



AgEcon SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

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.

Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

THE FARM REAL ESTATE SITUATION, 1935-36

By B. R. STAUBER, *senior agricultural economist*, and M. M. REGAN, *associate agricultural economist, Bureau of Agricultural Economics*

CONTENTS

	Page		Page
The situation in general.....	1	Changes in farm ownership.....	24
Farm real estate values.....	4	Voluntary farm transfers more numerous than for several years.....	24
Rising real estate values more general than during preceding year.....	4	Farmers more active in farm buying.....	30
Continuing improvement in income to agri- culture supports realty values.....	9	Number of farm foreclosures declines further but with great regional variation.....	32
Regional changes in income support changes in farm real estate values.....	15	Farmer bankruptcies again decline, but compositions and extensions increase.....	33
Ratio of cash rent to value of farm real estate.....	19	Farm real estate taxes.....	36
Emergency refinancing recedes; private lending expands slightly.....	22	Farm mortgage credit.....	38

THE SITUATION IN GENERAL

The farm real estate situation during the year 1935-36¹ has been characterized by the continuation of the trend toward higher farm real estate values, more voluntary transfers and trades, and a smaller number of forced transfers occasioned by delinquency upon farm-mortgage indebtedness or farm real estate taxes. The refinancing and other emergency activities of the Farm Credit Administration have continued to recede in importance, and to begin to give way to the more permanent problems of farm-mortgage credit. Although the decline in foreclosure rates has not been uniform, increases having occurred in a number of States, although many farmers are still facing acute distress, and although it appears unlikely that there has been a substantial decrease in the land holdings of creditor agencies, the tone of the farm real estate market has improved considerably and gives increasing evidence of regained confidence in farm real estate.

The continued rise of farm real estate values² brought the Bureau index of estimated average value per acre of farm real estate to 82 percent of the pre-war level (average of values in 1912-14=100, and is taken as the pre-war level).³ The index of values as of March 1, 1936, is 3 points higher than it was a year ago and 9 points higher than the low point of 73, reported for the year ended March 1, 1933.

¹The farm real estate year ordinarily covers roughly a 12-month period ending about Mar. 1. Possession of farms by lease or sale is commonly given at that time, and occupancy usually is considered as beginning on that date. Unless otherwise stated, therefore, the term "1935-36" denotes the 12-month period ended on or about Mar. 1, 1936. Most of the real estate data here used pertain to that period. The term "1935" denotes the calendar year ended Dec. 31, 1935.

²The term "real estate" as used throughout this circular includes farm land, together with buildings and other permanent improvements.

³Preliminary State estimates of changes in values are published annually in the May issue of Crops and Markets.

The gains of the past year for the country as a whole amount to 4 percent, and the gain over the low point of 1933 is a little over 12 percent. This index is based upon reports from crop and real estate dealer correspondents to the Bureau of Agricultural Economics.

In all but two States the average value per acre of farm real estate as of March 1936 was higher than a year ago. In a number of States the gains were very substantial, amounting, for example, in Iowa and in North Carolina to 9 percent more than a year ago; in Ohio, Indiana, and Colorado to 8 percent more; and in Illinois and Tennessee to 7 percent more.

The Corn Belt States as a group reported the greatest average increase, nearly 8 percent; those in the wheat region and in the grazing area of the West averaged 5-percent gains; the Cotton Belt averaged 3 percent; and the hay and dairy States averaged 2 percent.

The index for 11 States is higher than the pre-war base: 4 of these States are in New England, 1 is in the Middle Atlantic group, 5 are in the South, and 1 is on the Pacific coast. In nine States, located principally in New England and in the South, values are no more than 10 percent below the pre-war level. Average values in the North Central States ranged from 55 to 85 percent of their pre-war values. During the past year one State—Virginia—passed from below to above the pre-war average.

Perhaps the most encouraging single item supporting the continued upward trend in farm real estate values is found in the continued rise in income from farm production, which for the year 1935 is estimated at \$8,508,000,000. This is 17 percent higher than farm income in 1934 and 59 percent higher than in 1932, the year of lowest income in the available record, which goes back to 1909, but it is only two-thirds of the income in 1929. Although gross income from farm production in 1935 was higher than at any time since 1932, it has nevertheless recovered only 48 percent of the loss from 1929 to 1932. The estimates quoted include rental and benefit payments, which amounted to \$498,000,000 in 1935 and to \$595,000,000 in 1934.

The increases in gross income over that of 1934 were due more to higher prices than to changes in production, for the general level of production, taking the country as a whole, was approximately equivalent to that of 1934. Income from livestock and livestock products (not including benefit payments) was approximately 24 percent higher than for 1934, owing mainly to better prices for livestock and livestock products which more than counterbalanced the decline in the production of meat animals. Income from crops (not including benefit payments) was 15 percent higher than in 1934, owing largely to better crops and higher prices for wheat. Lower prices for cotton and tobacco in the South were offset by larger production of these crops and by greater income from livestock and livestock products.

Preliminary indications point to a level of farmers' expenditures during 1935 only slightly greater than in 1934. Prices of feed, machinery, and seed averaged only a little higher during 1935 than in 1934, while certain other products, including fertilizer, equipment and supplies, and building materials, were slightly lower. Probably there was little, if any, change in the average tax levies on farm

properties for the country as a whole during 1935. In short, the indications are that the farmers' current production expenses, including wages, taxes, interest, rent, and depreciation on buildings and equipment, will amount to approximately \$4,000,000,000 as compared with \$3,809,000,000 in 1934.

The increases in income that have occurred since the low year of 1932 have been accompanied by increased farm real estate values, but those increases have not been strictly proportional to the increases in income. The natural tendency of farm real estate values to lag in periods of change is evident from a comparison of values and income either for the Nation as a whole or for individual States or agricultural areas. For the United States as a whole, both the general level of income and of farm real estate values were approximately two-thirds of the levels for the several years immediately preceding the depression, during which income had become fairly stable. It is reassuring to observe that on the whole the upturn in values has maintained a moderately close relation to income.

The increase in activity in voluntary transfers of farm real estate was the most substantial recorded since 1932 and brought the average frequency of such transfers to a level approximating that prior to the depression. Nearly all regions reported more interest among prospective buyers, and this interest was reflected almost universally in greater frequency of farm transfers. The Bureau estimates indicate that, on an average, approximately 24 farms per thousand of all farms were transferred through voluntary sale or trade during the year ended March 15, 1936, as compared with 19.4 farms per thousand a year ago. A fairly well-defined preference for small well-located farms, continued buying by persons from the city, and considerable interest in summer homes is especially evident in New England. In other regions farms are being bought for the most part by persons with farming experience, usually either by farmers already owning land or by former tenants who now want to own their own farms.

Little is known concerning the extent to which creditor agencies have been successful in disposing of the properties they have acquired as a result of delinquency on indebtedness, except in the case of the Federal land banks, which reported having sold 75 per cent more properties than during the previous year.⁴

On the whole, fewer transfers of farms have occurred as a result of debt difficulties, but the tendency has been by no means uniform, an increased number having been reported in a number of States. These cases, coming at a time when farm incomes on the whole are increasing, appear to be, in part at least, attempts finally to dispose of perplexing and border-line cases that have been carried by creditors for some time. In the case of the land banks particularly, leniency during earlier years appears to have led to the accumulation of a number of cases requiring final action, and a substantial increase in the number of foreclosures by the Federal land banks is indicated in the annual report of the Farm Credit Administration.

The number of voluntarily farmer bankruptcies concluded in the courts during the fiscal year ended June 30, 1935 was 4,311, which was considerably smaller than the number during the previous fiscal year;

⁴ [UNITED STATES] FARM CREDIT ADMINISTRATION. ANNUAL REPORTS, 1-3. 1933-35. See report 3.

but in addition to these bankruptcies there were 5,979 cases of compositions and extensions accomplished under sections 12, 74, and 75 of the National Bankruptcy Act as amended March 3, 1933, and subsequently. These compositions and extensions provide for readjustment of debt on terms such as to permit eventual payment of most or all of the obligations to creditors. The data suggest that farmers, when given the opportunity, prefer modification of the terms of their indebtedness in such a way as to permit them to retain their farms and eventually to meet their obligations, rather than to accept bankruptcy as the only way out.

As already suggested, the emergency refinancing and related activities of the Farm Credit Administration have declined materially during the past year.⁴ The number of applications received by the Farm Credit Administration from farmers seeking to avoid foreclosure declined from nearly 31,000 in 1934 to about 8,500 in 1935, total applications for loans dropped from a little over \$2,000,000,000 in 1934 to \$811,000,000 during 1935, and the number of loans closed declined from 497,000 in 1934 to 150,000 in 1935. During 1935 the number of loans closed dropped from 21,408 in January to 8,838 in December. The land banks also reported improved collections and found that it was not necessary to grant so many extensions as during the previous year. As in earlier years, in connection with what refinancing has been continued, some "scale-downs" have been necessary. In approximately 20 percent of all loans closed there were scale-downs, the amount averaging approximately one-third of the indebtedness prior to refinancing.

In addition to the declining emergency activities of the Farm Credit Administration, there have been some evidences of increased activity of private lending on farm mortgages. Recordings of mortgages by individuals, banks, insurance companies, and other private lenders during the first 10 months of 1935 were 27 percent greater than recordings during the same period of 1934, but these increased lendings do not as yet appear to have expanded sufficiently to bring about any material increase in the total amount of mortgage debt held by such other agencies.

Perhaps the most significant single factor in the farm real estate finance field is the continuation of extremely low interest rates on all types of loans and investments. Central-market rates and yields on farm-loan bonds are the lowest in a generation, and markedly lower than those prevailing heretofore since the World War. Should these low rates continue over an extended period, they would constitute an important factor acting in the direction of higher farm real estate values.

FARM REAL ESTATE VALUES

RIISING REAL ESTATE VALUES MORE GENERAL THAN DURING PRECEDING YEAR

For the third successive year the average value per acre of farm real estate in the United States increased. The Bureau index of average value per acre for the Nation as a whole rose 3 points, from 79 percent of the pre-war level to 82 percent (table 1). At least some gain was reported from nearly every State, and substantial increases were reported by one or more States from every geographic division except New England. Generally speaking, the largest aver-

age gains in comparison with last year's levels were reported from the East North Central group of States. During the past year increases in average value per acre were reported from 46 States whereas during the previous year increased values were indicated in only 31 States. The rising values reported during the past year,

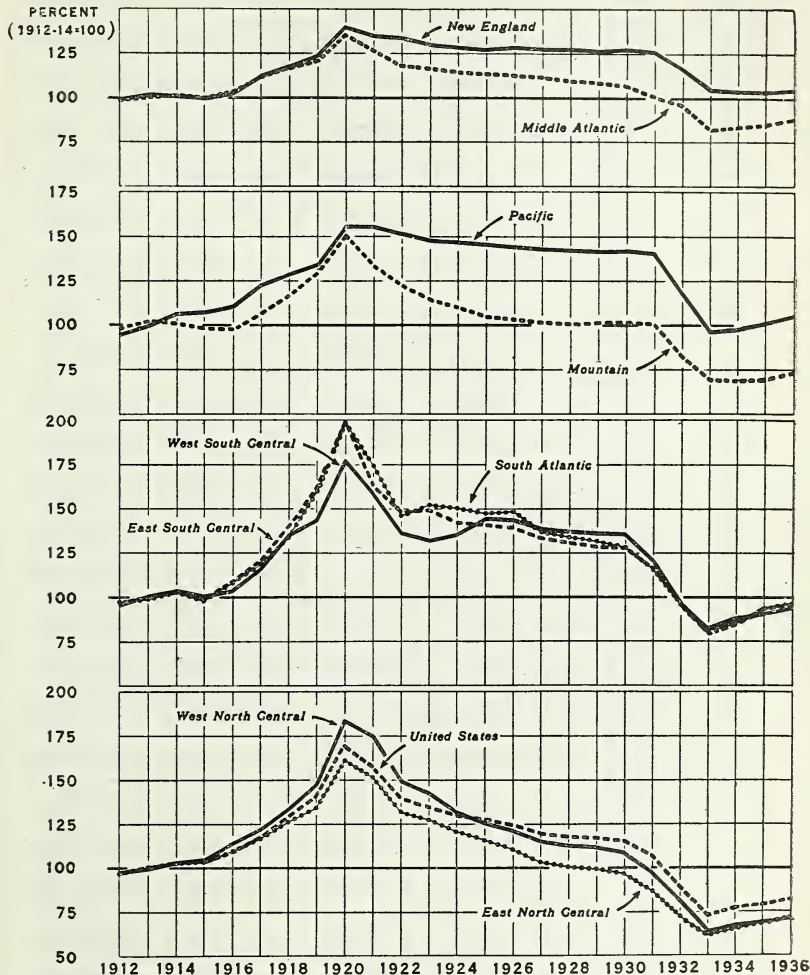


FIGURE 1.—FARM REAL ESTATE: INDEX NUMBERS OF ESTIMATED VALUE PER ACRE AS OF MARCH 1, BY GEOGRAPHIC DIVISIONS, 1912-36.

For the third consecutive year higher farm real estate values were reported. Increases in the value of farm real estate were more widespread than a year ago. The Bureau index of value per acre for the United States as a whole rose from 79 to 82 percent of the pre-war level (1912-14=100).

while they substantiate the gains of the 2 previous years, appear to be based somewhat more upon continued improvement in farm incomes and regained confidence in farm land, and less upon the emergency refinancing, which was very important, particularly during 1933 and 1934, but has now begun to give place to longer-time problems (fig. 1).

TABLE 1.—Farm real estate: Index numbers of estimated value per acre, by geographic divisions and States, 1912-36 1

[1912-14=100 percent]

Geographic division and State	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	Net change over 1935
	97	100	103	103	108	117	129	140	170	157	139	135	130	127	124	119	117	116	115	106	89	73	76	79	82	
United States.....	97	100	103	103	108	117	129	140	170	157	139	135	130	127	124	119	117	116	115	106	89	73	76	79	82	+3
Geographic divisions:																										
New England:																										
New England.....	99	101	100	99	102	112	117	123	140	135	134	130	128	127	128	127	127	126	127	126	116	105	104	104	105	+1
Middle Atlantic.....	98	100	102	100	104	112	117	121	136	127	118	116	114	114	113	111	110	109	106	101	96	82	83	85	88	+3
East North Central.....	97	100	103	104	110	116	127	135	161	132	128	121	116	116	121	115	113	112	109	97	81	64	67	68	71	+6
West North Central.....	97	100	103	103	114	122	134	144	174	150	142	132	126	121	115	113	112	110	109	97	81	64	67	68	71	+4
South Atlantic.....	98	100	103	98	108	119	135	161	198	174	146	152	151	148	141	137	134	132	128	116	96	80	87	93	97	+4
East South Central.....	97	100	103	98	109	120	140	162	199	163	149	149	142	141	139	133	130	129	128	117	97	79	85	93	96	+3
West South Central.....	96	100	104	100	103	116	134	143	177	159	136	132	136	144	144	144	139	137	136	121	97	82	88	91	94	+3
Mountain.....	98	102	100	98	98	106	117	130	151	133	122	115	110	105	103	101	101	101	102	100	82	69	69	70	73	+3
Pacific.....	94	99	106	107	111	122	129	134	156	155	151	148	147	146	144	143	142	142	142	140	118	96	97	101	105	+4
New York.....	100	102	98	96	98	110	115	124	142	132	127	129	127	124	126	124	124	122	124	123	111	94	94	94	95	+1
New Hampshire.....	97	101	102	101	98	103	111	116	129	123	126	111	109	111	113	112	112	111	110	102	102	92	91	90	92	+2
Vermont.....	101	101	98	104	115	127	133	136	150	150	145	134	130	125	126	125	123	123	123	121	112	101	100	101	101	0
Massachusetts.....	98	100	102	98	100	110	114	119	140	134	132	131	132	131	132	131	131	131	131	130	120	112	111	111	111	0
Rhode Island.....	100	101	100	102	106	112	118	123	130	127	124	126	128	130	130	133	134	134	134	133	126	118	118	118	119	+1
Connecticut.....	98	100	102	100	102	110	116	121	137	134	140	137	140	137	137	138	139	139	140	140	133	124	123	123	125	+2
Middle Atlantic:																										
New York.....	98	100	102	100	103	109	115	118	133	123	116	115	112	111	109	108	106	105	103	96	92	82	82	84	85	+1
New Jersey.....	98	100	102	100	102	111	115	119	130	130	121	115	120	124	129	128	127	127	125	123	118	110	111	111	113	+2
Pennsylvania.....	98	100	102	100	105	114	119	124	140	131	120	118	116	114	114	112	111	110	107	101	96	78	79	82	86	+5
West North Central:																										
Ohio.....	98	100	102	107	113	119	131	135	159	134	124	122	118	110	105	99	96	94	90	82	70	59	63	66	71	+5
Indiana.....	97	100	103	102	110	116	128	135	161	148	120	116	108	102	95	87	84	83	80	72	60	53	56	61	66	+8
Illinois.....	97	100	103	102	105	111	119	130	160	153	126	123	116	115	109	99	96	95	91	80	66	54	59	61	65	+7
Michigan.....	98	99	103	105	111	120	134	137	154	152	148	145	138	133	129	127	125	124	121	115	97	80	82	83	84	+1
Wisconsin.....	97	100	103	104	117	124	133	143	171	168	154	147	139	130	125	122	120	119	117	104	91	80	80	82	84	+1
West North Central:																										
Minnesota.....	95	100	105	107	122	138	155	167	213	212	187	177	170	159	155	145	145	138	133	116	98	79	83	83	85	+2
Iowa.....	96	99	104	112	128	134	145	160	213	197	162	156	143	136	130	121	117	116	113	98	80	58	63	67	73	+6
Missouri.....	97	100	103	102	108	115	125	137	167	156	133	127	117	112	104	99	96	93	92	79	57	55	57	58	60	+9
North Dakota.....	97	100	103	103	112	118	124	130	145	141	136	128	114	109	105	100	99	98	95	85	73	66	68	67	68	+1
South Dakota.....	96	101	103	101	108	116	126	145	181	173	146	126	117	115	107	97	96	95	93	83	67	55	55	54	55	+1
Nebraska.....	98	100	102	101	104	110	127	145	179	169	144	139	128	123	113	111	116	116	113	106	90	69	72	72	73	+2
Kansas.....	101	99	103	103	109	115	122	132	151	149	130	127	118	115	111	113	113	113	113	103	89	80	80	81	81	+3

The stronger position of the farm-land market is indicated not only by the higher level of values reported, but also by evidence that creditor agencies with farms for sale have generally increased their asking prices, that the land banks sold three-fourths again as many properties as during the preceding year, receiving in return a slightly higher proportion of cash paid down, and that buyers generally have evinced a quickened interest in farm real estate.

Dealer correspondents indicated very definite increases in the number of inquiries from prospective purchasers, the increased interest having been particularly manifest in the East North Central and Pacific States; only in the New England and Middle Atlantic States have potential buyers shown no substantial increase in interest during the year.

In the sales negotiated, a substantial proportion of the buyers were former tenants and farmers already owning land. Some buying on the part of speculators and investors other than farmers is also indicated.

The individual States reporting the greatest increases in value as compared with those a year ago were fairly widely distributed geographically. Increases of 6 percent or more over values a year ago were reported for Ohio, Indiana, Illinois, Iowa, Virginia, North Carolina, Tennessee, Oklahoma, Montana, and Colorado.

Seven States reported increases of 5 percent, four reported increases of 4 percent, and all but two of the remaining States reported increases of 3, 2, or 1 percent each.

Although the average increase for the Nation as a whole was the same as last year, improvement in several sections was noticeably more substantial than at any other time since the low of 1933. This is true in certain of the North Central States, particularly Ohio and Iowa; and in the Mountain States where, except in one State, the past year is the first in which substantial improvement has been indicated from the low point of 3 years ago.

In New England, changes in general were upward, but were smaller than in most other parts of the country. Values in New England and the Middle Atlantic States rose less during the post-war boom and fell much less during the depression than in most other parts of the United States. Consequently, as of March 1936, values in New England and the Middle Atlantic States were higher, relative to those of 1930, than in any other region. According to the Bureau index, the average level of values in these two sections was less than one-fifth below the 1930 level, in contrast to values in the East North Central, South Atlantic, East South Central, and Pacific States, in each of which groups values averaged about one-fourth lower than in 1930; and in contrast with values in the West South Central and West North Central States, which averaged about one-third below the levels of 1930. For the country as a whole, the average value per acre of farm real estate as of March 1, 1936, was about 29 percent below that of 1930, whereas at the depth of the depression values averaged 37 percent, or somewhat more than one-third below those of 1930.

CONTINUING IMPROVEMENT IN INCOME TO AGRICULTURE SUPPORTS REALTY VALUES

The primary support for the continued rise in farm real estate values is found, of course, in the continued improvement in income from farm production. Gross income from farm production for 1935 is estimated at \$8,508,000,000, a 17-percent increase over the 1934 income of \$7,276,000,000, and a 59-percent increase over the \$5,337,000,000 for 1932 (table 2). Included in these estimates are rental and benefit payments, which contributed \$278,000,000 to farm income in 1933, \$595,000,000 in 1934, and \$498,000.00 in 1935. Even including these payments, however, the estimated gross income from farm production for 1935, although larger than for any other year since 1930, is only two-thirds that of 1929. It is, however, 26 percent above the average income for 1910-14 (fig. 2).

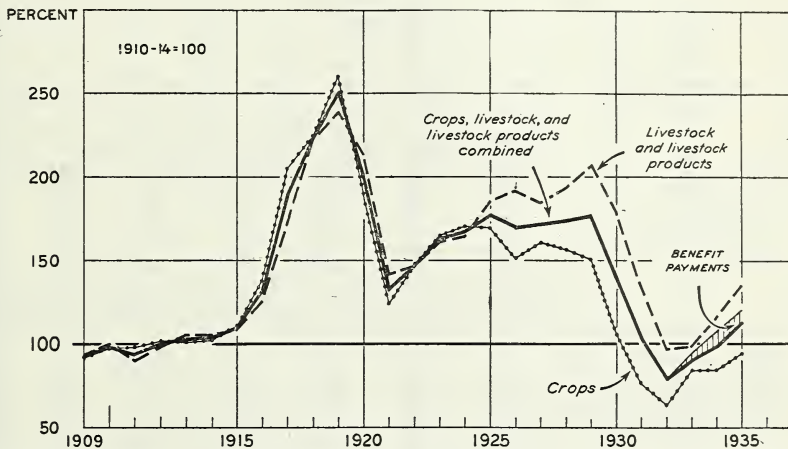


FIGURE 2.—INDEX OF GROSS FARM INCOME FROM FARM PRODUCTION, 1909-35.

Gross income from farm production again increased, reaching a level of \$8,508,000,000 for 1935. This is 59 percent higher than the income for 1932—the low point of the depression—26 percent higher than the 1910-14 average, but only two-thirds as high as the 1929 income. The higher level of income in 1935 was attributable chiefly to higher prices, the volume of production having been on the whole about the same as in 1934, which was, however, somewhat lower than the 1924-29 average.

TABLE 2.—Gross income from farm production of the calendar years, 1909-35

Year ¹	Gross income	Year ¹	Gross income	Year ¹	Gross income	Year ¹	Gross income
	Million dollars		Million dollars		Million dollars		Million dollars
1909.....	6,238	1916.....	8,914	1923.....	11,041	1930.....	9,454
1910.....	6,643	1917.....	12,832	1924.....	11,337	1931.....	6,968
1911.....	6,372	1918.....	15,101	1925.....	11,968	1932.....	5,337
1912.....	6,784	1919.....	16,935	1926.....	11,450	1933.....	6,406
1913.....	6,975	1920.....	13,566	1927.....	11,616	1934.....	7,276
1914.....	7,028	1921.....	8,927	1928.....	11,741	1935.....	8,508
1915.....	7,395	1922.....	9,944	1929.....	11,941		

¹ Crop year for crops; calendar year for livestock and livestock products. Estimate includes income from rental and benefit payments of \$278,000,000 for 1933 and \$595,000,000 for 1934, and \$498,000,000 for 1935.

² Preliminary.

The increase in gross income for 1935 over that for 1934, including benefit payments, was about 17 percent; excluding benefit payments, the increase was 20 percent, owing to the somewhat smaller total of benefit payments in 1935. The increase in income from livestock and livestock products (not including benefit payments) was 24 percent, and that from crops was 15 percent. Benefit payments on crops were slightly larger than in 1934, but those on livestock and livestock products decreased. Of the income from livestock and livestock products (not including benefit payments), that from meat animals and wool, taken together, the most important single item, increased roughly a third, and income from dairy products, the second largest item, increased a fifth. Income from poultry and eggs, although only about half as great in total value as the other two items, was roughly one-third more than in 1934 (table 3).

TABLE 3.—Gross income from farm production by groups of commodities 1929-35

Source of income	1929	1930	1931	1932	1933	1934 ¹	1935 ²
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>
Crops:							
Grains.....	1,297	806	488	452	601	546	745
Fruits and nuts.....	707	567	457	324	412	451	507
Vegetables.....	1,130	934	726	611	754	642	772
Sugar crops.....	83	94	69	69	79	62	76
Cotton and cottonseed.....	1,389	751	528	464	688	707	698
Tobacco.....	286	212	130	108	179	225	237
Other crops.....	542	454	348	267	319	344	390
Total.....	5,434	3,818	2,746	2,295	3,032	2,977	3,425
Livestock and livestock products:							
Cattle and calves.....	1,111	951	681	499	476	713	920
Hogs.....	1,531	1,361	930	548	617	638	869
Sheep and wool.....	262	204	158	106	152	184	195
Poultry and eggs.....	1,241	1,059	816	609	561	664	884
Dairy products.....	2,323	2,031	1,614	1,260	1,263	1,418	1,681
Other.....	39	30	23	20	27	27	36
Total.....	6,507	5,636	4,222	3,042	3,096	3,704	4,585
Total crops and livestock rental and benefit payments.....	11,941	9,454	6,968	5,337	6,128	6,681	8,010
					278	595	498
Grand total.....					6,406	7,276	8,508

¹ Revised.

² Preliminary.

³ Estimate includes price-adjustment payment for 1935.

Of the incomes from crops, that from grains showed the greatest rise, being a third larger than that for the previous year, and in addition there was an increase in benefit payments on grains. Income from fruits and nuts, vegetables, sugar crops, and tobacco showed increases ranging from 5 to 23 percent. Gross income from cotton and cottonseed was slightly less than that of the previous year, although benefit payments on cotton were somewhat larger.

Considering agricultural production as a whole, the increase in farm income from 1934 to 1935 has resulted primarily from the higher level of farm prices during 1935 as the general level of production as a whole showed little change from last year. The Bureau index of prices of farm products (August 1909-July 1914=100)

for the marketing season of the 1935 crops is slightly higher than for the comparable months in which the 1934 crop was marketed (table 4), whereas the Bureau index of volume of agricultural production declined from 94 percent in 1934 to 92 percent in 1935 (1924-29=100).⁵

TABLE 4.—General trend of prices and purchasing power for specified years and by months, July 1934 to June 1936¹

Year and month	Index numbers of farm prices (August 1909-July 1914=100)							Ratio of prices received to prices paid ¹	Wholesale prices, all commodities (U. S. Bureau of Labor Statistics) 1910-14=100
	Grains	Fruits	Truck crops	Meat animals	Dairy products	Chickens and eggs	Cotton and cottonseed		
1910.....	104	101	-----	103	99	104	113	102	103
1915.....	120	82	-----	104	103	101	77	98	102
1920.....	232	191	-----	174	198	223	248	211	225
1925.....	157	172	153	140	153	163	177	156	151
1926.....	131	138	143	147	152	159	122	145	146
1927.....	128	144	121	140	155	144	128	139	139
1928.....	130	176	159	151	158	153	152	149	141
1929.....	120	141	149	156	157	162	144	146	139
1930.....	100	162	140	133	137	129	102	126	126
1931.....	63	98	117	92	108	100	63	87	107
1932.....	44	82	102	63	83	82	47	65	95
1933.....	62	74	105	60	82	75	64	70	96
1934.....	93	100	104	68	95	89	99	90	109
1935.....	103	91	127	118	108	117	101	108	117
1934:									
July.....	91	113	102	66	93	76	99	87	109
Aug.....	106	101	108	68	97	86	107	96	112
Sept.....	112	93	133	82	99	104	110	103	113
Oct.....	109	98	110	74	100	108	107	102	112
Nov.....	109	94	107	72	105	125	107	101	112
Dec.....	116	85	130	73	107	119	109	101	112
1935:									
Jan.....	115	87	117	96	112	114	108	107	115
Feb.....	114	90	158	105	121	119	108	111	116
Mar.....	111	90	162	117	114	97	102	108	116
Apr.....	115	105	156	117	117	105	103	111	117
May.....	112	98	127	118	107	110	105	108	117
June.....	102	100	96	119	99	108	103	104	116
July.....	96	98	93	116	97	107	102	102	116
Aug.....	96	87	92	129	98	111	97	106	118
Sept.....	97	82	101	131	102	126	90	107	118
Oct.....	101	82	120	125	104	132	94	109	118
Nov.....	90	83	136	117	111	140	99	108	118
Dec.....	89	92	136	120	118	135	98	110	118
1936:									
Jan.....	92	89	118	122	120	117	95	109	118
Feb.....	92	92	117	125	123	121	94	109	118
Mar.....	92	94	77	122	118	99	93	104	116
Apr.....	89	89	107	125	114	97	96	105	116
May.....	85	103	105	118	106	101	96	103	115
June.....	87	115	99	120	106	103	96	107	116

¹ The value of a unit of the farmers' product at farm prices in exchange for commodities bought by farmers for use in both production and living, at retail prices, as compared with pre-war values.

² Preliminary.

The situation varied for different products. Grain prices averaged somewhat lower for the early months of the marketing season of the 1935 crops than for those of the 1934 crop, but production was substantially greater, resulting in increased income. Thus far in the marketing season of the 1935 crop, wheat prices have averaged about the same as during the corresponding period in which the 1934

⁵ UNITED STATES DEPARTMENT OF AGRICULTURE, BUREAU OF AGRICULTURAL ECONOMICS. INCOME FROM FARM PRODUCTION IN THE UNITED STATES IN 1935. September 1936. [Mimeographed.]

crop was marketed, but corn prices have been considerably lower than in that period and oat prices have averaged less than three-fifths of the corresponding 1934 prices (table 5).

TABLE 5.—General trend of prices of individual products for selected years and by months, June 1934 to June 1936

Year and month	Meat animals				Dairy products		Chick-ens and eggs		Grains			Cotton and cotton-seed		Fruits		Miscellaneous				
	Cattle	Calves	Hogs	Lambs	Milk, wholesale	Butterfat	Chickens	Eggs	Wheat	Corn	Oats	Cotton	Cottonseed	Apples	Oranges	Potatoes	Sweet potatoes	Hay	Tobacco	Wool
1910.....	92	95	113	109	97	102	103	105	110	96	102	113	114	102	102	77	88	95	90	118
1915.....	115	113	91	118	104	100	103	101	127	112	113	73	112	77	113	76	97	88	82	128
1920.....	163	175	180	203	192	213	226	222	249	220	296	250	235	204	235	353	196	177	201	216
1925.....	119	131	152	209	143	161	178	157	171	156	112	179	159	154	264	163	195	106	174	224
1926.....	124	143	163	197	140	159	192	147	153	109	97	122	124	127	190	266	178	110	179	188
1927.....	138	151	134	194	141	169	178	131	136	123	113	128	130	129	210	190	130	101	173	176
1928.....	175	174	121	296	143	175	186	141	128	139	123	150	171	152	285	119	128	90	188	205
1929.....	176	180	131	203	143	171	196	149	116	136	111	143	159	145	139	135	135	97	190	178
1930.....	144	147	122	140	128	133	162	117	92	121	95	100	119	139	271	178	132	85	142	120
1931.....	102	104	82	98	99	97	136	87	55	78	64	61	77	98	121	104	106	82	101	81
1932.....	78	74	48	75	74	69	102	74	44	44	46	47	44	73	100	62	65	63	100	55
1933.....	68	68	49	81	73	71	83	71	66	57	62	65	56	79	76	95	68	57	114	102
1934.....	74	71	59	98	85	87	98	86	90	95	104	97	119	101	124	98	90	90	171	126
1935.....	120	105	118	117	95	108	139	112	98	121	98	94	162	96	103	71	84	89	161	111
1934:																				
June.....	77	67	49	109	82	84	98	61	89	87	97	94	99	127	296	92	99	82	119	124
July.....	75	66	55	96	84	84	103	66	89	92	102	99	101	105	154	93	99	86	231	122
Aug.....	71	67	64	86	85	92	100	80	101	113	115	106	116	85	157	98	111	105	232	116
Sept.....	81	77	84	83	88	91	111	102	104	121	126	106	143	86	140	90	100	110	260	111
Oct.....	76	77	72	82	89	92	104	110	100	119	127	101	162	88	159	70	85	113	324	110
Nov.....	73	74	70	82	92	103	103	133	100	118	128	99	168	93	133	66	74	114	274	109
Dec.....	74	72	71	85	94	107	103	126	102	133	135	100	181	98	80	65	77	117	176	105
1935:																				
Jan.....	97	87	95	106	98	116	108	116	101	133	137	99	183	103	79	66	81	118	151	107
Feb.....	114	96	98	113	102	137	118	119	99	132	137	98	185	108	87	65	85	118	127	103
Mar.....	126	103	112	114	99	119	125	87	97	129	136	93	182	109	89	63	86	116	101	99
Apr.....	129	106	109	112	99	129	136	93	102	133	134	94	179	114	128	70	89	115	97	92
May.....	131	103	110	112	96	105	138	100	99	132	125	97	179	119	96	64	94	113	98	91
June.....	126	105	116	111	87	90	137	98	87	130	105	95	169	122	92	59	92	102	138	112
July.....	119	100	116	107	88	85	123	101	86	128	81	96	157	100	104	75	94	75	230	116
Aug.....	121	105	142	110	88	87	124	106	92	126	67	93	133	81	98	72	97	67	200	114
Sept.....	123	113	143	123	92	95	135	123	98	121	65	85	126	72	126	69	84	63	182	119
Oct.....	120	113	132	126	93	98	138	130	109	112	68	88	145	67	117	66	68	61	227	121
Nov.....	116	113	118	129	103	114	139	140	100	88	65	93	151	71	111	90	68	61	296	128
Dec.....	118	116	121	139	108	125	140	133	102	83	64	92	150	80	110	92	71	61	173	132
1936:																				
Jan.....	119	121	123	141	109	127	145	106	105	83	65	90	144	85	103	95	74	61	163	137
Feb.....	119	127	129	142	109	133	148	111	104	86	67	89	141	88	112	99	79	64	110	145
Mar.....	117	112	127	138	102	121	146	81	103	88	67	88	141	90	108	104	82	63	93	151
Apr.....	120	112	130	144	97	119	148	78	98	89	64	90	142	89	106	116	86	62	90	149
May.....	115	110	119	146	93	103	146	84	93	93	63	90	139	96	124	125	94	61	90	146
June.....	115	111	123	142	91	105	144	88	91	95	61	92	132	112	141	196	98	62	114	158

The volume of cotton production, although greater than in 1934, was still substantially below production levels of other recent years, but the increase from a year ago helped offset the lower prices for cotton. In the case of tobacco, larger production more than offset lower prices.

The increase in income from meat animals was due to substantially better prices for livestock and livestock products. The Bureau index of prices received by farmers for meat animals increased from 68 percent in 1934 to 118 percent for 1935, and the monthly prices ranged higher during the latter part of 1935 and the early part of 1936 than during 1934. The production of meat animals, which was

probably more adversely affected by the drought in 1935 than in 1934 declined substantially, and for the year was approximately 14 per cent below the 1924-29 average. Shortage of feed resulted in the reduction of herds during the early part of 1935 and resulted also

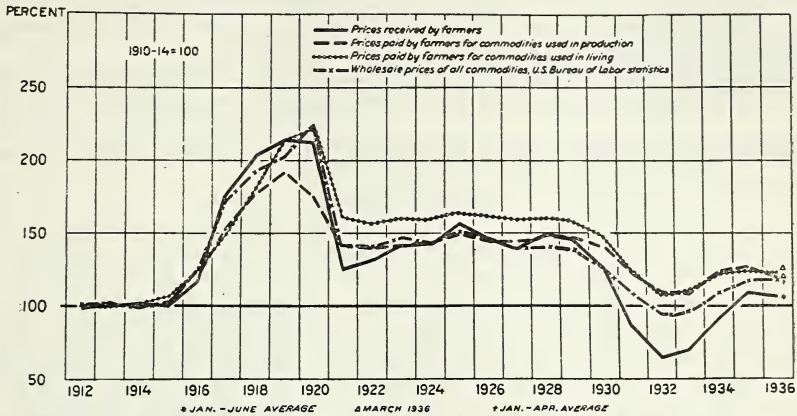


FIGURE 3.—PRICES RECEIVED AND PAID BY FARMER, AND WHOLESALE PRICES OF ALL COMMODITIES, 1912-36.

Substantial increases in prices of grains, truck crops, meat animals, dairy products, and chickens and eggs were mainly responsible for the rise from 1934 to 1935 in the Bureau index of prices received by farmers, but in the latter part of 1935 or in early 1936, prices of grain, cotton, and truck crops softened somewhat, with the result that the Bureau index for all groups of farm produce averaged slightly lower in the first half of 1936 than in the corresponding period of 1935.

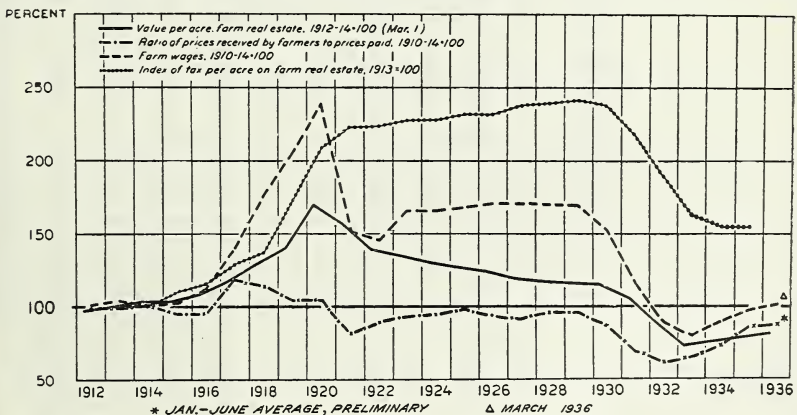


FIGURE 4.—RATIO OF PRICES RECEIVED TO PRICES PAID, FARM WAGES, TAXES PER ACRE ON FARM REAL ESTATE, AND VALUE PER ACRE OF FARM REAL ESTATE.

The increase from 1934 to 1935 in the ratio of prices received to prices paid by farmers has been maintained during the first part of 1936. The rate of wages paid to hired farm labor has increased, but preliminary indications suggest the average tax per acre on farm real estate for 1936 has changed little, if any, from 1934.

in a smaller calf and lamb crop than would normally be anticipated. The production of hogs was below that of 1934, and the production of cattle and calves for commercial slaughter was also smaller.

Increases in income from grains, livestock, and livestock products were largest in the northwestern region, particularly the western half, and the higher incomes from livestock and sugar crops have

contributed to higher incomes in the Mountain and far-Western States in which these items are important sources of revenue.

In the South, greater income from livestock and livestock products, and larger production of cotton and tobacco, have somewhat more than offset lower prices for cotton and tobacco. The Middle Atlantic and New England States have benefited from higher income for dairy products, potatoes, and apples.

Of farmers' expenditures during 1935, it appears that the increases in current expenditures for production and for payments to hired

TABLE 6.—Index numbers of prices paid by farmers, by years, 1910-35, and in stated months, 1934-36

[1910-14=100 percent]

Year and month	Commodities used in production						Commodities bought for family maintenance ¹	All commodities bought for both production and family maintenance	Wages paid to hired labor	Commodities bought for use in production plus wages paid to hired labor	Index of farm real estate tax per acre ³
	Feed	Machinery	Fertilizer	Building materials for other than house	Equipment and supplies	Seed ¹					
1910.....	93	102	99	100	101	-----	98	98	97	98	-----
1911.....	107	101	99	102	100	-----	103	100	101	97	101
1912.....	91	102	100	103	100	103	98	101	100	101	99
1913.....	107	98	102	101	100	97	102	100	101	104	103
1914.....	102	96	100	93	99	99	99	102	100	101	99
1915.....	100	100	112	102	106	120	104	107	105	102	103
1916.....	130	107	120	117	129	142	124	124	124	112	121
1917.....	184	126	137	137	156	149	151	147	149	140	149
1918.....	193	155	170	161	181	190	174	177	176	176	174
1919.....	211	161	182	189	180	280	192	210	202	206	195
1920.....	137	167	186	205	189	152	174	222	201	239	189
1921.....	97	156	156	156	152	134	141	161	152	150	143
1922.....	123	142	129	159	140	130	139	156	149	146	141
1923.....	134	146	126	161	136	142	141	160	152	166	147
1924.....	142	152	120	161	133	151	143	159	152	166	148
1925.....	141	153	129	164	140	172	147	164	157	168	152
1926.....	137	154	126	162	144	214	146	162	155	171	152
1927.....	138	154	121	160	141	197	145	159	153	170	151
1928.....	148	154	131	158	138	179	148	160	155	169	153
1929.....	145	153	130	159	136	185	147	158	153	170	153
1930.....	132	152	126	155	131	174	140	148	145	152	143
1931.....	93	150	115	139	116	152	122	126	124	116	120
1932.....	69	141	99	126	107	102	107	108	107	86	102
1933.....	79	137	95	129	103	95	108	109	109	80	101
1934.....	110	144	104	146	109	140	125	122	123	90	117
1935.....	111	148	102	145	108	154	126	124	125	98	119
1934:											
June.....	97	144	104	149	110	119	121	122	121	90	114
September.....	122	146	105	145	109	162	129	123	126	93	120
December.....	132	146	105	144	110	162	131	122	126	86	121
1935:											
March.....	128	148	106	143	109	190	131	124	127	94	122
June.....	122	149	106	145	108	190	130	124	127	99	123
September.....	102	149	99	146	108	118	122	124	123	102	117
December.....	93	148	99	145	109	118	119	124	122	94	113
1936:											
March.....	94	148	95	145	109	125	119	122	121	101	115
June.....											

¹ 1912-14=100.

² Includes food, clothing, household operating expenses, furniture and furnishings, and building materials for house.

³ 1913=100.

⁴ Preliminary.

Compiled from prices reported to the Department of Agriculture by retail dealers throughout the United States. The index numbers include only commodities bought by farmers, the commodities being weighted according to purchases reported by actual farmers in farm-management and rural-life studies from 1920 to 1925. Figures for other months used in table are straight interpolations between the above quarterly reporting dates.

labor were moderate and that such increases as did occur were offset in part by lower interest rates on farm mortgages. As is indicated in table 6, prices of feed, machinery, and seed were a little higher in 1935 than in 1934, and the average prices of fertilizer, equipment and supplies, and building materials were slightly lower.

The Bureau index of the prices of all commodities bought by farmers for use in production increased only from 125 to 126 percent of the 1910-14 base. Prices of commodities bought for family maintenance increased only 2 points, from 122 to 124, and wages for hired labor increased from 90 to 98.

The ratio between prices received by farmers and prices paid by them increased from 73 to 86 during the year, the latter figure being only 1 point below that for 1930, although it is still somewhat lower than for the period 1925 to 1929.

The indications are that little if any increase in tax levies on farm properties occurred during 1935, and it is estimated that farmers' current production expenses plus wages, taxes, interest, and rent, and depreciation on buildings and equipment amounted to about \$3,970,000,000 in 1935, as compared with \$3,809,000,000 in 1934. Deducting these production expenditures would leave an income available for farm operators for their labor, capital, and management, of about \$4,538,000,000, a substantial increase over the amount available a year ago and three times as large as in 1932, although it is still only four-fifths of the \$5,669,000,000 estimated to have been available to farm operators in 1929.

In figures 3 and 4 are presented comparisons of the movements of prices received by farmers, prices paid by them, wholesale prices, farm wages, and farm real estate values.

REGIONAL CHANGES IN INCOME SUPPORT CHANGES IN FARM REAL ESTATE VALUES

It is a commonplace that over a period of time farm real estate values exhibit a general relationship to changes in income, not only for individual States but also for considerable areas. But the changes in farm real estate values are not always necessarily of the same order of magnitude as the changes in income. Periods of optimism engendered by a series of years of rising income may eventually lead to more than proportionate increases in farm real estate values. Again, contraction of credit, a particularly large supply of farms for sale in relation to the number of prospective buyers, or various other circumstances, may enter the situation and result in changes in farm real estate values that are not commensurate with changes in income.

In the formation of the judgments of buyers and sellers as they buy and sell farm real estate, changes in income enter as one factor—perhaps the most important single factor—yet its influence is tempered by other considerations. Further, the buyer of land secures the right to the income from his land for a period of years, not just 1 year, and hence income changes for a single year fall considerably short of telling the whole story. Yet current income looms large in importance, since the future, regardless of how important, remains forever unknown and judgments concerning it must be based on current and past experience.

In attempting to evaluate the current position of farm real estate it is instructive, therefore, to consider the relationship between changes in income received from farm production and changes in farm real estate values. Over a period of years temporary factors tend to cancel out. Net income is perhaps more directly significant than gross income, yet over a period of years expenditures tend to be adjusted to the prevailing level of income so that gross income received by farmers, although probably not constituting a precise measure of the changes in net income attributable to land alone, exerts a very compelling influence upon the judgment of farmers and other investors concerning the prices they are willing to pay for land or their holding prices for properties already owned.

In figure 5 are diagrams for five agricultural regions and for the whole United States. In preparing this figure, the various areas have been represented by only those States the major part of which lies within the given region. Thus the Corn Belt is herein represented by the States of Indiana, Illinois, Iowa, and Nebraska; and the wheat region by North Dakota, Kansas, and Montana. Minnesota, Wisconsin, Michigan, New York, and Pennsylvania have been selected as representative of the hay and dairy region; and Wyoming, New Mexico, Utah, and Nevada, of the grazing region. The States chosen to represent the Cotton Belt are South Carolina, Georgia, Alabama, Mississippi, Oklahoma, Texas, Louisiana, and Arkansas. This selection of States gives areas that are substantially more uniform than the customary geographic divisions.

The Bureau's data on farm real estate values are collected as of March 1. For this reason values as of a given year, 1935 for example, have been plotted against the index of income for the preceding year; in this case, 1934. The farm real estate values have been reduced to index form, values in the period 1925-29 being used as 100.

The index of income is presented in the chart (fig. 5) with a base period 1924-28=100, and is based, for the years 1924-29, upon estimates of gross income from farm production by States. But owing to the fact that estimates of receipts from the marketing of principal farm products are available somewhat more currently than the estimates of gross income, the latter series has been used in preparing the index of income since 1929.

It should be recognized that the two latter series, although closely related, differ in certain respects. The list of commodities included in gross-income estimates is slightly more comprehensive than the list from which the receipts from monthly marketings are estimated. Moreover, the gross-income estimates are derived by evaluating production of livestock and livestock products at prices for the calendar year, and production of crops at average prices for the crop year during which the crops are marketed. The series on receipts from marketing, as its name implies, records the estimated current receipts from marketing for the principal crops, livestock, and livestock products.

The data for the two series over a period of years must necessarily average out very nearly the same, with an adjustment for the difference in number of commodities. Even from year to year, the correlation between the two series is very high for each region, and it appears from comparison that the use of the data on receipts from marketings leads to substantially the same inferences as would the use of the series on gross income throughout.

The regression lines indicate the average relationship between changes in farm real estate values on the one hand and in the index of income on the other for the several regions during the period 1924 to 1934. The position of a point relative to the line indicates the

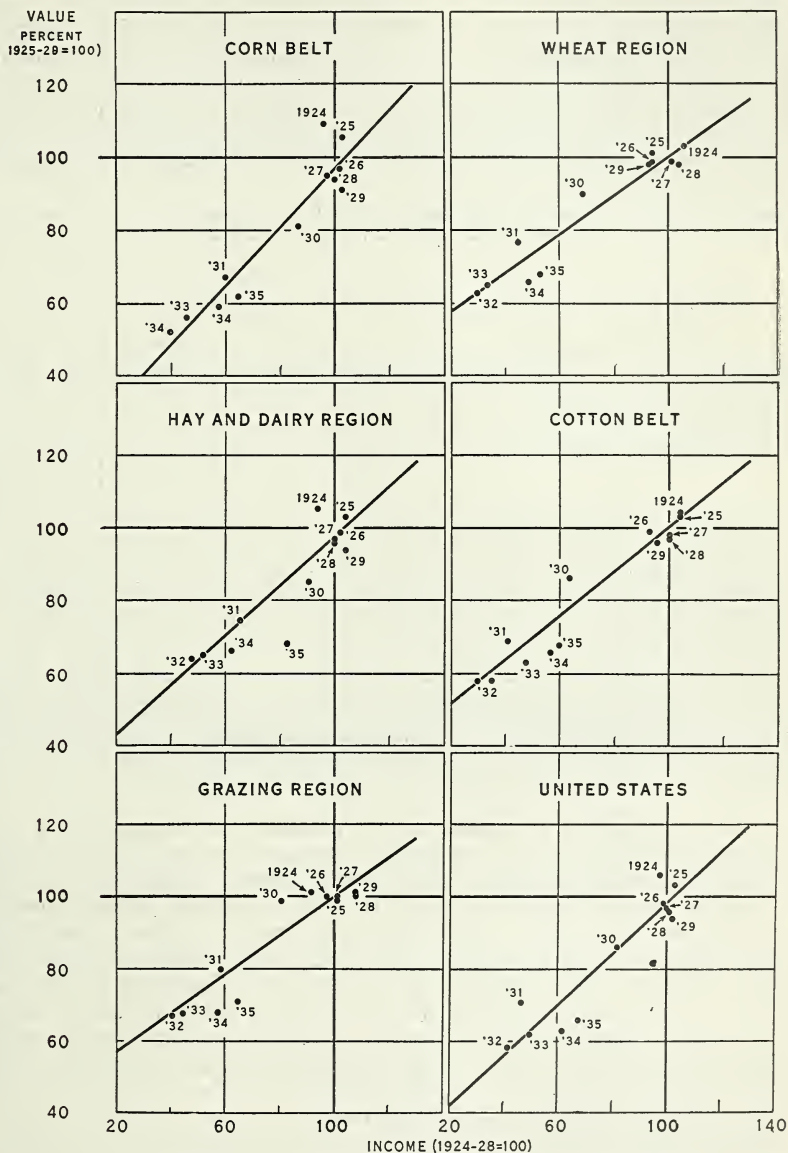


FIGURE 5.—INDEX OF VALUE PER ACRE OF FARM REAL ESTATE AND INDEX OF INCOME FROM FARM PRODUCTION, BY REGIONS, 1924-35.

In most regions, and for the United States as a whole, farm real estate values declined less rapidly than income, and similarly have risen less rapidly since the upturn began. For the United States as a whole, both real estate values and gross income from farm production at the end of 1935 were approximately two-thirds of the average for the several predepression years.

extent to which the relationship for the given year departed from the average over the period 1924 to 1934. Thus the points for 1935 may be compared with the relations calculated for the years 1924-34.

In considering the relationships in figure 5 it is interesting to observe that in every case an imaginary line connecting the years 1929, 1930, 1931, and so on to 1935, exhibits a characteristic loop occasioned by the tendency of real estate values to lag slightly behind the changes in the index of income, both on the downturn and on the upturn. The considerations to be weighed in judging the price to pay for farm real estate requires judgments concerning not only the income for a particular year, but also the prospective income in

TABLE 7.—*Index of value per acre of farm real estate and index of income from farm production, by regions, 1924-36*¹

[Index of value per acre of farm real estate: 1925-29=100. Index of income: 1924-28=100]

Region	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
Corn Belt, index of—													
Income.....	Pct. 97	Pct. 103	Pct. 102	Pct. 98	Pct. 100	Pct. 103	Pct. 87	Pct. 60	Pct. 40	Pct. 46	Pct. 58	Pct. 65	Pct. ----
Value of farm real estate.....	113	109	105	97	95	94	91	81	67	52	56	59	62
Wheat region, index of—													
Income.....	106	95	95	101	104	94	69	45	30	34	49	53	----
Value of farm real estate.....	108	103	101	99	99	98	98	90	77	63	65	66	68
Hay and dairy region, index of—													
Income.....	94	104	102	100	100	104	91	66	48	52	62	73	----
Value of farm real estate.....	110	105	103	99	97	96	94	85	75	64	65	66	68
Cotton Belt, index of—													
Income.....	104	104	93	100	100	96	64	41	35	48	57	60	----
Value of farm real estate.....	99	104	103	99	98	97	96	86	69	58	63	66	68
Grazing region, index of—													
Income.....	92	101	98	101	108	108	81	59	41	45	58	65	----
Value of farm real estate.....	105	101	99	100	100	100	101	99	80	67	68	68	71
United States, index of—													
Income.....	98	103	99	100	101	102	82	57	42	50	62	68	----
Value of farm real estate.....	107	105	103	99	97	96	95	88	73	60	63	65	68

¹ The index of income from 1924 to 1929 is based upon Bureau estimates of gross income from farm production, and from 1929 to date, upon Bureau estimates of receipts from monthly marketings, owing to the more current availability of the latter series. The latter is not available by States prior to 1929 and therefore cannot be used for the whole period covered by the table. The index of value per acre of farm real estate applies to Mar. 1 of each year; hence 1925-29 is used as 100 percent as being most nearly comparable to the base period 1924-28 which is taken as 100 percent for the data relating to income.

the future. Hence, a decline or an increase in income for 1 year ordinarily would not be expected to be accompanied by a strictly proportional change in farm real estate values. Should the change in income continue over a period of years, however, either upwards or downwards, it seems reasonable to suppose that farm real estate values will eventually reflect a cumulative effect of the trend in the income series. Similarly, on the upturn, an increase for 1 year, while encouraging, probably does not constitute sufficient evidence to warrant a proportionate increase in values. The loop to which reference has already been made reflects these considerations. Were there a direct and constant relation between the two series, all points, of course, would fall on a straight line.

Such exact correspondence between the two series is not to be expected nor do logical considerations warrant such precise coincidence. The availability of credit, rates of interest, the supply of farms for sale in relation to the demand, changes in the technique of production, particularly over a longer period of time, and changes in taxation rates are all factors affecting the farm real estate situation.

In recent years, however, changes in income have been so violent that their effect has rather overshadowed other factors.

It appears from figure 5 and table 7 that for the United States as a whole the general level of both income and farm real estate values is approximately two-thirds of the levels for the several years immediately preceding the depression during which income had become fairly stable (fig. 2 and table 2). In citing attention to this relation for the country as a whole and to the corresponding relations for the several regions illustrated in figure 5, it is reassuring to observe that the upturn in values appears on the whole to have maintained a moderately close relation to income. When all is said and done, it is from income that production costs, interest charges, amortization payments or other debt service, and taxes must be paid. When values get very far out of line with income, some readjustments can usually be expected.

RATIO OF CASH RENT TO VALUE OF FARM REAL ESTATE

Another approach to the general relationship between farm real estate values and income is provided by the relation of cash rent to the value of lands so rented. In certain respects this approach has advantages over that discussed in the previous section, but it is of more limited applicability by reason of the small proportion of farm land that is rented for cash.

The relations between rent received for land and the price that buyers or sellers believe such land to be worth may, in certain respects, be considered as analogous to the relations that exist between the interest paid by bonds or the dividends on stocks and the prices at which they are quoted. Since, however, the land market is only slightly organized as compared with the stock or bond market, the degree of precision that is assigned to prices in the better-organized stock and bond markets cannot be attributed to averages for rents and quoted land values. Nevertheless somewhat similar considerations influence the prices investors are willing to pay for stocks, bonds, and lands.

For example, when the principal of the investment is relatively safe and the periodic payment of dividends is reasonably well assured, investors, as a rule, are willing to accept a considerably lower rate of return on their investment than when the reverse is true. Just as certain classes of bonds bear a lower rate of interest than do others, so the mortgage rate of interest in certain farm localities is lower than in others. Again, during a period when dividends on stocks are increasing or have been increasing, there is a tendency for investors to be willing to accept a lower rate of return.

An interesting analysis of the situation⁶ in the stock market for the several years preceding 1929 suggests that investors were anticipating that dividends would continue to increase each year for perhaps a decade, and that the market prices could be considered as consisting of two portions, (1) a part based on current dividends capitalized at a conservative rate, and (2) a part based upon the expected increase in dividends. It appears that a substantial share of the prices quoted in 1930 could be attributed to the anticipated increase in earnings rather than to the capitalization of current earnings.

⁶SCHOLZ, K. THE DETERMINATION OF REASONABLE MARKET PRICES OF A SPECULATIVE INVESTMENT. Analyst 35 (85): 5-6, 8, illus. 1930.

Substantially the same situation existed in the farm real estate market at the peak of the land boom in 1920. Chambers' study,⁷ for example, showed that somewhat less than half of the 1920 selling price of land in Iowa was based upon the capitalization of current earnings, and the remaining part was based on the expectation of further increases in income, continuing those of the preceding decade.

Crop reporters of the United States Department of Agriculture have reported since 1921 the average cash rent paid in their communities and their estimates of the value of the land so rented. Upon the basis of such reports, the data since 1921 in tables 8 and 9 have been prepared. The reported rents are gross, that is, from them certain expenses must be paid by the landlord. Accordingly deductions have been made for taxes, depreciation, and repairs, to secure an approximation to net rent. In making the calculations reported in the last two columns in table 8 and the whole of table 9, capitalization rates used have been constant, and are substantially the average rates paid by farmers on their farm mortgages for the respective States. Any changes from year to year for a given State, therefore, arise from changes in the rents and values reported.

TABLE 8.—Farm real estate rented for cash in Iowa: Approximate net rent per acre and proportion of current value based on current rents, 1900-1936¹

Year	Average value per acre of cash-rented land	Gross cash rent per acre	Taxes plus estimated depreciation and repairs per acre	Approximate net rent per acre	Ratio of rent to value		Net rent capitalized at 5½ percent	Proportion of value represented by capitalized net rent
					Gross rent	Net rent		
	Dollars	Dollars	Dollars	Dollars	Percent	Percent	Dollars	Percent
1900.....	42	3.29	0.42	2.87	7.8	6.8	52	124
1901.....	47	3.30	.44	2.86	7.0	6.1	52	111
1902.....	54	3.31	.49	2.82	6.1	5.2	51	94
1903.....	61	3.39	.55	2.84	5.6	4.7	52	85
1904.....	66	3.52	.59	2.93	5.3	4.4	53	80
1905.....	66	3.57	.58	2.99	5.4	4.5	54	82
1906.....	66	3.65	.57	3.08	5.5	4.7	56	85
1907.....	71	3.75	.60	3.15	5.3	4.4	57	80
1908.....	76	3.88	.64	3.24	5.1	4.3	59	78
1909.....	80	4.07	.66	3.41	5.1	4.3	62	78
1910.....	87	4.22	.70	3.52	4.9	4.0	64	74
1911.....	97	4.30	.79	3.51	4.4	3.6	64	66
1912.....	106	4.47	.84	3.63	4.2	3.4	66	62
1913.....	120	4.60	1.04	3.56	3.8	3.0	65	54
1914.....	125	4.95	1.06	3.89	4.0	3.1	71	57
1915.....	135	5.14	1.13	4.01	3.8	3.0	73	54
1916.....	153	5.47	1.23	4.24	3.6	2.8	77	50
1917.....	160	5.73	1.35	4.38	3.6	2.7	80	50
1918.....	175	6.38	1.42	4.96	3.6	2.8	90	51
1919.....	191	7.17	1.64	5.53	3.8	2.9	101	53
1920.....	255	8.19	2.03	6.16	3.2	2.4	112	44
1921.....	236	10.48	2.14	8.34	4.4	3.5	152	64
1922.....	188	7.42	2.18	5.24	4.0	2.8	95	51
1923.....	170	7.39	2.12	5.27	4.4	3.1	96	56
1924.....	164	7.38	2.15	5.23	4.5	3.2	95	58
1925.....	154	7.39	2.07	5.32	4.8	3.4	97	63
1926.....	153	7.55	2.10	5.45	4.9	3.6	99	65
1927.....	149	7.69	2.15	5.54	5.2	3.7	101	68
1928.....	142	7.75	2.15	5.60	5.5	3.9	102	72
1929.....	140	7.79	2.22	5.57	5.6	4.0	101	72
1930.....	130	7.77	2.20	5.57	6.0	4.3	101	78
1931.....	114	7.43	1.97	5.46	6.5	4.8	99	87
1932.....	93	6.08	1.71	4.37	6.5	4.7	79	85
1933.....	70	4.46	1.42	3.04	6.4	4.3	55	79
1934.....	78	4.99	1.42	3.57	6.4	4.6	65	83
1935.....	81	5.21	² 1.45	3.76	6.4	4.6	68	84
1936.....	88	5.70	² 1.50	4.20	6.5	4.8	76	86

¹ All data preliminary.

² Taxes per acre are estimated for 1935 and 1936.

TABLE 9.—Farm real estate rented for cash in selected States: Approximate capitalized net rent and proportion of current value based on current rents, 1921-36¹

Year	Net rent capitalized at approximate mortgage-interest rates ²							Proportion of value represented by capitalized net rent						
	Minnesota	Missouri	North Dakota	South Dakota	Nebraska	Kansas	West North Central States ³	Minnesota	Missouri	North Dakota	South Dakota	Nebraska	Kansas	West North Central States ³
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1921.....	80	92	23	58	76	54	97	61	85	58	64	71	71	66
1922.....	59	64	18	36	54	42	64	53	74	58	52	60	67	54
1923.....	51	62	18	31	51	39	62	49	78	62	55	60	65	57
1924.....	52	60	17	29	49	37	61	51	78	63	54	60	64	58
1925.....	50	58	15	29	49	38	61	52	82	63	57	63	67	62
1926.....	50	57	16	28	50	37	62	52	81	67	57	64	65	63
1927.....	52	55	15	27	49	37	62	55	81	63	59	64	65	65
1928.....	52	54	16	30	52	37	63	59	83	67	68	68	65	68
1929.....	52	54	16	30	53	39	63	61	86	70	70	71	68	69
1930.....	51	52	15	30	54	38	63	64	83	68	71	73	70	74
1931.....	49	46	13	30	54	34	61	70	87	68	81	76	71	80
1932.....	45	39	11	23	44	27	50	76	89	69	79	77	73	81
1933.....	34	29	9	19	31	22	36	69	91	60	79	72	67	75
1934.....	38	32	11	19	33	25	41	76	91	65	79	73	71	79
1935 ⁴	39	32	10	18	32	25	42	75	89	62	78	73	74	79
1936 ⁴	43	36	10	20	40	27	48	77	95	62	85	81	76	84

¹ All data preliminary.² Approximate mortgage-interest rates used: Minnesota, 5¾; Missouri, 6; North Dakota, 6½; South Dakota, 6; Nebraska, 5¾; Kansas, 6 percent.³ Weighted average; includes Iowa.⁴ In obtaining approximate net rents, taxes per acre are estimated for 1935 and 1936.

It will be observed first that the proportion of value represented by capitalized net return varies considerably between States. This may be due in part to the failure of farmers to capitalize at the mortgage-interest rates, and for this reason too much emphasis should not be placed upon the differences in the levels between States. But even were a constant rate of interest used for all States, the trend in the proportion of value represented by capitalized net return in any single State would be significant, and it is to this feature that attention is particularly invited. In table 8, which applies to Iowa, it will be observed that after 1900, the proportion of value represented by capitalized return declined and reached a low point that was practically coincident with the peak of the land boom, and then again increased. These changes correspond closely to the changing ratio of gross cash return to value. In the earlier part of the century the ratios of both gross and net return to value were quite high. When the peak of the land boom was reached these ratios had declined to about 3 and 2½ percent, respectively. After this they increased, and during the last 5 years they have remained at levels approximating those of the first half decade of the century.

Since 1921 the trends in certain of the other States of the West North Central group have coincided in general with that in Iowa, although in the case of others certain differences are apparent. South Dakota and Minnesota have shared the same tendency toward an upward trend in the proportion of value represented by capitalized rents as has Iowa. In Missouri, Kansas, and Nebraska the trend has been upward, but to a less marked extent, the trend for these three

States being somewhat more limited than that for the West North Central States as a whole. For North Dakota, however, the upward trend has been very slight.

EMERGENCY REFINANCING RECEDES; PRIVATE LENDING EXPANDS SLIGHTLY

It has been observed in earlier issues of the Farm Real Estate Situation series⁸ that the activities of the Farm Credit Administration in refinancing, deferring principal payments, granting extensions, and otherwise facilitating the handling of distressed farm-mortgage debt, and in reducing the interest cost of farm-mortgage loans to farmers have constituted an important factor contributing both to increases in farm real estate values during the previous 2 years and to the general improvement in the whole agricultural situation. These activities have been continued during the past year and are still operating in the direction of sustaining the land market.

In last years' report on the Farm Real Estate Situation it was suggested that the emergency phases of these activities were passing. Subsequent developments have confirmed this judgment. The peak of the emergency refinancing was reached in the first half of 1934, when loans of over \$150,000,000 were closed during both March and June.⁹ During the remainder of the year, and continuing during 1935 and early 1936, the volume of loans declined.⁹

There has been a gradual decline in the number of applications from farmers to the Farm Credit Administration for aid in preventing foreclosures.⁹ During 1935 only 8,479 such cases were handled in contrast with 30,981 in 1934 and with 19,332 during the last 3 months of 1933. Many of these cases were those in which farmers were about to lose their homes by foreclosure and in which the mortgagees were requested by the Farm Credit Administration to withhold action until it should be possible to determine whether the Federal land bank and the Federal Land Bank Commissioner could make loans to assist in the resolving of the farmers' difficulties. The passing of this phase of the problem is further illustrated by the fact that in December 1935 only 520 cases were handled, whereas in December 1934 there were 1,287 cases, and in December 1933 there were 7,255.

Further evidence of the passing of the emergency phases is found in the decrease in applications received and loans closed. From May 1, 1933, to December 31, 1933, the total applications for loans received by the land banks and Land Bank Commissioner numbered 502,470 and amounted to \$2,065,000,000. During the year 1934, 402,829 applications were received, amounting to \$2,044,000,000, and during 1935 the number of applications received was 162,968, amounting to \$811,000,000. The number of loans closed reached a peak of 496,501 during 1934 and declined to 149,972 for the year 1935. During 1935 the number of loans closed dropped from 21,408 in January to 8,838 in December.

Improved collections on loans held by the Federal land banks are reported. Payments on the principal of land bank loans increased

⁸ STAUBER, B. R., and REGAN, M. M. THE FARM REAL ESTATE SITUATION, 1934-35. U. S. Dept. Agr. Circ. 382, 52 pp., illus. 1935.

⁹ [UNITED STATES] Farm Credit Administration. See footnote 4, reports 2 and 3.

from \$21,000,000 in 1934 to \$28,000,000 for 1935. This was in spite of the fact that most of such principal payments could have been deferred in both years by reason of emergency legislation. In addition, 7,000 loans, amounting to nearly \$15,000,000, were paid off in full, as compared with 4,500 loans, amounting to a little over \$8,000,000, during 1934. As of December 31, 1935, 73 percent of the mortgage loans of the Federal land banks had all matured installments paid in full, whereas on December 31, 1934, only 66 percent were so paid. During the year the land banks granted 50,633 extensions, amounting to nearly \$23,000,000, as compared with 68,624 extensions, amounting to nearly \$30,000,000, during 1934. The decline in the number of extensions indicates the increased ability of the borrowers to pay, because extensions are granted only in cases that can be justified on the basis of the borrower's inability to pay the amount due.

In connection with the refinancing of distressed mortgage cases, there have been, as in previous years, a considerable number of cases in which scale-downs were necessary before the land banks and the Land Bank Commissioner could make loans. In approximately 20 percent of all loans closed there were scale-downs, and in those cases in which scale-downs were involved, they averaged nearly one-third of the indebtedness prior to refinancing.

Additional assistance provided by the Farm Credit Administration consists in reduction in interest costs. Such savings on indebtedness refinanced since May 1933 are estimated by the Farm Credit Administration to amount to more than \$38,000,000 annually.

Not only has the emergency refinancing of the Farm Credit Administration been declining and other evidences of the distress become less poignant but there has also been an increase in the amount of private lending in the farm-mortgage field. It is estimated that farm-mortgage recordings by individuals, banks, insurance companies, and other private lenders totaled nearly \$470,000,000 during the first 10 months of 1935, which is an increase of 27 percent from the recordings during the same period of 1934. Recordings of insurance companies increased 78 percent, recordings of banks increased 51 percent, and those of individuals, 20 percent. Thus in 1935 for the first time since early 1933 the farm mortgages recorded by other lenders exceeded those of the Federal land banks and Federal Land Bank Commissioner.⁹

In summary, evidence is accumulating that the emergency phases of farm-mortgage financing are passing and are being replaced by problems of a longer-time nature. From the standpoint of the individual farmer, attention shifts to making good on present loans and to securing normal financing at reasonable cost.

From the standpoint of mortgage-lending agencies, important problems are those of working off real estate already acquired, of cleaning up the remaining cases of distressed loans, and of placing future lending on a sound basis.

From the standpoint of both borrower and lender, perhaps the most important problems to be faced are those of translating the lessons from the last few years of distress into the development of a farm-mortgage lending system that, in the future, will be more

⁹ [UNITED STATES] Farm Credit Administration. See footnote 4, reports 2 and 3.

nearly shockproof than that in existence at the beginning of the depression.

A problem second to none in importance in this connection is the development of ways and means, during periods of acute price distress, for keeping loans in good standing and at the same time protecting the contractual rights of both parties in such a way that the appalling foreclosures and loss of homes and savings experienced during the depression may be avoided in the future and that, at the same time, the attractiveness of the farm mortgage as an investment medium shall not be impaired.

CHANGES IN FARM OWNERSHIP

VOLUNTARY FARM TRANSFERS MORE NUMEROUS THAN FOR SEVERAL YEARS

For the fourth consecutive year the frequency of voluntary sales of farm real estate for the country as a whole has increased. The trend manifest during the previous 3 years, however, was augmented during the past year to such an extent that the level of voluntary-sales activity for the United States as a whole exceeded that for any of the depression years and was practically equivalent to the level existing before the depression. This does not imply that a return to a normal real estate market has been accomplished, since creditor agencies occupy a far more important place on the sellers' side of the land market than normally.

The average number of voluntary sales and trades for the United States as a whole (including contracts to purchase but not options) was 24.0 farms per thousand of all farms for the year ended March 15, 1936, as compared with 19.4 farms per thousand a year ago (table 10 and fig. 6). The increase in voluntary-sales activity, which is a direct outgrowth of the increased interest in farm real estate as an investment indicated on the part of prospective buyers, was manifest in practically all important regions and, considering the wide range of conditions, was of surprising generality.

In New England the increased activity was of moderate degree, but appears to be rather general. A preference for small, well-located farms suggests further expansion of part-time farming on the part of many persons with industrial or commercial work compatible with such an arrangement, and this suggestion is confirmed by the large share of buyers who are reported to be city people. The share of buyers in New England reported as city people or as buying country homes far exceeds the proportion in any other area of the Nation and appears to account for as much as one-third of the transfers of farm property. The demand in this region for country homes appears to be expanding farther, particularly in southern New Hampshire and Vermont, and in Western Massachusetts and Connecticut.

In practically all other areas farm buyers come from a wide variety of occupations but consist chiefly of persons already owning farms, persons with farm experience, and former tenants who are now coming into the market to buy farms of their own. That farmers desiring to extend their holdings are taking advantage of the present situation to do so is indicated by the fact that, except in New Eng-

land, from one-fifth to one-third of the buyers are reported as farmers already owning land.

During the years of declining values, comments were frequently received to the effect that it was cheaper to rent than to buy and that tenants were waiting for the bottom to be reached before actively entering the market. Perhaps one-fourth to one-fifth of the farms are reported as going to former tenants, indicating a substantial interest on the part of such prospects. On the whole, the buying on the part of experienced farmers is encouraging and indicates returning confidence in farm land, for they should know the prices at which land can be made to pay out.

A fair amount of buying by investors and a somewhat smaller proportion by speculators is reported by dealer correspondents. Investment buying is most frequently reported in the North Central States, principally in Ohio, Indiana, Illinois, and Iowa, and to a lesser extent in Kansas and Nebraska.

Little information is available concerning the sellers of farms, but inasmuch as creditor agencies have taken over large numbers of farms through foreclosure proceedings or through acceptance of title without formal foreclosure action, there seems little doubt that such agencies are the largest sellers of farms. In recent years a large number of farmers have been reaching ages at which they would like to retire, but the difficulty of selling farm land at acceptable prices, together with the financial strain occasioned by the recent period, has delayed the placing of such farms on the market.

Then, too, with so many farms in the hands of creditor agencies, which in general are anxious to place their farms in the hands of operators as rapidly as they can profitably do so, it is probable that other sellers may prefer to withhold their farms from the market for the present, insofar as their circumstances permit.

The land-selling activities of the Federal land banks⁹ have been greatly expanded during the year. The number of farms sold or otherwise disposed of in 1935 was 9,712, in comparison with 5,554 properties during the previous year and 4,765 properties 2 years ago.⁹ There was thus a 17-percent increase in the number of properties sold in 1934 over the number in 1933, and a 75-percent increase in 1935 over the number in 1934. The largest number of whole farms were disposed of by the Columbia and New Orleans Land Banks, which serve the States along the Atlantic and Gulf coasts from North Carolina to Louisiana. These two banks, together with the Louisville Land Bank, accounted for over half the increase in sales of whole farms reported by the 12 banks; the transactions of these banks and the St. Paul Land Bank accounted for over half the whole number of farms disposed of by the 12 banks.

The average price received for farms sold in 1935 was higher than the average price received during 1934 in each of seven districts, but in the five remaining districts the average price received in 1935 was less than that received in 1934. The inference is that the proportion of poor farms sold in 1935 was greater than during the previous year, at least in the five districts in which the average price was lower than in the latter year.

⁹ [UNITED STATES] Farm Credit Administration. See footnote 4, reports 2 and 3.

TABLE 10.—Estimated number of farms changing ownership by various methods per 1,000 of all farms, by States and geographic divisions, 12 months ended Mar. 15, 1933-36

Geographic division and State	Voluntary sales and trades 1				Delinquent taxes				Foreclosure of mortgages, bankruptcy, etc. 2				Total			
	United States:				Delinquent taxes				Foreclosure of mortgages, bankruptcy, etc. 2				Total			
	1933	1934	1935	1936	1933	1934	1935	1936	1933	1934	1935	1936	1933	1934	1935	1936
United States:	16.8	17.8	19.4	24.0	15.3	11.1	7.3	6.1	38.8	28.0	21.0	20.3	54.1	39.1	28.3	26.2
New England:	21.2	22.4	22.2	25.5	13.3	12.6	10.2	10.2	17.0	18.2	17.2	15.2	30.3	30.8	27.4	25.4
Maine.....	27.5	26.0	25.1	25.5	8.1	8.9	8.4	5.1	15.1	10.4	10.4	7.9	23.7	19.3	18.8	13.0
New Hampshire.....	27.4	20.3	21.3	24.3	3.6	3.6	3.6	3.2	15.0	15.9	17.1	16.1	17.1	19.5	20.7	19.3
Vermont.....	20.0	15.2	15.6	18.6	3.1	5.9	7.9	6.9	10.3	10.0	9.2	7.7	13.4	15.9	17.1	14.6
Massachusetts.....	19.5	17.5	17.5	20.6	1.2	1.2	1.1	1.1	3.7	3.8	3.6	4.4	4.9	5.0	4.7	5.5
Rhode Island.....	18.7	15.4	13.4	15.9	1.8	1.6	1.2	1.2	7.1	5.2	2.3	2.3	8.9	6.8	3.5	3.5
Connecticut.....	24.1	23.8	21.6	25.3	11.8	11.1	8.6	8.1	21.5	20.8	18.8	13.2	33.3	31.9	27.4	21.3
New York.....	23.5	24.0	23.0	24.0	8.6	8.6	8.7	6.9	17.0	14.2	14.1	16.1	25.6	22.8	22.8	23.0
Pennsylvania.....	17.6	16.0	16.2	20.2	5.8	5.4	6.5	5.3	18.2	15.9	14.0	16.3	24.0	21.3	20.5	21.6
East North Central:	16.0	17.3	19.1	25.0	2.2	2.0	1.8	1.4	31.9	20.8	17.7	17.5	34.1	22.8	19.5	18.9
Ohio.....	16.3	20.2	24.0	27.5	6.6	5.7	3.0	3.0	38.3	27.6	23.1	16.4	44.9	33.3	33.3	30.1
Indiana.....	13.6	13.2	15.0	22.8	6.1	4.4	3.4	2.4	44.6	33.8	21.7	22.1	50.7	38.2	25.1	24.5
Illinois.....	18.1	18.6	21.9	22.8	9.3	6.2	2.0	2.0	41.1	30.3	20.8	20.5	50.4	36.5	22.8	22.5
Michigan.....	14.1	13.3	14.1	21.7	4.4	3.4	3.3	3.3	36.0	27.5	21.2	22.3	40.4	30.9	24.5	25.6
Wisconsin.....	14.3	15.1	20.2	24.5	8.1	5.0	4.5	5.1	59.1	37.5	24.3	25.3	67.2	42.5	28.8	30.4
Minnesota.....	11.8	14.9	16.0	24.7	7.4	1.2	2.8	2.8	78.3	54.3	37.3	27.3	85.7	55.5	40.1	30.1
Iowa.....	20.0	20.3	22.6	27.1	8.6	5.5	6.8	6.0	61.2	36.1	29.0	29.0	59.8	41.6	35.8	35.9
Missouri.....	10.7	13.7	14.0	14.6	29.6	12.0	6.0	7.0	63.3	31.3	18.9	25.5	92.9	43.3	24.9	32.5
North Dakota.....	10.1	9.8	11.6	12.6	25.1	22.6	16.3	14.2	78.0	62.4	62.4	63.4	103.1	86.8	78.7	77.6
South Dakota.....	10.7	14.7	14.7	18.8	5.7	5.2	4.0	3.4	58.2	45.8	41.0	41.0	63.9	51.0	45.0	44.4
Nebraska.....	11.6	13.6	16.6	21.5	8.4	7.6	7.3	4.3	62.7	48.0	40.7	33.9	61.1	55.0	48.0	38.2

South Atlantic:	15.8	17.4	15.9	16.4	12.9	11.7	9.3	11.7	11.0	1.9	2.0	1.9	2.4	70.3	70.4	66.0	72.6
Delaware.....	12.1	13.8	16.3	15.0	11.7	12.4	13.9	14.0	11.7	1.9	3.0	1.6	1.3	73.0	73.2	68.8	71.6
Maryland.....	16.2	13.6	16.4	13.8	11.7	9.7	10.2	12.5	12.5	3.8	3.6	1.7	1.1	89.6	74.7	64.3	61.9
Virginia.....	10.7	10.5	16.2	13.5	17.4	5.7	6.1	4.6	4.6	1.2	1.8	1.2	1.7	109.3	92.3	64.7	69.9
West Virginia.....	24.6	17.7	13.9	16.9	11.4	12.2	6.0	11.3	11.3	3.4	3.8	2.6	3.8	135.5	107.4	80.7	83.5
North Carolina.....	10.9	16.3	15.4	15.2	9.1	9.0	6.5	9.3	9.3	3.6	3.3	2.8	3.2	103.1	82.0	74.6	73.7
South Carolina.....	13.5	16.6	11.6	15.7	9.8	10.8	3.8	10.4	10.4	3.0	2.3	2.6	1.4	83.7	84.7	59.9	63.7
Georgia.....	12.8	9.4	13.6	14.0	6.4	4.6	3.9	2.5	2.5	2.1	1.5	1.9	2.0	89.6	68.9	66.9	60.2
Florida.....	16.8	14.8	12.1	13.8	8.4	6.6	8.3	10.9	10.9	2.6	2.3	2.3	2.4	96.8	70.0	67.9	77.3
East South Central:	13.2	13.1	12.0	13.3	7.5	7.5	6.0	7.8	7.8	2.9	2.8	3.4	1.3	91.8	70.0	67.2	69.7
Kentucky.....	12.5	12.1	11.0	11.2	6.8	4.7	5.8	5.6	5.6	3.2	2.5	3.5	1.6	95.1	71.5	64.6	62.9
Tennessee.....	11.1	9.8	12.3	10.5	6.9	7.1	5.6	7.5	7.5	3.3	3.5	3.6	3.8	134.5	140.1	104.8	105.4
Alabama.....	10.8	11.0	12.9	10.5	5.4	5.3	5.9	3.0	3.0	3.9	3.2	3.5	2.8	103.1	95.1	78.4	77.5
West South Central:	9.5	9.6	10.9	11.2	6.7	7.3	9.0	7.8	7.8	3.3	3.0	4.0	1.3	118.6	105.9	77.9	67.0
Arkansas.....	12.4	11.9	11.0	12.0	3.8	3.9	4.1	4.1	4.1	2.3	2.0	1.7	2.8	59.9	64.7	49.6	60.1
Louisiana.....	6.9	8.9	7.9	8.4	5.8	5.3	6.1	7.1	7.1	2.6	2.9	3.9	4.2	98.7	88.6	82.9	94.4
Montana.....	8.6	10.6	9.1	10.6	3.4	4.0	3.9	4.7	4.7	1.7	1.9	1.8	2.3	72.2	63.6	66.8	78.5
Idaho.....	8.8	9.4	8.2	9.1	4.4	4.8	4.2	4.7	4.7	3.4	2.3	1.7	2.0	72.6	76.2	70.6	70.9
Wyoming.....	10.8	10.7	9.6	9.4	4.2	4.7	4.3	4.5	4.5	2.4	1.8	2.7	1.6	110.4	102.3	84.4	90.1
Colorado.....	11.7	8.6	9.6	10.5	2.2	4.0	4.7	5.4	5.4	2.6	1.9	1.3	2.6	69.6	61.9	64.4	70.3
New Mexico.....	12.3	10.3	10.0	11.0	4.9	4.0	4.2	2.9	2.9	1.8	2.5	2.0	1.4	71.3	64.4	58.6	54.2
Arizona.....	9.8	10.8	8.8	7.8	4.0	4.5	2.4	4.6	4.6	1.3	1.5	.9	1.4	64.9	59.3	49.0	53.4
Utah.....	8.8	8.2	6.6	7.3	3.0	2.9	2.4	1.1	1.1	1.5	1.5	1.4	2.0	54.7	49.9	45.6	48.1
Nevada.....	10.9	9.1	10.5	11.0	3.4	4.0	4.2	6.0	6.0	2.4	3.0	2.3	1.2	79.3	73.0	73.5	82.9
Pacific:	11.6	11.5	10.1	11.1	3.9	3.2	4.2	5.1	5.1	1.8	3.6	2.2	2.3	84.0	75.1	69.3	78.4
Washington.....	11.1	11.4	9.5	8.7	4.1	3.0	4.7	4.1	4.1	2.3	2.1	2.1	2.4	83.9	75.7	60.8	70.9
Oregon.....																	
California.....																	

³ Including all other sales in settlement of estates.

In addition, the proportion of cash received at the time of sale by the land banks averaged 17.7 percent of the sales price in 1935 as compared with 15.6 percent in 1934 and 12.3 percent in 1933.⁹

Of the total number of transfers, voluntary sales and trades increased during the year, accounting for about 33 percent, as compared with about 28 percent during the previous year; forced sales accounted for only 36 percent, as compared with about 41 percent during 1935, 50 percent during 1934, and 58 percent during 1933. Although, as indicated in table 10, the decline in the number of forced sales for the year ended March 15, 1936, as compared with the number during the previous year, was less striking than the decline from 1934 to 1935, and the existence of weak spots continued, the year 1936 on the whole has seen considerable progress in the improvement of the farm real estate situation.

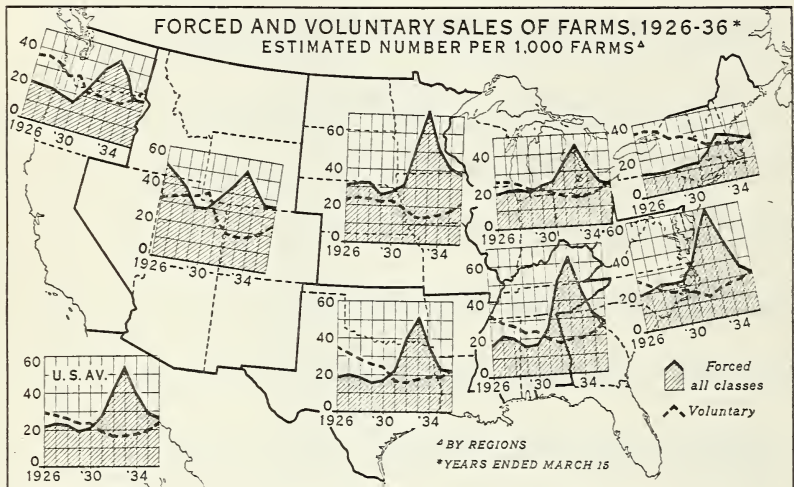


FIGURE 6.—The trend toward more voluntary sales of farms has continued during 1935 in practically all important areas. For the Nation as a whole there were fewer distress transactions than a year ago, but great variation occurs between areas, and some States appear to have experienced increased foreclosures. The reported foreclosures represented in part the disposal of problem cases that have been carried until the past year, pending final decision.

FARMERS MORE ACTIVE IN FARM BUYING

Continuing the tendency of the past 2 years, the proportion of farms bought by farmers and by local residents at voluntary sales increased again during the year ended March 1936 (table 11). During that period, dealer correspondents reported that 82 percent of the buyers of farms at bona fide voluntary sales and trades were local residents. A local resident, for the purposes of this inquiry, is one living in the same county or in any of the counties adjoining the one in which the farm that was purchased is located.

In contrast to the situation in regard to voluntary sales and trades, is that in regard to forced transfers of farm real estate (table 12).

⁹ [UNITED STATES] Farm Credit Administration. See footnote 4, reports 2 and 3.

TABLE 11—Voluntary sales and trades of farm real estate: Percentage of purchases reported in specified classes of residence, occupation, and purpose of purchase, for the United States and for geographic divisions, 12 months ended Mar. 15, 1928-36

Geographic division	Local residents										Purchase for operation									
	1928	1929	1930	1931	1932	1933	1934	1935	1936	1928	1929	1930	1931	1932	1933	1934	1935	1936		
	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>		
New England.....	61	57	59	48	51	50	56	56	56	82	85	80	79	85	85	74	68	73		
Middle Atlantic.....	75	77	70	70	69	68	69	72	77	83	85	82	85	82	83	79	78	79		
East North Central.....	85	86	83	84	78	78	78	85	83	83	82	80	82	77	75	73	72	72		
West North Central.....	88	88	89	88	85	81	82	83	84	85	84	82	81	76	74	72	73	74		
South Atlantic.....	80	82	82	82	79	76	81	82	86	81	81	78	80	78	75	75	71	78		
East South Central.....	87	87	90	85	87	86	88	86	85	85	82	79	79	81	80	78	78	79		
West South Central.....	81	80	82	77	73	76	78	78	81	76	76	73	70	68	68	67	66	71		
Mountain.....	81	86	81	77	76	77	84	80	78	91	91	87	88	87	88	84	84	84		
Pacific.....	75	72	71	72	66	70	71	72	72	87	91	84	90	88	88	89	86	84		
United States..	84	84	82	81	77	76	78	81	82	84	83	81	81	79	77	75	74	76		

Geographic division	Occupation of purchaser																	
	Active farmer										Retired farmer							
	1928	1929	1930	1931	1932	1933	1934	1935	1936	1928	1929	1930	1931	1932	1933	1934	1935	1936
	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>
New England.....	64	62	59	42	37	40	42	40	40	3	2	3	6	7	7	4	5	6
Middle Atlantic.....	62	67	56	50	45	42	47	51	51	5	4	4	7	5	5	5	4	7
East North Central.....	74	73	67	60	55	48	55	60	58	5	6	5	7	7	7	6	5	6
West North Central.....	83	82	81	75	67	58	65	69	69	6	5	5	8	8	9	6	6	7
South Atlantic.....	75	74	66	62	55	54	59	60	65	2	3	3	5	4	4	4	3	3
East South Central.....	78	78	74	69	65	66	69	71	71	3	2	2	3	4	3	3	3	3
West South Central.....	74	75	79	64	53	49	54	61	62	6	3	4	6	5	6	7	5	4
Mountain.....	91	91	83	76	67	68	70	77	77	1	1	2	4	5	2	4	1	4
Pacific.....	76	82	71	65	51	52	54	62	62	4	2	4	4	6	6	7	4	4
United States..	77	78	72	65	57	53	58	63	64	5	4	4	6	6	6	6	5	5

Geographic division	Occupation of purchaser—Continued									
	Other occupation									
	1928	1929	1930	1931	1932	1933	1934	1935	1936	
	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	
New England.....	33	36	38	52	56	53	54	55	48	
Middle Atlantic.....	33	29	41	43	50	53	48	45	42	
East North Central.....	21	21	27	33	38	45	39	35	36	
West North Central.....	11	13	14	17	25	33	29	25	24	
South Atlantic.....	23	23	30	33	41	42	37	37	32	
East South Central.....	19	20	23	28	31	31	28	26	26	
West South Central.....	20	22	26	30	42	45	39	34	34	
Mountain.....	8	8	15	20	28	30	26	22	19	
Pacific.....	20	16	26	31	43	42	39	34	34	
United States..	18	18	24	29	37	41	36	32	31	

TABLE 12.—*Forced transfers of farm real estate: Percentage of purchases reported in specified classes of residence, occupation, and purpose of purchase, for the United States and for geographic divisions, 12 months ended Mar. 15, 1932-36*

Geographic division	Local residents					Purchase for operation				
	1932	1933	1934	1935	1936	1932	1933	1934	1935	1936
	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>
New England.....	84	67	71	69	73	81	56	64	52	58
Middle Atlantic.....	86	74	80	82	86	55	41	48	52	58
East North Central.....	75	79	71	74	76	48	44	39	42	53
West North Central.....	71	60	66	58	63	35	26	29	36	35
South Atlantic.....	77	83	76	79	84	48	53	43	53	58
East South Central.....	71	77	74	75	81	47	43	42	46	50
West South Central.....	64	65	61	71	66	36	32	31	27	37
Mountain.....	86	65	65	54	88	60	56	50	41	60
Pacific.....	67	65	78	76	63	60	61	45	66	49
United States.....	74	72	71	71	74	45	41	39	44	48

Geographic division	Occupation of purchaser														
	Active farmer					Retired farmer					Other occupation				
	1932	1933	1934	1935	1936	1932	1933	1934	1935	1936	1932	1933	1934	1935	1936
<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	
New England.....	58	36	47	50	30	7	8	3	7	9	35	56	44	43	61
Middle Atlantic.....	45	40	33	43	34	11	7	5	8	10	44	53	62	49	56
East North Central.....	36	38	38	45	44	9	7	6	5	7	55	55	56	50	49
West North Central.....	38	26	31	34	36	10	11	5	8	6	52	63	64	58	58
South Atlantic.....	42	40	37	51	55	11	5	4	4	3	47	55	59	45	42
East South Central.....	41	48	42	52	61	7	4	4	1	2	52	48	54	47	37
West South Central.....	36	42	28	26	36	5	5	3	8	9	59	53	69	66	55
Mountain.....	58	42	28	48	55	5	7	9	14	8	37	51	63	38	37
Pacific.....	38	49	43	40	52	13	3	3	3 ^a	4	49	48	54	57	44
United States.....	40	38	27	42	43	9	7	6	6	6	51	55	67	52	51

NUMBER OF FARM FORECLOSURES DECLINES FURTHER BUT WITH GREAT REGIONAL VARIATION

The year ended March 15, 1936, brought a further decline in the number of farms transferred by foreclosure of mortgage, by bankruptcy, or by other methods arising from difficulty in meeting payments on indebtedness secured by farm real estate. But the declines in many States were not so great as during the previous 2 years, nor were they so general, and a number of States have reported an increase in the number of transfers arising from debt difficulties. The number of forced sales resulting from delinquencies on debt service declined from approximately 21.0 farms per thousand of all farms for the United States as a whole to 20.3 (table 10).

In a number of areas there were decreases of a substantial character in the number of distress transfers. In the New England States the decline in the average rate from 12.1 to 10.7 farms per thousand of all farms, was substantially greater than that reported during the previous year.

Foreclosures and other acquisitions by creditor agencies during the past year appeared to result from attempts to try to clear up, in one way or another, many of the border-line cases that have been carried by creditor agencies during recent years. Many creditor agencies have cases that have been carried along in the hope that sooner or

later a solution could be worked out, but with the passage of time and with other concurrent developments, the decision has been reached that definite action was desirable.

In the case of the Federal land banks, for example, the number of farms acquired through foreclosure or voluntary deed was 13,028 during 1935, whereas the number acquired during 1934 was only 5,875. The increase is 121.8 percent over the number in 1934. It appears that during recent years the land banks have been exceptionally lenient toward borrowers encountering difficulty in meeting their obligations and for this reason have probably accumulated an unduly large proportion of cases that finally require settlement. The acquisitions by the land banks showed some increase in each land bank district except the Berkeley district, in which there was a slight decline. In some cases, particularly in the case of the banks serving certain sections of the Southeast and the western Great Plains, the increases were very marked.⁹

The net effect of the farm real estate operations of the land banks during the past year has been an increase in the holdings of farms. As of December 31, 1934, the 12 land banks combined held outright title to 20,286 farms,⁹ and on December 31, 1935, they held outright title to 22,098 farms covering 4,700,000 acres,⁹ an increase of nearly 9 percent. As of December 31, 1935, they held 5,418 sheriff certificates and judgments in contrast to the 2,667 such instruments held on December 31, 1934. Thus, both in regard to properties owned outright and those in process of acquisition, the number held by the banks increased. The expanded selling activity therefore has not kept pace with the increased number of acquisitions and, insofar as the land banks are concerned, the time has not yet come when the trend in total land holdings has turned downward.

FARMER BANKRUPTCIES AGAIN DECLINE, BUT COMPOSITIONS AND EXTENSIONS INCREASE

During the fiscal year ended June 30, 1935, there were 4,311 cases of voluntary farmer bankruptcies concluded in the courts (table 13). This represents a decline of slightly over 400 cases from the previous fiscal year and is the second year in succession since 1933, when 5,917 cases were concluded, during which the number of farmer bankruptcies has declined. Farmer bankruptcies constituted a slightly smaller proportion of all cases for the United States as a whole than a year ago though the tendency was by no means universal. The number concluded during the fiscal year 1935 was still approximately 7 percent greater than the number in 1931, which represented the low point in recent years. The declining number of bankruptcies was not universal, however. In New England, and in the East North Central, West North Central, West South Central, and Mountain regions the number of farmer bankruptcies was smaller than the previous year; but in the Middle Atlantic States, notably in New York, and in the South Atlantic, East South Central, and Pacific regions, the number of farmer bankruptcies increased.

In 15 States the number of farmers' cases was greater than in 1934. Illinois, as in several previous years, reported more cases than any other State.

⁹ [UNITED STATES] Farm Credit Administration. See footnote 4, reports 2 and 3.

TABLE 13.—Farm bankruptcies; Cases concluded in fiscal years ended June 30, 1927-35

Geographic division and State	Number										Percentage of all bankruptcy cases										Total farmer compositions and extensions ¹
	1927	1928	1929	1930	1931	1932	1933	1934	1935		1927	1928	1929	1930	1931	1932	1933	1934	1935		
United States.....	6,296	5,679	4,939	4,464	4,023	4,849	5,917	4,716	4,311		13.1	10.6	8.7	7.4	6.7	7.7	8.9	8.0	7.7	5,979	
New England.....	105	162	145	141	104	186	164	171	123		3.1	3.5	3.2	2.8	2.3	3.8	3.4	4.1	3.2	15	
Middle Atlantic.....	224	274	270	305	353	372	514	420	457		3.1	3.5	3.2	3.6	3.6	3.8	3.7	3.5	4.0	76	
East North Central.....	719	874	980	973	1,025	1,580	2,020	1,354	1,055		9.2	9.3	8.8	8.0	8.9	10.7	13.3	9.0	6.7	1,269	
West North Central.....	2,404	1,729	1,471	1,257	1,010	1,099	1,277	983	873		30.3	24.2	21.2	19.2	17.9	20.5	23.8	22.0	19.4	2,026	
South Atlantic.....	585	685	515	491	467	601	699	699	735		10.0	9.9	9.0	5.9	5.8	7.4	7.4	7.7	11.6	427	
East South Central.....	615	521	352	336	338	311	494	399	431		9.7	6.9	4.5	3.8	3.5	3.2	6.0	5.9	7.6	356	
West South Central.....	567	561	484	375	282	308	371	329	307		20.7	19.5	17.3	14.7	10.5	10.2	9.7	13.3	15.4	907	
Mountain.....	609	420	335	260	201	215	167	131	101		31.8	24.0	20.9	17.1	13.3	15.2	13.1	13.0	10.6	212	
Pacific.....	468	453	387	326	255	311	309	200	225		10.0	8.5	6.1	4.6	4.4	5.0	5.1	3.8	4.1	691	
New England.....	51	77	69	65	62	80	67	85	68		6.3	9.2	8.3	7.9	7.1	10.1	9.9	15.7	12.8	1	
Maine.....	7	7	6	5	1	9	9	13	10		6.7	6.4	4.4	4.3	1.2	6.9	12.3	7.1	8.8	1	
New Hampshire.....	21	29	28	33	21	52	27	28	24		16.8	14.9	13.3	14.6	10.0	17.6	12.9	23.3	21.1	7	
Vermont.....	2	18	26	22	15	32	21	20	18		1.2	0.7	1.0	0.8	0.5	1.2	0.9	1.1	0.8	1	
Massachusetts.....	10	0	2	0	1	1	4	3	3		1.0	0	1.1	0	0	0.5	1.4	1.6	1.6	7	
Rhode Island.....	14	31	14	16	4	12	32	25	6		2.6	3.7	2.1	2.2	0.7	1.6	2.5	1.8	0.7	5	
Middle Atlantic.....	145	152	149	172	198	193	219	185	256		3.0	2.7	2.7	3.2	3.1	3.1	2.8	2.9	3.3	52	
New York.....	16	12	18	12	18	21	20	27	30		1.9	2.1	1.7	1.2	1.4	1.4	1.1	1.7	1.4	16	
New Jersey.....	63	110	103	121	137	158	275	208	171		4.0	6.3	5.5	5.8	6.4	6.8	6.6	8.4	10.1	8	
Pennsylvania.....	137	157	220	270	277	460	644	443	302		5.7	5.6	6.4	5.7	5.5	8.0	11.3	7.9	4.7	197	
East North Central.....	76	114	110	144	148	208	222	160	159		18.4	20.9	15.9	17.9	15.6	19.3	23.3	19.3	21.1	412	
Indiana.....	257	374	410	364	368	614	815	527	356		8.7	11.9	10.9	11.5	11.3	15.2	16.6	11.1	7.9	232	
Illinois.....	34	41	36	39	31	47	68	43	61		4.2	3.4	2.3	2.8	2.1	2.9	2.1	1.6	2.2	258	
Michigan.....	215	188	204	156	201	251	271	211	177		16.9	11.3	12.0	7.9	11.6	15.2	18.4	14.0	13.2	170	
Wisconsin.....	294	266	193	185	116	114	98	117	84		16.0	12.6	9.6	10.3	7.4	9.9	10.2	10.9	8.0	363	
West North Central.....	656	594	420	328	338	456	561	305	332		41.2	41.2	37.9	33.6	37.2	45.0	46.3	44.4	45.2	380	
Iowa.....	314	288	211	213	181	228	270	221	167		19.5	16.5	11.9	11.2	11.2	13.7	15.1	14.4	13.0	430	
Missouri.....	376	353	287	193	106	99	99	39	40		66.3	59.3	63.5	56.4	51.7	35.0	38.2	41.3	51.3	96	
North Dakota.....	352	239	106	114	32	57	74	54	30		56.2	43.5	42.4	43.5	38.3	45.3	41.8	43.7	40.4	110	
South Dakota.....	181	135	97	143	107	109	137	84	84		26.3	23.1	23.0	21.7	19.3	22.0	22.0	19.2	14.3	222	
Nebraska.....	231	114	157	100	70	96	120	74	134		22.8	16.5	14.6	15.9	11.3	12.8	20.6	13.2	24.6	425	

In addition to the bankruptcies reported there have been a considerable number of compositions and extensions effected under the provisions of the National Bankruptcy Act as amended March 3, 1933, and subsequently, specifically under sections 12, 74, and 75 (table 13). Practically all of the cases of compositions and extensions have been accomplished under the latter section. Of the 5,979 cases, 5,961 were adjusted under section 75, 10 under section 74 and 8 under section 12. The number of compositions and extensions during the fiscal year ended June 30, 1935, is thus somewhat in excess of the number of bankruptcies during the same period, and is considerably in excess of the number of similar cases reported during the fiscal year ended June 30, 1934, during which 16 cases under section 12, 45 cases under section 74, and 349 cases under section 75 were concluded under the terms of the act.¹⁰

The bankruptcy law providing for these compositions and extensions has special provisions whereby debt-distressed borrowers may, through the services of debt conciliation commissioners in various counties throughout the country, secure a readjustment of their debt on terms such that they can eventually meet most or all of their obligations to creditors. These compositions and extensions are in contrast to the provisions of the ordinary bankruptcy law, which provides for the liquidation of assets to meet the claims of creditors.

The data for 1935 suggest that farmers prefer to make use of the provisions of the law which permit them to retain their farms, and to extend the terms of their indebtedness on such a basis that they can eventually meet their payments, rather than take advantage of the ordinary bankruptcy proceedings.

Although for the United States as a whole the total number of compositions and extensions was greater than the number of farmer bankruptcies, this relation does not hold for all States. In the New England States there were only 15 compositions and extensions, as compared with 123 bankruptcies, and in the Middle Atlantic States there were 76 of the former as compared to 457 of the latter. The number of compositions and extensions exceeded the number of bankruptcies in the East North Central States by approximately 20 percent, and in the West North Central States was more than double the number. In the South Atlantic region the number of compositions and extensions was a little over half the number of bankruptcies, and in the East South Central, was slightly smaller. In the West South Central States and in the Pacific States the number of compositions and extensions was about three times the number of bankruptcies and in the Mountain States it was twice as great.

FARM REAL ESTATE TAXES ¹¹

Farm real estate taxes levied in 1935 were on approximately the same level as in 1934, according to a preliminary estimate based on judgments of tax officials and tax students in 26 States. The 1935 levies were for the most part payable late in 1935 and early in 1936. On the basis of this estimate farm taxes apparently reached the end of a 5-year decline in 1934. The year-to-year decreases during this period were as follows: 1929-30, 1 percent; 1930-31, 8 percent; 1931-32, 13 percent; 1932-33, 14 percent; and 1933-34, 5 percent.

¹⁰ STAUBER, B. R., and REGAN, M. M. See footnote 8.

¹¹ Prepared by G. J. Isaac, assistant agricultural economist.

Although a majority of the States showed decreases in average taxes per acre from 1933 to 1934, several States showed increases. With the tax per acre for the country as a whole the same in 1935 as in 1934, the corresponding tax per \$100 of land values shows a slight decrease, owing to the increase in land values.

TABLE 14.—Index numbers of farm real estate taxes per acre, United States, 1890-1934¹

Year	Farm real estate tax per acre (1913=100)	Year	Farm real estate tax per acre (1913=100)	Year	Farm real estate tax per acre (1913=100)	Year	Farm real estate tax per acre (1913=100)
	Percent		Percent		Percent		Percent
1890.....	42	1902.....	53	1914.....	101	1925.....	232
1891.....	42	1903.....	59	1915.....	110	1926.....	232
1892.....	43	1904.....	60	1916.....	116	1927.....	238
1893.....	45	1905.....	62	1917.....	129	1928.....	239
1894.....	46	1906.....	63	1918.....	137	1929.....	241
1895.....	49	1907.....	66	1919.....	172	1930.....	238
1896.....	48	1908.....	72	1920.....	209	1931.....	218
1897.....	49	1909.....	76	1921.....	223	1932.....	189
1898.....	48	1910.....	76	1922.....	224	1933.....	162
1899.....	50	1911.....	83	1923.....	228	1934.....	154
1900.....	51	1912.....	88	1924.....	228		
1901.....	53	1913.....	100.				

¹ Data for the years 1890-1912, 1933, and 1934 are preliminary.

From 1913 to 1929 average taxes per acre increased 141 percent. This is approximately the same amount by which they had increased from 1890 to 1913, as shown by a preliminary tabulation covering that period (table 14 and fig. 7). The data show a very uniform rate of increase from 1898 to 1918. During the periods 1890-95 and 1918-20, however, average taxes per acre increased at a rate more rapid than the average for the period from 1890 to 1934; and after 1920 the increase was very slight until the drastic fall of farm income beginning in 1929 which resulted in a decline in farm taxes.

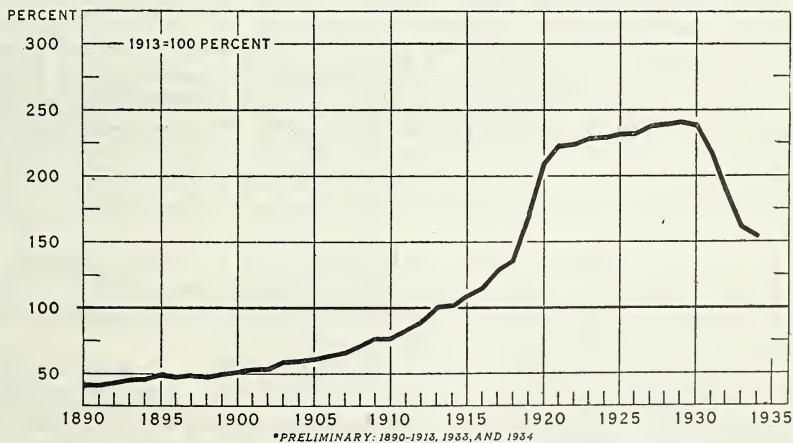


FIGURE 7.—INDEX OF FARM REAL ESTATE TAX PER ACRE, UNITED STATES 1890-1934.

The average tax per acre for the United States as a whole increased virtually without interruption from 1890 to 1929. From 1898 to 1918 the percentage increase from year to year was remarkably uniform, and averaged between 4 and 5 percent per year, but from 1890 to 1895, and again from 1918 to 1920, the rate of increase was much more rapid, and from 1920 to 1929 it was much slower.

In some States the decline in average property taxes was made possible by the substitution of other forms of taxation. Farmers help to pay substitute levies, such as sales taxes and gasoline taxes, either directly or indirectly, but farm real estate values are likely to be less affected by changes in these taxes than by changes in direct real estate taxes. In some communities decreases in real estate taxes during recent years have been made possible by curtailment in governmental services. This raises the question to what extent will such curtailment be permanent and to what extent will a demand recur for these or similar services, with resulting increases in expenditures by governmental bodies.

The full effect that changes in taxes have upon farm real estate values will depend to a considerable degree upon whether these changes are interpreted as indicating that taxes will continue more or less permanently on a lower level than previously, or that they will resume the preceding upward trend. Much variation will occur in such interpretations, and in a period as variable as the past several years it is exceedingly difficult, if not impossible, to determine precisely the extent to which changes in farm real estate values are caused by changes in taxes and to what extent by changes in other factors. It is certain, however, that as a very considerable item in farmers' expenses, taxes exert an important effect upon farm real estate values. The increase in farm real estate values that has taken place during the last 3 years has doubtless been influenced materially by the substantial decrease in taxes during recent years, but the practically continuous increases in farm real estate taxes per acre, as illustrated by the data for the 40-year period from 1890 to 1929, undoubtedly has led to a reluctance to capitalize fully in land values the decrease in taxes that has taken place since 1929.

FARM MORTGAGE CREDIT ¹²

Outstanding loans of private lending agencies have continued to decline throughout the year, whereas loans of Federal-sponsored agencies have increased. Farm loans held by 39 leading life insurance companies, representing 83 percent of the total admitted assets of United States legal reserve life insurance companies, were \$762,000,000 at the end of May 1936, as compared with \$868,000,000 a year earlier, and with \$1,343,000,000 in May 1933. Outstanding Federal land bank loans were \$2,063,000,000 in May 1936, as compared with \$1,998,000,000 in 1935, and with \$1,103,000,000 in May 1933. Commissioner loans were \$827,000,000 in May 1936 and \$716,000,000 a year earlier.

New loans of the Federal land banks have steadily declined in volume during the year, averaging \$12,000,000 per month for the first 5 months of 1936, as compared with \$25,000,000 per month during the first 5 months of 1935 and \$69,000,000 in 1934.

Investments of 39 life insurance companies in farm loans increased from \$39,000,000 for the year ended June 30, 1935, to \$52,000,000 for the year ended June 30, 1936. Farm loans during the first half of 1936 were 23 percent larger than during the first half of 1935. A part of this increase was due to the formal renewal of loans the terms of which had expired, and which during the depression years would

¹² Prepared by David L. Wickens, agricultural economist.

have been carried by informal extension. The increase indicates greater willingness of lenders to enter into mortgage-loan contracts.

Although farm investments of private sources have increased with the rise in total investments, the proportion has continued at a low level. Life insurance companies' investments in farm loans during the first half of 1936 represented only 1.8 percent of total investments, as compared with 1.7 a year earlier, and with an average of 9.4 percent in 1928-31. Meanwhile loans on city property constituted 8.5 percent during the year ended June 30, 1936, having risen from 3.9 percent for the previous year. Investments in Government securities declined from 71.2 percent to 56.2 percent during the year. Table 15 shows the trend of the current investments of representative life insurance companies since 1928.

Probably the most significant factor in the farm real estate finance field in 1936 is the extremely low interest rates on all types of loans and investments. Rates in central markets and yields on farm-loan bonds are the lowest in a generation and markedly lower than those prevailing since the World War. Rates which a year ago were at record lows have declined further during the year.

Yields on 4-percent consolidated farm-loan bonds averaged 2.64 percent in May 1936, as compared with 3.07 percent a year ago, and 3.96 percent in July 1934, the earliest date for which this series is available. Yields on highest-grade bonds of nongovernmental agencies have also declined from 4.73 in 1929 to 3.60 in 1936. Commercial-paper rates have declined from 5.84 percent in 1929 to 0.76

TABLE 15.—Distribution of current investments of life insurance companies, 6-month periods, 1928-36¹

Period	Total investments		Farm loans	City property loans	Railroad securities ²	Public-utility securities ²	Government securities	Miscellaneous securities ²
	1,000 dollars	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1928:								
July-December.....	698,719	100	11.1	49.1	10.6	13.6	10.1	5.5
1929:								
January-June.....	1,178,534	100	8.1	36.3	8.0	6.6	11.1	29.9
July-December.....	767,517	100	9.5	54.0	9.0	8.6	11.6	7.3
1930:								
January-June.....	780,022	100	10.9	41.5	10.2	15.9	12.2	9.3
July-December.....	680,073	100	9.1	48.5	9.5	15.0	9.9	8.0
1931:								
January-June.....	770,588	100	8.9	36.1	10.7	23.5	15.4	5.4
July-December.....	607,602	100	6.0	37.2	9.8	16.4	26.0	4.6
1932:								
January-June.....	282,434	100	10.8	41.1	1.0	9.1	36.5	1.5
July-December.....	234,153	100	9.3	31.3	1.1	9.9	44.0	4.4
1933:								
January-June.....	227,959	100	6.6	6.9	2.1	5.9	76.2	2.3
July-December.....	571,550	100	2.2	2.5	4.1	6.7	82.1	2.4
1934:								
January-June.....	702,890	100	1.6	2.1	6.7	6.6	77.1	5.9
July-December.....	1,150,729	100	1.5	3.0	5.4	7.5	76.4	6.2
1935:								
January-June.....	1,314,420	100	1.7	4.6	4.9	11.5	66.6	10.7
July-December.....	1,820,484	100	1.2	7.4	2.9	20.1	60.3	8.1
1936:								
January-June.....	1,545,570	100	1.8	9.7	9.8	19.5	51.3	7.9

¹ Investments of life insurance companies having 76 percent or more of the total assets of all legal reserve companies in the United States. Number of companies reporting varies from 25 in 1928 to 45 in 1936. Prepared by the Division of Agricultural Finance. From data in New York Evening Post, 1928-32, and Wall Street Journal, 1933-36.

² Stocks and bonds.

TABLE 16.—Interest rates and bond yields on representative types of credit, 1917-36

Year	Average yield on Federal land bank bonds ¹	Highest grade bond yields (Moody's AAA)	Commercial paper rates (4- to 6-month average)	Federal reserve bank (New York discount rate)
	Percent	Percent	Percent	Percent
1917	4.33		4.74	4 - 4½
1918	4.39		5.86	4½-4¾
1919	4.22	5.48	5.42	4¾
1920	5.14	6.12	7.46	4¾-7
1921	5.11	5.98	6.56	4½-7
1922	4.50	5.12	4.48	4 - 4½
1923	4.39	5.12	5.01	4 - 4½
1924	4.55	5.00	3.87	3 - 4½
1925	4.34	4.88	4.03	3 - 3½
1926	4.27	4.73	4.34	3½-4
1927	4.12	4.57	4.10	3½-4
1928	4.26	4.55	4.85	3½-5
1929	4.78	4.73	5.81	4½-6
1930	4.70	4.55	3.58	2½-4½
1931	5.34	4.58	2.63	1½-3½
1932	5.59	5.01	2.73	2½-3½
1933	5.43	4.49	1.72	2 - 3½
1934	3.97	4.00	1.01	1½-2
1935	3.15	3.74	.76	1½
1936 ²	2.78	3.60	.75	1½

¹ Beginning July 1934, yields are for 4 percent Consolidated Farm Loan Bonds. Figures for earlier years are average rates for Federal land bank bonds.

² First 5 months.

³ First 6 months.

percent in 1935 and to 0.75 percent in 1936. The discount rate of the New York Federal Reserve Bank has been 1.5 percent since February 1934. The trends in bond yields and interest rates on representative types of credit since 1917 are shown in table 16.

With these low money rates continuing over an extended period, there is an increasing tendency for low rates to be reflected in lower capitalization rates, higher land values, and increased capacity for contracting debt on such security. The relative absence of a capital export market and the limited volume of new capital issues for new domestic industrial and commercial financing are factors in continuing this tendency.

Real estate transfers and credit operations characteristically lag behind other current economic changes such as prices and production. The effect of current developments with respect to credit supply and interest rates therefore may be assumed to hold their principal consequence for the years immediately ahead, rather than for the present. The probable influence of the increased farm population shown by the 1935 census, the increased number of farms reported, and the return of many to the conditions of lower living cost found in the rural districts, are further factors that indicate a growing importance of credit and credit arrangements for farm real estate.



