

281.9  
F313

Federal Reserve Bank of Chicago - -

July 21, 1967

CROP PRODUCTION PROSPECTS are "slightly better" than at this time last year, according to the recent crop report issued by the U. S. Department of Agriculture. The report indicates that record production of many important crops is likely if growing conditions continue to be favorable for the rest of the season. Good to excellent crop conditions prevail throughout most of the Corn Belt but development of major crops is behind normal. Cool, wet spring weather delayed planting in many states east of the Mississippi River while heavy June rains slowed crop growth and hampered cultivation of field crops, especially in the western Corn Belt. Also, flooding in these states resulted in considerable loss in crop acreage.

Crop acreage in the nation this year is the largest since 1960. About 318 million acres were planted to the nation's principal crops—up about 20 million acres from last year and slightly larger than farmers had indicated in a March survey by the USDA. Changes in the 1967 Feed Grain and Wheat programs, along with relatively high prices during planting time were largely responsible for the gain in this year's acreage. Wheat acreage jumped nearly 14 million acres from last year and acreage planted to feed grains rose about 5 million. Cotton acreage, on the other hand, was sharply reduced because of greater participation in the Government's production control program and cold, wet weather during the planting season. Much of the intended cotton acreage, however, was replanted to soybeans.

Soybean acreage rose 9 percent to a record 40.1 million acres—the seventh consecutive year of increase. Expanded plantings were reported in most producing areas, but the largest increases occurred in the Mississippi Delta states. Illinois, the perennial leader in soybean production, was the only major producing state to show a decrease. While no official estimate on probable production will be available until mid-August, the crop is generally reported to be in good condition, and the output could top the billion bushel mark for the first time.

Corn production is now projected at a record 4.5 billion bushels. If attained, this would be 10 percent larger than the record crop produced last year and one-fifth above the 1961-1965 average, reflecting both larger acreage and increased yield. Harvested acreage is expected to total about 7 percent more than last year. Yields are forecast around 73.5 bushels per acre, compared with 72.1 last year and the record 73.8 in 1965. In the Seventh Federal Reserve District, corn acreage is up 6 percent or more in each of the states. Yields in Illinois and Indiana are indicated to be up sharply from 1966 while in the remaining three District states—Iowa, Michigan and Wisconsin—yields will likely be the same or slightly smaller than last year.

Farmland values in the Seventh Federal Reserve District have continued to increase, but the rate of ad-

# Agricultural

U.S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY



Number 918

vance has slowed. The average value of "good" farmland, according to a recent survey of country bankers, increased 1 percent during the second quarter and was about 5 percent higher than at this time last year (see back of Letter). In comparison, increases of 2 and 7 percent, respectively, were reported for similar periods at the end of the first quarter.

The largest gain in land values continued to be in the three Corn Belt states—Illinois, Indiana and Iowa. Increases of 7 percent during the past 12 months were reported by respondent bankers in each of these states. In Michigan and Wisconsin land values were indicated to be 4 and 2 percent, respectively, above July 1966.

The upward trend in land values is expected to slow even more as indicated by bankers' expectations of future trend in land prices. A majority of bankers responding to the survey now view the current trend in land values as stable, compared with 42 percent at the beginning of the year and only 28 percent as of July 1966.

This continued shift in expectations probably reflects the less optimistic outlook for agricultural income as well as the difficulty of obtaining financing for farm real estate purchases on acceptable terms. Cash receipts in the District states in the January through May period were down about 1 percent from a year ago and are expected to continue somewhat below last year's record level. Also, mortgage loans closed by institutional lenders other than banks dropped about 29 percent during the first quarter. Moreover, interest rates averaged from one-half to three-fourths percentage points above those of a year earlier. The recent survey of country banks indicates, however, that credit conditions may now be easing somewhat.

While changes in prices of farm land are strongly affected by changes in farm income and general economic conditions, individual parcels are also influenced by many other factors. According to a recent study by the U. S. Department of Agriculture, price per acre increased with proportion of farms in crops, value of improvements and demand from adjoining farms for additional land. Proximity to urban areas also affected land prices. Farmland within metropolitan areas averaged nearly double the prices for that located in rural areas during 1965.

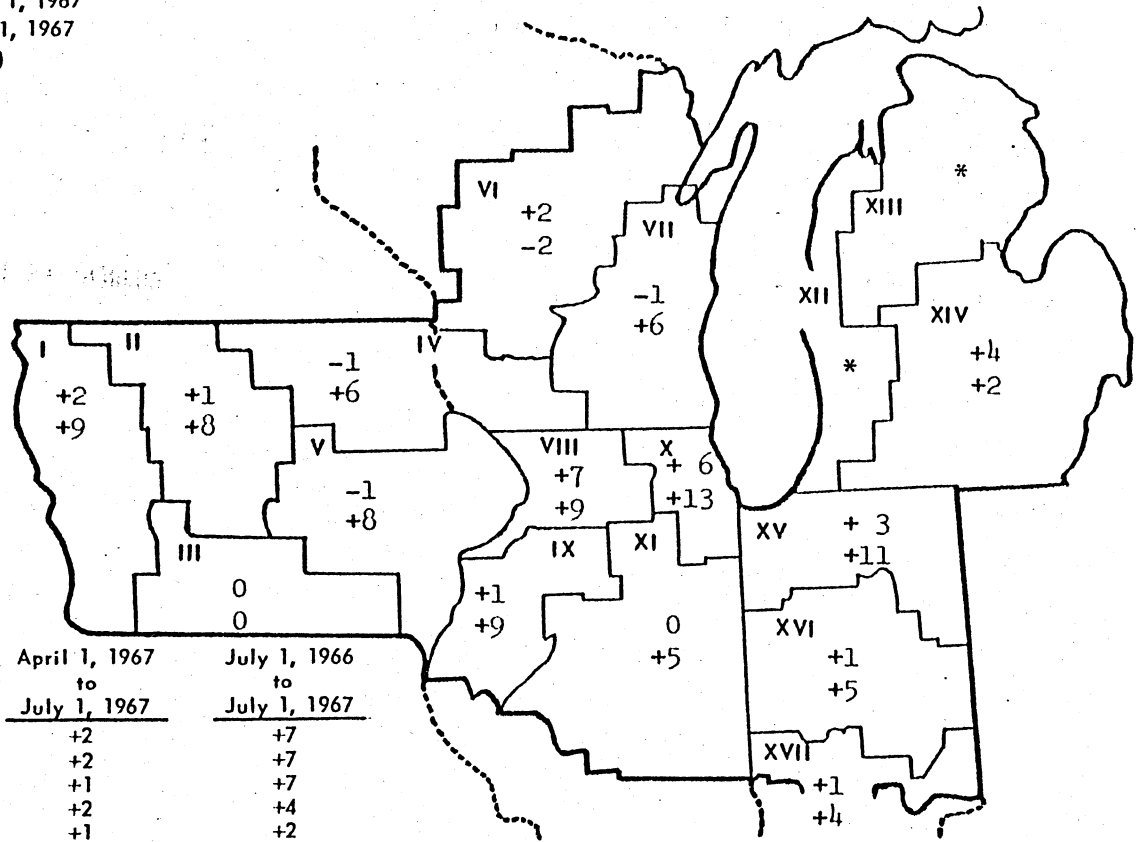
David W. Maaske  
Economist

Percent change in dollar value of "good" farms

TOP: April 1, 1967 to July 1, 1967

BOTTOM: July 1, 1966 to July 1, 1967

(based on reports of identical banks)



\*Insufficient number of banks reporting.

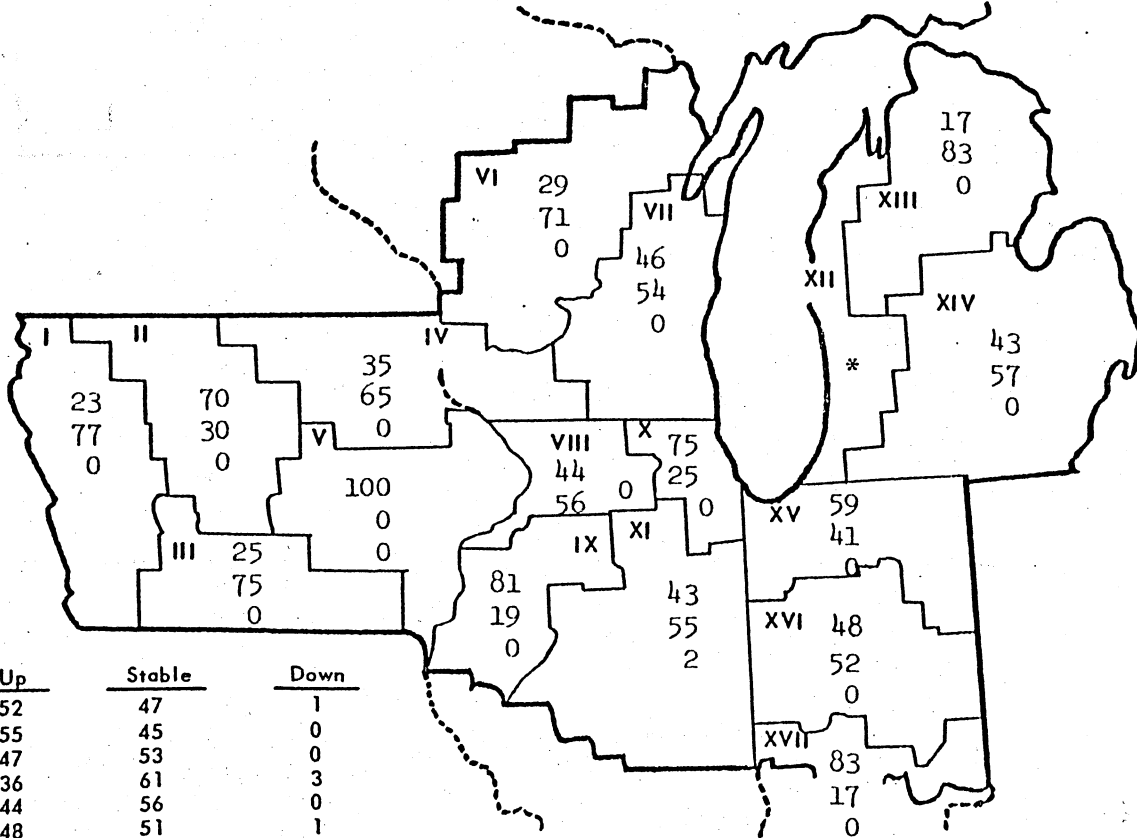
Current trend in farm land values based on opinions of country banks as reported July 1967.

Percent of banks reporting is:

TOP: Up

CENTER: Stable

BOTTOM: Down



\*Insufficient number of banks reporting.