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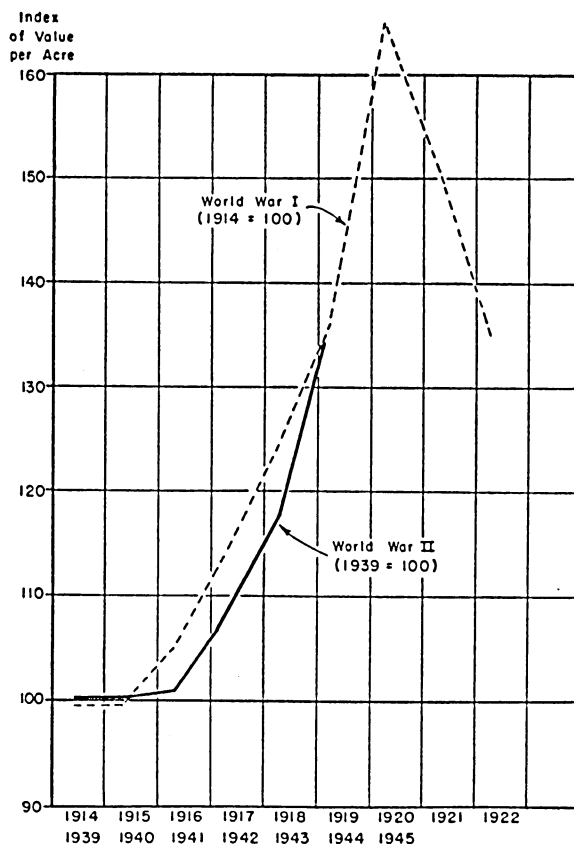
SECTION C—AGRICULTURAL FINANCE

Chairman: CHARLES H. WEST, *Farm Credit Administration, Berkeley*
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TRENDS IN THE FARM REAL ESTATE MARKET

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The value of farm real estate in the United States was 36 percent higher as of March 1, 1944 than in 1939, according to the Bureau of Agricultural Economics index of farm real estate value.¹ This was exactly the same percentage increase as for the corresponding period of World War I (fig. 1).

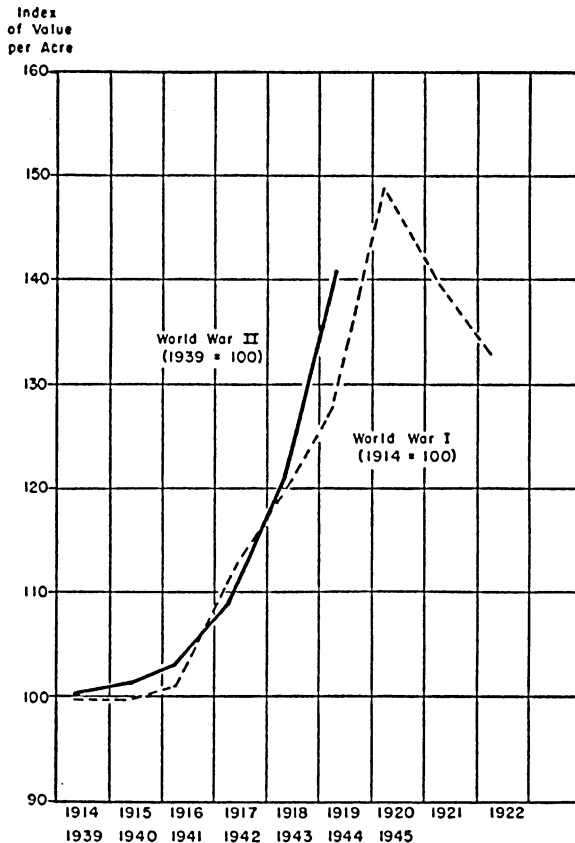


Source: Computed from Bureau of Agricultural Economics index of farm real estate value

FIG. 1. Index of Farm Real Estate Value in the United States in World Wars I and II.

¹ *Current Developments in the Farm Real Estate Market*, BAE, March 1944 (processed), and Regan, M. M., et al., *The Farm Real Estate Situation, 1932-43*, USDA Cir. 690, October, 1943.

For the 11 western states the increase as of March 1, 1944 over 1939 was 41 percent. This compares with an increase of only 28 percent in the corresponding period of World War I (fig. 2). Four months have elapsed since



Source: Unweighted average of Bureau of Agricultural Economics index of farm real estate value for the Pacific and Mountain geographic divisions, converted to bases indicated.

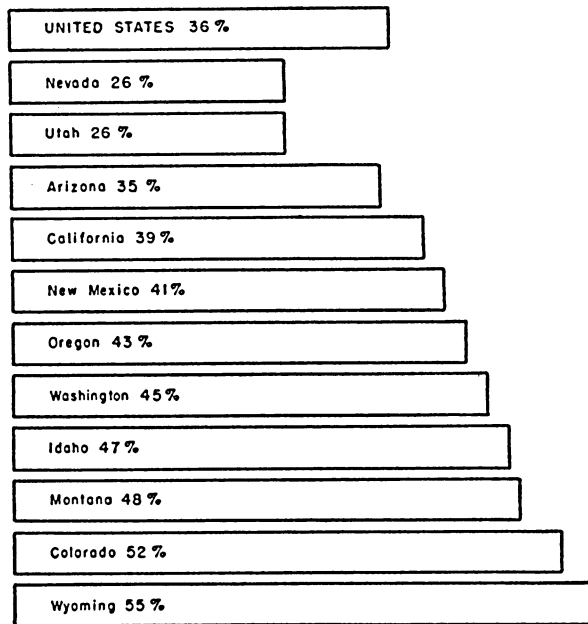
FIG. 2. Index of Farm Real Estate Value in the 11 Western States in World Wars I and II.

March 1, and the upward trend has continued, so it is probable that farm land values in the western states as of today have increased as much or more from the pre-war level as they had at the peak of the World War I land boom, which was 49 percent. How much higher will they go? How much worse will the headaches be afterward?

In the 11 western states, the increase in value has been least in Nevada and Utah, and greatest in Wyoming (fig. 3).

The data that are presented in the remainder of this paper are from the Bureau's quarterly field survey of developments in the farm real estate

market in 12 selected counties in the 7 western states, based on county records, interviews, and mail questionnaires.² This survey has been carried on cooperatively with the State Agricultural Experiment Stations in Idaho, Nevada, and Washington. The 12 counties included are Maricopa, Ariz.; Imperial and Tulare, Calif.; Latah and Twin Falls, Idaho; Elko, Humboldt, and Washoe, Nev.; Lane, Oreg.; Box Elder, Utah; and Lewis and Whitman, Wash.



Source: Computed from Bureau of Agricultural Economics index of farm real estate value.

FIG. 3. Percentage Increase in Value of Farm Real Estate, 1939-1944.

Volume of Sales. In the 12 selected counties the number of voluntary transfers of farm tracts was 3,162 in 1943, as compared with 1,919 in 1941—an increase of 65 percent. The greatest increase in volume of sales occurred in the first half of 1943 (fig. 4). The number of transfers in the first quarter of 1944, 872, is the largest of any quarter covered by the study, which started with the first quarter in 1941.

About one-half of the transfers were of irrigated land, one-third were cultivated nonirrigated land, and one-sixth, pasture and range land. There has been no significant change in the proportions of these broad land types over the 3 years.

Prices. The average price of irrigated land increased from \$148 per acre

² Cf. Stonecipher, Harvey V., et al., *Farm Real Estate Market Activity, Western Region, 1941-43*, BAE, Berkeley, Calif., May 1944 (mimeo.).

in 1941 to \$242 in 1943, or by 64 percent; cultivated nonirrigated land increased from \$61 to \$88, or by 45 percent; and pasture and range from \$11 to \$15, or by 38 percent. In the first quarter of this year the average price increased to \$301 for irrigated land, to \$97 for cultivated nonirrigated, and remained the same at \$15 for pasture and range.

Resales. In 1943, 418 tracts, or 13 percent of all transfers, were sold within 2 years of the time they had been purchased, as compared with 187 such

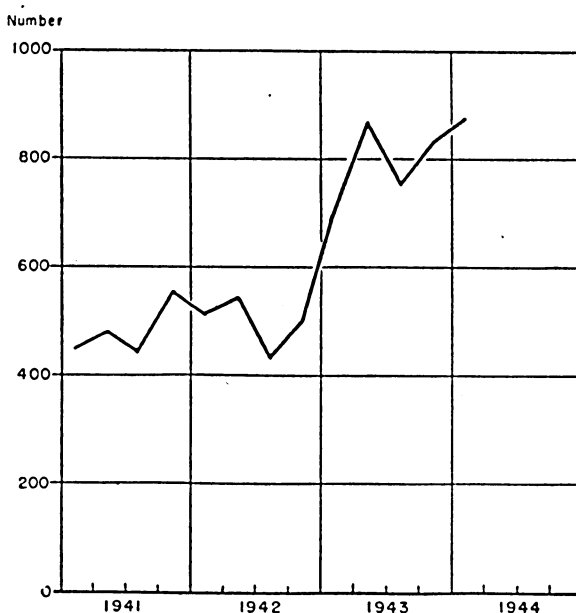


Fig. 4. Number of Transfers of Farm Real Estate by quarters (12 Selected Counties in the 7 Western States).

resales, or 9 percent of all transfers, in 1942. The 418 tracts had been held for an average of 10 months. The average purchase price per tract was approximately \$7,000, and the average selling price \$9,100, giving an increase of \$2,100, or 30 percent, in the 10 months.

Types of Buyers and Sellers. The proportion of the sales made by estates and corporations decreased from 27 percent in 1941 to 15 percent in 1943; conversely, the proportion of sales by individual owner-operators increased from 29 percent to 43 percent.

The proportions of the buyers who were farmers and nonfarmers changed but little during the three years; they were 63 and 37 percent respectively in 1941, and 60 and 40 percent in both 1942 and 1943. But the trend has been generally upward in purchases by nonfarmers relative to sales by nonfarmers, and conversely, in sales by farmers relative to purchases by farmers (fig. 5). In the last two quarters, however, these ratios have decreased.

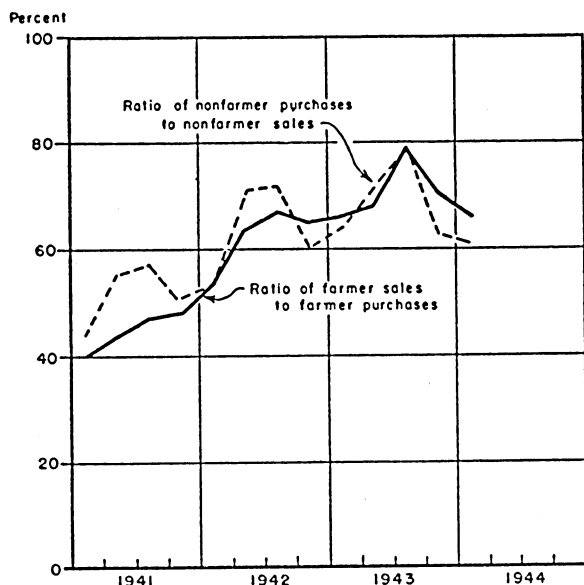


FIG. 5. Ratio between Number of Sales and Number of Purchases of Farm Real Estate, by Farmers and by Nonfarmers, by Quarters (12 Selected Counties in the 7 Western States).

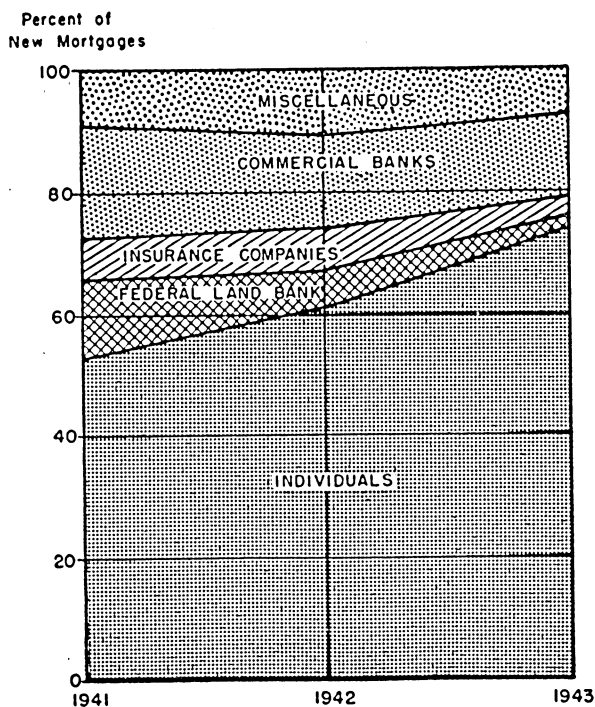


FIG. 6. Sources of New Farm Mortgage Financing (12 Selected Counties in the 7 Western States).

The proportion of nonfarmer buyers who indicated that they intended to operate the farms they bought increased from 24 percent in 1941 to 38 percent in 1943; those intending to lease decreased from 61 percent to 47 percent; and those stating that they were buying for the purpose of reselling was 15 percent in both years.

Financing. There has been no significant change in the proportions of the transfers that were for cash or were encumbered. About one-half of the transfers, involving about one-third of the total consideration, have been all cash deals in all 3 years.

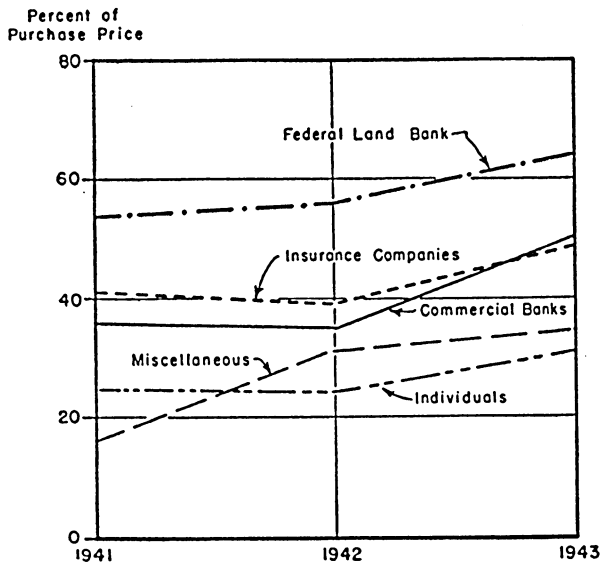


FIG. 7. Percentage Down Payment on Farm Purchase, by Type of Financing (12 Selected Counties in the 7 Western States).

The percentage of the new mortgages that were financed by individuals increased from 53 percent in 1941, to 61 percent in 1942, and to 74 percent in 1943 (fig. 6). Federal Land Bank financing of new mortgages decreased from 13 percent of the total number in 1941 to 2 percent in 1943. Federal Land Bank loans, however, in all 3 years constituted 50 percent or more of the previous mortgages that were assumed in connection with transfers.

The amount of down payment by the purchaser was largest in connection with Federal Land Bank loans, and smallest with individual financing (fig. 7). The percentage down payment has been increasing somewhat, from an average for all encumbered transfers of 35 percent in 1941, to 37 percent in 1942 and to 41 percent in 1943. Interest rates and period of repayment appear to have decreased slightly during the 3 years, although the data are insufficient to be conclusive.

Although on the average the equities of farm buyers in their properties

have been increasing, both in amount per acre and in percentage of the purchase price, nevertheless, incurred indebtedness per acre has increased greatly. Nearly three-fourths of those who are buying land on credit, at the present inflated prices, are going in debt for more than 50 percent of the

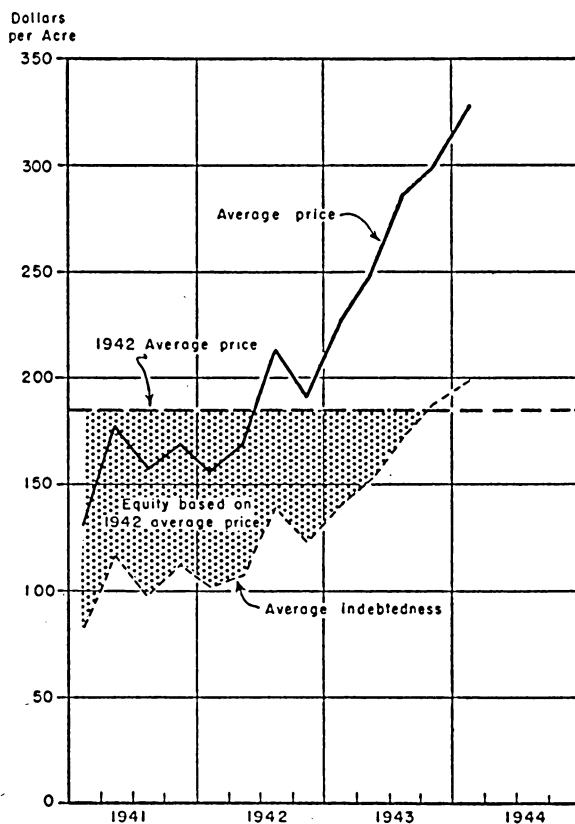


FIG. 8. Buyers' Equity in Farm Real Estate Relative to 1942 Price, Encumbered Transfers of Irrigated Land, by Quarters (12 Selected Counties in the 7 Western States).

purchase price. The average indebtedness per acre on encumbered transfers of irrigated land increased from \$83 in the first quarter of 1941 to \$200 in the first quarter of 1944, or an increase of nearly 150 percent. This means that if land values should decline, the equities of many present buyers would soon be wiped out. For example, if the price of irrigated land should drop only to the level of 1942, the average buyer's equity in encumbered purchases in the last 2 quarterly periods would disappear completely (fig. 8).