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Federal Reserve Bank of Chicago - -

April 18, 1969

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# Agricultural Letter



Number 1009

**FARMLAND PRICES** continued to edge upward in the Seventh Federal Reserve District during the first quarter. According to a survey of country bankers, the average value of "good" farmland rose about 1 percent—3 percent since April 1968. Prices were still weak in most areas of the Corn Belt states with some areas reporting declines. But prices were strong in the southeastern parts of Wisconsin and Michigan. (See back of Letter.)

Bankers were still uncertain about the future of land prices. While most of those responding to the survey still view the trend as stable or upward, an increasing proportion foresee lower prices ahead. About 14 percent expect prices to turn downward—nearly twice the proportion expressing that view at the beginning of the year.

**Fewer Farm Sales Indicated**

	Up		Down		Stable	
	1968	1969	1968	1969	1968	1969
	<i>(Percent banks reporting)</i>					
Illinois	29	19	4	23	67	58
Indiana	38	35	10	17	52	48
Iowa	19	14	18	24	62	61
Michigan	46	30	6	11	48	60
Wisconsin	57	47	4	10	39	43
Seventh District	36	26	8	19	56	55

Expectations varied with the area, however. The greatest proportion of bankers expecting declines were in the cash-grain areas of the Corn Belt states. Nearly 29 percent of the respondents from Illinois, for example, foresaw further declines. By contrast, no Wisconsin banker expected lower land prices.

This difference in views reflects, at least in part, differences in the types of agriculture predominate in areas the bankers serve and prospects for the farm economy in those areas. Crop prices have been at relatively low levels for several months, resulting in reduced income to most cash-grain operators. Crop receipts of farmers in the district states were 3 percent less in 1968 than in 1967. During January they were 22 percent less than during the same month a year before. Livestock receipts, on the other hand, were about 5 percent higher in 1968 than in 1967. So far in 1969, they have averaged about 8 percent higher than last year.

The continued difficulty of many farmers in obtaining acceptable financing terms also may account for bankers expecting further softening in land prices. The effect of credit accessibility apparently also varied by area, because of different

state usury laws. Three district states—Illinois, Iowa, and Michigan—have interest-rate ceilings of 7 percent. (Legislation pending would boost these rates.) More than half the bankers in Michigan and Iowa and more than a third in Illinois indicated that interest ceilings have restricted the availability of funds to qualified farm borrowers in their areas.

The number of farms offered for sale in the district states has declined slightly in the past 12 months. In each state, more bankers reported declines in land sales than a year before. For the district as a whole, nearly a fifth of the bankers indicated declines, compared with only 8 percent a year ago.

**Farm Operators Purchase Most Farms**

	Farm operators		Other purchasers		
	Tenants	Owners	Within area	Outside area	Unknown
	<i>(Percent of purchases)</i>				
Illinois	10	61	12	13	4
Indiana	13	66	12	8	1
Iowa	22	66	8	4	0
Michigan	6	54	15	20	5
Wisconsin	17	49	10	23	3
Seventh District	14	61	11	12	2

Most of the farmland sold continued to be bought by farm operators, but purchases by nonfarmers increased sharply in some areas. Bankers in Michigan and Wisconsin reported increased activity from nonfarm investors, which could help explain the continued strong rise in land prices in those areas. Because farming is seldom the primary source of income to these buyers, they are probably interested more in location relative to off-farm employment and the amenities of rural living than in income from farming.

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Percent change in dollar value of "good" farms

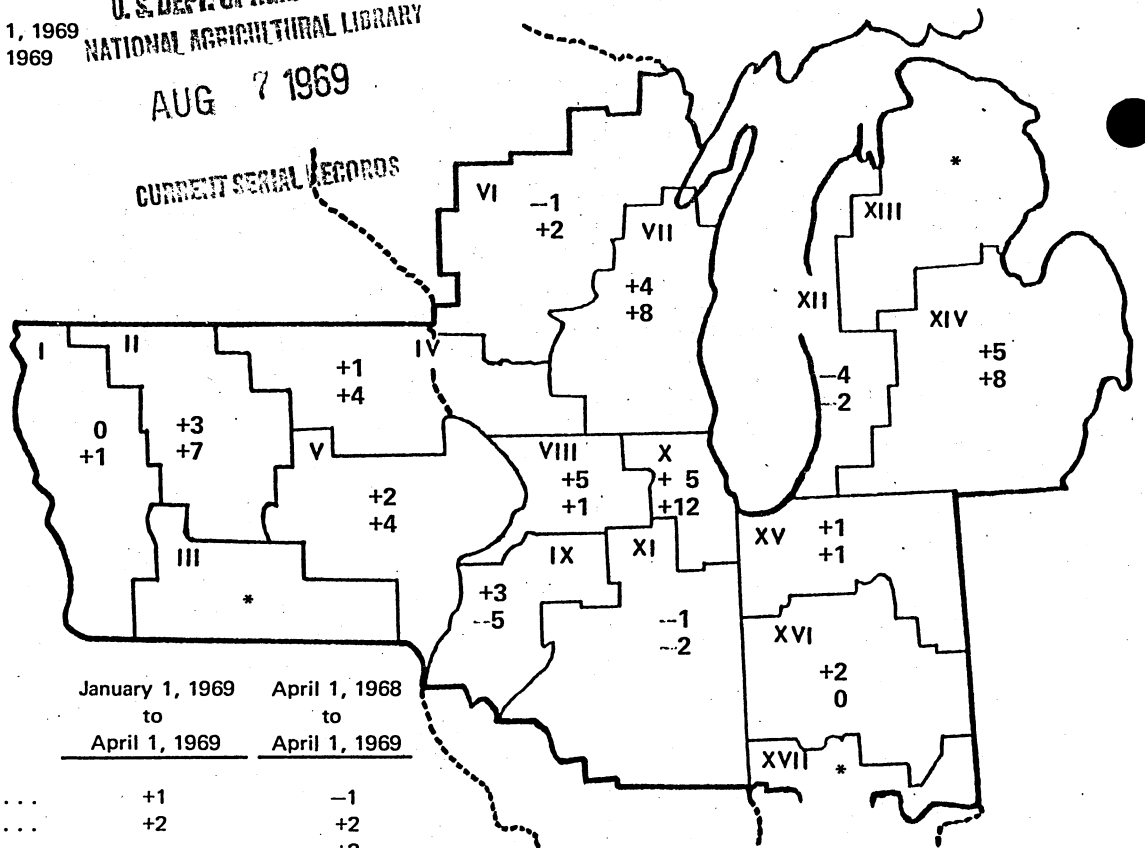
TOP: January 1, 1969 to April 1, 1969  
 BOTTOM: April 1, 1968 to April 1, 1969

U. S. DEPT. OF AGRICULTURE  
 NATIONAL AGRICULTURAL LIBRARY

AUG 7 1969

(Based on reports of identical banks)

CURRENT SERIAL RECORDS



January 1, 1969 to April 1, 1969  
 April 1, 1968 to April 1, 1969

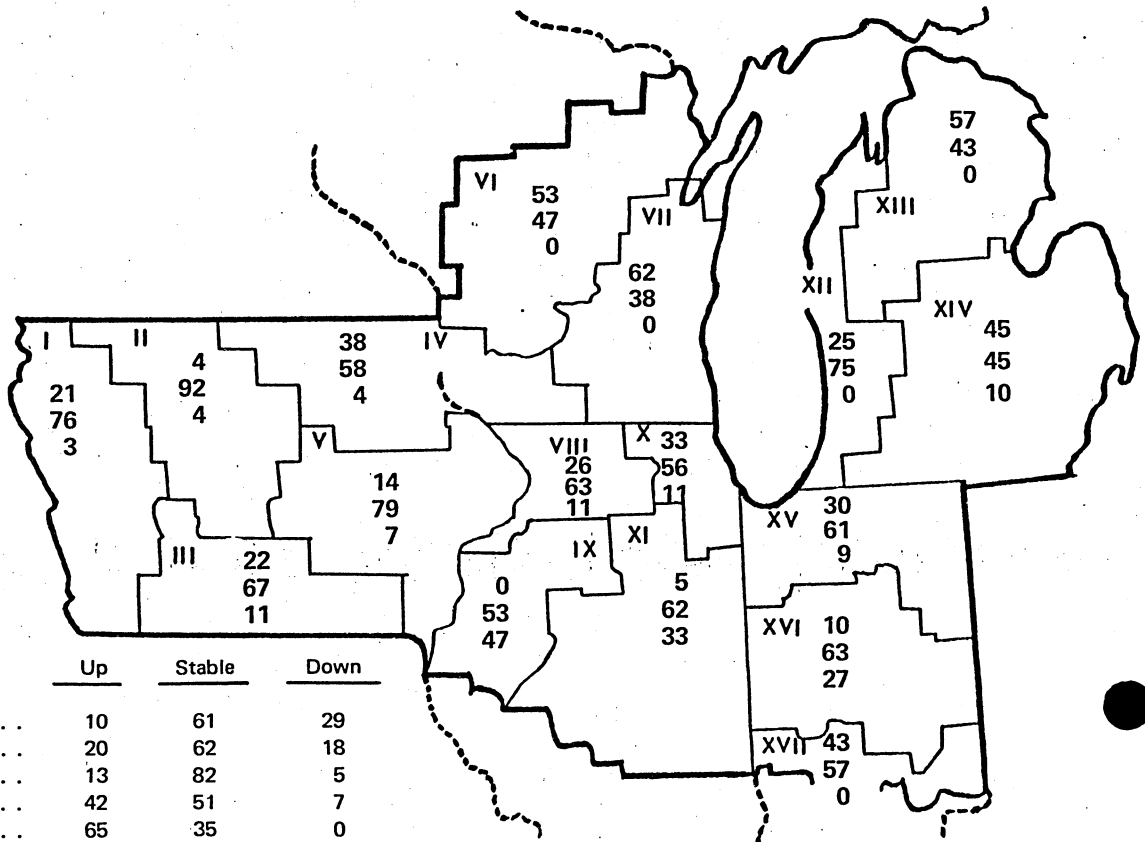
Illinois	+1	-1
Indiana	+2	+2
Iowa	-	+2
Michigan	+2	+7
Wisconsin	+2	+6
SEVENTH DISTRICT	+1	+3

\*insufficient number reporting

Current trend in farmland values based on opinions of country banks as reported April 1, 1969

Percent of banks reporting is:

TOP: Up  
 CENTER: Stable  
 BOTTOM: Down



	Up	Stable	Down
Illinois	10	61	29
Indiana	20	62	18
Iowa	13	82	5
Michigan	42	51	7
Wisconsin	65	35	0
SEVENTH DISTRICT	24	62	14