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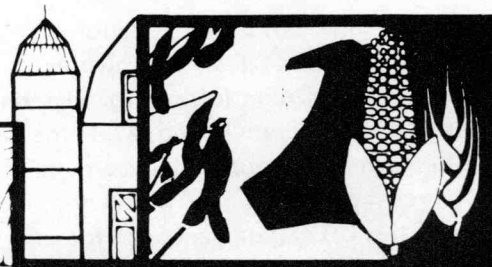
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LETTER

THE OWNERSHIP OF FARMLAND and the characteristics of farmland owners are issues that have received increasing interest with the recent downtrend in farmland values. Numerous aspects of farmland ownership are undocumented. Yet, considerable insight is available from a 1978 nationwide survey of land ownership by the U.S. Department of Agriculture. As summarized in a staff report entitled "*Who Owns the Land? A Preliminary Report for the North Central States*," the survey found that most farmland is owned by individuals or jointly by husbands and wives. By occupation, however, the survey found that farmers own only about half the farmland. While a significant portion of the land holdings at the time of the survey had been acquired in the 1970s, the bulk of the holdings were acquired in earlier decades. These findings add an important dimension to the understanding of the current financial stress facing farmers, particularly that which stems from the downtrend in farmland values.

The report summarizes the overall results for the United States (excluding Alaska) and provides additional geographical breakdowns for three areas within the 12 North Central States. The Lake area encompasses the Seventh District states of Michigan and Wisconsin, as well as Minnesota. The Corn Belt area encompasses the Seventh District states of Illinois, Indiana, and Iowa, as well as Missouri and Ohio. The report concentrates on the ownership of all privately held land, although it also provides some detail on farm and ranch land. Farm and ranch land accounts for about 80 percent of the 430 million acres of privately held land in the North Central States.

Most farm and ranch land is owned by sole proprietors or jointly by husbands and wives. Nationwide, these types of ownership account for about 71 percent of all privately owned farm and ranch land. Ownership of an additional 19 percent of the land is held by family corporations and partnerships. Nonfamily corporations and

partnerships own another 6 percent, while ownership of the remaining 4 percent of the farm and ranch land is of various miscellaneous types.

In the North Central States, sole proprietorship and joint husband/wife ownership account for an even larger share of the privately held farm and ranch land. These types of ownership account for 82 percent of the farmland in the Corn Belt and 88 percent of the farmland in the three Lake States. Family corporations and partnerships own roughly a tenth of the farmland in both areas, while nonfamily corporations and partnerships own about 2 percent in both areas.

While most privately held land is owned by individuals or families, the occupations of landowners show more variation. According to the 1978 survey, farmers—including farm managers and farm laborers—own about 55 percent of all privately held farm and ranch land nationwide, excluding that owned by corporations and large partnerships. Owners employed in white or blue collar occupations account for more than a fifth of the farm and ranch land, while owners retired from active employment account for an additional one-sixth of the land. The remaining 10 percent of the land was about evenly distributed among owners employed in some other occupation or who gave no occupational response when surveyed.

In the Lake States, the proportion of the farmland owned by those employed in farming slightly exceeded the national average of 55 percent. But in the Corn Belt, the share of the farmland owned by farmers was noticeably lower at 45 percent. In both areas, the share of the farmland owned by entities employed in white and blue collar occupations nominally exceeded the nationwide average of 21 percent. Farmland owners retired from active employment accounted for an additional 15 percent of the land in the Lake States and 21 percent of the farmland in the Corn Belt.

Land ownership tends to be highly concentrated among large landholders nationwide, but less so in the North Central States. Nationwide, the largest 1 percent of the landowners account for 30 percent of all privately held farm and ranch land, while the largest 5 percent of the owners account for over half. In comparison, the largest 1 percent of the landowners in both the Corn Belt and the Lake States account for only 8 percent of the farmland, while the largest 5 percent of the owners account for only 25 percent.

The owners of land tend to be older. Nationwide, the owners of over half of all privately owned land, excluding that held by corporations and large partnerships, are 55 years of age or more. Landowners less than 35 years old account for only 5 percent of the land. The proportions in the Corn Belt and Lake States were roughly comparable to the national averages, although younger landowners did account for a slightly larger share in the Lake States.

A significant share of the land has been held by its present owners for several years. The ownership of about 40 percent of all privately held land at the time of the 1978 survey had been established prior to the beginning of the 1960s. About 25 percent was acquired in the 1960s and another 25 percent was acquired in the 1970-

78 period. Ten percent of the land was not identified as to the time of acquisition. In the Corn Belt and Lake States, the distribution of all land by period of acquisition roughly paralleled that for the nation, although the proportion of the land acquired in the 1970-78 period was slightly higher.

In conjunction with the current downtrend in farmland values, the 1978 survey of land ownership provides insight on the financial stress in agriculture. For instance, the distribution of farmland by owner occupation suggests that nonfarmers are affected as much as farmers by the equity losses accruing in the current downtrend in land values. The same was true in terms of equity gains when land values surged in the 1970s. Moreover, the length of time that land had been held by the owners in 1978 suggests that, despite the recent declines in land values, most landowners still own land that is considerably higher in value than when it was purchased. In conjunction with the tripling in farmland values in the 1970s, this evidence provides support to those who argue that, despite the recent trends, a large share of the assets employed in agriculture are held in financially strong hands.

Gary L. Benjamin

PRICES RECEIVED BY FARMERS have held at low levels throughout the year. As of mid-October, the index of prices received by farmers was 1 percent below the depressed year-earlier level and the lowest for that month since 1979. While the rise in prices paid by farmers has slowed significantly this year, prices of production inputs purchased by farmers in October were up 1 percent from a year ago and 16 percent from 1979. These contrasting trends in prices received and paid by farmers account for much of the sharp erosion in farm earnings since 1979.

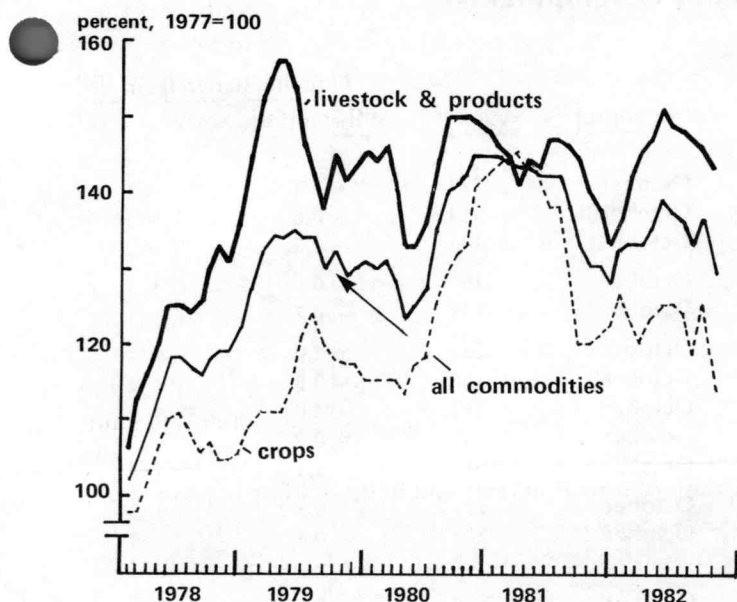
Prices received by farmers for all farm commodities showed a moderate gain through spring, then began to erode. However, these changes in the overall index mask divergent trends in crop and livestock prices evident through most of this year. The index of all crop prices held fairly steady through the first half and then tailed off sharply this fall, due mainly to plummeting grain and oilseed prices. The index of all crop prices as of mid-October was down 5 percent from the year before. Corn prices received by farmers in mid-October averaged about \$2 a bushel, down 17 percent from a year ago

and the lowest since late 1978. Soybean prices in October averaged close to \$5 a bushel, also down 17 percent from a year ago and the lowest in over six years.

Prices received for livestock and products followed a different pattern this year. Livestock prices rose sharply in the first half, reaching a three-year high in May. But subsequent declines pulled the index of prices received by farmers for all livestock and products in October to a level only 2 percent higher than the relatively low level of a year ago. Hog prices in October averaged \$57 per hundredweight, down from \$63 in August but up a fourth from a year ago. In contrast, steer and heifer prices averaged \$59 in October, down 2 percent from a year ago. Milk prices were down 1 percent from the year before.

Prices paid by farmers rose moderately during the first quarter, but have leveled off since then. In October the index of prices paid by farmers for production inputs was up only 1 percent from the year before. Trends in components of the overall index of prices paid, however, have varied widely. For instance, the index of

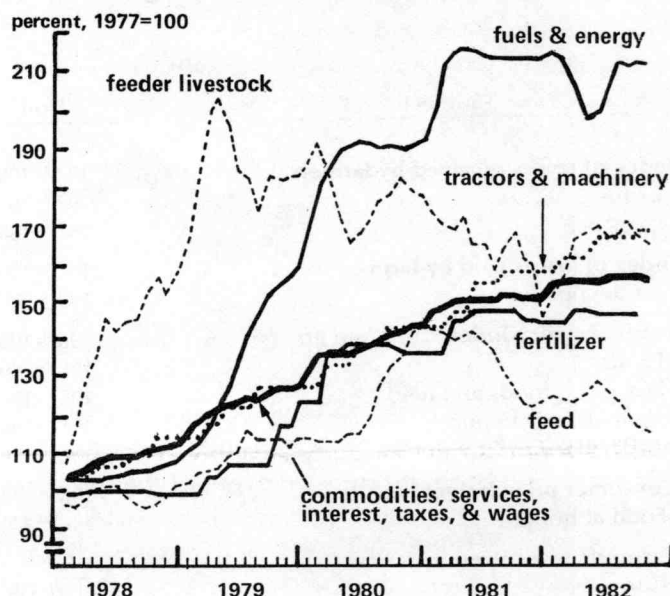
Trends in prices received by farmers



prices paid for feed in October was down nearly 7 percent from the year before, reflecting the abundant supplies of livestock feed. In contrast, prices paid for farm equipment and for autos and trucks were up 5 to 10 percent. Agricultural chemical prices were up about 7 percent but because of ample supplies and reduced consumption, prices paid by farmers for fertilizer were down 2 percent. Fuel and energy prices, which fell in the spring, have risen to near year-ago levels in recent months.

Trends in prices received by farmers so far this year suggest that net farm income may fall to the lower end of the \$17 to \$21 billion range now projected by the USDA. The USDA projects cash receipts from farm marketings of roughly \$142 billion, \$72 billion of which is attributable to crops and \$70 billion to livestock. Through the first 10 months of this year, crop prices averaged a tenth below year-earlier levels. To hold the decline in this year's crop receipts to the 3 to 4 percent now estimated by the USDA, the volume of crop marketings—including the net placement of crops under CCC loan—will have to rise 7 percent. Given the curtailed usage of major grains this year—domestically and in export markets—and farmers' tight holding of crops harvested in the fall, it is questionable whether crop receipts will be as high as projected. In addition, livestock prices have been weaker than expected this fall and, for the first 10 months of this year, averaged less than 1 percent higher than the year before. With the volume of livestock marketings down, it seems doubtful that the projected 2 percent rise in cash receipts from livestock marketings will be achieved this year.

Trends in prices paid by farmers



The outlook for prices received by farmers provides little reason to expect any near-term significant increases. Sluggish export demand and the extremely burdensome levels of grain supplies will hold the line on crop prices for some time. The USDA currently projects that corn prices in the 1982/83 marketing year will average about \$2.25 per bushel, down from \$2.45 per bushel last year. Soybean prices received by farmers may average \$5.50 per bushel in 1982/1983, well below the \$6.08 per bushel of the previous year. However, in the case of feed grains, a high level of participation in the 1983 feed grain program would help reestablish the CCC price support loan rate—\$2.65 per bushel—as a floor for feed grain prices later in 1983. This year, too few farmers were eligible for CCC loans to allow the price support loan rate to be an effective floor. Weather developments and other factors also will become more important for crop price trends in the next several months.

Hog prices are likely to hold at relatively favorable levels for the near term. But many analysts expect an upturn in hog production to get underway this winter. As a result, by the second half of 1983, hog prices may average below year-earlier levels. With red meat supplies lagging year-earlier levels, cattle prices are expected to rise from recent levels. But with consumer demand still sluggish, cattle prices may not exceed year-earlier levels at least in the first half of 1983. Milk prices, net of the 50 cent per hundredweight assessment that starts in December, will continue to lag year-earlier levels for the foreseeable future.

Jeffrey L. Miller

Selected agricultural economic developments

| Subject | Unit | Latest period | Value | Percent change from | |
|-------------------------------------------------|----------------|---------------|-------|---------------------|----------|
| | | | | Prior period | Year ago |
| Index of prices received by farmers | 1977=100 | October | 129 | - 5.1 | - 1 |
| Crops | 1977=100 | October | 114 | - 8.8 | - 5 |
| Livestock | 1977=100 | October | 143 | - 2.1 | + 2 |
| Index of prices paid by farmers | 1977=100 | October | 155 | - 0.6 | + 3 |
| Production items | 1977=100 | October | 149 | - 0.7 | + 1 |
| Producer price index* (finished goods) | 1967=100 | October | 284 | + 1.0 | + 4 |
| Foods | 1967=100 | October | 258 | - 0.8 | + 2 |
| Processed foods and feeds | 1967=100 | October | 251 | - 1.0 | + 2 |
| Agricultural chemicals | 1967=100 | October | 289 | - 0.2 | - 1 |
| Agricultural machinery and equipment | 1967=100 | October | 318 | + 1.3 | + 7 |
| Consumer price index** (all items) | 1967=100 | October | 294 | + 0.3 | + 5 |
| Food at home | 1967=100 | October | 279 | - 0.4 | + 3 |
| Cash prices received by farmers | | | | | |
| Corn | dol. per bu. | October | 2.03 | - 5.6 | -17 |
| Soybeans | dol. per bu. | October | 5.03 | - 3.6 | -17 |
| Wheat | dol. per bu. | October | 3.35 | - 0.9 | -11 |
| Sorghum | dol. per cwt. | October | 3.72 | - 2.1 | - 5 |
| Oats | dol. per bu. | October | 1.34 | - 0.7 | -25 |
| Steers and heifers | dol. per cwt. | October | 59.00 | - 1.7 | - 2 |
| Hogs | dol. per cwt. | October | 56.50 | - 8.0 | +26 |
| Milk, all sold to plants | dol. per cwt. | October | 13.80 | + 2.2 | - 1 |
| Broilers | cents per lb. | October | 25.1 | - 7.4 | - 3 |
| Eggs | cents per doz. | October | 58.1 | + 2.3 | - 9 |
| Income (seasonally adjusted annual rate) | | | | | |
| Cash receipts from farm marketings | bil. dol. | 2nd Quarter | 144 | + 0.8 | + 1 |
| Net farm income | bil. dol. | 2nd Quarter | 18 | - 4.3 | -24 |
| Nonagricultural personal income | bil. dol. | October | 2,573 | + 0.7 | + 6 |

*Formerly called wholesale price index.

**For all urban consumers.

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