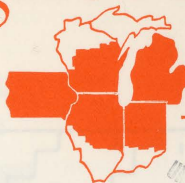


April 29, 1966

Agricultural Letter

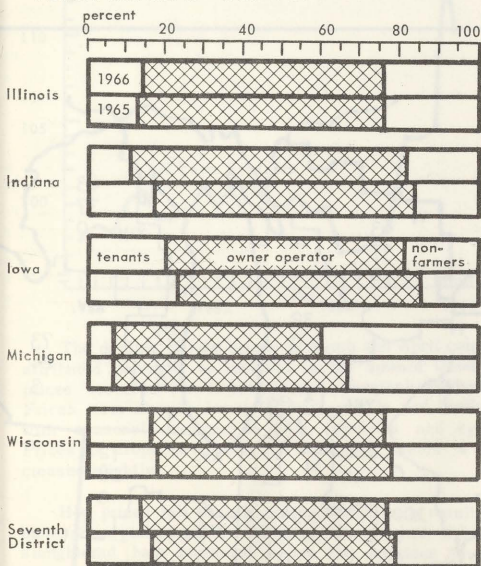


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FARMLAND VALUES in the Seventh Federal Reserve District rose more sharply during the first three months of this year than in any similar period in recent years. The average value of "good" farmland has increased about 4 percent since January and has advanced more than 10 percent in the 12-month period ended April 1. This compares with increases of 2 and 6 percent, respectively, in similar periods a year earlier. According to a recent survey of country bankers, the current rates of increase are almost twice as great as those of last year. Land values increased generally throughout the District—only one area failed to report gains from both January and a year ago (see back of Letter).

Farmers have continued to be the largest buyers of farmland, according to the survey. Seventy-six percent of the farms sold in the District during the past 12 months (down slightly from 79 percent last year) were purchased by owner operators who added to their present farms or by tenants who sought to become owners. Non-farm investors purchased about 24 percent of the farms, compared with 21 percent last year.

Farmers Continue to Purchase Bulk of Farms Sold



The slight decline in the proportion of farms purchased by farmers in the District occurred primarily in Michigan. About 40 percent of the farms which changed hands during the year ended April 1 were purchased by nonfarmers, compared to 34 percent during the similar

period a year earlier. This rise probably is indirectly due to the expansion of business activity in this already highly industrialized state. Consequently, more farms have been purchased for investment, subdivision, recreation and residential purposes.

Demand for farmland apparently has strengthened further in the past few months. The current trend in land values is viewed as "upward" by a larger proportion of bankers now than a year earlier or at the beginning of 1966. About 83 percent of the bankers in the recent survey report the probable trend in land values as upward, compared with only 60 percent a year ago and 74 percent in January 1966. The continued upward trend in land values appears strongest in the Corn Belt.

The sharp increase in land values during the last quarter and the 12 months ended April 1 were apparently reinforced by the expectation of higher farm income in the current year. Cash receipts from farm marketings during the first quarter are estimated at \$9.3 billion, up \$1.4 billion from the same period a year earlier. Increased receipts from the sale of livestock and livestock products accounted for more than three-fourths of the increase. District Corn Belt states recorded increases in cash receipts considerably above the national average. These states commonly receive a larger than average proportion of their total cash receipts from the marketing of livestock and livestock products.

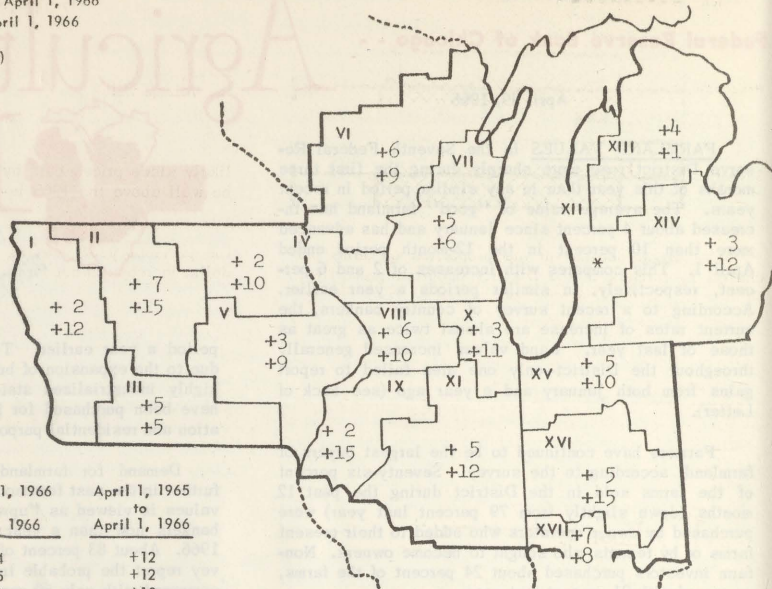
Net farm income in 1966, according to recent projections by the U. S. Department of Agriculture is likely to be about \$15 billion, the highest since the post World War II years of 1947 and 1948. Cash receipts from farm marketings may rise about \$2 billion over the \$38.9 billion in 1965. Receipts from marketings of meat animals is expected to show sizable gains over last year since the volume will be up slightly, and prices are expected to average above 1965 levels—although lower livestock prices are in prospect in the last half of this year. A gain in receipts from marketings of dairy products is also likely since prices paid by milk plants and dealers will be well above the 1965 levels; this more than offsets a smaller volume of milk marketings. Production expenses, however, are also expected to rise more than in the previous year, leaving a residual of about a billion dollar increase in net farm income.

David W. Maaske
Economist

Percent change in dollar value per acre of "good" farms

TOP: January 1, 1966 to April 1, 1966
 BOTTOM: April 1, 1965 to April 1, 1966

(based on reports of identical banks)



January 1, 1966 to April 1, 1966
 April 1, 1965 to April 1, 1966

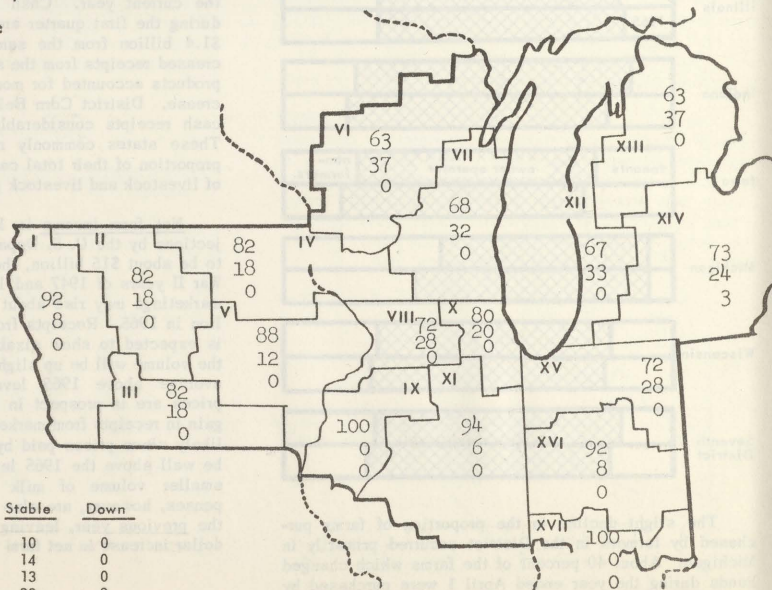
Illinois	+4	+12
Indiana	+5	+12
Iowa	+4	+10
Michigan	+3	+8
Wisconsin	+5	+9
SEVENTH DISTRICT	+4	+10

*Insufficient number of banks reporting.

Current trend in farm land values based on opinions of country banks as reported in April, 1966

Percent of banks reporting trend is:

TOP: Up
 CENTER: Stable
 BOTTOM: Down



Up Stable Down

Illinois	90	10	0
Indiana	86	14	0
Iowa	87	13	0
Michigan	70	28	2
Wisconsin	68	32	0
SEVENTH DISTRICT	83	17	0