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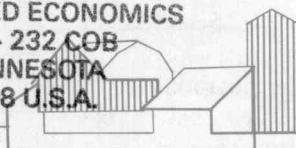
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### Farmland values continue to rise

Survey responses from about 450 agricultural bankers in the Seventh Federal Reserve District suggest that farmland values continued to rise during the early months of 1990. The respondents indicated that farmland values rose an average of 2.7 percent across the five state region during the three months ending in March. That marks the twelfth consecutive quarterly rise recorded by the survey, and places land values about a third higher than the low recorded in early 1987. The continued strength in farmland values reflects a strong pace of transactions during the last six months and further gains in farmland rental rates across most of the District.

Although farmland values recorded another rise for the District as a whole, the individual states continue to exhibit considerable variation in the rate of change in land values. Bankers' from the District portions of Wisconsin and Indiana continue to indicate volatile farmland markets. After recording a drop of almost 2 percent during the final months of 1989, the responses from Wisconsin bankers point to a quarterly gain of more than 2 percent during the first three months of 1990. In contrast, Indiana bankers indicated essentially no change in land values during the first quarter, following a sharp rise at the end of 1989. Bankers in Illinois reported a quarterly increase of just over 2 percent, while respondents in both Iowa and Michigan indicated that farmland values had risen about 4 percent from the previous quarter.

The pace of farm real estate transactions across the District remains high. About 46 percent of the survey respondents indicated that the number of farms sold in their areas during the previous six months was above the level of the comparable period of a year earlier. Only about 13 percent of the agricultural bankers noted that the number of farms selling in their area had declined, while the remaining 41 percent of the respondents reported that the pace of farmland transactions was unchanged from the relatively high year-ago level. The responses of bankers from individual states were mostly similar to the District average. However, Wisconsin bankers' responses indicated a somewhat stronger increase in farmland transactions than was the case for the rest of the District states.

Along with the number of farms sold, the total acreage involved in transactions appears to be up as well. More than a third of the bankers indicated that the acreage of all units sold in their areas during the previous six months was higher than the same period a year earlier, while half the respondents reported no change from a year ago. The remaining 13 percent of the bankers noted a year-to-year decline in the total acreage involved in farm sales in their areas.

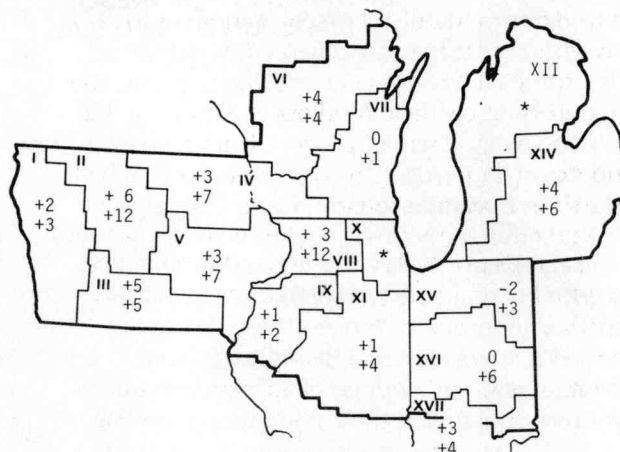
The bankers' responses suggest that farmers continue to account for most of the pick up in land buying activity in the District. About a fourth of the bankers indicated that farmers accounted for a larger proportion of the total acreage sold in their areas than a year earlier, while 65 percent said the proportion accounted for by farmers was unchanged. Only 10 percent of the survey respondents indicated farmers accounted for a shrinking proportion of the total acreage involved in farmland transactions.

The downtrend that characterized farm real estate loan rates at District agricultural banks through most of 1989 continued through the early months of this year. At the end of the first quarter, the average of the reported rates stood at 11.07 percent, down slightly from the year-end level. However, interest rates charged by District agricultural banks on farm real estate loans averaged more than 60 basis points below the year-earlier level. Iowa banks reported the lowest average rate at 10.8 percent, followed closely by the 11 percent average charge by Wisconsin agricultural banks on farm mortgages. Illinois and Indiana bankers reported slightly higher rates of about 11.2 and 11.3 percent, respectively. Michigan agricultural bankers reported the highest average rate on farm mortgage of 11.6 percent.

Cash rental rates on District farmland, after steep declines in the mid 1980s, have trended higher for the last few years. Bankers responding to the most recent survey indicated that cash rental rates for 1990 average about 2.3 percent higher than last year. However, somewhat stronger gains in most of the District states were partially offset by virtually no change in cash rental rates in Iowa. Last year, Iowa agricultural bankers reported the strongest increase in cash rents among the District states. Respondents in Illinois, Indiana, and Michigan all reported increases in cash rental rates of about 3.5 percent compared to 1989

# Percent change in dollar value of "good" farmland

Top: January 1, 1990 to April 1, 1990  
Bottom: April 1, 1989 to April 1, 1990



\*Insufficient response.

levels. Wisconsin bankers reported the strongest gain in cash rents with the average for 1990 almost 6 percent higher than last year.

Although rental arrangements are about evenly divided between cash rent and crop share or bushel arrangements across the District, there is considerable variation in practices across the District states. Cash rent is the predominant arrangement in Wisconsin where 80 percent of the acreage operated by someone other than the owner is rented on a cash basis and in Michigan where two-thirds of rental arrangements are for cash. In contrast, the typical arrangement in Illinois is crop share or bushel rents, with about two-thirds of the acreage operated by nonowners falling into this category. Rental arrangements in Indiana and Iowa are more evenly divided between cash rents and other forms of rental arrangements such as crop share or bushel rents.

District agricultural bankers remain optimistic regarding the trend in farmland values during the second quarter. A majority of almost 71 percent expect farmland values to remain stable during the spring months. Of the remainder, more than 27 percent expect the value of farmland in their areas to rise during the three months ending in June, while less than 2 percent foresee weakening farmland values.

Peter J. Heffernan

## Cattle in feedlots hold above year-ago levels

The USDA recently released the results of its latest quarterly survey of feedlots in the 13-major cattle

feeding states. The 13-major states account for about 85 percent of all cattle in feedlots nationwide. The survey indicated that the movement of cattle into feedlots continued strong during the first quarter while fed cattle marketings were comparatively low. As a result, the April 1 inventory of cattle on feed was up contraseasonally from three months earlier and up slightly from the 11-year high for that date set one year ago. With prospects for a large seasonal rise in marketings during the current quarter, fed cattle prices are likely to retreat from the record-high first quarter average.

Net placements of cattle in feedlots in the 13-major states approximated 5.7 million head during the first quarter. (Net placements represent the number of cattle placed on feed, less death losses and the number moved from one feedlot to another or onto pasture.) Although down 3 percent from the extraordinarily strong year-earlier pace, the first quarter net placement figure was otherwise the highest in at least 15 years and more than 10 percent above the first-quarter average for 1984-88. In addition to the strong movement of cattle into feedlots, the number of fed cattle marketed out of feedlots in the 13-major states during the first quarter was down 1.3 percent from a year ago and the lowest for that period since 1982.

The first quarter pattern in placements and marketings left the April 1 inventory of cattle in feedlots in the 13-major states at an estimated 10.1 million head. That marked a 1.5 percent rise from the high year-earlier level and was the highest April estimate in 12 years. Moreover, for the second consecutive year, it marked an unusual, contraseasonal rise from the January 1 inventory.



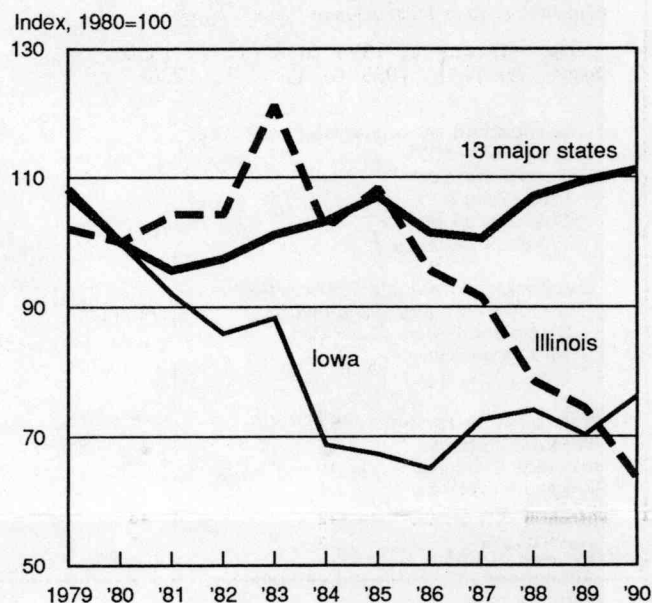
Feedlot activities in the two states of the Seventh Federal Reserve District covered by the 13-state survey continue to differ markedly. Feedlot operators in Illinois have been consistently scaling down their operations for the past several years. Reflecting this, the April 1 inventory of cattle in feedlots in Illinois, at 300 thousand head, was down 14 percent from a year earlier and down 41 percent from the last cyclical high for that date set five years ago. In Iowa, conversely, an upturn in feedlot activities in recent years has offset a portion of the sharp declines registered in the 1970s and early 1980s. Following strong placements during the fall and winter months, the April 1 inventory of cattle on feed in Iowa, at 1.02 million head, was up 8.5 percent from a year earlier and the highest for any quarterly survey taken since April 1983.

After lagging year-earlier levels for three consecutive quarters, marketings of fed cattle during the current quarter are expected to register an unusually large seasonal rise and slightly exceed the high year-earlier level. The marketing intentions of feedlot operators and the inventory of heavier-weight cattle on feed suggest that fed cattle marketings during the current quarter may be 9 to 10 percent higher than in the first quarter and 1 to 2 percent above the same period a year ago. However, year-over-year trends in total cattle slaughter, which was off 1 percent in the first quarter, are less certain.

Preliminary estimates show that all cattle slaughtered in federally inspected plants was down 5 percent during the first four weeks of April. Cow and bull slaughter, following gains early in the year, has lagged year-earlier levels since mid-February. Dairy cow slaughter may turn up again in the months ahead in light of high cull cow prices and the recent sharp declines in milk prices. But with this year's improved forage conditions in most areas and the continuing incentives to rebuild beef breeding herds, most analysts expect cow and bull slaughter to remain below year-ago levels. The improved forage conditions may also dampen the movement of grass-fed cattle to slaughter markets this year. If these conditions prevail, total cattle slaughter and beef production this spring, while up sharply from the first quarter, may hold close to the year-ago level. Production of all meats, which was up 3 percent from a year ago in the first quarter, is expected to hold marginally over year-earlier levels in the months ahead as continued strong gains in poultry offset the downturn in pork.

Choice steer prices at Omaha during the first quarter averaged a record-high of \$77.20 per hundredweight,

## Cattle in feedlots, April 1



up from \$73.65 in the same period a year ago. Prices continued to strengthen in April, averaging more than \$79.60 during the three weeks ending April 21. Prices are likely to hold at or above year-earlier levels in the months ahead. But with the pending seasonal rise in fed cattle marketings, prices may retreat sharply in the near future. In general, analysts believe choice steer prices will average in the mid \$70s during the current quarter and range mostly in the low to mid \$70s per hundredweight during the third quarter. Compared with the recent upswing in feed costs, the lower prices will trim feeding margins and may slow the movement of cattle into feedlots.

Gary L. Benjamin

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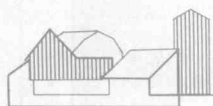
## Selected Agricultural Economic Indicators

	Latest period	Value	Percent change from		
			Prior period	Year ago	Two years ago
<b>Prices received by farmers (1977=100)</b>	April	151	0.7	2	16
Crops (1977=100)	April	132	3.1	-7	18
Corn (\$ per bu.)	April	2.52	6.3	-2	34
Oats (\$ per bu.)	April	1.37	-1.4	-39	-25
Soybeans (\$ per bu.)	April	5.62	-0.5	-23	-12
Wheat (\$ per bu.)	April	3.51	0.6	-13	26
<b>Livestock and products (1977=100)</b>	April	169	-1.2	10	14
Barrows and gilts (\$ per cwt.)	April	53.20	2.9	42	25
Steers and heifers (\$ per cwt.)	April	79.20	1.5	5	8
Milk (\$ per cwt.)	April	13.10	-4.4	6	13
Eggs (¢ per doz.)	April	71.4	-10.0	8	56
<b>Prices paid by farmers (1977=100)</b>	April	183	1.1†	3	9
Production items	April	169	0.6†	2	9
Feed	April	128	0.0†	-9	14
Feeder livestock	April	213	3.9†	15	9
Fuels and energy	April	187	-6.5†	2	13
<b>Producer Prices (1982=100)</b>	March	117	-0.3	4	10
Agricultural machinery and equipment	March	119	0.3	2	6
Fertilizer materials	March	93	-0.5	-18	-7
Agricultural chemicals	March	118	0.1	3	11
<b>Consumer prices (1982-84=100)</b>	March	129	0.5	5	10
Food	March	132	0.2	6	13
<b>Production or stocks</b>					
Corn stocks (mil. bu.)	March 1	4,813	N.A.	-8	-37
Soybean stocks (mil. bu.)	March 1	1,056	N.A.	19	-8
Beef production (bil. lbs.)	March	1.87	9.7	-1	-3
Pork production (bil. lbs.)	March	1.33	9.3	-3	-2
Milk production (bil. lbs.)††	March	11.0	12.0	2	3

N.A. Not applicable.

†Prior period is three months earlier.

††21 selected states.



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