



**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](mailto: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.



# Circular No. 754

December 1946 • Washington, D. C.

UNITED STATES DEPARTMENT OF AGRICULTURE

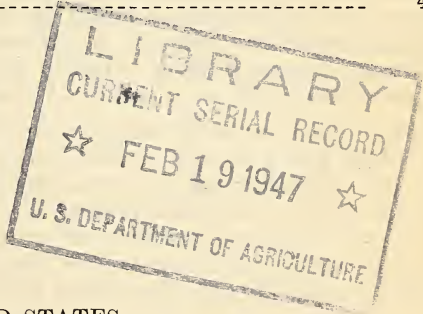


## The Farm Real Estate Situation, 1945-46

BY M. M. REGAN, AND A. R. JOHNSON  
Agricultural Economists  
Bureau of Agricultural Economics

### CONTENTS

	Page
Sources of data and explanation of terms.....	2
The situation in general.....	3
Farm land values, sales, and credit.....	5
Farm real estate values.....	5
Farm ownership transfers.....	11
Financing farm purchases.....	21
Farm income, land earnings, and values.....	26
Prices, costs, and income.....	26
Comparison of farm income, values, and sales.....	32
Relationship of land earnings and land values.....	34
Other influences in the farm land market.....	41
Desirable levels of farm land values.....	42



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON: 1947

## SOURCES OF DATA AND EXPLANATION OF TERMS

The farm real estate year ordinarily covers roughly a 12-month period ending about March 1. Possession of farms by lease or sale is commonly given at that time and occupancy is usually considered as beginning on that date. Unless otherwise stated, the term "1945-46" in this circular denotes the 12-month period ended on or about March 1, 1946. Most of the real estate data used here refer to this period. The term "1945" here means the calendar year ended December 31, 1945.

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

The land-market data given here are collected chiefly in three types of surveys:

1. Estimates of average values of farm real estate, within relatively small communities, made by crop reporters of the United States Department of Agriculture. Formerly made once each year, in March, this survey is now done in July and November also, the change began with July 1942. Averages for crop-reporting districts are combined into State, regional, and national weighted averages. The weights are fixed on the basis of area of land in farms according to the 1925 Census. Crop reporters likewise report as of March 15 each year on the number of transfers of farm real estate and in April with respect to cash rents.

2. Annual reports in March from farm real estate dealers, concerning values, types of buyers and sellers, and other market data.

3. Since 1941, quarterly field surveys (utilizing county records, interviews, and mail questionnaires) of developments in the farm real estate market in selected counties, by the field staff of the Bureau of Agricultural Economics, in collaboration with the State agricultural colleges in some States. During 1945, the sample was made up of approximately 130 counties in 41 States.

The data from crop reporters are the primary basis for the indices of values and volumes of sales, but these reports are checked against and are supplemented by the results of the other surveys and by information from miscellaneous sources. Detailed statements concerning sources of data and methods of compilation may be found in Department of Agriculture Circular No. 209, The Farm Real Estate Situation, 1930-31; and No. 15, The Farm Real Estate Situation, 1926-27.

# The Farm Real Estate Situation, 1945-46

## THE SITUATION IN GENERAL

Further sharp increases in farm land values and a near-record level of voluntary sales characterized the farm real estate market during the year 1945-46. Average per acre land values for the country as a whole on March 1, 1946, were up 13 percent from the previous year, bringing values to a level 71 percent above the 1935-39 average.

Land values continued to rise during the succeeding 4 months, and on July 1 had increased an additional 4 percent, reaching a level that was only 14 percent below the 1920 inflationary peak. Although starting from a somewhat lower level, average values for the country as a whole have now increased more since March 1941 than they did during the 5-year period ended with the peak of the World War I boom in 1920. Average farm land values on July 1, 1946 were above 1920 levels in one-third of all States, and above 1919 levels in two-thirds of the States.

Accompanying the further rise in values during the last year was a 7-percent increase in the volume of voluntary sales. For the year ended March 1946, the level of voluntary sales was within 2 percent of the record high reached 2 years earlier and nearly twice the average for the period 1935-39. This was the third consecutive year in which the volume of sales was higher than for any year of record before 1943. In the last year approximately 6 percent of all farms were transferred by voluntary sale in the Pacific, West North Central, and East South Central groups of States. During the second quarter of 1946, the number of sales in most areas was somewhat higher than during the corresponding quarter of 1945, indicating a continued active market.

Contributing to the high volume of sales during the last year was a slight increase in the already large number of farms resold after short periods of ownership. Approximately one-seventh of all voluntary sales during 1945 were resales of tracts held less than 2 years, compared with one-eighth during the previous year. About one-third of all resales involved properties that had been acquired within 6 months.

For the country as a whole farmers bought a little less than two-thirds and nonfarmers a little more than one-third of the farms that were transferred. As in the previous year, slightly less than half of the active farmer-buyers were tenants. In the West North Central and Mountain groups of States, farmers were buyers in about three-fourths of all sales. The proportion of all sales made by owner-operators continued to increase, with rather few sales by corporations in most areas. A large proportion of the farmer sellers intend to

operate with reduced holdings, but many apparently are buying other farms.

An increased proportion of the farm sales were entirely for cash during last year, although relatively easy credit conditions continued. Fifty-eight percent of all voluntary sales were entirely for cash compared with 55 percent during the previous year. Down payments on the sales financed by mortgages averaged 43 percent of the purchase price in 1945, about the same as the 2 previous years. Notwithstanding the large amounts of cash used in farm purchases, heavy debts are still being placed on many farms. About one-seventh of all purchases in 1945 involved a debt of 75 percent or more of the purchase price and about one-third had a debt of 50 percent or more. On many of these farms the mortgage debt was greater than the full market value a few years ago.

The predominant forces that influenced the market for farm land during the last year continue to stem from conditions of higher prices for farm products, record or near-record levels of both farm production and income, large accumulations of liquid funds available for buying land, easy credit, and attractive rates of return on land investments.

Prices received by farmers for farm products during 1945 averaged 4 percent above those of 1944 and more than double the pre-World War I average. Further increases during the first half of 1946 brought the average prices for June to a level 6 percent above June 1945. With the lapse of price control and the suspension of subsidy payments, prices for last July rose to unprecedented levels. With most farm products remaining free from controls, prices received by farmers during 1946 are expected to average 11 percent above 1945. For 1947, prices received by farmers are expected to average below 1946, as prices in the latter half of the year may be considerably lower if production of crops continues large and exports are reduced.

Stimulated by high prices for farm products and favorable weather total agricultural production continued at near-record levels during 1945, with resulting total farm income higher than for any previous year. Production expenses also increased, so farmer's net cash return increased less than 1 percent from 1944, but this level is three times the 1935-39 average. Another new record in volume of agricultural production is expected for 1946, so with higher average prices of farm products, farm incomes will be at an all-time high. If favorable crop yields continue, farm income in 1947 will also be at a high level, although probably somewhat below 1946. Costs of production are expected to rise further so farmers' net income in 1947 may be 10 to 15 percent below 1946.

The high income levels in recent years, coupled with shortages of goods to buy, have resulted in large accumulations that can be used for buying things. Much of this is in the highly liquid form of demand deposits and currency. In the summer of 1946, demand deposits in country banks in 20 leading agricultural States were up more than a billion dollars from a year earlier and at a level more than four times that for 1940. Total liquid assets held by farmers, including savings bonds, deposits, and currency, at the beginning of 1946 reached 19 billion dollars, as compared with about 4 billion dollars for 1940.

Rates of return from investments in farm real estate have continued to be favorable during the last 5 years, making a strong inducement for further purchases of farm land. A plentiful supply of credit has been available with interest rates about one-fourth below those prevailing before World War I. The resulting demand for farm properties has generally been greater than the supply of farms available for sale, except at increased prices.

The principal influences in the farm real estate market that are likely to limit further increases in land values come mainly from the precautionary attitude taken by many farmers and lenders. The recollection of the disastrous consequences of the World War I land boom and the realization that the end of the period of high incomes may be approaching will probably continue to influence buyer attitudes and curb somewhat the strong inflationary forces. Similar attitudes are undoubtedly back of the conservative loan policies of most lending agencies, the large mortgage-debt repayments by farmers, and the postponement of land purchase by many who want to acquire farm land.

When large supplies of manufactured goods become available the inflationary pressures may be reduced somewhat, but until prices of farm products decline it seems probable that prices of land will continue to be bid up to higher levels. Reports of increased buyer resistance to advancing land prices have been received from limited areas, but generally, the market has continued to be very active.

Many persons, particularly farmers, are acutely aware of the serious agricultural-surplus problems that prevailed before the war, and with an expanded productive capacity, they expect their reappearance when war-torn areas return to normal production. A survey in the Corn Belt, late in 1945, indicated that four-fifths of the farmers expected prices of farm products to fall substantially within the first 5 years after the end of the war and more than three-fifths were expecting prices of farm land to fall during this period.

Although further increases in average values of farm land are in prospect, it appears that current land prices in many areas are already above the levels likely to be maintained when prices and production become more nearly adjusted to longer-run domestic and foreign demands. Hence, the further increases will be likely to make the necessary adjustments considerably more difficult.

## FARM LAND VALUES, SALES, AND CREDIT

For the fifth consecutive year, land values continued to rise at an average rate of approximately 1 percent a month during 1945-46. The volume of voluntary sales was up about 7 percent from the previous year, and within 2 percent of the record high for the year ended March 1944. Resales of farms after a short ownership continued at a high level. A larger proportion of all sales were for cash, and average down payments increased in size.

### FARM REAL ESTATE VALUES

Farm real estate values for the country as a whole rose 13 percent during the 12 months ended March 1946. The United States index



TABLE 1.—Farm real estate: Index numbers of estimated value

[1912=100]

Division and State	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925
United States.....	97	100	103	103	108	117	129	140	170	157	139	135	130	127
Geographic divisions:														
New England.....	99	101	100	99	102	112	117	123	140	135	134	130	128	127
Middle Atlantic.....	98	100	102	100	104	112	117	121	136	127	118	116	114	114
East North Central.....	97	100	103	104	110	116	127	135	161	151	132	128	121	116
West North Central.....	97	100	103	105	114	122	134	147	184	174	150	142	132	126
South Atlantic.....	98	100	103	98	108	119	135	161	198	174	146	152	151	148
East South Central.....	97	100	103	99	109	120	140	162	199	163	149	149	142	141
West South Central.....	96	100	104	100	103	116	134	143	177	159	136	132	136	144
Mountain.....	98	102	100	98	98	106	117	130	151	133	122	115	110	105
Pacific.....	94	99	106	107	111	122	129	134	156	155	151	148	147	146
New England:														
Maine.....	100	102	98	96	98	110	115	124	142	132	127	129	127	124
New Hampshire.....	97	101	102	101	98	103	111	116	129	123	126	111	109	111
Vermont.....	101	101	98	104	115	127	133	136	150	150	145	134	130	125
Massachusetts.....	98	100	102	98	100	110	114	119	140	134	134	132	131	132
Rhode Island.....	100	101	100	102	106	112	118	123	130	130	127	124	126	128
Connecticut.....	98	100	102	100	102	110	116	121	137	134	140	137	140	137
Middle Atlantic:														
New York.....	98	100	102	100	103	109	115	118	133	123	116	115	112	111
New Jersey.....	98	100	102	100	102	111	115	119	130	130	121	115	120	124
Pennsylvania.....	98	100	102	100	105	114	119	124	140	131	120	118	116	114
East North Central:														
Ohio.....	98	100	102	107	113	119	131	135	159	134	124	122	118	110
Indiana.....	97	100	103	102	110	116	128	135	161	148	120	116	108	102
Illinois.....	97	100	103	102	105	111	119	130	160	153	126	123	116	115
Michigan.....	98	99	103	105	111	120	134	137	154	152	148	145	138	133
Wisconsin.....	97	100	103	104	117	124	133	143	171	168	154	147	139	130
West North Central:														
Minnesota.....	95	100	105	107	122	138	155	167	213	212	187	177	170	159
Iowa.....	96	99	104	112	128	134	145	160	213	197	162	156	143	136
Missouri.....	97	100	103	102	108	115	125	137	167	156	133	127	117	112
North Dakota.....	97	100	103	103	112	118	124	130	145	141	136	128	114	109
South Dakota.....	96	101	103	101	108	116	126	145	181	173	146	126	117	115
Nebraska.....	98	100	102	101	104	110	127	145	179	166	144	139	128	123
Kansas.....	101	99	99	103	109	115	122	132	151	149	130	127	118	115
South Atlantic:														
Delaware.....	100	101	99	100	105	115	124	129	139	129	119	119	107	112
Maryland.....	97	100	103	104	109	118	129	136	166	146	141	136	133	131
Virginia.....	97	100	103	97	117	125	142	167	189	180	157	170	162	154
West Virginia.....	97	100	103	101	104	112	122	135	154	141	125	127	125	120
North Carolina.....	97	99	104	102	114	130	152	176	223	196	166	195	192	187
South Carolina.....	101	98	101	94	98	107	122	162	230	186	126	128	136	138
Georgia.....	98	101	101	94	105	116	131	172	217	172	136	125	123	116
Florida.....	96	99	105	97	103	109	126	143	178	176	157	155	163	172
East South Central:														
Kentucky.....	97	100	103	100	111	127	146	170	200	172	151	147	141	140
Tennessee.....	96	100	104	100	110	121	145	168	200	169	154	158	148	137
Alabama.....	98	98	103	98	98	103	128	143	177	147	135	143	144	154
Mississippi.....	97	102	102	97	111	121	131	155	218	150	148	143	134	136
West South Central:														
Arkansas.....	98	101	101	95	109	129	149	169	222	186	174	170	160	160
Louisiana.....	99	102	99	95	106	112	143	157	198	163	140	144	137	141
Oklahoma.....	98	101	101	95	104	114	130	140	166	160	139	133	125	131
Texas.....	95	100	105	103	103	115	133	141	174	156	133	128	137	146
Mountain:														
Montana.....	97	100	103	100	94	100	106	114	126	105	96	87	81	75
Idaho.....	100	101	99	96	99	114	130	146	172	162	136	133	129	123
Wyoming.....	97	103	100	103	94	97	121	147	176	146	134	121	112	100
Colorado.....	98	103	98	93	102	107	110	118	141	132	123	113	98	92
New Mexico.....	100	104	96	100	96	111	118	127	144	125	115	110	110	108
Arizona.....	95	100	105	97	95	105	125	140	165	148	135	124	128	121
Utah.....	100	102	98	98	104	117	122	144	167	137	133	133	131	130
Nevada.....	96	100	103	102	99	96	103	117	135	123	119	112	108	102
Pacific:														
Washington.....	98	100	103	100	102	112	118	122	140	132	124	117	115	113
Oregon.....	97	100	103	99	100	104	112	118	130	130	122	115	113	110
California.....	93	99	108	111	116	130	136	142	167	168	166	165	164	164

<sup>1</sup> All farm land with improvements as of Mar. 1. Owing to rounding of figures, 1912-14 will not always

per acre, by geographic divisions and States, 1912-46<sup>1</sup>

[1912-14=100]

1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	Increase 1945 to 1946	
124	119	117	116	115	106	89	73	76	79	82	85	85	84	84	85	91	99	114	126	142	Pct. 13	
128	127	127	126	127	126	116	105	104	104	105	107	106	105	106	107	109	112	122	130	140	8	
113	111	110	109	106	101	96	82	83	85	88	89	90	89	90	91	94	103	109	119	128	8	
111	104	101	100	96	87	73	62	65	68	72	76	78	77	78	80	89	96	110	119	134	13	
121	115	113	112	109	97	81	64	67	68	71	71	70	67	65	65	69	76	88	96	106	10	
149	137	134	132	128	116	96	86	87	93	97	104	106	106	107	110	117	127	145	166	189	14	
139	133	130	129	128	117	97	79	85	93	96	102	107	109	112	115	126	141	159	179	212	18	
144	139	137	136	136	121	97	82	88	91	94	96	99	99	99	99	105	112	125	139	154	11	
103	101	101	101	102	100	82	69	69	70	73	75	75	75	76	78	84	92	107	120	134	12	
144	143	142	142	142	140	118	96	97	101	105	110	109	107	108	109	115	126	150	171	194	13	
126	124	124	122	124	123	114	94	94	94	95	97	96	94	95	95	97	99	112	119	125	5	
113	112	112	111	111	110	102	92	91	90	92	94	93	93	94	95	97	100	107	117	122	4	
126	125	123	123	123	121	112	101	100	101	101	102	100	100	101	101	102	110	119	129	144	12	
134	131	131	131	131	130	120	112	112	111	111	112	113	113	113	113	114	115	125	133	141	6	
130	133	134	134	134	133	126	118	118	118	119	120	119	118	120	121	126	127	139	144	159	10	
137	138	139	139	140	140	133	124	123	123	125	126	124	124	124	128	133	134	144	150	166	11	
109	108	106	105	103	96	92	82	82	84	85	86	87	86	86	86	87	97	101	109	120	10	
129	128	127	127	125	123	118	110	111	111	113	115	116	116	121	128	136	141	151	164	164	9	
114	112	111	110	107	101	96	78	79	82	86	87	89	88	90	90	95	104	111	123	130	6	
105	99	96	94	90	82	70	59	63	66	71	75	74	76	77	80	89	97	111	121	140	16	
95	87	84	83	80	72	60	53	56	61	65	70	73	73	74	77	88	98	112	124	145	17	
109	99	96	95	91	80	66	54	59	61	66	70	73	72	75	76	86	91	105	112	124	11	
129	127	125	124	121	115	97	80	82	83	84	91	92	92	91	93	105	115	134	145	167	15	
125	122	120	119	117	104	91	80	80	82	84	89	88	86	84	82	88	92	102	110	120	9	
155	145	140	138	133	116	98	79	83	83	85	87	88	86	86	86	90	100	110	115	129	12	
130	121	117	116	113	98	80	58	63	67	73	73	74	74	74	75	80	87	101	107	121	13	
104	99	96	95	92	79	67	55	57	58	60	60	60	58	59	60	66	74	82	91	102	12	
105	100	99	98	95	85	73	66	68	67	68	67	64	57	52	52	55	58	70	76	83	9	
107	97	96	95	93	83	67	55	55	54	55	54	51	44	41	40	42	47	57	62	68	10	
123	119	117	116	113	106	90	69	72	72	73	72	69	65	58	55	59	64	77	86	96	12	
113	113	113	113	103	89	70	72	73	75	78	78	76	71	71	74	84	96	111	120	120	8	
114	111	111	111	111	107	95	80	80	82	84	87	89	89	89	93	96	108	111	123	137	11	
130	126	124	123	123	120	106	90	90	91	94	98	101	100	100	100	105	111	124	136	147	165	12
148	138	137	136	134	117	99	88	91	97	103	110	111	110	112	115	118	131	146	171	200	17	
116	110	109	108	105	98	81	74	78	78	82	82	84	85	85	89	90	99	105	106	121	14	
185	178	172	165	158	135	114	86	101	111	121	132	138	138	138	136	150	161	193	224	268	20	
128	113	110	110	104	90	73	57	67	76	78	83	87	88	89	95	103	112	136	162	172	6	
112	104	102	101	100	90	70	57	65	72	73	79	79	80	82	87	93	103	120	132	146	11	
223	183	176	174	172	166	141	121	126	126	127	134	132	131	133	134	140	150	161	185	204	10	
139	134	130	129	127	115	97	80	81	87	89	98	103	107	113	114	129	147	165	189	221	17	
134	130	127	125	123	114	96	79	84	91	97	100	102	104	108	113	123	139	160	177	213	20	
154	145	145	143	143	129	102	88	99	110	114	116	123	122	122	125	129	139	160	180	208	16	
134	126	123	122	122	112	92	73	82	90	92	97	106	106	106	111	122	133	145	165	196	19	
153	150	147	145	141	118	104	80	86	88	92	92	97	95	95	100	111	123	141	167	180	8	
143	135	132	132	132	121	103	89	96	103	104	108	117	117	117	121	129	145	154	162	175	8	
130	128	127	127	127	116	94	76	83	86	91	91	94	93	93	96	101	111	120	131	156	19	
146	141	139	138	138	122	96	83	88	91	94	96	99	97	99	98	105	109	124	137	150	9	
72	70	71	72	72	70	58	48	48	50	53	54	53	54	55	57	62	69	80	89	102	5	
119	117	116	116	116	114	96	76	77	80	83	86	85	85	86	87	94	106	124	140	153	9	
95	94	95	96	96	95	77	62	62	62	65	66	66	66	66	68	71	78	88	102	115	15	
89	82	82	82	83	81	65	54	54	53	57	60	60	61	61	63	69	78	93	108	125	16	
106	108	108	109	110	109	89	75	76	76	80	82	83	83	84	87	95	101	117	132	151	14	
125	123	122	123	123	123	104	90	90	91	94	96	95	94	95	96	102	110	127	145	158	9	
129	128	127	127	126	122	98	83	84	84	87	90	89	89	89	89	93	100	112	121	127	5	
99	99	99	99	99	97	78	65	65	65	68	69	69	69	70	71	73	78	87	92	100	9	
112	111	110	110	110	108	91	74	73	76	80	84	84	83	84	84	91	101	120	133	153	15	
107	106	106	106	107	106	88	72	72	74	77	82	82	82	84	85	91	99	117	130	143	10	
163	162	161	160	160	158	133	109	110	115	119	124	123	121	121	122	128	141	168	193	219	13	

equal exactly 100 percent.

(1912-14=100) of average per acre values on March 1 was 142, a rise of 7 percent from November 1945, and a level 71 percent above the 1935-39 average (table 1).<sup>1</sup> By July 1, 1946, average values had increased an additional 4 percent, bringing the index to 147, a level 77 percent above the 1935-39 average and only 14 percent below the 1920 inflationary peak.

An increase larger than the current rise has occurred in only 2 of the last 35 years for which data are available. Average values rose 15 percent for the year ended March 1944, and 21 percent in 1919-20 when the peak of the World War I boom was reached. Increases in land values during the last 5 years have averaged 1 percent per month.

The rise in land values during the year 1945-46 was widespread. Each State reported a substantial increase. The greatest value rise occurred in the States in the East South Central geographic division where average values were up 18 percent from a year earlier. The least rise occurred in the New England and Middle Atlantic States, where increases of 8 percent were reported. Average values rose from 10 to 14 percent in each of the other geographic divisions. Increases of 20 percent occurred during 1945-46 in 2 States (North Carolina and Tennessee), 15 percent or more in 14 States, and 10 percent or more in 32 States. The increases during the year equaled or exceeded the previous record increases of 1919-20 in 13 States. During the 4 months from March to the first of July, average values increased 5 percent in both the North Atlantic and Pacific States, 4 percent in the South Atlantic, West North Central, and Mountain States, and 3 percent in each of the other geographic divisions except New England, where the rise was only 1 percent. From March to July, average values rose 5 percent or more in 18 States, 6 of which were in the South Atlantic region (table 2). Changes in values from March 1, 1912, to July 1946 are shown in figure 1.

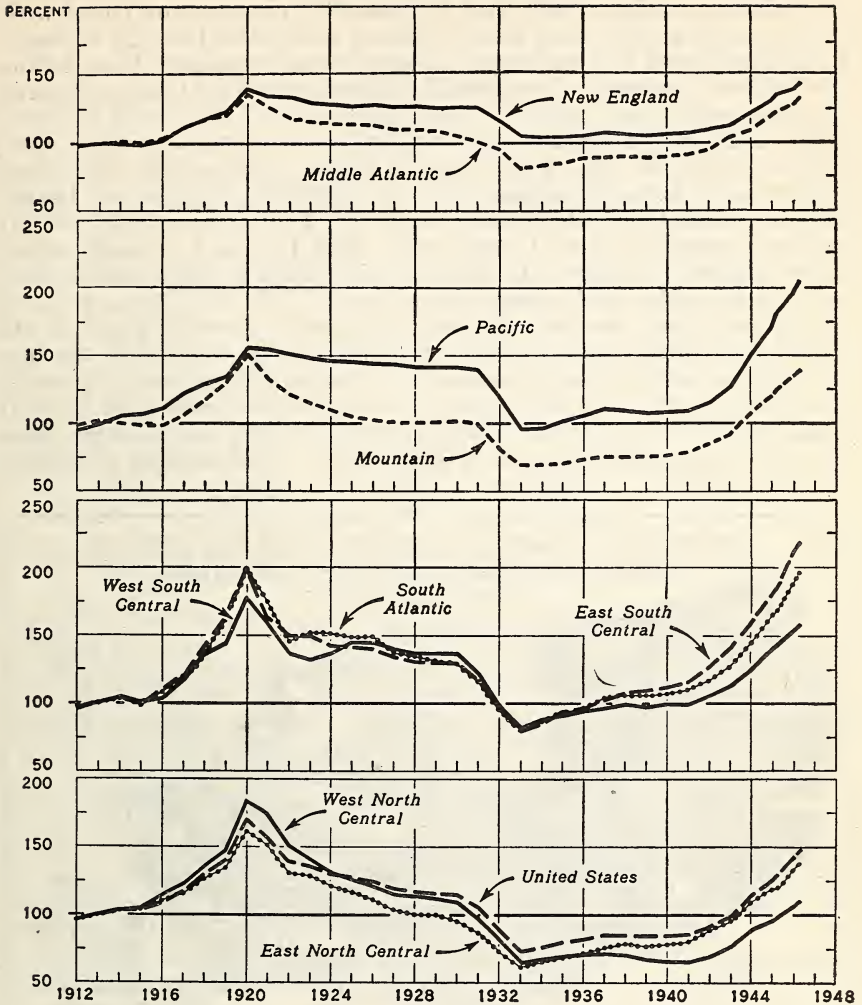
TABLE 2.—Farm real estate: Index numbers of estimated value per acre, by geographic divisions, 1942-46 and percentage increases to July 1, 1946

[1912-14=100]

Year	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific	United States
1942:										
Mar. 1.....	109	94	89	69	117	126	105	84	115	91
July 1.....	109	94	87	68	117	126	104	86	119	91
Nov. 1.....	109	95	90	70	121	128	105	89	120	93
1943:										
Mar. 1.....	112	103	96	76	127	141	112	92	126	99
July 1.....	114	105	97	77	128	142	114	94	134	102
Nov. 1.....	116	106	100	79	133	147	116	99	141	105
1944:										
Mar. 1.....	122	109	110	88	145	159	125	107	150	114
July 1.....	124	110	113	90	148	162	130	111	158	117
Nov. 1.....	125	111	113	91	150	163	131	115	165	120
1945:										
Mar. 1.....	130	119	119	96	166	179	139	120	171	126
July 1.....	133	120	120	98	170	185	143	124	181	130
Nov. 1.....	135	123	121	99	174	191	146	129	187	133
1946:										
Mar. 1.....	140	128	134	106	189	212	154	134	194	142
July 1.....	142	134	138	110	197	218	158	139	204	147
Percentage increase to July 1946 from:										
July 1945.....	Percent 107	Percent 112	Percent 115	Percent 113	Percent 116	Percent 118	Percent 111	Percent 113	Percent 113	Percent 113
1935-39 av.....	135	152	186	158	195	216	166	189	192	177

<sup>1</sup> Indexes of farm real estate values on a 1935-39 base are presented in table 14, page 44.

## INDEX NUMBERS (1912-14=100)



BAE25176

FIGURE 1.—FARM REAL ESTATE: ESTIMATED VALUE PER ACRE, BY GEOGRAPHIC DIVISIONS MARCH 1, 1912-45 AND JULY 1, 1945 (INDEX NUMBERS 1912-14=100)

Farm real estate values in all geographic divisions have increased markedly during the last 5 years. The largest relative increases during the 12 months ended July 1, 1946, occurred in the East South Central and South Atlantic geographic divisions; the smallest were in the West South Central and New England States. Average values on July 1, 1946, were above the 1920 levels in the East South Central, Pacific, and New England divisions.

Measured from 1935-39, average farm land values for the country as a whole on July 1, 1946, had increased 77 percent, compared with a value peak in 1920 that was 70 percent above the 1912-14 average. In the East South Central States, average values were more than double the 1935-39 average. Comparable increases in the other geographic divisions range from about seven-eighths in the East North Central, South Atlantic, Mountain, and Pacific States down to a little more than one-third in the New England States. In several individual States much larger increases from the 1935-39 averages are found. In four States (North Carolina, Kentucky, Tennessee, and Colorado) average values on July 1 were more than two and one-fifth times their 1935-39 averages. In seven other States average values were more than double their prewar base (fig. 2).

The percentage increase in farm real estate values for the 1941-46 period was greater than for any comparable 5-year period in the last 35 years for which data are available. Values of land rose 67 percent from March 1941 to March 1946, compared with a rise of 65 percent from 1915 to 1920, the five consecutive years with the greatest value increase during the period of World War I. The striking similarity

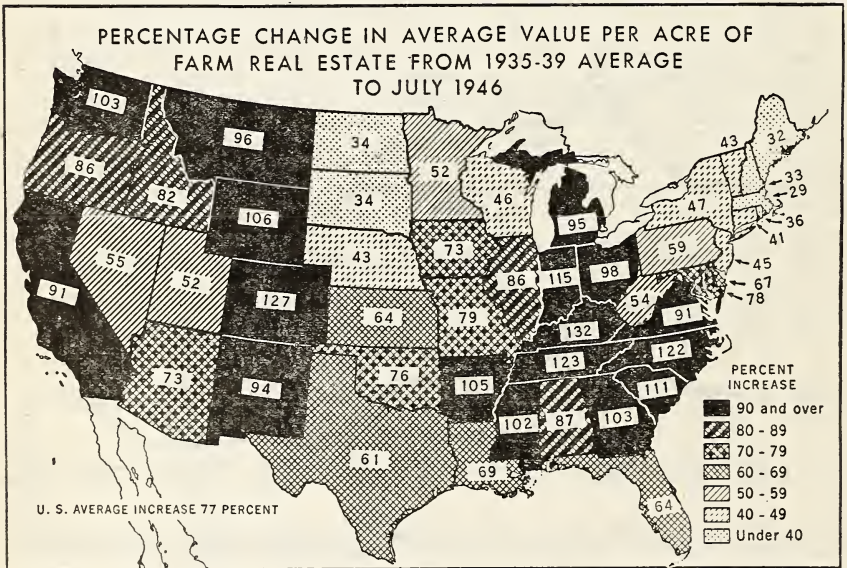
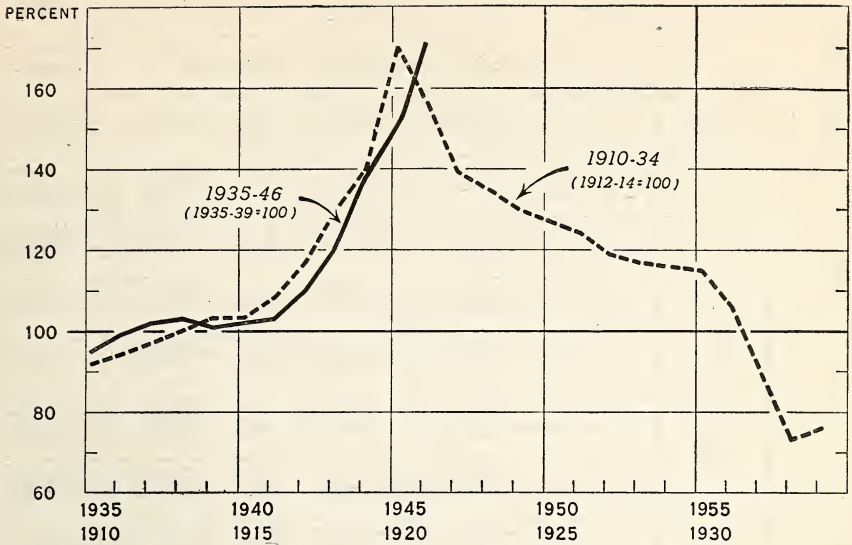


FIGURE 2.—

BAE46069

Although average values for the United States as a whole on July 1, 1946, were 77 percent above the 1935-39 average, much larger increases have occurred in many areas. In North Carolina, Kentucky, Tennessee, and Colorado values were more than two and one-fifth times their 1935-39 averages. In 7 other States values were more than double their prewar base. Values during the 12 months ended July 1, 1945, increased 20 percent or more in 3 States, 15 percent or more in 18 States, and 10 percent or more in 39 States. In many areas current farm-land prices are higher than are likely to be maintained when prices and production become more nearly adjusted to longer run domestic and foreign demands.



BAE43483

FIGURE 3.—FARM REAL ESTATE: COMPARISONS OF INDICES OF AVERAGE VALUE PER ACRE, 1910-34 (1912-14=100) AND 1935-46 (1935-39=100).

Measured from their respective prewar bases, the increases in values of farm land during the periods of World War I and World War II have been similar. On March 1, 1946, the average value per acre of farm real estate for the United States as a whole was 71 percent above the pre-World War II base (1935-39=100) compared with an increase of 70 percent from the pre-World War I base (1912-14=100) to 1920. Values on last July 1 were 77 percent above the 1935-39 average.

in the course of land values during the World War I and World War II periods is shown in figure 3. Values last March were 71 percent above the prewar average as compared with a 1920 level that was 70 percent above 1912-14. Measured from the same base, average land values in the summer of 1946 were about one-eighth below those prevailing at the peak of the land boom in World War I.

Average values on July 1 were above their 1920 levels in one-third of all States and above 1919 levels in two-thirds of the States.

## FARM OWNERSHIP TRANSFERS

### VOLUME OF SALES

The frequency of voluntary sales of farm real estate during the 12 months ended March 15, 1946, increased about 7 percent for the country as a whole from the previous year, bringing the level to within 2 percent of the record high. This marks the third consecutive year in which the volume of sales has been above the volume in 1919, the peak year in the World War I period (fig. 4). The estimated number of voluntary sales and trades (including contracts to buy but not options) was 54.9 per thousand of all farms for the year







TABLE 3.—Estimated number of farms changing ownership by various methods per 1,000 of all farms, by States and geographic divisions, years ended Mar. 15, 1942-46—Continued

Division and State	Inheritance and gift					Administrators' and executors' sales <sup>3</sup>					Miscellaneous and unclassified					Total all classes					
	1942	1943	1944	1945	1946	1942	1943	1944	1945	1946	1942	1943	1944	1945	1946	1942	1943	1944	1945	1946	
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
United States.....	5.7	5.3	5.2	4.9	4.5	8.0	8.1	9.2	9.0	9.2	1.4	1.2	.9	1.3	1.6	66.1	67.0	76.1	69.7	72.5	
New England:																					
Maine.....	8.8	8.5	8.6	7.4	5.8	5.9	5.1	5.7	6.4	7.5	1.5	1.5	1.6	1.1	1.2	50.9	53.2	59.8	62.1	52.4	
New Hampshire.....	7.4	7.5	7.0	5.7	6.0	6.5	4.8	6.1	9.0	10.1	1.5	1.3	1.6	1.1	1.3	57.2	70.8	80.6	65.7	65.7	
Vermont.....	5.2	4.9	5.2	4.5	4.1	10.2	11.0	12.2	10.7	11.3	1.3	1.2	2.5	1.0	1.0	46.9	46.6	53.1	49.5	55.1	
Massachusetts.....	4.4	4.7	4.1	4.7	4.2	8.7	9.5	10.9	10.7	11.1	1.4	1.7	1.4	1.4	2.2	64.7	58.4	57.8	53.6	57.1	
Rhode Island.....	7.9	7.1	7.1	6.0	5.7	7.8	9.0	9.7	8.7	8.7	1.0	.9	1.5	1.4	.8	43.0	40.2	47.9	43.8	38.0	
Connecticut.....	5.5	4.8	4.6	4.8	4.1	7.7	8.0	8.0	6.9	6.5	1.4	1.3	.8	.8	1.0	35.2	35.2	41.9	39.5	39.5	
West South Central.....	5.9	4.7	5.4	4.8	4.5	5.2	5.3	6.3	6.8	8.0	2.1	1.6	1.2	1.8	1.6	65.2	61.7	76.8	62.8	73.1	
Mountain.....	3.7	3.9	3.9	3.3	3.5	5.7	5.5	6.4	6.9	6.9	1.8	1.7	1.4	1.5	2.1	58.7	65.5	76.5	67.7	71.5	
Pacific.....	4.2	4.7	3.9	4.5	4.3	5.7	5.3	5.9	7.7	7.9	2.2	1.8	1.3	2.6	69.7	72.3	82.8	77.4	77.1		
New England:																					
Maine.....	8.8	8.5	8.6	7.4	5.8	6.5	5.5	7.0	9.0	10.1	1.5	1.3	1.6	1.1	1.3	57.2	70.8	80.6	65.7	65.7	
New Hampshire.....	7.4	7.5	7.0	5.7	6.0	5.8	4.8	6.1	5.8	6.6	1.2	1.8	2.5	1.0	1.0	46.9	46.6	53.1	49.5	55.1	
Vermont.....	5.2	4.9	5.2	4.5	4.1	10.2	11.0	12.2	10.7	11.3	1.3	1.2	2.5	1.0	2.2	64.7	58.4	57.8	53.6	57.1	
Massachusetts.....	6.9	6.8	6.8	7.0	7.2	3.0	3.2	3.4	4.0	5.4	2.1	1.5	1.4	1.4	.8	43.0	40.2	47.9	43.8	38.0	
Rhode Island.....	5.8	5.8	6.0	5.5	6.1	4.2	4.6	4.0	4.4	4.5	1.0	1.0	.8	1.0	35.2	35.2	41.9	39.5	39.5		
Connecticut.....	8.6	7.6	7.8	6.0	5.6	4.6	4.6	4.2	5.1	5.0	1.4	1.2	1.0	.8	.9	38.0	36.6	45.5	36.3	38.6	
Middle Atlantic:																					
New York.....	6.7	6.1	6.6	4.9	5.0	6.5	5.1	6.0	6.6	8.2	.9	1.5	.7	.9	1.8	64.9	60.3	60.4	59.2	63.9	
New Jersey.....	6.6	6.0	6.2	5.1	5.8	8.7	10.9	12.2	11.0	12.5	.9	1.9	.8	.6	1.0	54.0	48.8	66.5	59.8	67.8	
Pennsylvania.....	6.0	5.7	4.8	5.5	5.1	11.4	10.1	13.1	12.1	11.6	1.7	1.0	1.2	2.0	2.5	60.2	60.8	72.2	70.2	75.0	
East North Central:																					
Ohio.....	6.7	6.8	6.0	4.3	3.6	11.5	12.7	14.0	11.1	12.4	1.4	.6	.5	1.7	2.4	64.9	69.5	81.2	71.1	85.7	
Indiana.....	5.9	5.1	5.6	6.4	5.0	12.9	11.7	13.7	12.7	13.0	.6	1.0	.7	2.1	2.2	79.7	72.2	92.0	78.7	85.9	
Illinois.....	4.7	4.4	5.1	5.0	5.1	10.5	14.5	14.6	11.0	12.6	1.2	.9	1.0	1.7	1.4	63.0	63.4	64.7	58.6	61.9	
Michigan.....	4.0	4.2	4.8	3.1	3.4	8.5	9.0	8.0	9.1	8.5	.7	.8	.6	1.3	1.4	62.0	68.2	72.3	67.5	71.7	
Wisconsin.....	4.6	3.4	4.1	3.6	3.1	7.1	6.2	10.0	9.5	9.7	1.8	1.2	.8	1.0	1.2	64.6	69.8	84.0	74.3	74.5	
West North Central:																					
Minnesota.....	4.4	4.9	3.5	4.3	3.3	8.7	9.5	11.6	9.8	9.8	1.1	2.1	.7	1.9	1.8	71.2	69.3	76.8	67.7	69.2	
Iowa.....	4.5	3.7	4.0	5.9	4.3	11.0	10.9	11.9	11.2	12.2	1.8	.9	.5	1.4	1.8	71.2	69.4	76.1	69.1	68.2	
Missouri.....	4.7	4.9	3.8	3.2	3.0	8.6	8.7	9.1	9.4	8.3	1.4	2.4	.7	1.2	1.2	77.4	82.2	87.0	78.1	83.9	
North Dakota.....	3.1	2.7	4.0	3.0	4.1	3.4	6.2	8.8	8.5	11.8	1.5	1.6	1.1	1.3	.9	111.3	97.0	108.1	91.2	87.4	
South Dakota.....	2.9	3.2	4.4	4.0	3.9	5.2	6.4	8.0	10.3	12.3	1.0	2.1	1.1	1.2	2.1	96.6	102.4	98.6	86.6	87.2	
Nebraska.....	4.9	4.0	5.7	5.2	5.2	9.1	11.2	13.5	13.1	13.4	2.0	1.6	.7	.8	2.1	85.9	85.7	89.2	81.9	82.1	
Kansas.....	6.0	7.1	5.2	6.3	6.3	8.5	10.6	12.0	12.6	13.0	.8	.9	.6	1.4	1.3	72.9	86.8	92.0	77.8	83.5	

<b>South Atlantic:</b>																				
Delaware.....	9.1	8.2	7.8	4.6	4.4	10.4	10.8	9.8	10.5	9.4	.8	.6	1.5	2.4	1.6	49.9	61.8	67.9	63.0	64.1
Maryland.....	8.0	8.5	7.2	4.8	5.4	11.2	12.1	12.5	12.0	8.7	.7	2.1	2.4	.8	1.7	71.6	73.9	75.4	67.2	71.0
Virginia.....	7.4	6.6	6.9	6.0	5.1	11.1	9.1	9.8	12.6	11.9	1.5	6.6	5.5	.6	1.3	50.6	52.0	62.1	61.3	66.5
West Virginia.....	8.3	6.9	7.0	4.6	5.7	5.6	6.6	7.5	7.2	6.8	1.8	1.8	1.7	.9	1.6	43.9	49.1	59.1	51.9	60.5
North Carolina.....	8.8	8.1	7.5	7.0	7.0	8.2	7.3	6.8	7.1	9.3	.6	.8	.8	.5	2.0	49.9	52.3	57.4	57.9	62.5
South Carolina.....	8.4	8.2	7.1	5.5	4.6	9.0	9.2	11.5	11.8	6.9	1.0	.9	.8	1.8	.8	63.0	57.1	62.8	59.0	52.0
Florida.....	7.4	6.2	7.2	7.0	6.5	8.5	6.5	10.5	10.3	8.4	.9	1.0	.6	1.6	2.1	70.2	56.5	78.7	77.8	72.6
Georgia.....	5.8	4.3	5.0	3.1	2.8	4.7	4.3	5.3	7.1	4.4	1.0	.7	2.5	1.6	2.9	51.8	51.8	66.8	67.4	61.5
<b>East South Central:</b>																				
Kentucky.....	4.5	3.6	4.1	6.2	5.1	8.6	10.6	11.4	9.2	8.3	1.1	1.0	.5	2.5	.4	69.3	74.6	85.4	87.2	83.6
Tennessee.....	6.9	5.4	4.9	4.9	4.4	8.0	7.1	7.3	7.3	8.1	2.0	1.4	.7	.3	1.8	72.2	79.3	81.8	77.5	80.0
Alabama.....	5.8	5.8	5.2	4.1	3.3	7.5	7.7	5.4	5.3	4.3	1.5	1.1	1.2	.7	1.6	53.9	64.6	73.1	66.2	69.4
Mississippi.....	4.6	4.8	4.0	3.2	3.0	6.0	5.9	7.0	4.8	4.1	.8	1.7	1.0	.4	1.0	55.8	57.9	61.4	52.3	52.3
<b>West South Central:</b>																				
Arkansas.....	4.8	4.5	4.9	3.0	4.4	6.1	5.8	5.6	3.8	3.3	1.0	.9	1.4	2.2	2.5	69.5	71.7	85.4	77.9	87.0
Louisiana.....	5.3	4.2	5.0	3.3	4.1	5.2	4.6	4.6	5.0	5.2	1.2	.5	1.0	1.5	1.3	40.6	37.3	46.3	45.0	47.1
Oklahoma.....	4.5	3.6	4.7	5.5	3.8	4.8	6.1	8.0	7.6	7.6	2.2	1.0	1.8	2.6	3.4	80.4	77.7	89.5	75.8	80.6
Texas.....	7.2	5.5	6.0	5.2	5.1	5.1	4.9	6.2	8.1	8.7	2.8	.5	.8	1.2	.9	62.3	56.0	74.0	67.7	70.2
<b>Mountain:</b>																				
Montana.....	3.5	3.0	3.9	3.5	3.4	7.2	6.0	7.5	6.9	6.1	2.5	1.6	1.1	.4	2.9	67.7	75.4	85.0	72.6	78.1
Idaho.....	3.1	3.4	3.5	3.3	3.0	6.5	6.1	6.4	7.0	7.7	.8	2.1	1.7	2.0	2.5	50.8	66.6	76.7	70.0	75.0
Wyoming.....	3.2	4.0	3.1	2.8	3.3	5.6	4.8	6.1	7.5	7.3	1.1	1.0	1.0	1.2	2.2	56.5	58.5	73.4	65.8	69.8
Colorado.....	3.8	3.1	3.4	3.0	4.2	6.4	7.2	7.5	7.6	8.9	3.0	2.1	2.6	2.6	2.2	68.7	79.1	86.4	74.4	81.1
New Mexico.....	5.0	4.4	4.8	3.0	2.7	4.2	4.0	5.0	7.2	5.5	1.0	1.4	1.4	1.3	1.3	57.3	54.4	72.7	66.5	62.3
Arizona.....	4.1	2.9	4.0	3.9	4.3	3.8	3.6	6.0	5.3	4.4	2.4	1.8	1.8	1.8	2.0	57.1	55.7	70.2	66.7	66.2
Utah.....	5.4	5.4	5.1	4.3	3.6	3.7	3.5	4.8	5.6	5.5	1.0	.7	.6	1.9	.9	43.1	40.6	52.2	46.3	50.3
Nevada.....	5.1	4.6	4.5	3.6	3.5	2.0	1.8	3.5	2.0	3.0	.8	.6	.6	.5	.8	45.1	37.8	53.0	46.4	47.9
<b>Pacific:</b>																				
Washington.....	3.6	4.4	3.6	4.0	3.9	8.6	4.6	9.3	8.9	8.6	2.2	1.4	1.6	.8	1.0	55.0	56.4	82.8	76.2	77.3
Oregon.....	5.0	4.7	3.8	5.1	3.2	5.2	6.0	4.9	6.6	5.4	1.1	1.8	2.0	1.0	3.7	75.5	80.6	84.5	79.1	80.7
California.....	4.2	4.9	4.1	4.6	4.9	4.3	5.3	4.5	7.6	8.5	2.7	2.1	.8	2.5	3.0	74.4	77.4	82.1	77.5	75.6

<sup>1</sup> Including contracts to purchase (but not options).

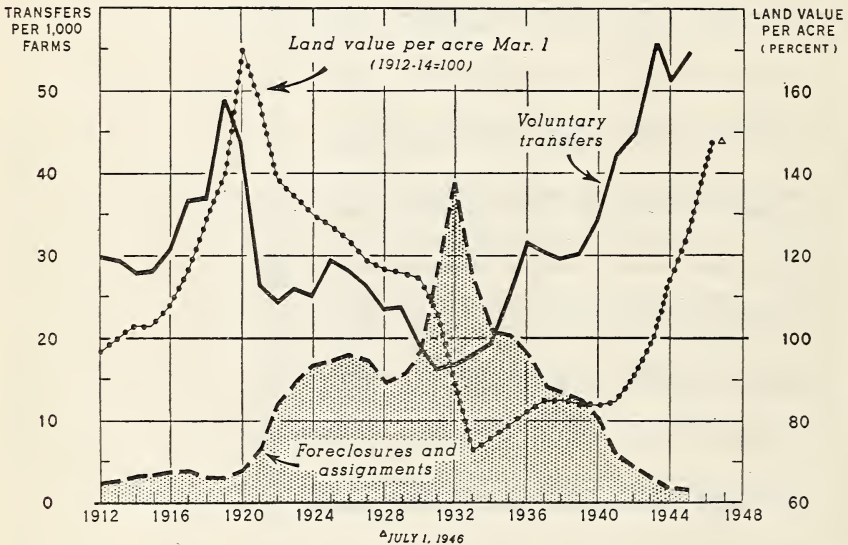
<sup>2</sup> Including loss of title by default of contract, sales to avoid foreclosure, and surrender of title or other transfers to avoid foreclosure.

<sup>3</sup> Including all other sales in settlement of estates.

ended March 15, 1946, compared with 51.5 for 1945, 55.9 for 1944, 34.1 in 1941, and 48.8 for the calendar year 1919 (table 3).<sup>2</sup>

The increase in the volume of sales was rather general throughout the country, with all geographic divisions except the Pacific States reporting some rise. The increases were largest in the East North Central States. In spite of a slight decrease during the last year, the volume of voluntary sales in the Pacific States has continued to be somewhat higher than in the other parts of the country and in each of the last 3 years slightly more than 6 percent of the farms have changed hands. During the last year a sales level of approximately 6 percent of all farms was also reported for the West North Central and East South Central groups of States.

Data from quarterly surveys in approximately 130 selected agricultural counties throughout the country indicate that there was a sharp



BAE 42982

FIGURE 4.—VOLUME OF FORECLOSURES AND ASSIGNMENTS, VOLUNTARY TRANSFERS, AND INDEX NUMBERS OF VALUE PER ACRE OF FARM REAL ESTATE, UNITED STATES, 1912-46.

Voluntary sales per thousand farms during the 12 months ended March 1946 increased 7 percent from the previous year to bring the level to within 2 percent of the record high level reported for 1943-44. During each of the last 3 years the rate of voluntary sales has been higher than for 1919, the peak year in the period of World War I. Foreclosures and assignments hit their peak in 1932 but have now declined to levels comparable to those of the years before World War I.

<sup>2</sup> The data as to volume of transfers for the years 1912-25 are based on information obtained from county records in about 250 selected counties and are available only on a calendar-year basis. These facts need to be borne in mind when making comparisons on the level of sales in recent years with those in the World War I period because in some areas the volume of sales during the first 2½ months of 1920 was considerably higher than in 1919. Thus, it would appear that the frequency of voluntary sales for the year ended March 1920 for the country as a whole was somewhat higher than for the preceding calendar year, and would approach more nearly those reported during the last 3 years.

increase in the volume of sales during the first quarter of 1946, when about one-fifth more transfers were reported than for the corresponding period in 1945. In the Northern Great Plains the volume during the first quarter of this year was about one-fourth above 1945. Substantial increases were also reported for all other areas except the Southeast, where a slight decrease occurred in the first quarter. In the Appalachian, South Central, and Western areas a larger number of sales were reported during the first quarter of 1946 than during any quarter since the selected county data became available in 1941. Reports for the second quarter indicate a continuation of the high volume of sales of farm land, with the number of transfers in several areas considerably greater than during the comparable quarter in 1945.

For the country as a whole, dealer correspondents indicated about the same number of farms listed for sale last fall and winter as for a year ago. The decreased number of listings in all geographic divisions west of the Mississippi River were offset by increases reported for the Eastern divisions. As for the previous year, approximately one-half of the farm listings were by active farmers. This proportion varied, however, from a little more than one-third in the West North Central States to almost two-thirds in the Mountain States. Corporations were still indicated as listing some farms for sale in the West North Central States but in most areas their holdings are practically all sold. Listings by speculators were most frequently referred to in reports from the South Central and South Atlantic States.

Voluntary sales of farm real estate accounted for a larger proportion of all sales during the last year than for any year since 1920. For the year ended March 1946, voluntary sales and trades accounted for 76 percent of all transfers, compared with 74 percent in 1945, 73 percent in 1944, and 18 percent in 1933. For the United States as a whole, the number of forced sales for the year ended March 1946, was only about 4 percent of the number of voluntary sales, a lower ratio than for any year of record. The inverse relationship of voluntary and forced transfer frequencies is apparent for each geographic division (fig. 5).

#### VOLUME OF REALES

Contributing to the increased volume of voluntary sales during the last year was a general increase in the volume of reselling of farms after a short ownership. Data from the selected counties indicate that about one-seventh of all voluntary sales during 1945 were resales of tracts held less than 2 years, compared with one-eighth during 1944. Approximately one-third of the resales involved land held less than 6 months. In several regions resales during the fourth quarter of 1945 made up a significantly larger proportion of all sales than during any previous quarter in the 3 years for which data are available.

In the Western Region resales within 2 years of purchase made up 21 percent of all sales during 1945 as compared with 19 percent in 1944. The price increase in these resales averaged 30 percent in 1945 compared with 39 percent for the previous year. In this region, multiple resales (tracts resold more than once within 2 years) accounted for about one-seventh of the total resales in both years.

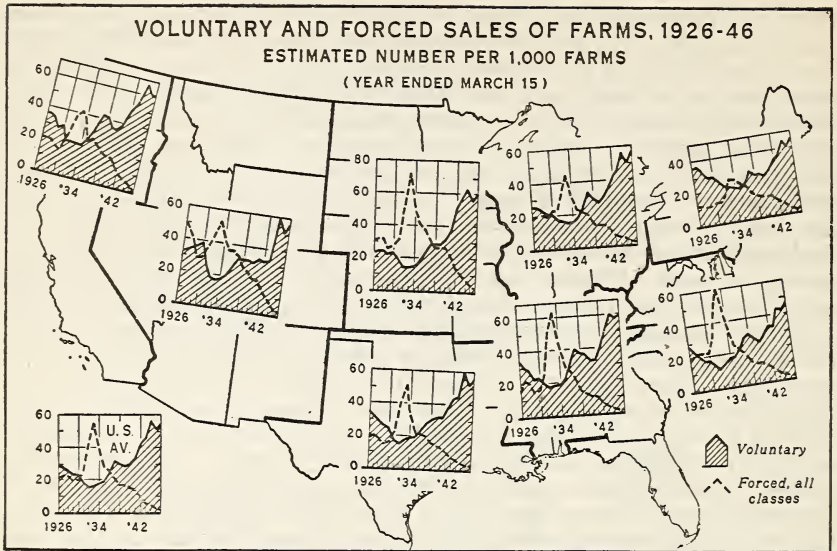


FIGURE 5.—

BAE24914

Frequency of voluntary sales of farm real estate increased during the year 1945-46 in all geographic divisions except in the Pacific group of States. The largest increases occurred in the East North Central States. In three geographic divisions (Middle Atlantic, South Atlantic, and East North Central) the level of voluntary sales during the year 1945-46 was higher than the peak sales volume for these areas in 1943-44. Voluntary sales amounted to approximately 6 percent of all farms in the West North Central, West South Central, and Pacific groups of States. The frequency of forced sales continues to decline in all regions except in the West South Central States where a slight increase over the previous year was reported.

#### TYPES OF BUYERS AND SELLERS

Reports from dealer correspondents indicate that for the country as a whole, active farmers were buyers in 64 percent of all voluntary sales during the year ended March 1946, as compared with 63 percent for 1945 and 66 percent for 1944 (table 4). Slight decreases in the proportion of active farmer purchases in four geographic divisions were more than offset by increases in the other five divisions.

The highest proportion of purchases by active farmers continues to be reported for the West North Central and Mountain States, where farmers in the year just past were buyers in about three-fourths of all the sales. In contrast, farmers bought only about two-fifths of all tracts sold in New England and one-half in the Middle Atlantic States. The ratio of farmer purchases in the other geographic divisions varied from a little less than three-fifths in the South Atlantic group of States to two-thirds in the East South Central States.

TABLE 4.—Voluntary sales and trades of farm real estate: Percentage of purchases reported in specified classes of residence, purpose of purchase, and occupation, for the United States and for geographic divisions, years ended Mar. 15, 1930-46

LOCAL RESIDENTS																	
Division	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
New England.....	59	48	51	50	56	58	56	55	60	63	52	48	48	69	65	66	64
Middle Atlantic.....	70	70	69	68	69	72	77	71	72	71	74	73	66	71	74	72	79
East North Central.....	83	84	78	78	78	85	83	83	83	84	86	82	80	82	82	82	79
West North Central.....	89	88	85	81	82	83	84	84	86	88	88	87	86	89	87	86	88
South Atlantic.....	82	82	79	76	81	82	86	84	82	83	86	84	80	83	87	86	84
East South Central.....	90	85	87	86	88	86	85	91	88	90	88	87	86	88	90	89	89
West South Central.....	82	77	73	76	78	78	81	78	80	82	83	82	83	82	80	82	79
Mountain.....	81	77	76	77	84	80	78	82	84	86	86	85	85	84	82	79	77
Pacific.....	71	72	66	70	71	72	72	74	74	75	75	73	69	69	74	66	66
United States.....	82	81	77	76	78	81	82	81	81	83	83	82	80	82	83	82	81
PURCHASE FOR OPERATION																	
New England.....	80	79	85	85	74	68	73	71	74	73	72	71	62	78	79	77	77
Middle Atlantic.....	82	85	82	83	79	78	79	76	77	75	73	75	69	81	79	79	80
East North Central.....	80	82	77	75	73	72	72	71	74	78	77	73	71	74	72	73	75
West North Central.....	82	81	76	74	72	73	74	69	75	74	77	81	76	77	78	72	78
South Atlantic.....	78	80	78	75	75	71	78	74	77	81	80	78	73	72	79	73	72
East South Central.....	79	79	81	80	78	78	79	83	80	82	80	78	79	82	81	75	81
West South Central.....	73	70	68	68	67	66	71	74	73	77	79	79	74	76	78	71	79
Mountain.....	87	88	87	88	84	84	84	87	88	86	87	87	86	83	85	82	88
Pacific.....	84	90	88	88	89	86	84	89	84	84	86	82	83	85	85	83	85
United States.....	81	81	79	77	75	74	76	75	77	78	78	78	75	77	78	74	78
OCCUPATION OF PURCHASER																	
Active farmer																	
New England.....	59	42	37	40	42	40	46	35	39	40	46	36	30	38	38	45	42
Middle Atlantic.....	56	50	45	42	47	51	51	47	45	45	48	50	44	45	49	46	50
East North Central.....	67	60	55	48	55	60	58	60	63	66	64	61	58	60	61	60	64
West North Central.....	81	75	67	58	65	69	69	68	67	71	78	79	72	73	76	72	74
South Atlantic.....	66	62	55	54	59	60	65	66	60	65	67	62	58	60	65	58	56
East South Central.....	74	69	65	66	69	71	71	72	74	74	72	70	70	73	72	66	67
West South Central.....	70	64	53	49	54	61	62	63	63	69	69	72	68	66	68	64	62
Mountain.....	83	76	67	68	70	77	77	76	79	77	80	78	77	75	79	74	72
Pacific.....	71	65	51	52	54	62	62	62	48	63	64	56	55	56	62	54	57
United States.....	72	65	57	53	58	63	64	63	62	66	68	67	63	64	66	63	64
Retired farmer																	
New England.....	3	6	7	7	4	5	6	4	3	5	4	2	2	3	2	4	2
Middle Atlantic.....	4	7	5	5	5	4	7	3	6	5	5	3	2	2	3	3	3
East North Central.....	5	7	7	7	6	5	6	5	5	4	4	5	4	4	4	4	5
West North Central.....	5	8	8	9	6	6	7	6	6	5	4	5	5	5	3	4	4
South Atlantic.....	3	5	4	4	4	3	3	4	3	2	2	2	1	2	2	2	2
East South Central.....	2	3	4	3	3	3	3	6	2	3	2	3	3	3	2	2	1
West South Central.....	4	6	5	6	7	5	4	4	4	3	5	3	3	2	3	1	3
Mountain.....	2	4	5	2	4	1	4	2	3	4	2	3	3	2	2	2	2
Pacific.....	4	4	6	6	7	4	4	7	3	4	3	4	5	2	3	3	3
United States.....	4	6	6	6	6	5	5	5	4	4	4	4	3	3	3	3	3
Other occupation																	
New England.....	38	52	56	53	54	55	48	61	58	55	50	62	68	57	60	51	56
Middle Atlantic.....	41	43	50	53	48	45	42	53	50	50	47	47	54	53	48	51	47
East North Central.....	27	33	38	45	39	35	36	35	32	30	32	34	38	36	35	36	31
West North Central.....	14	17	25	33	29	25	24	27	28	24	18	16	23	22	21	24	22
South Atlantic.....	30	33	41	42	37	37	32	30	37	33	31	36	41	39	32	40	42
East South Central.....	23	28	31	31	28	26	26	23	24	23	26	27	27	24	27	32	32
West South Central.....	26	30	42	45	39	34	34	33	33	28	26	25	29	32	29	35	35
Mountain.....	15	20	28	30	26	22	19	23	18	19	18	19	20	23	19	24	26
Pacific.....	26	31	43	42	39	34	34	30	49	33	33	40	40	41	36	43	40
United States.....	24	29	37	41	36	32	31	32	34	30	28	29	34	33	31	34	33

As in the previous year, slightly less than half of the active farmer buyers for the country as a whole during 1945-46 were tenants. In most geographic divisions these proportions were close to the national average although in the New England and Pacific States, less than one-third such buyers were tenants. The West North Central geographic division was the only group of States where more than half of the active farmer buyers were tenants during the last year. Approximately three-fourths of all buyers intend to operate the properties they bought.

A further increase in the relative importance of farmers as sellers of farm real estate was reported, whereas sales by corporations decreased further. For the country as a whole, dealer correspondents reported that active farmers sold more properties during the year than all other groups combined. This compares with just less than one-half during 1944-45 and about one-third for the year ended March 1942. Retired farmers were sellers in about one-sixth of all sales last year, a slight increase from the previous year. During each of the last 2 years estates were sellers in about one-sixth of all sales.

Sales by active farmers during the last year varied from about two-thirds of all sales in the East South Central and Pacific States down to two-fifths in the West North Central States, where former lenders still made about one-tenth of all the sales. Just over two-thirds of the farmer-sellers during 1945 expected to continue farming; one-fifth were retiring and one-tenth were entering other civilian occupations. Except for a slight increase in the proportion that expected to continue farming and a slight decrease in those retiring, these proportions have changed only slightly within the last 3 years. The largest group of the farmer-sellers, some with nonfarm income, will operate reduced holdings, but many apparently are buying other farms.

#### TYPES OF PROPERTIES TRANSFERRED

Approximately three-fourths of the dealer correspondents during the last year reported that the most frequent farm sales were those of average size; one-fifth reported the smaller farms as the most frequent sales and only a small group reported the large farms as most frequent. These proportions were essentially the same as for the previous year. Approximately one-third of the reports from the South Atlantic, East South Central, and Pacific geographic divisions reported the smaller farms as the most frequent sales. In all but two geographic divisions (New England and East South Central) the "average size" group increased in relative importance during the last year. In the North Central States just over four-fifths of the reports indicated the "average size" group as the most frequent sales, as compared with about three-fourths during the previous year.

About one-sixth of the dealers throughout the country indicated that the farms sold most frequently during the last year were above average in quality; three-fourths indicated "average," and one-tenth said "below average." These proportions were practically the same as for the previous year.

Dealers indicated that during the last year sales of properties for full and part-time farming increased, whereas sale of tracts declined. Only about one-eighth of the reports for the last year mentioned sales

of tracts to be added to present operating units as the most frequent sales transactions, compared with one-sixth for the previous year. Three-fifths of the reports for the country as a whole mentioned full-time farming as the most frequent while part-time farming was mentioned in one-fourth of the reports. However, in the New England States, part-time farming was mentioned in about half of the reports. For the other geographic divisions, the comparable ratios ranged from about one-eighth in the West North Central States to one-third in the South Atlantic and East South Central States.

## FINANCING FARM PURCHASES

The near-record volume of farm purchases during 1945-46 appears to have been made without serious financing difficulties. Large accumulations of liquid funds, as well as large supplies of credit at favorable terms, continued to be available. An increased proportion of all sales were entirely for cash and average down payments in credit-financed sales also increased. Heavy mortgages were placed on many farms as a result of sale, and the rate of decrease in total farm mortgage debt slowed down.

### TYPES AND TERMS OF FARM SALE FINANCE

#### CASH SALES

Purchases of farms entirely for cash during 1945 represented an increased proportion of all voluntary transfers, in spite of easy credit conditions and keen competition among lenders to place mortgage loans. This reflects the large liquid funds in the hands of farmers and others, which have resulted from favorable incomes in recent years and continued shortages of many consumer goods.

Data on transfers recorded in approximately 130 counties distributed throughout the country indicate that 58 percent of all voluntary sales in 1945 were entirely for cash compared with 55 percent in 1944, 52 percent in 1943, and 43 percent in 1942. As the data do not include information on unrecorded sales contracts, they may overstate somewhat the proportion of all sales that were for cash.

During the first quarter of 1946, 55 percent of the reported sales were for cash compared with 56 percent in 1945, and 51 percent in 1944. In each of the last 3 years, cash sales during the first quarter have been a smaller proportion of all sales than during either the three preceding or the following quarters. This indicates a seasonal tendency toward an increased proportion of credit-financed sales in the early months of the year when the largest numbers of transfers usually take place.

The proportion of acreage bought for cash has consistently been somewhat less than the proportions based on the number of transfers. To a certain extent this reflects the purchase of small tracts, part farms, or fields. The entire amount is paid in cash more often in such cases than when full farm units are bought.

In some instances new mortgages are placed on property that is already fully owned in order to pay cash when buying additional property. This contributes to an understatement of the amount of



credit used to finance the purchase of land. If purchases of small parts of farms were eliminated, and if allowance were made for unrecorded sales contracts it is probable that the proportion of full farm units bought entirely for cash would be reduced to somewhat less than half. But even this proportion of cash sales is much higher than appears to have prevailed during the land boom of World War I. No national data on cash sales are available for the earlier land boom but limited information for Iowa indicates that approximately 10 percent of all sales were for cash, and in Kentucky the proportion was just over 20 percent.

#### CREDIT-FINANCED SALES

The credit-financed sales made up 42 percent of all voluntary sales in the selected counties during 1945. In the sales financed by mortgages, the average down payment in 1945 was 43 percent of the purchase price as compared with 41 percent in 1944, 39 percent in 1943, and about one-third in both 1941 and 1942. For the limited number of purchase contracts on which information was found, the average down payment during 1945 was 28 percent. During the first quarter of 1946, the average down payment in mortgage-financed sales was 42 percent of the purchase price and 21 percent for the contract sales reported.

Although a large amount of cash has been used to buy farms, heavy debts have been built up on a significant number of farms as a result of sales. Between one-fourth and one-third of all credit-financed sales (one-seventh of all sales) during the first quarter of 1946, had an initial encumbrance of at least 75 percent of the sales price, and almost three-fourths (one-third of all sales) had a debt of 50 percent or more. Despite the sharply rising prices of farm land, these ratios have changed little during recent years. However, the amount of debt placed on many farms exceeds the full market values of those farms a few years earlier. On the average, a debt of 58 percent or more of July 1, 1946, values would approximate the full value in 1941.

Approximately two-fifths of the mortgages used to finance sales in 1945 were purchase-money mortgages taken by the sellers, about the same proportion as during recent years. Because of the lack of adequate information on contract sales, however, it is probable that the data understate the proportion of sellers that were initial creditors. Other new mortgages were used in about half of the credit-financed sales in 1945 compared with about two-fifths in each of the two preceding years. Assumed mortgages decreased further in relative importance. This type of credit was used in only about one-eighth of the credit-financed sales, as compared with one-sixth in 1944 and one-fifth in 1943.

Individuals and commercial banks have continued to increase in relative importance as sources of credit to finance sales, but insurance companies and the Federal lending agencies have decreased. During 1945 individuals made loans on 47 percent of the credit-financed sales compared with 45 percent in 1944 and 44 percent in 1943. Commercial banks were lenders in 23 percent of such sales in 1945, compared with 21 percent in 1944 and 16 percent in 1943. Insurance companies and the land banks each made 10 percent of loans to finance sales in 1945, compared with 12 percent in 1944 and 13 percent in 1943. A

group of "other lenders" made 10 percent of such loans during each of the last 2 years. During the first quarter of 1946 the relative importance of commercial banks increased further, whereas the Federal lending agencies made a smaller proportion of the loans to finance transfers.

Average interest rates on farm mortgages are still decreasing, thus lowering ownership costs for land buyers who depend on mortgage credit for financing. A survey of interest rates on all types of farm mortgages recorded in March 1945 indicated an average interest rate of 4.69 percent as compared with 4.83 percent during March 1943; 4.94 percent during March 1941; and 5.43 percent in 1935.<sup>3</sup>

In general, interest rates were above the United States average in the Southern, Mountain, and Pacific States, and below in the North Central States. The lowest average rate (4.09 percent) was in Iowa and Wisconsin and the highest average rate (5.83 percent) in Georgia.

Information for 20 selected counties in the North Central region indicates that the interest rate was 4 percent or less in about two-fifths of the new mortgages used in financing transfers during 1945. A rate of 5 percent or less was reported for more than four-fifths of the mortgages in these transfers. The majority of mortgages to finance transfers by insurance companies and federally sponsored lending agencies were at a 4-percent rate. For individuals and commercial banks the most common rate was 5 percent. A few mortgages made by individuals and a group of "others" during 1945 carried an interest rate of less than 4 percent. For the first quarter of 1946 about four-fifths of the purchase-financing mortgages made by insurance companies and the Federal agencies were at the 4-percent rate.

About one-third of the loans made for financing transfers in the selected counties in the North Central region during the first quarter of 1946 were for 5 years or less and almost three-fourths for 10 years or less. Sale-financing loans by individuals generally continue to be for the shortest period, although the average term for these loans has lengthened. During the first quarter of 1946 about half of such loans were for 5 years or less, compared with three-fourths a year ago. More than two-thirds of the sale-financing mortgages in the selected counties in the North Central States had provisions for amortization of the principal, either full or partial, as compared with less than three-fifths during the first quarter of 1945.

## FARM MORTGAGES RECORDED AND OUTSTANDING DEBT

### MORTGAGES RECORDED

The average size of farm-mortgage recordings is another indication of the debt situation of many farmers. For 1945 the average size of all farm mortgages recorded was 50 percent larger than in 1940, an increase about the same as for land values during the same period. For the various lender groups, the average size of farm mortgages recorded by individuals has shown the sharpest increase. Recordings by individuals during 1945 averaged one-twelfth larger than in 1944

<sup>3</sup> See U. S. Dept. Agr. Farm Credit Administration, Contract Interest Rates on Farm Mortgages Recorded during March 1945. November 1945 [Processed].

and 90 percent larger than in 1940.<sup>4</sup> The comparable increase since 1940 for commercial banks was 52 percent; miscellaneous lenders, 34 percent; insurance companies, 23 percent; and for the Federal land banks and Land Bank Commissioner, 18 percent.

The estimated number of farm mortgages recorded during 1945 was 4 percent larger than the number recorded in 1944. A 14-percent increase in the number of recordings by commercial banks, the Federal land banks, and Land Bank Commissioner was partially offset by a decrease for insurance companies and a miscellaneous group of lenders. The number of recordings by individuals showed practically no change. Farm mortgages recorded, by individuals made up a slightly smaller proportion of all recordings during the last year than their number of loans to finance sale of farms were of all such loans. This reflects the increased importance of individuals as sellers of farms and their extensive use of purchase-money mortgages. Commercial banks and the miscellaneous group of lenders each had a larger proportion of all recordings than of all loans to finance sales.

The total amount of farm mortgages recorded during 1945 was estimated at 1,054 million dollars, an increase of approximately 9 percent from the previous year, and a larger amount than for any other year since 1934. Among the lender groups, increases in the estimated amount of mortgages recorded ranged from 22 percent for commercial banks to 8 percent for individuals. Offsetting decreases of 10 percent were reported for insurance companies and the miscellaneous lenders. During each of the last 2 years the volume of mortgages recorded by individuals has been 40 percent of the total, compared with about 29 percent in 1940. The amount of mortgages recorded by commercial banks increased in relative importance from the previous year, the proportion of loans by insurance companies and the miscellaneous lenders decreased and that by Federal land bank and Land Bank Commissioner was unchanged.

During the period of World War I, the amount of mortgages recorded by individuals made up almost three-fifths of all mortgage recordings, a proportion almost one-half larger than that of the last 2 years. Commercial banks, the second most important lender group in both war periods, have been recording about one-fourth the total amount in recent years; in the World War I period they averaged about one-fifth of the total. The relative importance of Federal land banks (including Commissioner loans) and life insurance companies has also been higher in recent years than then. Thus, the proportion of recent new loans held by corporate lender groups is currently larger than was the case in the earlier war period.

#### OUTSTANDING FARM-MORTGAGE DEBT

The high level of farm-land transfers at increasing prices has tended to result in an increase in total farm-mortgage debt but this has been more than offset during recent years by debt repayments. Although mortgages on many farms were increased as a result of sale, principal repayments have exceeded the amount of new loans closed.

<sup>4</sup> Data compiled by Economic and Credit Research Division, Farm Credit Administration, U. S. Department of Agriculture.

The estimated total farm-mortgage indebtedness for January 1, 1946, was \$5,080,717,000, a decrease of \$189,938,000 or 3.6 percent from January 1, 1945 (table 5). Total mortgage indebtedness decreased 6.5 percent in 1944 and 7.9 percent in 1943. This is the lowest level of indebtedness since 1915 and is less than half the peak of \$10,785,621,000 reached in 1923. Since 1940, the total farm-mortgage debt has decreased 23 percent. This reduction is in sharp contrast with developments during and immediately after World War I, when farm-mortgage indebtedness increased 43 percent from 1915 to 1919.

Increased farm-mortgage holdings by individuals and others, commercial banks, and the Farm Security Administration during 1945 were more than offset by decreased holdings by life insurance companies, Federal land banks, the Federal Farm Mortgage Corporation, and joint-stock land banks. The increase in the amount of mortgage loans by individuals and others is chiefly the result of the many purchase-money mortgages used to finance transfers.

Continued increases in values of farm land and decreases in the total farm-mortgage debt during recent years have brought a sharp reduction in the over-all debt-value ratio. The total value of farm real estate at the beginning of 1946 was estimated at \$51,957,000,000 and the farm-mortgage debt at \$5,080,717,000, giving a debt-to-value ratio of 9.8 percent. This compares with a 11.4 percent for the previous year, 19.6 in 1940, and a peak of 27.5 in 1933. The over-all debt-value ratio at the beginning of 1946 was lower than at any time since 1910, the first year for which debt estimates are available for all farms.

TABLE 5.—Farm-mortgage debt: Total outstanding and amounts held by selected lending agencies, United States, January 1, 1910, 1915, 1920, 1925, 1930-46<sup>1</sup>

Beginning of year—	Total farm-mortgage debt	Amounts held by selected lending agencies				
		Federal land banks and Land Bank Commissioner	Joint stock land banks <sup>2</sup>	Life insurance companies	Commercial banks <sup>3</sup>	Farm Security Administration <sup>4</sup>
	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.
1910	3,207,863			386,961	406,248	
1915	4,990,785			669,984	746,111	
1920	8,448,772	296,386	60,038	974,826	1,204,383	
1925	9,912,650	923,077	446,429	1,942,624	1,200,456	
1930	9,630,768	1,201,732	637,789	2,118,439	997,468	
1931	9,398,088	1,197,063	605,858	2,087,047	946,876	
1932	9,093,983	1,180,992	552,180	2,036,614	940,135	
1933	8,466,418	1,147,014	474,954	1,898,318	889,083	
1934	7,685,203	1,328,563	412,346	1,697,787	710,863	
1935	7,584,459	2,564,179	274,988	1,301,562	498,582	
1936	7,422,701	2,907,649	198,187	1,112,289	487,505	
1937	7,153,963	2,989,019	160,013	1,015,615	487,534	
1938	6,954,884	2,950,761	133,554	988,557	501,450	3,615
1939	6,779,318	2,862,855	114,992	982,939	519,276	15,220
1940	6,586,399	2,723,110	91,726	984,290	534,170	38,566
1941	6,534,487	2,642,333	73,455	1,016,479	543,408	73,093
1942	6,483,847	2,515,669	55,919	1,063,166	535,212	122,104
1943	6,117,168	2,262,135	37,015	1,042,939	476,676	163,681
1944	5,634,772	1,882,687	10,097	986,661	448,433	176,595
1945	5,270,655	1,556,956	5,455	933,723	449,582	178,966
1946	5,080,717	1,318,388	3,208	884,312	507,298	184,035

<sup>1</sup> Data are for continental United States.

<sup>2</sup> Includes banks in liquidation and receivership.

<sup>3</sup> 1935-43 insured commercial banks; before 1935 all open State and national banks.

<sup>4</sup> Includes tenant-purchase and farm-enlargement loans, farm-development loans, construction loan to individuals, and flood and windstorm real estate restoration loans. Also includes loans made for these purposes from State Rural Rehabilitation Corporation trust funds.

Although this over-all relationship of mortgage debt to value for all farmers as a group is favorable, many recent buyers of land are incurring heavy debts. Substantial principal repayments will need to be made by such buyers in order to avoid a precarious debt situation if farm prices and incomes should fall materially within the next few years.

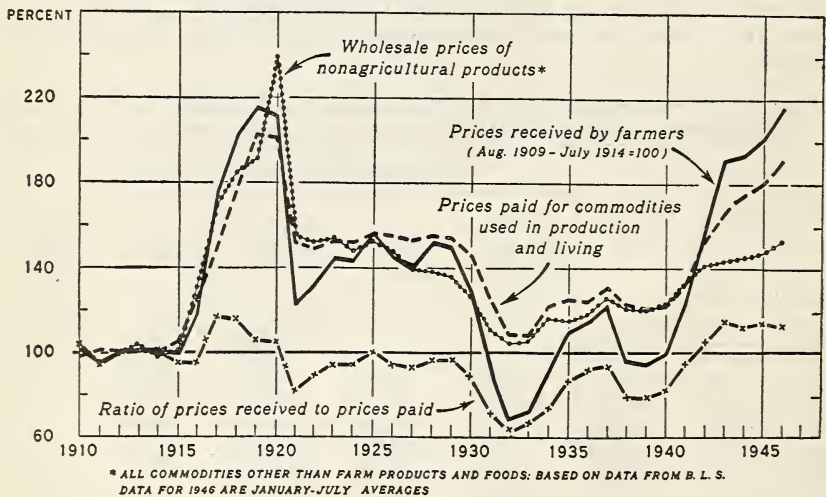
## FARM INCOME, LAND EARNINGS, AND VALUES

A continued high volume of agricultural production during 1945 with further increases in prices of farm products brought another record year of farm income. The relatively high returns from farming during the last 4 years, along with favorable prospects for 1946, have stimulated the demand for farms by both farmers and investors.

### PRICES, COSTS, AND INCOME

#### PRICES AND PRODUCTION OF FARM PRODUCTS

The average level of prices received by farmers for farm products during 1945 was 4 percent above the 1944 level. The farm-product price index (August 1909–July 1914=100) for 1945 averaged 202, as compared with 195 in 1944, 192 in 1943, and 100 in 1940 (table 6 and fig. 6). After increasing during the first half of 1945, farm prices



BAE43203

FIGURE 6.—PRICES RECEIVED AND PAID BY FARMERS AND RATIO, AND WHOLESALE PRICES OF NONAGRICULTURAL PRODUCTS, UNITED STATES, 1910-46. INDEX NUMBERS (1910-14=100)

Prices received by farmers in 1945 averaged 4 percent above the 1944 level, whereas prices paid averaged only 2 percent higher. These changes resulted in a one-point increase in the ratio of prices received to prices paid for commodities used in production and living (related to pre-World War I averages). During the first 6 months of 1946, increases in the average of prices received were offset by increases in prices paid so that the ratio was practically unchanged. Wholesale prices of nonagricultural products have increased less during the period of World War II than have prices for farm products and they have also been much more stable.

TABLE 6.—Index numbers of farm prices and wholesale prices, for specified years, and by months, January 1946–July 1946

Year and month	Farm prices (August 1909–July 1914=100)									Wholesale prices (1910–14=100)	
	Food grains	Feed grains and hay	Cot-ton	Fruits	Truck crops	Dairy products	Poul-try and eggs	Meat animals	All crops and live-stock	All com-modities	Other than farm prod-ucts and foods
1910.....	109	96	113	100	-----	100	104	101	102	103	104
1915.....	126	105	73	82	-----	101	101	105	99	102	101
1920.....	249	204	252	178	-----	202	223	173	211	225	239
1925.....	171	134	179	158	143	155	162	140	156	151	152
1930.....	93	107	100	146	129	142	128	135	128	126	126
1931.....	57	74	61	91	115	111	99	93	90	107	111
1932.....	45	48	47	73	102	86	81	65	68	95	104
1933.....	66	57	66	70	91	87	74	61	72	96	105
1934.....	91	95	97	88	95	101	89	70	90	109	116
1935.....	97	107	94	82	119	114	116	116	109	117	115
1936.....	108	102	95	92	104	125	114	118	114	118	118
1937.....	120	125	90	104	110	130	110	132	122	126	126
1938.....	75	71	67	70	88	114	108	115	97	115	121
1939.....	72	69	70	68	91	110	95	112	95	113	120
1940.....	84	82	77	73	111	119	96	111	100	115	123
1941.....	97	89	107	85	129	139	121	146	124	127	132
1942.....	120	111	149	114	163	162	151	188	159	144	141
1943.....	148	147	160	179	245	193	190	209	192	151	144
1944.....	165	166	164	215	212	198	174	200	195	122	146
1945.....	172	161	171	220	224	197	196	210	202	154	148
1945:											
January.....	169	163	163	205	262	202	199	203	201	153	147
February.....	169	164	161	211	223	200	183	209	199	154	147
March.....	171	166	163	211	203	198	175	211	198	154	147
April.....	172	162	163	221	259	194	176	215	203	154	147
May.....	172	161	165	227	193	192	179	217	200	155	147
June.....	173	162	169	237	269	191	189	216	206	155	148
July.....	169	161	171	237	244	192	197	215	206	154	148
August.....	167	158	172	214	240	195	207	212	204	154	148
September.....	167	157	175	217	159	197	210	207	197	154	148
October.....	175	160	180	219	181	199	204	202	199	155	148
November.....	178	161	182	217	235	202	218	203	205	156	148
December.....	178	162	184	230	223	204	222	204	207	156	149
1946:											
January.....	179	164	180	225	249	203	197	206	206	156	149
February.....	180	166	186	233	275	202	168	214	207	157	150
March.....	185	171	183	229	283	201	167	219	209	159	151
April.....	185	171	190	244	282	199	166	225	212	161	153
May.....	198	188	194	248	177	198	173	226	211	162	154
June.....	200	195	210	261	185	207	178	230	218	163	156
July.....	215	244	249	249	163	245	196	268	244	181	162

dropped with the end of the war in the Pacific and again increased during the rest of the year, bringing the index for December to 207. By June 1946, the index had advanced to 218, 6 percent above June 1945. With the lapse of price controls and the suspension of subsidy payments in July 1946, the index of prices received by farmers advanced sharply to 244—a record high. The index of farm-product prices in July was 9 points higher than the previous record established in May 1920 and 38 points above July 1945. Sharp advances in the prices of cotton, grains, meat animals, and dairy products contributed principally to the July rise.

As subsidies on several commodities were discontinued, the July price increases did not necessarily result in a corresponding increase in farmers' cash receipts.

With most important farm products and foods remaining free from controls the index of prices received by farmers (1909–14=100) for

1946 is expected to average about 225.<sup>5</sup> This estimate is 11 percent above 1945 and 6 percent above 1919, the high year for the World War I period. For 1947, farm-product prices are expected to average somewhat below the 1946 average, as prices in the latter half of the year may average considerably lower if crops continue large and foreign purchases are reduced. However, the commitments of the Government to support prices of many important farm products would still mean a high level of farm prices, although it would probably be considerably below the currently high levels, if general support operations become necessary.

Stimulated by continued high farm-product prices and better-than-average weather, farm production in the United States during 1945 was higher than in any other year on record, except 1944. The index of total production for 1945 was 3 percent below 1944, 3 percent above 1943, and 32 percent above the 1935-39 average. The volume of both crop and livestock production decreased from their respective records in 1944, but were higher than for any other year. Crop production in 1945 was 4 percent below the previous year, with substantial increases in the production of food grains and oil-bearing crops which more than offset the decreases in production of feed crops, cotton, and fruits and nuts. For the livestock group, decreased production of meat animals more than offset increases for poultry and eggs, and dairy products, as the group average was down 2 percent.

Preliminary estimates of the volume of production for 1946 indicate a level slightly lower than for 1944 and 1945 although higher than for any other year. An increased crop production is expected, with moderate increases for feed crops, truck crops, fruits and nuts, sugar crops, and tobacco. They will probably more than offset rather sharp reductions in oil-bearing crops. All groups of livestock and livestock products produced in 1946 are expected to be slightly lower than in 1945. The preliminary index (1935-39=100) of total production for 1946 is 131, as compared with 132 in 1945 and 136 in 1944.

#### FARM INCOME AND COSTS

With near-record levels of production at increased prices, farm income in 1945 was the highest recorded. Cash income from farm marketing was 20.8 billion dollars. This cash-income level was 3 percent above that for 1944, 7 percent above 1943, 161 percent above the 1935-39 average, and 42 percent above 1919, the peak year in the World War I period (table 7). Cash income, including Government payments in 1945, was \$21,552,000,000 compared with \$21,042,000,000 in 1944. Gross farm income in 1945 totaled \$23,695,000,000 and was 3 percent above the 1944 estimate of \$23,073,000,000 as increases in the value of home consumption more than offset reduced Government payments.

The 3-percent increase in total cash receipts from farm marketings during 1945 were mostly the result of increased receipts from livestock and livestock products (table 8). The greatest gain (24 percent) took place in receipts from cattle and calves, although those from poultry

<sup>5</sup> See United States Bureau of Agricultural Economics, *The Demand and Price Situation*. September 1946 [Processed].

and eggs also showed substantial gains (13 percent). Sales and prices of cattle and calves each increased 11 percent in 1945 over 1944, so the total receipts increased about 24 percent. Marketings of hogs were down 24 percent in 1945, so in spite of 8-percent higher prices the total receipts were 19 percent lower. Sales of sheep and lambs were about the same in 1945 as in the year before, but prices were up 5 percent, so the cash receipts showed a corresponding increase. The 4-percent increase in cash receipts from dairy products was due to increased quantity rather than prices.

Cash receipts from crops were almost the same in 1945 as in 1944, although receipts from some crops varied considerably between the two years. Average prices of cotton rose 11 percent in 1945 but sales dropped 36 percent, resulting in a decline of 29 percent in cash receipts. The gain in receipts from feed crops came mainly from increases for corn and oats. Marketings of tobacco in 1945 increased one-third over 1944, prices rose 4 percent, and cash receipts gained 38 percent. The 14-percent decrease in receipts from fruits and nuts from 1944 to 1945 resulted mainly from the small apple crop in 1945.

TABLE 7.—Cash farm income and gross farm income, United States, 1910-45

Year	Cash income from marketings	Government payments	Total cash income	Value of home consumption	Gross income <sup>1</sup>
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>
1910.....	5,793	-----	5,793	1,177	6,970
1911.....	5,596	-----	5,596	1,092	6,688
1912.....	6,017	-----	6,017	1,140	7,157
1913.....	6,248	-----	6,248	1,153	7,401
1914.....	6,050	-----	6,050	1,161	7,211
1915.....	6,403	-----	6,403	1,131	7,534
1916.....	7,750	-----	7,750	1,309	9,059
1917.....	10,746	-----	10,746	1,861	12,607
1918.....	13,461	-----	13,461	2,153	15,614
1919.....	14,602	-----	14,602	2,395	16,997
1920.....	12,608	-----	12,608	2,406	15,014
1921.....	8,150	-----	8,150	1,568	9,718
1922.....	8,594	-----	8,594	1,555	10,149
1923.....	9,563	-----	9,563	1,623	11,186
1924.....	10,221	-----	10,221	1,622	11,843
1925.....	10,995	-----	10,995	1,781	12,776
1926.....	10,564	-----	10,564	1,837	12,501
1927.....	10,756	-----	10,756	1,695	12,451
1928.....	11,072	-----	11,072	1,667	12,739
1929.....	11,296	-----	11,296	1,699	12,995
1930.....	9,021	-----	9,021	1,537	10,558
1931.....	6,371	-----	6,371	1,253	7,624
1932.....	4,743	-----	4,743	1,008	5,751
1933.....	5,314	131	5,445	1,023	6,468
1934.....	6,334	446	6,780	1,090	7,870
1935.....	7,086	573	7,659	1,320	8,979
1936.....	8,367	287	8,654	1,374	10,028
1937.....	8,850	367	9,217	1,410	10,627
1938.....	7,686	482	8,168	1,283	9,451
1939.....	7,877	807	8,684	1,244	9,928
1940.....	8,340	766	9,106	1,232	10,338
1941.....	11,157	586	11,743	1,399	13,142
1942.....	15,316	697	16,013	1,684	17,697
1943.....	19,342	672	20,014	2,016	22,030
1944.....	20,238	804	21,042	2,031	23,073
1945.....	20,781	771	21,552	2,143	23,695

<sup>1</sup> Excluding rental value of farm homes.



TABLE 8.—Cash income from farm marketings by groups of commodities, selected years, 1910-45

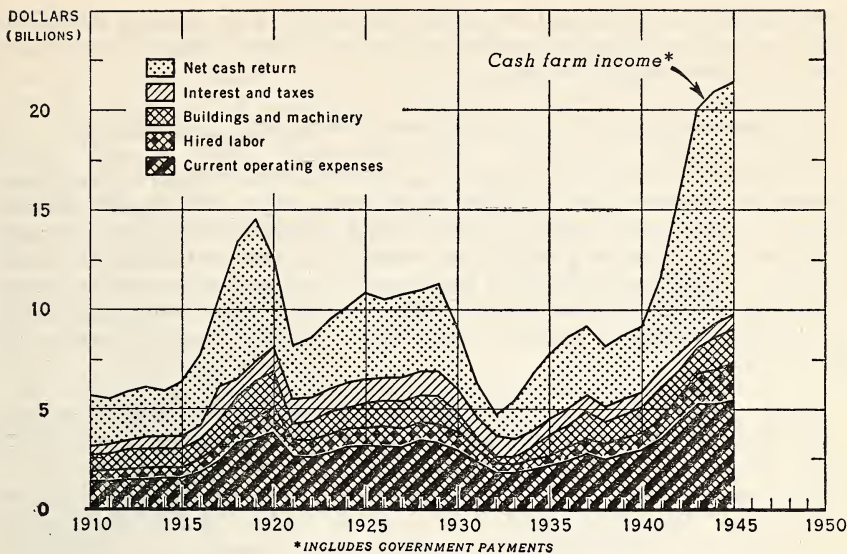
Year	Crops						Livestock						Total crops and livestock
	Grains and hay	Cotton and cottonseed	Fruits and nuts	Vegetables	Tobacco	All crops <sup>1</sup>	Hogs	Cattle and calves	Sheep and lambs	Dairy products	Poultry and eggs	All livestock <sup>1</sup>	
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
1910...	1,177	880	232	291	102	2,950	670	851	105	597	480	2,843	5,793
1915...	1,485	830	282	306	93	3,280	691	966	111	685	499	3,123	6,403
1916...	1,673	1,148	314	436	139	4,043	949	1,132	127	764	554	3,707	7,750
1917...	2,312	1,604	383	691	241	5,660	1,299	1,651	159	1,029	740	5,086	10,746
1918...	3,235	1,785	488	617	343	6,985	1,866	2,029	196	1,250	872	6,476	13,461
1919...	3,015	2,282	642	619	500	7,674	1,911	1,921	214	1,522	1,111	6,928	14,602
1920...	2,831	1,476	677	744	295	6,654	1,385	1,528	166	1,529	1,155	5,954	12,608
1925...	1,776	1,762	589	684	260	5,526	1,318	1,252	207	1,515	1,038	5,469	10,995
1926...	1,637	1,222	607	731	240	4,889	1,407	1,271	205	1,566	1,093	5,675	10,564
1927...	1,721	1,500	590	664	246	5,157	1,237	1,336	197	1,685	1,017	5,599	10,756
1928...	1,670	1,453	621	629	247	5,044	1,218	1,556	221	1,756	1,121	6,028	11,072
1929...	1,581	1,512	620	710	279	5,125	1,297	1,495	224	1,838	1,181	6,171	11,296
1930...	1,124	824	561	685	244	3,840	1,136	1,184	161	1,607	998	5,181	9,021
1931...	635	497	457	488	157	2,536	774	838	130	1,277	746	3,835	6,371
1932...	486	461	327	358	115	1,997	445	621	93	986	558	2,746	4,743
1933...	671	577	346	446	157	2,473	524	600	104	1,004	514	2,841	5,314
1934...	733	863	394	498	236	3,004	521	815	131	1,146	614	3,330	6,334
1935...	769	712	443	502	242	2,978	682	1,062	152	1,310	799	4,108	7,086
1936...	1,023	905	462	656	243	3,651	991	1,114	165	1,478	828	4,716	8,367
1937...	1,176	883	546	648	321	3,948	925	1,239	186	1,525	862	4,902	8,850
1938...	954	647	405	533	294	3,190	870	1,162	157	1,388	802	4,496	7,686
1939...	1,064	627	443	589	271	3,366	810	1,290	172	1,346	767	4,511	7,877
1940...	1,178	647	442	591	241	3,470	836	1,381	150	1,516	806	4,870	8,340
1941...	1,580	1,045	612	730	323	4,718	1,302	1,718	227	1,897	1,107	6,439	11,157
1942...	2,175	1,237	826	1,087	474	6,329	2,191	2,293	307	2,336	1,652	8,987	15,316
1943...	2,737	1,314	1,222	1,579	541	7,982	2,942	2,581	342	2,809	2,447	11,360	19,342
1944...	3,113	1,497	1,501	1,567	689	9,039	2,813	2,604	303	2,949	2,306	11,199	20,238
1945...	3,262	1,034	1,449	1,642	954	9,056	2,288	3,219	319	3,070	2,597	11,725	20,781

<sup>1</sup> Totals include income from other sources.

Accompanying gross farm-income increases was an increase in expenditures for production, which also made a new record in 1945 (fig. 7). All groups of expenditures increased during the last year. For current operating expenses, the somewhat increased expenditures for livestock, fertilizer, and lime, and the operation of motor vehicles were only partially offset by decreased expenditures for the feed bought and a miscellaneous group. Current operating expenses during each of the last 3 years have been more than double the 1935-39 average, and during 1945 they were more than two-fifths above 1920, the peak year of the World War I period. Expenditures for buildings and machinery, interest and taxes, and wages for hired labor during 1945 were 6 percent higher for each group than in the preceding year. The 11-percent increase in taxes was only partially offset by a 3-percent decrease in farm-mortgage interest.

As a result, farmers' net cash return for 1945 was practically unchanged from 1944; the increase amounted to less than 1 percent. The level of net cash return continues at just over three times the 1935-39 average, and almost three-fifths above 1919, the peak year in the World War I period. Trends in cash income, production expenditures, and net cash return during the current period have followed a pattern strikingly similar to that of World War I. The levels of the series, however, have been higher during recent years than during corresponding years of the First World War.

Cash receipts, gross farm income, production expenses, and farmers' net cash return in 1946 are all expected to total about 10 percent above



BAE43209

FIGURE 7.—CASH FARM INCOME, PRODUCTION EXPENSES, MORTGAGE INTEREST AND TAXES, AND NET CASH RETURN, UNITED STATES, 1910-45.

The increase in cash farm income from 1944 to 1945 was practically offset by increased production expenditures, so net cash return increased less than 1 percent. The high level of net cash return of the last 3 years is more than three times the 1935-39 average and almost three-fifths above 1919.

1945 and higher than in any previous year.<sup>6</sup> If crop yields comparable to recent years continue, farm income in 1947 is expected to continue high, although about 5 percent below that for 1946. As further increases in production expenses are expected, farmers' net income may decline by 10 to 15 percent.

The continued wide margin between cash farm costs and total cash farm income during the last 3 years is a result of the generally favorable relationship between prices paid by farmers and prices received for farm products (fig 6). Prices paid by farmers for commodities used in production in December 1945 were 38 percent above the 1935-39 average, whereas prices received by farmers for farm products were up 93 percent. In July 1946, prices paid were 16 percent above a year earlier and 59 percent above the 1935-39 average, whereas prices received were 18 percent above a year earlier and 128 percent above the 1935-39 average (table 9). The ratio of prices received to prices paid for commodities used in production and living was 112 (1910-14=100) for 1945 as compared with 111 for 1944. By July 1946, this ratio was 117 as compared with 114 a year ago. For the first half of 1946, the average ratio was 111, the same as for the first half of 1945. Historically, prices paid by farmers have fluctuated less than have prices received for farm products. With somewhat lower prices of farm products in prospect, the future cost-price relationships may be

<sup>6</sup> See United States Bureau of Agricultural Economics, *The Farm Income Situation August 1946* [Processed].

less favorable. Farmers' earnings will reflect any change in prices that are unfavorable to them unless the relatively higher costs can be offset by increased efficiency.

### COMPARISON OF FARM INCOME, VALUES, AND SALES

In both the current and the last war periods, land values have tended to follow rather than to anticipate the major economic trends. Farmers' net income during World War I advanced more rapidly and reached higher levels (relative to immediate prewar) than did land values. This general pattern has been repeated during recent years although, so far, the increases in land values have been smaller in proportion to the increase in net income than during the period of World War I.

TABLE 9.—Index numbers of prices paid by farmers, farm wage rates, interest, and taxes, and ratio of prices received to prices paid, selected years and months, 1910-46

[1910-14=100]

Year and month	Prices paid for commodities used in—			Farm wage rates	Interest payable per acre	Taxes payable per acre	Prices paid including interest and taxes	Prices received	Ratio of prices received to prices paid	
	Production	Living	Production and living						Including interest and taxes	Excluding interest and taxes
1910.....	98	98	98	97	83	90	96	102	<i>Percent</i> 106	<i>Percent</i> 104
1915.....	104	106	105	103	122	118	107	99	93	94
1920.....	174	222	201	242	217	200	202	211	104	105
1925.....	147	163	156	176	236	265	169	156	92	100
1930.....	141	150	146	167	206	281	160	128	80	88
1931.....	123	128	126	130	197	277	141	90	64	71
1932.....	109	108	108	96	185	254	124	68	55	63
1933.....	108	108	108	85	164	220	120	72	60	67
1934.....	123	122	122	95	148	188	129	90	70	74
1935.....	127	124	125	103	135	178	130	109	84	87
1936.....	125	123	124	111	124	180	127	114	90	92
1937.....	136	128	131	126	116	181	133	122	92	93
1938.....	125	122	123	125	108	186	126	97	77	79
1939.....	122	120	121	123	103	183	124	95	77	79
1940.....	124	121	122	126	100	186	125	100	80	82
1941.....	131	131	131	154	99	183	132	124	94	95
1942.....	149	154	152	201	97	183	150	159	106	105
1943.....	163	170	167	264	89	179	162	192	119	115
1944.....	173	178	176	315	86	178	170	195	115	111
1945.....	174	185	180	350	83	184	174	202	116	112
1945:										
January.....	174	183	179	324	-----	-----	172	201	117	112
February.....	174	183	179	-----	-----	-----	172	199	116	111
March.....	175	183	180	-----	-----	-----	173	198	114	110
April.....	175	183	180	335	-----	-----	173	203	117	113
May.....	174	184	180	-----	-----	-----	173	200	116	111
June.....	174	185	180	-----	-----	-----	173	206	119	114
July.....	174	185	180	-----	-----	-----	173	206	119	114
August.....	174	185	180	-----	-----	-----	173	204	118	113
September.....	174	187	181	-----	-----	-----	174	197	113	109
October.....	175	188	182	355	-----	-----	175	199	114	109
November.....	175	188	182	-----	-----	-----	175	205	117	113
December.....	175	190	183	-----	-----	-----	176	207	118	113
1946:										
January.....	175	191	184	347	-----	-----	177	206	116	112
February.....	176	192	185	-----	-----	-----	178	207	116	112
March.....	177	194	187	-----	-----	-----	180	209	116	112
April.....	178	195	188	355	-----	-----	181	212	117	113
May.....	185	197	192	-----	-----	-----	185	211	114	110
June.....	190	201	196	-----	-----	-----	188	218	116	111
July.....	202	214	209	390	-----	-----	199	244	123	117

For the country as a whole, the increase in net farm income per acre from 1939 to 1945 was 190 percent compared with an increase in average per acre land values of 69 percent to March 1946 and 75 percent to July 1946 (table 10). From the 1912-14 average to 1920, land values increased 70 percent whereas per acre net incomes increased 139 percent to 1919. Value increases during the period of World War I were thus about half of the income increases. So far in the period of World War II, average land values for the country as a whole have increased less than two-fifths as much as have net incomes. These comparisons indicate that values recently have been less responsive to increases in incomes than during the period of World War I and they suggest that buyers recently have been more inclined to recognize the high wartime and immediate postwar incomes as being temporary in nature.

In some areas and regions the response of land values to income increases from 1939 to 1945 has been much greater than in others. These variations in response probably are attributable to such diverse factors as the nature of the adjustment of values to current and expected incomes at the start of the war in 1939, differences in the extent to which farm incomes accrue to farm real estate as against other factors of production, differences in expectations regarding future farm income, differences in speculative and investment activity in the farm land market, and many other circumstances.

Even though the necessary data were available, it would be difficult to isolate the effect of each of these influences. In the East South Central States land values increased (1940 to March 1946) by about three-fifths as much as the increase in net farm incomes (1939-45) and in the West North Central States the corresponding ratio was one-fourth. For the other geographic divisions the comparable ratio ranged from just over half in the South Central States where income increases were the lowest, to between one-fourth and one-third in the Pacific States, the area in which the largest income increases occurred. In view of their limitations, these ratios may be regarded as only rough indicators of the general areas in which the greatest and least relative responses of land values to income increases have been found.

TABLE 10.—Selected comparisons of increases in land values and increases in net farm incomes, by geographic divisions, 1912-14 to 1920 and 1939 to 1945 and 1946

Geographic divisions	Increase in value per acre				Increase in net income per acre 1939 to 1945	Ratio of increase in land values (1940 to March 1946) to increase in net income (1939 to 1945)
	1912-14 to March 1920	1940 to—				
		March 1945	March 1946	July 1946		
United States.....	Percent 70	Percent 50	Percent 69	Percent 75	Percent <sup>1</sup> 190	Percent <sup>2</sup> 36
New England.....	40	23	32	34	116	36
Middle Atlantic.....	36	32	42	49	126	34
East North Central.....	61	53	72	77	204	35
West North Central.....	84	48	63	69	255	25
South Atlantic.....	98	55	77	84	180	43
East South Central.....	99	60	89	95	151	59
West South Central.....	77	40	56	60	104	54
Mountain.....	51	58	76	83	207	37
Pacific.....	56	58	80	89	296	27

<sup>1</sup> The corresponding increase in net income per acre 1912-14 to 1919, was 139. Data are not available for estimating changes by geographic divisions.

<sup>2</sup> The corresponding ratio of the increase in values (1912-14 to 1920) to the increase in net income per acre (1912-14 to 1919) was 50.

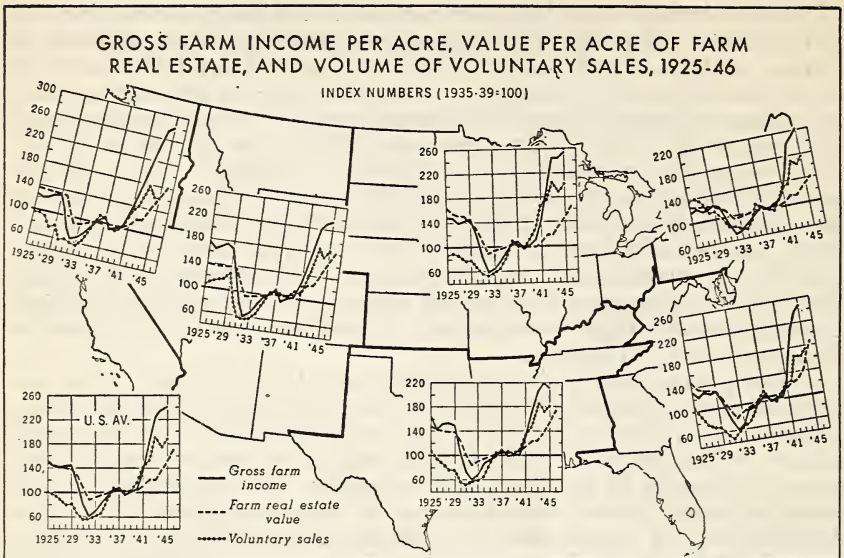


FIGURE 8.—

BAE43671

Changes in both farm real estate values and the volume of voluntary sales have been rather closely associated with changes in gross farm income in all major geographic regions. In recent years voluntary sales have more nearly kept pace with increasing incomes, although land values in 1945-46 were substantially higher than a year ago.

Comparisons between movements of gross income and land values on the one hand, and volume of voluntary sales on the other indicate that these three series have tended to move together, at least since 1925, in all regions (table 11 and fig. 8). Relative to 1935-39 averages, voluntary sales during the last few years have more nearly kept pace with increasing incomes than have land values, even though land values increased substantially during 1945-46. With gross farm income per acre in 1945 up 136 percent (from 1935-39 averages), voluntary sales were up 87 percent as compared with an increase of 71 percent in land values by March 1946.

### RELATIONSHIP OF LAND EARNINGS AND LAND VALUES

To get a more precise measure of the return-value relationship than that contained in the foregoing discussions, it is necessary to separate land income from total farm income. Data as to net cash rents on farms that are rented entirely for cash in selected areas, and estimates for the country as a whole of total net rents on all leased land, are available for this purpose.

The limitations and merits of cash rents as a measure of land income has been discussed at some length in earlier issues of the Farm Real Estate Situation. In brief, data relating to gross cash rent are reasonably available and expense deductions can be made fairly accurately. But aside from periods of stable farm income, the lag in the response of cash rents to incomes appears to be enough to invalidate

their use as a measure of general land earnings during periods in which farm prices and incomes are changing decidedly. In contrast, the value of rents based on shares is much more sensitive to changes in farm incomes. For any generalized measure of land earnings during such a period as the present, returns from all of the principal types of rental arrangements should apparently be taken into account.

TABLE 11.—*Index numbers of gross farm income per acre, value per acre of farm real estate, and number of voluntary sales, by regions, 1925-46*<sup>1</sup>

[1935-39=100]

Geographic division	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935
<b>North Atlantic:</b>											
Income.....	116	121	115	117	123	118	90	69	73	81	89
Value of farm real estate.....	126	126	124	123	122	120	116	109	95	95	97
Voluntary sales.....	135	138	131	111	112	101	83	82	77	74	87
<b>North Central:</b>											
Income.....	148	147	139	142	145	119	83	58	64	76	90
Value of farm real estate.....	171	164	155	151	150	146	130	109	88	93	95
Voluntary sales.....	86	89	85	77	78	66	55	52	57	64	82
<b>South Atlantic:</b>											
Income.....	131	122	128	124	127	106	77	60	69	89	92
Value of farm real estate.....	146	147	135	132	130	127	114	95	79	86	92
Voluntary sales.....	106	91	75	69	69	55	46	58	66	70	86
<b>South Central:</b>											
Income.....	163	142	151	153	150	104	74	60	69	86	92
Value of farm real estate.....	148	147	142	140	139	138	124	100	84	90	94
Voluntary sales.....	106	94	86	76	75	56	51	57	59	64	85
<b>Mountain:</b>											
Income.....	174	165	169	175	168	126	85	60	66	82	96
Value of farm real estate.....	142	139	137	137	137	138	136	112	93	94	95
Voluntary sales.....	105	111	114	117	127	81	58	55	57	66	85
<b>Pacific:</b>											
Income.....	125	122	124	129	131	109	81	64	68	78	91
Value of farm real estate.....	137	135	134	134	133	133	132	111	90	91	95
Voluntary sales.....	95	96	91	75	80	59	59	57	55	66	89
<b>United States:</b>											
Income.....	149	143	141	143	144	115	82	61	68	82	92
Value of farm real estate.....	153	150	144	142	140	138	128	107	88	92	95
Voluntary sales.....	101	96	90	80	81	65	55	57	61	66	85

Geographic division	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946
<b>North Atlantic:</b>											
Income.....	100	106	100	105	110	128	161	201	212	223	-----
Value of farm real estate.....	100	101	101	101	102	102	106	114	121	131	141
Voluntary sales.....	112	104	101	96	112	130	137	171	163	175	-----
<b>North Central:</b>											
Income.....	105	107	96	102	110	143	198	245	245	255	-----
Value of farm real estate.....	99	103	103	100	99	99	108	118	136	147	165
Voluntary sales.....	109	100	98	111	129	166	180	212	189	207	-----
<b>South Atlantic:</b>											
Income.....	99	109	98	102	102	122	168	207	237	248	-----
Value of farm real estate.....	96	103	105	105	106	108	115	125	143	163	187
Voluntary sales.....	106	110	102	97	109	125	128	165	164	173	-----
<b>South Central:</b>											
Income.....	98	110	99	101	101	131	169	207	218	211	-----
Value of farm real estate.....	98	101	104	103	105	106	114	123	138	154	174
Voluntary sales.....	104	104	106	101	109	133	150	186	172	180	-----
<b>Mountain:</b>											
Income.....	102	111	92	99	102	130	174	218	230	235	-----
Value of farm real estate.....	99	102	102	102	103	105	113	124	144	163	182
Voluntary sales.....	105	106	104	100	111	107	144	189	173	184	-----
<b>Pacific:</b>											
Income.....	104	113	94	98	102	136	184	245	274	280	-----
Value of farm real estate.....	99	103	103	101	101	102	108	119	141	161	182
Voluntary sales.....	113	110	95	93	102	129	142	178	161	161	-----
<b>United States:</b>											
Income.....	103	108	96	101	105	134	180	224	235	241	-----
Value of farm real estate.....	99	102	103	101	102	103	110	120	138	152	171
Voluntary sales.....	107	104	101	103	116	142	156	191	176	187	-----

<sup>1</sup> The index of value per acre of farm real estate applies to Mar. 1 of each year. The index of voluntary transfers applies to the data for the year ended Mar. 15 in the following year.

Cash rents may still be regarded as a satisfactory measure of current land income for the considerable areas that are rented on a cash basis. Approximately one-fourth of the tenant-operated land in the United States was rented entirely for cash in 1940, about the same proportion as in 1930. In the North Central States 17 percent of the tenant-operated land was rented for cash in 1940. Scattered State reports from the 1945 Census indicate that for the country as a whole these proportions did not change much during the war period although the proportions have decreased in some of the North Central States.

#### CASH RENTS AND VALUES

Crop reporters for the United States Department of Agriculture have reported the average cash rent paid in their communities each year since 1921, together with the estimated value of the land so rented. The data in tables 12 and 13 for the years since 1921 have been prepared on the basis of such reports. Deductions from gross cash rents have been made for taxes, depreciation, and repairs, in order to obtain an approximation of net rents. Data on real estate taxes per acre, by States, are based on estimates made by the Bureau of Agricultural Economics, and an allowance for depreciation and repairs to buildings has been calculated as 3 percent of building values.

Constant capitalization rates have been used in making the calculations reported in the last two columns in table 12 and in the whole of table 13. Rates selected are approximately those paid by farmers on mortgages during the 1920-29 decade in the respective States.

The use of constant capitalization rates emphasizes year-to-year changes and trends that arise wholly out of changes in the rents and values reported. Such trends would not be altered through the use of a higher or a lower rate. As the variation in levels between States may be partly due to differences between the actual and the assumed rates of capitalization, the trends for individual States and the variation in trends for the different States are probably the more significant features of table 13.

The data for Iowa in table 12 indicate that, after 1900, the proportion of value represented by capitalized net rents declined, more or less continuously. It reached a low point in 1921. Until 1920, this downward trend was due to the more rapid increase in land values, whereas in 1921 real estate values declined less than did rents. Values continued to decline during the decade following 1921, but rents remained relatively stable. The result was a gradual rise in the ratio of both gross and net rent to value, with the proportion of value represented by capitalized net rents increasing from a low of 46 percent in 1921 to 87 percent in 1931. After 1933, both net rents and values increased in Iowa. Somewhat larger increases occurred in net rents, bringing the proportion of value represented by capitalized net rents to 95 for 1942. Since 1942, values have been increasing faster than net rents, so the ratio has decreased each year. Average values of cash-rented land in Iowa has increased 45 percent since 1942, whereas net rents have increased only 23 percent, so the ratio has decreased to 81 for 1946.

TABLE 12.—Approximate gross and net cash rent per acre of farm real estate in Iowa and proportion of current value of land, based on current rents, 1900-46

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.....	44	3.88	0.42	3.46	8.8	7.9	63	143
1901.....	50	3.89	.46	3.43	7.8	6.9	62	124
1902.....	58	3.90	.51	3.39	6.7	5.8	62	107
1903.....	66	3.99	.60	3.39	6.0	5.1	62	94
1904.....	72	4.15	.62	3.53	5.8	4.9	64	89
1905.....	73	4.25	.62	3.63	5.8	5.0	66	90
1906.....	73	4.33	.60	3.73	5.9	5.1	68	93
1907.....	80	4.45	.65	3.80	5.6	4.8	69	86
1908.....	85	4.61	.67	3.94	5.4	4.6	72	85
1909.....	91	4.84	.71	4.13	5.3	4.5	75	82
1910.....	99	5.05	.75	4.30	5.1	4.3	78	79
1911.....	104	5.18	.82	4.36	5.0	4.2	79	76
1912.....	110	5.39	.86	4.53	4.9	4.1	82	75
1913.....	120	5.49	1.04	4.45	4.6	3.7	81	68
1914.....	125	5.90	1.06	4.84	4.7	3.9	88	70
1915.....	135	6.31	1.13	5.18	4.7	3.8	94	70
1916.....	153	6.76	1.23	5.53	4.4	3.6	101	66
1917.....	160	7.13	1.35	5.78	4.5	3.6	105	66
1918.....	175	7.68	1.42	6.26	4.4	3.6	114	65
1919.....	191	8.47	1.64	6.83	4.4	3.6	124	65
1920.....	255	9.65	2.03	7.62	3.8	3.0	139	55
1921.....	236	8.08	2.14	5.94	3.4	2.5	108	46
1922.....	188	7.42	2.18	5.24	3.9	2.8	95	51
1923.....	170	7.39	2.12	5.27	4.3	3.1	96	56
1924.....	164	7.38	2.15	5.23	4.5	3.2	95	58
1925.....	164	7.39	2.07	5.32	4.8	3.5	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	1.99	5.44	6.5	4.8	99	87
1932.....	93	6.08	1.73	4.35	6.5	4.7	79	85
1933.....	70	4.46	1.45	3.01	6.4	4.3	55	79
1934.....	78	4.99	1.47	3.52	6.4	4.5	64	82
1935.....	81	5.21	1.60	3.61	6.4	4.5	66	81
1936.....	88	5.70	1.70	4.00	6.5	4.5	73	83
1937.....	87	5.71	1.72	3.99	6.6	4.6	73	84
1938.....	89	5.88	1.75	4.13	6.6	4.6	75	84
1939.....	86	5.86	1.79	4.07	6.8	4.7	74	86
1940.....	86	5.99	1.75	4.24	7.0	4.9	77	90
1941.....	89	6.24	1.79	4.45	7.0	5.0	81	91
1942.....	96	6.79	1.81	4.98	7.1	5.2	91	95
1943.....	107	7.42	1.94	5.48	6.9	5.1	100	93
1944.....	122	8.20	2.11	6.09	6.7	5.0	111	91
1945.....	128	8.47	2.31	6.16	6.6	4.8	112	88
1946.....	139	8.55	2.41	6.14	6.2	4.4	112	81

<sup>1</sup> Taxes per acre are estimated for 1946.

Changes in rents and values in Iowa since 1940 have shown trends similar to those during the period of World War I although the value levels have differed somewhat. The average value per acre of cash-rented land during this present war period has been only about three-fifths of the average value reported for comparable years in the period of World War I, whereas cash rents in the two periods were more nearly the same. From 1915 to 1920, average values per acre for cash-rented land rose 89 percent compared with a rise of 60 percent from 1940 to 1946. The net cash rent increase in the World War I period was 47 percent compared with 45 percent from 1940 to 1945. During the last year a slight increase in gross cash rents was offset by increased expenses, so net cash rents were practically the same in both 1945 and 1946.

As a result of these changes in rents and values, the proportion of value represented by capitalized net rent for Iowa changed relatively



TABLE 13.—Approximate capitalized net cash rents and proportion of current value of land represented by capitalized net rents, North Central States, 1921-46

Item, State, and region	1921		1922		1923		1924		1925		1926		1927		1928		1929		1930		1931		1932		1933		1934		1935		1936		1937		1938		1939		1940		1941		1942		1943		1944		1945		1946 <sup>2</sup>				
	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.	Dol.	Pct.									
<b>NET RENT CAPITALIZED AT APPROXIMATE MORTGAGE INTEREST RATE<sup>3</sup></b>																																																							
Ohio.....	89	63	97	66	53	51	40	41	43	39	37	36	31	22	30	34	37	43	43	40	42	45	50	57	58	58	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57					
Indiana.....	98	72	66	65	60	58	50	52	52	52	51	48	45	33	37	38	38	41	43	40	40	42	45	49	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54			
Illinois.....	141	103	100	94	92	91	88	87	88	85	83	67	57	63	61	70	73	76	74	74	76	80	87	99	107	111	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116		
Michigan.....	53	44	44	44	40	39	37	35	32	27	24	22	22	27	29	36	35	34	32	32	39	41	39	39	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41		
Wisconsin.....	90	67	64	62	61	58	56	58	56	55	53	43	31	33	31	39	41	39	41	39	39	41	39	39	41	39	39	41	39	39	41	39	39	41	39	39	41	39	39	41	39	39	41	39	39	41	39	39	41	39	39	41	39		
East North Central.....	106	78	74	70	68	66	64	63	61	59	57	47	38	44	45	51	54	55	52	54	56	64	72	79	82	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91		
Minnesota.....	80	59	51	52	50	50	52	52	52	51	48	45	33	37	38	41	43	42	41	43	45	49	54	57	58	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	
Iowa.....	108	95	96	95	92	90	101	102	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101		
Missouri.....	92	64	62	60	58	57	55	54	54	52	46	39	28	32	31	36	35	37	34	35	36	42	49	53	57	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	
North Dakota.....	23	18	18	17	15	16	16	15	13	11	10	11	10	11	10	11	10	8	8	8	8	8	12	14	17	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21
South Dakota.....	88	36	31	29	28	27	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	
Nebraska.....	76	54	51	49	49	50	49	52	53	54	54	44	31	35	31	36	31	32	32	32	30	29	33	38	44	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	
Kansas.....	54	42	39	37	37	37	37	37	39	38	34	28	25	25	24	26	26	26	26	26	23	23	26	38	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	
West North Central.....	97	64	62	61	61	62	62	63	63	63	61	50	36	40	41	45	44	45	44	44	45	47	52	59	66	67	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69
<b>PROPORTION OF VALUE REPRESENTED BY CAPITALIZED NET-RENT</b>																																																							
Ohio.....	79	64	58	59	59	53	53	55	53	52	59	57	48	60	65	69	70	64	64	64	66	62	62	64	61	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	
Indiana.....	73	65	64	68	67	67	69	68	69	70	70	80	76	92	86	89	88	87	87	87	82	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	
Illinois.....	65	59	60	59	60	60	62	64	67	72	72	72	72	73	75	75	75	75	75	75	78	78	81	77	75	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	
Michigan.....	60	54	55	56	53	51	49	42	44	41	44	48	51	59	64	73	70	66	62	66	70	74	76	69	72	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	
Wisconsin.....	74	59	60	61	64	62	62	64	63	65	73	67	56	59	52	60	61	62	61	62	71	75	80	82	81	83	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	
East North Central.....	68	60	60	59	60	59	59	61	60	62	67	67	63	70	67	71	71	73	70	72	74	75	77	75	73	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	
Minnesota.....	61	53	49	51	52	52	55	59	61	64	69	76	67	74	73	74	77	75	77	82	84	84	87	81	78	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	77	
Iowa.....	46	51	56	58	63	65	68	72	72	72	87	85	79	82	81	83	84	84	86	90	91	95	93	91	88	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	
Missouri.....	85	74	78	78	82	81	83	86	88	87	88	91	86	95	95	95	95	95	95	95	99	104	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	
North Dakota.....	58	58	62	63	67	63	67	70	68	68	69	67	65	62	69	66	65	65	62	68	80	102	108	105	88	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	
South Dakota.....	64	52	55	54	57	57	59	68	70	71	81	79	79	75	74	77	74	81	83	91	103	103	111	105	96	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	
Nebraska.....	71	60	60	60	63	64	64	68	71	73	76	77	72	73	70	76	76	76	76	88	91	98	96	94	90	85	85	85	85	85																									

little during the first 4 years of both war periods; but during the years of World War II the ratio was at a level more than two-fifths above that of comparable years in the earlier war period. The proportion of value represented by capitalized net rents was about 65 percent during the 1915-19 period; it dropped to 55 percent in 1920. This ratio was more than 90 percent during 1940-44 and dropped to 88 percent in 1945 and to 81 percent in 1946. Thus in the later years of both war periods, the ratio between values and capitalized net rents has dropped from the wartime levels as values increased faster than net rents.

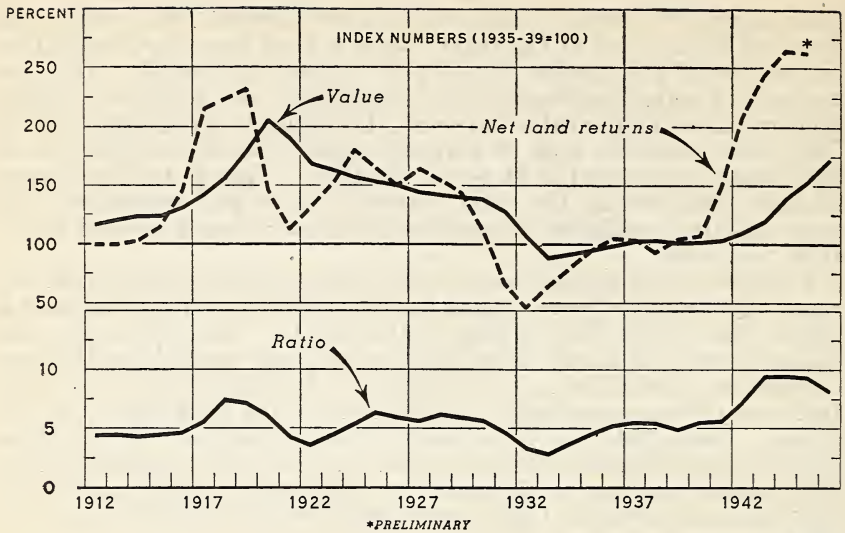
Changes in the proportion of value represented by capitalized net rents have been more marked in the West North Central States as a whole than in the East North Central States. In each region the general trend in the ratio from 1922 to 1943 was upward but the percentage increase in the ratio over the period for the West North Central States was approximately double that for the East North Central group. Since 1943 the ratio has declined 12 percent in the West North Central States and 6 percent in the East North Central group. The marked decrease in the ratio from the peak reached in 1943 for both regions is a result of increases in values that are relatively greater than increases in rents.

Since 1940, net cash rents have increased in practically all the North Central States, with the sharpest increases reported for those States that average low rentals. In North Dakota, net rents have increased more than two and one-half times during this period and they have almost doubled in several other States. In most States the increase in net rents for each year from 1940 through 1943 was greater than the rise in values and consequently the proportion of value represented by capitalized net rents increased. The sharper rise in values than in net rents during the last 3 years caused the ratio for 1946 in all States in the North Central group, except Wisconsin, to be lower than in 1943. In Wisconsin, where land values have increased less than in surrounding States, net rent and increases in values have been about the same. In all but four States of the North Central group the ratio for 1946 was lower than in 1945. The ratio was unchanged from 1945 in Missouri and increased in Indiana, Wisconsin, and North Dakota.

#### NET LAND RETURNS AND VALUE

The limitations of cash rent-value comparisons indicated earlier, render desirable the use of a series that relates land values to the value of all net rents—cash and share.<sup>7</sup>

<sup>7</sup> For this purpose a "net land-returns" series was derived by the following method: (1) A set of rent-value ratios was calculated on the basis of two series, (a) net rent per acre of leased land in farms, and (b) value per acre of leased land in farms (value as of March 1 is related to rent of the preceding year); (2) this ratio was applied to the average value per acre of all land in farms (as of March 1) and the resulting amount was designated as the "net land returns" per acre in the preceding year. This series, converted to index form (1935-39=100), is presented in figure 9, with the index of values and the ratio. The latter, it should be noted again, relates net rent or "net land returns" and the value of leased land. The basic assumption is that the ratio of net land returns to value for all farm land is the same as the ratio of net rent to value for leased land in farms; or, less strictly, that the per acre net rent attributable to all land in farms may be approximated by applying the latter ratio to the value per acre of all land in farms.



BAE4372A

FIGURE 9.—FARM REAL ESTATE: NET LAND RETURNS AND VALUE PER ACRE, AND RATIO OF RENT TO VALUE, UNITED STATES, 1912-46 (1935-39=100).

Net land returns per acre during the last 3 years have been definitely higher than the World War I peak reached in 1919 although the levels of return before both World Wars were approximately the same. Starting from lower levels, average values per acre have now increased during the current war period about the same as during the period of World War I. The ratio of returns to value decreased during the last 2 years as values increased faster than net returns although the level is still higher than for any year before this war.

Despite some possible theoretical shortcomings, as well as imperfections of basic data (such net rents include some returns for management and working capital furnished by landlords), the series given in figure 9 are believed to indicate reasonably well the general movement of net land returns in relation to farm real estate values.

During the 5 years preceding the entry of the United States into World War I, land values appear to have been high relative to current land returns. The ratios of net land returns to land values for the years 1912-16 averaged slightly less than 4.5 percent. The general expectation that the upward secular trend of returns and values would continue indefinitely largely explains the low ratios that prevailed. Later developments suggest that the 1925-29 average ratio of 6 percent or the 1937-41 average ratio of 5.4 percent more nearly approximate a normal ratio.

Using net land returns for the years before World War I as a measure of future land income, and assuming a 6-percent returns value ratio, land values during 1912-14 were about one-third higher than was warranted by the prevailing land returns. It follows that although land values actually had risen by 70 percent by 1920, they were then about 125 percent above the 1912-14 levels justified by the indicated assumptions.

These considerations help to explain why the downward trend of values that began in 1920 and continued to 1933 was not halted by the

relatively high net rents of 1923-29. The large volume of distress lands pressing on the market during all that time also contributed to the decline.

Even though the rent-value ratio dropped 12 percent during the last year, the high ratios during the last 5 years probably should be interpreted as a sign that the experience of the last 30 years has not been entirely disregarded. Attention appears to have been given to the probable average return over a longer future period. Recent high returns have apparently not been expected to continue indefinitely.

If this belief remains general that net farm income will fall materially below current levels when prices and production become more nearly adjusted to longer-run domestic and foreign demand and that no general inflation of larger proportions will develop in the meantime, further substantial increases in land values are not likely to occur. But if fear of serious inflation becomes at all widespread, land values may advance rapidly and to extremes.

#### OTHER INFLUENCES IN THE FARM LAND MARKET

The high incomes of farmers and others during recent years, along with general shortages of goods to buy, have meant huge aggregate accumulations of surplus savings, much of which is in the highly liquid form of demand deposits and currency. Demand deposits in country banks<sup>8</sup> in 20 leading agricultural States in July 1946 totaled 8.2 billion dollars, compared with 1.9 billion dollars in 1940. The increase for the single year preceding July 1946 was more than a billion dollars, an amount about equal to two-thirds the average demand deposits in this group of banks from 1935-39.

Although only a small portion of these deposits will be used for land purchase, their presence tend to support and stimulate the effective demand for farm real estate, although asking prices increase. Reduced incentives for keeping savings in war bonds have had a similar effect.

The easing of shortages of farm machinery and labor, while favorable returns from farming are continuing, has also been an inducement to buy land in some areas. New power machinery has encouraged expanded operations and buying convenient tracts is often preferred to leasing.

Many buyers of farms are again overemphasizing the high prices for farm products and the high farm incomes. The combination of high crop yields and high prices during war years has made it possible for many recent farm buyers to pay off substantial farm mortgages from the crops of only 1, 2, or 3 years. Such instances have stimulated others to buy. Those who buy farms shortly before the end of the period of high farm-product prices, or who strike a period of unfavorable weather, may have a good deal more difficulty in paying interest and debts.

Another stimulating influence of a rather localized character has come from the critical housing situation in cities. In rural areas near industrial centers frequent purchases of farms have been reported where the main purpose was for residential use.

<sup>8</sup> Member banks of Federal Reserve System only, in places of less than 15,000 population.

Several influences that now tend to hold prices of farm land somewhat in check did not operate during the land boom that followed World War I. Many farmers know well the long-run disastrous consequences of the land boom of World War I. Many prospective buyers are undoubtedly offering less because they think there will not be many more years of high farm incomes. It is also probable that more farms are offered for sale by owners who expect to sell at near-peak prices and by elderly farmers who want to retire. Some of these retarding forces are likely to grow stronger during the coming months, particularly if farm prices and incomes weaken, although the inflationary forces still seem to be strong enough in most areas to keep average values in early 1947 higher than for 1946. Land values in many areas are already higher than are likely to be maintained by the longer-run postwar prices and incomes. Further advances will increase the seriousness of the consequences that are likely to follow.

### DESIRABLE LEVELS OF FARM LAND VALUES

The far-reaching inflationary effects of World War II have increased values of farm land to levels approaching those that prevailed in 1920 at the peak of the land boom of World War I. Values threaten to repeat, at least in part, the widely fluctuating course of the last 3 decades which was a chief cause of farm insecurity, and distress and inadequate living conditions among farm people.

Although responses of values to income changes have been somewhat limited, as discussed earlier, the fluctuations in value in the past were far greater than were warranted on the basis of the expected long-term normal earnings. The relationship of long-term average land values to normal farm earnings has significant implications with respect to the tenure and use of agricultural lands. Desirable levels of farm land values should be such as to encourage continued owner-operation of family farms, provide opportunities for an equitable distribution of farm income among the factors of production, allow adequate levels of living for farm people, and promote the efficient utilization and conservation of land. In many of the principal agricultural areas, land values have often been too high to allow farm families to reach these goals.

High prices of land in relation to normal earnings contribute to a high rate of tenancy. Most tenants and other landless farmers ordinarily find it difficult to accumulate enough capital to make a substantial cash payment on an adequate farm unit. In the early stages of an inflationary period, while land prices still lag in their response to the prospects of a good income, many tenants can make a success of a purchase even though their equity is thin. But, on the whole, neither high nor fluctuating land prices are favorable to the generally accepted policy of promoting stable owner-operatorship of family-type farms.

High land values (which arise primarily from unduly high rents and are attributable largely to lack of choice of work or jobs), often mean that the costs of land absorb an excessive share of farm earnings. Under these circumstances the returns to labor and management are usually not enough to provide an adequate level of living for new buyers and the family is penalized to benefit the land.

The tendency for high land values to cause an exploitation of labor and management is often accompanied by farming practices which exploit the soil. Overvaluation of farms, particularly when associated with excessive debts and taxes, encourages soil-depleting uses of the land as high fixed charges must be met. Similar conditions often prevent desirable shifts in the chief uses of the land. Even where reductions in land values that will permit shifts from intensive to extensive uses of land seem to be inevitable, the time required for land values, taxes, and debt-service charges to become adjusted downward may seriously delay the needed changes in land use.

On the whole, lower land values would be likely to mean more chances to make money on farms, improved land tenure, more widespread distribution of income, better living, encouragement of major shifts in land use, and the prevention of certain of the causes of soil exploitation. On the other hand, land-value levels that were altogether too low might have several undesirable consequences. For example, extremely low prices for land might not bring the most advantageous distribution of lands among operators, according to their ability and efficiency. Differences in value among grades of land might not be such as to encourage the farming of the most productive lands by the most efficient men. With low prices for land, many elderly farmers might hesitate to retire and make their farms available for younger men. In general, however, the advantages of a condition of moderate values in relation to farm earnings appear to overshadow the lesser advantages that might flow from high values.

Perhaps reasonably satisfactory levels of land values are those which would prevail where the relationship of land earnings to land values approximates long-term rates on comparable alternative investments, and at the same time provides returns for labor and living conditions for farm people that are comparable to those in other kinds of work.

In several respects, stability of land values is important to many farm operators, investors, and lenders. Widely fluctuating land values are likely to bring difficulties that are similar to those suggested above. In addition, the downswing of the cycle will usually bring financial difficulties because of high fixed costs of ownership, and may even bring a loss of equity for those who bought near the peak. Increases in land values such as have taken place in this war period, based on temporarily high farm returns, are likely to have consequences similar to those which were so distressing after the land boom of World War I.

TABLE 14.—*Farm real estate: Index numbers of estimated*  
[1935-39=109]

Geographic division and State	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924
United States.....	117	121	124	124	131	142	156	169	205	190	168	163	157
<b>Geographic divisions:</b>													
New England:.....	94	96	95	94	97	106	111	117	133	128	127	123	122
New England.....	111	113	115	113	117	126	132	137	154	144	134	132	129
Middle Atlantic.....	131	135	139	140	148	157	171	182	217	204	177	172	163
East North Central.....	140	144	148	151	165	176	193	212	265	251	216	205	190
West North Central.....	96	98	101	97	107	117	133	158	196	172	144	150	149
South Atlantic.....	96	99	102	98	108	119	138	161	197	161	147	148	141
East South Central.....	100	105	109	105	108	122	141	150	186	166	143	139	142
West South Central.....	133	138	136	133	132	144	158	175	204	180	166	155	149
Mountain.....	89	93	100	101	104	115	121	126	146	146	142	139	138
Pacific.....													
New England:													
Maine.....	105	108	103	101	103	116	121	131	149	139	133	136	133
New Hampshire.....	105	109	111	109	107	112	120	126	139	134	136	121	118
Vermont.....	101	101	98	103	115	126	132	135	149	150	144	133	129
Massachusetts.....	88	89	91	88	89	99	102	107	125	120	119	118	117
Rhode Island.....	84	85	84	86	90	95	99	104	110	110	107	105	106
Connecticut.....	79	80	82	80	82	88	93	97	110	108	112	110	112
Middle Atlantic:													
New York.....	115	117	119	117	121	128	135	138	156	144	136	134	131
New Jersey.....	86	87	90	87	90	97	101	104	114	114	106	101	105
Pennsylvania.....	113	115	117	115	121	132	137	143	161	151	138	136	133
East North Central:													
Ohio.....	135	139	140	147	156	164	182	187	219	186	171	168	163
Indiana.....	141	146	150	148	161	169	188	197	235	216	175	168	158
Illinois.....	142	146	151	150	153	163	174	190	235	224	185	180	169
Michigan.....	111	113	116	118	126	136	151	155	175	172	168	164	156
Wisconsin.....	113	116	119	121	136	144	155	166	198	196	179	171	162
West North Central:													
Minnesota.....	111	117	123	125	142	162	181	195	250	245	219	207	199
Iowa.....	133	138	145	155	178	186	202	223	296	273	225	216	198
Missouri.....	164	169	175	172	184	195	212	232	282	265	226	216	198
North Dakota.....	150	155	159	159	173	183	192	202	225	219	211	198	176
South Dakota.....	185	195	199	195	209	223	244	279	349	334	283	244	226
Nebraska.....	139	142	145	143	147	157	181	206	255	237	205	198	183
Kansas.....	133	130	130	135	143	150	161	173	198	195	171	167	155
South Atlantic:													
Maryland.....	100	103	106	107	112	122	133	140	170	150	145	140	137
Delaware.....	116	117	115	117	122	133	144	150	161	149	138	138	124
Virginia.....	91	94	97	91	110	117	133	157	177	169	147	160	152
West Virginia.....	118	121	125	122	126	135	148	164	187	171	151	155	151
North Carolina.....	76	77	81	80	89	101	118	138	174	153	130	152	149
South Carolina.....	122	119	122	114	119	130	148	196	278	226	153	156	164
Georgia.....	128	132	132	122	137	152	171	225	284	225	178	163	160
Florida.....	74	76	81	75	79	84	97	110	137	135	120	119	125
East South Central:													
Kentucky.....	100	103	106	103	114	131	150	175	206	178	156	152	146
Tennessee.....	97	101	105	101	112	122	146	170	202	171	155	160	149
Alabama.....	84	84	88	84	84	88	109	122	151	125	115	122	123
Mississippi.....	99	103	103	99	113	123	133	158	222	152	151	146	137
West South Central:													
Arkansas.....	106	108	108	102	117	139	161	182	239	200	188	183	172
Louisiana.....	90	93	90	87	96	102	130	142	180	148	127	131	124
Oklahoma.....	107	111	111	104	114	125	143	154	182	176	152	146	137
Texas.....	99	105	110	107	107	121	140	148	183	163	139	134	144
Mountain:													
Montana.....	183	188	194	188	177	188	199	215	236	198	180	164	153
Idaho.....	119	120	118	114	118	136	155	173	205	192	162	158	154
Wyoming.....	149	158	154	158	145	149	185	226	271	224	205	185	171
Colorado.....	169	177	169	161	175	183	189	203	242	226	211	194	168
New Mexico.....	124	129	118	124	118	137	145	156	178	154	142	136	136
Arizona.....	101	106	111	103	101	111	132	145	175	156	143	132	136
Utah.....	114	117	111	111	119	133	139	165	190	156	152	152	149
Nevada.....	141	147	151	149	145	141	151	172	198	180	174	164	158
Pacific:													
Washington.....	120	122	126	122	125	137	144	149	171	162	152	144	141
Oregon.....	122	125	129	125	126	130	141	148	162	163	154	144	142
California.....	77	82	90	92	96	108	113	118	139	139	138	137	136

<sup>1</sup> All farm land with improvements as of Mar. 1. Owing to rounding of figures, 1935-39 will not always

value per acre, by geographic divisions and States, 1912-46<sup>1</sup>

[1935-39=100]

1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	
153	150	144	142	140	138	128	107	88	92	95	99	102	103	101	102	103	110	120	138	152	171	
121	122	121	121	120	121	119	111	100	99	99	100	101	100	100	101	101	103	106	116	123	133	
129	128	126	124	123	120	114	108	93	94	96	100	101	102	101	102	103	107	117	123	134	145	
157	150	140	136	134	130	117	98	83	88	91	97	103	105	104	106	107	120	129	148	160	181	
181	175	166	162	161	157	140	117	92	96	98	102	103	101	97	94	93	99	110	127	138	153	
146	147	135	132	130	127	114	95	79	86	92	96	103	105	105	106	108	115	125	143	163	187	
139	137	132	129	127	126	115	96	78	84	92	95	100	106	107	110	114	125	139	157	177	209	
151	151	146	144	143	143	127	102	86	92	95	99	101	104	102	104	104	111	118	132	146	162	
142	139	137	137	137	138	136	112	93	94	95	99	102	102	102	103	105	113	124	144	163	182	
137	135	134	134	133	133	132	111	90	91	95	99	103	103	101	101	102	108	119	141	161	182	
131	133	131	131	129	131	129	117	99	99	99	100	102	101	99	100	100	102	104	118	125	131	
120	123	122	122	120	120	119	110	100	98	98	99	100	101	100	101	102	103	105	108	116	127	133
125	125	124	123	123	123	121	112	101	99	100	100	101	99	99	101	101	101	110	118	129	143	
118	119	117	117	117	117	116	108	101	100	99	99	100	101	101	101	101	101	103	112	119	126	
108	109	112	113	113	113	112	107	100	99	99	100	101	100	99	101	102	106	107	117	122	134	
110	111	111	112	112	112	112	107	100	99	99	100	101	100	100	100	103	107	108	116	121	133	
130	128	126	123	122	120	113	107	95	96	98	100	101	101	100	100	100	102	114	118	128	140	
109	113	113	111	111	110	108	104	97	97	97	99	100	101	102	102	106	112	119	124	132	144	
132	132	129	127	126	123	117	111	90	90	95	100	101	103	102	104	104	110	119	128	142	150	
151	145	137	132	130	124	113	97	81	87	91	99	104	102	105	106	111	123	134	154	167	193	
149	140	127	122	121	117	105	87	77	82	89	97	102	106	106	108	112	128	143	164	181	211	
168	160	145	140	138	133	118	96	79	80	90	95	103	107	106	110	111	126	133	153	163	181	
150	146	144	142	140	137	130	109	91	93	94	95	104	104	104	103	106	119	130	152	164	190	
151	146	142	139	138	136	121	106	93	93	96	98	104	103	100	97	95	102	107	119	128	139	
186	182	170	164	161	156	136	115	92	97	97	99	101	103	100	100	101	106	117	129	134	151	
189	180	167	163	161	156	137	111	81	88	92	101	102	103	102	103	103	110	121	141	149	167	
189	176	167	163	161	156	135	113	93	97	98	101	102	101	98	100	102	112	125	139	154	173	
169	162	154	153	151	148	132	113	102	105	103	106	104	99	88	80	80	85	89	108	117	129	
221	207	188	185	183	179	159	129	106	106	105	106	105	98	85	79	78	81	91	110	119	131	
176	175	169	167	165	161	150	127	99	102	102	104	102	98	93	83	78	83	91	110	122	137	
151	148	149	148	148	148	135	117	92	95	96	99	103	102	100	93	94	98	111	126	146	158	
135	134	129	127	126	126	124	109	92	92	94	97	101	104	103	103	108	114	128	140	152	170	
130	132	129	129	129	129	125	110	93	93	95	98	100	104	103	103	108	112	126	129	142	159	
145	139	130	128	128	126	110	90	83	86	91	97	104	105	104	106	108	111	123	137	161	188	
145	140	134	132	131	127	119	99	89	95	95	99	100	102	104	104	108	110	120	127	129	147	
146	144	139	134	129	123	105	89	67	79	87	95	103	108	107	108	106	117	125	151	175	209	
167	154	137	134	133	125	110	88	69	81	92	95	101	106	106	108	115	124	136	165	196	209	
151	146	135	134	132	130	117	92	74	85	93	95	104	104	105	107	114	121	134	157	173	191	
132	171	140	135	134	132	128	108	93	97	98	103	102	101	102	103	108	115	123	145	152	157	
145	143	138	134	133	131	119	100	82	84	90	92	101	107	111	117	107	133	152	170	195	227	
138	135	131	129	126	125	116	97	79	85	92	98	101	103	105	109	114	125	140	161	175	215	
131	131	124	124	122	122	111	87	75	85	94	97	99	105	105	104	107	111	119	136	153	177	
139	136	129	126	124	124	114	94	74	84	92	93	99	108	108	108	113	124	136	148	168	199	
172	165	162	159	157	152	127	112	86	92	95	99	100	104	102	103	108	120	133	152	179	193	
128	130	122	120	120	120	110	93	81	87	94	95	99	107	106	110	117	132	140	147	159		
144	142	141	140	139	139	128	103	83	91	94	100	100	103	103	102	105	111	122	132	143	171	
153	153	147	145	144	144	128	101	87	93	96	99	101	103	101	103	103	110	114	129	144	158	
141	136	133	133	135	132	109	89	91	95	101	102	101	102	104	107	116	130	151	168	192		
147	141	140	139	138	138	136	114	91	92	96	99	103	102	101	102	103	112	127	148	166	182	
153	146	144	146	148	150	146	118	95	95	96	99	102	102	102	104	110	120	135	157	177	202	
159	163	141	141	141	142	139	111	92	92	92	97	103	104	104	105	108	119	133	160	186	214	
134	131	134	134	135	136	135	110	93	94	94	99	101	102	103	104	108	117	125	144	163	186	
129	133	131	131	130	130	130	110	95	95	97	100	102	101	100	101	102	108	116	135	154	168	
148	147	146	145	144	144	139	112	95	96	95	99	102	102	102	102	102	106	114	128	138	145	
150	146	146	146	146	146	142	115	96	96	96	100	102	101	101	102	104	108	114	127	134	147	
138	137	136	135	135	135	133	112	90	90	94	98	103	103	102	103	103	111	124	147	164	188	
138	135	133	133	133	135	133	111	90	90	93	97	103	103	103	105	106	115	124	146	163	179	
136	135	134	134	133	133	131	110	90	91	96	99	103	102	100	100	101	106	117	139	160	182	

equal exactly 100 percent.



