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# Are Iowa Farm Land Prices Tapering Off?

The average value of Iowa farm land increased \$8 per acre since 1958. This was an average price increase of 3 percent. But the indications point to a "softening" trend over last year's strong price increases.

by Dwight Maxon Gadsby

IOWA FARM LAND prices increased an average of 3 percent during 1959. On Nov. 1, 1959, the state average value per acre was \$252, an increase of \$8 per acre, according to responses to the annual questionnaire on farm land values sent to Iowa real estate brokers. Land values increased slightly in all areas of the state. But there was a noticeable "softening" tendency over 1958's strong price increases.

Replies from the brokers indicate that the major forces responsible for the "change in pace" from the 1958 market were:

**Higher interest rates** — Most brokers mentioned that the rise in interest rates, together with financing difficulties and lack of ready cash, had a "leveling out" effect on the land market.

**Lower commodity prices** — Lower farm income, through lower grain and hog prices and an uncertain cattle market, generated an adverse effect on the land market.

**Decrease in investment buying** — Many brokers reported that out-of-state investors were "out of the market" or were selling their Iowa land because of insufficient returns and the hope of getting higher investment returns elsewhere.

**Uncertainty** — There's much uncertainty about future farm legislation, and this uncertainty may have had some effect on the land market.

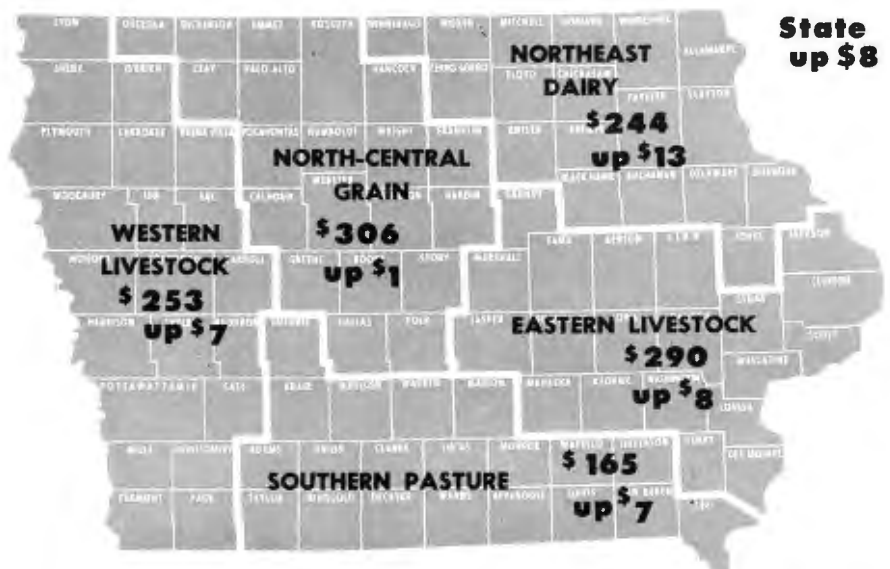
Among factors at work to maintain the moderate upward trend in land prices were:

**Farm enlargement**—Buying additional and adjacent units of land for farm enlargement still seems to be the main factor in bidding up land values. But brokers didn't regard it to be as important a force as in the 1958 market.

**Scarcity of "good" farms for sale** — The fact that prospective buyers could not find available farms was mentioned more frequently in 1959 than in 1958 as a factor in maintaining a strong demand for farms. Land appears in strong hands. Brokers often stated that sellers asked "excessive" prices, considering current demand conditions. Brokers also mentioned more frequently in 1959 than in 1958 an increasing number of estate sales at public auction as the major source of "good" farms.

**Tenant-land squeeze and contract buying**—Installment land contract buying and the "squeeze" on tenants seemed to be tied together in 1959. Brokers report that tenants often are forced to buy on contract—with a high sale price and low down payment—because they can't find farms to rent.

**Hedge against inflation**—Current investments in farm land often are re-



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garded as a hedge against inflation by investors. Some brokers mentioned that this helped to explain the recent increase in farm values.

**Area Situations:** Values by grades of land in the five type-of-farming areas of Iowa are listed in the tables. Here's a summary of the most important factors influencing the land market in these areas:

**Northeast dairy:** Land values increased an average of 5 percent. Greatest increases were noted in high-quality land. Much of the price increase was due to the inability of buyers to find farms for sale, the pressures of farm enlargement and the continued use of contract buying. Good crops were mentioned frequently as a price-increasing factor. High interest rates and lack of cash were often listed by brokers, along with unfavorable commodity prices, as having a "softening" effect on land values.

**North-central grain:** Land values increased less than 1 percent. Brokers reported little activity in the market. High-grade land increased \$2 per acre, while other grades of land remained unchanged. Value-increasing factors of farm enlargement and the scarcity of farms for sale were offset by high interest rates, low returns to investors and the retreat of the investment buyer from the land market. Brokers regarded low livestock prices as a key factor in holding the "lid" on land values.

**Western livestock:** For all grades of land, value increases averaged 3 percent. Brokers also reported a slow market. Low livestock prices and higher interest rates nearly balanced the pressures of farm enlargement, investment buying and a good crop.

**Southern pasture:** Value increases by grades of land were fairly uniform, with average values up 4 percent. Factors affecting the increase were reported to be farm enlargement, investment as a hedge against inflation, good crops and contract buying. Dampening effects reported were high interest rates and general uncertainty.

**Eastern livestock:** Farm enlargement, contract buying and a short supply of farms for sale brought the overall average increase in land values to 3 percent higher than in 1958. Low-grade land showed the greatest increase, 7 percent. This was because low-grade land was put on the short-supply market. Brokers reported that most land coming on the market consisted of estate sales. High interest rates and lack of ready cash were mentioned frequently as dampening effects on land value increases. This also was the most likely section of the state to have urban demands for farm land, and this may have had a noticeable effect on the sales value of farm land.

**TABLE 1. Value per Acre of Farm Land and Buildings, by Type of Farming Area, November 1, 1941-1959, Real Estate Broker Survey**

Year as of Nov. 1	State average	Types of Farming Areas				
		Central grain	East livestock	West livestock	N.E. dairy	South pasture
1941	\$ 88	\$106	\$101	\$ 90	\$ 87	\$ 58
1942	100	118	115	103	95	67
1943	119	141	138	119	110	83
1944	130	158	151	136	115	89
1945	140	168	167	148	118	98
1946	149	180	177	161	127	103
1947	167	196	200	187	138	117
1948	176	207	204	198	146	124
1949	177	213	203	197	151	122
1950	197	240	226	217	168	135
1951	212	258	244	238	174	148
1952	209	258	240	224	182	143
1953	198	246	226	212	171	134
1954	205	258	236	222	180	126
1955	215	270	242	231	190	140
1956	220	279	251	231	197	144
1957	226	278	264	228	212	147
1958	244	305	282	246	231	158
1959	252	306	290	253	244	165

**TABLE 2. Iowa Land Values, 1941, 1945, 1950-59**

North-Central Grain Area				Northeast Dairy Area			
Year	Grade of Land			Year	Grade of Land		
	High	Medium	Low		High	Medium	Low
1941	\$135	\$108	\$ 75	1941	\$115	\$ 88	\$ 57
1945	218	170	116	1945	163	118	73
1950	324	241	155	1950	242	165	97
1951	351	256	165	1951	257	168	97
1952	349	257	168	1952	265	175	107
1953	332	246	159	1953	252	165	97
1954	351	259	164	1954	268	172	100
1955	365	273	173	1955	282	181	108
1956	376	281	179	1956	289	189	112
1957	375	279	179	1957	306	206	124
1958	406	308	201	1958	325	227	142
1959	408	308	201	1959	344	240	147

Eastern Livestock Area				Southern Pasture Area			
Year	Grade of Land			Year	Grade of Land		
	High	Medium	Low		High	Medium	Low
1941	\$141	\$104	\$ 58	1941	\$ 88	\$ 56	\$ 30
1945	248	161	93	1945	148	96	51
1950	335	220	123	1950	212	128	66
1951	371	230	131	1951	237	137	69
1952	371	226	124	1952	229	133	67
1953	354	213	110	1953	220	123	60
1954	371	225	112	1954	207	115	57
1955	380	229	116	1955	229	128	62
1956	393	239	121	1956	234	132	65
1957	411	251	131	1957	236	136	68
1958	434	271	142	1958	253	146	75
1959	438	278	153	1959	263	154	78

Western Livestock Area				STATE AVERAGES			
Year	Grade of Land			Year	Grade of Land		
	High	Medium	Low		High	Medium	Low
1941	\$120	\$ 94	\$ 57	1941	\$120	\$ 90	\$ 55
1945	203	149	93	1945	196	139	85
1950	306	214	130	1950	284	194	114
1951	338	229	148	1951	311	204	122
1952	322	216	134	1952	307	201	120
1953	307	204	125	1953	293	190	110
1954	321	215	131	1954	304	197	113
1955	333	224	135	1955	318	207	119
1956	333	223	136	1956	325	213	123
1957	329	223	132	1957	331	219	127
1958	347	243	147	1958	353	239	141
1959	359	249	151	1959	362	245	146