

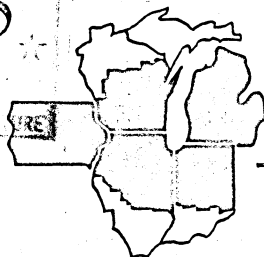
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FARM LAND VALUES leveled off during recent months, according to reports from Midwest country bankers. As of April 1, values were little changed from last autumn, although higher in all states than a year ago.

About three-fourths of the District's rural bankers judge land values to be quite stable at this time. Of the remaining one-fourth, about two-thirds detect a continued rising trend and one-third have noted a tendency for values to decline. Thus, in the absence of some new stimulus, the recent surge in land values appears to have pretty much run its course.

Since the autumn of 1954 the value of U. S. farm real estate increased about 18 per cent. USDA estimates for Illinois, Indiana, Michigan and Wisconsin show increases on the order of 15 to 20 per cent; Iowa, about 12 per cent. These increases took place in the face of a rather gloomy outlook for farm income. It remains to be seen whether the recent high prices for hogs and cattle will provide any new stimulus to Midwest farm land prices.

Farm income improvement has been particularly notable in Iowa in recent months, but apparently has not provided a new stimulus to land value increases thus far. In part, this no doubt reflects an expectation that current livestock prices will prove to be temporary. Also, the difficulties encountered in harvesting and marketing the 1957 corn crop probably provide a sobering influence currently on Corn Belt land values.

Probably most important in the current picture, however, is the loss of exuberance in the nonfarm sector of the economy and the simmering down, for the moment at least, of "inflation hedge" buying. Also, persistent increases in real estate taxes and prices of purchased materials and services have kept pressure on net returns attributable to land.

Nevertheless, farmers continue to seek land to add to existing farms for the purpose of improving their overall efficiency. The USDA has estimated that nearly 40 per cent of all U. S. farm land transfers in 1957 were for this purpose, compared with only 22 per cent in 1950.

A higher proportion of transfers in the Corn Belt than in Midwest dairy regions are for farm enlargement. The recent survey of District bankers indicates that the proportion of land transfers to enlarge existing farms currently averages around 50 per cent in Illinois, Indiana and Iowa, and 35 to 40 per cent in Michigan and Wisconsin.

The amount of activity in farm real estate transfers has been at a relatively low level, thereby contributing to the rise in values. There is no indication that a larger amount of land will be offered for sale any time soon.

Interest rates on farm mortgage loans have declined recently, reflecting the general decline of interest rates. This, along with more liberal appraisals and loan terms, could help to maintain or boost land values, as in 1954.

Farm mortgage debt during the year 1957 continued to rise, but the rate of increase slowed materially. An increase of 6 per cent is estimated, compared with a 9 per cent gain in 1956.

Non-real estate farm credit increased at a more rapid pace during the past year than did mortgage debt. For the country as a whole, member banks of the Federal Reserve System had in early March 1958 a 9.4 per cent larger volume of non-real estate farm loans outstanding than a year earlier.

New bank loans granted to farmers in recent months have been in a substantially larger volume than a year earlier. Monthly reports from banks in four Midwest areas show the dollar volume of new farm loans made in western Iowa during January, February and March averaged 98 per cent above the year-earlier figures. In north and west central Illinois the increase averaged 44 per cent, in eastern Iowa 25 per cent, and in southeastern Wisconsin 15 per cent.

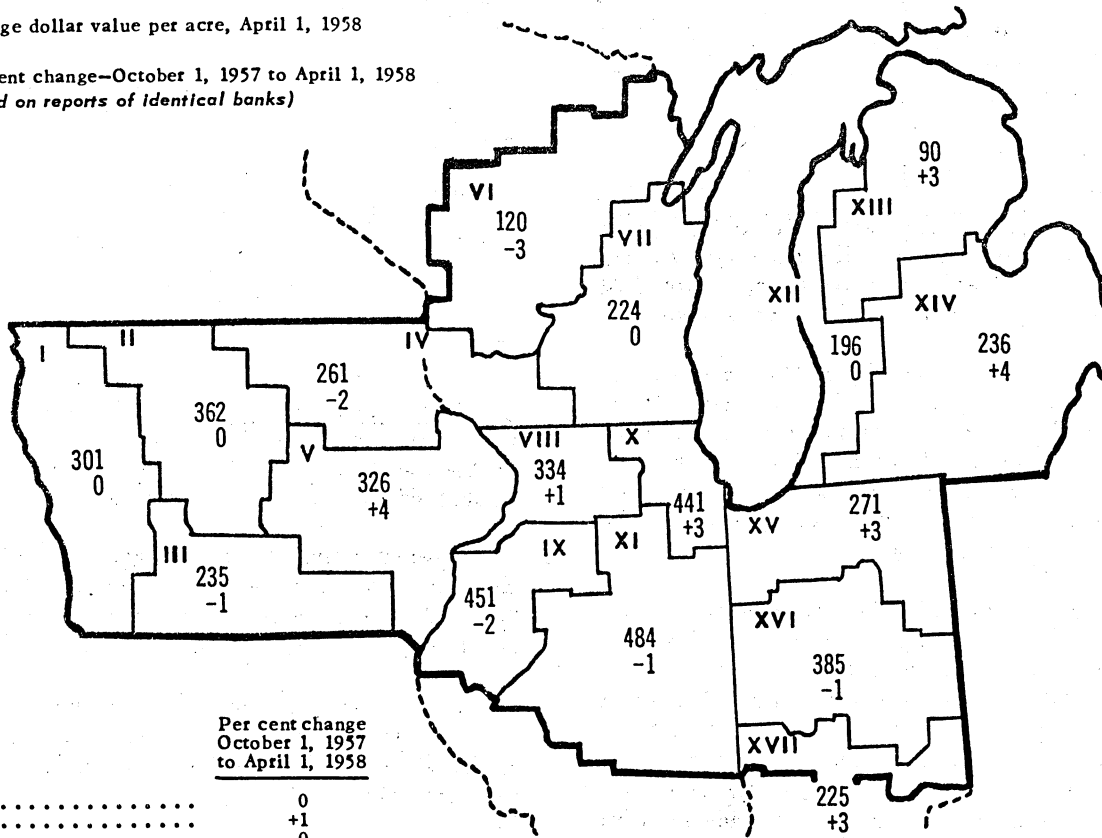
Prices received by farmers, U. S. average for all products, at mid-April stood 10 per cent above a year earlier, reaching the highest level since 1953.

	per cent change from:	
	month ago	year ago
All products	+1	+10
All crops	+5	+ 6
Feed grain	+9	- 9
All livestock and products ...	-2	+14
Meat	+1	+23
Dairy	-5	- 2

Value of "good" farms

TOP: Average dollar value per acre, April 1, 1958

BOTTOM: Per cent change—October 1, 1957 to April 1, 1958
(based on reports of identical banks)



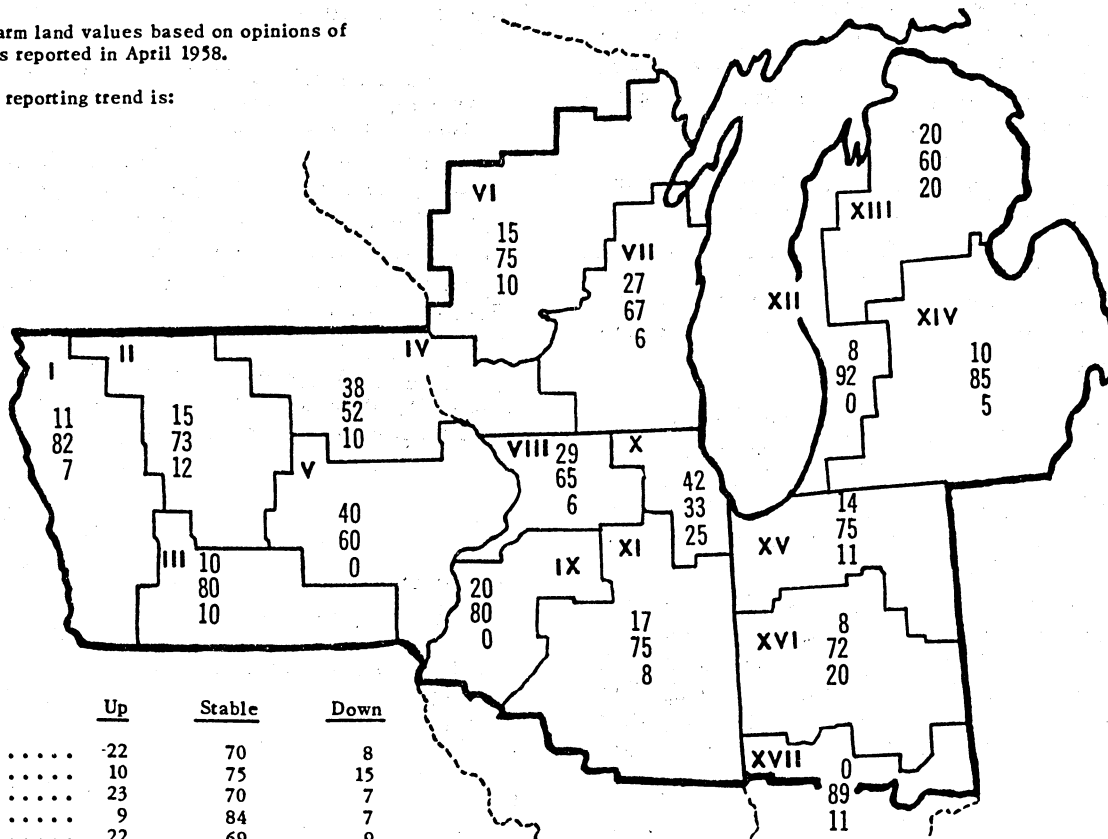
Per cent change
October 1, 1957
to April 1, 1958

Illinois	0
Indiana	+1
Iowa	0
Michigan	+3
Wisconsin	-1
SEVENTH DISTRICT	0

Current trend in farm land values based on opinions of county bankers as reported in April 1958.

Per cent of banks reporting trend is:

TOP: Up
CENTER: Stable
BOTTOM: Down



	Up	Stable	Down
Illinois	22	70	8
Indiana	10	75	15
Iowa	23	70	7
Michigan	9	84	7
Wisconsin	22	69	9
SEVENTH DISTRICT	18	73	9