

MINNESOTA'S BUBBLE ECONOMY

*THE CRITICAL NEED TO PREVENT OUR FARMLAND
BOOM FROM BUSTING*



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MINNESOTA **20**
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KEY FINDINGS & RECOMMENDATIONS

Key Findings

- A farmland bubble market is forming in Minnesota, with winter sales bringing \$3,500 to \$6,000 an acre for prime land. Land appraisers and auctioneers say prices have more than doubled in five years.
- Agriculture being major sector of Minnesota's overall economy coupled with the state's recession, it is critically important to Minnesota's economic health that the Ag sector remain strong. A major Ag bust would be devastating to the economy.
- Another bubble affects prices of commodities – crops, minerals and energy – and could burst just as it has in the housing market. Similar busts followed booms in previous farm economic cycles.
- Farm income can drop sharply due to many factors, including weakened demand in a recession, improved global growing conditions that increase supplies and government interventions in commodity or capital markets. Forestland owners have already experienced a shock as the price of timber and pulpwood has fallen by half since 2005.
- Escalating energy prices are driving up the cost of fuel, fertilizer, grain drying and related farm expenses. As a result, future farm profits are not assured for either crop farmers or livestock and poultry producers who feed high-priced commodities to animals.
- A looming U.S.-ignited recession is threatening to spread to other countries. Speculative money now pushing commodity and farmland prices could seek other venues if demand weakens in domestic and export markets.

Recommendations

Spiraling commodity prices are already harming people on low and fixed incomes, and they have the potential to cause even greater disruptions to lives and the economy of rural Minnesota. As a result, Minnesota 2020 encourages two initial responses – preparedness and research.

Preparedness – Farmers, lenders and their financial advisors should be cautious, using current farm profits to pay down debt before input costs overrun higher commodity prices.

State officials should make sure the University of Minnesota Extension Service farm debt mediation program that was used successfully in the 1980s has the staff and resources needed to assist farmers in a crisis. Such a program could also help borrowers and lenders through the current home foreclosure crisis.

Research – Rather than wait until after a crash devastates the commodity and land markets, Minnesota policymakers should mount a preemptive and coordinated review, to guide lawmakers, state agencies, local governments, financial institutions, nonprofit, and service organizations.

Among the important questions to be considered:

- What worked to ease rural families and communities through the 1980s farm financial crisis?
- What state programs might be reactivated?
- If either booms or busts lead to more consolidation of farms, what might rural communities do to diversify business activities and sustain populations?
- What are the best uses for land, alternative energy development and community services should an agricultural boom turn to bust?

INTRODUCTION

Minnesota agriculture is riding high -- perhaps too high to be sustainable. Clearly, price bubbles are forming around farmland and commodities that threaten the long-term health of Minnesota's huge food and agriculture economy.

The integrated food and agriculture sectors still account for one-quarter of all Minnesota jobs, counting farming, processing, transport and retailing. Total global sales by Minnesota-based agriculture firms exceed the entire gross domestic product of about half the nations in the world. And right now, the food and ag sector is among the few strong generators of growth and prosperity at work in Minnesota's broader economy. Therefore, there is much at stake for Minnesotans both on and off the farm.

Unfortunately, the history of business cycles shows that booms don't last. Busts follow, and another is likely sooner or later.

Minnesota 2020 believes that all concerned about the health of agriculture and rural Minnesota should prepare now for a roller-coaster ride with the farm economy. A painful crash in the 1980s followed the boom era of the 1970s. But sometimes the U.S. and Minnesota economies had gentle landings after economic peaks. We can only hope, but cannot predict, that some equilibrium will settle in without great hardships to Minnesota families, businesses and institutions.

Minnesota 2020 prepared this report to look back and recall that we've seen surging commodity markets before, and to look forward and help Minnesota stand ready for what may come.

ZOOMING IN ON THE "L"

Minnesota's best cropland area is roughly shaped like a giant "L" along its western and southern borders. Prices for land in the "L" now resemble a rapidly inflating balloon, or bubble.

Before looking closer at the state's primary cropland and the economics at play, a comment must be made about the "L" configuration: It excludes large parts of central Minnesota that have dairy and poultry operations with different land cost features and have urban sprawl influences on farmland values extending out from the Twin Cities and St. Cloud. It also excludes counties around Brainerd and north of the Twin Cities where lakes, streams and recreational property uses influence land values. At the same time, it does include Olmsted County despite urban influences on land costs from Rochester.

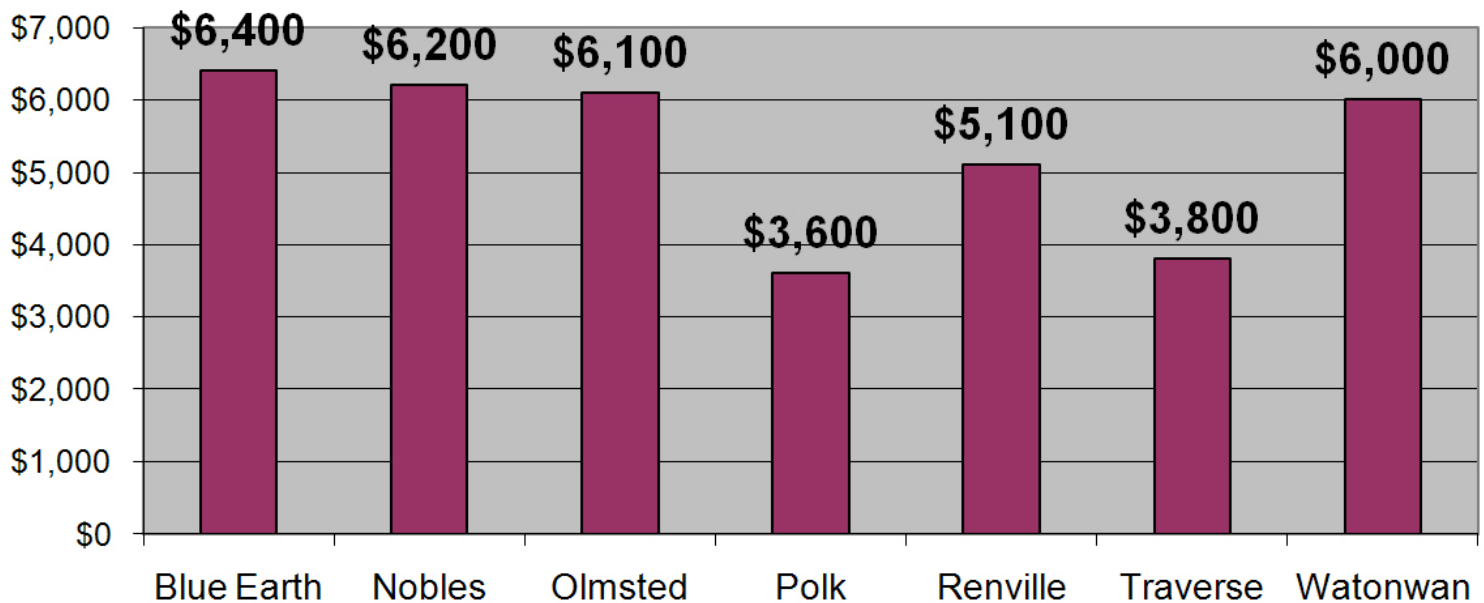
LAND PRICES RISING

An informal survey of experts in various parts of the “L” shows that farmland values continued a two-year upward thrust over the winter, when most land changes hands. In most of the prime cropland counties, land prices have risen 20 percent to 25 percent in the past 18 months. Productive land in Minnesota’s southern farm belt now is selling for \$3,500 to \$6,000 an acre. Even farther north, where conditions historically favored raising wheat and small grains, prices have pushed well above \$1,500 an acre.

Terri Jensen at Jensen Appraisal and Consulting in North Mankato said most farmland values in south central Minnesota have ranged between \$4,100 and \$6,400 an acre. “Most is in the \$4,200 to \$5,400 an acre range,” she said. “It’s a strong market and doesn’t seem to be letting up.” Her most recent sale was a 43-acre parcel at \$5,813 an acre.

Farmland sales in parts of southwest and west central Minnesota have ranged from below \$4,000 to as high as \$6,000 an acre, said Phillip Klenk of Banner Appraisals Inc. in Winthrop. Good farmland sales in Sibley County now average \$5,000 an acre, \$1,000 more than over the winter of 2005-06. Recent sales ranged between \$4,800 and \$5,200 per acre, he said.

Approximate April 2008 Farm Land Value Per Acre Based on High Value Ag Land for Seven Minnesota Counties



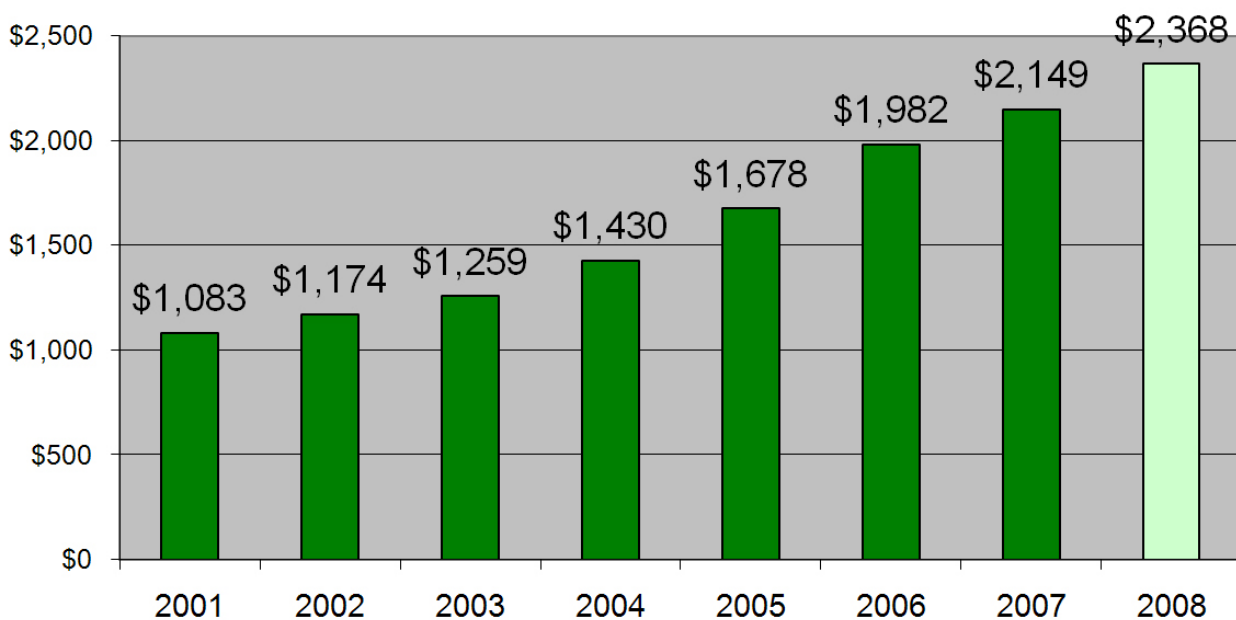
The Iowa border areas of south central and southwest Minnesota are seeing prices between \$4,000 and \$6,000 an acre, possibly under pressure from outside investors, said Steve Fausch, an auctioneer and rural bank advisor

at Fairmont. “Their presence may not be huge, but they do push up prices by being there,” he said. A Mountain Lake farm that sold for \$6,000 an acre might have enjoyed competition between two neighbors “who really wanted the land,” but he suspects the price also was “nudged up” by land speculators.

Fausch said he is even more surprised by what city folks are paying to buy nonproductive woodlands, wetlands and grasslands for recreational purposes. He calls it “hunting land,” and it has been selling in small parcels for \$2,500 to \$3,500 an acre.

This inflationary phenomenon is showing up all over the Midwest as too many dollars chase too few available acres. Allen I. Olson, former president of the Independent Community Bankers of Minnesota and a former Republican governor of North Dakota, calls the new landowners from the cities “nostalgia buyers . . . who left rural America to find their fortunes elsewhere and, having been successful, will pay more than the inherent ag production value of the land either for a retreat or for sentimental reasons.”

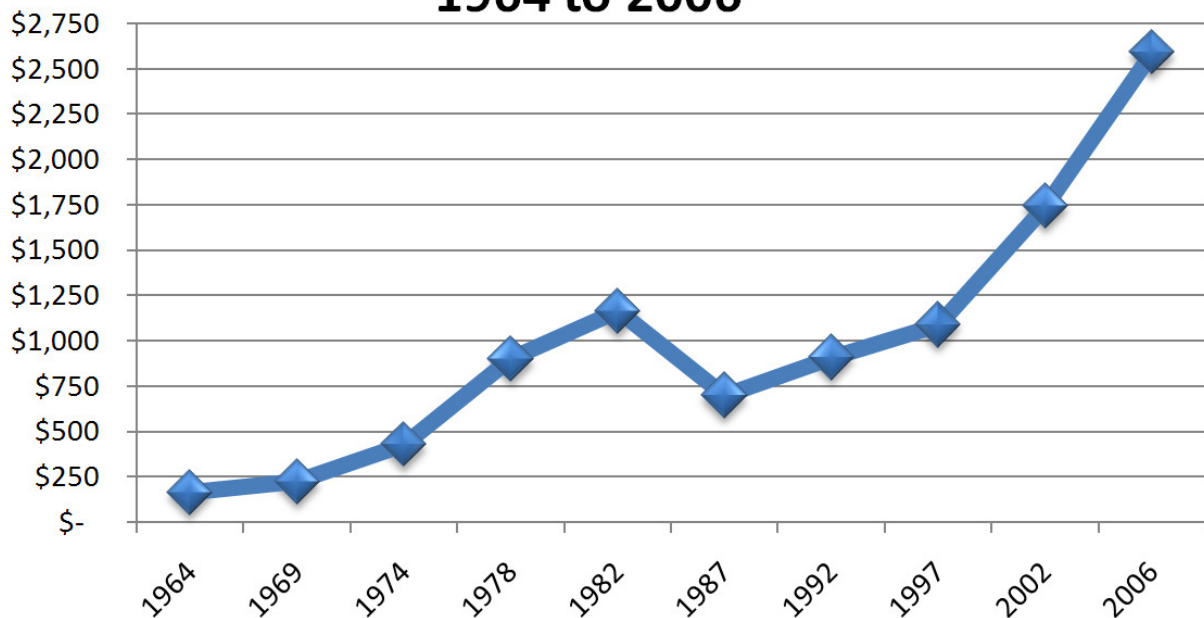
Average Farm Land Value Per Acre for All Counties in the "L"



Amounts calculated based on Minnesota Department of Revenue data. 2001 to 2007 calculated from Fall Mini-Abstracts. 2008 calculated from preliminary Spring Mini-Abstract. 2008 amounts are prior to appeals.

The buzz along the lower Red River Valley has been about how farmland now is priced on expectations of income from corn and soybeans, not the area’s traditional small grains, said Guy Miller of Miller Realty Inc. of Breckenridge. One section (640 acres) in Traverse County just sold for \$3,800 an acre, or more than \$2.4 million.

Average Farm Land Value Per Acre 1964 to 2006



Sources: USDA's Economic Research Service, Minnesota office of USDA's National Agricultural Statistics Service

Farm management specialists and applied economists at North Dakota State University, South Dakota State University and the University of Minnesota have given farmers and lenders in Miller's area general rules of thumb for calculating land values, he said. "That is chancy right now because farm input costs are as volatile as the commodity markets," he said. "It isn't easy to make income and cost projections."

Farther up the Red River Valley, expenses don't jibe with income projections even when you put pencil to paper, warns Stefan Olafson of Olafson Appraisals Inc. in Grand Forks, N.D. His firm works the land market on both sides of the Red River, and Olafson recently saw 160 acres in Polk County, near East Grand Forks, sell for \$3,600 an acre. Just two years earlier, a nearby 155-acre parcel sold for \$1,600 an acre. Elsewhere in Polk County, near Fisher, a 74-acre parcel sold for \$1,500 per acre in 2006 while this January 223 acres of nearby land brought \$2,300 per acre.

COMMODITY PRICES RISING

Commodity prices for major field crops have exploded worldwide. Land prices are following as farmers seek to expand and capture higher incomes from record- and near-record commodity prices, and from speculation that land may offer better returns than other investments at this time (see Fausch, **Boom and Bust**, below).

In Minnesota's agricultural "L," gross farm incomes are reaching record highs as corn prices have tripled since 2005 and soybean prices have more than doubled (see following graphic). Wheat prices, though not included below, have also more than doubled through two growing seasons. This fuels great expectations for farm income.

For instance, Minnesota corn production reached an astonishingly high average yield of 174 bushels per acre in 2005, when the average price paid Minnesota farmers was \$1.86 per bushel. For a typical southern Minnesota farmer with 1,000 acres of corn, gross receipts would have been \$322,240. Assuming a more modest yield of 150 bushels per acre this year, and a conservatively estimated price of \$5 per bushel (futures contracts are above \$6 a bushel at this writing), the same southern Minnesota farmer could expect gross receipts of \$750,000.

Net farm income is a different matter. World oil prices and costs for fuel, fertilizers, chemicals and other farm inputs have been rising along with farm commodities on world markets.

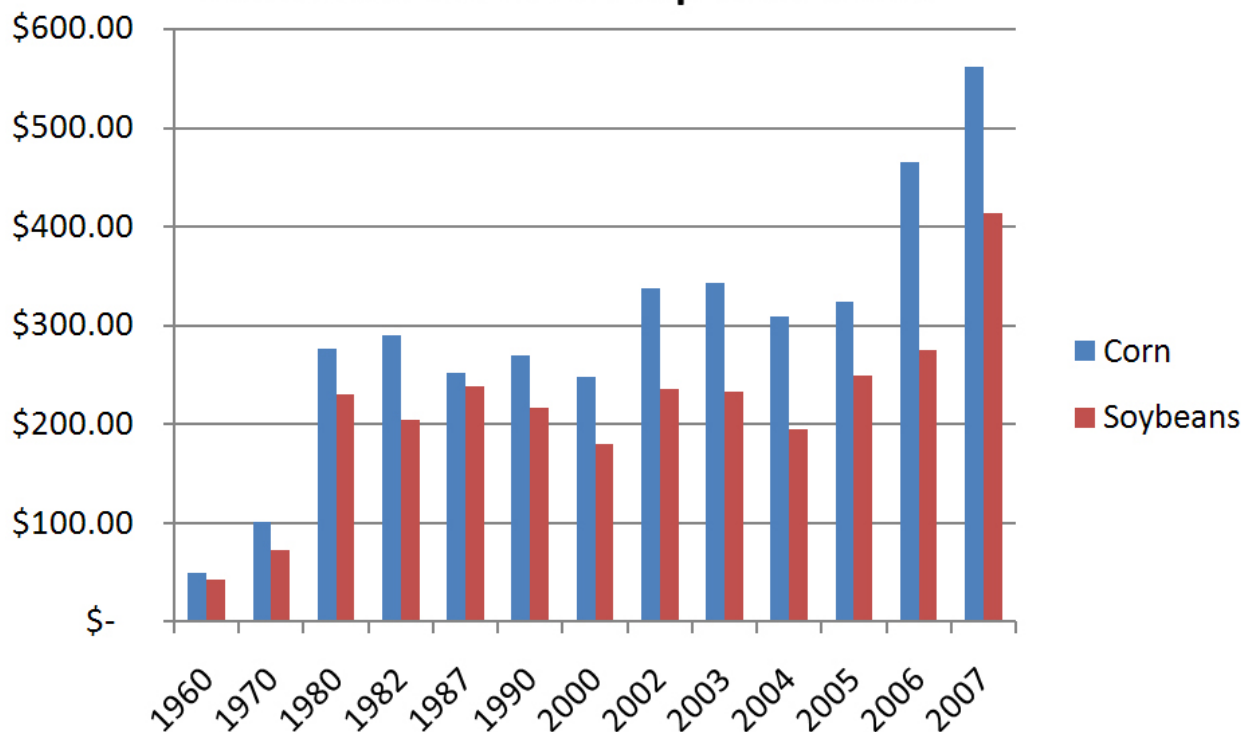
Authoritative reports from the Minnesota office of USDA's National Agricultural Statistics Service on farm expenses for 2007 and from U of M applied economist Steve Taff on farmland values are expected over the next two months. But the jury is still out on how well farmers profited in 2007 and may in 2008; what is known is that farmers and agribusiness people are handling bigger stacks of dollars.

For instance, Paul Brutlag, who grows various crops in west central Minnesota, said wheat seed prices increased from about \$8 a bag two years ago to \$35 a bag now; phosphate fertilizer jumped from about \$400 a ton to \$1,200 a ton over the same period, and he estimated his diesel fuel costs are up more than 200 percent. Other expenses are also climbing, he said in a cell phone interview from his pickup truck, but he couldn't be more specific without accessing his computer.

Farmers who filled their storage tanks with diesel fuels for the May start of corn and soybean planting will find "it is going to be a lot more expensive when they refill the tanks for the harvest," warned Bob Zelenka, executive director of the Minnesota Grain and Feed Association. Those costs could burst the bubbles forming around farm income expectations and land values.

Minnesota farmland prices generally reflect yields of major crops and the prices they fetch. But it's not a smooth progression over time. Note the collapse in land and commodity prices, but not yields, during the 1982-87 farm crisis. It is that memory that has agricultural observers concerned about what may be happening now.

Minnesota Per-Acre Crop Yield Value



Sources: USDA's Economic Research Service, Minnesota office of USDA's National Agricultural Statistics Service

PAYING FOR LAND

Breckenridge appraiser Miller said he's seen far more land speculation on the North Dakota side of the Red River of the North than in Minnesota. "Right now, I'd have to say it's mostly farmers buying land to expand," he said. "And that's partly because land rents have been going up like all other costs out here."

That has veteran farm real estate experts like Bill Collins "more than nervous" about price bubbles forming over farm commodities and land. Collins is the former president of AgriBank FCB in St. Paul, the nation's largest agricultural mortgage lender, with customers ranging from North Dakota to Michigan, Arkansas and Kentucky. Early indications are that farm lenders right now are cautious. Most farmer land acquisitions are strong on cash accumulated in recent years, he said, meaning the land isn't heavily leveraged at this point.

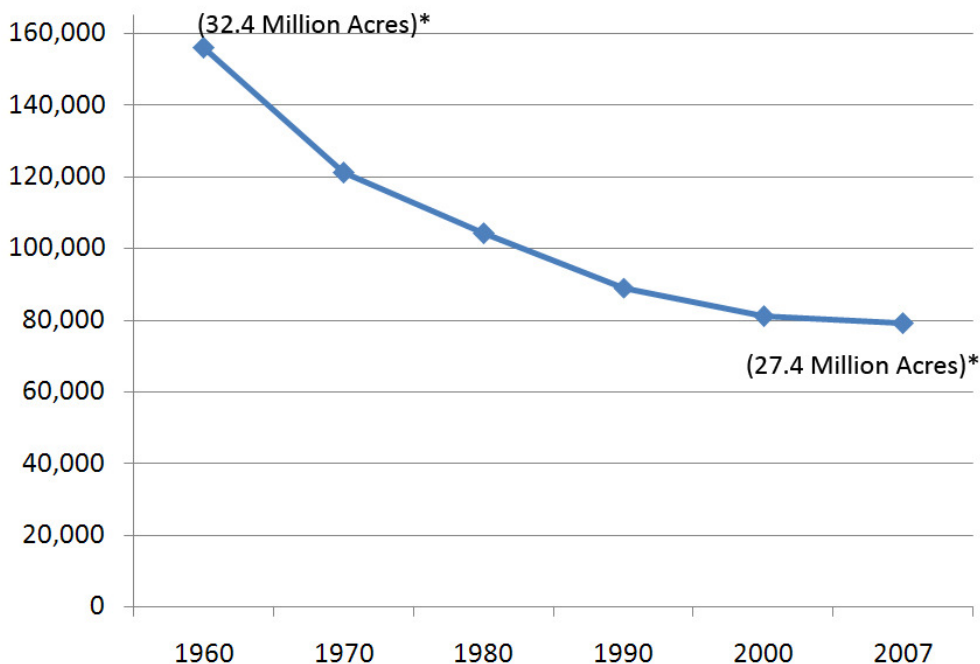
However, the same was probably true at the beginning of the 1970s, when the last bull market for commodities emerged, Collins said. But that led eventually to more financing using assets as collateral and, in time, debt-to-asset ratios that were not sustainable when commodity markets slumped. There is a contemporary parallel to that "painful experience," Collins said: "The home mortgage crisis looks awfully familiar."

STRUGGLES WITH GOOD TIMES AND BAD

It would be easy to say, “Let the good times roll,” and ignore what we know from the past. That is, ignore the rule that good times follow bad, and vice versa. No business or economic cycle endures uninterrupted. (See **Booms and Busts**). All too often, a peak or trough is as gentle or as exaggerated as the opposite cycle that preceded it. That should cause alarm in Minnesota and across most of the Midwest at this moment.

Technology change constantly shrinks the number of farms and displaces agricultural labor. The following table shows that Minnesota agriculture, and the rural communities that depend on agriculture, have as many adjustment problems with good times as they do with bad. The 1980s financial crisis resulted in 15,000 farms disappearing. But Minnesota lost even more farms – 17,000 – during the 1970s boom, and 35,000 farms went out of existence in the 1960s, when new technologies changed economies of scale and scope.

Number of Farms in Minnesota



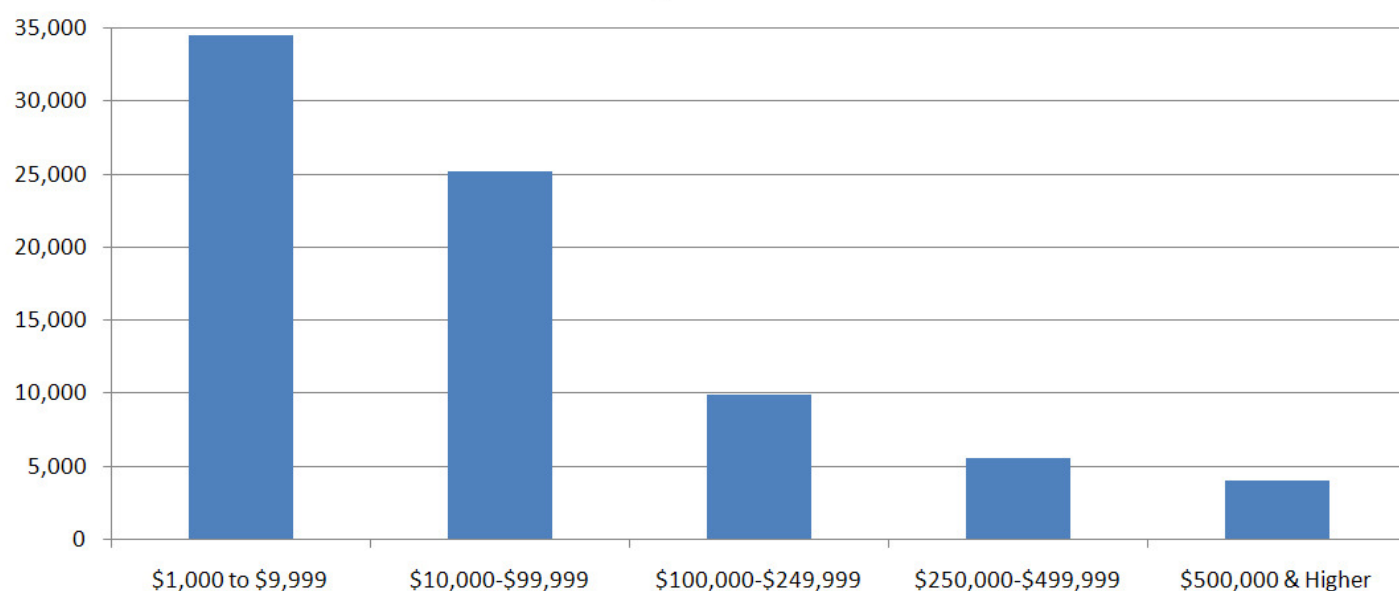
The trend is unmistakable. New technologies, not the least being larger tractors and bigger farm machinery, have transferred agricultural production from a labor-intensive business to a capital- and technology-intensive industry. This transformation has had greater impacts on small agricultural marketing towns than on the farm population itself. That is because many new residents of rural Minnesota combine small farming activity with off-farm employment.

*The 5 million acre decline in Minnesota farmland resulted from urban sprawl and from conservation and environmental land set-asides.

Source: USDA, National Agricultural Statistics Service

The following graphic reveals how farm operations have fragmented by size of operations and production in Minnesota:

Minnesota Farms by Economic Sales Class – 2006*



* The most recent year for which data are available.

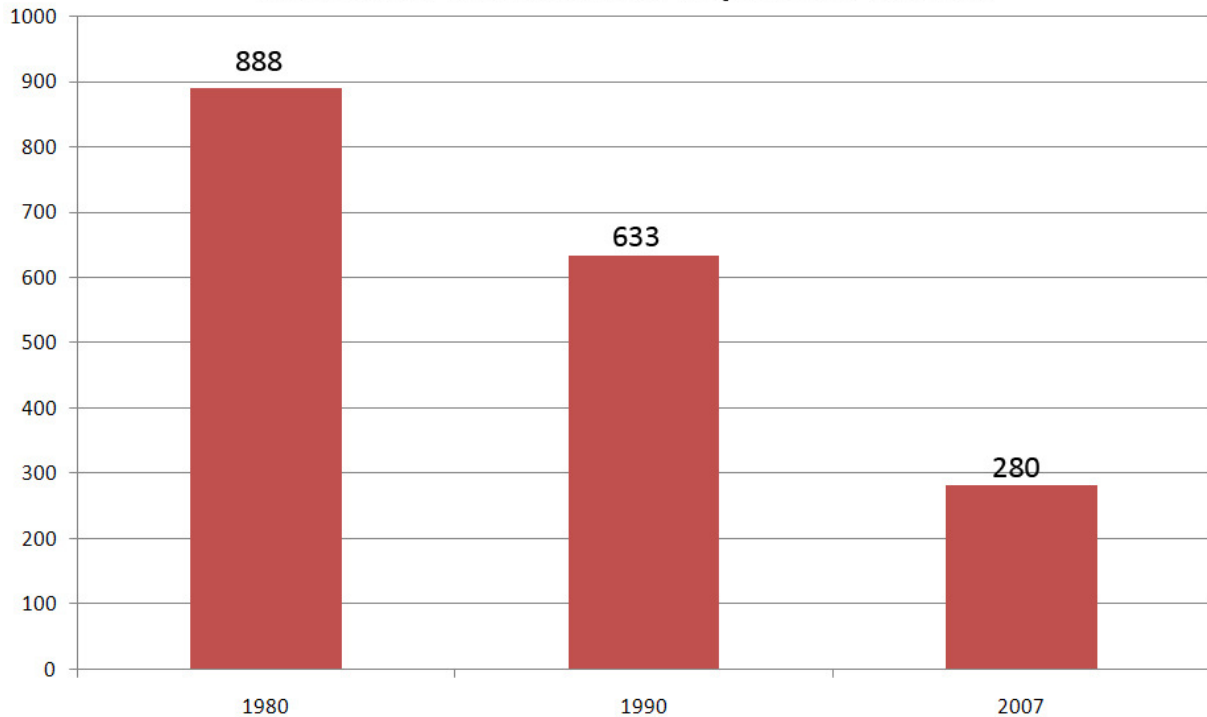
Source: 2007 Minnesota Agricultural Statistics Bulletin

The data show there is no such thing as an average Minnesota farmer. While the Minnesota office of the National Agricultural Statistics Service counts 79,300 farms in the state, the majority are hobby farms or small enterprises whose proprietors combine farming with other employment. Using \$100,000 in annual livestock and crop receipts as a benchmark, fewer than 20,000 farms in the state are likely full-time, commercial enterprises.

Change is inevitable. How it occurs, however, can be either smooth or painful. Farmers who leave agriculture during boom times transfer out wealth from the sale of assets. People who lose the farm during hard times often take others down with them. Minnesota had 29 rural bank failures during the 1980s farm crisis; untold small-town grocery stores, auto dealerships, hardware stores, lumberyards and other rural retailers and service providers closed their doors for good or consolidated in larger regional centers. The economic recovery of the 1990s did not bring a rebound in most rural communities as concentration in fewer regional market and shopping centers continued.

Richard Strom, executive director of the Minnesota-South Dakota Equipment Dealers Association, offers the following membership data that prove the point:

Minnesota-South Dakota Implement Dealers



Over time, similar changes affect Minnesota’s other natural resource-based industries, with the same spillover effects on communities.

Jane Brissett, writing in the July 2002 *fedgazette* magazine for the Federal Reserve Bank of Minneapolis, showed what has happened to mining employment and thus to mining area communities in Northern Minnesota and across the Ninth Federal Reserve District:

Year	Metal Mining Employment (In Thousands)				
	Minnesota	Montana	North Dakota	South Dakota	Wisconsin
1980	15.6	8.8	7.8	2.8	2.6
1985	8.3	6.8	6.9	2.5	1.9
1990	8.1	6.3	4.3	2.6	2.3
1995	7.8	5.3	4.3	2.6	2.3
2000	7.2	5.0	3.6	1.2	2.7

Source: Bureau of *Labor Statistics*

It is often overlooked when discussions of agriculture and the farm economy look back to the 1980s, but the “farm crisis” did as much or more damage to the Minnesota Iron Range as it did in farm communities (see

Inflation, Deflation and the Capital Markets, below). Approximately 40,000 people moved off the Iron Range in that decade; the Duluth-Superior metropolitan area lost about 20,000 people as well.

Forestry and forest products manufacturing also have their ups and downs with comparable effects on people and communities, said Wayne Brandt, executive director of the Duluth-based Minnesota Forest Industries trade group. Different wood industry sectors respond differently to market forces, he said. Right now, the collapse of U.S. housing construction is devastating sawmill operators and high-tech oriented strand board (OSB) industries. New U.S. home construction has fallen from more than 2 million starts two years ago to a projected 800,000 to 850,000 this year. Most Minnesota OSB plants are either closed or limiting shifts and scheduling down times, Brandt said.

What's more, Minnesota wood industries lost about 4,000 jobs from 2005 to the end of 2007, he said. This has spilled over on forestland owners as well. "We had among the highest stumpage fees in the international market, or about \$50 a cord, in 2005," he said. "That's fallen in half, to about \$25 a cord right now."

Brandt, who grew up in farm country, at Willmar in west central Minnesota, issued this warning on the current ag boom: "I would hate to be buying \$6,000 an acre land if corn and soybean prices fell in half."

INFLATION, DEFLATION AND CAPITAL MARKETS

If the past is prologue, then the future is indeed scary. A couple of economic observations should be made here to put the farm commodity and farmland markets in perspective.

Record high prices for energy (\$100-plus barrels of oil), minerals (\$1,000 an ounce gold) and corn, soybeans, wheat and rice around the world are not evidence of inflation, even though rising prices for raw materials can influence inflation. In simple terms, economists define inflation as a condition in which "too many dollars are chasing too few goods and services." Today, retail shelves are stocked with products from around the world while consumers curb spending because incomes haven't kept pace with prices of food, energy and medical care.

The goods are plentiful. The wherewithal to pay for them is not. The broader American economy and parts of the developing world shows more signs of deflation than inflation, which is why there are widespread fears that we have entered into a recession (see **Booms and Busts**). In a real sense it is consumers – not farmers and ethanol producers – who are coping with these complex economic times and are making personal decisions between food and fuel, between meals and medicine.

But agriculture can exhibit inflation-like spikes in prices while the broader economy copes with deflation. This was always possible, and became more so after 1971, when the United States and other trading nations abandoned the Breton Woods Monetary System that artificially stabilized currencies.

Since then, currency has floated to whatever level international bankers, traders and speculators deem it to be worth. In a real sense, currency markets work like a nonstop confidence poll on a nation's economy and its fiscal and monetary policies. These days, that has the "floating" U.S. dollar sinking like a rock. The same thing happened in the 1970s, making American farm commodities relatively inexpensive to the world's buyers. It is happening again. And, as in the 1980s, there is every reason to suspect the Federal Reserve will act after this fall's election to restore the value of the dollar, with the effect of bringing down currently high commodity prices.

BOOMS & BUSTS

The United States experienced 32 recessions between 1854 and 2001 and we are most likely in the early stages of another right now. Although a lag in data compilation has forestalled an official declaration, economists warn that a national recession likely started as early as the fourth quarter of 2007. State economist Tom Stinson has flatly labeled Minnesota in recession based on a wide range of economic measures.

Minnesotans, however, should know that the agricultural economy and, by extension, the rural economy, has sat out past national recessions. At certain times, economic forces fragment rural Minnesota's economy. Mining and forest products industries often feel the full brunt of a recession when it slows industrial production and new construction. That doesn't always spill over on agriculture. However, a sector recession in agriculture often follows the start of a recovery from a broad-based national recession. Three cycles of expansion and contraction in the national economy during the past century shed light on the current state of agriculture:

Golden Age of Agriculture. – Based on economic measurements by the U.S. Department of Agriculture, the hands-down best years to be a farmer in America were 1910 through 1914. Never mind that few, if any, Minnesota farmers want to go back to farming and living like their grandparents and great-grandparents. But farming in those years before World War I remained oblivious to two national recessions.

One recession extended from January 1910 to January 1912. After a year of mild economic recovery, the U.S. economy fell back into recession from January 1913 to December 1914, according to the National Bureau of Economic Research. In contrast, USDA economists say farm household purchasing power hit its high mark for the past century in that period. The now-seldom used "farm parity index" is pegged to those years. (This index is more a curiosity than a useful tool today; for the curious, farmers now are receiving prices at 93 percent of parity.)

The Farm Financial Crisis. – Far more fresh in Minnesotans' memories is what happened in the 1980s. The U.S. economy experienced two brief recessions to open the decade with one stretching from January to July in

1980 and the second from July 1981 to November 1982. Both impacted life on farms and rural communities, but the most devastating impact of economic contraction was just beginning in rural Minnesota.

The period 1982-1987 is generally referred to as the farm financial crisis. After the inflationary 1970s, the Federal Reserve tightened money supply, raising the value of the dollar and choking trade in farm commodities and basic industrial goods priced in dollars. More significantly, the shift raised interest rates into double digits and for a while above 20 percent. Debt held by farmers and by some Third World countries became impossible to repay.

In response, various state and federal actions bought down farm interest rates and restructured loans, and multilateral development agencies such as the World Bank and International Monetary Fund worked with impoverished countries that owed debt denominated in U.S. dollars to North American, Asian and European banks.

The current home mortgage crisis, which is taking a toll on families throughout urban areas of Minnesota, is remindful of agricultural finances in the 1980s, warn economists and monetary policy experts such as G. Edward Schuh of the University of Minnesota. This can spill over on agriculture, he warns, if the Fed again reins in monetary policy to fight inflation and crashes the commodity markets along the way. “The current attempt to avoid recession by expanding the money supply is only making things worse,” Schuh said. “All that money is going abroad.”

The dot.com Bubble. – The Minnesota River Valley, where the Jolly Green Giant got his start, is a long way from California’s Silicon Valley. But investment behavior in the late 1990s and early 2000s should serve as a warning to investors and expanding farmers that what happened there can happen here.

The United States enjoyed nearly 10 years of uninterrupted economic growth during the 1990s, the longest period recorded in the past century. Expectations of continued growth, combined with earnings from ongoing economic activity, had investors chasing after new ideas in technology as if the world would be transformed in cyberspace.

But the investment bubble in new-fangled technology eventually burst, triggering an eight-month recession from March to November 2001. A lot of market observers saw it coming and warned investment groups against too much exuberance before tech companies could prove sales and earnings potential. Perhaps the best warning came from Omaha’s famed uber-investor, Warren Buffett, who bought Bloomington-based International Dairy Queen in 1998. When Wall Street journalists asked him why he was buying into a mature food industry instead of the new economy, Buffet explained, “I understand Dilly Bars. I don’t know dot.coms.” By 2002, most investment fund managers came to realize they didn’t know dot.coms, either.

CAPITAL MARKETS & MONETARY POLICY

A slow and uneven recovery followed the 2001 recession. There are still large pockets of investment capital lying around, looking for better returns than can be realized from corporate stocks and government bonds. A large amount of that excess capital has moved from securities into commodities, pushing prices for agricultural products, energy and minerals higher than normal supply-demand factors would indicate, Schuh said.

It isn't just happening here in America.

Analysts for UniNews, the UniCredit Weekly Magazine in Italy, commented on this capital flow rush in its April 21 edition, "Financial investors are increasingly causing distortions on the commodity markets." It found \$36.3 billion in commodity fund positions in February on U.S. exchanges as tracked by the Investment Company Institute, continuing an upward trend started in summer 2007. Further, Macquarie Research reports an increase of \$30 billion in commodity index fund positions on exchanges in the first two months of this year, on top of a \$142 billion influx in 2007. It projected that \$190 billion will be invested in commodity index funds by the end of 2008.

Financial journals refer to these instruments as "investments." Investment fund managers cautiously consider some positions in these markets as "hedges" against rising prices. The unknown lion's share of these financial stakes, however, is in speculative positions nudging up farm, mineral and energy costs, the same way fast money at the end of the last decade chased dot.com firms even before they had saleable products on the market.

Auctioneer and bank advisor Steve Fausch, meanwhile, knows that some of the fast money spills over onto the land. Nonfarm investors accounted for 10 to 15 percent of the farm real estate market in southwestern Minnesota during late 2007 and this past winter, he said. "Long-term investment or speculative? I'd say speculative," he said.

That has the makings of an agricultural land price bubble, and prompts us to warn: Don't bet the farm on currently high prices.

CONCLUSION

Is there reason to suspect the land and commodity market bubbles will burst? Yes, say two former public officials who have seen it happen before.

Former U.S. Agriculture Secretary Bob Bergland, who also served as a congressman from northwestern Minnesota, recalls his farming days at Roseau when global crop failures made U.S. farm prices more than double in the early 1970s. Expectations from those higher prices made “otherwise sensible people do some very stupid things” with land purchases, he said, and “otherwise conservative lenders financed the panic.” But that was only one of the harmful consequences of the price and land bubbles of the ‘70s, he recalls. Farmers brought 50 million acres of fragile grasslands, wetlands and forestlands into agricultural production, causing great environmental damage, he said.

“I suspect the same thing will happen again,” Bergland said. But this time, he added, the environmental damage will be worldwide and even more harmful.

Former North Dakota Gov. Olson, a former community bankers’ executive in Minnesota, warns there will be “the inevitable ‘rundown’ to the ‘runup’ in ag land values.” Memories of the 1980s farm financial crash should make farmers and lenders cautious, he said. And finding a silver lining in the dark clouds, Olson said the current subprime mortgage lending crisis “has been so pervasive that lenders won’t be able to be complicit in the boom.”

Such concerns have farmland and farm income expectations clearly on lenders’ “radar screen,” said Marshall MacKay, now president and chief executive officer of the Independent Community Bankers of Minnesota. At this point, most land transactions appear to involve large down payments and modest financing. But that could change, just as it did with the home mortgage market in the past decade, he said. “Of course, not all our bankers were around to remember the 1970s and 1980s,” he said.

Minnesota 2020 recommends that the state again turn to its institutional resources, such as the Minnesota Extension Service and the MnSCU farm management program, to have debt counseling and mediation services standing by in case of a crash. Other programs that proved effective in the 1980s should also be readied, although interest-rate buydowns would only add to the land market bubble at this time.

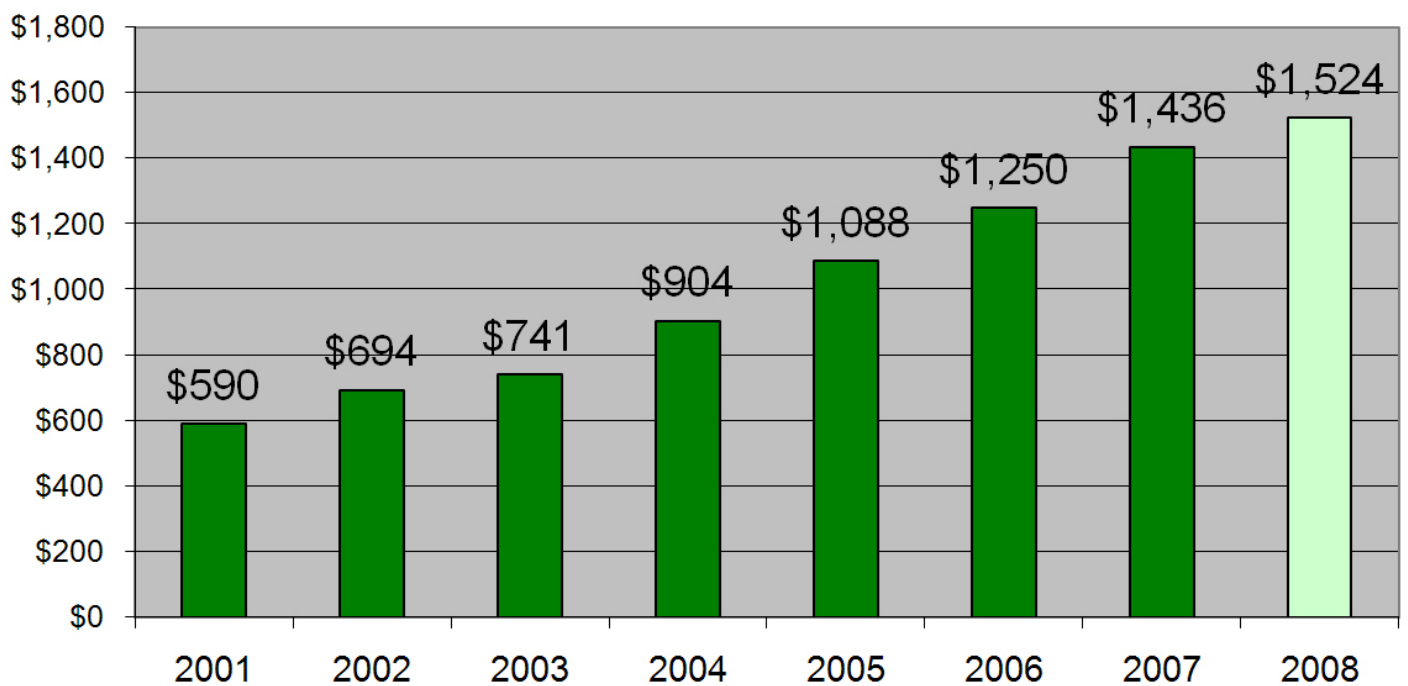
Longer term, comprehensive research is necessary to place Minnesota and its huge agriculture and agribusiness sector in proper perspective given current national and global market conditions. This effort should engage all public and private sectors of the Minnesota economy and should include such topics as human health and nutrition, plant and animal health, best uses of land resources, global market forces, public policy responses and local economic development.

FARM LAND VALUES FOR SELECTED COUNTIES

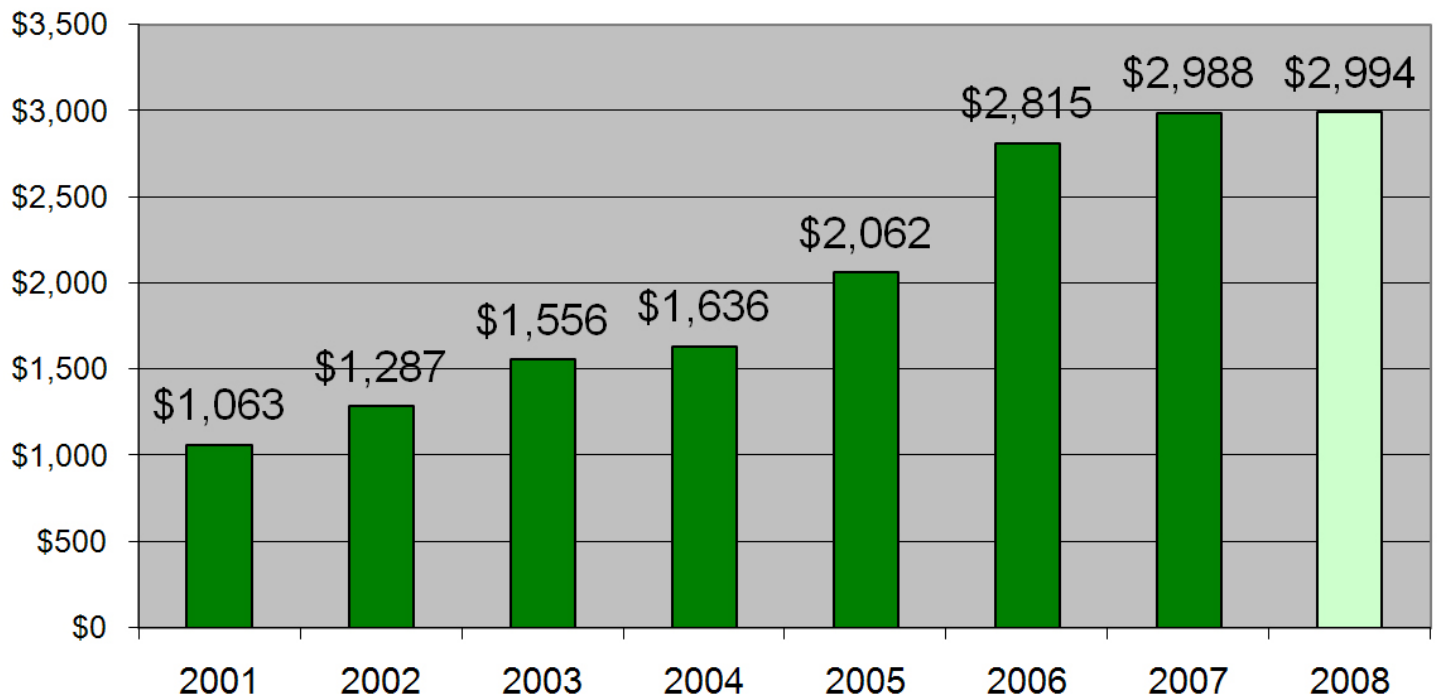
Please Note: Amounts calculated based on Minnesota Department of Revenue data. 2001 to 2007 calculated from Fall Mini-Abstracts. 2008 calculated from preliminary Spring Mini-Abstract. 2008 amounts are prior to appeals. The values in these graphs are based on assessors' estimates and probably understate the true average sale price of this land.

If you would like data on a county not shown here, please send an e-mail to info@mn2020.org with your request.

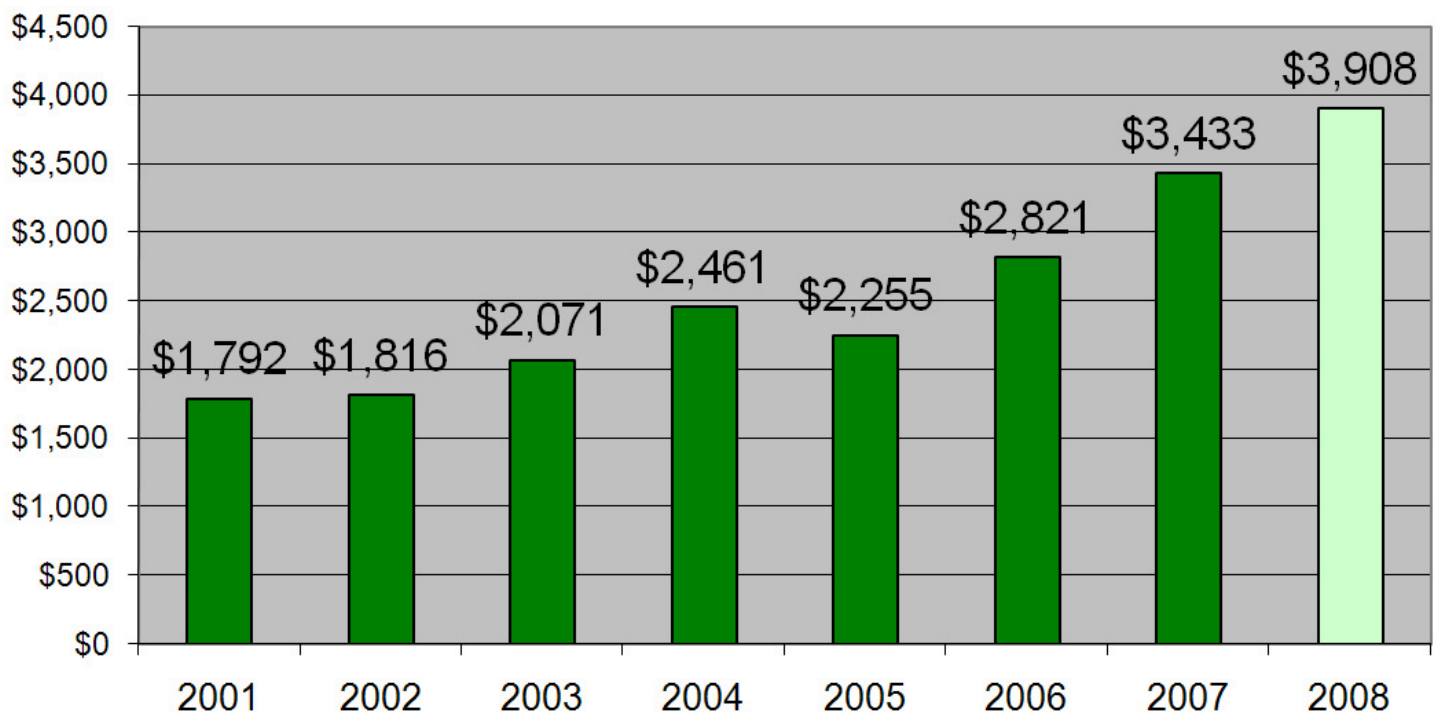
Becker County Average Farm Land Value Per Acre



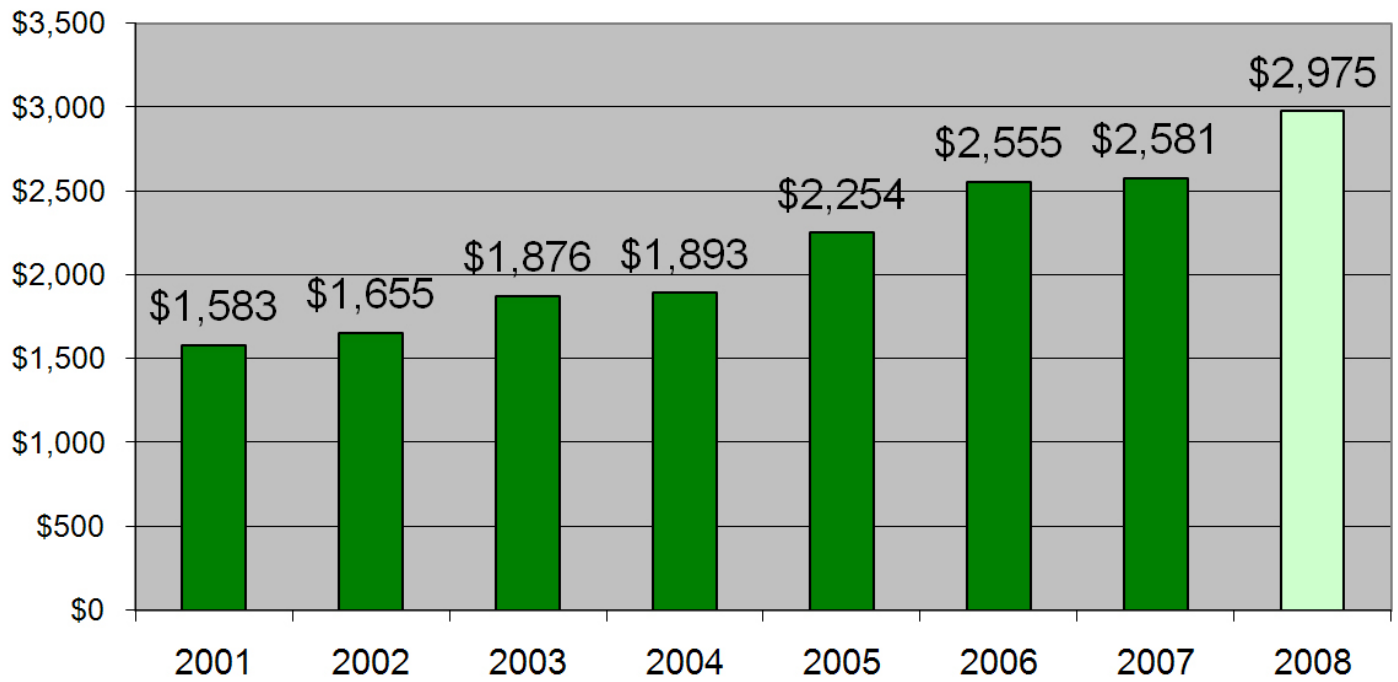
Benton County Average Farm Land Value Per Acre



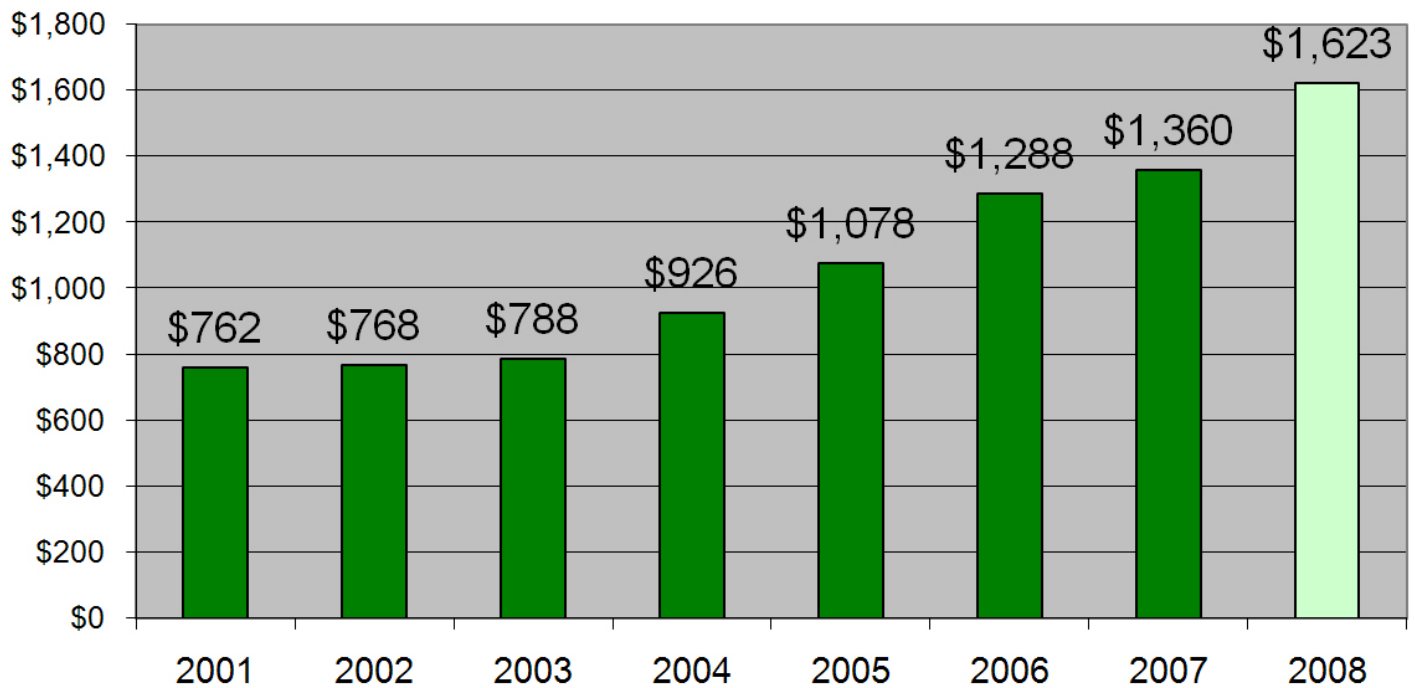
Blue Earth County Average Farm Land Value Per Acre



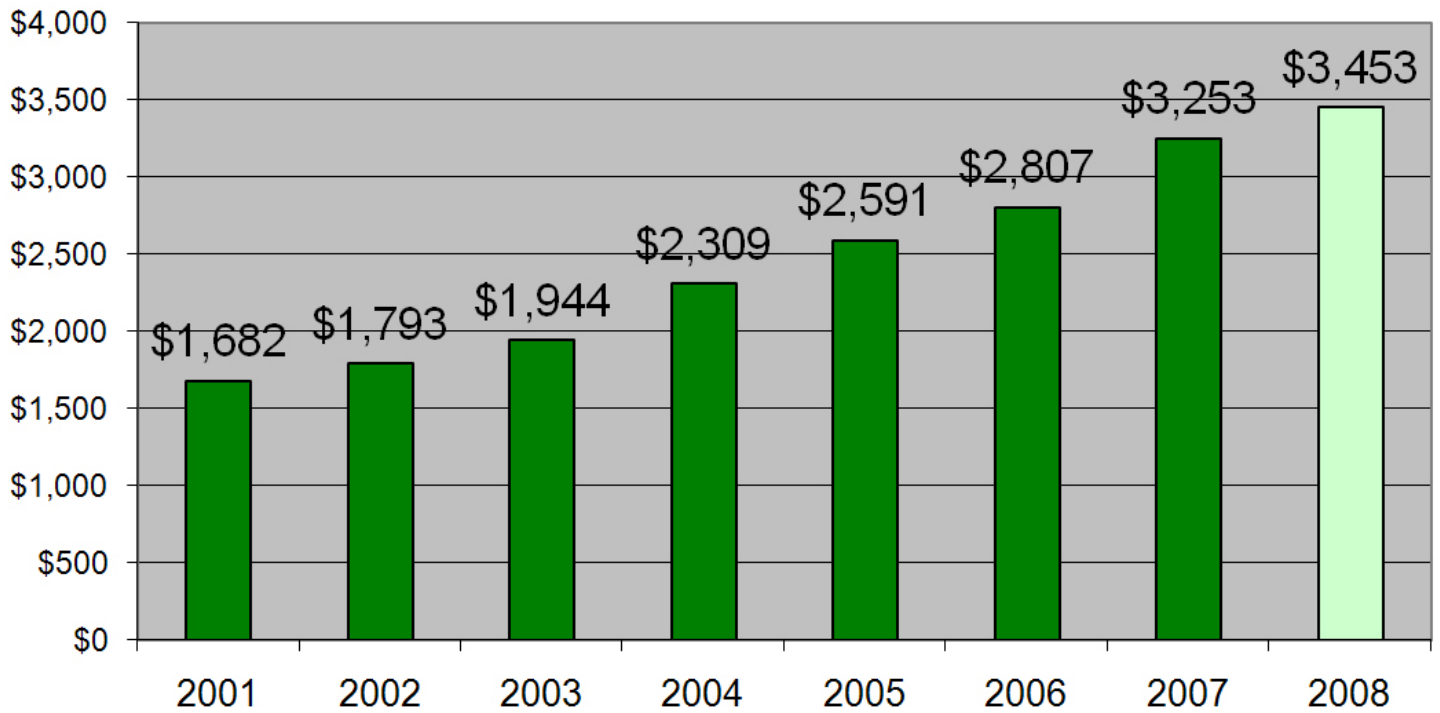
Brown County Average Farm Land Value Per Acre



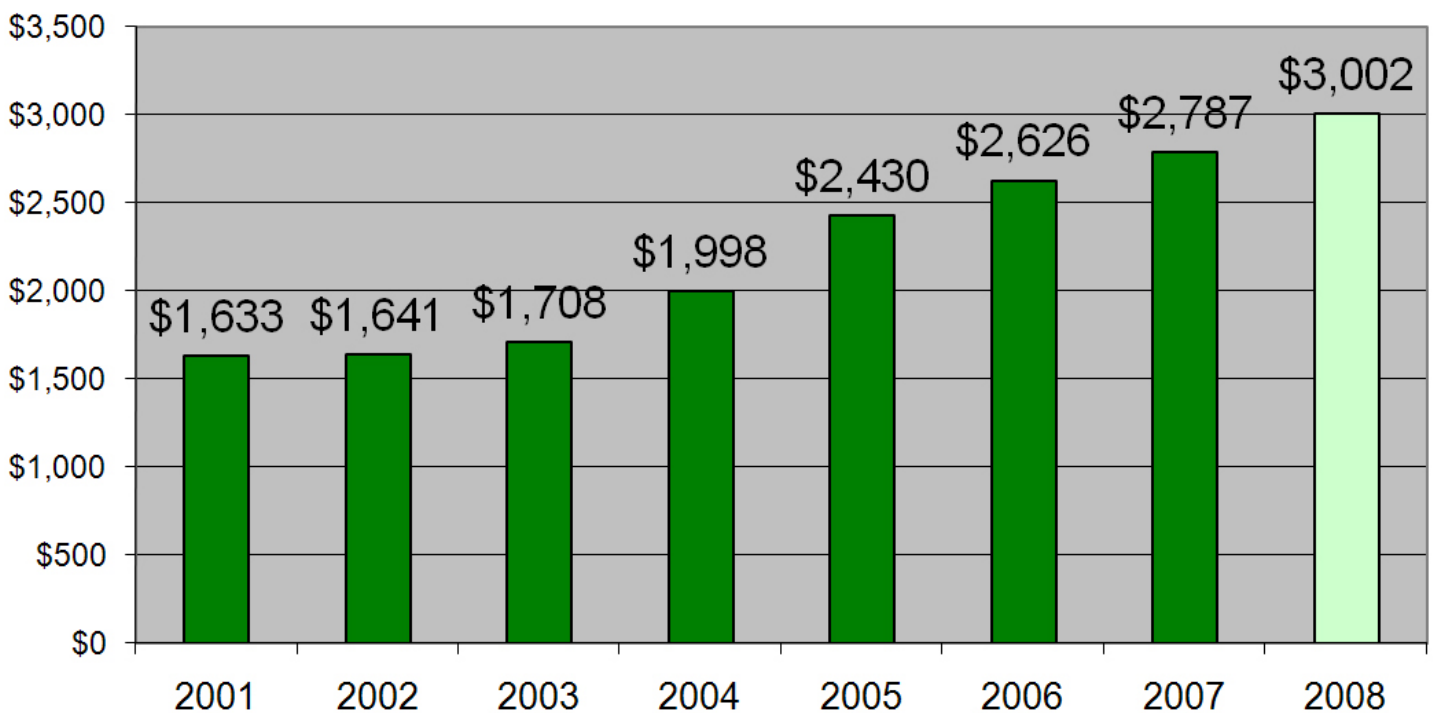
Clay County Average Farm Land Value Per Acre



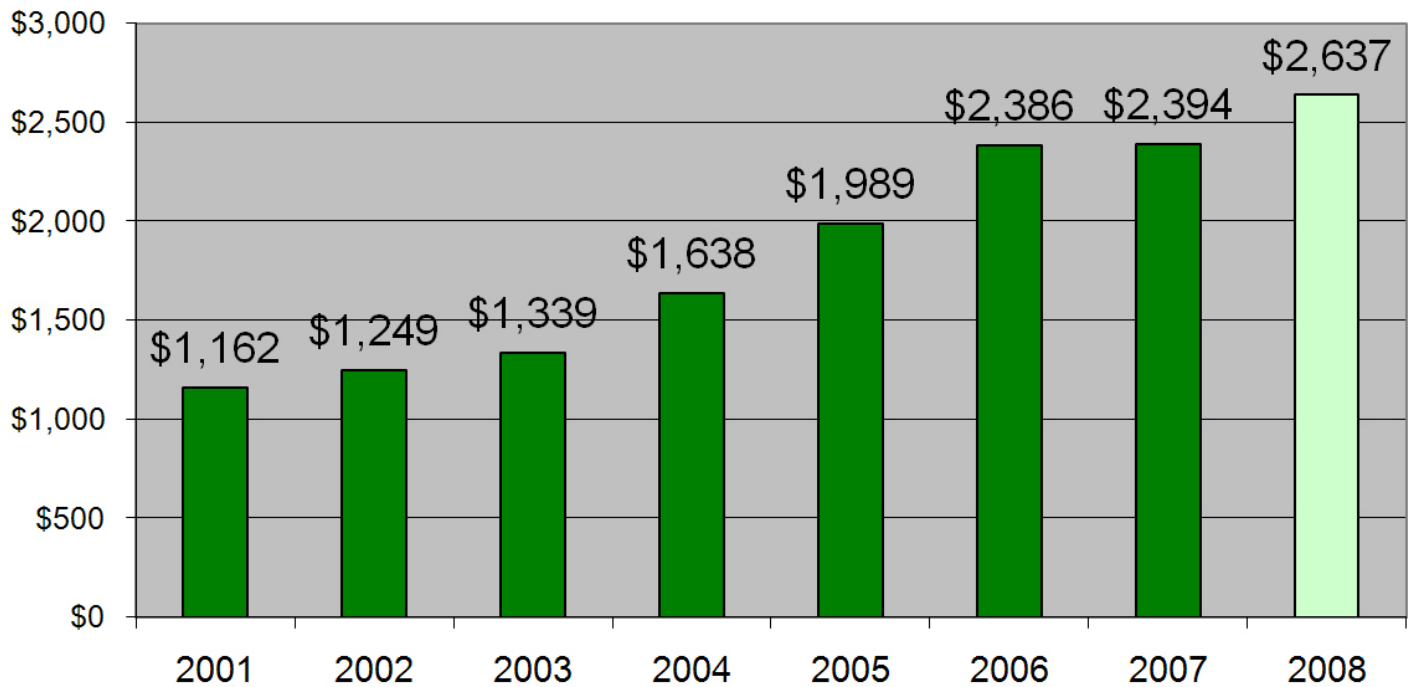
Dodge County Average Farm Land Value Per Acre



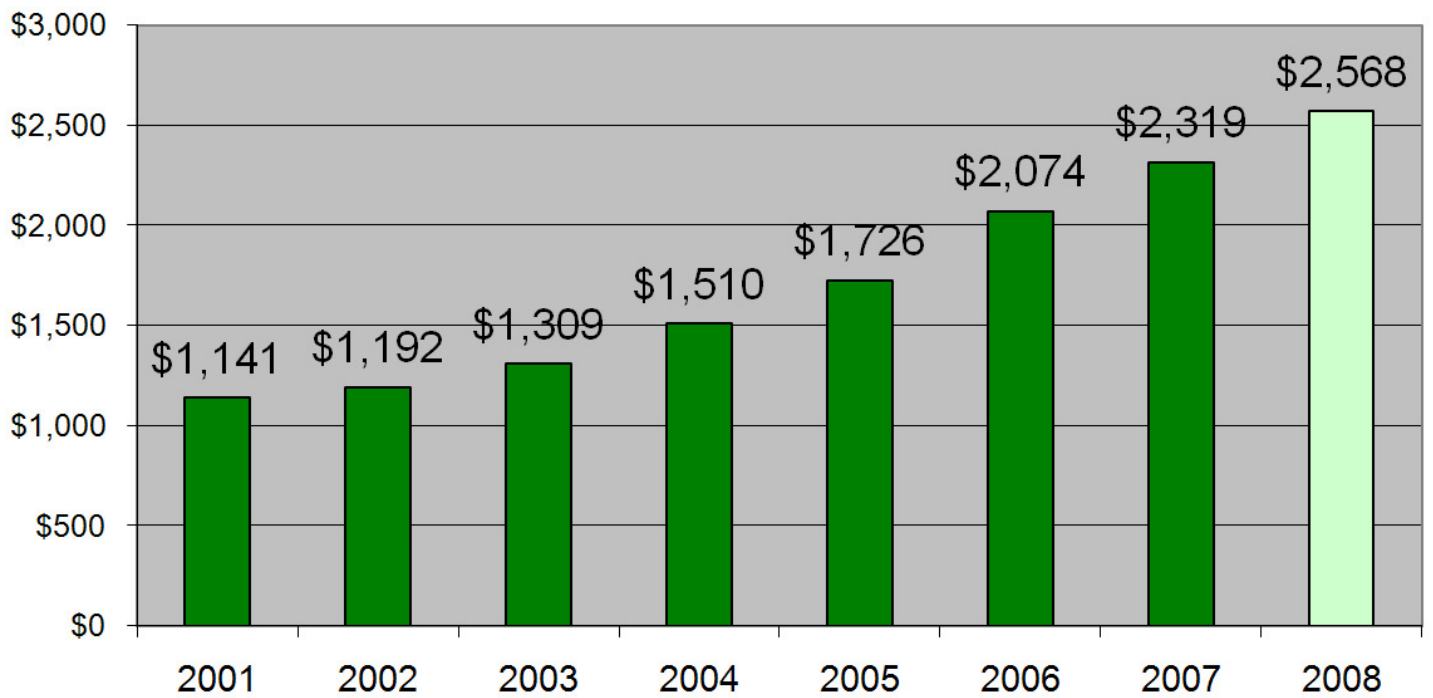
Freeborn County Average Farm Land Value Per Acre



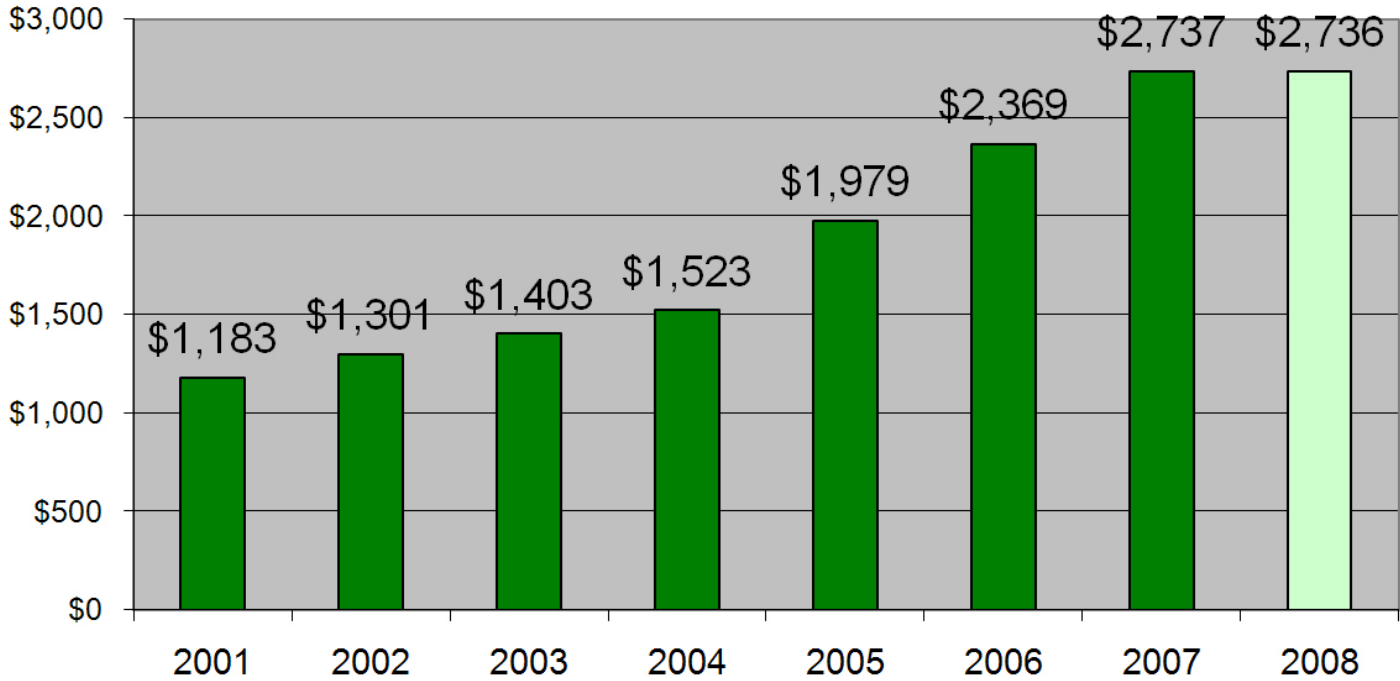
Kandiyohi County Average Farm Land Value Per Acre



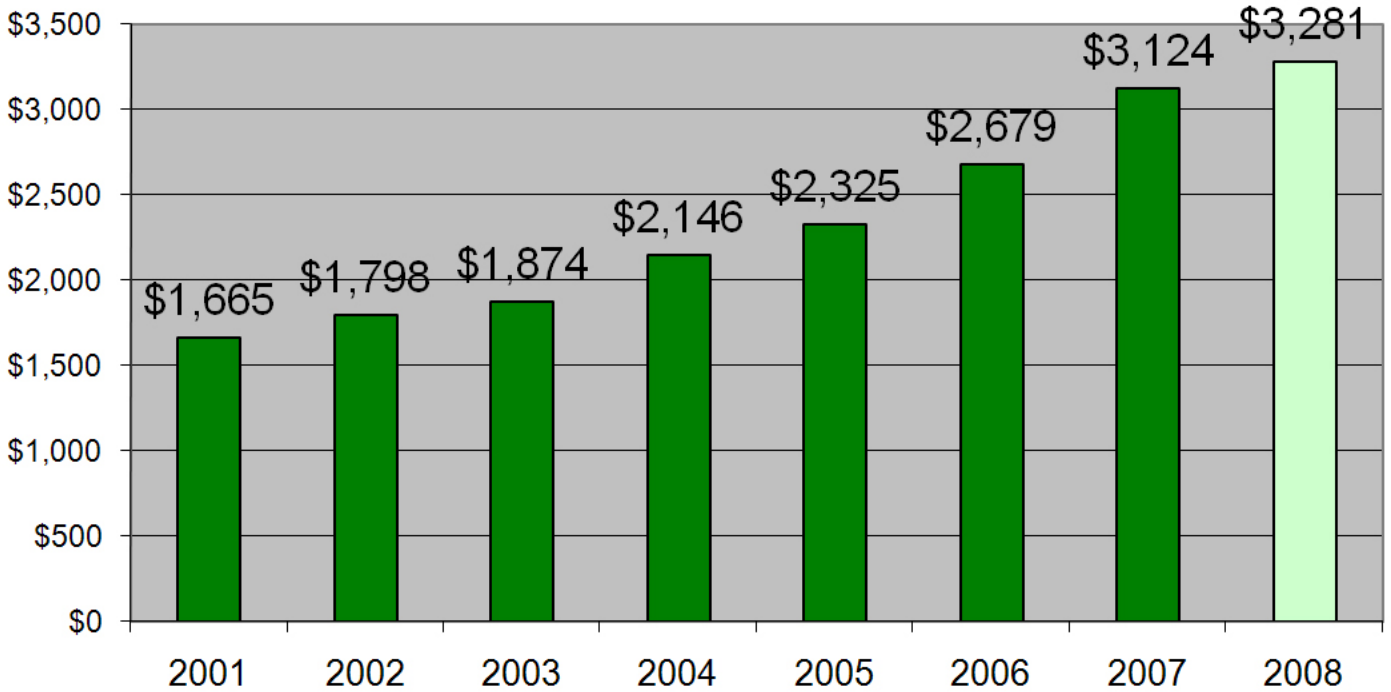
Lyon County Average Farm Land Value Per Acre



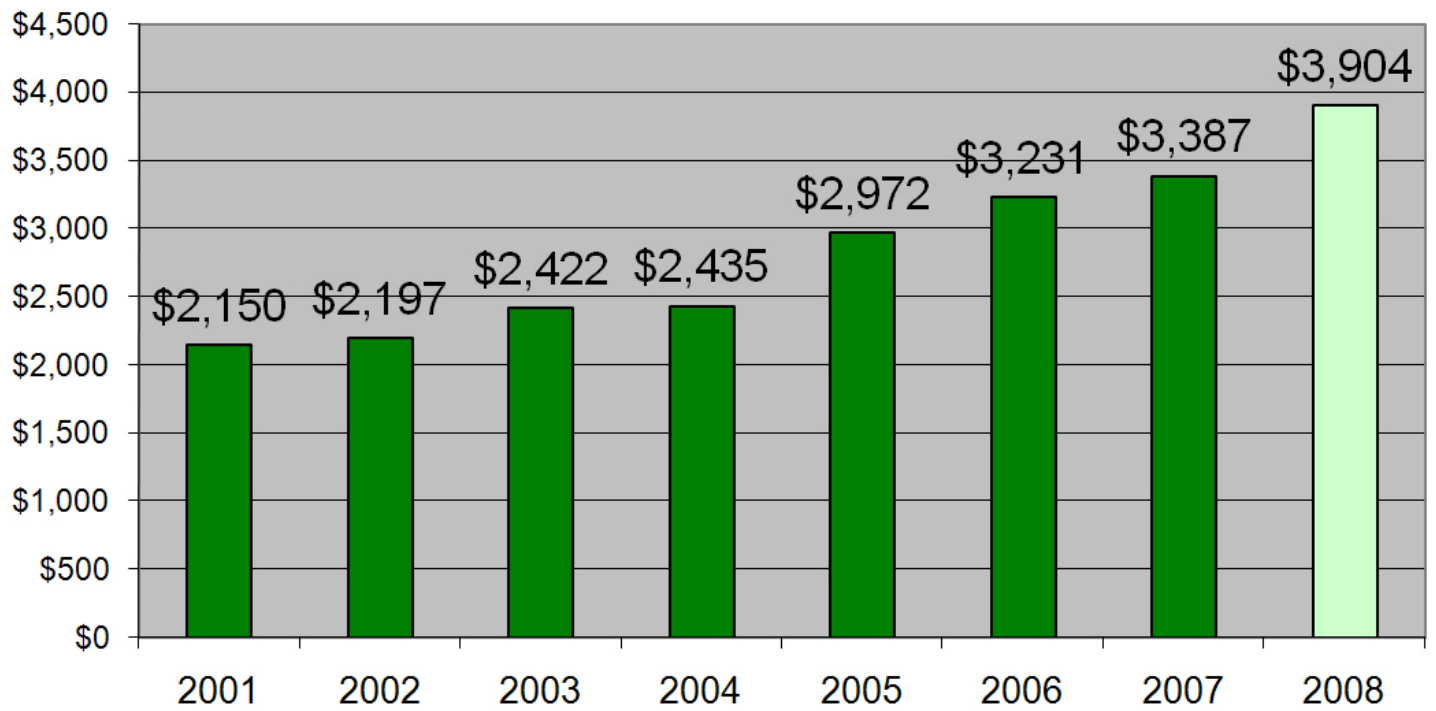
Meeker County Average Farm Land Value Per Acre



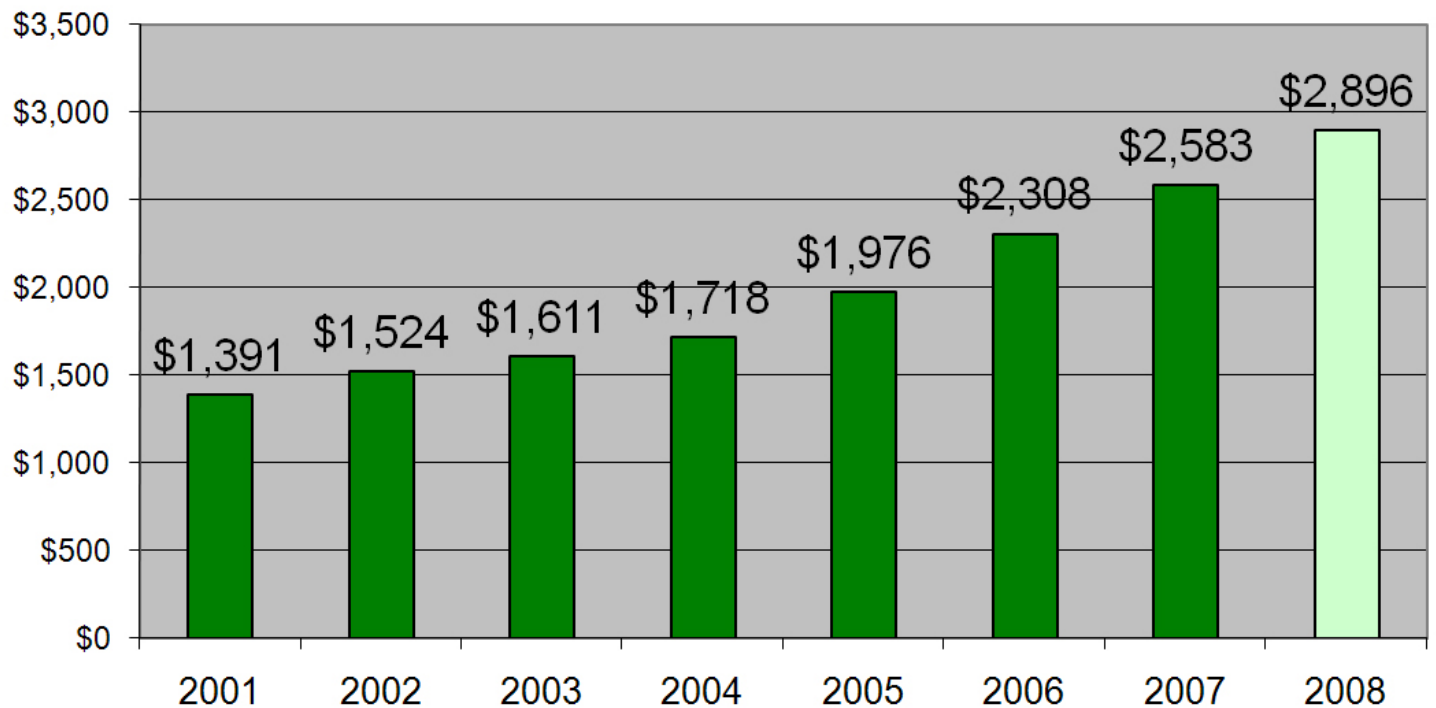
Mower County Average Farm Land Value Per Acre



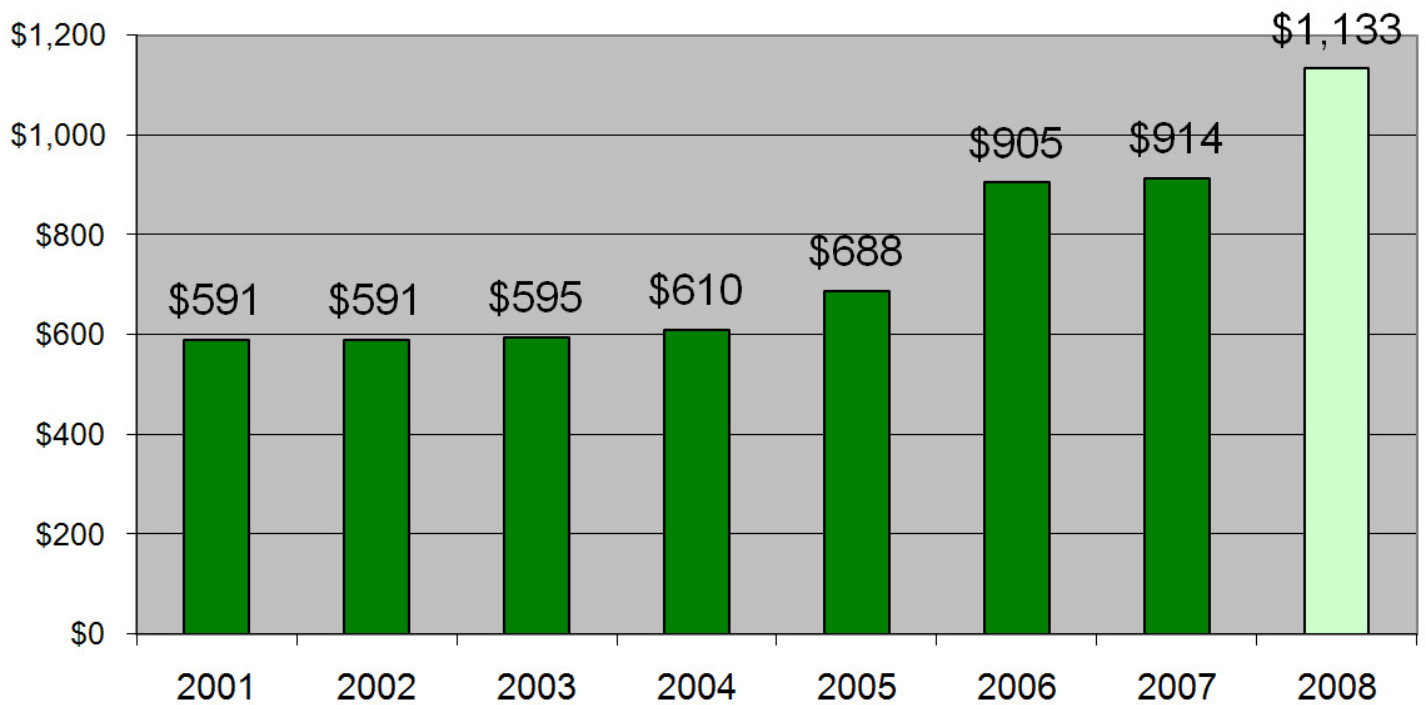
Nicollet County Average Farm Land Value Per Acre



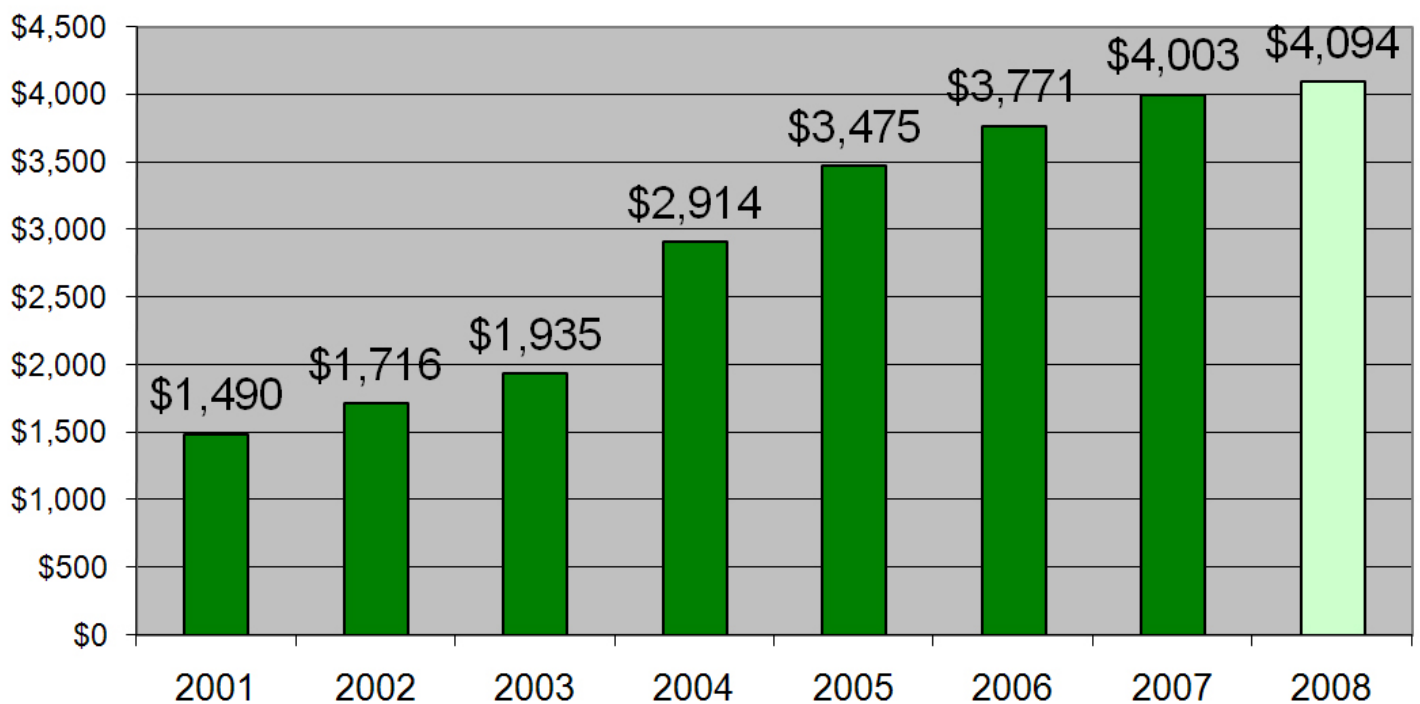
Nobles County Average Farm Land Value Per Acre



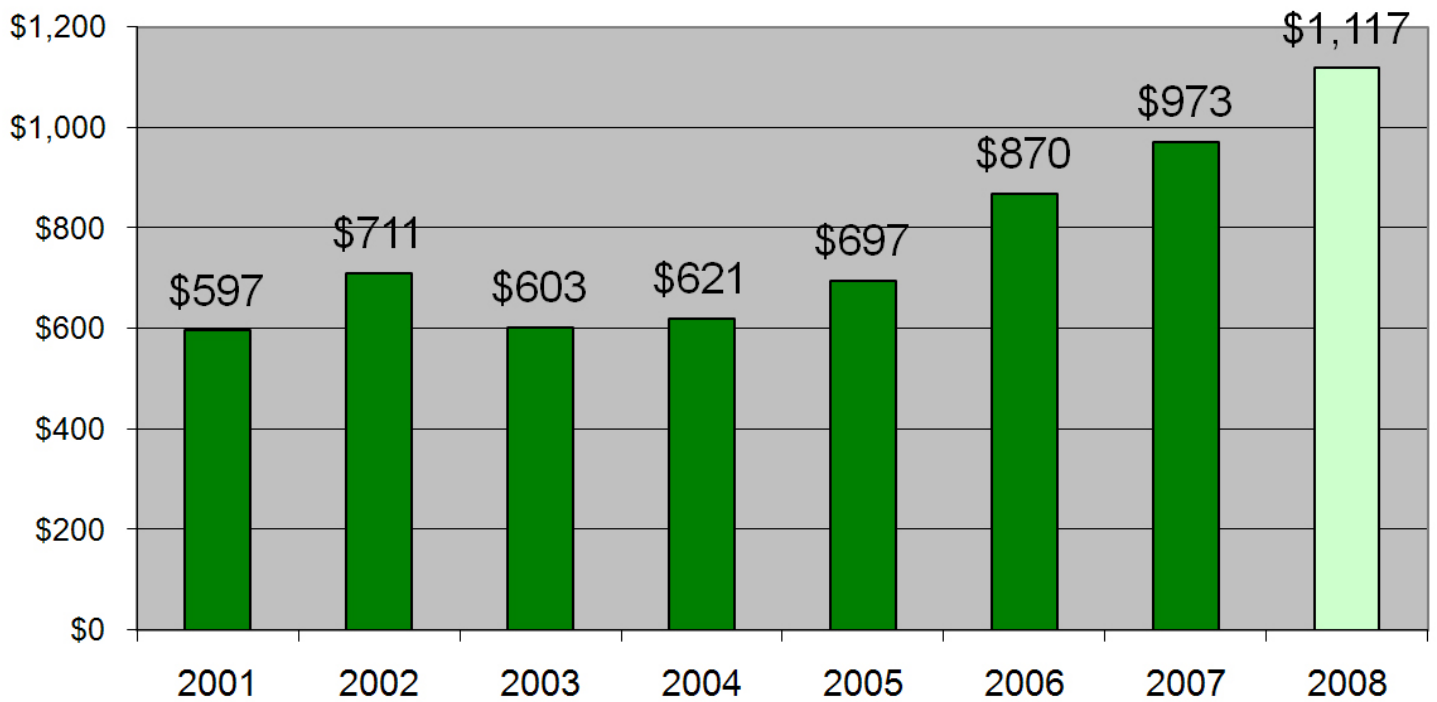
Norman County Average Farm Land Value Per Acre



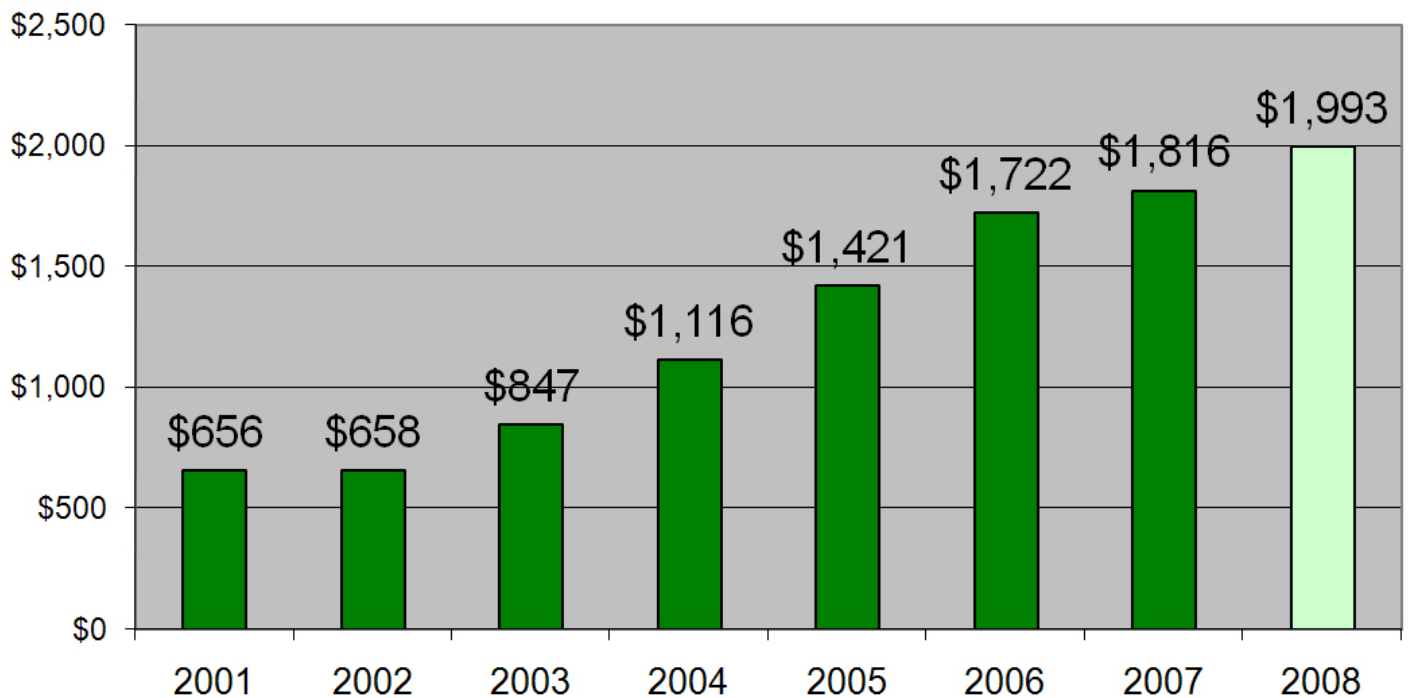
Olmsted County Average Farm Land Value Per Acre



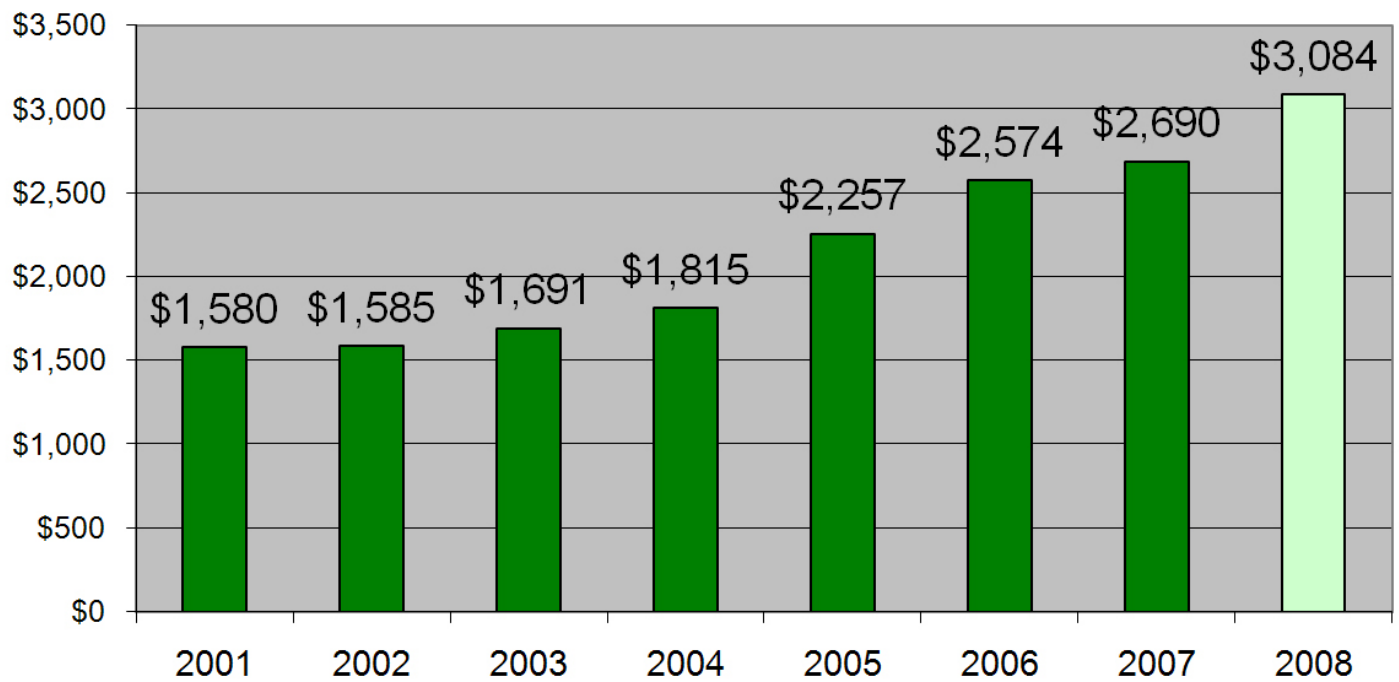
Polk County Average Farm Land Value Per Acre



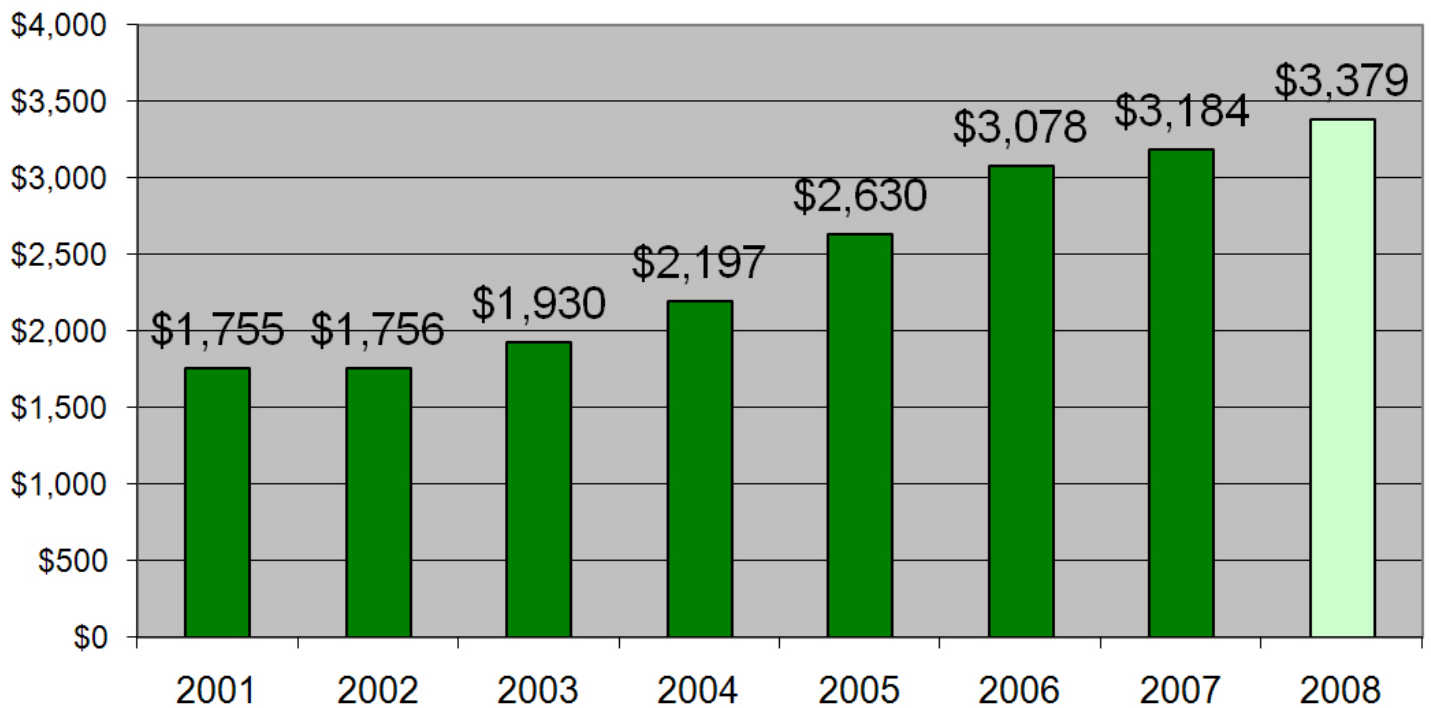
Pope County Average Farm Land Value Per Acre



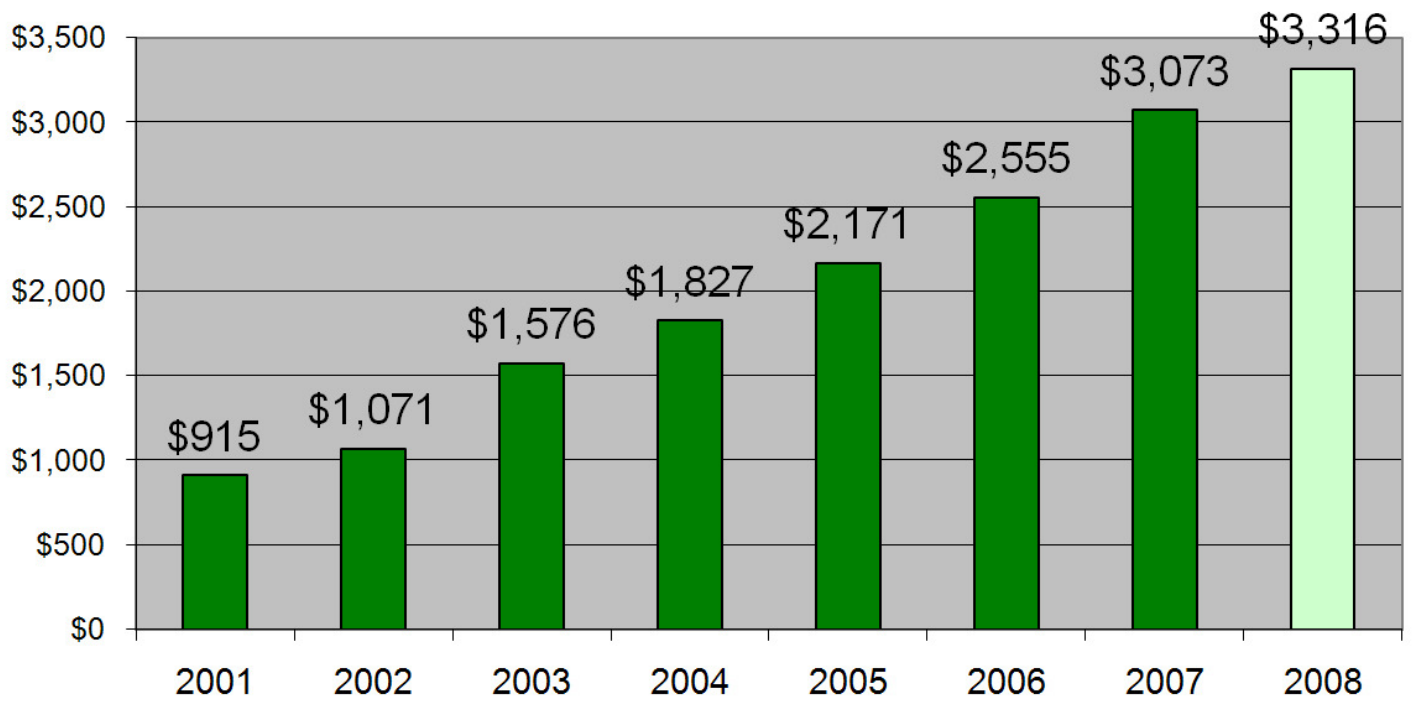
Renville County Average Farm Land Value Per Acre



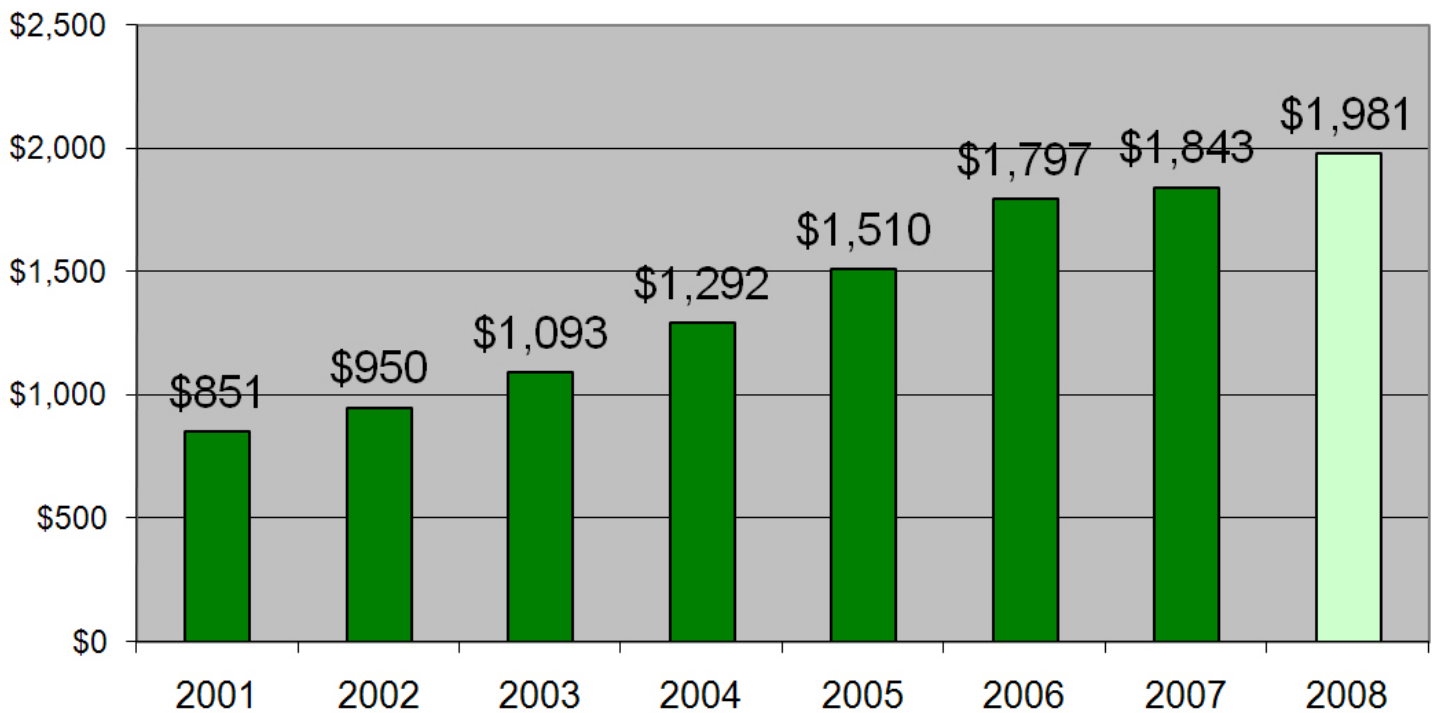
Sibley County Average Farm Land Value Per Acre



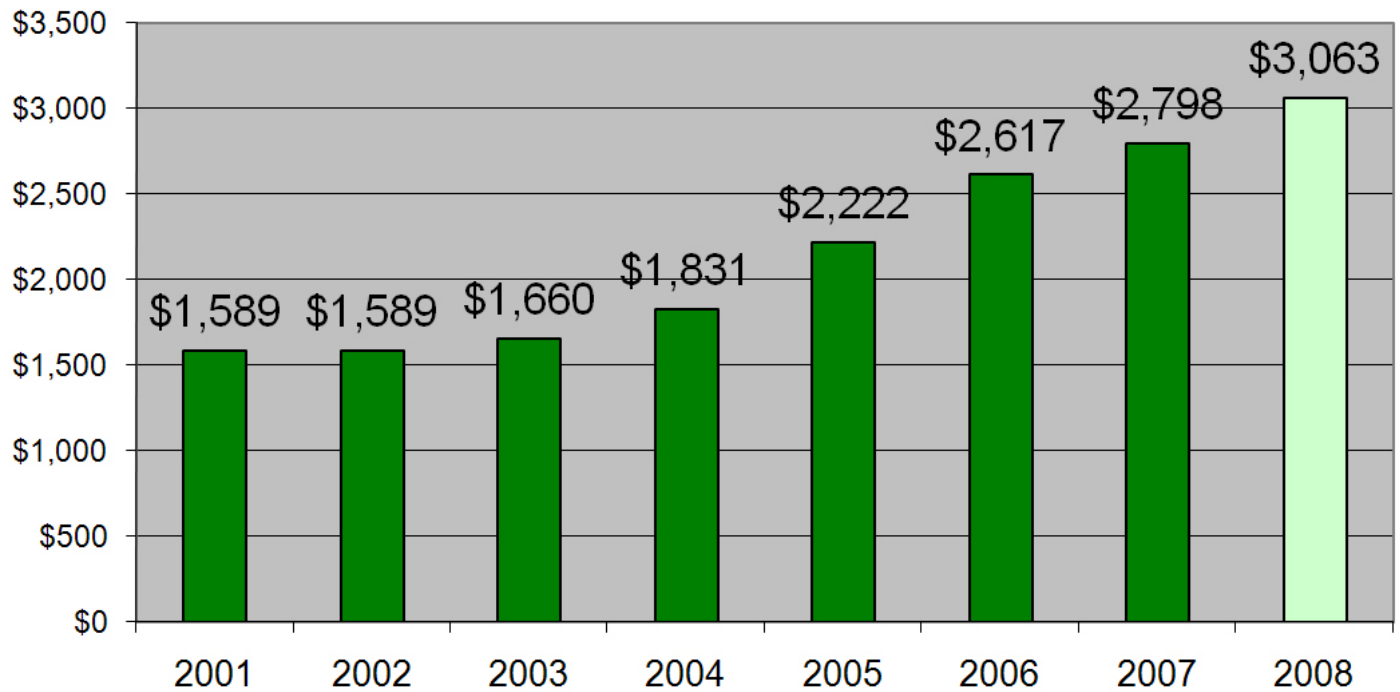
Stearns County Average Farm Land Value Per Acre



Traverse County Average Farm Land Value Per Acre



Watonwan County Average Farm Land Value Per Acre



Wilkin County Average Farm Land Value Per Acre

