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 July 23, 1976 Division of Agricultural Economics

Agricultural Letter



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prices
DISTRICT FARMLAND VALUES registered further large gains during the second quarter, but the rate of increase has moderated somewhat from the advances of the preceding three quarters. A midyear survey of over 650 district rural banks indicated the value of good farmland rose nearly 6 percent during the second quarter and 30 percent during the year ending July 1, 1976. Although high by historical comparisons, the most recent quarterly increase is below the gains of 7 to 9 percent recorded since mid-1975.

The slowing in farmland value gains apparently centered in Michigan and Illinois. (See back of *Letter*.) In Michigan the drop to a zero rate of appreciation—in contrast to the two preceding quarterly increases of 6 percent—is surprising, but (as discussed below) may partially reflect a greater abundance of farmland transfers in that state. The slowing in Illinois, however, is not too surprising in light of the 11 percent quarterly gains recorded for that state since October 1975. Despite the slowing, farmland values in Illinois—as well as those in Iowa—continue to pace the overall district trends.

From the comments of the responding bankers it would appear that the second-quarter moderation in farmland values occurred primarily during the early part of the quarter. Several responses indicated land prices had leveled off, but then started upward again late in the quarter in conjunction with the marked rise in crop prices. This is perhaps reflected by the rather high 41 percent of the bankers who view the current trend in farmland values as upward. Last April, only 31 percent of the bankers held such views.

In an effort to assess some of the characteristics of the current farmland market, the most recent survey included a series of questions asking bankers to compare first-half 1976 developments with those of the first half of 1975. The possible responses to the questions (see table) were limited to "higher," "lower," or "same." Judging from the differential between those responding "higher" and those responding "lower," it would appear that there has been some change in trends and that, in some cases, such developments vary widely between district states.

In general, it appears that the loan-to-value ratios and the maturities provided in credit-financed farmland transfers during the past six months are up from a year ago. Moreover, the average acreage of the farmland units sold in recent months is apparently higher. With the possible exception of Iowa, the results also indicated the number and total acreage of farmland units recently sold is up somewhat from the first-half 1975 level, particularly in Michigan.

Trends in farmland markets differ between district states

	Ill.	Ind.	Iowa	Mich.	Wis.	Dist.
	("net" percent of banks*)					
Number of farmland units sold	4	11	- 3	14	7	4
Acreage of all farmland units sold	7	6	- 1	16	10	6
Average acreage per unit sold	13	15	13	17	9	13
Proportion of acreage financed by sellers	- 1	3	17	19	19	11
Loan-to-value ratios	36	24	42	24	26	33
Maturities of new financing	17	22	17	15	14	17
Proportion of acreage purchased by farmers	32	24	27	- 2	- 6	19
Proportion of acreage that will continue to be operated as farmland	2	- 1	7	-18	-19	- 2

*"Net" is defined as the percent of bankers responding "higher" to the indicated questions minus the percent responding "lower."

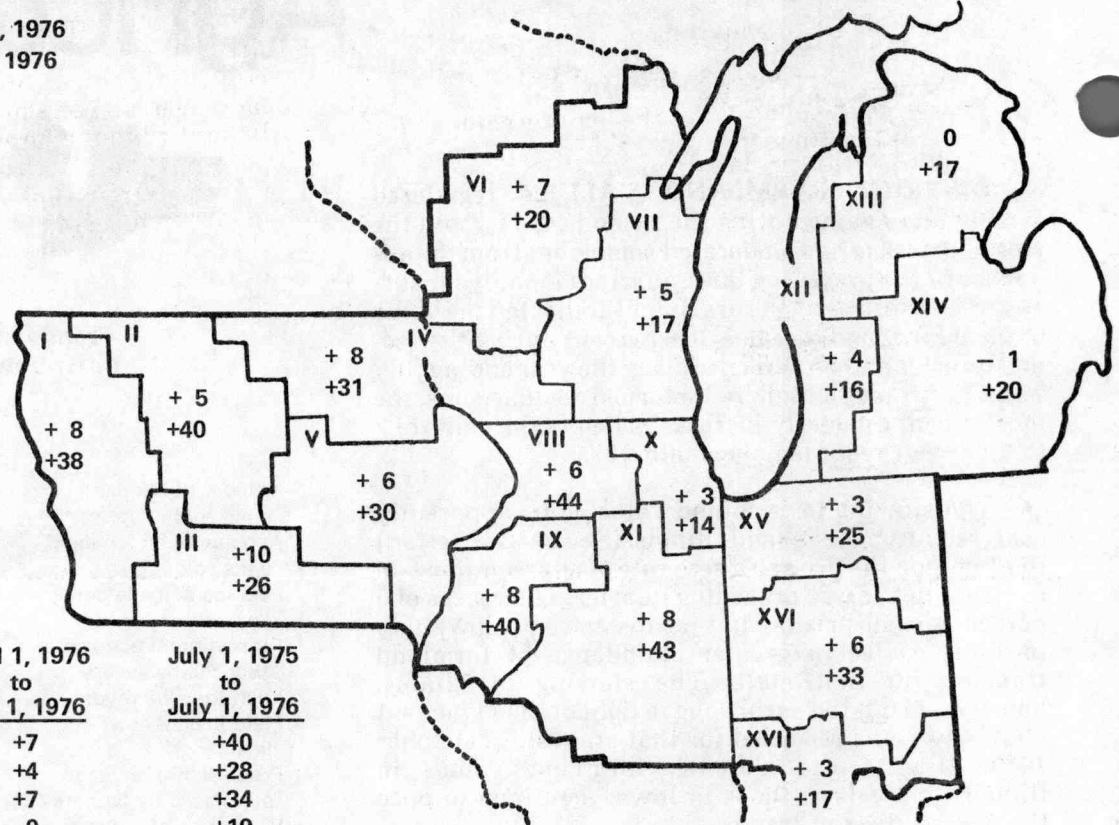
Major differences between district states were most evident in responses to questions on seller financing, purchasers of farmland, and the future use of purchased farmland. Bankers noting increases in the proportion of acreage financed by sellers exceeded those noting declines by a much higher margin in Iowa, Michigan, and Wisconsin than in Illinois and Indiana. Similarly, the "net" response of bankers in Illinois, Indiana, and Iowa provided a much stronger indication than the responses from Michigan and Wisconsin that farmers purchased a larger proportion of the farmland acreage transferred during the first half of 1976 than in the same period a year earlier. Indeed, the responses from Michigan and Wisconsin imply that nonfarmers have purchased a larger share of the acreage sold in those states in recent months. Regarding the future use of recent farmland transfers, moreover, bankers in Michigan and Wisconsin strongly implied that a larger proportion of the acreage will be used for nonfarm purposes. In contrast, the responses from bankers in Illinois and Indiana suggest little change, while the response from Iowa suggests a slightly larger proportion of the farmland acreage transfers will remain in farm production.

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 Agricultural Economist

Percent change in dollar value of "good" farmland

TOP: April 1, 1976 to July 1, 1976

BOTTOM: July 1, 1975 to July 1, 1976

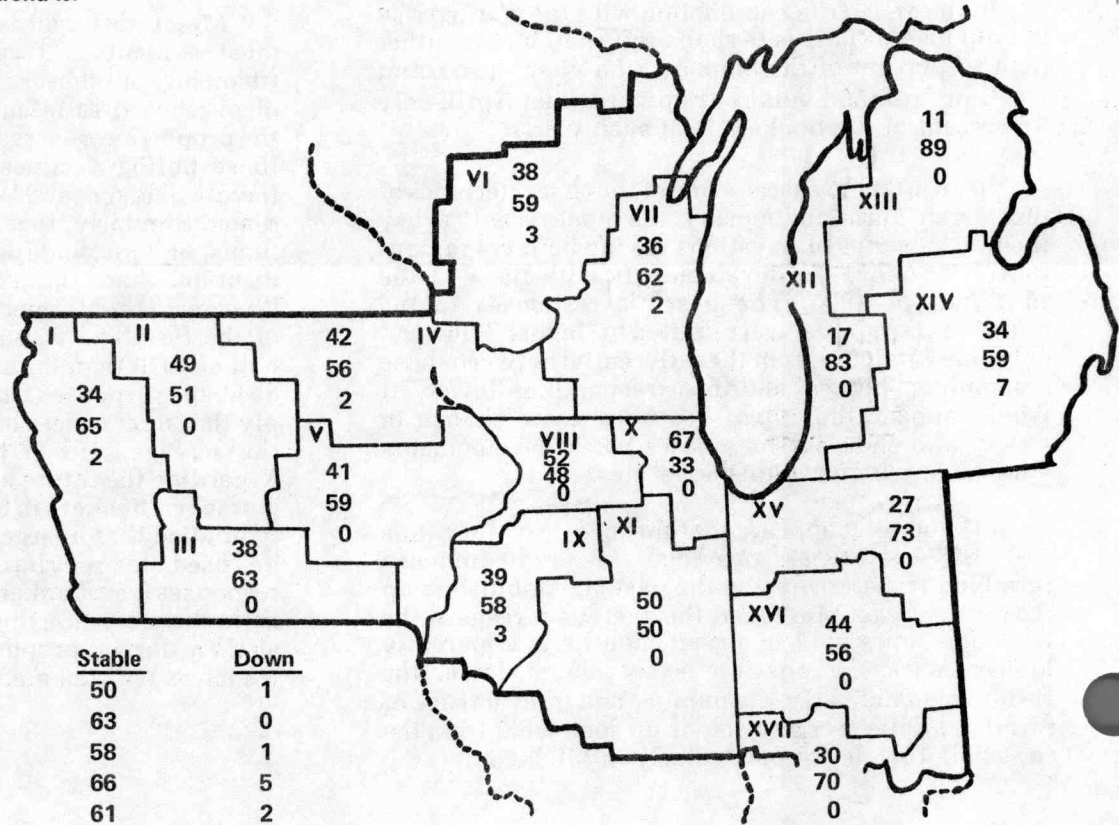


	April 1, 1976 to July 1, 1976	July 1, 1975 to July 1, 1976
Illinois	+7	+40
Indiana	+4	+28
Iowa	+7	+34
Michigan	0	+19
Wisconsin	+6	+19
Seventh District	+6	+30

Current trend in farmland values

Percent of banks reporting the trend is:

TOP: Up
 CENTER: Stable
 BOTTOM: Down



	Up	Stable	Down
Illinois	49	50	1
Indiana	37	63	0
Iowa	41	58	1
Michigan	29	66	5
Wisconsin	37	61	2
Seventh District	41	58	1

NOTE: Figures may not add to 100 due to rounding.