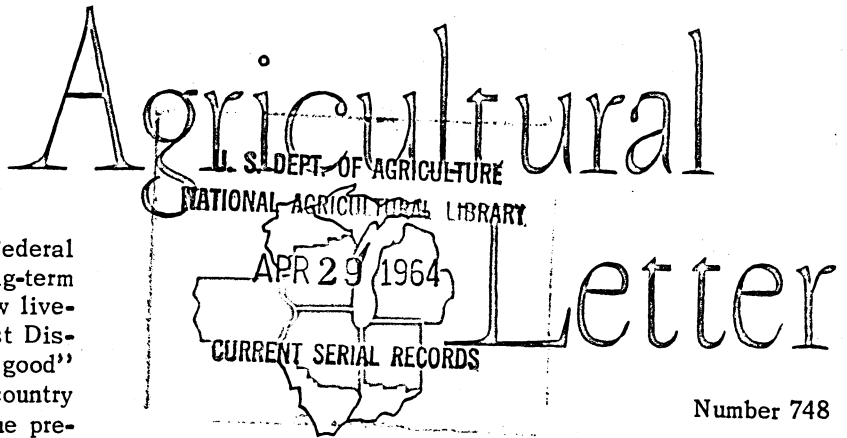


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Federal Reserve Bank of Chicago - -

April 17, 1964



Number 748

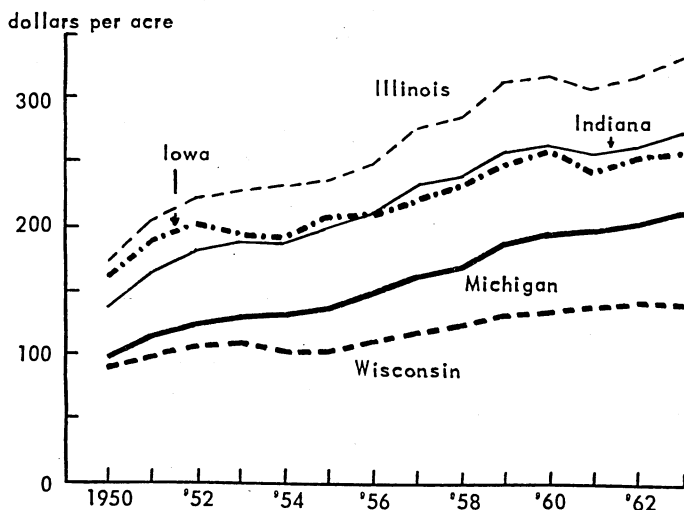
FARMLAND VALUES in the five Seventh Federal Reserve District states have continued their long-term upward trend thus far in 1964 despite relatively low livestock prices and reduced net farm incomes in most District areas. The overall change in the value of "good" farmland indicated by an early April survey of country bankers amounts to a gain of 1 per cent since the previous survey in January and about 4 per cent above the year-earlier level (see back of Letter).

Gains in the value of farmland from April 1963 were widespread throughout the District with each of the reporting areas registering at least a slight gain. Moreover, a larger proportion of bankers now view the current trend in land values as upward than was the case a year ago. About 41 per cent of the bankers responding to the recent survey expect slightly higher values in their areas in the coming months compared with about 24 per cent in April 1963. About 58 per cent of the bankers report the probable trend of land values in their areas as stable while only 1 per cent of the bankers expect values to decline.

The three District Corn Belt states experienced the largest increases from a year ago: Indiana was up 6 per cent while Illinois and Iowa both showed a 5 per cent gain. This possibly reflects the relatively high prices farmers have received for their record 1963 crops of corn and soybeans. The effect of the larger crop receipts, however, probably has been tempered somewhat by the continued low prices of slaughter cattle marketed from Midwest feedlots.

The U. S. Department of Agriculture reports that throughout the nation the value of all farmland rose to a new high on November 1, 1963—28 per cent above the 1957-59 average and about 6 per cent above a year-earlier.

Farmland Values Rise in Seventh District



Largest gains in farmland values were noted in the southern part of the nation where the average increase from a year earlier was about 10 per cent. Only in Maine did farmland values show a decline from a year earlier, apparently reflecting the very low returns from potato farming in recent years.

Land values in the Seventh District states have increased almost steadily both during the Fifties and thus far in the Sixties, even though total net farm income has trended downward in all of the District states over most of this period. Other influences apparently have more than offset the effects of lower income.

Current reports from country bankers indicate that purchases of land to add to existing farms are an increasingly important factor in the rural land market. USDA figures show that in the eastern Corn Belt, the portion of purchases of farmland made specifically for farm enlargement rose to 59 per cent in 1963 from about 29 per cent in the 1950-54 period. Nationally, such purchases have increased from about 25 per cent of the total in 1950 to about 48 per cent of all purchases in 1963. The demand for land for this purpose probably will remain strong inasmuch as the efficiencies of scale made possible by farm enlargement usually offer the best opportunity for improving the profitability of an existing farm.

Credit has played an expanding role in the purchase of farmland in recent years. After averaging about 67 per cent of the total transfers over the six-year period, 1955-61, farmland purchase involving the use of some form of credit increased to 71 per cent of the total in 1962 and the latest available U. S. Department of Agriculture estimates indicate that it reached 73 per cent as of March 1963. Paralleling this rise, the ratio of loan to total sales value advanced to 70 per cent early last year from 68 per cent in the preceding year and 55 per cent 10 years earlier.

In part, the easing of credit terms during 1962 and 1963 reflected the ready availability of farm loan funds. Time deposits during the past two years at country banks in 20 of the leading agricultural states rose nearly 40 per cent over 1961 levels. The increase followed a general rise in interest rates paid on bank time deposits.

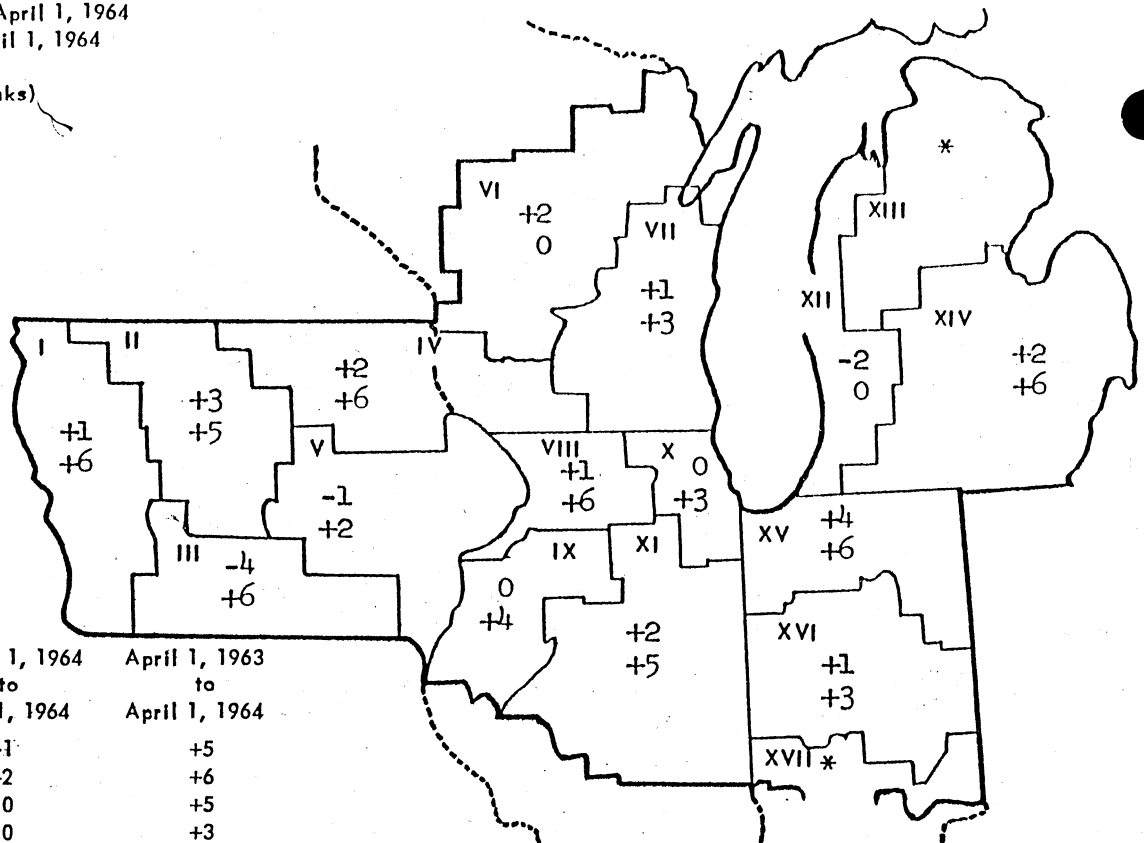
Roby L. Sloan
Agricultural Economist

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

TOP: January 1, 1964 to April 1, 1964

BOTTOM: April 1, 1963 to April 1, 1964

(based on reports of identical banks)



January 1, 1964 to April 1, 1964 April 1, 1963 to April 1, 1964

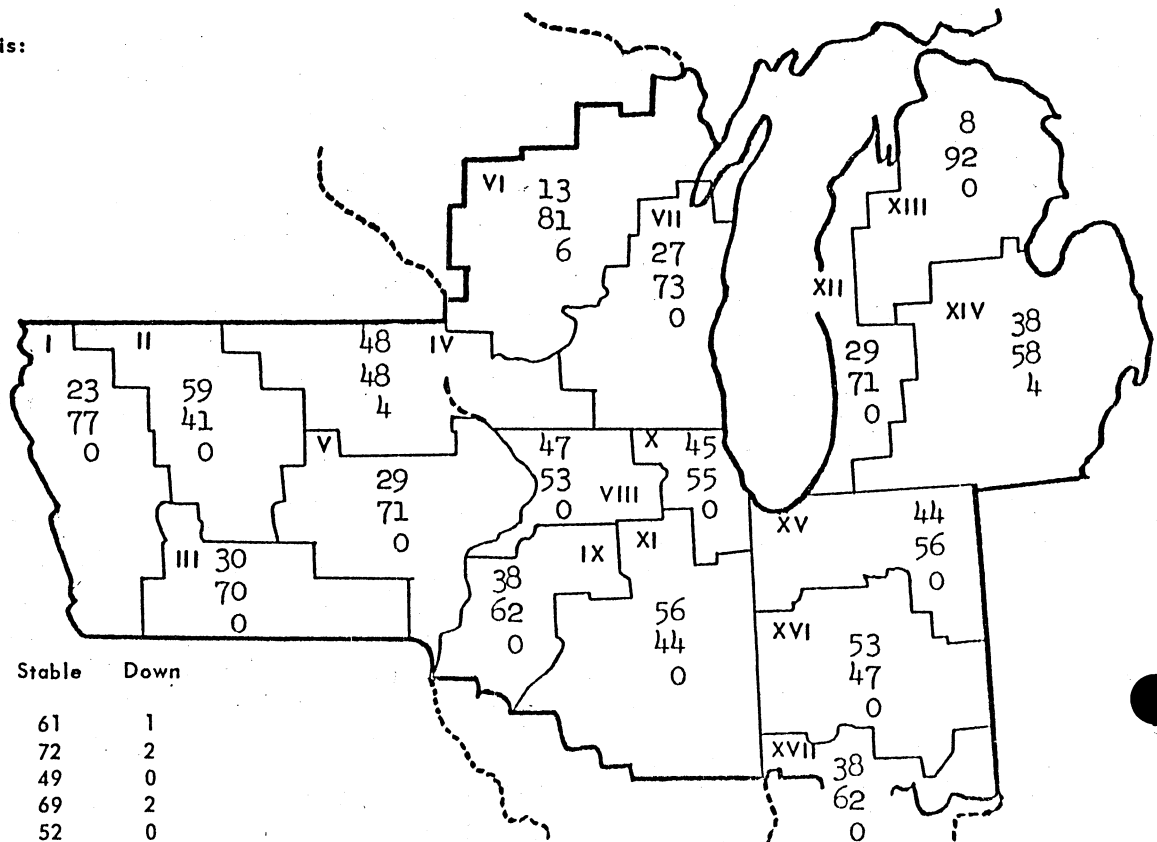
Illinois	+1	+5
Indiana	+2	+6
Iowa	0	+5
Michigan	0	+3
Wisconsin	+2	+1
SEVENTH DISTRICT ..	+1	+4

* Insufficient number of banks reporting

Current trend in farm land values based on opinions of country banks as reported in April 1964

Per cent of banks reporting trend is:

TOP: Up
CENTER: Stable
BOTTOM: Down



Up Stable Down

Illinois	38	61	1
Indiana	26	72	2
Iowa	51	49	0
Michigan	29	69	2
Wisconsin	48	52	0
SEVENTH DISTRICT ..	41	58	1