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**Farmland values continue to rise**

Survey responses from about 475 agricultural bankers in the Seventh Federal Reserve District indicate that farmland values in the region continued to climb during the early months of 1989. The most recent increase of 3 percent for the three months ending in March caps two years of consecutive quarterly gains in farmland values across the District, and places land values 24 percent above the low recorded in 1986. The strength in the land market reflects a continued quick pace of transactions, and has been accompanied by a slight rise in rental rates on farmland. The strength in the farmland market is expected to continue in the second quarter of the year.

The first quarter increase in District farmland values was shared by all of the individual states. Bankers in Indiana reported the strongest gain, with land values in the District portion of the state up 5.2 percent from the previous quarter. Land values in Illinois and Michigan were up about 3 percent from the end of 1988, while Iowa and Wisconsin bankers reported average gains of 2 to 2.5 percent.

The pace of farm real estate transactions across the District has remained high. Nearly half of the survey respondents noted that the number of farm units sold in their areas during the previous six months was higher than in the comparable period of a year ago. Less than 13 percent noted a drop in the number of units sold, while the remaining 38 percent of the respondents reported that the pace of land transactions was unchanged from the relatively high year-earlier level. In addition, the total acreage associated with these sales appears to be higher than a year ago. About 39 percent of the bankers reported that the acreage of all units sold in the previous six months was higher than the same period a year earlier while less than 14 percent reported a drop.

The bankers response's suggest that farmers continue to account for most of the land buying activity in the District. About a fourth of the survey respondents indicated that the proportion of acreage purchased in their areas by farmers was higher than a year ago, while 60 percent said it was unchanged. The remaining 16 percent indicated that land purchases by farmers during the previous six months represented a

smaller proportion of total farmland sales than during the comparable period of a year earlier.

The rise in District farmland values over the last two years has occurred despite upward pressure on interest rates. Farm real estate mortgage rates at District agricultural banks, after a long decline, began to firm in late 1987. The upward trend in rates continued through the first three months of 1989. At about 11.7 percent, the average rate charged by responding banks is more than 40 basis points above the year ending average, and about 125 basis points higher than a year earlier. As was the case through most of 1988, Iowa and Wisconsin bankers reported the lowest farm mortgage rates at 11.5 and 11.6 percent, respectively, with Illinois and Indiana slightly higher. Michigan agricultural banks reported the highest average rate of about 12.4 percent.

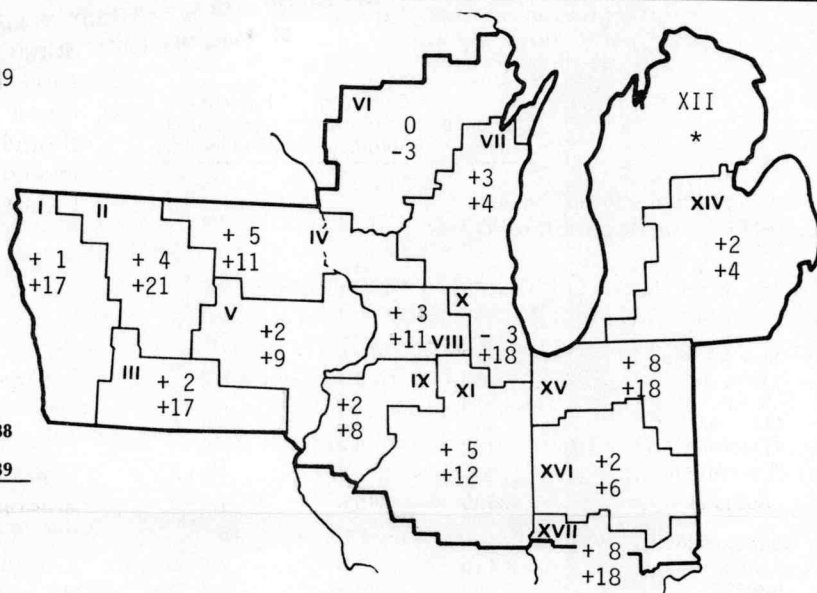
Cash rental rates on District farmland, after a period of significant decline in the mid 1980s, appear to have strengthened again this year. However, the recent gains still lag the increases in land values recorded in the District during the past year. Bankers that responded to the most recent survey indicated that cash rental rates averaged 4.5 percent higher than last year. The strongest increase was recorded in Iowa cash rental rates, up 6.6 percent from the year-earlier level. Illinois, which has the highest average cash rental rate among the District states reported the smallest gain, up 2.6 percent from last year. Increases in cash rental rates in the other District states averaged between 4.5 and 5.5 percent.

Rental arrangements vary considerably across the District. Although District wide half of the farmland operated by someone other than the owner is under a cash rental agreement, the proportions in individual states range from 32 percent in Illinois to 79 percent in Wisconsin. Land rented on a crop share basis is dominant in Illinois, but considerably less common in Michigan and Wisconsin. Rental arrangements in Indiana and Iowa are more evenly divided between cash and crop share.

District agricultural bankers remain optimistic regarding farmland values during the second quarter. The large majority, almost 73 percent, expect farmland values in their areas to remain stable during the spring months. Another 24 percent of the survey respond-

**Percent change in dollar value of "good" farmland**

Top: January 1, 1989 to April 1, 1989  
 Bottom: April 1, 1988 to April 1, 1989



	January 1, 1989 to April 1, 1989	April 1, 1988 to April 1, 1989
Illinois .....	+3	+11
Indiana .....	+5	+12
Iowa .....	+2	+15
Michigan .....	+3	+4
Wisconsin .....	+2	+1
Seventh District .....	+3	+10

\*Insufficient response.

ents foresee a continued upward trend during the period, while only 3 percent expect farmland values to weaken during the second quarter.

Peter J. Heffernan

**Foreign ownership of U.S. agricultural land**

Foreign interests owned about 12.5 million acres of U.S. agricultural land as of the end of 1988, according to the latest USDA annual report. The total was only nominally larger than the revised figure for a year earlier and equivalent to just under 1 percent of all privately owned U.S. agricultural land. The level of foreign ownership of U.S. agricultural land since 1981 has fluctuated from a high of 14.0 million acres in 1984 to a low of 12.1 million acres in 1985. The trend since the 1985 low has been consistently upward, but the current level of foreign ownership still lags the levels reported for 1981 through 1984.

Estimates of foreign holdings of U.S. agricultural land are based on reports required of all foreign owners by the Agricultural Foreign Investment Disclosure Act of 1978. In addition to an initial reporting of all foreign held land, that Act requires all foreign persons who subsequently acquire or dispose an ownership interest in U.S. agricultural land to report those transactions. Reports are also required when a foreign person converts U.S. land into, or out of, agricultural uses and when an owner of U.S. agricultural land subsequently becomes, or ceases to be, a foreign person.

For purposes of who must report, a foreign person is defined as any non U.S. citizen or national, as well as

any foreign government or entity. A foreign person is also defined to include U.S. entities that have a "significant" component of foreign owners. A singular foreign ownership interest of 10 percent or more, or a collective foreign interest of 50 percent or more, is sufficient to require a U.S. entity that owns U.S. agricultural land to report those holdings. All of the domestic agricultural land owned by such U.S. entities is regarded as foreign owned, irrespective of the proportionate share of foreign owners in the entity. Partially

**Foreign-owned U.S. agricultural land, by country of foreign owner**

	Held by U.S. corporations with foreign shareholders	Other foreign holdings	All foreign holdings	Share of total
	(-----thousand acres-----)			(%)
United Kingdom	2,490	289	2,780	22
Canada	1,084	1,414	2,498	20
France	1,052	84	1,136	9
West Germany	411	720	1,131	9
Netherlands Antilles	232	448	679	5
Netherlands	380	130	511	4
Switzerland	268	208	475	4
Liechtenstein	169	178	347	3
Mexico	90	238	328	3
Panama	75	200	275	2
Luxembourg	233	6	239	2
Japan	71	147	218	2
Subtotal	6,554	4,063	10,617	85
All other countries*	878	989	1,867	15
Total	7,433	5,052	12,485	100

\*Includes about 6 percent of total foreign holdings for which no single country could be labeled as the location of the predominate foreign interest.

Source: USDA.

**Foreign-owned U.S. agricultural  
land, by state**

	<u>Thousand acres</u>	<u>Percent of all foreign holdings</u>	<u>Percent of agricultural land in area</u>
<b>States with major foreign holdings</b>			
Maine	1,800	14.4	9.6
Texas	1,030	8.2	.7
California	923	7.4	1.9
Oregon	805	6.4	3.1
Louisiana	659	5.3	2.5
Georgia	578	4.6	1.7
New Mexico	557	4.5	1.6
Colorado	532	4.3	1.4
Florida	519	4.2	2.0
Montana	444	3.6	.8
Mississippi	438	3.5	1.6
Washington	402	3.2	1.7
Subtotal	8,688	69.6	1.7
<b>District states</b>			
Illinois	116	.9	.4
Indiana	44	.4	.2
Iowa	32	.3	.1
Michigan	201	1.6	.8
Wisconsin	21	.2	.1
Subtotal	414	3.3	.3
All other states	3,383	27.1	.5
United States	12,485	100	1.0

Source: USDA.

reflecting the importance of this category, 60 percent of the U.S. agricultural land that is regarded as owned by foreign persons is actually owned by U.S. corporations with a significant foreign ownership interest.

Forests cover 48 percent of all U.S. agricultural land owned by foreign persons. Another 25.5 percent is in pasture, while cropland and other agricultural uses (such as orchards and vineyards) account for 17 and 4.5 percent, respectively. The combined foreign holdings of cropland, pasture, and other agricultural uses represent about one-half of one percent of all such land in the United States. An additional 5 percent of the foreign holdings are land no longer used for agricultural purposes, encompassing land idled by the foreign owner within the past 5 years as well as such things as roads, homesteads, and swamps intermingled with other foreign holdings.

Preliminary tallies show that some 307 thousand acres of U.S. agricultural land were acquired by foreign persons in 1988. (Due to reporting lags, some of the foreign acquisitions for 1988 may not have been included

in the latest report.) This includes both direct foreign purchases as well as indirect purchases that arose because the ownership of a landholding U.S. entity came under significant foreign control during the year. Although only a preliminary figure, it appears that the level of foreign acquisitions last year was among the lowest, if not the lowest, for any year since 1980.

Subtracting the acreage that was both acquired and sold during the year implies that net acquisitions of U.S. agricultural land by foreigners approximated 290 thousand acres in 1988. Over half of the acreage in net acquisitions by foreign persons so far reported for 1988 was located in three states; Colorado (21 percent), Florida (14 percent), and Minnesota (19 percent). Another 21 percent was distributed fairly evenly among Alabama, Arkansas, Maine, and Texas. An additional 15 percent was scattered among California, Georgia, Mississippi, Vermont, and Wyoming. At 4.6 thousand acres, land located within the five states of the Seventh Federal Reserve District accounted for about 1.6 percent of net foreign acquisitions in 1988.

Foreign persons that directly or indirectly acquired U.S. agricultural land in 1988 were concentrated among three countries. Entities from Canada accounted for nearly 31 percent of the acreage associated with net foreign acquisitions in 1988, while those from Japan and France accounted for 23 and 11 percent, respectively. Another 25 percent was fairly evenly distributed among the United Kingdom, Netherlands, Switzerland, Liechtenstein, and West Germany. Among major foreign countries with owners of U.S. agricultural land, the holdings of Japanese owners were expanded the most (proportionately) by acquisitions in 1988.

Gary L. Benjamin

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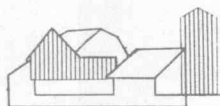
## Selected Agricultural Economic Indicators

	Latest period	Value	Percent change from		
			Prior period	Year ago	Two years ago
<b>Prices received by farmers (1977=100)</b>					
Crops (1977=100)	April	146	-2.0	12	17
Corn (\$per bu.)	April	138	1.5	23	35
Oats (\$per bu.)	April	2.54	-1.9	35	67
Soybeans (\$per bu.)	April	2.13	-11.3	17	42
Wheat (\$per bu.)	April	7.14	-4.9	12	46
	April	4.03	-1.0	44	53
<b>Livestock and products (1977=100)</b>					
Barrows and gilts (\$per cwt.)	April	154	-4.3	4	5
Steers and heifers (\$per cwt.)	April	36.80	-7.5	-13	-28
Milk (\$per cwt.)	April	75.20	-2.5	2	13
Eggs (¢per doz.)	April	12.40	-2.4	7	2
	April	65.3	-18.5	43	19
<b>Prices paid by farmers (1977=100)</b>					
Production items	April	177	1.1†	5	10
Feed	April	165	1.2†	6	12
Feeder livestock	April	140	-0.7†	25	39
Fuels and energy	April	185	-8.4†	-6	3
	April	185	11.4†	12	16
<b>Producer Prices (1982=100)</b>					
Agricultural machinery and equipment	March	112	0.4	6	8
Fertilizer materials	March	116	0.1	3	6
Agricultural chemicals	March	111	1.6	12	29
	March	114	0.3	7	12
<b>Consumer prices (1982-84=100)</b>					
Food	March	122	0.6	5	9
	March	124	0.5	7	10
<b>Production or stocks</b>					
Corn stocks (mil. bu.)	March 1	5,205	N.A.	-32	-37
Soybean stocks (mil. bu.)	March 1	890	N.A.	-22	-34
Beef production (bil. lbs.)	March	1.89	8.3	-2	-1
Pork production (bil. lbs.)	March	1.37	14.0	1	12
Milk production (bil. lbs.)††	March	10.9	10.5	2	5

N.A. Not applicable

†Prior period is three months earlier.

††21 selected states.



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