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Agricultural Letter

September 7, 1962

The financial position of agriculture showed improvement during 1961. The Balance Sheet of Agriculture prepared by the U. S. Department of Agriculture valued farmers' assets at a record \$207.3 billion on January 1, 1962, compared with \$200 billion a year earlier. While this was the first substantial rise in three years, it renews the upward trend prevalent since the beginning of World War II.

With an increase in liabilities of \$2.2 billion only partially offsetting the higher value of assets, the owner equity in the industry rose \$5.1 billion in 1961 to \$179.6 billion. This is more than six times as great as the total liabilities in agriculture.

Comparative Balance Sheet of Agriculture for the United States, January 1

	1961	1962	Change during 1961
-----billion dollars-----			
Assets			
Physical			
Real estate	131.8	138.0	+6.2
Non-real estate			
Livestock	15.5	16.3	+8
Machinery and motor vehicles	18.2	18.2	-
Crops stored	8.0	8.7	+7
Household furnishings	8.9	8.3	-6
Financial	17.6	17.8	+2
Total	200.0	207.3	+7.3
Claims			
Liabilities	25.5	27.7	+2.2
Real estate debt	13.1	14.2	+1.1
Non-real estate debt			
CCC	1.4	1.9	+5
Other	11.0	11.6	+6
Proprietors' equities	174.5	179.6	+5.1
Total	200.0	207.3	+7.3

Almost all of the increase in assets and net worth was due to higher real estate values (the principal farm asset) which rose \$6.2 billion during 1961 to a new record of \$138.0 billion. This reflects a 5 per cent increase in the average value per acre and was one of the largest annual increases in recent years. Most of the higher value, of course, represents inflation in land values rather than increases in physical assets.

Improved farm incomes and continued demand for land to enlarge existing farms were largely responsible for the rise in land values. Market prices of grazing land showed a 5 per cent increase from year earlier on top of an 11 per cent gain in the previous 12 months, reflecting the influence of continued high beef cattle prices. However, the uptum in the Corn Belt was relatively small following a decline the previous year.

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The \$800 million rise in value of livestock inventories reflected both an increase in numbers and higher prices for cattle and hogs from year earlier. Record soybean holdings, along with larger amounts of cotton in farmers' hands boosted the crop inventory \$700 million.

Financial assets showed little change during the year. The value of household furnishings and equipment declined reflecting the rapid decrease in the number of farm households which more than offset increased value per household.

Total farm debt (excluding CCC loans) reached \$25.8 billion, a new high, up \$1.8 billion from year earlier. As farmers continue enlarging the size of farms and purchasing more machinery and other capital production items, they apparently use larger amounts of credit to finance their expansion.

Non-real estate farm loans increased \$700 million during 1961 to \$11.4 billion. The gain was slightly larger than during the previous year but only about half as large as the rapid expansion in 1958 and 1959.

One notable feature of the expansion in loans at Production Credit Associations in recent years, however, is the relatively faster growth in the dollar volume of loans renewed than in the new cash advanced. According to the USDA, this trend likely indicates two causal factors. First, it appears that farmers are increasing their use of long-term credit faster than their use of short-term credit with part of the gain being supplied by a rise in renewals. Secondly, some farm borrowers are probably finding it more difficult to meet their debt obligations.

Farm mortgage debt outstanding totaled \$14.2 billion—up 8.5 per cent from year earlier. About half of the total amount of farm mortgages made during 1961 was for refinancing mortgages or other indebtedness. Only about a third of the real estate credit extended was used to purchase farm real estate which again indicates the unwillingness or inability of farmers to discharge their debt obligations. The Corn Belt showed a relatively slower rate of increase in farm debt in 1961 than in any other region, possibly reflecting the reduced activity in the Corn Belt's farm land market.

Research Department