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Federal Reserve Bank of Chicago - -

July 18, 1969

Agricultural Letter



Number 1022

GOOD FARMLAND has continued to increase in average value in the Seventh District, according to our most recent survey of country bankers, but declines are reported with increasing frequency. Six of the 17 reporting areas showed lower values at midyear than in March and 3 of the 17 areas reported lower values than a year ago. (See back of Letter)

The spreading softness in the farmland prices apparently reflects the tight credit conditions and the lower income from crops. Cash receipts from the sale of crops January through April averaged about 7 percent lower than a year earlier in the district states. Also, new loans on farmland by institutional lenders other than banks continued to decline during the first quarter and were 11 percent below the first quarter last year. Interest rates on farm mortgage loans averaged one-half to three-fourths of a percent above those of a year earlier.

Most bankers foresee fairly stable land values in the district states. However, a sizable number of bankers in Wisconsin and (to a lesser degree) in Michigan expect some further rise in price of farmland. This probably reflects the greater dominance of livestock farming in these states and the continued strong demand from nonfarm investors for land in many areas of the Lake states.

Crop production this year appears likely to fall short of the record outpouring in 1968. Crop conditions are rated about equal to last year, according to the most recent report by the Department of Agriculture, but farmers have sharply curtailed the acreage planted of some of the major crops.

Good to excellent crop conditions prevail throughout most of the Corn Belt, but development of major crops is behind normal. Cool, wet spring weather delayed planting, while unusually low temperatures in June further delayed crop progress in many midwestern areas.

Late-season frosts caused scattered damage to crops on the northern fringes of the Corn Belt. Cold temperatures coupled with dry conditions across the northern Great Plains dimmed prospects in that area, while dry weather and high temperatures caused crops to deteriorate rapidly in the Gulf states. More recently, heavy rains have caused flooding in some areas in the Midwest.

Only about 300 million acres were planted to the nation's principal crops—about 6.8 million less than a year ago. Except for 1966 and 1962, that is the smallest acreage planted since the Department of Agriculture began making such estimates in 1909. Changes in the 1969 Feed Grain and Wheat programs, along with relatively low prices during planting, were largely responsible for the smaller acreage this year.

Acreage planted to food grains dropped 12 percent and acreage of feed grain was down 1 percent, while acreage of oilseed crops increased 4 percent.

Soybean acreage rose 2 percent to a record 42.4 million acres—the ninth consecutive year of increase. This was in the face of prospects for sharply lower prices for soybeans. Earlier this year, the Secretary of Agriculture dropped the support price level on soybeans from \$2.50 a bushel to \$2.25 a bushel. Prices have averaged about 2 to 3 cents a bushel below a year ago in recent weeks and November futures contracts are selling for about 30 cents a bushel under current prices. But, except for a few states in the western Corn Belt, farmers increased plantings in most major producing areas. Largest increases were again reported in the Delta area, mainly reflecting changes in the cotton program. Acreage in Illinois, the perennial leader in soybean production, was up about 1 percent. This increase may reflect some shift from corn to soybeans because of the inability to plant corn at the usual date because of excessive rain in the spring. While no official estimate on probable production will be available until mid-August, the crop is reported to be behind normal in the Midwest and suffering from dry conditions in the south-central area. Nevertheless, because of the expanded acreage and the large carry-over of beans from last year, the supply is likely to continue to exceed domestic consumption and exports.

Corn production is now projected at 4.3 billion bushels—2 percent under last year and 10 percent short of the record 1967 crop. The decrease reflects both smaller acreage planted—down 2 percent—and a slightly lower expected yield. Acreage planted to corn is down in each of the district states, reflecting the record participation in the government's feed grain program by district farmers.

The indicated corn production would be around 7 percent below projected needs for the coming year and would therefore cause some decline in government stocks. The recent very low wheat prices are likely to encourage substantially heavier feeding of wheat and that would moderate the overall demand for corn.

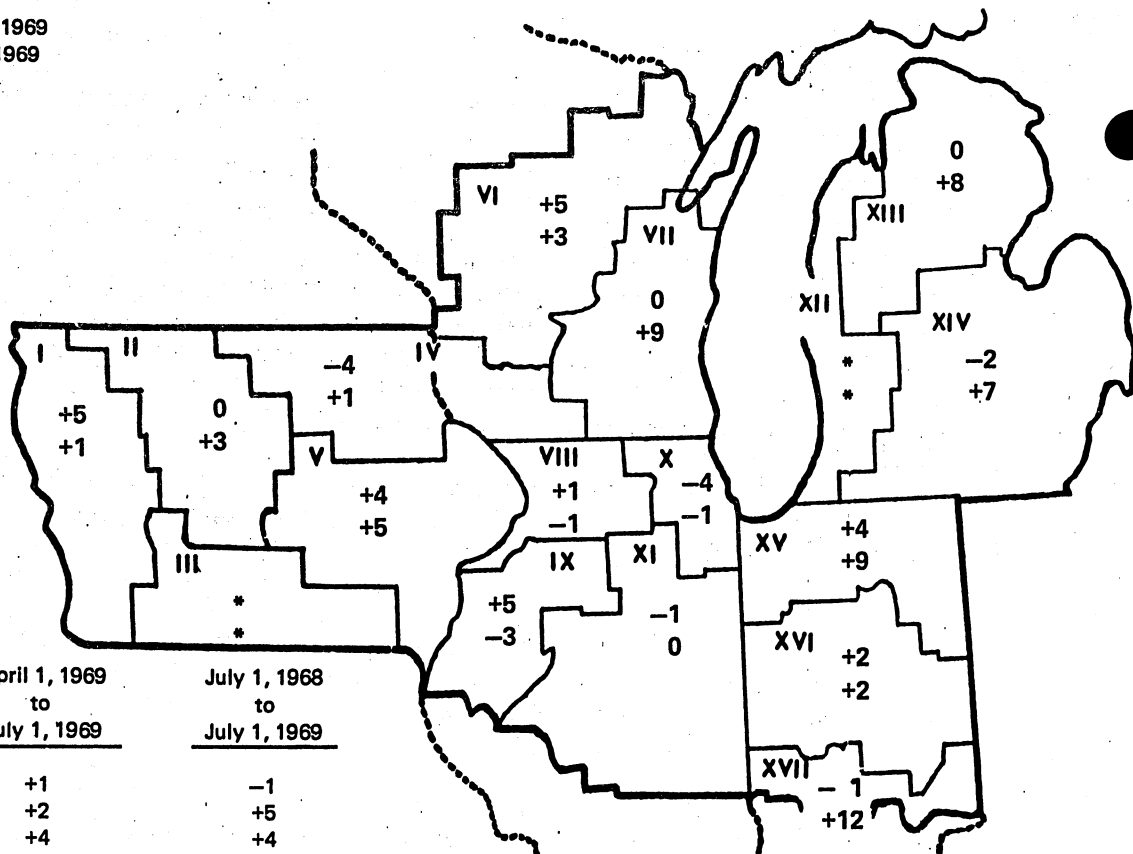
Roby L. Sloan
Agricultural Economist

Percent change in dollar value of "good" farms

TOP: April 1, 1969 to July 1, 1969

BOTTOM: July 1, 1968 to July 1, 1969

(Based on reports of identical banks)



Illinois	+1	-1
Indiana	+2	+5
Iowa	+4	+4
Michigan	-	+9
Wisconsin	+1	+6
SEVENTH DISTRICT	+2	+4

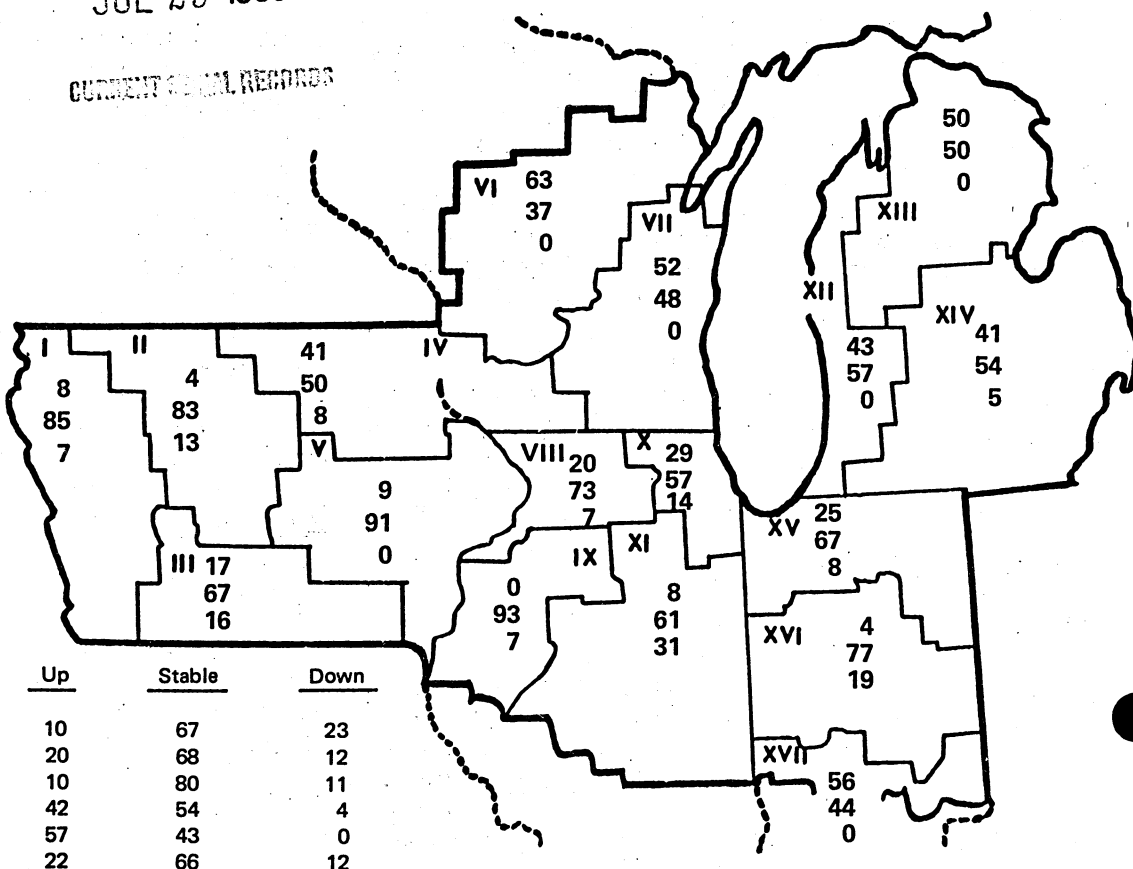
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*Insufficient number reporting

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JUL 25 1969

CURRENT CENSUS RECORDS



Illinois	10	67	23
Indiana	20	68	12
Iowa	10	80	11
Michigan	42	54	4
Wisconsin	57	43	0
SEVENTH DISTRICT	22	66	12