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Federal Reserve Bank of Chicago - -

October 19, 1956

# Agricultural Letter

Number 375

Farm land values increased during the past year in most Midwest areas according to current reports from country bankers. Most of the rise has taken place during the past six months, as similar reports last winter and spring indicated that farm land values had stabilized or were edging down in many areas.

In the Corn Belt the recent rise is centered in the cash grain areas of east central Illinois and in other areas where record crops are being harvested. In the central Illinois area two-fifths of the reporting bankers indicated that the current trend in farm land values is upward and the remaining 60 per cent reported no change.

"Excellent 1956 harvests of corn and soybeans" were frequently mentioned as causing the increase along with the improved cattle and hog prices. The \$1.25 per bushel price support on corn for those who did not plant within their allotments also appears to be an important factor in farmers' expectations of substantially higher incomes than a year ago when prices dropped to around \$1 at harvesttime.

Largely due to continued drought, a further decline in land values was reported in western Iowa.

The increase in land values in Michigan, and to a

lesser extent in Wisconsin and northern Indiana, is traced largely to the demand for land by part-time farmers and for urban and industrial development. However, in both Michigan and Wisconsin many bankers reported that higher milk prices and better crops than a year ago have strengthened the financial position of farmers.

Farm transfers continue at a low volume according to reports from bankers, making it difficult to judge market values, particularly in areas where a large portion of the purchases are for nonfarm use. In all areas purchases to enlarge existing holdings are an important factor in the market. These sales usually command a relatively high price. The demand for land for this purpose will probably remain active as farmers continue their efforts to expand output and reduce costs.

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