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South Dakota Farm Real Estate Values and Rental Rates 1991

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SOUTH DAKOTA FARM REAL ESTATE
VALUES AND RENTAL RATES: 1991*

by

DR. LARRY JANSSEN & DR. BURTON PFLUEGER**

Economics Research Report 91-3

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- * The authors wish to express their appreciation to the 285 survey respondents who participated in this pilot South Dakota Farm Real Estate Market Survey. Without their responses this report would not be possible.

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SOUTH DAKOTA FARM REAL ESTATE VALUES AND RENTAL RATES: 1991

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SOUTH DAKOTA FARM REAL ESTATE VALUES AND RENTAL RATES, 1991:

RESULTS FROM THE SDSU SOUTH DAKOTA FARM REAL ESTATE MARKET SURVEY

by Dr. Larry Janssen and Dr. Burton Pflueger

SUMMARY

South Dakota's agricultural land values increased 6.7% in 1990, paced by increases in grazing land values. Average agricultural land values (as of February 1, 1991) vary from \$539 per acre in the southeast region, to \$225 per acre in the central region to \$89 per acre in northwest South Dakota. These are key findings from the SDSU 1991 South Dakota Farm Real Estate Market Survey reports.

In each region, per acre values are highest for irrigated land, followed in descending order by nonirrigated cropland, hayland, tame pasture, and native rangeland. For each land use per acre land values are highest in the southeast region, followed by land values in the east central and northeast regions. For each land use the lowest average land values are found in western South Dakota.

Average nonirrigated cropland values vary from \$623 per acre in the southeast region, to \$272 - \$300 per acre in the central regions of the State, to \$153 per acre in northwestern South Dakota. Average cropland values exceed \$800 per acre in a few counties in southeast and east central South Dakota. Average rangeland values vary from about \$270 per acre in the southeast and east central regions to about \$70 per acre in western South Dakota.

Substantial variation in land values exist for each land use within each region. For each land use, the average value of higher productivity land was 45% - 75% above the average value of lower productivity land and 15% - 30% above the reported average value of average quality land in the same region.

Average cash rental rates per acre vary substantially by region and land use. For example, nonirrigated cropland cash rental rates vary from \$61 - \$64 per acre in a few counties of southeastern South Dakota, to \$13.50 - \$15.90 per acre in western South Dakota. Rangeland cash rental rates vary from about \$20 per acre in southeastern and east central regions to \$4.40 - \$5.30 per acre in western South Dakota. Cash rental rates have been increasing in the past few years.

Average cash rental rates per AUM (Animal Unit Month) for grazing land are more uniform across regions (\$13 - \$16 per AUM). This represents a rate increase of \$1 - \$4 per AUM in each region from 1988 to 1991.

Respondents were asked to estimate net rates of return to agricultural land, given present real estate values. In most regions, average current net returns to each land type were between 6.0% - 7.4%. Gross rent-to-value ratios (before deduction of property taxes and other landlord expenses) were somewhat higher, averaging 7.7% - 8.7% for cropland and 6.5% - 8.4% for rangeland.

According to respondents, the major reason for buyers purchasing farm real estate are for farm expansion (46%) and/or for investment purposes (17%). Profitable livestock operations were a major reason for buying ranchland in western South Dakota. Strong financial position of many buyers was also listed as a major reason.

The major reasons that landowners are selling farm real estate are due to retirement, estate settlement, financial pressure and good market conditions for selling farm real estate. Financial pressure was listed more often in the western and north central regions, than in other regions of South Dakota.

Higher livestock prices, recent profits in agriculture, competitive bidding/farm size expansion pressures, and buyer perception that farmland is a good investment were the four major reasons that respondents reported higher land values in 1991. Higher livestock prices had the greatest impact on rangeland values and Federal farm programs helped maintain cropland values, despite lower prices for some crops.

Most respondents projected stable to slightly increasing (<5%) agricultural land values in 1991. Optimism about continuing profits in cow-calf enterprises were somewhat offset by growing concern about lower grain prices. Overall, respondents projections of farmland value increases are lower than most forecasts of 1991 inflation rates, indicating some downside potential is present.

INTRODUCTION

Farm real estate values and cash rental rates by agricultural land use, regional and statewide, are the primary topics of this report. The 1991 estimates of agricultural land values and cash rental rates are based on reports from 285 respondents to the SDSU 1991 South Dakota Farm Real Estate Market Survey. Respondents are agricultural lenders, rural appraisers, professional farm managers, and Extension agricultural agents who are knowledgeable of agricultural land market trends in their locality.

A pilot survey was developed in response to requests of many farmland owners, renters, lenders, appraisers, and others requesting information on agricultural land values and cash rental rates by type of land in different regions of this diverse state. We believe this is the only published reference source that provides information on both agricultural land values and cash rental rates by land use and substate region in South Dakota. The information in this report is similar to agricultural land value and cash rental information provided in annual farmland market reports for Nebraska and North Dakota (B. Johnson, 1990; J. Johnson, 1991).

Copies of the survey were mailed to potential respondents in February and March, 1991 requesting information on 1991 cash rental rates and agricultural land values as of February 1, 1991. A copy of the survey and further discussion of response rates, respondent characteristics, and estimation procedures are available in the appendix of this report.

The eight agricultural regions used in this report are shown in Figure 1. The six regions in eastern and central South Dakota correspond with USDA Crop Reporting Districts. In western South Dakota, farmland values and cash rental rates are reported for northwest and southwest South Dakota.

The information in this report provides an overview of general agricultural land values and cash rental rates across South Dakota. It may or may not reflect actual land values and cash rental rates unique to specific localities or specific properties. We caution the reader to use this information as a general reference, while relying on local sources for more specific details.

SOUTH DAKOTA FARMLAND VALUE TRENDS, 1970 - 1991

South Dakota farmland values behaved like a rollercoaster from 1970 - 1991. According to U.S. Department of Agriculture (USDA) data, South Dakota farmland values rapidly increased from 1972 - 1982, remained nearly stable until early 1984, sharply declined from early 1984 to early 1987, and increased 47% from early 1987 to early 1991 (Figure 2). Current dollar value of South Dakota's farmland, in early 1991, are close to the peak values reported in the 1982 - 1984 period.

Adjusting farmland values for changes in purchasing power indicated rapid increases in real (inflation-adjusted) farmland values from 1972 - 1979, relatively stable farmland values from early 1979 to early 1984, sharply declining values from early 1984 to early 1987, and a 24% increase in real

Figure 1. Agricultural Regions of South Dakota.

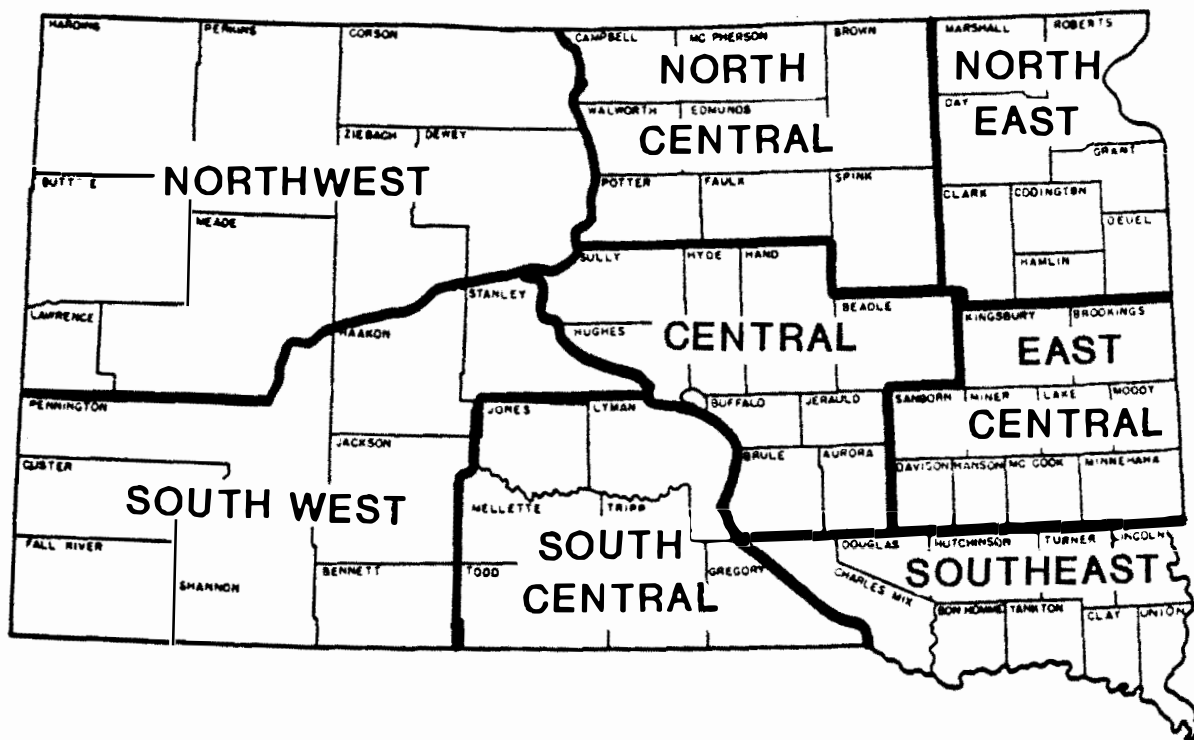
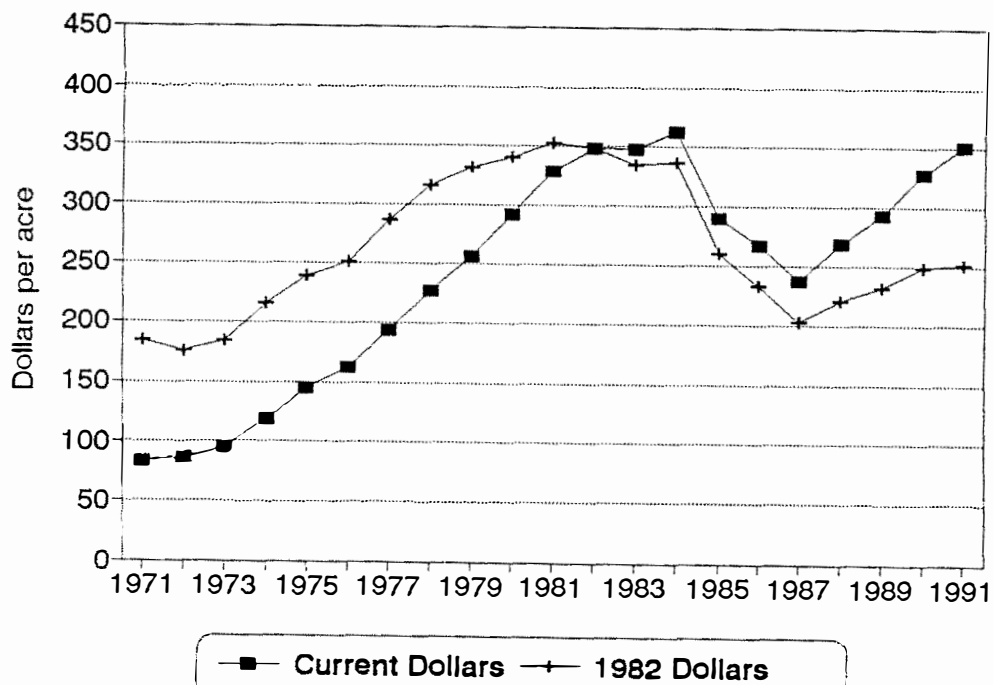


Fig.2. South Dakota Farmland Values, 1971 - 1991



farmland values from early 1987 through early 1991 (Figure 2). Adjusted for inflation, South Dakota farmland values in early 1991 are comparable to farmland values in 1976 and are 71% of peak real values in 1981 -1982.

Findings from an SDSU study of 15,142 South Dakota farmland tracts sold from 1971 - 1987 indicated similar time trends in actual per acre farmland sale prices and in USDA reported farmland values. During this 17 year period, average farmland sale prices fluctuated more than USDA reported farmland values. In more recent years (1983 - 1987) average South Dakota farmland sale prices per acre were considerably lower than USDA reported farmland values (Janssen, 1988b).

Farmland values are a "barometer" of current and expected returns in agriculture. The rollercoaster behavior of South Dakota farmland values and per acre sale prices are directly related to rapidly changing economic conditions in the agricultural sector. The agricultural export and finance boom occurred from 1972 into the early 1980's and farmland values were increasing. During the depths of the farm finance crisis (1984 - 1987) farmland values were sharply declining. Farmland values have been increasing in the 1988 - 1991 period of favorable livestock prices and major Federal support of farm incomes.

1991 SOUTH DAKOTA AGRICULTURAL LAND VALUES AND VALUE CHANGES

Respondents to the 1991 South Dakota Farm Real Estate Market Survey were asked to estimate the per acre value of cropland, hayland, rangeland, tame pastureland, and irrigated land in their locality (county) and the percent change in value from one year earlier. Responses were grouped by regional location (Figure 1). The average value per acre and percent change in value were obtained for each type of agricultural land in each region. Regional and statewide all-land value estimates are weighted averages based on the relative amount of each type of agricultural land in each region of South Dakota.

As of February 1991, the South Dakota all-land average value was \$238 per acre, an estimated 6.7% increase in value from one year earlier (Figure 3 and Table 1). Respondents' estimate of percentage change in land value (6.7%) is very close to the estimate of +7% in the 1991 USDA report.¹

Regional differences in all-agricultural land values are directly related to: (1) major differences in agricultural land productivity among regions, (2) major differences in per acre values of cropland and rangeland in each region,

¹ The estimated per acre value of South Dakota's agricultural land (\$238) obtained from the SDSU survey is considerably lower than the USDA reported value. The major reasons for the difference are: (1) USDA reporters were asked to estimate the value of agricultural land in their locality, while (2) SDSU survey respondents were asked to estimate the value of different types of agricultural land (cropland, hayland, rangeland etc.), but were not asked to estimate the value of "all agricultural land" in their locality.

and (3) major differences by region in the proportion of cropland vs. rangeland.²

The all-land average value are highest in the southeast region (\$539 per acre), east central region (\$466 per acre), and northeast region (\$365 per acre). These three eastern regions contain the most productive land in South Dakota. Cropland and hayland are the dominant agricultural land uses (70% - 74% of farmland acres) in each of these regions.

Agricultural land values in the three regions of central South Dakota are much lower than in eastern South Dakota. The average value of agricultural land in the north central and central regions are similar (\$231 vs. \$225 per acre) and are somewhat lower in the south central region (\$181 per acre). Cropland and hayland are a majority of farmland acres in the central and north central regions, with only 38% of farmland acres in the south central region.

The lowest average agricultural land values are found in the northwest (\$89 per acre) and southwest regions (\$107 per acre). More than 70% of farmland acres in these western regions are in native rangeland and pasture.

According to survey reports, average percentage changes in agricultural land values from 1990 to 1991 were fairly uniform across South Dakota, varying from +5.8% in the northwest region to +8.8% in the central region. However, there were major differences in value changes by type of land across regions.

LAND VALUES AND VALUE CHANGES BY TYPE OF LAND AND REGION

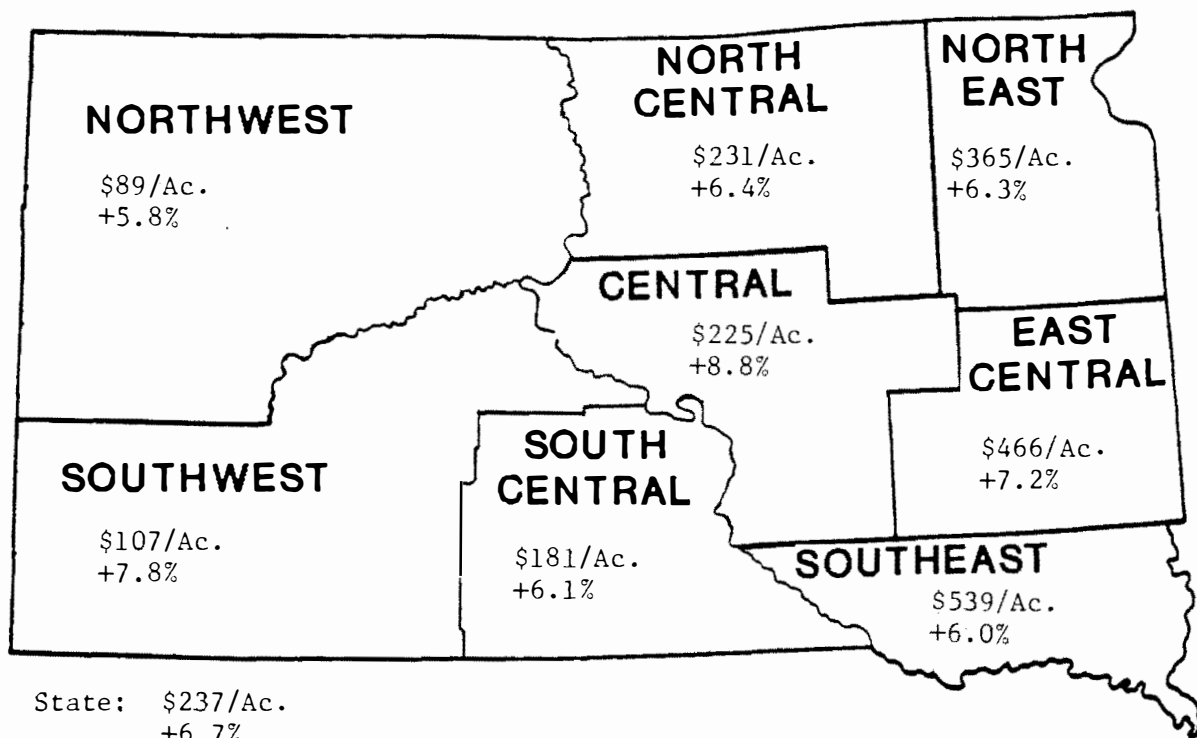
In each region, per acre values are highest for irrigated land, followed by dryland (nonirrigated) cropland, hayland, tame pasture, and native rangeland. For each land use, per acre land values are highest in the southeast region, followed by in the east central and northeast region. The lowest average land values are found in the northwest and southwest regions (Figures 4 and 5, Table 1).

Dryland (nonirrigated) Cropland and Hayland Values

The weighted average value of South Dakota's nonirrigated cropland (as of February, 1991) is \$382 while the average value of hayland is \$211 per acre. The

² Most agricultural land in each region (78% - 85%) is either native rangeland or nonirrigated cropland, but the proportion in each use varies greatly by region. Most of the remaining agricultural land in each region is tame (improved) pasture or hay (alfalfa, other tame or native hay). Irrigated land is less than 1% of South Dakota's agricultural land acreage and is primarily used to produce corn or alfalfa hay. Irrigated land is concentrated in the southeast region, near the Black Hills, or along the Missouri River.

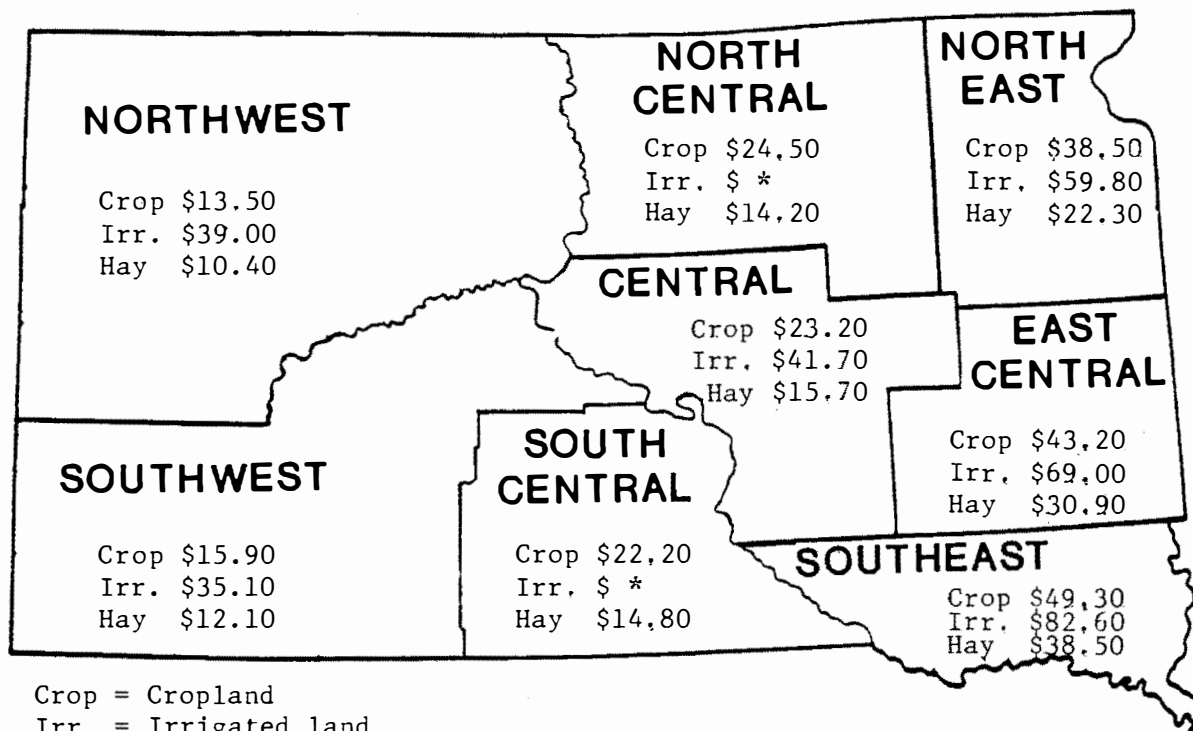
Figure 3. Average Value of South Dakota Agricultural Land, February 1, 1991, and Percent Change From One Year Ago,^a



^aWeighted averages of dollar value per acre and percent change by proportion of acres of each land use by region.

Source: 1991 South Dakota Farm Real Estate Market Survey, SDSU.

Figure 8. Average Cash Rental Rate of South Dakota Dryland Cropland, Irrigated Land and Hayland, by Region, 1991, Dollars per Acre.

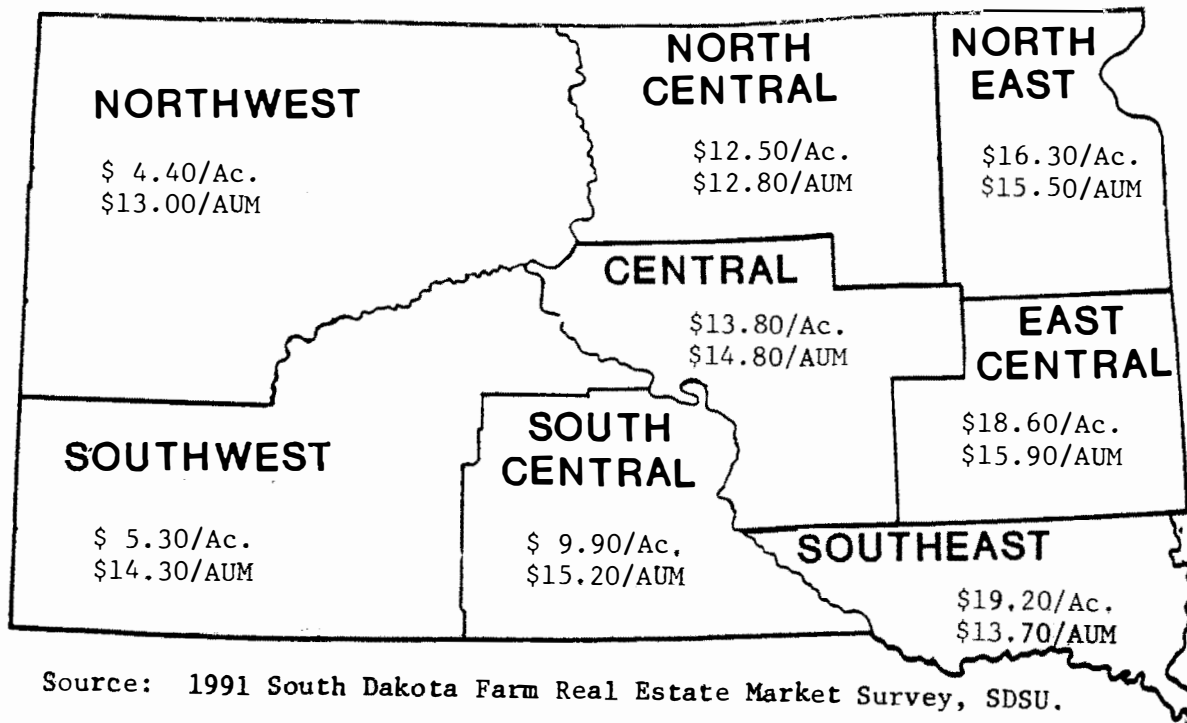


Crop = Cropland
Irr. = Irrigated land
Hay = Hayland

*Insufficient number of reports

Source: 1991 South Dakota Farm Real Estate Market Survey, SDSU.

Figure 9. Average Cash Rental Rate of South Dakota Rangeland and Pastureland by Region, 1991, Dollars Per Acre and Dollars Per AUM.



Source: 1991 South Dakota Farm Real Estate Market Survey, SDSU.

statewide average percent change in value is 5.0% for cropland and 5.8% for hayland. There were considerable regional variation in value changes. For example, the lowest average percentage change in cropland values (+0.2%) and hayland values (+2.7%) was in the northwest region in part due to drought conditions. On the other hand, hayland values increased by more than 7% in the central regions of South Dakota while cropland values increased by 7.2% in the east central region (Table 1).

The southeast region has the highest average cropland values (\$623 per acre) and the highest hayland values (\$461 per acre) in (Table 2 and Figure 3). Average cropland and hayland values in the east central and northeast regions are lower than average values in the southeast region, but considerably above statewide average values. Major farmland uses are corn, soybeans, small grains and alfalfa hay.

In the central regions of South Dakota, average cropland values vary from \$272 per acre in the south central region to \$300 per acre in the north central region. Average hayland values are also relatively close to each other, ranging from \$169 per acre in the north central to \$197 per acre in the south central region. Wheat and small grains are the predominant cropland uses in these regions, while hayland consists of alfalfa hay, other tame hay, and native hay.

The lowest average cropland values (\$153 to \$185 per acre) and hayland values (\$126 to \$122 per acre) are found in the northwest and southwest regions. The dominant cropland uses are spring wheat in the northwest region, and winter wheat in southwest South Dakota.

Average per acre cropland values and hayland values in the northwest region are about one-fourth of average cropland and hayland values in the southeast region of South Dakota.

Native Rangeland and Tame (improved) Pastureland Values

In February, 1991 the weighted average value of South Dakota native rangeland was \$114 per acre, while the average value of tame pasture was \$205 per acre. Native rangeland is much more concentrated in the western and central regions of South Dakota, while tame pasture is concentrated in the eastern and central regions.

In most South Dakota regions (excepting the southeast region) the average percentage change in rangeland and pasture values were considerably higher than the percentage change in cropland and hayland values. The major reasons were relatively high cattle prices and profitable cow-calf operations. The statewide average change in value was +8.2% for rangeland and +7.8% for pastureland. The greatest percentage increases were reported in the central and southwest regions, while the lowest percentage increases were reported in the southeast region.

Rangeland average values are highest in the southeast and east central regions (\$268 and \$271 per acre respectively) and lowest in the northwest and southwest regions (\$69 and \$74 per acre respectively). In the central regions of South Dakota, average rangeland values vary from \$137 to \$163 per acre, compared

to \$205 per acre in the northeast region (Table 1 and Figure 5). In most regions, tame pastureland values exceed rangeland values by 15% - 30%.

Within most regions, nonirrigated cropland average value per acre is 2.0 - 2.3 times the average value of native rangeland. In all regions, per acre average hayland and tame pasture values are considerably lower than nonirrigated cropland values and considerably higher than native rangeland values.

The 1991 reported regional differences in average values per acre are consistent with regional and agricultural land use price relationships obtained from previous studies of farmland sales tracts (Janssen, 1988a and 1988b).

Irrigated Land Values

Statewide average irrigated land values are \$574 per acre. Average irrigated land values are highest in the southeast region (\$942 per acre) and east central region (\$665 per acre) and close to the statewide average in the northeast region. Estimated irrigated land average values varied from \$383 to \$480 per acre in the remaining regions of the State (Table 1 and Figure 4).

Reported changes in irrigated land values were lower than reported changes in nonirrigated cropland and hayland values in all regions, except in the northwest region. The statewide average change in irrigated land values was +4.9%.

Because irrigated land is not common (less than 1% of agricultural land acreage in most regions) and there are few sales of irrigated land tracts, considerably fewer respondents were familiar with and were able to provide information on irrigated land values. Furthermore, there are no published data on South Dakota irrigated land values or irrigated land sale prices. Consequently, we are unable to use previous studies to assess the reliability of reported irrigated land values.

Table 1. Average Reported Value of South Dakota Agricultural Land by Type of Land by Region, February 1991 and percentage change from 1990.

Type of Land	Region								STATE ^a
	South-east	East Central	North-East	North Central	Central	South Central	South-west	North-west	
	dollars per acre and percent change								
Dryland cropland									
Average value, 1991	623	554	450	294	300	272	185	153	382
Annual % change	6.3	7.2	5.3	5.5	6.3	3.7	1.6	0.2	5.0
Rangeland (Native)									
Average value, 1991	268	271	205	147	163	137	74	69	114
Annual % change	5.5	7.8	8.5	7.6	10.8	6.8	10.0	7.4	8.2
Pasture (tame, improved)									
Average value, 1991	315	325	252	170	199	163	92	94	206
Annual % change	5.9	6.9	8.3	7.7	11.8	6.8	8.9	5.1	7.8
Hayland									
Average value, 1991	461	358	252	169	190	197	126	122	211
Annual % change	5.2	6.7	6.5	7.0	7.8	7.1	4.9	2.7	5.8
Irrigated land									
Average value, 1991	942	665	563	433	454	472	480	383	574
Annual % change	4.9	6.0	5.1	4.4	6.0	2.3	1.5	6.7	4.9
All Agricultural land ^a									
Average value, 1991	539	466	365	231	225	181	107	89	238
Annual % change	6.0	7.2	6.3	6.4	8.8	6.1	7.8	5.8	6.7

Source: 1991 South Dakota Farm Real Estate Market Survey.

^aWeighted averages of dollar value per acre and percent change by proportion of acres of each land use by region.

REGIONAL LAND VALUES BY AGRICULTURAL LAND USE AND LAND PRODUCTIVITY

To this point, we have provided a statewide and regional summary of respondents' estimated value of average quality land in each agricultural land use. Respondents also estimated, for each land use, the average value of high productivity land and low productivity land in their locality. This approach provides information on the distribution of land values by agricultural land use in each region due to variation in land quality (productivity).

The average reported value of agricultural land by use and productivity is summarized by region in Table 2. For example, average cropland values in the southeast region varies from \$446 per acre for low productivity cropland to \$787 per acre for high productivity cropland. In the northwest region, average cropland values vary from \$115 per acre for lower productivity cropland to \$186 per acre for higher productivity cropland.

Key findings from examination of data reported in Table 2 are:

- (1) Substantial variation in land values exist for each land use within each region. For each land use, the average value of higher productivity land was generally 45% - 75% above the average value of lower productivity land and 15% - 30% above the reported value of average quality land in the same region.
- (2) The greatest relative variation in land values occurred for cropland in eastern South Dakota regions and for native rangeland in regions west of the Missouri River. In each region, the least relative variation in land values occurred for hayland or pastureland.
- (3) The average value of lower productivity land in each land use is 20% - 30% lower than the reported value of average quality land in each region.

AGRICULTURAL LAND VALUES BY REGION AND COUNTY CLUSTERS

Overall, considerable variation in land values by agricultural land use occurs within each region. In this section, we report per acre values of average quality, high productivity and low productivity land by agricultural land use by region and county clusters within several regions (Table 2A). A county cluster is a group of counties within the same region that have similar agricultural land use and land value characteristics.

Three county clusters were developed in each of the following regions: southeast, east central, northeast, north central and central. The south central, southwest and northwest regions were not subdivided into county clusters, due to insufficient number of reports from any group of counties.

The greatest variation in agricultural land values occurs among county clusters in the southeast and east central regions. For example, the value of average quality nonirrigated cropland is \$809 per acre in the Clay-Lincoln-

Table 2. Average Reported Value of South Dakota Agricultural Land by Type of Land and Land Productivity, by Region, February 1, 1991.

Agricultural Land Type and Productivity	Region							
	South- east	East Central	North- east	North Central	Central	South Central	South- west	North- west
Dollars Per Acre								
Dryland cropland								
Average	623	554	450	294	300	272	185	153
High Productivity	787	705	601	376	351	360	228	153
Low Productivity	446	400	311	218	240	210	134	115
Rangeland (Native)								
Average	268	271	205	147	163	137	74	69
High Productivity	317	320	249	170	189	189	95	90
Low Productivity	196	204	158	112	121	96	53	49
Pastureland (tame, improved)								
Average	315	325	252	170	199	163	92	94
High Productivity	380	370	293	196	228	215	112	114
Low Productivity	245	266	187	135	161	124	67	70
Hayland								
Average	461	358	253	169	190	197	126	122
High Productivity	528	408	302	197	221	238	154	143
Low Productivity	324	279	182	124	153	137	94	92
Irrigated Land								
Average	942	665	563	433	454	472	480	383
High Productivity	1125	829	659	497	522	549	594	495
Low Productivity	784	537	463	325	380	372	360	248

Source: 1991 South Dakota Farm Real Estate Market Survey, SDSU.

Table 2A. Average Reported Value Per Acre of Agricultural Land by South Dakota Region and County
Clusters by Type of Land and Land Productivity, February 1, 1991.

Agricultural Land Type and Productivity	Southeast				East Central			
	All	Clay Lincoln Turner Union	Bon Homme Hutchinson Yankton	Charles Mix Douglas	All	Minnehaha Moody	Brookings Lake McCook	Davison Hanson Kingsbury Miner
-----dollars per acre-----								
Dryland cropland								
Average	623	811	569	383	554	809	525	394
High Productivity	787	984	794	471	705	1103	638	466
Low Productivity	446	566	421	287	400	590	377	292
Rangeland (Native)								
Average	268	312	267	228	271	356	247	253
High Productivity	317	356	339	261	329	430	286	282
Low Productivity	196	229	196	168	204	240	188	209
Pastureland (tame, improved)								
Average	315	398	323	263	325	461	278	283
High Productivity	380	462	393	309	370	539	315	316
Low Productivity	245	333	247	189	266	392	215	237
Hayland								
Average	461	693	429	263	358	531	324	293
High Productivity	528	772	509	328	408	565	375	332
Low Productivity	324	464	328	192	279	387	239	239
Irrigated Land								
Average	942	1059	1012	460	665	*	692	*
High Productivity	1125	1278	1228	530	829	*	823	*
Low Productivity	784	907	828	395	537	*	557	*

Table 2A - Continued

Agricultural Land Type and Productivity	-----Region/Counties-----							
	Northeast				North Central			
	Codington		Clark		Edmund		Campbell	
	Deuel	Grant	Day		Brown	Faulk	Potter	
	All	Hamlin	Roberts	Marshall	All	Spink	McPherson	Walworth
	-----dollars per acre-----							
Dryland cropland								
Average	450	478	497	356	294	358	244	270
High Productivity	601	630	645	474	376	477	289	354
Low Productivity	311	323	340	270	218	262	190	191
Rangeland (Native)								
Average	205	223	194	186	147	178	147	108
High Productivity	249	265	245	218	170	202	169	137
Low Productivity	158	174	149	149	112	145	114	75
Pastureland (tame, improved)								
Average	252	278	229	221	170	210	152	138
High Productivity	292	322	271	249	196	243	171	167
Low Productivity	187	203	167	177	135	176	127	99
Hayland								
Average	252	240	274	228	169	197	152	151
High Productivity	302	299	314	258	197	224	183	178
Low Productivity	182	169	204	176	124	155	117	95
Irrigated Land								
Average	563	596	681	450	433	*	*	*
High Productivity	659	721	769	531	497	*	*	*
Low Productivity	463	479	562	381	325	*	*	*

Table 2A - Continued

Agricultural Land Type and Productivity	Region/Counties						
	Central				South	South-	Northwest
	All	Aurora Beadle Jerauld	Buffalo Brule Hand Hyde	Hughes Sully	Central All	west All	All
dollars per acre							
Dryland cropland							
Average	300	318	262	323	272	185	153
High Productivity	351	381	314	369	360	228	186
Low Productivity	240	260	216	248	210	134	115
Rangeland (Native)							
Average	163	209	147	103	133	74	69
High Productivity	189	252	170	118	184	95	90
Low Productivity	121	172	108	66.7	96	53	49
Pastureland (tame, improved)							
Average	199	232	165	153	163	92	94
High Productivity	228	273	195	167	215	112	114
Low Productivity	161	197	140	100	124	67	70
Hayland							
Average	190	218	165	195	197	126	122
High Productivity	221	261	186	245	238	154	143
Low Productivity	153	186	125	145	137	94	92
Irrigated Land							
Average	454	*	*	*	472	480	383
High Productivity	522	*	*	*	549	594	495
Low Productivity	380	*	*	*	372	360	248

Source: 1991 South Dakota Farm Real Estate Market Survey

*Insufficient number of reports

Turner-Union county cluster but is only \$383 per acre in the Charles Mix-Douglas county cluster. In the east central region, the value of average quality cropland is \$811 per acre in the Minnehaha-Moody county cluster compared to \$525 per acre in the Brookings-Lake-McCook county cluster, and \$394 per acre in the other counties of the east central region. The average land value differences for rangeland, pastureland and hayland between county clusters in these two regions are substantial, but are not as great as the differences in average cropland values (Table 2A).

Within the northeast and north central regions, average per acre land values are fairly similar within three broad groups of counties: (1) Codington-Deuel-Hamlin and Grant-Roberts county clusters; (2) Clark-Day-Marshall and Brown-Spink county clusters; and (3) Edmund-Faulk-McPherson and Campbell-Potter-Walworth county clusters. In the central region, agricultural land values are usually highest in the Aurora-Beadle-Jerauld county clusters.

The overall examination of average land values by county clusters more clearly reveals the combined impacts of climatic factors (precipitation, growing degree days), soil associations, and land use on relative values of agricultural land across South Dakota. Federal agricultural programs also have a significant direct impact on cropland values via commodity program benefits. The Conservation Reserve program also has some impact on agricultural land values as it affects the availability of land used for agricultural production.

MAJOR REASONS FOR CHANGING FARMLAND MARKET CONDITIONS

Respondents to the 1991 survey were asked to provide reasons for their reported changes in land values as well as the motivating factors influencing the decisions of buyers and sellers. No potential choices were provided in the survey and respondents were able to list two major reasons to each question.

Respondents provided a wide variety of reasons why agricultural land values had increased in 1990. Higher livestock prices were most often cited (33% of 364 responses to this question) as the primary reason for higher land values. Other major reasons that agricultural land values increased in 1990 were: (1) competitive bidding and farm size expansion pressures - 16% of responses, (2) recent profits in agriculture - 14% of responses, (2) farmland is a good long-term investment - 10% of responses, and (4) impact of Federal farm programs - 9% of responses. Higher livestock prices were generally credited as the major factor influencing more increases in rangeland values, while Federal farm programs were listed as the major reason that cropland values increased or remained steady, despite recent declines in crop prices.

Beyond the reasons for changes in farmland values, respondents were asked to provide major reasons why buyers were purchasing farmland. Of the 429 responses (a majority of the 285 respondents provided two major reasons) to this

question, 45.7% indicated that farm expansion was the major reason that buyers were purchasing farmland (Figure 6). Farm expansion pressure were cited more often by respondents from the east central, northeast and north central regions.

Investment potential was the second most popular reason (17%) for purchasing farmland and was listed more often by respondents in the southeast region. Additional major reasons for purchasing farmland include tract location, profitable livestock prices and improved financial position. Profitable livestock prices were most often cited by respondents from western South Dakota.

There were many other reasons, listed by some respondents, that buyers purchased South Dakota agricultural land in 1990. Some reasons in the "other" category were: (1) producers purchasing land previously leased from their landlord, or (2) using CRP payments to purchase cropland to replace the amount of cropland bid into the Conservation Reserve Program.

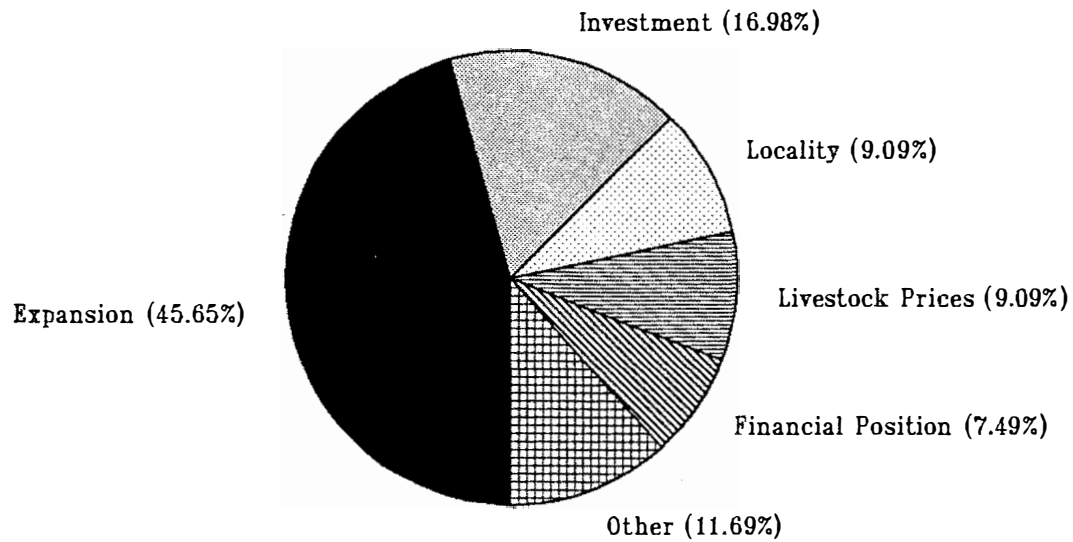
Retirement from farming was most often cited (35.3% of 467 responses to this question) as the primary reason that landowners were selling farmland (Figure 7). For this study, retirement was separated from responses of "no longer in farming" in an attempt to show the number of landowners leaving production agriculture for different reasons. Combined, these two categories constitute 45.8% of all responses.

Additional major reasons for selling farmland include: financial pressures, estate settlement and favorable market conditions for selling agricultural land. Financial pressures were more frequently cited by respondents from western and north central regions, than in other regions of the State.

Overall, farm expansion is the major reason for purchasing farmland while farm retirement or estate settlement are the major reasons for selling farmland. These motives are consistent with the major reasons for agricultural land market transactions since the mid-1950's. Financial position remains an important, though secondary, motivation factor for many buyers and sellers in the South Dakota farmland market. Finally, there are many other motivations for purchasing and selling farmland and the relative importance of various reasons may change over time.

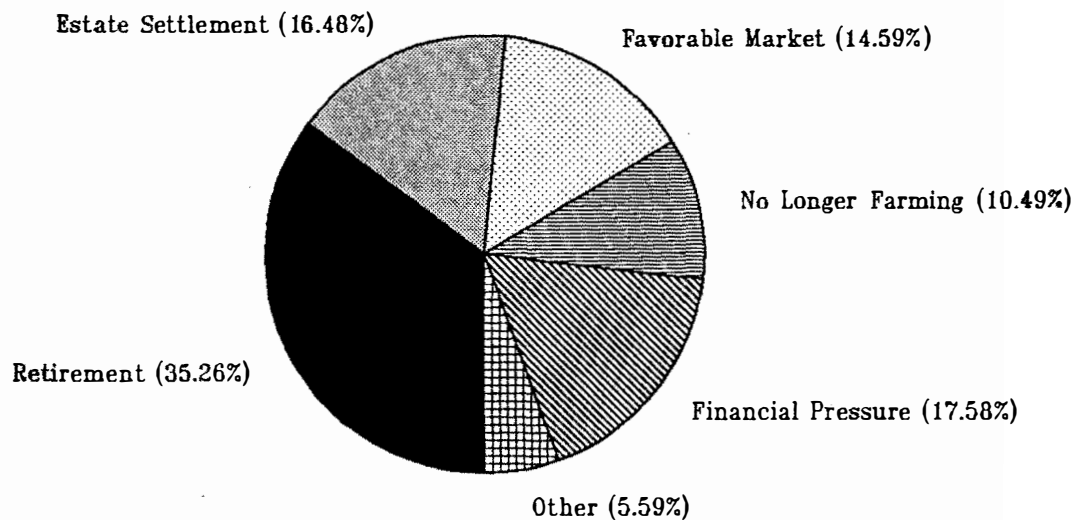
It is hoped that this study and future studies can help determine which factors are influencing the South Dakota farm real estate market over time.

Figure 6 Reasons For Buying Farmland



Source: 1991 South Dakota Farm Real Estate Survey, SDSU.

Figure 7 Reasons For Selling Farmland



Source: 1991 South Dakota Farm Real Estate Market Survey, SDSU.

1991 CASH RENTAL RATES OF SOUTH DAKOTA'S AGRICULTURAL LAND

The cash rental market provides important information on returns to agricultural land. Nearly three-fourths of South Dakota's farmland renters and three-fifths of agricultural landlords are involved in one or more cash leases for cropland, hayland or pasture/rangeland. A majority of cash leases are annual renewable agreements (Peterson and Janssen, 1988).

Respondents to the 1991 SDSU Farm Real Estate Market Survey were asked about average cash rental rates per acre for nonirrigated cropland, irrigated land and hayland in their locality. Cash rental rates for pasture/rangeland were provided on a per acre basis and, if possible, on a per AUM (Animal Unit Month) basis. Cash rental rates (average and range of rates) by land use by region are summarized in Table 3, Figure 8 and Figure 9). The same information is summarized by region and county cluster in Table 3A.

Cash rental rates per acre are quite variable within each region and highly variable among South Dakota regions. Within each region, the average annual cash rental rates are highest for irrigated land, followed by cropland, hayland and pasture/rangeland. For each land use, cash rental rates are highest in southeast and east central South Dakota and lowest in northwest and southwest South Dakota (Figures 8 and 9).

Cash Rental Rates - Cropland, Hayland and Irrigated Land

Cash rental rates vary substantially by region and land use. For example, 1991 nonirrigated cropland average cash rental rates vary from \$13.50 - \$15.90 per acre in western South Dakota to \$22.20 - \$24.50 per acre in the central regions of South Dakota. Cropland cash rental rates increase to an average of \$38.50 in northeastern South Dakota, to \$43.20 in east central South Dakota and \$49.30 in the southeast region (Figure 8 and Table 3). Average cash rental rates exceed \$60 per acre for cropland in the Minnehaha-Moody and Clay-Lincoln-Turner-Union county clusters (Table 3A).

Irrigated land average cash rental rates vary from \$35.10 - \$39.00 per acre in western South Dakota to \$82.60 per acre in the southeast region. Average irrigated cash rental rates are highest (\$93.00 per acre) in the Clay-Lincoln-Turner-Union county cluster. Many reporters indicated that few irrigated tracts in their locality were cash leased and their reports were based on few actual irrigated land leases.

Hayland acre cash rental rates in 1991 vary from \$10.40 - \$12.10 in western South Dakota to \$38.50 in the southeast region. They exceed \$50 per acre in some southeastern counties, where a commercial alfalfa hay market has developed.

The variation in reported cash rental rates are greatest in the eastern regions of South Dakota. For example, reported rates for nonirrigated cropland in the east central and southeast region vary from a low of \$25-\$27 per acre to a high of \$75-\$80 per acre.

Hayland cash rental rates were somewhat more variable than cropland cash rental rates. In most regions, the lower cash rental rates represented native

hayland and less productive tame hayland while the medium-higher rates were quoted for good quality alfalfa hayland.

Average percentage change in cash rental rates from 1990 to 1991 for cropland and hayland varied from about +5% in the south central region to +1% or less in the southwest region.

Nonirrigated cropland cash lease rates have increased from rates reported by farmland renters and landlords on actual cash leases in the 1986 SDSU Farmland Rental Survey (Peterson and Janssen, 1988). From 1986 to 1991, average cropland rental rates have increased \$6.00 - \$7.50 per acre in the east central, southeast and south central region. In other South Dakota regions, cropland rental rates increased by \$2 - \$5 per acre.

Average cash rental rates for hayland have also increased from 1986 to 1991 in all regions, with the greatest increases in alfalfa cash rental rates in the southeast region. Comparable published information on cash rental rates for irrigated land are not available.

Cash Rental Rates - Rangeland and Pastureland

More than three-eighths of South Dakota's 26 million acres of rangeland and pastureland acres are leased to farmers and ranchers. Several million acres of rangeland in western and central South Dakota are controlled by Federal, state or tribal agencies and are leased to ranchers using cash leases or grazing permits. However, a majority of leased rangeland and almost all leased pastureland are from private landlords (Cole, Beutler and Janssen, 1990).

Most private landlords use cash leases for rental of rangeland and pastureland. Respondents were asked about 1991 cash rental rates per acre and per AUM on privately owned rangeland and pastureland in their locality.

Average cash rental rates reflect regional differences in productivity and carrying capacity of pasture and rangeland tracts. Cash rental rates vary from \$4.40 - \$5.30 per acre in western South Dakota to \$18.60 - \$19.20 in east central and southeast South Dakota. The range of per acre cash rental rates varies from \$3 - \$9 per acre in western South Dakota to \$15 - \$30 per acre in southeastern South Dakota (Figure 9 and Table 3).

Animal Unit Month (AUM) is the amount of forage required to maintain a mature cow with calf for 30 days. An AUM is somewhat of a "generic" value and should be about equal in different regions. Therefore, private cash lease rates quoted on a per AUM basis should be roughly equivalent in different areas of the state unless there are major regional differences in forage availability, forage quality, and demand for leased rangeland. Per AUM rates in 1991 are somewhat lower in the drought areas of the northwest and north central regions (about \$13 per AUM) but otherwise are comparable in different regions of the State (\$13.70 - \$15.90 per AUM).

Profitable cow-calf enterprises have spurred increases in cash rental rates for pasture and rangeland from 1990 to 1991. The average percent change in cash

rental rates from 1990 to 1991 varied from +4.8% in the southeast region to +8.2% in the south central region.

From 1988 to 1991, private cash lease rates quoted on an AUM basis have increased an average of \$1.00 - \$4.00 per AUM in most regions of South Dakota. Per acre cash lease rates have also increased, although the average dollar amount varies greatly by locality.

RATES OF RETURN TO AGRICULTURAL LAND

Two approaches were used in the 1991 survey to obtain information on current rates of return to agricultural land in South Dakota.

First, respondents were asked to estimate the current net rate of return (percent) that landowners in their locality could expect given current land values. Appraisers refer to the current annual rate of return as the market-derived capitalization rate, which is widely used in the income approach to farmland appraisal. The lowest average net rates of return for cropland, hayland and rangeland are reported in the southwest region (5.1% - 5.2%), while the highest net rates of return are reported in the south central region (7.3% - 8.4%). In most regions, average current net returns to each land type were between 6.0% - 7.4% (Table 4).

Second, respondents reported cash rental rates and estimated the value of leased land by land use. From this information, we calculated the rent-to-value ratio for each response. This is a measure of the gross rate of return obtained by landlords, before real estate expenses (property taxes, insurance, maintenance and related expenses) are deducted. The calculated rent-to-value ratio (gross rate of return) should exceed the respondent's estimated current net rate of return to landownership. This expected result occurred for each land use in all regions (Table 4).

In most regions, the average gross cash rent-to-value ratios by type of land were:

nonirrigated cropland	= 7.7% to 8.7%;
irrigated land	= 8.6% to 10.1%;
hayland	= 7.6% to 9.1%; and
rangeland	= 6.5% to 8.4%

Rent-to-value ratios are highest for irrigated land due to relatively high expenses incurred by landlords for irrigation equipment ownership and maintenance. In most cases, the percentage rate differences between the calculated rent-to-value ratio and estimated net rate of return reflect costs of farmland ownership.

The current net rate of return to agricultural land of 6.0% - 7.4% is considerably lower than farmland mortgage interest rates of 10.5% - 12.0%. This implies that relatively large downpayment requirements are necessary before farmland purchases can be expected to cashflow from net returns. Fortunately, a high percentage of current farmland purchases are financed with equity capital

and most debt financed purchases have relatively high downpayments. This cautious approach to debt-financing will help most farmland buyers avoid another financial crisis.

AGRICULTURAL LAND VALUE EXPECTATIONS FOR 1991

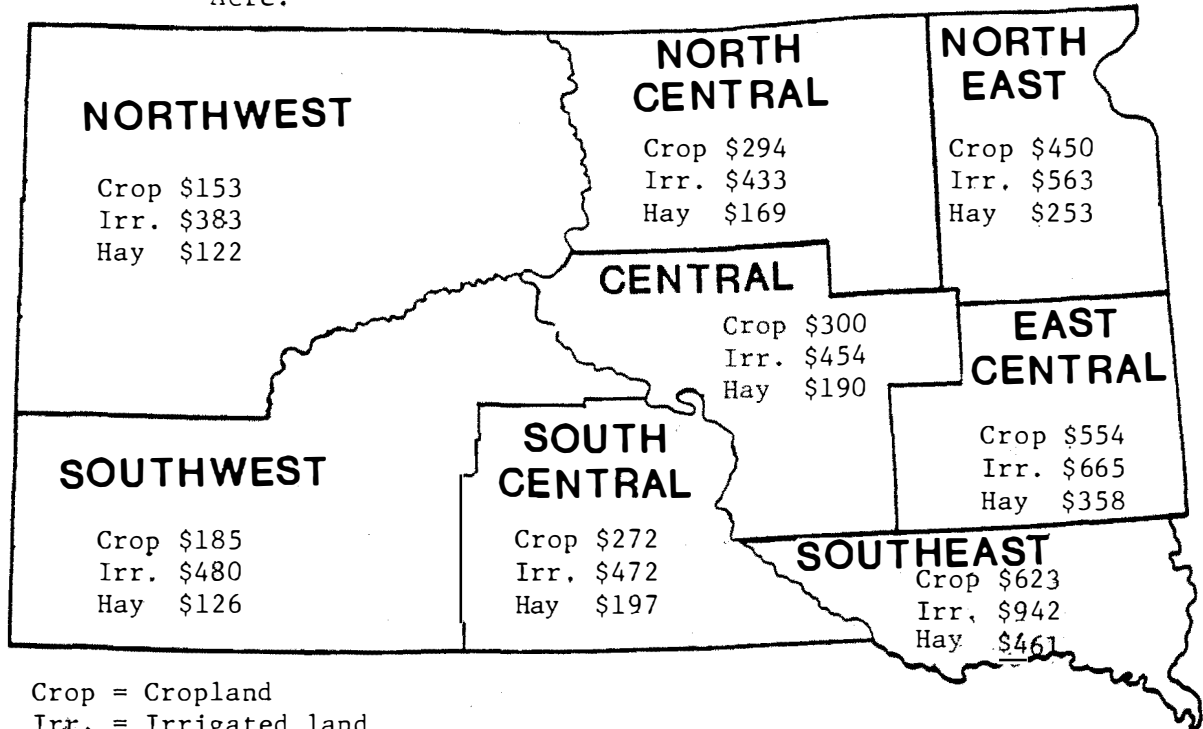
Respondents were asked about their expectation of changes in agricultural land values in 1991.

One half (50%) of respondents expected stable agricultural land values during the remainder of 1991. Another 33% expected some increase in land values averaging 5.3%. A minority (8%) expected land value declines averaging 5% and the remainder (9%) offered no opinion. Respondents in western South Dakota were less likely to expect further increases in land values.

Many respondents commented that continued profitability of cow-calf enterprises will likely cause further increases in rangeland and pasture values, while cropland values are expected to remain stable during the next 12 months. Many respondents indicated that changing weather conditions would affect agricultural land values, especially in the drier regions of the State. Some lenders indicated that possible lower long-term interest rates would lead to further increases in agricultural land values.

Overall, respondents expectations of stable to slight increases in agricultural land values are lower than most forecasts of 1991 inflation rates. If respondents' expectations are reasonably accurate, the substantial rebound in farmland values (from 1987 to 1991) may be over and real (inflation-adjusted) farmland values may start to decline.

Figure 4. Average Value of South Dakota Dryland Cropland, Irrigated Land and Hayland, by Region, February, 1991, Dollars per Acre.



Source: 1991 South Dakota Farm Real Estate Market Survey, SDSU.

Figure 5. Average Value of South Dakota Rangeland and Tame Pasture, by Region, February, 1991, Dollars per Acre.

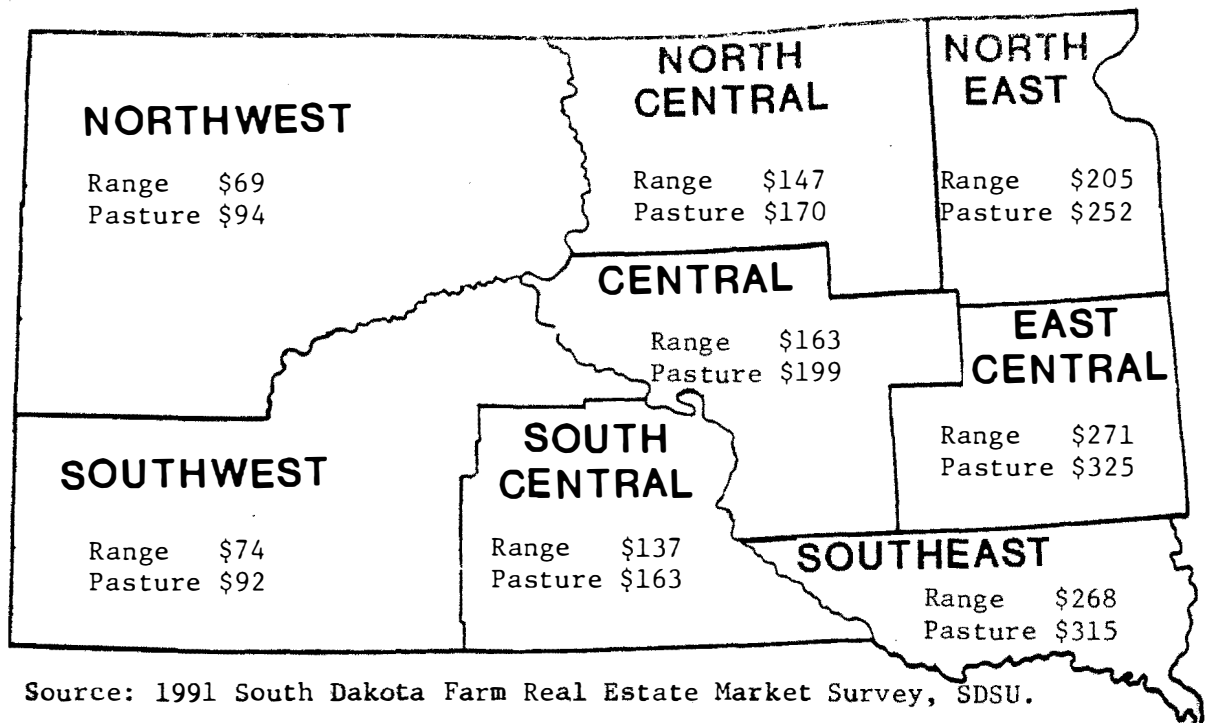


Table 3. Reported Cash Rental Rates of South Dakota Agricultural Land by Type of Land by Region, 1991 Rates.

Type of Land	South-east	East Central	North-east	North Central	Central	South Central	South-west	North-west
-----dollars per acre-----								
Dryland Cropland								
Average 1991 rate	49.30	43.20	38.50	24.50	23.20	22.20	15.90	13.50
Range of 1991 rates	27-80	25-75	28-60	15-40	18-35	16-30	10-22	8-20
% Change from 1990 rate	3.2%	4.5%	4.1%	1.8%	4.0%	4.7%	-0.2%	-0.3%
Irrigated Land								
Average 1991 rate	82.70	69.00	59.00	*	41.70	*	35.10	39.00
Range of 1991 rates	35-110	40-95	37-90	*	25-65	*	19-50	10-60
Hayland								
Average 1991 rate	38.50	30.90	22.30	14.20	15.70	14.80	12.10	10.40
Range of 1991 rates	15-80	15-80	10-40	9-20	9-25	8-20	6-20	5-16
% Change from 1990 rate	2.6	3.2	3.9	3.0	3.4	5.1	1.0	2.3
Pasture/Rangeland								
Average 1991 rate	19.20	18.60	16.30	12.50	13.80	9.90	5.30	4.40
Range of 1991 rates	15-30	11-30	10-25	6-20	9-20	5-15	3-9	3-8
% Change from 1990 rate	4.8	6.1	7.3	5.0	6.2	8.2	6.8	6.6
-----dollars per Animal Unit Month-----								
Average 1991 rate	13.70	15.90	15.50	12.80	14.80	15.20	14.30	13.00
Range of 1991 rates	12-18	12-20	10-20	8-15	12-20	12-20	10-18	8.50-16

*Insufficient number of reports.

Source: 1991 South Dakota Farm Real Estate Market Survey, SDSU.

Table 3A. Reported Cash Rental Rates of South Dakota Agricultural Land by Type of Land by Region and County Clusters, 1991 Rates.

	-----Region/Counties-----							
	Southeast				East Central			
	Clay	Lincoln	Bon Homme	Charles Mix	Brookings	Hanson	Kingsbury	
	Turner	Hutchinson	Yankton	Douglas	Minnehaha	Lake	Miner	Sanborn
	All	Union	Yankton	Douglas	All	Moody	McCook	Sanborn
	-----dollars per acre-----							
Dryland cropland								
Average 1991 rate	49.30	63.90	45.30	32.70	43.20	61.30	40.20	32.00
Range of 1991 rates	27-80	30-80	32-68	27-50	25-75	45-75	30-50	25-45
% change from 1990 rate	3.2	4.1	3.9	2.5	4.5	4.3	5.8	3.4
Irrigated Land								
Average 1991 rate	82.60	93.00	87.50	55.70	69.00	N/A	67.90	N/A
Range of 1991 rates	35-110	50-110	65-100	35-80	40-95	N/A	50-85	N/A
Hayland								
Average 1991 rate	38.50	54.00	37.60	23.10	30.90	45.20	27.60	26.20
Range of 1991 rates	15-80	18-80	20-65	15-40	15-80	22-80	15-50	17-80
% change from 1990 rate	2.6	4.5	2.9	1.8	3.2	5.5	2.9	3.2
Pasture/Rangeland								
Average 1991 rate	19.20	21.40	18.20	20.00	18.60	22.30	16.60	19.00
Range of 1991 rates	15-30	15-30	15-30	15-30	11-30	15-30	11-25	14-30
% change from 1990 rate	4.8	3.0	4.2	7.3	6.1	4.5	4.8	7.3
	-----dollars per Animal Unit Month-----							
Average 1991 rate	13.70	*	*	*	15.90	*	*	*
Range of 1991 rates	12-18	*	*	*	12-20	*	*	*

Table 3A - Continued

	Region/Counties							
	Northeast				North Central			
	Codington		Clark		Edmund	Campbell		
	Deuel	Grant	Day		Brown	Faulk	Potter	
	All	Hamlin	Roberts	Marshall	All	Spink	McPherson	Walworth
	dollars per acre							
Dryland cropland								
Average 1991 rate	38.50	40.90	42.80	31.90	24.50	31.60	20.30	22.10
Range of 1991 rates	28-60	30-60	30-60	28-45	15-40	20-40	15-37	18-25
% change from 1990 rates	4.1	6.5	2.7	2.7	1.8	3.5	1.4	.8
Irrigated Land								
Average 1991 rate	59.80	63.90	62.20	48.46	N/A	N/A	N/A	N/A
Range of 1991 rates	37-90	50-90	50-75	37-55	N/A	N/A	N/A	N/A
Hayland								
Average 1991 rate	22.30	22.80	21.90	19.80	14.20	16.70	13.00	12.30
Range of 1991 rates	10-40	11-40	10-35	10-35	9-30	9-30	9-20	10-15
% change from 1990 rates	3.9	5.3	1.3	4.5	3.0	5.3	2.2	3.0
Pasture/Rangeland								
Average 1991 rate	16.30	18.20	15.10	14.60	12.50	14.60	12.70	9.30
Range of 1991 rates	10-25	15-25	10-20	10-25	5-20	10-20	8-18	5-15
% change from 1990 rates	7.3	9.7	3.8	5.4	5.0	6.0	5.7	5.1
	dollars per Animal Unit Month							
Average 1991 rate	15.50	N/A	N/A	N/A	12.80	N/A	N/A	N/A
Range of 1991 rates	10-25	N/A	N/A	N/A	8-15	N/A	N/A	N/A

Table 3A - Continued

	-----Region/Counties-----						
	Central						
		Aurora	Brule		South	South-	
		Beaule	Hand	Hughes	Central	west	Northwest
	All	Jerauld	Hvde	Sully	All	All	All
	-----dollars per acre-----						
Dryland cropland							
Average 1991 rate	23.20	27.30	21.80	21.40	22.20	15.90	13.50
Range of 1991 rates	18-35	18-45	19-28	20-25	16-30	10-22	8-20
% change from 1990 rates	4.0	5.7	2.9	1.0	4.7	-.2	-.3
Irrigated Land							
Average 1991 rate	41.70	*	*	*	*	35.10	39.00
Range of 1991 rates	25-65	*	*	*	*	19-50	10-60
Hayland							
Average 1991 rate	15.70	17.30	14.86	14.00	14.80	12.10	10.40
Range of 1991 rates	9-25	10-25	9-22	13-15	4-20	6-25	2-20
% change from 1990 rates	3.4	7.9	1.3	5.2	5.1	1.0	2.3
Pasture/Rangeland							
Average 1991 rate	13.80	16.50	12.90	10.40	9.90	5.30	4.40
Range of 1991 rates	9-25	10-25	9-16	8-12	5-15	3-9	2-8
% change from 1990 rates	6.2	10.7	4.8	4.6	8.2	6.8	6.6
	-----dollars per Animal Unit Month-----						
Average 1991 rate	14.80	N/A	14.40	14.30	15.20	14.30	13.00
Range of 1991 rates	12-20	N/A	12-20	13-17	12-20	10-18	9-16

Source: 1991 South Dakota Farm Real Estate Market Survey

*Insufficient number of reports

Table 4. Estimated Rates of Return to South Dakota Agricultural Land by Type of Land by Region.

	South- east	East Central	North- east	North Central	Central	South Central	South- west	North- west
-----Average annual percent rate of return-----								
Dryland cropland	6.8	6.5	7.3	7.4	6.6	7.3	5.2	6.6
Irrigated land	7.0	7.6	7.6	10.8	6.5	7.9	5.4	6.6
Hayland	7.4	6.3	7.1	7.0	6.0	8.4	5.2	7.0
Rangeland	6.8	6.0	6.6	7.3	6.3	7.4	5.1	6.1
-----Average ratio of gross cash rent to reported land value (percent) ^b -----								
Dryland cropland	7.9	7.8	8.7	8.3	7.7	8.4	8.1	8.6
Irrigated land	9.3	9.4	10.1	10.9	9.1	9.7	8.6	9.3
Hayland	8.2	8.4	8.3	8.4	8.5	7.6	9.1	9.8
Rangeland	7.6	7.3	7.9	8.4	8.3	6.8	7.2	6.5

Source: 1991 South Dakota Farm Real Estate Survey, SDSU.

^aThis measure was reporters estimate of percent rate of return to ownership given current land values.

^bThis percentage measure was calculated by dividing reporters average cash rental rate by their reported land value.

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APPENDIX: SURVEY METHODS AND RESPONDENT CHARACTERISTICS

The primary purposes of the 1991 South Dakota Farm Real Estate Market Survey were to obtain regional and statewide information on: (1) 1991 per acre agricultural land values by land use and land productivity (average quality, high productivity and low productivity land in each use), and (2) 1991 cash rental rates by agricultural land use. These tasks could be accomplished with a two page questionnaire shown at the end of this appendix. The 1991 survey did not obtain information on share rental practices or detailed information on actual farmland sales.

Copies of this pilot survey were mailed to potential respondents about February 15 with a followup mailing on March 10. Potential respondents were persons employed in one of the following occupations: (1) agricultural lenders (senior agricultural loan officers of commercial banks, Farmers Home Administration, or Farm Credit Banks), (2) Cooperative Extension agricultural agents and farm management field staff, and (3) licensed appraisers (including members of professional rural appraisal and farm management societies). Some appraisers were primarily realtors, auctioneers or professional farm managers.

The overall survey return rate was 50% of persons contacted, and the useable response rate was 40%. The distribution of 285 respondents (40% of persons contacted) by reported occupation are shown in Appendix Table 1. Nearly 80% of Extension agents, 45% of agricultural lenders and 30% of licensed appraisers contacted provided useable responses. Another 20% of licensed appraisers returned, but did not complete the survey. These people were primarily involved with residential and commercial real estate.

Most respondents were able to supply land value and cash rental rate information for nonirrigated cropland, rangeland, and hayland in their locality. However, only about one-third of the respondents provided information on irrigated land.

Nearly half of the respondents were from the eastern regions of South Dakota, 31% were from the three regions of central South Dakota and 19% were from western South Dakota. Most Extension agents and agricultural lenders reported on land market conditions in one county, while many appraisers reported on land market condition in 2-3 adjacent counties in the same region. Each useable response by land use was counted once in developing average land values by region or county cluster.

Regional average land values by land use are simple average (mean) values of useable responses. All-agricultural land values, statewide and regional, and statewide average land values by land use are weighted by the relative number of acres in each agricultural land use. This approach has important implications in the derivation of statewide average land values and regional all-land values. For example, the three eastern regions of South Dakota with the highest average land values have nearly 45% of the State's cropland acres, 27% of all-agricultural land acres and only 10% of rangeland acres. Consequently, the relative importance of various regions on statewide cropland, rangeland and all-land values varies greatly by land use.

We believe this weighted average approach to statewide land values is preferable to a simple average (mean) of all responses. This alternate approach would greatly increase the relative importance of eastern South Dakota land values in the final computations and considerably increase our estimates of statewide average land values.

The weighting factors used to develop statewide average land values are based on estimates of agricultural land use for privately owned farmland in South Dakota. It excludes agricultural land (mostly rangeland) leased by tribal or Federal agencies which primarily occurs in the western and central regions of the State. The weighting factors were developed from county-level data on taxable agricultural acres, farmland use data from the 1987 South Dakota Census of Agriculture and other sources.

Appendix Table 1. Selected Characteristics of Respondents.

Number of Respondents = 285

Respondents:

<u>Reporting Location</u>	<u>N</u>	<u>%</u>	<u>Primary Occupation</u>	<u>N</u>	<u>%</u>
Southeast	45	15.8	Banker/Loan Officer	137	48.0
East Central	56	19.6			
Northeast	44	15.4	Realtor/Auctioneer	25	8.8
North Central	35	12.3	Appraiser	56	19.7
Central	35	12.3	Farm Manager	13	4.6
South Central	16	5.6			
Southwest	25	8.8	Extension Agents	54	19.0
Northwest	29	10.2	Total	285	100.0
Total	285	100.0			

<u>Response Rates</u>		<u>Pct of</u>			<u>Pct of</u>
<u>Land Values</u>	<u>N</u>	<u>All</u>	<u>Rental Rates</u>	<u>N</u>	<u>All</u>
		<u>Responses</u>			<u>Responses</u>
Dryland cropland	260	91.2	Dryland cropland	263	92.2
Irrigated land	100	35.0	Irrigated land	89	31.2
Hayland	217	76.1	Hayland	219	76.8
Rangeland (Native)	243	85.2	Rangeland per Acre	248	87.0
Pasture (tame)	197	69.1	per AUM	89	31.2

1991 SOUTH DAKOTA FARM REAL ESTATE MARKET SURVEY
South Dakota State University, Economics Department
(All replies will be handled on a strictly confidential basis)

Please return completed survey in the business reply envelope to Dr. Larry Janssen, Dept. of Economics, SOUTH DAKOTA STATE UNIVERSITY, Brookings, SD.

PART I: CURRENT FARM REAL ESTATE MARKET SITUATION

A. For the following types of farm or ranch real estate that are typical and which you are familiar with in your surrounding area, please report your estimate of average values per acre as of Feb. 1st. Please list the county or counties included in this report:

COUNTY(S) _____

	February 1, 1991 (current value)	Estimated Percentage Change in Value over the Past 12 Months
Dryland Cropland.....	\$ _____/acre	_____ %
Hayland.....	\$ _____/acre	_____ %
Grassland		
Native Pasture.....	\$ _____/acre	_____ %
Tame (Improved) Pasture..	\$ _____/acre	_____ %
Irrigated land	\$ _____/acre	_____ %

B. In your opinion, what are the major reason(s) for an increase (or decrease) in agricultural land values over the past year? _____

C. Please report the range in current average per acre values of those types of farm or ranch real estate with which you are familiar. For example, high productivity land would usually have above average yields in your locality, while low productivity land would usually have below-average yields.

	Estimated current value, February 1, 1991 Low Productivity Land	High Productivity Land
Dryland Cropland.....	\$ _____/acre	\$ _____/acre
Hayland.....	\$ _____/acre	\$ _____/acre
Grassland		
Native.....	\$ _____/acre	\$ _____/acre
Tame (improved)	\$ _____/acre	\$ _____/acre
Irrigated Land	\$ _____/acre	\$ _____/acre

D. Given the land values reported in (A) and (C) above, what is your estimate of the current net rate of return (%) that a landowner could expect? (Appraisers refer to this as the market capitalization rate)

Cropland _____%, Hayland _____%, Rangeland _____%, Irrigated land _____%

E. Relative to 1990, I would expect the average value of farmland/ranchland in my area during 1991 to increase by _____ percent or decrease by _____ percent or remain the same _____ (check).

PART II: CURRENT FARM REAL ESTATE RENTAL MARKET SITUATION

A. Please report your estimates of 1991 cash rental rates and the associated market values for the following types of rented land in your area.

	Cash Rental Rates for 1991	Estimated Market Value of Land
Dryland cropland.....	\$_____/acre	\$_____/acre
Hayland.....	\$_____/acre	\$_____/acre
Rangeland...	\$_____/acre or \$_____/AUM	\$_____/acre
Irrigated land	\$_____/acre	\$_____/acre

B. Relative to a year ago, cash rental rates in your area for:

CROPLAND increased by ____% or decreased by ____% or remained the same__ (check)
HAYLAND increased by ____% or decreased by ____% or remained the same__ (check)
RANGELAND increased by ____% or decreased by ____% or remained the same__ (check)

PART III: FARM REAL ESTATE MARKET ACTIVITY.

A. The number of farm (ranch) tracts sold in your area during the past year: increased by ____% or decreased by ____% or remained the same ____ (check).

B. What have been the most important reasons among buyers for purchasing farmland (ranchland) in your area this past year?

1. _____
2. _____

C. What have been the most important reasons among sellers for offering farmland (ranchland) for sale during the the past year?

1. _____
2. _____

D. Relative to 1990, I would expect the number of farms/ranches and farmland/ ranchland tracts offered for sale in 1991 to increase by ____percent or decrease by ____percent or remain the same ____ (check).

E. Please indicate your main occupation(s).

- (1) Broker/ Realtor____ (2) Appraiser____ (3) Auctioneer____
(4) Banker/ Loan Officer____ (5) County Agent____
(5) If other, please specify_____

D. Other comments you would like to offer. _____

Thank you very much for your time and effort in completing this survey. We plan to send each respondent a copy of the results. If your name/address label needs to be corrected in any way, please write the correct information.

Name _____

Address _____

Phone _____