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Federal Reserve Bank of Chicago - -

Agricultural Letter

September 8, 1967

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U. S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY
SEP 28 1967
CURRENT SERIAL RECORDS

MIDWEST FARMERS continued to expand their use of bank credit during the first half of 1967. Both "short-term" loans (made typically to help finance purchases of machinery, livestock and feed and to pay taxes, wages and other current expenses) and loans secured by farm real estate have registered sharp gains over a year ago.

Short-term loans outstanding at District member banks at midyear were 14 percent above year earlier and and 6 percent above the outstandings at the end of 1966 although nearly all areas reported increases; the major exceptions were in western Iowa. There were rather wide variations among the five states (see back of Letter).

The widespread increase in short-term loans apparently stems from increased operating costs associated with expanded crop production although reduced levels of income in many areas may have also augmented the expansion in loans. Acreage planted to crops in the District is the largest since 1960; corn acreage was increased about 8 percent from last year and soybean acreage was expanded about 4 percent. This coupled with higher prices for virtually all of the items farmers buy for use in their business has boosted production expenses well above last year's record level. Nationally, outlays for farm production items during the first half of the year were about 4 percent above the 1966 level.

Cash receipts from farm marketings in the Seventh District states have run about 2 percent below a year ago during the first five months of this year. This, plus the higher operating expenditures, may have resulted in some slowing in the rate of repayment on outstanding loans. Loan extensions and renewals have risen since last year. Based on information provided regularly by a small sample of banks having large volumes of agricultural loans, the volume of renewals has averaged about 5 to 10 percent more than last year.

Feeder Cattle Shipments Well Under Year Ago

	January-July 1966	January-July 1967	Change
	(thousand head)		(percent)
Indiana	91	102	+12
Illinois	375	321	-14
Iowa	1,232	1,068	-13
Michigan	33	32	- 3
Total	1,731	1,523	-12

On the other hand, the relatively unfavorable returns to cattle feeders during the first half of 1966 probably limited the amount of new credit in the major cattle feeding areas. The total value of feeder animals shipped into the Corn Belt this year has been well under the year-earlier period. The number of animals shipped into the District's three Corn Belt states was down about 12 percent. Moreover, although feeder cattle prices have trended upward in recent months, they averaged about $1 to $2 per hundredweight below the year-ago level during the first half of the year. Thus, less credit has been needed to finance this year's feeding operations.

Farm real estate loans outstanding at District banks also showed sizable increases whether measured from mid-1966 or since the end of the year. With the exception of Iowa, all states experienced rises of 10 percent or more since June 1966 with the largest increase occuring in Michigan—up more than one-fifth from a year ago. Iowa banks, however, posted a slight decline since the end of the year and showed only a slight increase from a year ago.

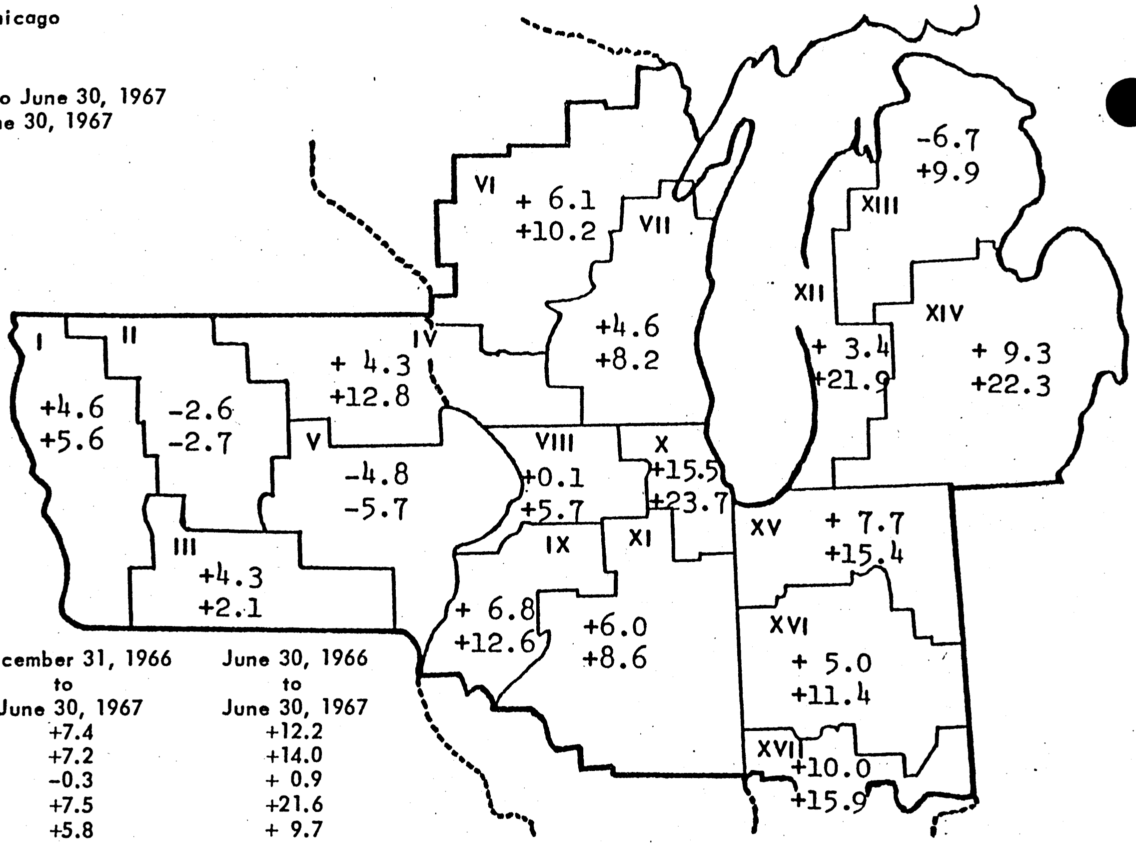
The further increase in farm mortgage debt outstanding at District banks primarily reflects, of course, the continued rise in farm real estate prices and the further growth in capital invested in agriculture. However, the rate of increase in mortgage debt outstanding at District banks during the first half of 1967 was somewhat surprising and was in sharp contrast to that experienced by other major institutional lenders, at least during the early part of this year.

During the first quarter of 1967, the growth in debt secured by mortgages at other institutions slowed appreciably as the volume of new loans declined. The volume of mortgage loans made nationally by Federal land banks was more than one-fifth below that of the year before, while new lending by life insurance companies was down two-fifths. The Farmers Home Administration, while accounting for a relatively small proportion of the total, cut new lending by more than 60 percent. For the three institutions, new loans in the first quarter of 1967 were nearly one-third less than the previous year. Mortgage loans outstanding at the end of the period were only about 6 percent above the same date a year ago.

Roby L. Sloan
Agricultural Economist

Farm real estate loans outstanding
District member banks outside Chicago

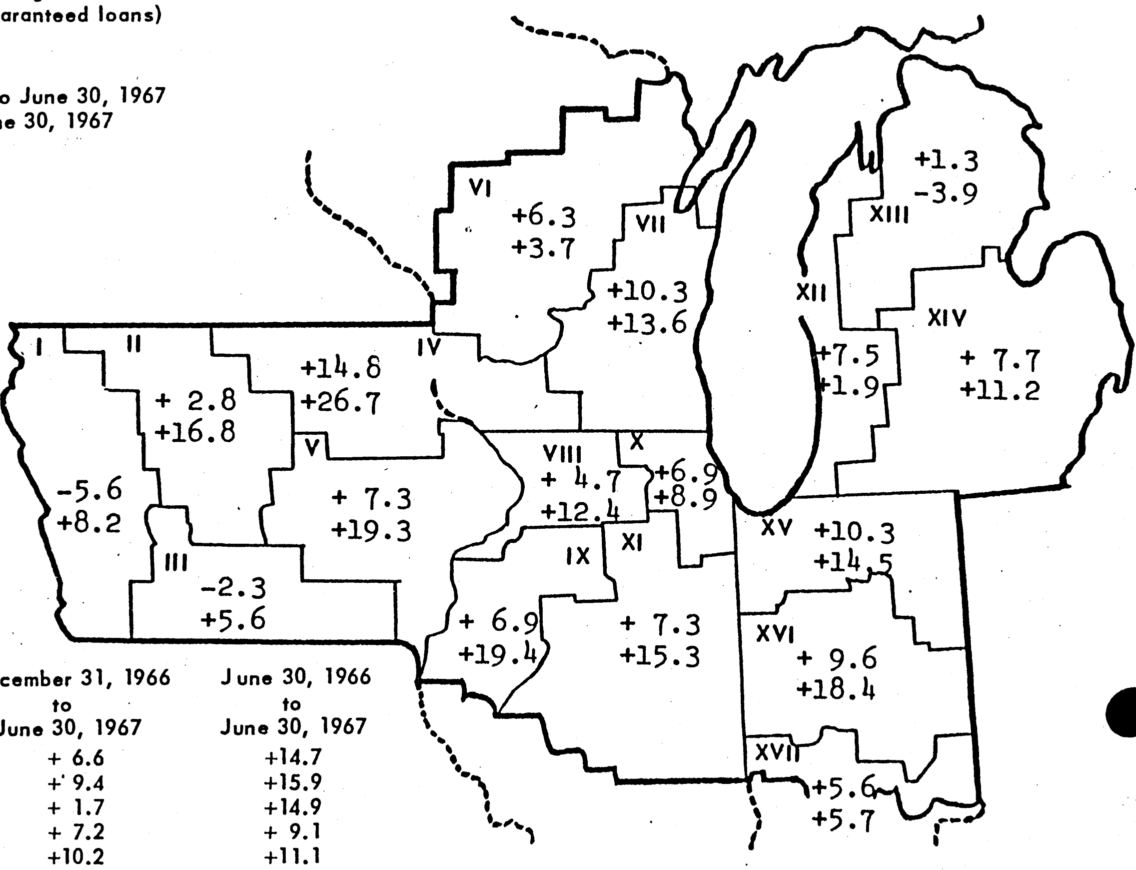
Percent change
TOP: December 31, 1966 to June 30, 1967
BOTTOM: June 30, 1966 to June 30, 1967



	December 31, 1966 to June 30, 1967	June 30, 1966 to June 30, 1967
Illinois	+7.4	+12.2
Indiana	+7.2	+14.0
Iowa	-0.3	+ 0.9
Michigan	+7.5	+21.6
Wisconsin	+5.8	+ 9.7
SEVENTH DISTRICT	+6.1	+13.3

"Short-term" farm loans outstanding
District member banks outside Chicago
(excludes real estate and CCC guaranteed loans)

Percent change
TOP: December 31, 1966 to June 30, 1967
BOTTOM: June 30, 1966 to June 30, 1967



	December 31, 1966 to June 30, 1967	June 30, 1966 to June 30, 1967
Illinois	+ 6.6	+14.7
Indiana	+ 9.4	+15.9
Iowa	+ 1.7	+14.9
Michigan	+ 7.2	+ 9.1
Wisconsin	+10.2	+11.1
SEVENTH DISTRICT	+ 5.5	+13.9