



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

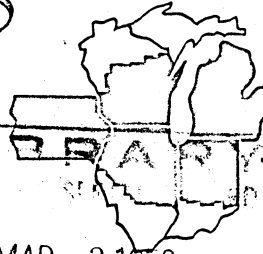
No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

281.9
F313

Federal Reserve Bank of Chicago - -

February 7, 1958

Agricultural Letter



Number 442

★ MAR- 3 1958

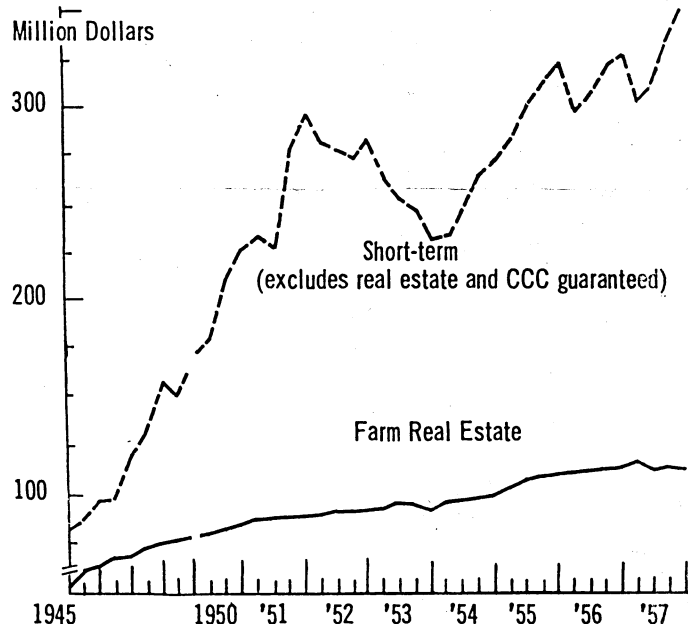
MIDWEST FARMERS are using more credit than a year ago, especially in the form of non-real estate loans. This kind of loan is made typically to help finance purchases of livestock, machinery, feed, and to pay taxes, wages and other current expenses. Outstandings at District member banks at the turn of the year were 11 per cent above the year-earlier figure. And most of the increase was chalked up in the fourth quarter of 1957. (See back of Letter.)

In terms of dollar volume, the bulk of the increase in non-real estate credit during the fourth quarter took place in Iowa and north and west central Illinois. Wisconsin and Indiana showed slight declines.

Compared with a year ago, only one of the 17 agricultural areas in the District (southeastern Wisconsin) failed to show an increase in non-real estate loans to farmers.

Much of the increase in short-term farm loans during the fourth quarter is attributed to heavy buying and higher prices of feeder cattle and the inability to harvest and market high moisture corn, grain sorghum and soybeans. Also, many farmers have deferred marketing of hogs and cattle in order to feed more of their grains. In general, those areas not showing loan increases during the fourth quarter had more favorable harvest weather and were able to follow a more or less normal pattern of marketing crops and livestock.

AGRICULTURAL LOANS AT DISTRICT MEMBER BANKS



Farm real estate loans showed relatively small changes in most areas during both the last quarter of 1957 and for the entire year. Exceptions to this general rule were the sizable declines in southeastern Wisconsin and northeastern Illinois.

The experience of District member banks in regard to real estate loans during 1957 reflects a somewhat easier demand for farm mortgage money in general. The following figures illustrate changes in outstandings at District member banks as of December 31 for recent years:

1953	1954	1955	1956	1957
(million dollars)				
98.9	98.8	107.8	111.2	112.0

Other mortgage lending institutions reported a lower volume of new mortgage loans in 1957 than in 1956, thus slowing the rate of expansion of total farm mortgage debt. Life insurance companies and Land Banks, reporting on a nationwide basis, reduced their volume of new loans 21 per cent and 24 per cent, respectively, from a year ago. The number of farm mortgages recorded by all lenders in the Corn Belt during the first half of 1957 decreased 14 per cent, compared with a 6 per cent nationwide decrease. This suggests that the Corn Belt lending activity by major reporting institutions eased more than in other areas. However, the Farmers' Home Administration sharply increased its lending, and financing by individuals was expanded, in part through a greater use of sales contracts.

Interest rates on farm real estate loans advanced in 1957. Insurance companies generally reported minimum rates at 5-1/2 per cent, an advance of one-half per cent, with a fair proportion of loans being made at 6 per cent. Federal Land Bank rates rose 1 to 1-1/2 per cent, with nine banks currently charging 5-1/2 per cent and three charging 6 per cent.

Insurance companies shifted a higher proportion of their funds into investments on which net yields were higher than on farm mortgages. The cost of Land Bank loans increased as Federal Farm Loan bonds issued in September 1957 yielded 4.75 per cent compared with 3.75 per cent a year earlier.

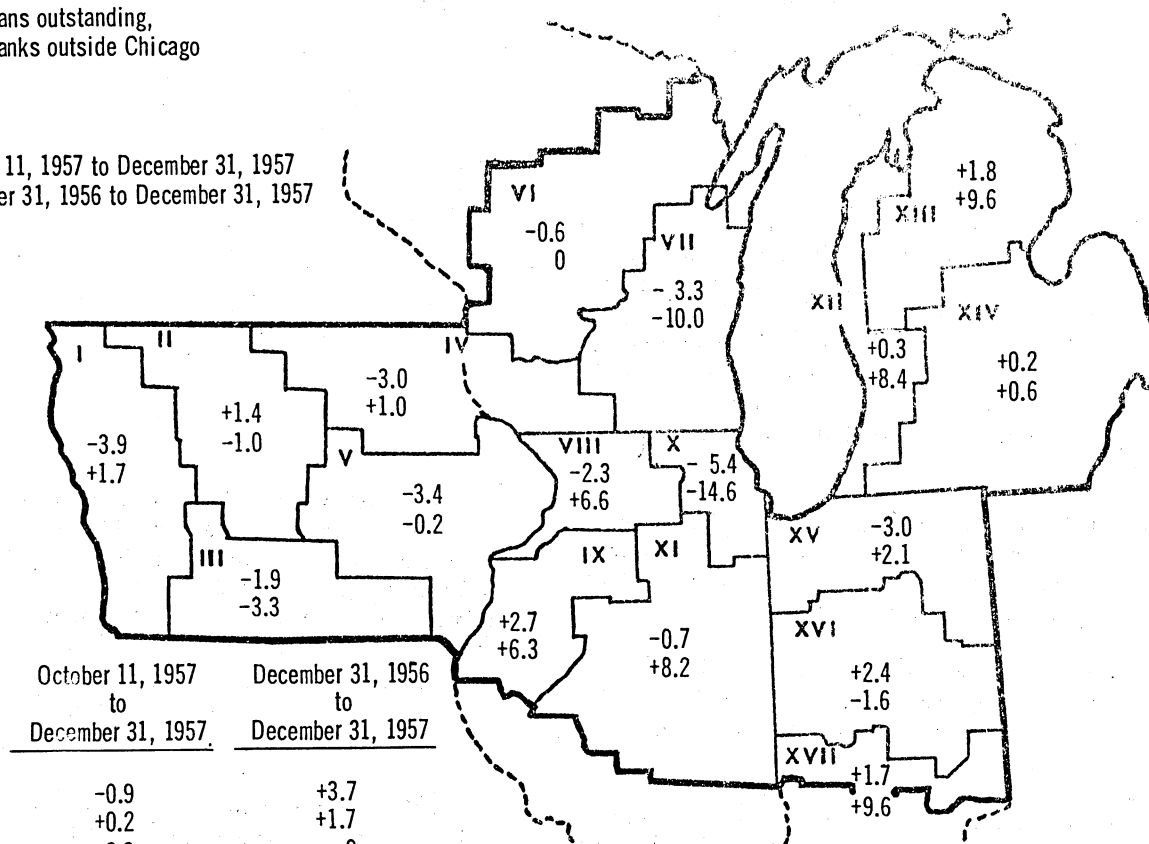
As rates on mortgage loans increased, many farmers have substituted short-term credit for purposes normally financed from long-term loans, expecting that long-term loans will be available at lower rates later. This has helped to boost the volume of short-term farm loans at banks.

Research Department

Farm real estate loans outstanding,
District member banks outside Chicago

Per cent change:

TOP: October 11, 1957 to December 31, 1957
BOTTOM: December 31, 1956 to December 31, 1957



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

(excludes real estate and CCC-guaranteed loans)

Per cent change:

TOP: October 11, 1957 to December 31, 1957
BOTTOM: December 31, 1956 to December 31, 1957

