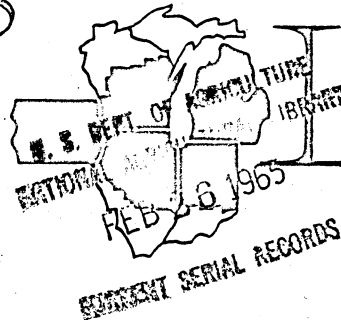


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Federal Reserve Bank of Chicago - -

January 29, 1965

Agricultural Letter



Number 789

FARMLAND VALUES in the Seventh Federal Reserve District advanced further during the fourth quarter, continuing the upward trend of the past several years. The average value per acre of "good" farmland in the District rose about 1 per cent during the final quarter of 1964 and as of early January was 5 per cent higher than a year ago, according to a recent survey of country bankers. Gains from a year earlier were widespread throughout the District states; only in western Michigan did values decline (see back of Letter).

Furthermore, the consensus of country bankers is that land values either will continue to move upward or will at least consolidate these advances in the months ahead. Over one-half of the responding bankers projected a continued rise in farm real estate values while most of the remaining foresaw stable prices in the coming months; only 6 bankers out of about 350 queried judged the trend to be downward.

This represents a substantial shift in bankers' expectations from a year ago, apparently reflecting a strengthened demand for farmland. Significantly, only about one-third of the bankers expected a continued advance in land values at this time last year.

Land values in the Corn Belt states showed sizeable increases from year-earlier levels despite relatively low livestock prices and reduced crop yields. Cattle prices averaged nearly \$2 per hundredweight below a year earlier and hog prices were also slightly lower. Net returns for both cattle and hog operations were well below average. Crop yields in each of the Corn Belt states were also below year-ago levels. Soybean yields were from 3 to 4 bushels lower in each of the states and corn yields ranged from 6 to 15 bushels lower. Land values, however, rose 5 per cent from a year earlier in Illinois and Iowa. In Indiana, they were 6 per cent above the January 1964 level.

Land values in Michigan dipped 2 per cent during the fourth quarter but were still 4 per cent above the level of last January. Land values in Wisconsin also recorded a 4 per cent gain from the year-ago level.

The number of farms has continued to decline and the average size of farms has increased at a rapid pace in the past several years. Recent estimates by the U. S. Department of Agriculture indicate that the number of farms operated in 1964 decreased about 3 per cent from the previous year's total of about 3.6 million. Similar declines were noted in each of the District states.

The average size of farms has increased nearly proportionately to the decline in numbers as the discontinuance of small farming enterprises and merging of larger units with existing farms continues. Since 1959, the number of acres in the average farm unit has been increased by nearly one-fifth.

Trend to Fewer and Larger Farms Continues

	Number of farms (thousands)	Average size per farm (acres)	Change, 1963-64	
			Number of farms (per cent)	Average size per farm (per cent)
Illinois	144	210	-3	+2
Iowa	170	204	-2	+3
Indiana	122	156	-2	+1
Michigan	105	136	-3	+2
Wisconsin	127	170	-2	+1
United States	3,479	333	-3	+3

Lower operating costs of larger units have provided the economic incentive for consolidating small units into larger farms. Strong economic pressures for farm consolidation and enlargement will likely continue since there are still large numbers of relatively small farms which cannot fully realize the lower costs. This drive to increase farm size has strengthened the demand for farmland and has been a major factor in boosting real estate values in recent years.

Cash receipts from farm marketings for 1964 are indicated to be somewhat lower than a year earlier. In the nation, farm cash receipts from January through November totaled about \$33.2 billion—about 1 per cent smaller than during the corresponding year-earlier period. Cash receipts were also down from a year ago in the District's three Corn Belt states (Illinois, Indiana and Iowa). Income from the sale of livestock and livestock products averaged about the same as in 1963, with a record volume of marketings offsetting the effects of lower prices. Receipts from the sale of crops, however, dropped sharply during the latter part of 1964 reflecting the reduced output of crops and resulting lower marketings.

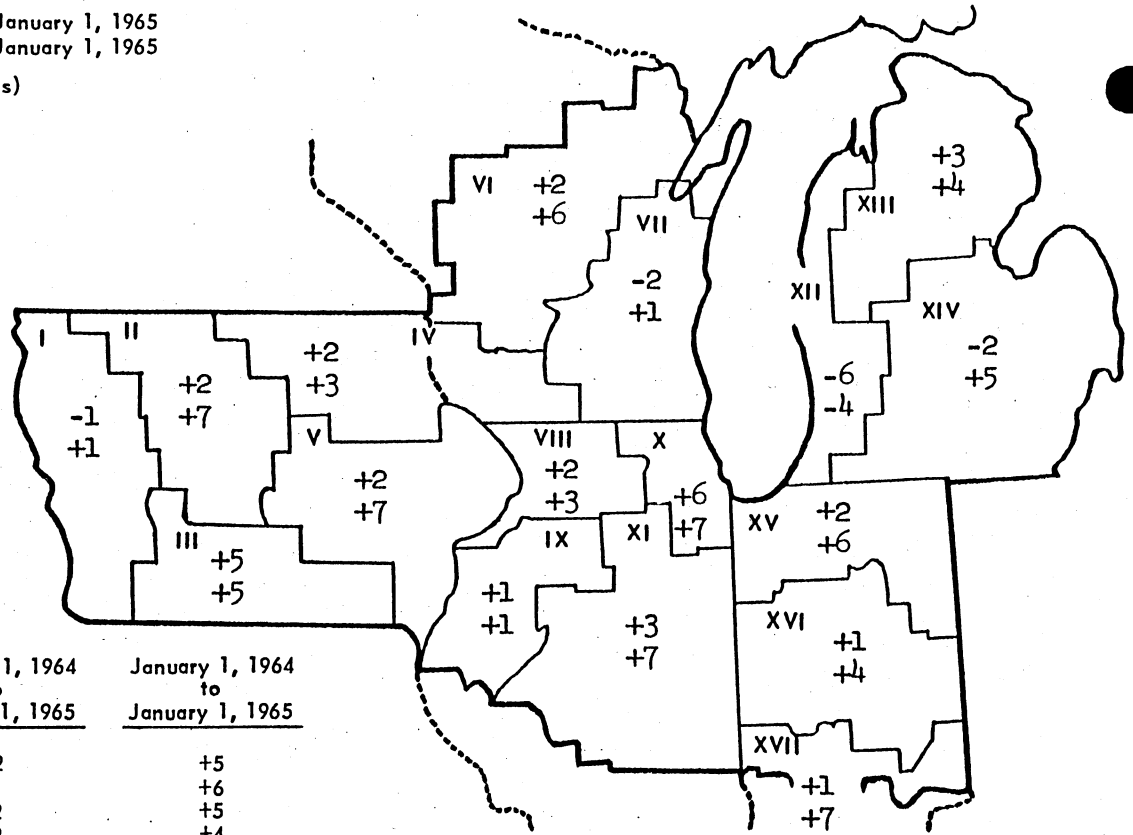
Both Michigan and Wisconsin posted gains from a year earlier, in large part reflecting the increase of marketings and higher prices of dairy products.

Roby L. Sloan
Agricultural Economist

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

TOP: October 1, 1964 to January 1, 1965
 BOTTOM: January 1, 1964 to January 1, 1965

(based on reports of identical banks)



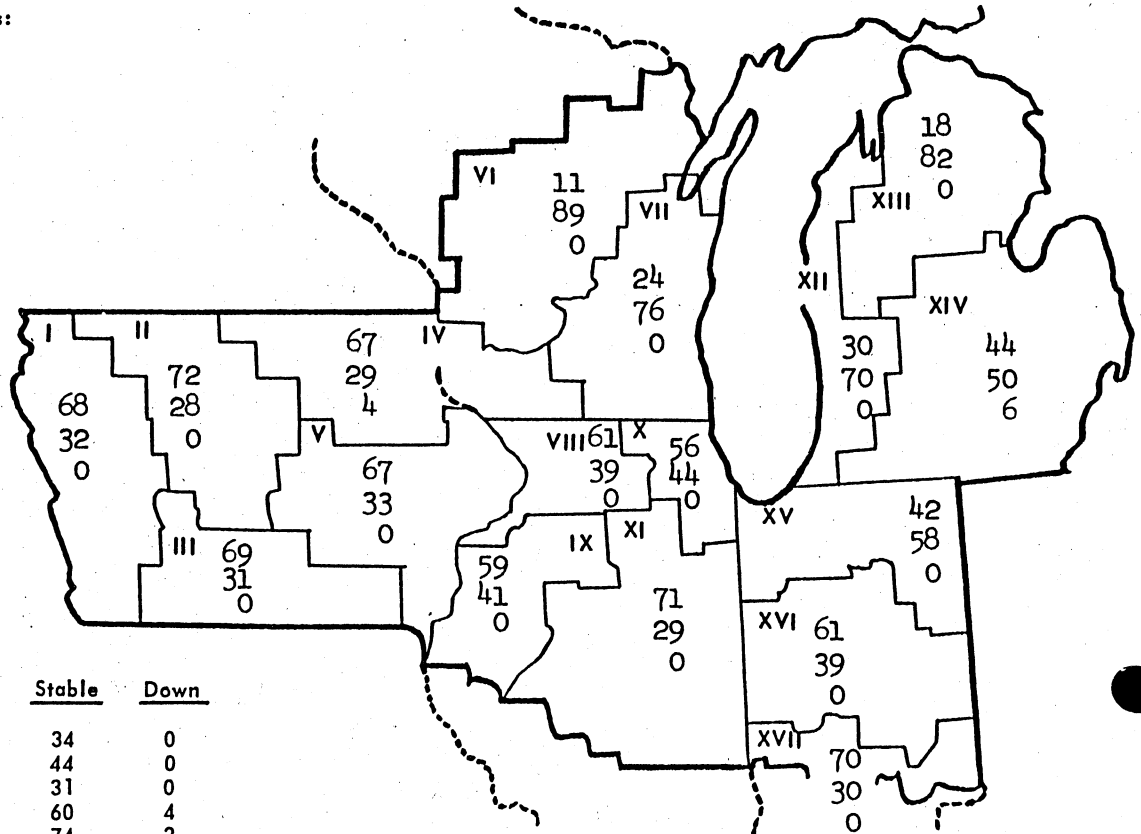
October 1, 1964 to January 1, 1965
 January 1, 1964 to January 1, 1965

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

Current trend in farm land values based on opinions of country banks as reported in January 1965

Per cent of banks reporting trend is:

TOP: Up
 CENTER: Stable
 BOTTOM: Down



Up Stable Down

Illinois.....	66	34	0
Indiana.....	56	44	0
Iowa.....	69	31	0
Michigan.....	36	60	4
Wisconsin.....	24	74	2
SEVENTH DISTRICT.	54	45	1