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FARMLAND PRICES in the Seventh Federal Reserve District advanced further during the third quarter of 1967. The average value per acre of "good" farmland in the District rose about 2 percent since midyear and as of early October was 6 percent higher than a year ago, according to a recent survey of country bankers. The rate of increase, however, has continued to lag behind the very sharp increases experienced last year. Nevertheless, gains in land prices were widespread; all areas reported increases or no change both during the third quarter and compared with year ago (see back of Letter).

The largest increases in land prices continued to be reported in the three Corn Belt states—Illinois, Indiana and Iowa. Bankers in both Illinois and Iowa reported price gains of 3 percent during the third quarter and in Indiana an increase of 2 percent was indicated. Compared with a year ago, increases of 6 percent or more were reported by bankers in each of the Corn Belt states. In Michigan and Wisconsin, land values were indicated to be 4 and 5 percent, respectively, above last October.

A number of bankers reported an easing in the demand for farmland in recent months. This view was fairly evenly distributed throughout the Seventh District. Slightly more than one-tenth of the bankers reported some easing in the demand for farmland since midyear; a similar proportion indicated the demand for farmland to be somewhat weaker than a year ago. However, more than three-fourths of the bankers responding to the early October survey reported a strong and active demand for the limited number of farms and tracts offered for sale in their area.

Farms changing hands in Seventh District states have numbered less than 3 percent of all farms in recent years. The number of farms offered for sale in the District during the past 12 months has apparently remained relatively stable. About three-fifths of the respondent bankers reported no change in the number offered for sale, while about one-fifth reported the number to be fewer.

The ready availability of financing has been an important factor in the upward trend in land prices in several recent years. Relatively tight credit conditions, however, have prevailed since the fall of 1966. Most institutional lenders sharply curtailed the amount of new mortgage money extended during the first half of 1967, compared to a year ago, and interest rates have continued at very high levels. Farmers, however, apparently turned more to individuals for a source of financing land purchases as credit availability from institutional lenders diminished. Land contracts as a method of transferring farmland are reported to have increased sharply in recent months; nearly one-half of the bankers responding to the recent survey reported a greater use of contracts than a year ago.

Greater Use of Land Contracts Reported

| | <u>Increased</u> | <u>Decreased</u> | <u>No change</u> |
|------------------|--------------------------------|------------------|------------------|
| | (percent of bankers reporting) | | |
| Illinois | 42 | 13 | 45 |
| Indiana | 45 | 9 | 46 |
| Iowa | 68 | — | 32 |
| Michigan | 24 | 9 | 67 |
| Wisconsin | 42 | 4 | 54 |
| Seventh District | 47 | 7 | 46 |

A bumper crop harvest is now virtually assured for the U. S. Freezing temperatures and hurricane damage reduced prospects in some areas during the past month but record production is still forecast for most crops. The overall crop production index was at a record high as of October 1, about 4 percent above last year and 2 percent above the previous record in 1965.

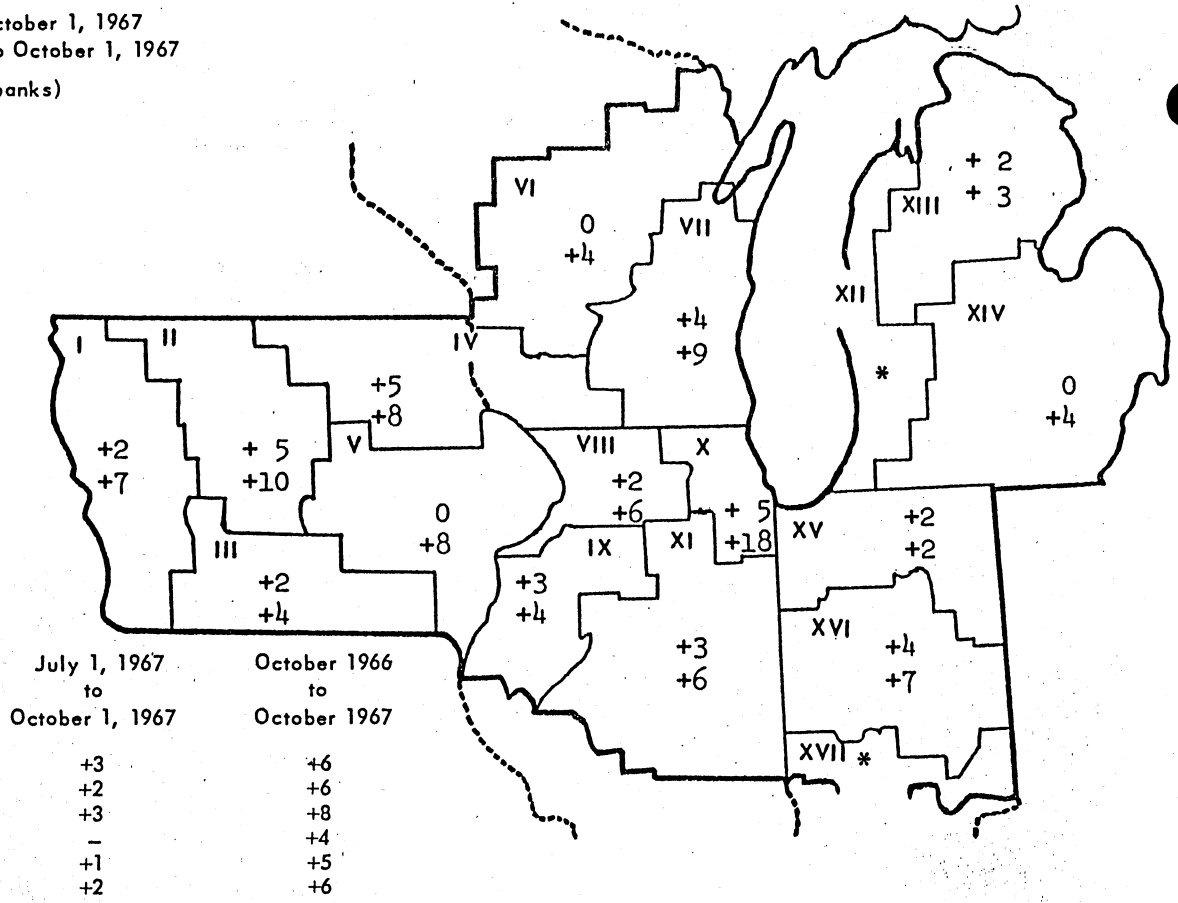
The corn crop is now forecast at a record 4.7 billion bushels—up 15 percent from last year. Lack of moisture and freeze damage reduced prospects in the northern fringes of the Corn Belt but improved prospects in other areas of the Corn Belt more than offset the loss. Unfavorable weather conditions also reduced soybean production prospects somewhat but production is still forecast nearly 7 percent above the record outpouring last year.

Harvesting of corn and soybeans in the Midwest has been hampered by rains in recent weeks and as a result is somewhat behind average. As of mid-October, about two-thirds of the soybean crop had been harvested in Illinois and Iowa compared to around 70 percent last year. Less than 10 percent of the corn had been harvested—also somewhat behind last year. Nearly all of the corn crop in these states is reported to be "safe" from frost damage but moisture content of the grain continues to be high in some areas—delaying harvesting and necessitating drying before storing.

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Percent change in dollar value of "good" farms

TOP: July 1, 1967 to October 1, 1967
 BOTTOM: October 1, 1966 to October 1, 1967
 (based on reports of identical banks)



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

Percent of banks reporting is:

TOP: Up
 CENTER: Stable
 BOTTOM: Down

