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Agricultural Letter

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LAND AVAILABLE FOR CROP PRODUCTION has generated much concern in recent years as the issue of food shortages has risen to the fore. A recent report by the U.S. Department of Agriculture, however, suggests that the nation has an ample inventory of land that could potentially be converted to crop production given adequate economic incentives. Over and above the 361 million acres utilized for crops in 1974, an additional 266 million acres of high quality land could be utilized for crops if needed. Much of this "reserve" acreage, however, would require extensive capital expenditures in order to convert it to crop production. Prices of agricultural products and returns to landowners, therefore, would have to increase from current levels to encourage any significant conversion of this land to crop production.

Based on studies in the late sixties, estimates of the nation's total inventory of cropland—acreage associated with crops harvested, rotational pasture, crop failure, summer fallow, and idled land—ranges from 438 to 472 million acres. (The difference reflects inconsistencies in the definition of rotational pasture—which is included in cropland—and permanent pasture—which is noncropland.) Land utilized for crops in 1974—including cropland harvested as well as the acreage associated with crop failures and summer fallow—totaled 361 million acres. This was nearly 26 million short of the record high established in 1949 but 28 million acres above the near-record low indicated in the 1969 census. Virtually all of the increase in land used for crops since 1969 has been associated with the phasing out of supply management programs that have sharply lowered acreage idled. It's estimated that only 25 million acres of cropland were idled in 1974, about equal to the 1949 level but 26 million acres fewer than in 1969.

Any significant increase in acreage utilized for crops is likely to come from the conversion of adaptable noncropland as opposed to a more intensive use of the existing cropland base. Much of the remaining idled acreage no doubt reflects land held out of production for physical reasons—such as farmsteads, open drainage ditches, fence rows, etc. Moreover, and despite the difference in estimates of acreage devoted to rotational pastures, it's doubtful that much of the area presently devoted to such utilization could be more intensively cultivated in the future.

Estimates of potential new cropland are based on a 1967 survey that classified all land—except federally owned noncropland and urban areas—according to its agricultural production capability. The classification system assigned a number from I through VIII to a given land area to designate the degree of limitation the tract had for agricultural production. In general, only class I through III land can be extensively cultivated, although class IV land is acceptable for crops if under special management. The 1967 study identified a total of 631 million acres of class I-III land.

Existing and Potential Cropland

Region	Land used for crops in 1974	Potential cropland[1] Forest	Pasture/ range	Total[2]
	(million acres)			
Northeast	13.1	17.1	2.9	23.1
Lake States	36.8	19.9	4.2	27.8
Corn Belt	82.6	8.9	11.6	25.4
Northern Plains	89.8	1.3	22.3	25.8
Appalachian	17.9	19.3	6.7	28.3
Southeast	14.3	25.6	6.7	34.5
Delta States	17.3	19.7	7.0	27.7
Southern Plains	33.4	9.9	35.4	46.3
Mountain	35.1	.5	15.2	16.5
Pacific	20.6	2.5	5.0	9.1
Alaska and Hawaii	0.1	1.0	0.1	1.0
Total	361.1	125.6	117.1	265.5

[1]Noncropland classed I through III.
[2]Total includes a small amount of land utilized for purposes other than forest and pasture/range.

Of this amount, 365 million acres was part of the existing cropland base. The remaining 266 million acres so classified constituted noncropland acreage, which represents the most probable source for future expansion in the cropland base.

Roughly one-half of the 266 million acres of class I-III noncropland are presently utilized as pasture and range land, while the other half represents forest. In terms of geographical areas a high proportion of the potential cropland is located in the Southern Plains (Texas and Oklahoma). An additional 51 million acres of such land is distributed among Corn Belt states and the Northern Plains. Combined, these three regional areas hold the most promise for land that could be converted to cultivation.

Obviously not all—and, indeed, probably very little—of the 266 million acres of class I-III noncropland is readily convertible to cultivation. The conversion process will largely hinge on the economic feasibility of developing the land for cultivation. Landowners will have to weigh the costs of developing the land in terms of the potential returns from agricultural products. Nevertheless, the large "reserve" acreage should be reassuring to those concerned about the land base for food production.

Gary L. Benjamin
Agricultural Economist

AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change from Prior period	Percent change from Year ago
INDEX OF PRICES					
Received by farmers	1967=100	August	187	0	+ 1
Crops	1967=100	August	201	+ 1.0	− 9
Livestock	1967=100	August	179	− 0.6	+ 12
Paid by farmers	1967=100	August	187	+ 0.5	+ 8
Production items	1967=100	August	192	+ 1.1	− 3
Wholesale price index *(all commodities)*	1967=100	July	176	+ 1.2	+ 9
Foods	1967=100	July	185	+ 2.5	+ 12
Processed foods and feeds	1967=100	July	185	+ 2.7	+ 10
Agricultural chemicals	1967=100	July	210	− 0.3	+ 61
Agricultural machinery and equipment	1967=100	July	169	+ 0.4	+ 17
Consumer price index *(all items)*	1967=100	July	162	+ 1.1	+ 9
Food at home	1967=100	July	180	+ 2.9	+ 12
CASH PRICES					
Corn	dol. per bu.	August	2.95	+ 8.5	− 12
Soybeans	dol. per bu.	August	5.80	+ 9.8	− 23
Wheat	dol. per bu.	August	3.89	+ 16.8	− 8
Sorghum	dol. per cwt.	August	4.69	+ 10.3	− 8
Oats	dol. per bu.	August	1.44	− 0.7	− 7
Steers and heifers	dol. per cwt.	August	37.10	− 8.9	− 8
Hogs	dol. per cwt.	August	56.00	+ 3.5	+ 56
Milk, all sold to plants	dol. per cwt.	August	8.47	+ 3.4	+ 9
Broilers	cents per lb.	August	28.8	− 4.9	+ 38
Eggs	cents per doz.	August	50.5	+ 8.8	+ 6
INCOME *(seasonally adjusted annual rate)*					
Cash receipts from farm marketings	bil. dol.	2nd Quarter	88	+ 1.1	− 2
Net realized farm income	bil. dol.	2nd Quarter	20	+ 2.5	− 12
Nonagricultural personal income	bil. dol.	July	1,199	− 0.7	+ 7
FARM FINANCE					
Total deposits at agricultural banks[1]	1972-73=100	August	138	+ 0.8	+ 12
Time deposits	1972-73=100	August	153	+ 1.6	+ 18
Demand deposits	1972-73=100	August	114	− 0.9	+ 2
Total loans at agricultural banks[1]	1972-73=100	August	144	+ 0.1	+ 12
Production credit associations					
loans outstanding:					
United States	mil. dol.	June	10,712	+ 2.3	+ 18
Seventh District states	mil. dol.	June	1,826	+ 5.2	+ 25
loans made:					
United States	mil. dol.	June	1,208	− 3.9	+ 26
Seventh District states	mil. dol.	June	238	+ 3.4	+ 51
Federal land banks					
loans outstanding:					
United States	mil. dol.	June	14,938	+ 1.7	+ 23
Seventh District states	mil. dol.	June	2,729	+ 1.6	+ 24
new money loaned:					
United States	mil. dol.	June	306	− 2.9	+ 7
Seventh District states	mil. dol.	June	55	− 19.1	+ 22
Interest rates					
Feeder cattle loans[2]	percent	2nd Quarter	8.80	− 1.1	+ 4
Farm real estate loans[2]	percent	2nd Quarter	8.92	− 0.8	+ 5
Three-month Treasury bills	percent	8/27-9/3	6.40	− 1.8	− 30
Federal funds rate	percent	8/27-9/3	6.06	− 2.7	− 48
Government bonds *(long-term)*	percent	8/27-9/3	8.44	− 0.9	− 3
AGRICULTURAL TRADE					
Agricultural exports	mil. dol.	June	1,390	− 7.1	− 7
Agricultural imports	mil. dol.	June	827	+ 20.1	− 21
FARM MACHINERY SALES					
Farm tractors	units	June	15,249	− 6.4	+ 0
Combines	units	June	3,826	− 54.5	+ 24
Balers	units	June	6,166	+275.9	− 24

[1] Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.

[2] Average of rates reported by district agricultural banks.