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Federal Reserve Bank of Chicago --

May 4, 1962

LAND VALUES in the Corn Belt are stronger. Bankers in most Illinois and Iowa areas report increases in land values since last fall (see back of Letter). Furthermore, a sizable proportion of country bankers in Illinois, Indiana and Iowa (about one in five) consider the current trend in land values to be up.

The rise in values is small. From October 1, 1961, to April 2, 1962, bankers reported a 3 per cent increase in Iowa and 2 per cent in Illinois. In the other states there was little change.

In all states, bankers reported increases in values from last spring. The largest gains were in Illinois and Wisconsin, up 5 per cent, while bankers indicated a rise of 4 per cent in Iowa and 2 per cent in the other states.

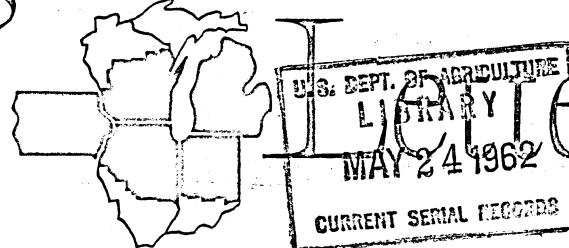
The turnaround in land values last year and optimistic expectations in the Corn Belt this spring reflect higher farm incomes during 1961 and higher Government support prices on corn, soybeans and other major crops in the Midwest. Furthermore, the pressure for additional land to enlarge existing farm units has continued and has perhaps even been intensified. Farmers who have participated in the Government's feed grain program have retired 20 to 40 per cent, or more, of their corn and grain sorghum acreage to qualify for payments and support prices. In many instances this has made "small" farms even smaller in terms of utilization of available labor and machinery. This together with higher support prices has provided added incentive for farmers to acquire additional land.

SIGN UP IN THE FEED GRAIN PROGRAM was extended through the middle of April. Final figures show that farmers agreed to divert 29.6 million acres of corn and grain sorghum compared with 26.7 million acres last year—a gain of 11 per cent. Most of the increase came in corn where diversion rose from 20.1 million to 23.8 million acres while grain sorghum went from 6.5 to 6.7 million acres.

With corn planting just getting under way over much of the Corn Belt, it is too early to determine the final reduction in total corn acres. If favorable weather prevails over large areas of the Corn Belt during the entire planting season, complying farmers may reduce their planned diversion and farmers outside the program may expand their corn acreage. Preliminary figures indicate sign up has been highest in areas, such as Missouri, which have had poor weather and has induced farmers to sign up as "crop insurance."

TOTAL ACREAGE RETIRED from production in 1962 will be 47.8 million acres if farmers carry through their reductions under both the feed grain and wheat programs. In addition to the corn and grain sorghum acreage retired, wheat producers have signed to divert 15.1 million acres and barley producers have signed to divert 3.1 million acres.

Agricultural Letter



Number 652

PRICES RECEIVED BY FARMERS in April dropped nearly 1 per cent from March reflecting declines for milk, hogs, eggs and chickens. Partially offsetting this were higher prices for cotton, corn and wheat.

Dairy prices declined 5 per cent during the month reflecting both seasonal declines and the reduction in price supports on manufacturing milk. As a result, prices in April were 2 per cent under a year earlier and the lowest for April since 1958. Milkfat prices declined to the lowest level for the month since 1955.

Dairy Prices Decline Following Reduction in Support Levels (Average price received by farmers)

	April 1959	1960	1961	March 1962	April 1962
All milk wholesale (\$ per cwt.)	3.91	3.96	4.03	4.16	3.90
Milkfat, in cream (cents per lb.)	59.8	59.2	60.8	60.2	58.3

FEEDER CATTLE INSHIPMENTS in the first quarter were 18 per cent less than in 1961. All states in the Corn Belt, except Ohio, recorded decreases from last year. This reduction reflects the relatively high prices of feeder cattle and the delay in moving fed cattle out of feedlots during the winter.

Feeder Cattle Shipments Down in Most Corn Belt States

	March		January-March	
	1961	1962	1961	1962
	----- (thousand head) -----			
Ohio	6.0	11.6	17.6	25.0
Indiana	18.1	16.1	52.7	39.3
Illinois	59.6	57.4	189.7	154.9
Michigan	4.0	4.8	10.8	13.5
Minnesota	35.0	27.3	132.9	109.2
Iowa	150.1	126.0	461.2	380.1
South Dakota	25.6	13.7	56.6	46.9
Nebraska	103.9	76.8	268.1	211.8
Total 8 States	402.3	333.8	1,189.8	980.7

Research Department

Per cent change in dollar value per acre of "good" farms

TOP: October 1, 1961 to April 2, 1962

BOTTOM: April 1, 1961 to April 2, 1962

(based on reports of identical banks)

Percent change in dollar value per acre of "good" farms

Top: October 1, 1961 to April 2, 1962
Bottom: April 1, 1961 to April 2, 1962

Illinois +3
Indiana -1
Iowa +2
Michigan -1
Wisconsin 0

SEVENTH DISTRICT +1

1

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

1

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

VI

VII

0

-1

XII

XIII

+6

+5

XIV

-4

+2

VIII

-2

+2

*

*

X

*

*

IX

0

+1

+

4

+7

*

XI

+

4

+7

*

XV

-2

+3

*

XVI

-3

+1

*

XVII

+4

+6

*Figures not reported due to limited number of replies.

Current trend in farm land values based on opinions of country banks as reported in April 1962

Per cent of banks reporting trend is:

TOP: Up

CENTER: Stable

BOTTOM: Down

Up 22

Stable 74

Down 4

1

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

22

70

8

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

22

74

4

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

36

60

4

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

12

82

6

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

11

83

6

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

3

90

7

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

10

85

5

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

10

80

10

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

18

76

6

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

28

69

3

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

19

78

3

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

22

78

0

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

17

83

0

II

III

IV

V

VI

VII

VIII

X

IX

XI

XV

XVI

XVII

19