Variations Within The State

Iowans have always been conscious of different qualities of farm land in the state. In the early years, as explained in the Public Land Sale chapter, settlers preferred land with a combination of timber, dry prairie, water, and closeness to a navigable river. Later, in the 1860-1900 period, with the coming of the railroads and improved methods of drainage, the quality preference shifted to the level and undulating tillable lands of rich soil which were usually distant from timber and water.

Even in the last 50 years there has been a marked shift in the quality preference as indicated by farm values. Attention was drawn to the quality factor by the foreclosures and other cases where lending agencies acquired mortgaged farms during the depression years 1921-1940. These lenders, principally insurance companies and the Federal Land Bank of Omaha, wanted to know if they could do a better job in lending on farms in the future. Accordingly, they cooperated with the agricultural experiment stations, including the one at Iowa State University, in studies designed to improve appraisals for farm loans.

In these studies it became apparent that the lower valued lands, with some exceptions, had

been over valued and the loans placed on them had been excessive compared to the loans on the better grades of farm land. Concrete evidence on this point was provided by the percentage of corporate land (land owned by lending agencies) that existed in each county. The corporate land map for the state in 1939 showed a much higher percentage in the counties of below average farm values. Where this did not occur, as in parts of northeast and southeast Iowa, it was due to the fact that farm lands in these areas were recognized as not being capable of supporting farm mortgage loans out of line with soil productivity.

Unfortunately, the appraisal policy prior to 1930 had not given a correct estimate of soil productivity, especially in relation to erosion and drainage aspects. Not enough discount on land valuation had been made for thin soil on rolling land and poorly drained areas. For example, a thin or wet soil was given a $70 an acre loan while a deep rich soil was given a $100 loan. When the depression hit, farm owners had to farm their soils hard to get maximum production to pay taxes and interest. This resulted in severe erosion on the rolling farms with an eventual decline in productivity, which left the farm owners unable to meet the interest on relatively high mortgage loans.

An example of the faulty loan policy is readily available in a comparison of the corporate acreage in some of the southern Iowa counties compared

with some central Iowa counties. Thus, in 1939, in one group of seven southern counties corporations owned an average of 24 per cent per county, while a group of seven central Iowa counties averaged only nine. The value per acre of the southern counties in 1940 was $42, while in the central counties it was $106. A state soil erosion map showed heavy erosion in southern and western areas, the same areas where corporate land holdings were heavy in 1939. In northern Iowa the heavy corporate land holdings resulted not from over valuation of areas subject to erosion but to failure to allow for drainage problems, depth of surface soil, and other soil productivity factors.

A new emphasis on soil productivity came out of these studies. In fact, a new method of farm appraisal called the "Productivity Method" developed. In essence, the shift to productivity was recognition of crop yields and net income as more important than sale values in determining valuations for loans. As a consequence, productivity in appraisal was introduced into the textbooks and was adopted and practiced by the lenders and their appraisers beginning in the middle 1930's.

An example from the Federal Land Bank of Omaha's lending experience in Iowa illustrates how the new emphasis on productivity worked. The example covers a four county district in north central Iowa analyzed by Aaron G. Nelson with the following results:

Quality of Land

	High	Medium	Low
Average Loan			
1917-1932	$77	$78	$73
Foreclosures	8%	7%	23%
Average Loan			
1933-1936	$63	$58	$50
1937-1941	67	59	48

Loans after 1932 were spread wider to reflect the difference in productivity and income potential of the high and low grades of land.

Variations in farm values within the state differ widely. A spectacular increase in the values in northern Iowa as compared to southern Iowa took place after 1910. What happened can be shown by comparing two counties—Hancock County in northern Iowa and Wayne County on the southern border. The farm value figures for these two counties in 1910 and 1966 show the dramatic change which occurred:

Farm Values Per Acre

	1910	1966
Hancock County	$71	$422
Wayne County	72	161
State of Iowa	96	331

In this period Hancock County values rose from a level the same as Wayne and below the state average to a level two and one-half times Wayne County and almost 25 per cent above the state average.

For an answer to the rapid rise in land value in northern Iowa we have to go to the expansion of corn acreage and production which has occurred in this area. North central Iowa was poorly drained originally and drainage improvements have been a continual process over the years. Evidence of the progress is revealed by the following figures:

Corn Acreage

	1909	1966
Hancock County	81,000	124,000
Wayne County	77,000	49,000

Hancock County had only slightly more corn acreage than Wayne in 1909 but had two and one-half times as much in 1966. While Hancock was having extensive investments made in drainage, Wayne was experiencing heavy losses from erosion.

Value changes for other northern and southern counties, which show similar results, can be noted with the use of the Federal Census values by counties which appear in a table in the center spread of this article.

A recent and entirely different type of variation in farm values within the state is the change which is taking place around the large cities in Iowa. The change is particularly noticeable around those cities which have been expanding rapidly in population. A comparison of Polk and Story counties in central Iowa gives some indication of what is

happening. The City of Des Moines with 209,000 in population is located in Polk County and the City of Ames with a population of 27,000 is located in Story County. The farm value figures for the two counties are:

Farm Values Per Acre

	Polk	Story
1950	$219	$224
1954	272	278
1959	372	351
1964	391	384

Polk County, with the larger area of land around it with rising values, has pushed ahead of Story County where there is not as much urban influence. These figures, of course, give only an indication of the more rapid rise around the cities. If the areas around the cities could be sampled by themselves the results would show the rapid rise even more conclusively.

Farm value comparisons within the state can be highly useful to farm owners, lenders, assessors, and others affected by value changes. To make good comparisons, however, it is important to have reliable figures. Actually, an extensive array of farm value figures are now available, in a much greater supply than formerly existed.

From 1850 to 1940 the only comparison figures available were the Federal Census reports which were obtained every 10 years until 1925 when the five-year series started. These Census values have

been obtained by asking the farm operator the market value of the farm he is operating. With a complete record of these county-by-county data, presented in the center spread, farm values in any Iowa county can be traced back from November 1964 to the first Federal Census in the county. Comparisons over a period of census years can be made between counties, as illustrated in the case of Hancock and Wayne counties.

Beginning in 1912 the United States Department of Agriculture estimated an index of farm real estate values for each state. This series, which has continued to the present, does not provide any district or county figures within the state. At first this index was issued only once a year (on March 1), but in recent years indexes have been published for November 1 and in some cases for July 1 also. These indexes appear in a publication entitled, *Developments in the Real Estate Market*.

Beginning in 1941, and continuing to the present, the Agricultural Experiment Station at Iowa State University has issued annually as of November 1 farm value figures for five types of farming areas in the state. The boundaries of these five areas, which follow county lines, are shown in an accompanying state map. A major objective of these annual surveys of farm brokers is to provide not only area averages but also values for high grade and low grade farms as well. Thus, each year 15 values are given—three values by grade

in each of the five areas. Beginning in 1957, the results of these same surveys were broken down into nine crop reporting districts, also with three grade values in each district.

Another useful aid is a report issued four times a year by the Federal Reserve Bank of Chicago which shows farm value changes in percentage terms for the five farm type areas in Iowa.

As a result of state legislative action in 1961, the State Tax Commission began collecting details on each real estate sale, either by deed or contract, as part of an assessment-sale ratio study aimed at improving assessment uniformity. Annual reports have been published by the Tax Commission, beginning with the report for 1962, which include sales information by counties for both urban and rural sales, and with the rural sales not only broken down into deeds and contracts but each of these groups divided into improved and unimproved tracts.

At first thought these actual sales figures issued by the State Tax Commission might appear to be the most nearly accurate data available on the farm land market, especially since they include all deed and contract sales recorded. This is not necessarily true because to be reliable averages the sales would have to be representative of the different grades of land present in the county or township. It is common, in some areas, for more of the medium or low grade farms to sell than of

the high grade which are often tightly held by families and passed down from one generation to the next without being recorded as a bona fide sale. On this account it happens frequently that the average of all sales is below what would have been the average if a proper proportion of high grade farms were included in the sales total.

On the other hand, these farm sales do provide a wealth of information and to the extent that they include the same biased representation each year they do give an excellent indication of year to year changes. In addition, these sales are the best source available on the proportion of deeds and contracts. They also allow a comparison of improved and unimproved land sales, all on a county basis, and with some comparisons being made on a township basis.