Iowa Land Values Sag in 1960

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FARM LAND VALUES in Iowa sagged by an average of 6 percent in the year ending Nov. 1, 1960. On that date, the state average value was $237 per acre, down $15 from a year earlier, according to responses to the annual farm land values questionnaire sent to Iowa real estate brokers.

This is the first time since 1953 that this survey has revealed a general decrease in average Iowa farm land values. The value declines were the rule rather than the exception in all parts of the state. The greatest percentage declines were for low-grade land; the least, for high-grade land.

Brokers reported that the factors behind the price declines were already “in the making” a year ago and that these factors are now running their course in the market. Replies from the brokers indicate that the forces mainly responsible for the sag were:

Financing difficulties—higher interest rates, coupled with buyer difficulties in obtaining “purchase money.”

Lower commodity prices—lower grain and livestock prices, which contributed to lower farm incomes, and pessimism in the land market.

Continuing cost-price squeeze—increased costs (especially taxes) in conjunction with the lower commodity prices.

Less investment buying—fewer farm land purchases by investment buyers because of higher capital returns in other investments.

Uncertainty—general uncertainty about future farm legislation and, perhaps, reluctance to act until after the outcome of the 1960 election.

Late spring—The late, wet spring had a decided effect on the land market where poor crops were in evidence.

Among the forces at work in the land market to keep values from sagging further were:

Farm enlargement—Purchases for farm enlargement frequently were mentioned as giving strength to the market. But these purchases generally were viewed as a weaker factor than a year earlier. Selling prices of units reported sold for this purpose usually were lower than they were a year earlier.

Contract buying—Contract buying usually involves a higher selling price and a lower down payment than does mortgage financing. Contracts were reported used in many sales. But the inability of potential buyers to make the down payments was noted by brokers as hindering sales.

Iowa farm land values have tended to follow farm income trends over the long run. Brokers indicated that the recent declines in land values may be reflecting farm income trends.

Regional Situations: Values, by grades of land, in the state’s five major farming regions are shown in the tables. Here are the factors which the brokers regarded as the most important in each of the regions:

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Western livestock: The decrease averaged 6 percent in this area. “Tight money” and “high interest rates” were factors noted as was the cost-price squeeze. Brokers reported that potential buyers fear lower cash returns on land will result from higher overhead costs, including taxes. Investors have left the market. There was general uncertainty about the future of government farm programs. The forces of farm size expansion appear to have been greatly reduced.

Southern pasture: Average farm values in this area decreased 4 percent—the smallest percentage decline among all regions. One broker summarized the situation here in these words: “The values are about the same but are at a standstill. A few farms are sold at auction. The interest rate is the one thing that is holding them off.” Brokers also noted an adverse effect on the land market resulting from the wet fall of 1959 and the late spring of 1960. Forces of farm enlargement were reported as relatively strong and may be responsible for the fact that price declines were less in this area than in others.

Eastern livestock: Financing difficulties and the cost-price squeeze seemed mainly responsible for the 5-percent decline in this area. One broker described the situation by saying: “Farmers’ asking prices are too high. Those who have money won’t bid. Those with little money can’t get loans.” In addition, general uncertainty and pessimism regarding future farm prices were other depressing factors reported.

Northeast dairy: The decrease in farm land values averaged 6 percent in this area. Most brokers said that “tight money” and “high interest rates” depressed farm land prices. Lower crop and livestock prices combined with the effects of the wet fall of 1959 and late spring of 1960 in lowering farm values brokers said. They also noted that farms were easier to rent. This enabled more operators to rent, and fewer were forced to buy or get out of farming. Many brokers reported that, even though values were down, sellers were clinging to last year’s asking prices. Farm enlargement forces were in operation, but their influence on prices was less than a year earlier.

North-central grain: Farm values in this area dropped more than in any of the other areas, 7 percent. High interest rates and low grain and cattle prices, and consequently lower farm incomes, were mentioned consistently by brokers as factors at work to depress land values. And the absence of investors from the market because of opportunities for higher capital returns elsewhere was reported as an important factor in this area. The brokers indicated that the forces of farm enlargement in this area may have “spent” themselves at present price-cost relationships.