

Farmland Values Soar 25 pct.

Farmland values per acre soared a record 25 percent for the year ending March 1, 1974. (table 1). The increase surpassed the largest previous rise of 22 percent in 1920 (March 1) and 21 percent increase for the year ending this past November 1.

The index of farm real estate values per acre is now 187 (March 1, 1967 = 100). This 87 percent increase over the past 7 years converts to a compound rate of increase of 9.35 percent per year.

North Dakota topped all States with a 36 percent jump (fig. 1), primarily on the basis of abnormally high priced small grains. Iowa and Illinois followed closely with 34 percent increases. In all, 12 States showed increases of 30 percent or more. Colorado led the Western States with 27 percent. (last November. Colorado led all States with a 33 percent rise). Washington's 11 percent was the lowest increase nationally.

Reasons for record jump

A record high net farm income in 1973 and considerable optimism regarding future levels of net farm income set the stage for the record jump in farm real estate values.

Farm operators' realized net income for calendar year 1973 was \$26.1 billion—one-third larger than 1972's \$19.7 billion and nearly double 1967's \$14.2 billion.

Expanded export opportunities for U.S. farm products appear to have shifted expectations of many farmland buyers and their lenders to a new plateau regarding the future well-being of U.S. agriculture. Consequently, more people are interested in buying farmland. At the same time, existing owners and heirs can see financial benefit from maintaining ownership of farmland, above those from alternative investments, as long as prospects for sizable increases in either rents or land prices remain favorable. Even though the farmland transfer rate need not be affected materially by increasing optimism, average farmland value increases will reflect the degree of optimism prevalent in the market.

Farm mortgage lending

Farm mortgage lending by the Federal land banks set record levels during 1973 and remained strong throughout the first quarter of 1974. New money loaned during the first quarter totaled \$796.2 million as compared with \$711.6 million in the first quarter of 1973, or an increase of 12 percent. Federal land bank loans outstanding increased 19.8 percent from March 31, 1973, to March 31, 1974, reaching \$11.5 billion. As of December 31, 1973, land bank loans outstanding had totaled \$10.9 billion.

Insurance company lending remained strong during the first quarter of 1974 at interest rates averaging about 9 percent. However, repayments to insurance companies increased sharply and total loans outstanding remained unchanged over the quarter.

Final data for Farmers' Home Administration (FmHA) loans are not yet available but loan volume is up substantially over the previous quarter.

It can be anticipated that funds for farm loans will remain readily available throughout 1974, but interest rates will likely show upward movement

Market activity and conditions

Opinion data from all areas (agricultural plus nonagricultural influenced areas) from the March 1 survey (table 2) show that 70 percent of the respondents believe that farm and ranch land will tack on further gains (at least 5 percent) by March 1975. Only 2 percent expect a decrease. This distribution is essentially unchanged from the March and October 1973 surveys. It is, however, much more upswing-minded than the March 1972 survey when less than half the respondents expected land prices to increase during the following year. The percentage of reporters, in the most recent survey, expecting higher land prices is greater in primarily nonagricultural influenced areas (75 percent) than in primarily agricultural-influenced areas (67 percent).

The vast majority of survey reporters again indicated that farm and ranch land prices were up from 6 months ago, but the percentage declined from

Table 1.—Farm real estate: Indexes of average value per acre, by State, grouped by farm production region, 1972-1974¹ (March 1, 1967=100)

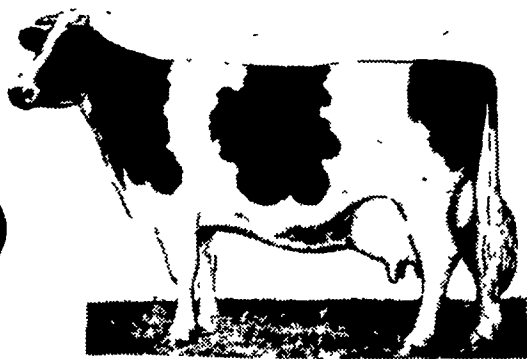
State	1972		1973		1974
	Mar.	Nov.	Mar.	Nov.	Mar.
Northeast					
Maine					
New Hampshire					
Vermont					
Massachusetts	174	187	198	215	232
Rhode Island					
Connecticut					
New York	155	167	176	199	233
New Jersey	180	194	211	240	278
Pennsylvania	167	173	201	227	262
Delaware	134	144	155	172	199
Maryland	162	166	191	211	227
Lake States					
Michigan	127	135	150	167	174
Wisconsin	148	162	179	199	214
Minnesota	127	136	144	164	186
Corn Belt					
Ohio	127	137	147	161	184
Indiana	113	119	131	152	161
Illinois	116	124	129	150	173
Iowa	122	130	141	169	189
Missouri	143	157	160	180	207
Northern Plains					
North Dakota	127	134	142	168	193
South Dakota	118	122	130	151	172
Nebraska	127	137	145	168	183
Kansas	118	129	137	157	178
Appalachian					
Virginia	149	160	171	194	223
West Virginia	177	194	211	224	275
North Carolina	138	154	164	186	200
Kentucky	137	146	153	173	182
Tennessee	142	156	167	193	206
Southeast					
South Carolina	162	173	179	223	238
Georgia	175	195	201	244	264
Florida	136	147	155	187	200
Alabama	146	154	167	200	211
Delta States					
Mississippi	129	134	144	155	182
Arkansas	142	148	159	175	186
Louisiana	139	146	148	161	174
Southern Plains					
Oklahoma	131	138	150	169	183
Texas	138	147	156	170	191
Mountain					
Montana	142	148	159	183	203
Idaho	141	150	159	170	203
Wyoming	134	139	153	169	191
Colorado	128	134	152	178	194
New Mexico	136	143	151	180	186
Arizona	159	164	170	182	208
Utah	173	180	186	211	216
Nevada	213	238	251	286	299
Pacific					
Washington	130	133	145	158	160
Oregon	170	179	187	201	213
California	112	113	115	127	131
48 States	132	141	150	170	187

¹ Includes improvements ² Indexed up by the average of the percentage change in Georgia and Alabama index values

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7:30 P.M.

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A "VG" Senator Daughter with an 18,000 lb. 4-year old record, her dam by Pride Admiral with 29,000 milk.

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3 Registered Bulls from high record Dams.

Other Sires Represented: Hagan, Black Eagle, Round Oak Electrom, Charmer, Starman, Milk & Honey.

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