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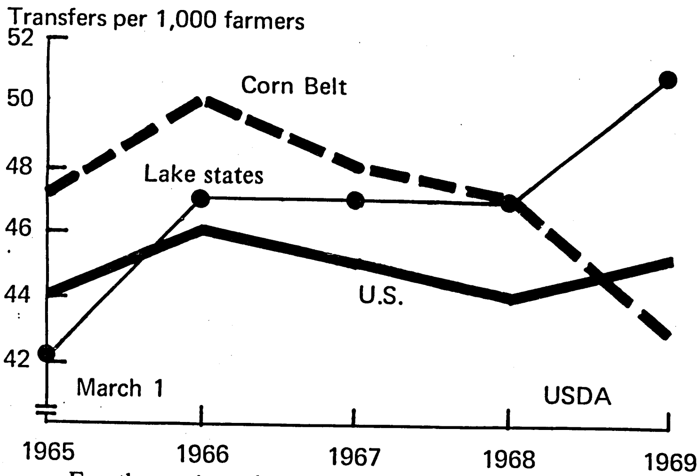
FARM REAL ESTATE MARKET ACTIVITY in the Corn Belt has slowed sharply, according to recent Department of Agriculture reports. During the year ended March 31, the number of sales per thousand farms in the Corn Belt dropped more than 9 percent from the comparable period a year earlier.

In the Seventh District states, Indiana had the greatest drop in farm real estate transactions. The number per thousand farms was down to 44 from 51 in the comparable period in 1968. In Illinois, sales per thousand farms fell from 43 to 40 and the farm transfers in Iowa declined to 41 from 43 per thousand. In 1968, sales activity in these two states had already fallen to historically low levels.

In contrast to the decline in farm real estate transfers in the Corn Belt states, activity in Michigan and Wisconsin was especially brisk. Sales per thousand farms in Michigan jumped from 37 to 46 and in Wisconsin from 51 to 59.

Sales Activity Slows in Corn Belt



For the nation, the rate of transfers has remained fairly stable over the past several years. Total transfers have declined, of course, as the number of farmers became fewer. Since 1960, the total number of sales has dropped from about 169,000 to 122,000.

The divergent rates of farm transfers apparently reflect to a large extent the different types farming in the two regions as well as different impacts of the recent tight money situation.

In the Corn Belt, although pressures for farm enlargement are still present, buyer enthusiasm has been dampened by the relatively low grain prices of the past two years. Cash receipts from crops, principally corn and soybeans, in Illinois, Indiana, and Iowa in the past two years have averaged about 3 percent or $80 million less than in 1966. This reflects both lower prices and a greater participation in the feed grain program. At the same time, farm operating costs and family living expenses have been increasing at about 4 percent annually.

Incomes of farmers in the Lake states, on the other hand, have improved. In 1968, higher prices for dairy products and fruits and vegetables boosted cash receipts in Michigan and Wisconsin nearly 3 percent or about $54 million above a year earlier. Cash receipts in these states have continued to average about 3 percent ahead of a year ago. These higher returns have probably encouraged farm expansion and enabled more Lake state farmers to participate in the farm real estate market.

Farmers' difficulties in obtaining mortgage funds on acceptable terms in the currently tight credit market also probably contributed to the slowing in real estate transfers. New farm mortgage money extended by major institutional lenders during 1968 was more than 8 percent less than the year before primarily because of sharp cutbacks in farm lending by life insurance companies. Interest rates on farm mortgages have risen sharply. As of March 31, 1969, life insurance companies were charging nearly 8 percent on new loans compared to about 7 percent a year earlier. The typical Federal Land Bank rate increased from a range of 6 to 6.75 percent to a range of 7 to 7.5 percent in the same period. Currently life insurance companies are charging around 8 percent and all but two of the twelve Federal Land Banks are at 8.5 percent.

The recent tight credit conditions probably have less impact on the demand for land in the Lake states than in the Corn Belt because of the greater role seller financing plays in the dairy regions. In 1968, sellers in these states extended credit to over three-fifths of the purchasers. Less than half the credit sales of farmland were financed by sellers in the Corn Belt.

Almost twice as many farmland transfers in the Corn Belt for the year ended March 1 were estate settlements—20 percent compared to 11 percent in the Lake states. In estate settlements, the full amount of the purchase price is usually required at the time of sale. In addition, bankers in Wisconsin and Michigan report a strong demand from nonfarmers for small part-time farms and for land for recreational purposes.

Finally, because farms are smaller and land values are lower in the dairy regions of Wisconsin and Michigan than in the cash grain areas of the Corn Belt, less credit is required per transaction. In 1968, the average farm real estate loan in the Lake states was about two-thirds the size of an average loan in the Corn Belt. This was true despite the fact that over two-fifths of farmland transfers in the Lake states involve whole farms compared to a fourth in the Corn Belt.

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