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Federal Reserve Bank of Chicago - -

July 19, 1968

# Agricultural Letter

U.S. DEPT. OF AGRICULTURE  
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COMMERCIAL RELATIONS

Number 970

**FARMLAND VALUES**, which have been trending sharply upward in the Seventh Federal Reserve District for several years, appear to have leveled off in the second quarter. Although the average price of "good" farmland is 6 percent higher now than in mid-1967, a survey of country banks indicates the value has increased less than 1 percent since early April. (See back of Letter).

Bankers in about half the 17 reporting areas of the district indicated declines in land values. Declines were reported in some areas in each of the states, except Michigan. That is the most widespread decline since the early 1960s.

Because of earlier increases, land values in all areas continued well above those a year ago. Bankers in all five states of the district—Illinois, Indiana, Iowa, Michigan, and Wisconsin—reported gains of 3 percent or more in the last year. Prices in Iowa were 8 percent higher than in mid-1967.

Bankers expected land prices to continue on a plateau for several months. More than three-fifths of them foresee stable or declining land prices for the next several months. This view is most prevalent in the Corn Belt states—Illinois, Indiana, and Iowa. About 75 percent of the bankers in Illinois and Iowa and 70 percent of the bankers in Indiana expect land prices to decline or remain stable.

For several months, the difficulty of finding financing for farm real-estate purchases on acceptable terms and at acceptable rates has caused many people to expect some softening of prices. Continuation of the relatively tight credit situation, coupled with the lower farm income, has apparently taken hold, causing the recent leveling in land prices.

Sharply lower commodity prices, reduced government payments, and higher production costs lowered farm incomes substantially in late 1967, especially in the Midwest. Income per farm was off more than 25 percent in Illinois, Indiana, and Iowa. Although agricultural prices have increased since, prices of major Midwest grains are still well below those of a year ago.

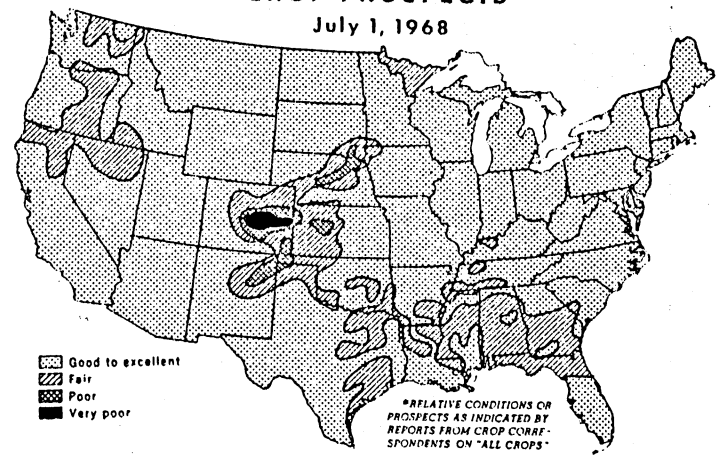
Crop surpluses are apt to build up again this year if the current crop prospects materialize. And that will be despite about 2 percent fewer acres planted for the 1968 harvest. Overall prospects are rated about the same as last year at this time, according to the latest crop report of the Department of Agriculture. The report indicates that, if conditions continue favorable, a number of important crops may exceed the record outpourings last year. Prospects in most of the country—except the Gulf States, the Central Plains, and Pacific Northwest—were reported to be "good to excellent."

The nation's farmers planted about 310 million acres this year—slightly more than was indicated this spring but nearly 7 million less than last year. Because of the smaller acreage losses expected this year, only about 3 million fewer acres are expected to be harvested—or about 1 percent less. Changes in the feed-grain and wheat programs, coupled with low prices, were no doubt responsible for most of the reduced acreage.

Wheat acreage declined about 3 million acres this year, and feed-grain acreage was down about 4 million. On the other hand, because of a less attractive government program and favorable prices, cotton acreage is up 17 percent from the 100-year low last year.

## CROP PROSPECTS\*

July 1, 1968



Soybean acreage also was expanded—for the eighth consecutive year. Unlike other recent years, however, about 90 percent of the increase is in the Midwest. Acreage is up about 8 percent in Illinois, the leading soybean state, and 5 percent in Iowa and Indiana. While no official estimate on probable production will be available until mid-August, the soybean crop is generally reported to be in good condition. The output should top a billion bushels—up from 973 million last year.

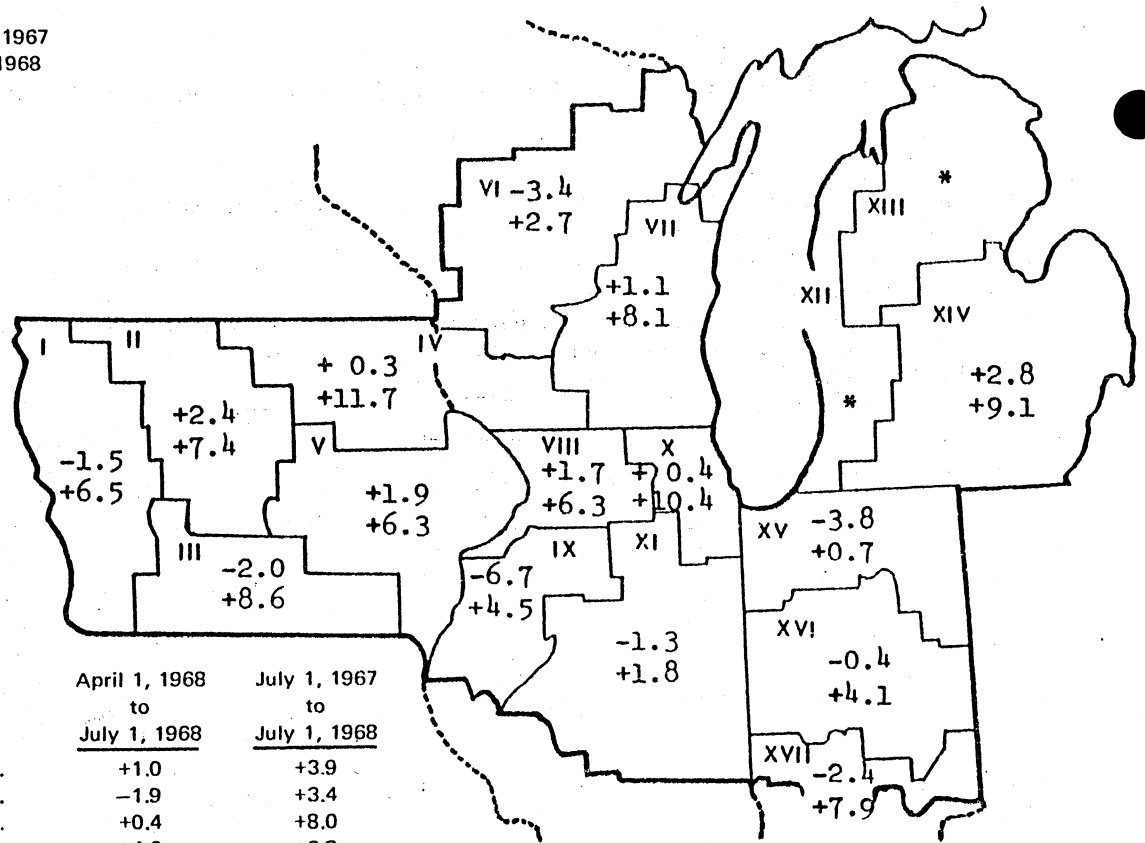
Corn production is being forecast at 4.5 billion bushels—6 percent less than the record output in 1967 but about 15 percent more than the average for 1962-66. Harvested acreage is expected to total about 7 percent less than last year, but yields are expected to be slightly larger. Yields are forecast at about 79.7 bushels an acre—1.5 bushels more than last year and nearly 30 bushels higher than ten years ago. The decline in corn acreage in the Seventh District ranged from 1 percent in Wisconsin to 13 percent in Iowa. Indications are that yields in Indiana and Iowa will be up sharply. In Illinois, they will probably match the 100-bushels-per-acre record set last year.

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Agricultural Economist

Percent change in dollar value of "good" farms

TOP: April 1, 1968 to July 1, 1967  
 BOTTOM: July 1, 1967 to July 1, 1968

(Based on reports of identical banks)



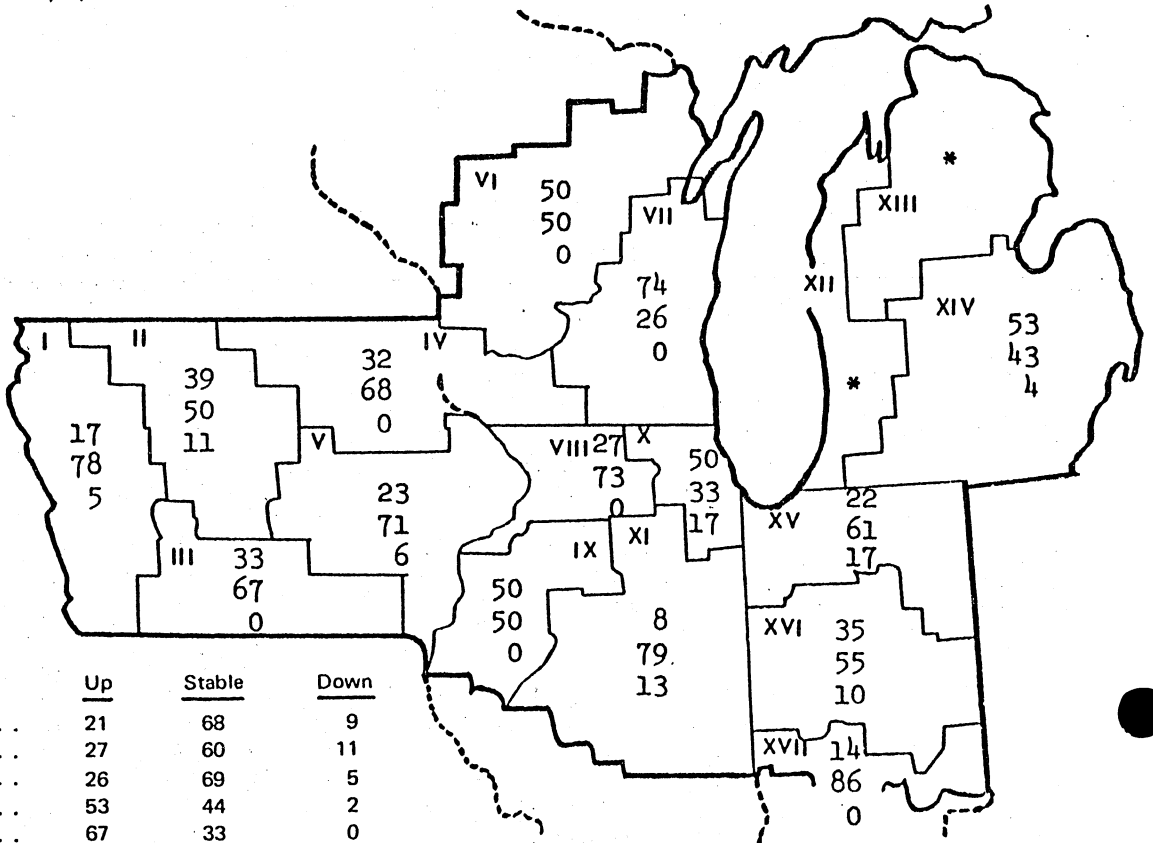
	April 1, 1968 to July 1, 1968	July 1, 1967 to July 1, 1968
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Illinois .....	+1.0	+3.9
Indiana .....	-1.9	+3.4
Iowa .....	+0.4	+8.0
Michigan .....	+4.6	+6.2
Wisconsin .....	-1.5	+5.5
SEVENTH DISTRICT .....	+0.3	+5.8

Current trend in farmland values based on opinions of country banks as reported July 1, 1968

Percent of banks reporting is:

TOP: Up  
 CENTER: Stable  
 BOTTOM: Down



	Up	Stable	Down
Illinois .....	21	68	9
Indiana .....	27	60	11
Iowa .....	26	69	5
Michigan .....	53	44	2
Wisconsin .....	67	33	0
SEVENTH DISTRICT .....	35	58	6

\*Insufficient number reporting.