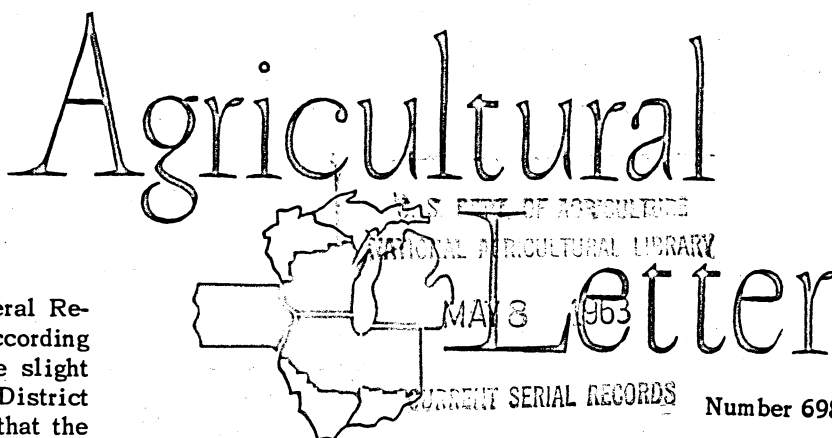


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Federal Reserve Bank of Chicago - -

April 26, 1963



FARM LAND VALUES in the Seventh Federal Reserve District are still higher than a year ago, according to a recent survey of country bankers, despite slight declines since the first of the year in most District areas. The consensus of bankers, however, is that the current market value of "good" farm land is not much higher than in April 1962 (see back of Letter).

The largest gains posted were reported in western Michigan, central Illinois and Indiana, where increases averaged 4 to 5 per cent above year earlier. Indiana showed the largest over-all gain in farm land values, with a continued gain since January 1, 1963.

Land values in most District areas showed no change or slight decreases since January 1, 1963, when the last survey was conducted. Only 6 of the 17 District areas showed increases since January 1, possibly reflecting the sharp drop in prices for most livestock that have been marketed so far this year.

Most country bankers, however, describe the trend of farm land values as stable or upward. Nearly a third of the bankers in Illinois reported the trend in values as being upward, while in Indiana and Iowa, the proportion was more than one-fourth. Only 20 bankers out of 400 queried judged the trend to be downward.

Behind the continued demand for farm land are, of course, the tendency toward larger farm units and the influence of higher farm incomes in most areas during 1962.

Net farm income per farm was at record levels in Illinois, Indiana, Michigan and Wisconsin in 1962 and in Iowa was only slightly below the 1958 high. Country bankers in all District areas report that the demand for land for farm enlargement continues to be strong. The demand for land for this purpose probably will remain active as farmers continue efforts to expand output and reduce operating costs per acre even though the outlook for hog prices and income from fed cattle in 1963 is not as good as last year.

Farm loan demand is reported by most country bankers to be the same or stronger when compared with year earlier, with an active demand for loans to provide general operating capital, to finance purchases of farm machinery and to implement farm improvements.

One-half of the bankers expected the volume of general operating loans to be above last year's level and nearly two-fifths expected an increase in the volume of loans to purchase farm machinery. Less than 10 per cent of all the bankers surveyed thought that farm loan volume would be smaller than last year.

New bank loans to farmers in three Midwest areas showed increases in dollar volume since the first of the year. In eastern and western Iowa, the volume increased 20 per cent in the January-March period, as compared with last year, and in southeastern Wisconsin the gain was 1 per cent. North and west central Illinois has shown a decline of 10 per cent from year-earlier levels.

CATTLE ON FEED on April 1 in the 28 major feeding states totaled 11 per cent more than a year earlier. The three largest cattle feeding states—Iowa, Nebraska and Illinois—had increases of 4 per cent, 5 per cent and 6 per cent, respectively. Western states showed the largest over-all increase—up 20 per cent from year ago.

CATTLE ON FEED AT HIGH LEVELS

Weight groups (pounds)	April 1, 1962	April 1, 1963	Per cent increase
Under 500	606	674	11
500 - 699	2,617	2,911	11
700 - 899	2,048	2,254	10
900 - 1,099	1,673	1,799	8
Over 1,100	377	467	24
Total 28 states . .	7,321	8,105	11

Cattle on feed showed an increase in all weight groups over last April. Heavy cattle—1,100 pounds and over—showed the greatest increase in number on feed, up 24 per cent from year earlier.

The number of cattle and calves on feed less than three months was 3 per cent below a year ago. However, the number on feed three to six months increased 16 per cent and those on feed over six months were up 48 per cent.

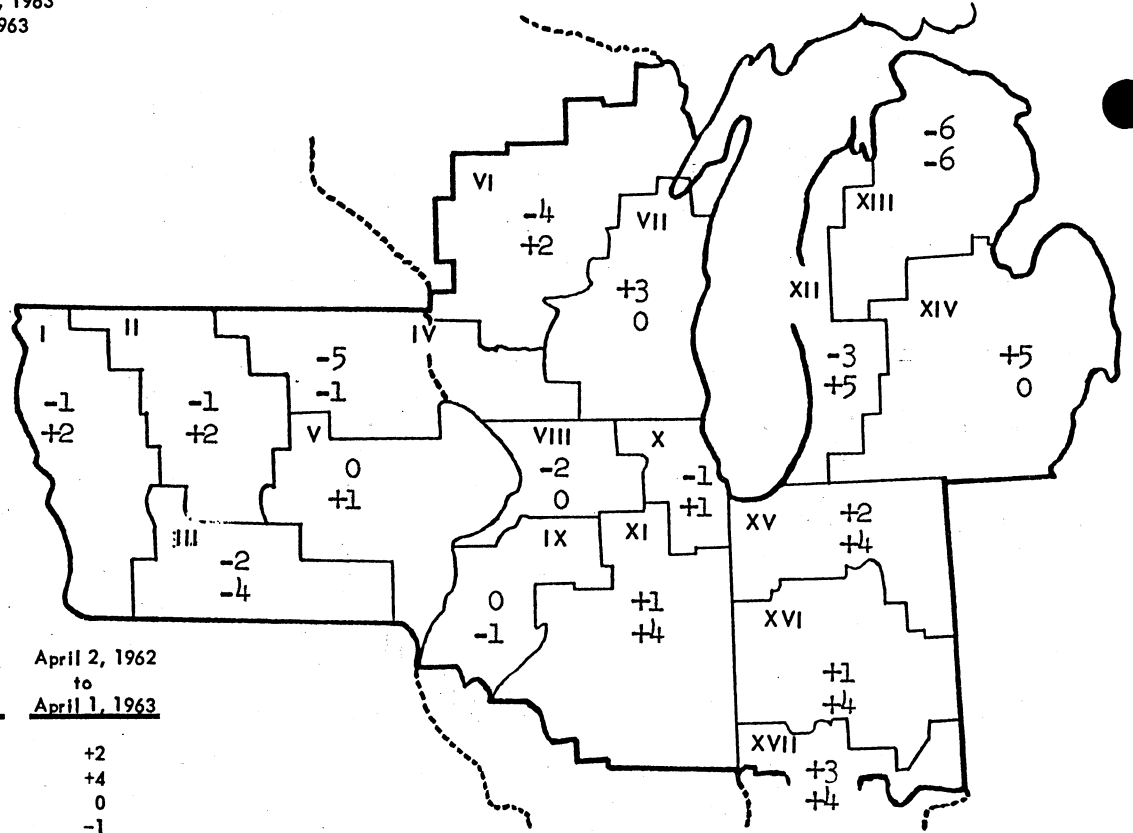
Marketings of fat cattle, therefore, are likely to continue at high levels through July then will taper off in August and September. Midwestern marketings will probably be up 6-7 per cent from April through June, according to USDA projections. The BLS series of retail prices of meat cuts showed little change from January to February while prices of choice steers at Chicago declined 9 per cent. There is a possibility that retail margins may be adjusted downward, thus allowing the increased marketings of cattle to move at prices not far below present levels.

Research Department

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

TOP: January 1, 1963 to April 1, 1963
 BOTTOM: April 2, 1962 to April 1, 1963

(based on reports of identical banks)



January 1, 1963 to April 1, 1963
 April 2, 1962 to April 1, 1963

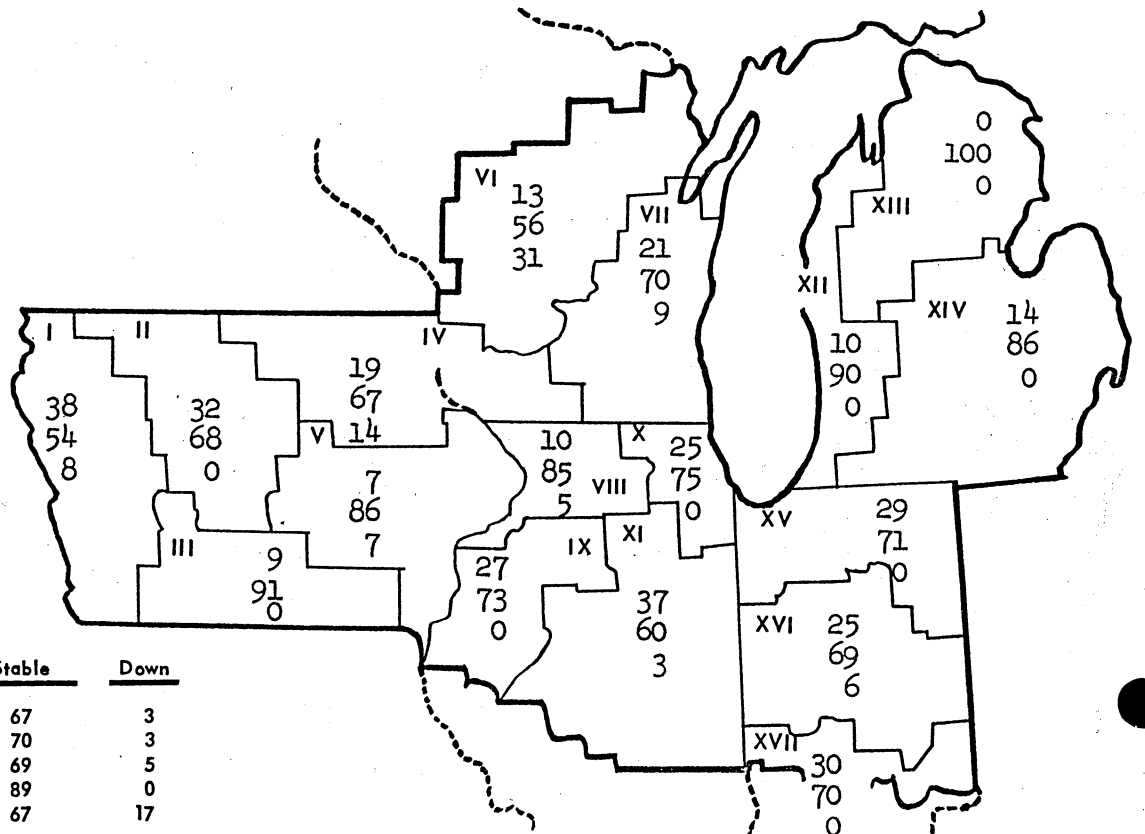
Illinois.....	0	+2
Indiana.....	+2	+4
Iowa.....	-2	0
Michigan.....	+1	-1
Wisconsin.....	-1	0

SEVENTH DISTRICT.. 0 +1

Current trend in farm land values based on opinions of country banks as reported in April 1963

Per cent of banks reporting trend is:

TOP: Up
 CENTER: Stable
 BOTTOM: Down



Up Stable Down

Illinois.....	30	67	3
Indiana.....	27	70	3
Iowa.....	26	69	5
Michigan.....	11	89	0
Wisconsin.....	17	67	17

SEVENTH DISTRICT.. 24 71 5