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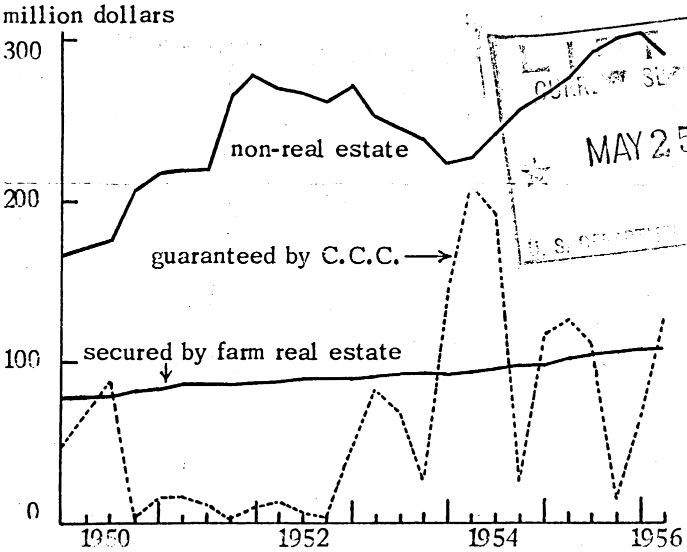
Agricultural Letter

Number 353

MIDWEST FARMERS continue to use more bank credit in their farm operations than a year ago. However, while loans secured by farm real estate at District member banks rose further during the first quarter of the year, "short-term" loans--to finance crop and livestock production--dropped below the record levels reached at the end of 1955 (see maps on back of Letter).

Farm loans at District member banks (excludes Chicago)



"Short-term" farm loans outstanding declined about 5 per cent during the first quarter of the year at member banks outside Chicago compared with a 4 per cent rise during the corresponding period of a year ago. Declines were largely confined to the Corn Belt areas of Illinois, Indiana and Iowa while generally small increases occurred again in most areas of Michigan and Wisconsin.

While credit for operating expenses continues in strong demand, increases in short-term loans to farmers since year-end were limited by general tightening of purse strings with respect to capital outlays, including new machinery and buildings. This factor appeared to be particularly important during the early months of the year in Corn Belt areas where moisture supplies have been short and net farm income has been cut substantially.

In addition, the declines during the first quarter in Corn Belt areas reflect a reduction in the purchase of feeder cattle, lower prices of cattle and a different pattern of marketings for major products than occurred in the opening months of 1955.

During the early months of this year much of the backlog of heavy cattle that had accumulated during during the latter part of 1955 was worked off, and some cattle loans which normally would have been repaid last fall were liquidated early this year. Moreover, loan pay-offs during the early months of the year also received an assist from earlier marketings of soybeans and hogs. The average weight of hogs slaughtered was 3-4 per cent under a year ago, and stocks of soybeans on farms on April 1 were only about one-half those of a year earlier despite a larger crop.

Farm real estate loans outstanding at District banks continued their steady postwar rise during the first quarter of the year. However, the increase in the December-April period of slightly more than 1 per cent was less than the 3.5 per cent gain registered in the corresponding period of a year earlier.

Farm real estate loans rose sharply in western Iowa where drouth has been serious. While a substantial portion of the increase occurred in relatively few banks, a large number of the banks located in the area showed gains. It appears that the 11 per cent gain in this area reflects some increase in refinancings of short-term debts into longer-term mortgages.

The halt in the rise of farm land values in many Midwest areas during the past winter may tend to moderate further increases in real estate debt. But, considering the relatively low level of farm mortgage debt in the aggregate, it is expected that long-term debts will continue to rise in the near future as a greater reliance is placed on this type of credit to finance expenditures for purposes other than the purchase of farm land.

CCC LOANS increased sharply between year-end and mid-April as District farmers placed nearly twice as much corn under price supports as during the corresponding period of a year earlier. The increase was large enough in Illinois to cause outstandings to rise substantially above year-ago. The decline in CCC loans in Michigan during the first quarter was largely due to the maturing of dry bean loans at the end of February.

	Per cent change in CCC loans outstanding: December 31, 1955, to April 10, 1956	April 11, 1955, to April 10, 1956
Illinois	+162	+72
Indiana	+32	-22
Iowa	+62	-9
Michigan	-59	-71
Wisconsin	+252	-98
District	+86	-1

Research Department

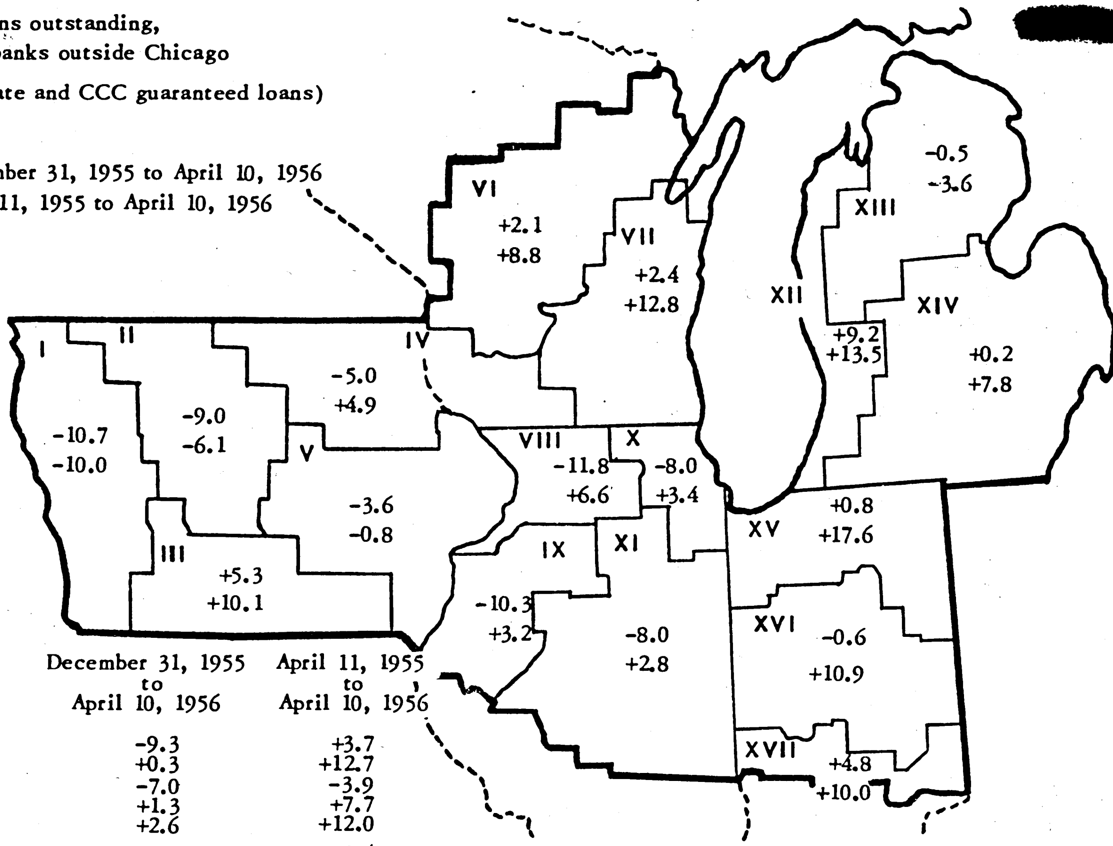
[redacted]

Short-term farm loans outstanding,
District member banks outside Chicago

(Excludes real estate and CCC guaranteed loans)

Per cent change:

TOP: December 31, 1955 to April 10, 1956
BOTTOM: April 11, 1955 to April 10, 1956

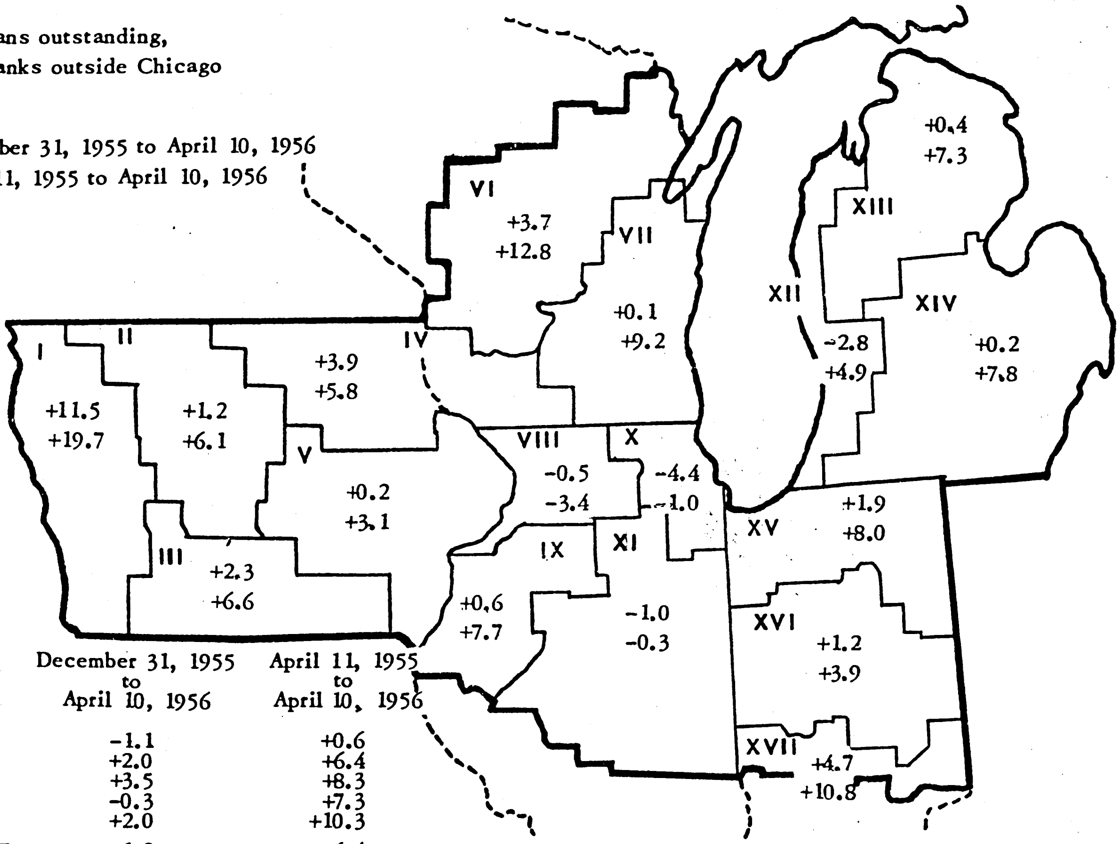


	December 31, 1955 to April 10, 1956	April 11, 1955 to April 10, 1956
Illinois	-9.3	+3.7
Indiana	+0.3	+12.7
Iowa	-7.0	-3.9
Michigan	+1.3	+7.7
Wisconsin	+2.6	+12.0
SEVENTH DISTRICT	-5.2	+3.4

Farm real estate loans outstanding,
District member banks outside Chicago

Per cent change:

TOP: December 31, 1955 to April 10, 1956
BOTTOM: April 11, 1955 to April 10, 1956



	December 31, 1955 to April 10, 1956	April 11, 1955 to April 10, 1956
Illinois	-1.1	+0.6
Indiana	+2.0	+6.4
Iowa	+3.5	+8.3
Michigan	-0.3	+7.3
Wisconsin	+2.0	+10.3
SEVENTH DISTRICT	+1.2	+6.4