

# Major Dairy Sales And Dispersals Nationwide



During the week of June 6 to June 11, there were no major dairy sales or dispersals held outside of Pennsylvania. However, the

National Dairy Cow Sale Index has been updated. As sales are scheduled for next week, the column will resume.

## NATIONAL DAIRY COW SALE INDEX

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This sale index can help diarymen place a value on the dairy cows in their own herds. Breed organization sales and private dispersal sales reported in Lancaster Farming are included in the dollar averages.

	Ayrshire	Brown	Guernsey Swiss	Jersey
Year to date:				
Nation	721	940	789	925
Pennsylvania	1027	—	556	1332
Four previous weeks:				
Nation	674.19	966	676	910
Four previous weeks				
+/-year to date:	48 lower	26 higher	113 lower	15 lower

	Holstein	Red and White	Milking Shorthorn
Year to date:			
Nation	1816	2837	672
Pennsylvania	1298	2837	922
Four previous weeks:			
Nation	1826	—	421
Four previous weeks			
+/-year to date:	10 higher		251 lower

# Ag Problems Center On Lower Farmland Values

Declining land values have been at the very core of agriculture's problems over the last several years, according to analysts of USDA's Economic Research Service.

Between 1970 and the early 1980's, farm real estate values, on average, more than quadrupled, says a recent issue of the Agriculture Department's FARMLINE magazine. The steady, rapid appreciation was far out of line with the growth in the earning capacity of the land. It was propelled by a number of factors: high inflation rates in the general economy; rising exports and projections that a growing world population would depend increasingly on the output from America's farms; low real interest rates and plentiful credit; greater attention to the fact that land is a limited resource; and fairly steady gains, overall, in net cash income from farming.

Perhaps the most important stimulus by the late 1970's, however, was the self-perpetuating assumption in the farm real estate market that the rapid inflation in land values would continue. More than half the returns of farm investment were coming in the form of capital gains, primarily on land, say USDA analysts.

While the returns a farmers could earn by producing crops and livestock were rising slowly and could vary sharply from year to year, the returns to the ownership of farmland were very dependable and very high. Land was appreciating at an average annual rate of about 16 percent in the late 1970's.

The capital gains encouraged farmers and farmland investors to continue bidding up land values to get access to all this "paper wealth." The paper wealth could easily be converted into real money by using the inflated land values as collateral to help meet cash flow needs, invest in new facilities, or buy more land.

Expansion, in fact, seemed to be a wise business decision supported by the "experts."

Expansion in the early and mid-1970's paid off for a great many farmers, say Agriculture Department economists, but others expanded too much or too late as interest rates were rising and land values were leveling off. They could support their newly acquired debt only when they were getting large capital gains, mainly in land values. They were counting on being able to borrow against continued capital gains to meet their debt payments and other cash flow needs. For many of them, all that was needed to bring on a crisis was for farmland inflation to slow. It did that, and more.

The bottom fell out of the land market, and some farmers could

not get the additional credit or even support their current debt. The underlying causes can probably be traced to a dramatic slowdown in inflation throughout the general economy, a downturn in exports, a sharp rise in real interest rates, a general tightening up of credit; and the gradual realization in the farmland market that the inflated values weren't supported by the economics of farming.

The downturn in farmland values began as lenders tightened up on credit and called in existing loans, and as more farmland came on the market because some farmers couldn't manage their debt payments. The more that values dropped, the greater the number of farmers who had to sell off land or weren't in the position to buy the land going on the market, so the downturn accelerated, feeding on itself.

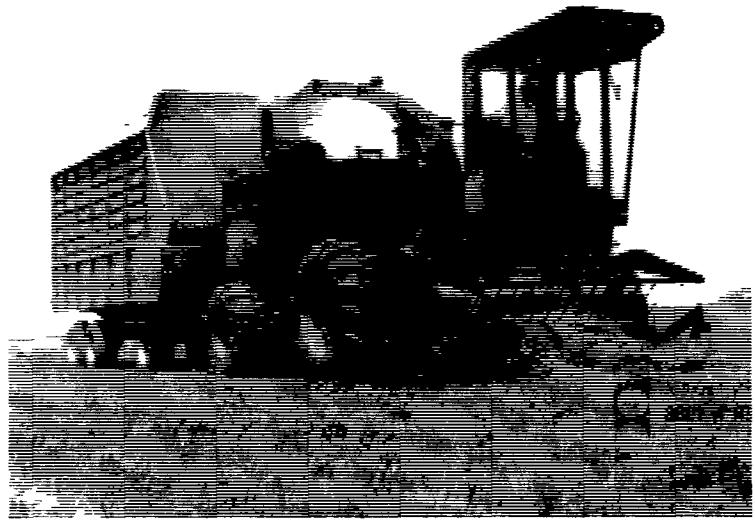
The USDA FARMLINE report says it was this decline in the value of farm assets, particularly land, that precipitated the "crisis" for many of the farmers now facing severe financial stress and for many of those who have already succumbed to it.

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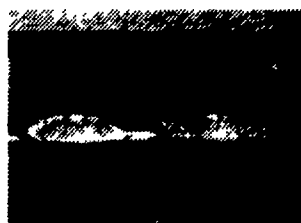


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