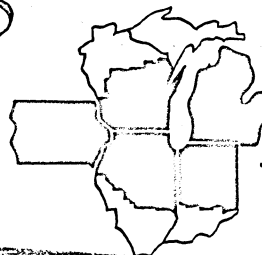


281.9  
F313

Federal Reserve Bank of Chicago - -

November 3, 1961

# Agricultural Letter



Number 631

FARM LAND VALUES rose during the summer throughout most of the Seventh District according to a recent survey of country bankers (see back of Letter). In only three areas was the value of *good* farm land lower on October 1 than on July 1—western Iowa and north and west central Illinois.

Michigan and Indiana bankers indicated values increased 3 per cent during the third quarter. In Wisconsin the gain was 2 per cent and in Iowa 1 per cent. The declines reported in northwestern and western Illinois were barely offset by increases in central and north-eastern Illinois.

The declines were in predominantly livestock areas where cattle feeding is an important source of income. Apparently the low returns on fed cattle sold during the spring and summer affected the demand for land in those areas.

In the remainder of the District, land values apparently have responded to the higher Government support prices for dairy products and field crops. About 30 per cent of the bankers in the three Corn Belt states—Illinois, Indiana and Iowa—thought farmers were seeking to acquire additional land to offset the acreage retired under the Government's feed grain program, while in the southern part of Wisconsin and Michigan, about one-fourth of the bankers reported this development.

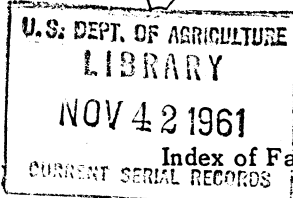
The current trend in the land values in most areas is reported to be up. In the District about one banker in six indicates land values are rising while fewer than one in 11 estimates the trend to be down.

Only in southern Iowa, western Illinois and northern Indiana do more bankers report the trend to be down than those who report it to be up. In western Iowa more than 40 per cent of the bankers are of the opinion that land values are rising.

IN THE NATION the U. S. Department of Agriculture reported the value of all farm land rose to a new record on July 1—177 per cent of the 1947-49 level. This was 1 per cent above the March level and 2 per cent above the year-earlier level.

Values in the Corn Belt rose slightly during the spring whereas they had been declining in recent periods. However, values were still well below July 1, 1960, values in most Corn Belt states.

The largest increase in land values was in Florida, up 5 per cent from March to July and up 10 per cent in the past year. With a value index of 286 per cent of the 1947-49 average, land prices in Florida have far out-paced those of any other state. The next largest gains



Index of Farm Real Estate Value Per Acre  
(1947-49=100)

	July 1, 1960	March 1, 1961	July 1, 1961
Illinois . . . . .	181	176	177
Indiana . . . . .	183	179	178
Iowa . . . . .	159	152	154
Michigan . . . . .	172	175	176
Wisconsin . . . . .	141	147	145
United States . . .	173	175	177

SOURCE: U. S. Department of Agriculture.

have been in Georgia and Louisiana where the index of value per acre are 210 and 211 per cent, respectively. Even in California with its rapidly expanding population and substantial demand for housing subdivisions current values are only double those of the late 1940's.

A large part of the increase in Florida land values in the mid-1950's was because of purchase of land for present or future subdivision and development. However, about the time the speculative rise in land for potential development seemed to be losing steam, land with potential for producing sugar cane came under strong demand. This was an outgrowth of the ban on sugar imports from our largest supplier, Cuba, coupled with removal of production restrictions in the United States. Louisiana land values have also reflected the expansion of sugar cane production.

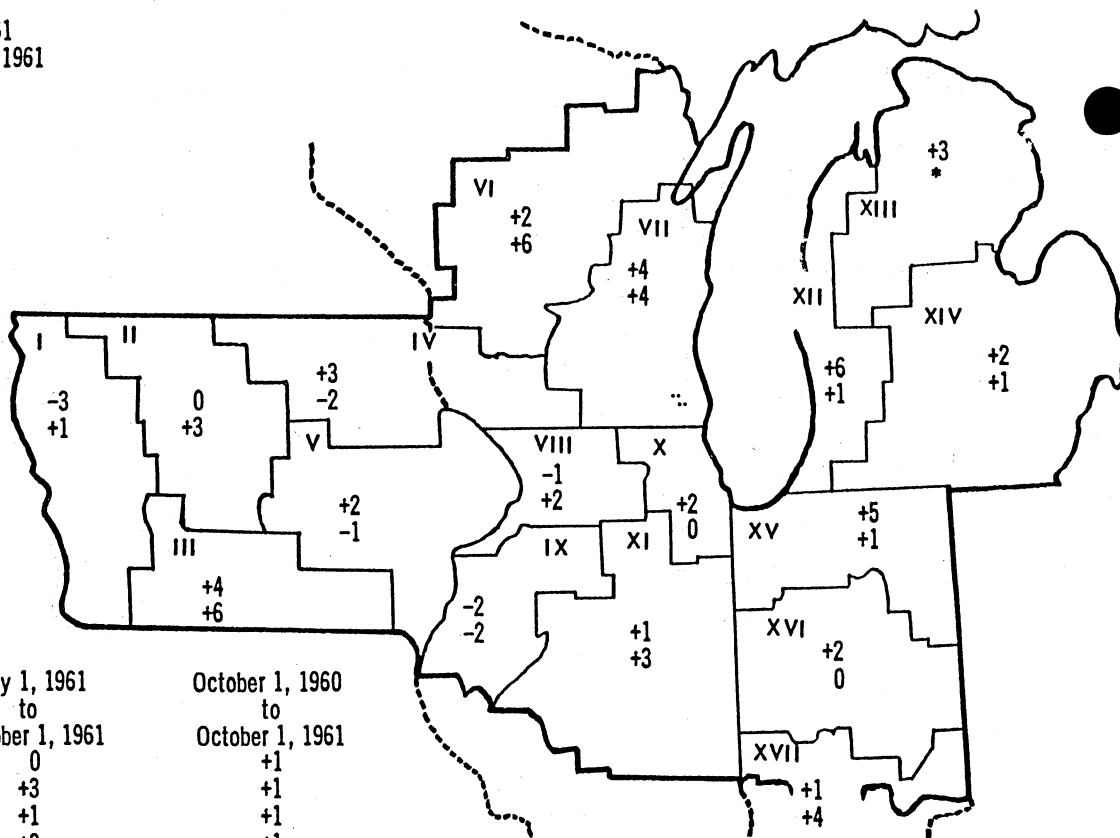
With new sugar mills being constructed and large additional acreage being planted to cane, values of land in Florida suitable for sugar cane production are reported to have doubled in recent years. However, this boom may be short-lived. In spite of the fact that the Department of Agriculture has just announced for 1962 that for the third successive year no restrictions will be placed on the acreage of sugar cane, the USDA indicates that the rapid expansion of sugar cane production, especially in Florida, may make restrictions necessary for the 1963 crop.

Research Department

Per cent change in dollar value per acre of "good" farms

TOP: July 1, 1961 to October 1, 1961  
 BOTTOM: October 1, 1960 to October 1, 1961

(based on reports of identical banks)



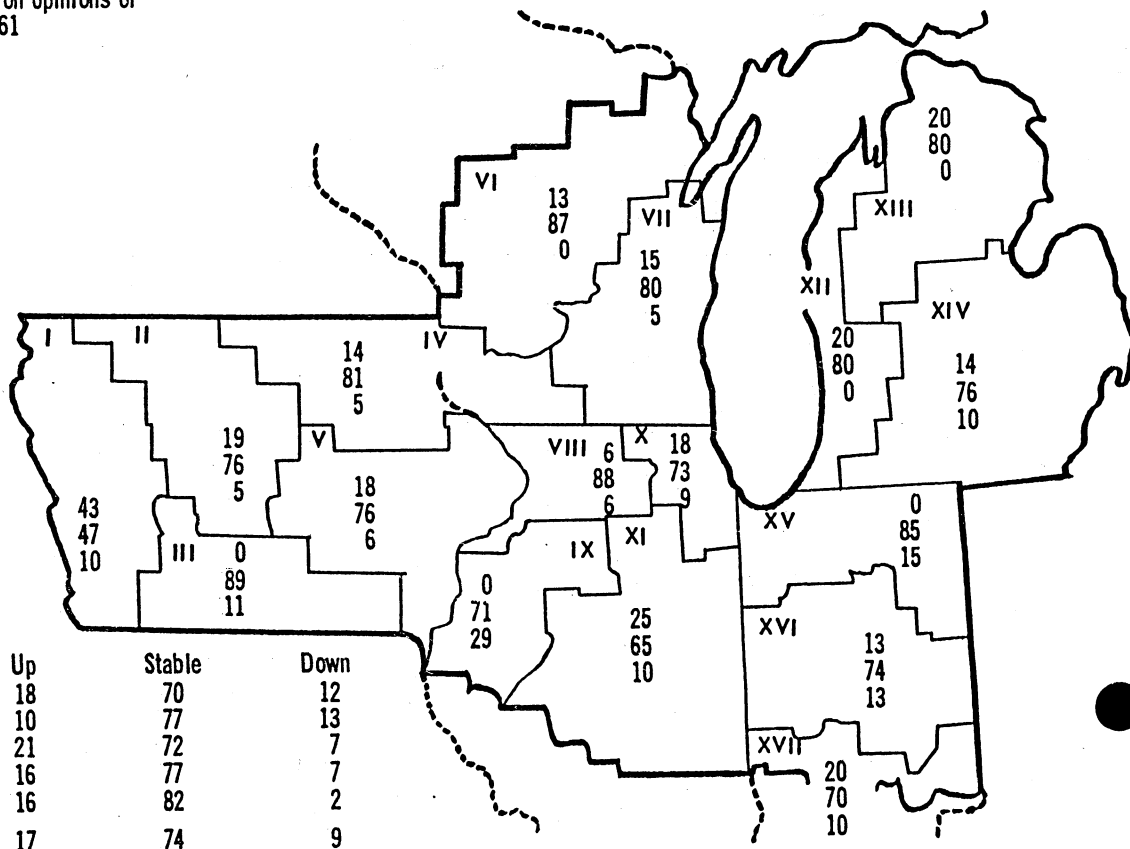
	July 1, 1961 to October 1, 1961	October 1, 1960 to October 1, 1961
Illinois .....	0	+1
Indiana .....	+3	+1
Iowa .....	+1	+1
Michigan .....	+3	+1
Wisconsin .....	+2	+5
SEVENTH DISTRICT.....	+2	+2

\* Figures not reported due to limited number of replies.

Current trend in farm land values based on opinions of country banks as reported in October 1961

Per cent of banks reporting trend is:

TOP: Up  
 CENTER: Stable  
 BOTTOM: Down



	Up	Stable	Down
Illinois .....	18	70	12
Indiana .....	10	77	13
Iowa .....	21	72	7
Michigan .....	16	77	7
Wisconsin .....	16	82	2
SEVENTH DISTRICT.....	17	74	9