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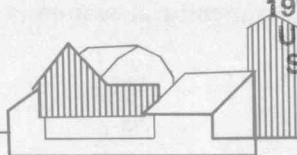
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Farmland values

Farmland values over most of the Seventh Federal Reserve District continued to edge upward this winter. Our April 1 survey of 400 agricultural bankers indicated that District farmland values, on average, were up 1 percent from three months earlier and up 2 percent from a year ago. The first-quarter rise, although modest, marked a pick-up from the quarterly rates of gain during most of last year. However, the bulk of the bankers believe that land values will stabilize again during the spring quarter.

Bankers from four of the five District states noted a first-quarter rise in farmland values. Those from the District portions of both Illinois and Indiana reported a first-quarter gain of 2 percent while the bankers from Iowa and Michigan reported a rise of 1 percent. For both Indiana and Michigan, the first-quarter rise marked an upturn from the declines that had been reported last fall. Farmland values in Wisconsin were unchanged in the first quarter, extending the pattern of sluggish trends reported for that state since mid 1990. The comments of Wisconsin bankers reflect a particular concern about the influence on land values from the sharp downturn in milk prices.

The changes in cash rental rates on farmland in District states since last year closely approximated the change in the market value of the land. The bankers from Illinois, Indiana, and Iowa reported that cash rental rates on good farmland in those states are up 3 to 4 percent this year. In contrast, the average cash rental rate reported for Michigan was unchanged from a year ago while that for

Wisconsin was down 1 percent. To the extent that cash rental rates parallel changes in land values, and depending on the rental arrangements utilized, rising land values can quickly translate into higher production costs for many farm operators. The 1987 Census of Agriculture indicated that the share of farmland operated by someone other than the landowner in District states ranged from 26 percent in Wisconsin to 60 percent in Illinois. For the five states combined, the share was 48 percent. Cash-rent and crop-share arrangements are the most prevalent forms of renting and/or leasing farmland. Our most recent survey of bankers found that cash rental arrangements were most common in Michigan and Wisconsin, accounting for 66 and 82 percent, respectively, of all farmland leased or rented. In contrast, crop-share arrangements account for 62 percent of all farmland leased or rented in Illinois.

The activity in the farm real estate market during the fall and winter months apparently was little changed from the year-earlier level. A majority of the bankers from each District state noted that the acreage associated with farm real estate transactions during the fall and winter months was unchanged from last year. Of the remaining bankers, those noting an increase in the amount of acreage sold in recent months slightly exceeded the share noting a decline. This pattern held for all District states except Iowa where the share of bankers noting a decline in the amount of farmland sold slightly exceeded the portion noting a rise. On balance the responses of the bankers from Illinois, Iowa, and Michigan indicated that farmers acquired a slightly larger share of the farmland transferred in recent months. In contrast, the responses from Indiana and Wisconsin noted a slight pick-up in the acreage acquired by nonfarmers in recent months.

The bulk of the bankers in all District states believe that the trend in farmland values will level-off during the spring quarter. Overall, 82 percent of the respondents expect land values will be unchanged this spring while 11 percent foresee further gains and 7 percent anticipate a decline. The proportion of bankers expecting an uptrend was highest in Illinois and Indiana (15 percent) and lowest in Michigan and Wisconsin (5 percent). In general, the small proportion expecting an uptrend implies that bankers remain somewhat apprehensive about the strength of the farmland market.

Recent trends in value and cash rental rates for District farmland

	% change in land values		% change in cash rents*
	First quarter	Year ending March 31	
Illinois	2	4	4
Indiana	2	3	3
Iowa	1	3	4
Michigan	1	0	0
Wisconsin	0	-1	-1
District average	1	2	2

*From last year.

Gary L. Benjamin

Selected agricultural economic indicators

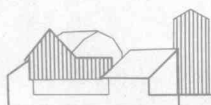
	Latest period	Value	Percent change from		
			Prior period	Year ago	Two years ago
Prices received by farmers (1977=100)	April	149	0.0	-1	1
Crops (1977=100)	April	131	2.3	0	-7
Corn (\$ per bu.)	April	2.44	2.1	-3	-5
Oats (\$ per bu.)	April	1.17	0.9	-19	-48
Soybeans (\$ per bu.)	April	5.76	0.0	-1	-21
Wheat (\$ per bu.)	April	2.63	4.0	-25	-35
Livestock and products (1977=100)	April	166	-1.8	-2	7
Barrows and gilts (\$ per cwt.)	April	50.90	-1.7	-6	36
Steers and heifers (\$ per cwt.)	April	82.30	-0.2	4	9
Milk (\$ per cwt.)	April	11.30	-0.9	-16	-9
Eggs (¢ per doz.)	April	65.1	-19.1	-9	-2
Prices paid by farmers (1977=100)	April	190	1.1*	4	7
Production items	April	175	1.2*	3	5
Feed	April	126	1.6*	-2	-10
Feeder livestock	April	223	3.2*	5	21
Fuels and energy	April	198	-9.6*	5	8
Producer prices (1982=100)	March	121	-0.5	3	8
Agricultural machinery and equipment	March	123	0.1	2	6
Fertilizer materials	March	101	-0.1	8	-11
Agricultural chemicals	March	125	0.5	5	9
Consumer prices (1982-84=100)	March	135	0.1	5	10
Food	March	136	0.2	3	10
Production or stocks					
Corn stocks (mil. bu.)	March 1	4,789	N.A.	0	-8
Soybeans stocks (mil. bu.)	March 1	1,190	N.A.	13	34
Beef production (bil. lbs.)	March	1.72	1.5	-8	-9
Pork production (bil. lbs.)	March	1.30	8.1	-2	-5
Milk production (bil. lbs.)*	March	11.1	11.9	1	3

N.A. Not applicable.

*Prior period is three months earlier.

**21 selected states.

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AGRICULTURAL LETTER

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