, "Brokers' Comments."

It would be wrong to assign much weight to Soil Bank influence on the state-wide level of farm land values. This level is heavily weighted by the high land values in the well-developed commercial farming areas of the southern portion of the State, where Soil Bank participation has been at a minimum. In the forest-farming fringe areas of the state, however, there is a strong probability that the Soil Bank has played a significant role in the 1957 land price increases.

Increase in Land Contract Financing. About 72 per cent of all farm land sales in Minnesota in 1957 involved some credit financing. Although this figure is only slightly higher than the 70 percent reported in 1956, there were significant changes in the type of credit instruments used. Traditionally the mortgage has been the basis for farm land credit. For the first time since 1926 (when the collection of these data began), the land contract or contract for deed in 1957 was used in a larger percentage of Minnesota farm sales than was the mortgage. As Table 8 shows, 26 per cent of the sales in 1957 were for cash, 34 per cent involved mortgages, while 38 per cent were financed by land contracts.

Table 8. Changes in Per Cent of Cash Sales, Mortgages, and Land Contracts, by Districts, Minnesota, 1956-57 a/

District	Cash Sales		Mortgages		Land Contracts	
	1957	1956	1957	1956	1957	1956
Southeast	24	20	35	34	40	39
Southwest	28	25	38	47	32	20
West Central	26	27	36	44	36	24
East Central	26	31	29	26	44	41
Northwest	27	36	25	34	43	27
Northeast	29	19	33	19	33	42
State	26	26	34	38	38	30

a/ Based on 1354 reported sales in the first half of 1956 and 1641 reported sales for the period of January 1 to June 30, 1957. This represents approximately one-half of all farm sales made in the first half of 1957 in Minnesota.

The biggest increase in the use of land contracts occurred in the Southwest and West Central districts, areas in which land contracts have never been widely used. This applies particularly to the Southwest, where in 1956 only 20 per cent of the sales were financed by land contract. In 1957 this percentage jumped to 32, while mortgage financed sales dropped from 47 per cent in 1956 to 38 per cent in 1957. Clearly, the gain in the use of land contracts has been at the direct expense of the mortgage.

A similar shift occurred in the West Central district, where land contracts jumped from 24 per cent in 1956 to 36 per cent in 1957, and mortgages dropped from 44 to 36 per cent of all sales. These data are summarized in Table 8.

These shifts are apparently the result of a tighter credit market, with the principal impact being felt in the Southwest and West Central areas. Under normal conditions,

it might be assumed that higher interest rates and tighter credit would reduce the volume of farm land sales, and exert a downward pressure on land prices. Although farm mortgage interest rates were up in 1957, the effect on the land market seems to have been modified by a shift to land contract financing.

Occurring as it did in the area of highest land values in the State, this increased use of land contracts has probably had a significant influence in maintaining price levels and the volume of sales in those areas. We can conclude, therefore, that a part of the reason for the upward trend in Minnesota farm land prices in 1957 can be attributed to a shift from the conventional mortgage to land contract financing.

PART II. REAL ESTATE MARKET ACTIVITY IN 1957

Farms Listed for Sale

One barometer of activity in the farm land market is the trend in number of farms listed "for sale" with real estate dealers. These trends by districts are shown in Table 9.

Table 9. Percent of All Reporters Listing an Increase, Decrease, or No Change in the Numbers of Farms Listed for Sale with Real Estate Dealers, by Districts, Minnesota, 1956-57

District	Number of Reports 1957	Percent of Brokers Reporting:					
		An Increase		A Decrease		No Change	
		1957	1956	1957	1956	1957	1956
	Number	per cent		per cent		per cent	
Southeast	174	15	23	17	22	68	55
Southwest	154	12	16	19	30	69	54
West Central	100	18	19	19	14	63	67
East Central	87	21	25	10	14	69	61
Northwest	55	20	36	15	18	65	46
Northeast	47	26	72	11	14	64	14
State	620	17	24	16	21	67	55

While some brokers reported increases or decreases in listings, there were fewer respondents in either of these categories in 1957, with the dominant group reporting "no change" over 1956. Fully two-thirds of all reporting brokers stated that offerings (i.e. "listings") in the farm real estate market in 1957 were substantially the same as in the previous year.

Approximately the same picture emerges if we turn from farms listed for sale to the record of farms actually sold in 1957. Here again, the principal theme is "no change." Although 16 per cent of those reporting stated that they sold more farms in 1957 than in 1956, there were 20 per cent who reported a smaller 1957 volume of business. The dominant group, 64 per cent of the total, reported their 1957 volume of farm sales as essential unchanged from 1956. These reports by districts are shown for 1956 and 1957 in Table 10.

Table 10. Percent of All Reporters Listing an Increase, Decrease, or No Change in Numbers of Farms Sold, by Districts, 1956-57

District	Number of Reporters 1957	Percent of All Brokers Reporting:					
		An Increase		A Decrease		No Change	
		1957	1956	1957	1956	1957	1956
	number	per cent		per cent		per cent	
Southeast	189	16	7	17	25	66	68
Southwest	172	9	14	27	32	65	53
West Central	106	25	16	25	23	51	61
East Central	94	20	12	16	37	64	51
Northwest	63	17	9	14	35	68	56
Northeast	47	13	38	17	31	70	31
State	674	16	13	20	30	64	57

An Analysis of 1957 Farm Sales

Two types of data are collected from respondents in this annual survey of the Minnesota farm land market:

- a) Estimates of the value per acre of good, medium and poor farm land each locality. These estimates are the basis for reports of year-to-year changes in land values. The estimates are obtained in response to the question: "What is the current price per acre of the average size farm of average value in your community?"
- b) Actual prices received for farms that were sold in the respondents' communities during the period January-July, of each year.

The estimates of value are more reliable in obtaining year-to-year trends than are the reported prices received in actual sales, for the following reason: The quality of land sold in any one year varies greatly, and it is impossible to adjust the sales prices to take these quality variations into account. An example will make this clear: There are typically only about 25 to 50 voluntary (or "commercial") farm sales per year in an average county. The average price might be \$125 per acre in 1955 and \$140 per acre in 1956. This might reflect a true increase in local land values, or it might simply mean that the farms sold in 1956 were of better quality than those sold in the preceding year. For this reason, it is not safe to rely heavily on prices reported from actual sales, unless something is known about the quality of the land and buildings.

With this warning it is useful to study the trends in prices reported from actual sales. These prices for the period 1953-57, and the number of sales reported for 1957, are shown in Table 11.

Table 11. Number of Sales Reported in 1957 and Average Sales Price per Acre, by Districts, 1953-57

District	Total Sales Reported in 1957 number	Average Sales Price Per Acre Reported in:				
		1957	1956	1955	1954	1953
Southeast	476	175	160	166	146	133
Southwest	470	217	207	211	186	181
West Central	300	108	100	101	106	91
East Central	210	65	58	65	57	57
Northwest	139	88	78	68	63	63
Northeast	61	39	40	46	38	57
State	1656	144	139	144	123	111

The largest increase in reported sales price in 1957 occurred in the Southeast district, which is consistent with the brokers' estimates of land value changes in this district, as shown in Table 12 below. While the estimated average price per acre increased in all of the reporting districts in 1957, the average reported sales price per acre in 1957 increased in all but the Northeast district.

Table 12. Comparison of Reported Actual Sales Price per Acre and Estimated Average Price per Acre, by Districts, 1956-57

District	1957 Average Price per Acre		1956 Average Price per Acre	
	Reported	Estimated	Reported	Estimated
	dollars per acre			
Southeast	176	165	160	156
Southwest	217	230	207	214
West Central	108	122	100	107
East Central	65	77	58	70
Northwest	88	86	78	76
Northeast	39	49	40	42
State	144	138	139	126

Sales Price According to Quality of Land

Table 13 reports sales price per acre classified according to the respondent's estimate of the quality of land involved in tracts sold in 1957, with comparisons for 1955 and 1956 reported sales.

Table 13. Average Sales Price per Acre for Reported Sales, Classified by Brokers' Estimates of Quality of Land, by Districts, 1955-57

District	Average Sales Price per Acre								
	Good			Average			Poor		
	1957	1956	1955	1957	1956	1955	1957	1956	1955
dollars			dollars			dollars			
Southeast	204	202	201	165	148	137	119	105	103
Southwest	253	237	245	211	198	193	157	150	136
West Central	130	123	116	105	94	98	69	73	65
East Central	85	79	78	62	50	55	43	29	38
Northwest	121	102	96	66	59	51	27	26	25
Northeast	42	55	50	37	36	51	19	40	58
State	177	170	179	139	126	124	82	95	83

In the Southeast district the prices per acre of low and medium grade farm lands have increased significantly over the past three years. In contrast, there has been almost no change in the reported sales price of "good" farm land in that district since 1955.

In the Southwest district all three grades of land increased in price in 1957. There has been a reported increase in the number of buyers seeking farms in this district, with a strong demand for the better grades of farm land.

In the West Central, Northwest and Northeast Districts the price per acre received in reported sales of the poorer grades of farm land has remained about the same or has declined. In the West Central and Northwest areas farm enlargement has affected the demand for the better grades of farm land. These are cash grain areas where mechanization leads to larger sized farms, thus increasing the demand for nearby lands of the better soil types. Prices received for the poorer lands in the West Central and Northwest districts have remained at about the same levels from 1955 to 1957. On the other hand, the prices of "good" land have shown substantial increases, averaging more than 25 per cent in three years in the Northwest district.

Unimproved Lands Have Appreciated Relative to Improved Lands

When reported farm sales in 1956 and 1957 are classified according to "improved" or "unimproved" land, the analysis reveals a marked rise in the relative prices paid for bare land (land with no buildings). This rise is greatest in West Central and Northwestern Minnesota. As Table 14 shows, the average price per acre for bare land in the Red River Valley area was actually higher in 1957 than was the price paid for improved land. It was only slightly lower in the West Central counties.

Table 14. Price per Acre of Improved and Unimproved Land, Reported Sales, Minnesota, 1956 and 1957

District	Price per Acre				Price of Unimproved Land as a Percent of Improved Land	
	Improved Land		Unimproved Land		1956	1957
	1956	1957	1956	1957	%	%
	\$	\$	\$	\$	%	%
Southeast	162	177	125	144	77	81
Southwest	232	224	169	173	73	77
West Central	105	110	72	99	69	90
East Central	60	66	25	49	42	74
Northwest	83	84	56	85	67	102
Northeast	40	35	10	20	25	57
State	151	151	102	117	68	77

In general terms, unimproved land relative to improved land sells highest in Southern, West Central and Northwest Minnesota. It is lowest-priced in East Central and Northeast Minnesota, regions in which part-time farming and the demand for rural residences makes the residential value of improvements an important factor. Apart from these regional variations, for the state as a whole the sales prices of unimproved land showed a relative increase in 1957 in every district.

Characteristics of Sales to Investor and Farm Expansion Buyers

As noted in Part I of this report, the land purchases made by farm expansion buyers, or by investors, accounted for almost one-half of all reported farm sales in the first six months of 1957. Because of the importance of these two classes of buyers, this section is devoted to closer examination of their purchases.

Table 15 shows the average size of tract purchased by the three major classes of buyers: operating farmers who purchased complete units, farm expansion buyers who added to their existing holdings, and investors.

Table 15. Average Size of Tract Purchased by Three Types of Buyers by Districts, Minnesota, 1956-57

District	Average Size of Tract Bought by:					
	Operating Farmers a/		Farm Expansion Buyers		Investor Buyers	
	1957	1956	1957	1956	1957	1956
Southeast	157	150	131	139	166	175
Southwest	167	169	149	154	160	158
West Central	209	200	198	162	206	184
East Central	154	133	136	122	165	112
Northwest	428	197	266	224	299	178
Northeast	143	194	117	115	110	123
State	177	165	171	163	178	158

a/ Buyers who purchased complete farm units, presumably for owner-operation.

Two characteristics stand out in these data: One is the strong influence exercised by the "quarter section" sale. Only in the West Central and Northwest districts do the averages depart widely from 160 acres per tract.

A second significant conclusion arises from the fact that the average size of tract purchased by "farm expansion" buyers is only slightly smaller than the complete operating units purchased by "operating farmers." The evidence suggests strongly that "farm expansion" buyers are not simply buying up adjacent tracts or parts of farms to add to their holdings. They are buying complete farms. Only in the Red River Valley are the units bought by operating farmers notably larger than those purchased by farm expansion buyers.

One inference to be drawn from the data in this table is that the process of farm expansion by means of land purchase is one that involves the consolidation of farms that were once separate but complete operating units. The additions that are being made are not on the order of 40- or 80-acre tracts, but involve tracts that are approximately the same average size as current operating units, in the respective districts. The "average unit of expansion" is, roughly speaking, the average size of farms in that district.

In other words, the adjustments in farm size that are taking place through the land market are not marginal additions of a few extra acres; they are massive expansions resulting from the amalgamation of what once were complete farm units.

The average prices paid by the three major classes of buyers are shown in Table 16.

Table 16. Average Price per Acre Paid by Three Types of Buyers, by Districts, Minnesota, 1956-57

District	Average Sales Price per Acre Paid by:					
	Operating Farmers		Farm Expansion Buyers		Investor Buyers	
	1957	1956	1957	1956	1957	1956
	dollars		dollars		dollars	
Southeast	187	164	159	161	142	139
Southwest	226	222	224	210	204	182
West Central	117	107	98	96	111	87
East Central	71	62	69	44	50	61
Northwest	52	68	112	77	98	128
Northeast	37	36	31	53	32	75
State	149	142	141	141	134	128

Here again, the differences in price paid are relatively minor, except in the Northwest district. Outside the Red River Valley, operating farmers paid generally higher prices per acre, reflecting no doubt their interest in buildings, as well as in quality of land.

On the whole, investor buyers paid the lowest prices, but these differentials are indeterminate unless more is known about the quality of land and buildings purchased. Some insight into these quality differentials is provided by Tables 17 and 18, showing sales classified among buyers by quality of land, and of buildings.

Table 17. Percent of Purchases of Each Type of Buyer Classified According to Quality of Land Bought, by Districts, Minnesota, 1957

District	Type of Buyers								
	Operating Farmers			Investor Buyers			Expansion Buyers		
	Percent of Land Purchases that Classified:								
	Good	Ave.	Poor	Good	Ave.	Poor	Good	Ave.	Poor
	Percent			Percent			Percent		
Southeast	31	36	33	36	39	25	38	46	16
Southwest	44	45	11	37	40	23	42	45	14
West Central	37	51	12	20	55	25	34	37	29
East Central	38	45	17	35	35	31	39	49	12
Northwest	32	45	23	36	46	18	45	34	21
Northeast	32	59	22	0	70	30	0	71	29
State	36	43	22	31	44	25	39	43	18

For the state as a whole, the purchases of each class of buyer were similarly distributed among good, average, and poor quality land. Of all sales to operating farmers, for example, 36 percent were classed by reporters as "good" land, 43 per cent "average" and 22 percent "poor". A general tendency is noticeable for the sales to investor buyers to involve a larger percentage of poor land. This is especially marked in the East Central, and Southwest districts.

It is interesting to note, also, that the quality of land bought by farm expansion and investor buyers in the Northwest district supports the substantially higher prices reported in Table 16 for these classes of buyers. For the Northwest district, a clear picture emerges: investor and farm expansion buyers apparently are confining their activities to the better quality and higher priced lands of the Red River Valley, with operating farmers most active in the eastern (non-Red River Valley) portions of the counties making up the Northwest district.

The data of Table 18 show the quality of buildings involved in sales to the three major types of buyers. Operating farmers are understandably interested in building quality and their purchases involve the largest percentage of buildings that rate as "good."

Table 18. Percentage of Purchases of Each Type of Buyer Classified According to Quality of Buildings Bought, by Districts, Minnesota, 1957

District	Operating Farmers				Investor Buyers				Expansion Buyers			
	Quality of Buildings Purchased											
	Good	Ave.	Poor	None	Good	Ave.	Poor	None	Good	Ave.	Poor	None
	Percent				Percent				Percent			
Southeast	36	46	17	1	26	31	31	12	18	35	30	17
Southwest	34	44	14	9	11	33	28	28	22	32	20	27
West Central	43	35	19	3	12	33	35	20	11	20	36	34
East Central	35	40	23	2	22	33	22	22	17	28	28	28
Northwest	36	29	29	7	9	9	46	36	8	25	29	38
Northeast	46	27	18	9	30	20	40	10	0	50	0	50
State	37	41	18	4	17	31	31	21	16	29	27	28

In sharp contrast, only about one-sixth of the sales to farm expansion and investor buyers involved land with "good" buildings. Approximately one-fourth of all sales to these two classes of buyers, taken together, involved bare land with no buildings. For the state as a whole, only 22 per cent of the sales to operating farmers involved land with poor buildings (18%) or without buildings (4%). For investor buyers, 52 percent of all sales involved poor buildings or none at all, while 55 percent of the farm expansion buyers purchased land with poor buildings, or without buildings.

One conclusion is clearly apparent: Farm expansion and investor buyers, who made up almost one-half of the total land market in 1957, are relatively uninterested in buildings. It seems fair to infer that the nature of competition in the current farm land market is de-emphasizing farm buildings, and quite possibly under-valuing them in terms of their productive contribution to the farm business.

PART III. COMMENTS BY RESPONDENTS

In General.

Supplemental comments on the 1957 Minnesota farm real estate market questionnaires are an important indicator of the "tone" of the market. While some respondents voiced a strong note of caution about the continued upward trend of farm land prices, others expressed what may be termed "cautious optimism" about continuing land price increases. On the demand side, the most frequent comments were "lack of money" or "lack enough down payment" and, varying with areas, a concern with "out-of-state" buyers or "fewer prospective buyers." Frequent comments were received regarding insufficient credit, and the increased use of contracts for deed.

On the supply side, typical comments included "few farms changing hands" or "fewer farms available," with some mention of "buying neighbors' farms" in some areas, as indicative of a thin market.

An exploratory question was asked regarding the percentage of farm sales in which no broker or dealer was involved. While no great significance can be placed on a one-year trial, the provisional results are reported as a reflection of the judgments of a number of reporters who answered the question.

Table 19. Estimated Percent of Farms Sold Without Brokers' Services, by Districts, Minnesota, 1957

District	Number of Respondents Answering This Question	Average Percent of Sales in Which No Broker or Dealer was Involved
	Number	Percent
Southeast	86	27
Southwest	114	26
West Central	57	24
East Central	49	31
Northwest	44	51
Northeast	13	34
State	363	30

For the state as a whole, respondents reported that about 3 out of every 10 sales were negotiated without the services of a broker or dealer. By districts, the percentages ranged from one-fourth in the southern part of the state to one-half in the northwest. The district percentages should be regarded as approximations only, since this question was not included in the study in previous years, and there has been insufficient experience in interpreting and evaluating it.

The following pages reproduce quotations from selected respondents, chosen to reflect the market as it existed during the first six months of 1957. The comments were roughly classified for content so that the selection reported for each district is representative of all comments reported for that district. Editing has been minimized in order that the complete remarks can be preserved in the words of the respondents, dots...are used to indicate omitted words.

Brokers' Comments: SOUTHEASTERN MINNESOTA

The comment most frequently mentioned in this district was "lack of money" or "lack enough down payment." This comment was noted on one-fifth of the questionnaires with comments. Next in order of frequency was "out of state buyers" or "more prospective buyers." The number of comments expressing cautious optimism seems to have declined in actual count.

On the supply side, the shortage of farms for sale continues. However this seems to vary with the area reporting. Mention was made of a number of transfers within families. The comment that "good farms sell themselves" seems typical here.

Comments characteristic of this district are listed below:

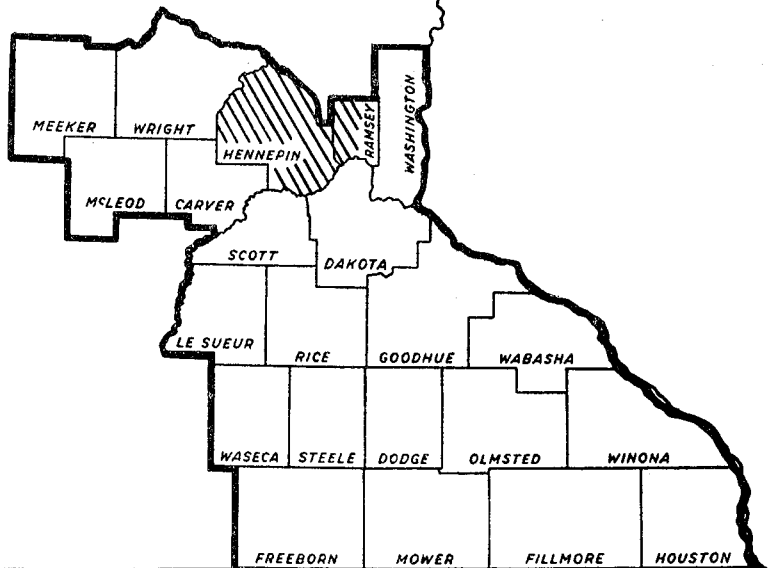
- "If a farm is for sale the son or a neighbor buys it."
- "Most farms sold with small down payment."
- "Several poor ones were sold cheap for Soil Bank purposes."
- "It is becoming increasingly harder to list farms at a price and terms that the average buyer can handle."
- "Most farms are sold on contract for deed."
- "Many farmers who had farms for sale cancelled, due partly to social security."
- "The good farms that are well located and good buildings sell fast...Poor farms for sale are plentiful but harder to sell."

Southeastern District

Average Price
\$165 per acre
July 1, 1957

Up \$9 from
July 1, 1956

An INCREASE of
6 percent



- "The level land has increased in price because of out-of-state buyers coming in."
- "The down payments are getting bigger all the time. It is getting hard for the young farmer to buy or rent."
- "Plenty of buyers but lack enough money for down payments to handle farms."
- "Poorer grade land getting better price because of Contract."
- "Soil banking has resulted in many instances of farms being withdrawn from sale. The demand for high grade farms has been excellent, but hard to list them now."
- "Most of their (Western Minnesota buyers moving here) deals are contract deals, less than 1/3 down, with fair buildings on many places."
- "Retiring farmers under Social Security are planning to remain on farm, occupy house and rent out land."
- "Small farms are not selling; larger farms are priced too high in our area. The buyers seem to be looking for larger and cheaper farms."
- "Demand for farms is good but most buyers are unable to raise sufficient cash for down payments."
- "Our difficulty is getting realistic listings."
- "Price getting so high it is difficult to finance except on contract for deed."
- "Hard to get farms listings-----farmers want to build up their social security."
- "Poorer farms which were offered for sale in prior years are now being purchased by neighbors.....Farms with good land and good buildings are being retained by the farm family."
- "Buyers are people who have rented, or people moving in from Illinois, Iowa, Nebraska, or one of the Dakotas."
- "Not as much activity this year, not as many Iowa or Nebraska buyers."
- "Have a considerable number of would-be-buyers with not enough down payment to be in a position to finance a purchase. Also difficult to obtain a realistic listing price."
- "Good farms seem to be selling for more than warranted."
- "The farms being sold are either the better farms or farms being tied in with another farm."
- "Good financing not available---most important. Sufficient down payments are hard to get from interested buyers."

"Properties sold by this writer were not to farmers but to former city dwellers willing to pay almost as much for eighty acres as they could get 160 acres for. Reluctance of retiring farmers to sell their properties cause replacement of their home elsewhere would take most of the cash obtained from sale and also due to social security availability, Soil Bank benefits and ease of renting land to adjoining neighbors."

"Buyers haven't money, farms with low down payments are easier sold..."

"Most active demand for land is by farmers wanting to increase size of unit. Second demand is for farms with good houses by commuters who work in the Twin Cities."

"Practically 100% of our farms are owner-operated and are passed on to a member of the family when the owner retires."

"Nearby farmers usually are in market for adjoining land, especially without buildings, although this is not always the case."

Brokers' Comments: SOUTHWESTERN MINNESOTA

In the Southwestern district of Minnesota land prices have continued their steady increase. The most frequent comments emphasize that few farms are changing hands. This has led to some outmigration into other areas where farms are available at lower prices. Sufficient credit remains an important factor in this area.

Brokers' comments continue to indicate a decrease in the numbers of farms listed for sale, and a small decrease in the number of farms sold. The increase in average price per acre increase has been substantial, and comments reflecting the problem of sufficient down payments continue. Buying farms for expansion of existing farms continues to be prominent.

"Several buyer inquiries but farms to sell are scarce."

"Quite a few calls not many being listed."

"Very few farms for sale. Most sales are to local parties wanting to enlarge their farm unit. About one-half are sold on Contract for Deed to a son, or to someone that wants to enlarge their present unit."

"More contract for deed sales than previously, due to lack of money, higher price per acre, etc.....There is a lack of top grade farms for sale....Cheap farms are not cheap any more."

"The only buyers are parents who have sons getting married and they want to farm; they have some money and they borrow the rest."

"Less farms on the market and less buyers."

"There is very little land for sale, mostly within families or from father to son."

"Very little farm land offered for sale in our community."

"Most sales not sold are mostly estates and also a few to relatives."

"Farm listings are ample. The prospective buyers can not get ample finance."

"Good land continues to strengthen more than average or poor land."

"Very few good farm listings available--We have considerable interest from buyers out of territory--most buyers interested in well improved farms. Very little interest in farms smaller than 160 acres. Many young farmers in area would like to buy, but do not have enough money to make the substantial down payment required by conventional loan companies."

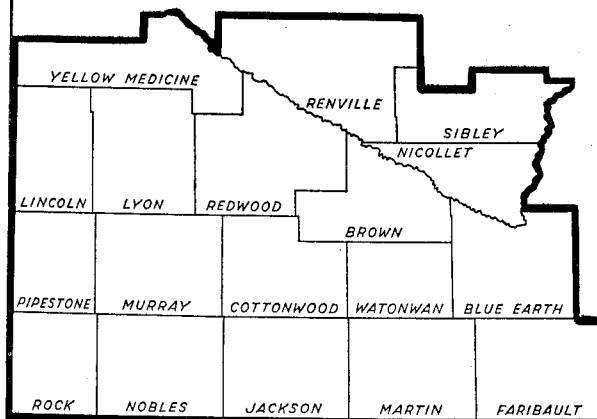
"The good farms with good buildings are most in demand, especially if they are over 160 acres. The 240 and 400 acre farms are most called for if they can be financed."

"Buyers haven't any money and sellers way out of line on asking price."

"Very few larger farms for sale, not much market for small farms except to neighbors."

"A larger than normal number being sold on contract for deed, with respect to those buying their first farm."

"Not many farms for sale outside of estates. The investors are not buying and those that do are buying on contract for deed."



Southwestern District

Average Price
\$230 per acre
July 1, 1957

Up \$16 from
July 1, 1956

An INCREASE of
8 percent

"Bare tracts of course are in great demand because of larger operating abilities of modern mechanized farming. Another feature is lower taxes on land without improvements."

"Farms which can be purchased on contract with eight to twelve thousand down are in greatest demand."

"Buyers that used to stop here are now going farther north."

"Hard to get farm listed. Many want to buy good farms."

"Buyers with ready money or easy financing are gone...Most buyers now have too small a down payment to even qualify for Contract for Deed."

"Those with the money and investors are waiting to see what the land prices will do, as they don't have to buy."

"...the good farms sell with good buildings, but with poor buildings no sale. Bare land has been selling better."

"We had bad flood damage in this area, which will hamper the sale and appearance of farms for some time."

"Very few high grade farms for sale...More buyers than good farms available."

"The demand from out-of-state buyers has dropped..."

"Land in strong hands here---very little moving."

"Trend is North for investors and operators alike because of easier terms and less per acre."

"Farmers here or rather farm women ready to sell are...as a rule... holding their prices too high."

"Very quiet around here as far as farm sales are concerned."

"Improved moisture conditions in Southwestern Iowa and in Nebraska may reduce the sales to buyers from these areas."

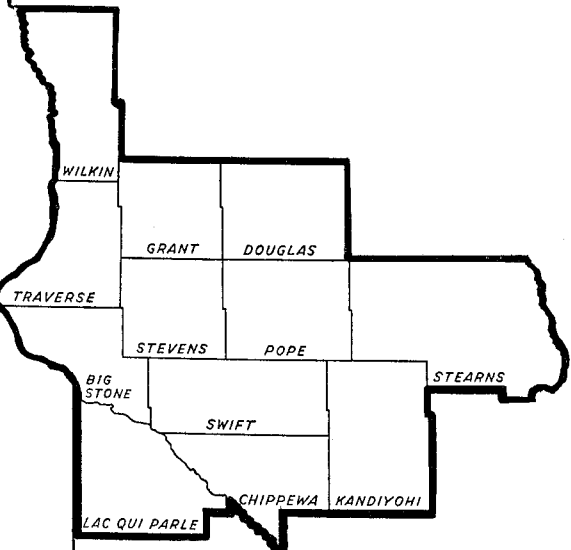
Brokers' Comments: WEST CENTRAL MINNESOTA

The general tenor of comments from brokers in West Central Minnesota is very similar to those of the Southwestern area. Lack of down payment and fewness of farms available continues, but comments on the effects of the adverse weather are more numerous in this area. The number of brokers reporting an increase in the number of farms sold increased slightly, and comments reflect this small change. However the comments on the number of farms listed for sale indicates that this is quite similar to the conditions reported in 1956. The increase in price in 1957 in this West Central Area has been quite high, and mostly in the better grades of farm lands.

"Very few buyers and no money."

"The Social Security Program held back the normal transfer of farms for two years - now this is starting to flow again. As soon as Gramps gets his pleasant surprise of a lump sum payment of back benefits, gets his bearings, and gets adjusted to receiving a monthly check he will plan to retire, possibly earlier than he otherwise would have."

"High quality farms have advanced while poorer farms have not advanced but even lowered their price in order to sell."



West Central Minnesota

Average Price
\$122 per acre
July 1, 1957

Up \$15 from
July 1, 1956

An INCREASE of
14 percent

"Increase in land sales this spring was due mostly to soil bank benefits; a number of men in other lines of business purchased these to put them in soil bank for the longest time possible."

"Southern buyers pay more for land than local farmers will pay for same land."

"A fair demand for farms from owners who want to increase size of farms and from renters from Southern Minnesota and Iowa, but few good farms now offered for sale."

"I have farms listed that are real good but it seems as though the buyers do not have the required amount before a loan can be made."

"The few farms I have listed are priced too high and out of the market."

"Highest priced farms move slow. High interest rates affecting farm sales. Most sales are made where seller is in position to carry unpaid balance."

"More would be sold but for enough money for down payment."

"We expected a bigger year than ever.....but due to flood????"

"The desire for farm ownership is still present but the young man is beginning to realize that in order to buy a farm today he must have considerable capital himself."

"Few good farms for sale."

"There is evidence of an increased demand for farms, especially with good buildings...and for additional land to increase size of farmsbut fewer farms for sale."

"Farm lands with poor to no buildings have been in demand, under the Soil Bank program."

"Good farms with good improvements are readily saleable. Good farms with mediocre buildings are a little more difficult to sell."

"A good farm can always find a buyer. A medium grade and low grade farm is becoming more difficult to sell."

"Owners are holding onto their farms. Demand exceeds the number offered for sale."

"Market slows, wet weather delays sales."

"Very few farms for sale, most sales to local farmer-neighbors. Some farmers from Southern Minnesota and Iowa are moving up into our area and buying farms."

"Young people who want to farm don't have enough down payment."

"Buyers from Southern Minnesota, Iowa, Nebraska, and South Dakota are good prospects. Many potential buyers do not have enough down payment."

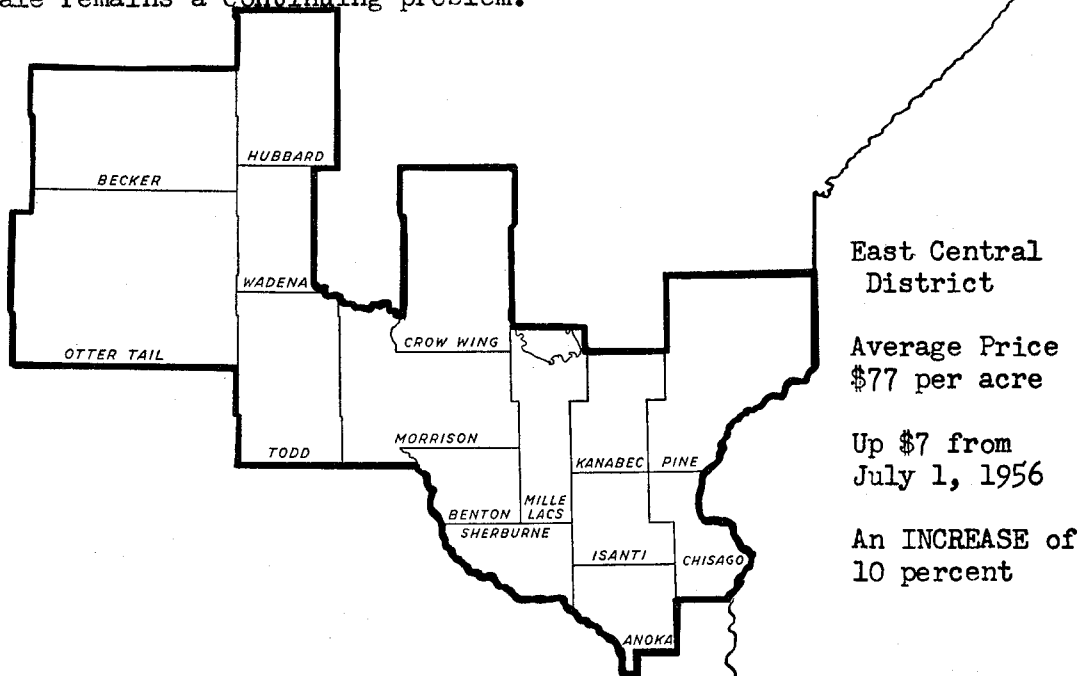
"Land sales slow because of excessive rains."

"Shortage of money. Most local buyers want to buy on contract, but then have a hard time finding the cash for down payment. Buyers coming up from down South have more cash."

Brokers' Comments: EAST CENTRAL MINNESOTA

Comments received from brokers in the East Central area of Minnesota in the last several years have reflected the unfavorable income situation in the dairying industry. Dairy production tends to fluctuate less year-to-year, and the dairy farmer will be more certain of his output and of his income. Therefore dairy product prices will largely determine his income and his ability to purchase farmland. His cash crop income will be more uncertain and more dependent on crop yields.

An added factor in this area is the proximity to the Twin Cities and its effects. On the supply side, farmers utilizing the soil bank and others taking part-time jobs have affected the supply of farms normally sold. On the demand side, investor buyers and part-time farmers are bidders for some farms in this area. Financing the sale remains a continuing problem.



"Not too many farms have changed hands here in the past year... trouble is in financing farm land sales."

"Farms with good soil and fair buildings are in fair demand."

"Good land in good communities is selling good while poor farms in poor communities aren't moving. Many poor farms are offered for sale."

"Very quiet around here as far as farm sales are concerned."

"Very slow activity, appears due to lack of financing - low bank appraisals vs. selling price, relatively high down payments asked by sellers, only close-in commuting areas demanding any price, and that is generally out of reason, and purchasing power of buyer definitely is low."

"Farm sales very slow. Many farmers working at outside jobs."

"Very few farms have been sold in last six months. Most sales are made by owners. Demand for sales very light."

"People seem to be short on down payments. Money is tight, hard to get loans. Too much rain here lately and need warmer weather which will help sales. I think sales will be better after July 1st."

"This being a territory of small acreage farms we find that the demand for their farms is certainly less as each year goes by. Also notice that farms that are offered are mostly the small acreage farm. If this keeps on, the country side will be dotted with vacant buildings, while fields will be farmed by renters or bought up to make larger farms."

"A number of Iowa and local people bought land, figure Soil Bank payments will pay for same."

"There appears to be a stronger competition for land between squeezed out corn belt farmers and local farmers who need more land to stay in business."

"Farm demand is mainly by laborers or renters who need financial help, have very little for down payment. Many on farms now have opportunities to get good jobs with a better annual margin than farming."

"Land in this area is selling much in excess of its earning capacity."

"Prospects are for more farms to be sold in this community because of the drought, tornadoes, and so forth affecting farm lands in some of our neighboring states. We are receiving many inquiries for farms which we expect to show during the late summer and early fall."

"Our experience has been that good farms have been steadily increasing in price, while the average farms are holding about the same. Land in the weaker areas is being sold for less than previously, and is not moving very fast."

"Not many farms for sale in this community. When the "old man" retires, a son takes over. This we like!"

"In this area of mixed farming and working out part time - the value of a farm is determined, in a great part, by the location of the property in relation to where the buyer works. On full time farmers the trend is toward larger farms, either by buying additional

adjoining acres or in some cases buying a larger farm to handle more livestock."

"Prices have advanced in our area and not many sales as farmers are quite optimistic this year - a change to truck gardening is also taking place."

"Not too many farms have changed hands here in the past year,..... trouble is in financing farm land sales."

"There are a lot of buyers, but 95% of them don't have sufficient down payments."

"Now that prices are higher in Iowa and Southern Minnesota we can sell some here. The farms that are sold here have been sold for less than the buildings are worth."

"Some of the sales to farmers increasing the size of their operation and others quitting."

"Most of buyers want modern farms of 160 acres or better. Most of buyers from Southern Minnesota, Iowa, Nebraska, and South Dakota. Those from South Dakota have been most successful here."

"Without outside buyers our well improved farms are hard to sell."

"The price the farms are selling in Southern Minnesota, we should be getting double the price up here but why the price stays so low around here I can not figure out."

Brokers' Comments: NORTHWESTERN MINNESOTA

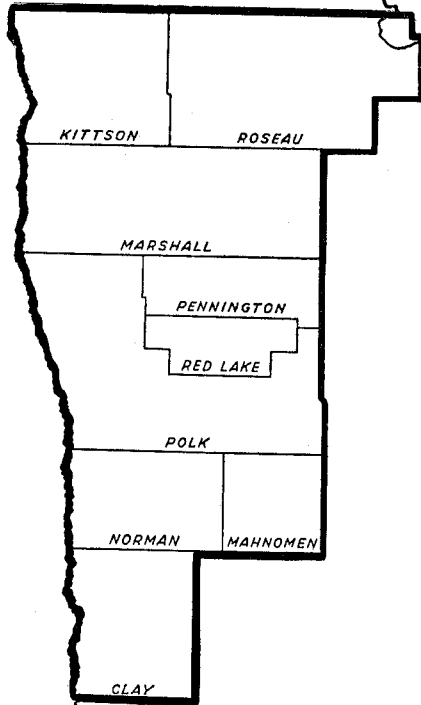
Brokers' comments in the Northwestern area of Minnesota are fairly uniformly distributed over a number of factors. The fewness of transfers and the limited number of farms available for sale were most frequently mentioned. Lack of credit for financing was frequently noted. The effects of the soil bank and the buying of neighboring farms was commented on by a considerable number of the brokers reporting.

The adequate moisture conditions in 1957 affected the farmland market. Cash grain has been and continues to be the most important source of farm income in the Red River Valley. The importance of crop yields continues to be high and moisture conditions affect farmland prices in this area from year to year.

"Our lands are selling good."

Northwestern District

Average Price \$86 per acre, up \$10 from July 1, 1956, an INCREASE of 13 percent.



"Very little offered for sale, only isolated estate sales - these are usually picked up by some of the heirs. Good farms are picked up quickly if reasonable market value."

"Slow in our county - lower prices for farm products and higher prices for machinery and labor."

"Soil bank takes the land subject to adverse operation conditions such as rocks, flood and bad locations. There is a little resurgence of inquiries from farmer resident citizens who have been earning good wages and saving some money. The desire to find a nice farm to fall back on later is getting a comeback."

"Farms sold mostly to active operators who want to increase size."

"Conservation Reserve Portion of Soil Bank changed the real estate market or marginal land area of this county where Conservation Reserve payments in many cases are equal to land value."

"Good land sells readily."

"We sold more farms this spring than ordinarily because of this soil bank deal; there just isn't any good land for sale."

"It's hard to get loans but there are several buyers if they had more money there would be more sales."

"There are very few farms for sale in this vicinity. All farms that have been sold the last six months have been purchased by local farmers and local tenants."

"Owing to weather conditions (too much rain and floods) there have been no inquiries for farms, in this community so far this year, and the prospects in the future are very slim."

"No farms sold locally to outside parties. Those sold were added to existing farms. What sales there have been have been to existing farms to obtain additional acreage, have quite a number of inquiries, but lack of sufficient down payment - a handicap."

"Good farms increasing in demand. Poor farms not wanted. Sales neighbor to neighbor mainly.. Money tighter and at higher interest rates."

"There have been a few buyers around in the last six months. Some activity no doubt would be created if crops come through good."

"Very few good farms offered for sale, and Soil Bank has taken some unimproved farms off the market."

"Adverse weather conditions have held down sales."

"Sales in ... County have been at a minimum the past 2 years, due mostly to abundant moisture situation and also limited credit for time purchases. The few sales that have been made the past year were mostly made to speculators under the Soil Bank programs, buying cheap crop acreage and placing in Soil Bank for a long pull, with sufficient Soil Bank earnings to pay the taxes and pay interest on the investment. If crop conditions prove usual this year, we anticipate more activity in sales."

"Land in our area has increased in value to Soil Bank setup - also we have units that are being added to."

"Season has been too wet."

"No good farmer will sell."

"Very little offered for sale, only isolated estate sales - these are usually picked by some of the heirs."

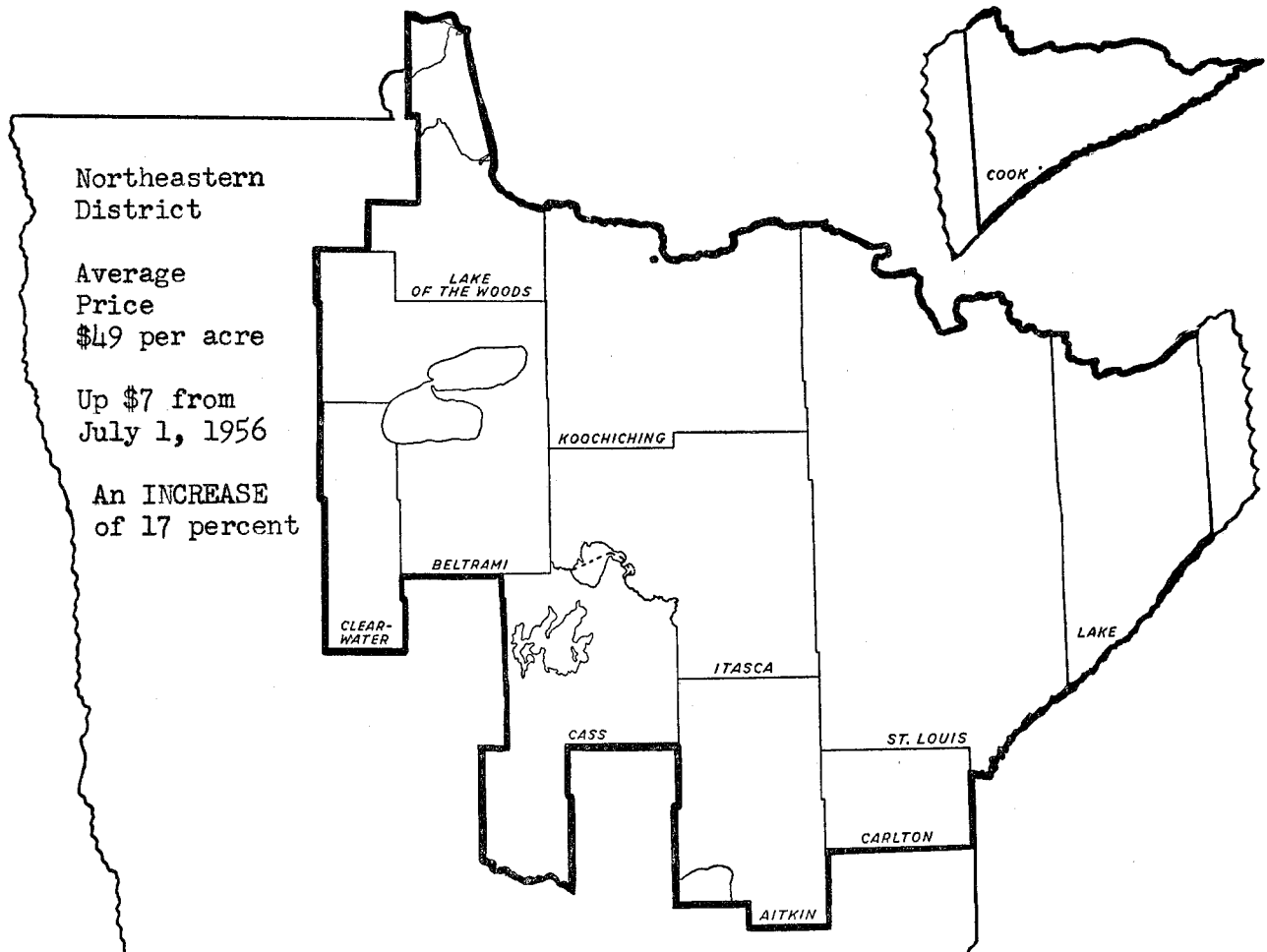
Brokers' Comments: NORTHEASTERN MINNESOTA

Land prices in this Northeastern area of Minnesota are affected by a number of factors, with the purchase of a residence an important factor. Farming has declined in this area, with part-time farming becoming more important. Some buyers purchase homes with the intention of depending on the land only if their off-farm jobs cease. Often the price paid equals the value of buildings only. The importance of mining and the larger cities has an important bearing on the land market. The use of land for lumber production has been a slowly increasing factor that has some importance in this area.

Since good farm land is available only in limited amounts, and the residence is often of greater importance, the poor qualities of land have increased in value about as much as the better grades.

"Some demand for high grade dairy farms for Grade A milk operation. Equipped farms seem more attractive to a buyer."

"Most of our Northern Minnesota farms have very small acreages under cultivation, 40-100 acres. There is very little demand for these small farms, and there are more and more becoming vacant."



Northeastern District

Average Price
\$49 per acre

Up \$7 from
July 1, 1956

An INCREASE
of 17 percent

"Farm lands are slow due to outside jobs bring better incomes."

"Some inquiries, about small tracts near town or city where they can commute between farm and town."

"Some farms close to towns and cities are being sold to urban working people."

"Best market in some years and quite steady prices on pulp wood."

"Farm sales are few and far between due mostly to finance."

"There is a demand for farms that are located on good road close in but mostly small tracts ranging from 10- to 40 acres."

"Hard to sell."

"Farm values.....mainly lie in the buildings. The small farm is disappearing and people, with large families, working locally in the mines, town etc. are buying them for homes..."

"Good demand for cheaper farms."

"No buyers, all want to sell, leaving good farms and working out; selling all livestock, some would almost give the land away."

"High grade farms are not for sale; medium grade farms - no offers; low grade farms - many vacant - no buyers."

"I have been surprised at the pick up in demand for farms in this immediate vicinity."

"Most of the farms sold by us were for a home outside the city."

"NO LAND IS SOLD FOR FARMING...being sold only for a place to live as they all work in the mines.."

"In our area no demand for farms except as homes for workers commuting to work in towns. Know of only a very few farms sold during year."

"Very slow in this area, demand way down."

"No farm land turnover or sale in this immediate vicinity."

"A few years ago I noticed a considerable trend away from the farm, now the trend has reversed in this community."

"Know of only a very few farms sold during the year."

Statistical Note

One of the uncertainties in interpreting the results of this survey arises from the fact that there is no accurate way to compare the quality of land involved in the sales reported in the several regions of the state, or from year to year. One possibility is that the average price of reported sales in one district or in a given year may be influenced by a few abnormally high or low priced sales. To test this possibility the standard deviations and coefficients of variation of prices per acre, by districts, are given in Table 21 for the actual sales reported by the respondents.

Although there are marked variations among the several districts of the state, within any one district there is a considerable degree of stability in these measures of dispersion, from year to year. The exceptions are the Northwest and Northeast districts, where the spread between high and low prices per acre is great. As a consequence, the averages for these districts, especially in 1957, are to be regarded as less representative than are the averages for the remaining districts in the state.

Table 20. Number of Acres Reported Sold, Average Price Per Acre, Standard Deviation and Coefficient of Variation, Minnesota, by Districts, 1954-1957 ^{a/}

	Year	Districts						State
		South- east	South- west	West- Central	East Central	North west	North east	
No. of Acres sold (Acres)	1954	30,983	33,756	22,117	1,593	21,000	2,169	125,148
	1955	63,890	78,944	34,621	28,139	30,924	5,380	241,898
	1956	51,631	70,471	40,059	28,121	25,149	5,645	221,076
	1957	72,028	75,487	61,264	29,276	41,479	8,658	288,192
Average Price per acre (Dollars)	1954	146.29	186.33	105.63	57.25	63.45	38.47	123.39
	1955	166.05	211.30	101.00	65.13	67.48	45.70	144.48
	1956	160.57	207.13	100.48	57.08	76.95	40.34	138.78
	1957	175.48	216.94	107.73	64.98	87.78	39.30	144.00
Standard Deviation (Per cent)	1954	60.5	59.4	32.9	32.6	39.5	27.5	70.4
	1955	67.3	71.5	35.7	31.9	43.0	33.9	84.6
	1956	69.8	69.9	38.6	33.5	43.0	31.5	83.1
	1957	82.7	72.7	42.8	37.0	86.5	36.1	89.9
Coefficient of Variation (Per cent)	1954	41.4	31.9	31.1	56.9	62.3	71.5	57.1
	1955	41.4	33.8	35.3	53.7	63.5	74.2	59.1
	1956	43.5	33.7	38.4	58.6	55.8	78.0	59.9
	1957	47.1	33.5	39.7	57.0	98.5	91.8	62.4

^{a/} Each acre is treated as a unit in calculating the standard deviations and coefficients of variation. The increased acreage reported sold in recent years is due to an increase in the size of sample and not entirely to increased activity in the real estate market.