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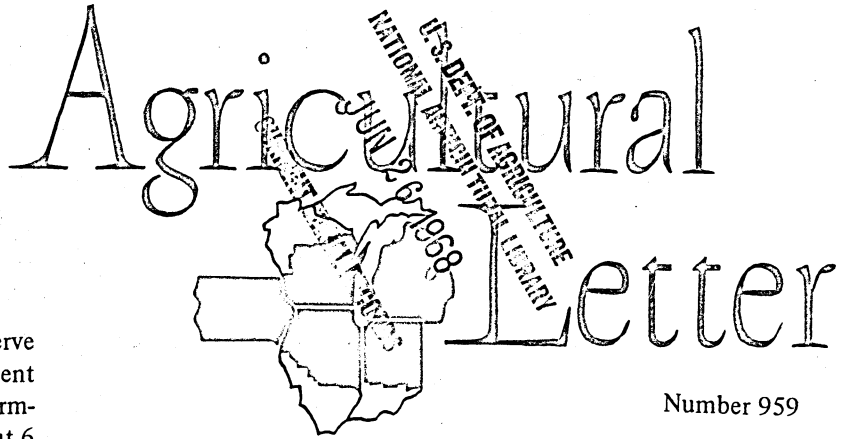
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Federal Reserve Bank of Chicago - -

May 3, 1968



Number 959

**FARMLAND VALUES** in the Seventh Federal Reserve District rose further in the first quarter. According to a recent survey of country bankers, the average value of "good" farmland has increased about 2 percent since January and about 6 percent since April 1967. Land prices increased generally throughout the district. Only one area failed to report gains over both the previous quarter and last year (see back of the Letter).

Gains were fairly uniform, averaging 2 percent for the quarter in Illinois and a little less than 3 percent in Iowa, Indiana, Michigan, and Wisconsin. Gains from a year ago were also within a narrow range.

Bankers appear generally less certain about the future of land prices, however. Although many bankers foresee a continued rise in land prices for several months, the number sharing this view is shrinking. Most of those responding expect land prices to level off or even decline in the months ahead. A year ago, more than half the respondents foresaw a continued uptrend in prices. Only 1 percent thought prices might go down.

Bankers' expectations varied with the area, however. In Illinois, for example, 14 percent of the bankers expected land values to decline, and in Indiana 11 percent. Views in these states are probably associated with the difficulties in harvesting last year's crop and the low prices received for the crop. No Wisconsin banker responding to the survey expected a decline.

Increases were reported in the number of farms offered for sale in many areas. Only in Iowa was there no increase in the proportion of bankers reporting larger numbers of farms for sale. About 36 percent of the responding bankers said farm sales had increased, compared with only 8 percent that reported fewer sales. Last year, 25 percent thought sales had increased and 18 percent reported sales had decreased.

**More Banks Report Increased Farm Sales**

|                  | Up                           |      | Down |      | Stable |      |
|------------------|------------------------------|------|------|------|--------|------|
|                  | 1967                         | 1968 | 1967 | 1968 | 1967   | 1968 |
|                  | (percent of banks reporting) |      |      |      |        |      |
| Illinois         | 16                           | 29   | 15   | 4    | 69     | 67   |
| Indiana          | 25                           | 38   | 13   | 10   | 62     | 52   |
| Iowa             | 21                           | 19   | 33   | 18   | 46     | 62   |
| Michigan         | 30                           | 46   | 9    | 6    | 61     | 48   |
| Wisconsin        | 51                           | 57   | 8    | 4    | 41     | 39   |
| Seventh District | 25                           | 36   | 18   | 8    | 57     | 56   |

According to the survey, farmers continued to buy most of the farmland offered for sale. About three-fourths of the farms sold in the district during the last 12 months were purchased by either owner-operators adding to their holdings or by tenant-operators. Not quite a fourth of the farms were purchased by other than farmers. These proportions have been about the same for the past two years.

**Farm Operators Continue As Major Buyers**

|                  | Farm operators |        | Others      |              | Unknown |
|------------------|----------------|--------|-------------|--------------|---------|
|                  | Tenants        | Owners | Within area | Outside area |         |
|                  | (percent)      |        |             |              |         |
| Illinois         | 14             | 58     | 12          | 14           | 2       |
| Indiana          | 14             | 65     | 11          | 7            | 3       |
| Iowa             | 20             | 64     | 8           | 7            | 1       |
| Michigan         | 6              | 60     | 13          | 17           | 4       |
| Wisconsin        | 11             | 62     | 7           | 17           | 3       |
| Seventh District | 14             | 61     | 11          | 12           | 2       |

The prospective weakening in the demand for farmland and the indicated increase in sale offerings are no doubt associated with the marked changes in the economic conditions of agriculture in the last year and the current high level of land prices. Sharply lower commodity prices, reduced government payments, and higher production costs lowered incomes substantially in 1967, especially in the Midwest. Incomes of Midwest farmers were down far more than the national average, partly because of the unfavorable circumstances surrounding the 1967 harvest.

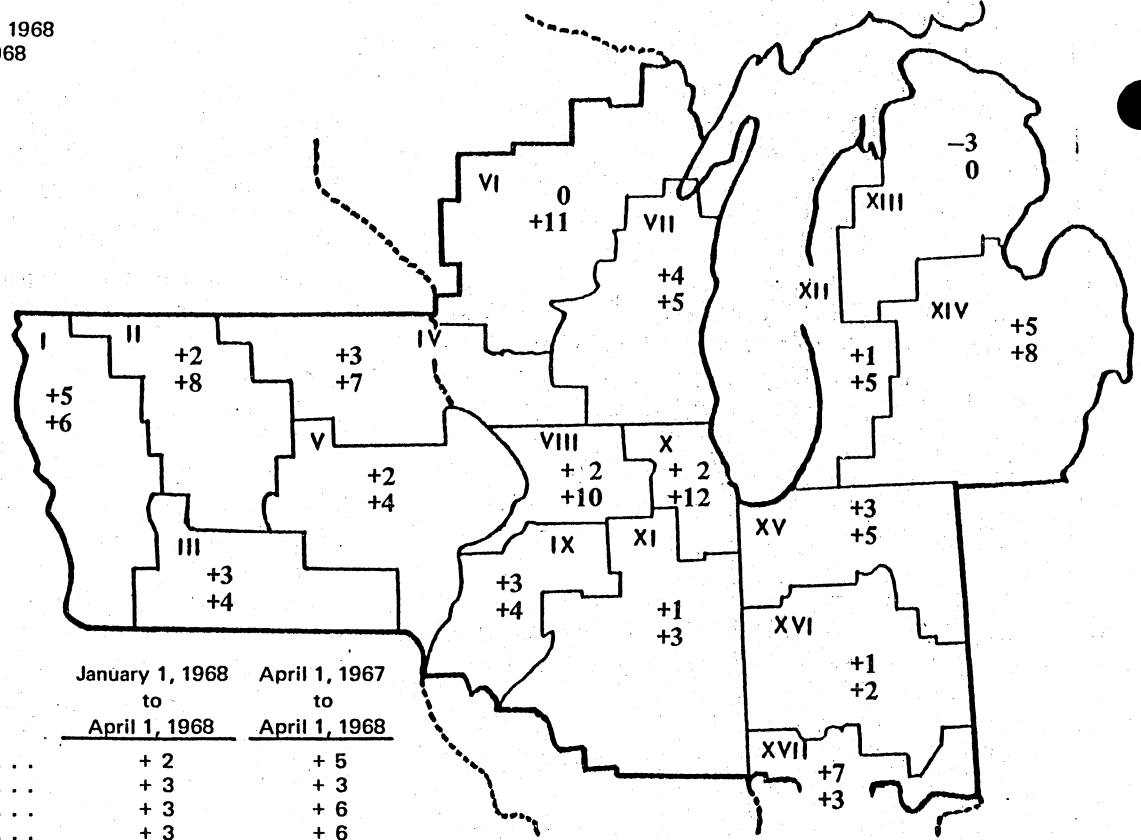
In Iowa, Illinois, and Indiana, the three Corn Belt states of the district, income per farm was off more than 25 percent. Income fell 9 percent in Michigan and 6 percent in Wisconsin. Although agricultural prices have generally increased, prices of major Midwest grains are still substantially below year-ago levels. While the agricultural economy has been depressed, booming activity in other sectors of the economy has created employment opportunities that allow many operators to leave farming for higher paying jobs or to supplement their farming with nonfarm employment.

Roby L. Sloan  
Agricultural Economist

Percent change in dollar value of "good" farms

TOP: January 1, 1968 to April 1, 1968  
 BOTTOM: April 1, 1967 to April 1, 1968

(Based on reports of identical banks)

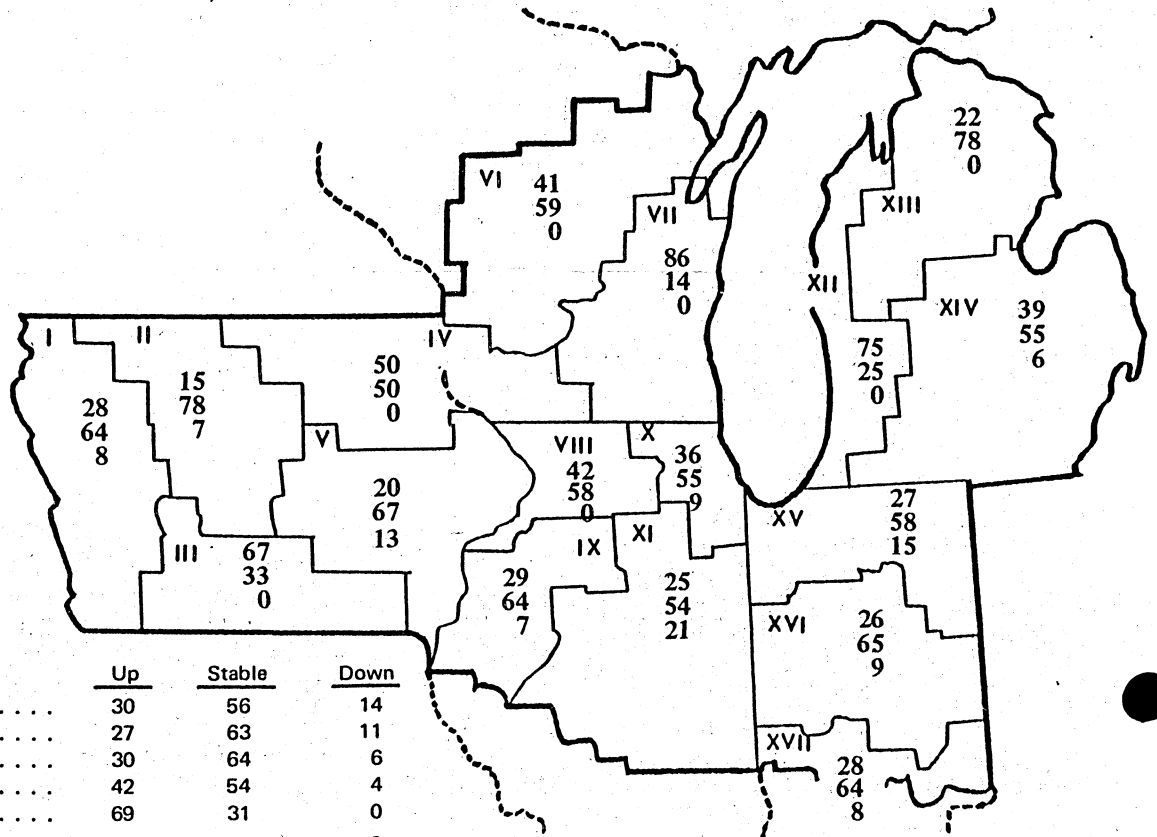


|                  | January 1, 1968 to April 1, 1968 | April 1, 1967 to April 1, 1968 |
|------------------|----------------------------------|--------------------------------|
| Illinois         | +2                               | +5                             |
| Indiana          | +3                               | +3                             |
| Iowa             | +3                               | +6                             |
| Michigan         | +3                               | +6                             |
| Wisconsin        | +3                               | +7                             |
| SEVENTH DISTRICT | +2                               | +6                             |

Current trend in farmland values based on opinions of country banks as reported April 1, 1968

Percent of banks reporting is:

TOP: Up  
 CENTER: Stable  
 BOTTOM: Down



|                  | Up | Stable | Down |
|------------------|----|--------|------|
| Illinois         | 30 | 56     | 14   |
| Indiana          | 27 | 63     | 11   |
| Iowa             | 30 | 64     | 6    |
| Michigan         | 42 | 54     | 4    |
| Wisconsin        | 69 | 31     | 0    |
| SEVENTH DISTRICT | 36 | 56     | 8    |