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# Agricultural Letter



December 9, 1977

**AGRICULTURAL LENDING ACTIVITY** at commercial banks in the Seventh Federal Reserve District continued at a strong pace during the 12 months ended June 30, 1977. Total farm loans outstanding reached \$6.9 billion at midyear—an increase of 21 percent above the year-earlier level. Federal Land Banks (FLBs) and Production Credit Associations (PCAs) operating in the five District states also experienced the strong demand for farm loans during the period, reporting increases in loans outstanding of 23 and 22 percent, respectively.

Non-real estate farm loans outstanding at District commercial banks rose at a slightly faster rate during the July 1976-June 1977 period than did farm real estate loans. Districtwide, non-real estate loans rose 21 percent during the 12 months ending June 30, 1977. Among the five District states, the increases in non-real estate farm loans ranged from 18 percent in Wisconsin to 24 percent in District portions of Illinois and Indiana. Outstanding farm real estate loans among all District banks rose 19 percent during the period. Indiana bankers set the pace, reporting a year-to-year increase of 23 percent in farm real estate loans, while Michigan banks experienced the smallest rise—15 percent.

**Distribution of banks by agricultural loan-to-total loan ratios**

Agricultural loans as a percent of total loans	Ill.	Ind.	Iowa	Mich.	Wis.	Dist.
	(percent of banks)					
70 or over	1.3	0.3	16.1	—	0.8	4.5
50-69	6.8	5.5	35.6	0.7	6.2	12.7
40-49	8.3	6.7	16.7	3.2	8.5	9.6
30-39	10.1	13.5	11.9	5.4	10.5	10.5
20-29	9.0	17.3	7.5	7.7	16.5	10.8
10-19	7.7	22.1	5.0	16.9	13.5	10.8
0.1-9	25.2	31.1	6.4	49.2	32.9	25.5
0.0	<u>31.6</u>	<u>3.5</u>	<u>0.8</u>	<u>16.9</u>	<u>11.1</u>	<u>15.6</u>
	100	100	100	100	100	100

Roughly 85 percent of the commercial banks in the Seventh District have agricultural loans outstanding. Moreover, agricultural loans account for a large proportion of total lending activity at many banks, particularly in Iowa. At midyear over one-half of the commercial banks in Iowa had 50 percent or more of their total loan portfolios in agricultural loans, while less than 1 percent of the banks within the District portion of Michigan were so categorized.

Current indications suggest that the sharp rise in farm borrowings in District states has continued since

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midyear. Reflecting this, total loans among Seventh District member banks heavily engaged in agricultural lending stood 21 percent above the year-earlier level as of November. Farm Credit System data provide further evidence of the continuing strong demand for farm loans. During the July-October 1977 period new money loaned by FLBs operating in District states was one-fourth above the level of a year ago. Similarly, loans made by PCAs since June have exceeded the year-ago level by 14 percent.

Growth in loans outstanding at FLBs and PCAs operating in the five District states exceeded the respective percentage increases of each nationally. During the 12-month period ended October 31, 1977, FLB loan outstandings in District states increased 23 percent compared to a 16 percent rise nationwide. Illinois paced the rise among the five states with a 31 percent increase, while Michigan experienced the smallest increase—up 17 percent. Loans outstanding at PCAs rose 21 percent in District states during the same period compared to a 13 percent increase nationally. PCAs in Illinois and Indiana reported increases of approximately 24 percent, while those in Wisconsin trailed among District states with a 16 percent rise.

Farm loan demand is expected to continue exceptionally strong during the next several months. Due to the predominance of cash-grain farming in Seventh District states, near-term prospects for grain prices averaging near loan levels will likely be reflected in higher credit demands Districtwide than those experienced nationwide. Currently, there is little evidence to suggest any significant improvements in farm earnings next year. Continued tight cash flows portend additional pressures to refinance short-term debt with longer maturities. Credit extended by manufacturers and dealers of farm inputs will likely increase as farmers seek additional sources of credit and as suppliers attempt to bolster sales and counteract a potentially slackened demand for their products.

Don A. Langford  
Agricultural Economist

## AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
<b>INDEX OF PRICES</b>					
Received by farmers	1967=100	November	180	+ 1.1	+ 4
Crops	1967=100	November	187	+ 5.1	+ 1
Livestock	1967=100	November	175	- 1.1	+ 8
Paid by farmers	1967=100	November	202	+ 0.5	+ 5
Production items	1967=100	November	199	+ 0.5	+ 4
Wholesale price index (all commodities)	1967=100	November	197	+ 0.4	+ 6
Foods	1967=100	November	190	+ 0.3	+ 8
Processed foods and feeds	1967=100	November	187	+ 1.2	+ 7
Agricultural chemicals	1967=100	November	188	- 1.0	+ 2
Agricultural machinery and equipment	1967=100	November	204	+ 1.3	+ 8
Consumer price index (all items)	1967=100	October	185	+ 0.3	+ 7
Food at home	1967=100	October	192	- 0.3	+ 7
<b>CASH PRICES</b>					
Corn	dol. per bu.	November	1.91	+14.4	- 5
Soybeans	dol. per bu.	November	5.68	+ 7.6	- 7
Wheat	dol. per bu.	November	2.48	+ 7.8	+ 1
Sorghum	dol. per cwt.	November	3.15	+12.5	- 5
Oats	dol. per bu.	November	1.14	+11.8	- 21
Steers and heifers	dol. per cwt.	November	38.10	- 1.0	+ 10
Hogs	dol. per cwt.	November	37.50	- 6.0	+ 20
Milk, all sold to plants	dol. per cwt.	November	10.30	+ 1.0	+ 4
Broilers	cents per lb.	November	21.0	- 9.1	+ 8
Eggs	cents per doz.	November	51.3	+ 8.5	- 22
<b>INCOME (seasonally adjusted annual rate)</b>					
Cash receipts from farm marketings	bil. dol.	3rd Quarter	88.5	-10.6	- 3
Net realized farm income	bil. dol.	3rd Quarter	16.2	-25.3	- 13
Nonagricultural personal income	bil. dol.	October	1,550	+ 1.3	+ 12
<b>FARM FINANCE</b>					
Total deposits at agricultural banks <sup>1</sup>	1972-73=100	November	175	+ 0.9	+ 9
Time deposits	1972-73=100	November	215	- 0.6	+ 15
Demand deposits	1972-73=100	November	129	+ 3.4	+ 1
Total loans at agricultural banks <sup>1</sup>	1972-73=100	November	217	+ 0.2	+ 21
Production credit associations					
loans outstanding:					
United States	mil. dol.	October	13,789	- 2.1	+ 13
Seventh District states	mil. dol.	October	2,682	- 0.5	+ 21
loans made:					
United States	mil. dol.	October	1,326	+ 3.2	+ 10
Seventh District states	mil. dol.	October	241	- 3.2	+ 10
Federal land banks					
loans outstanding:					
United States	mil. dol.	October	21,057	+ 0.9	+ 16
Seventh District states	mil. dol.	October	4,265	+ 1.2	+ 23
new money loaned:					
United States	mil. dol.	October	275	- 4.8	+ 11
Seventh District states	mil. dol.	October	66	- 8.7	+ 17
Interest rates					
Feeder cattle loans <sup>2</sup>	percent	3rd Quarter	8.77	+ 0.5	0
Farm real estate loans <sup>2</sup>	percent	3rd Quarter	8.95	+ 0.3	0
Three-month Treasury bills	percent	11/24-11/30	6.62	- 1.2	+ 44
Federal funds rate	percent	11/24-11/30	6.55	+ 0.8	+ 34
Government bonds (long-term)	percent	11/28-12/1	7.74	- 0.9	+ 3
<b>AGRICULTURAL TRADE</b>					
Agricultural exports	mil. dol.	October	1,705	- 1.7	- 24
Agricultural imports	mil. dol.	October	855	-15.9	+ 5
<b>FARM MACHINERY SALES</b>					
Farm tractors	units	September	10,090	+21.9	- 22
Combines	units	September	4,741	+66.4	- 10
Balers	units	September	2,101	-20.1	+ 7

<sup>1</sup> Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.

<sup>2</sup> Average of rates reported by district agricultural banks.