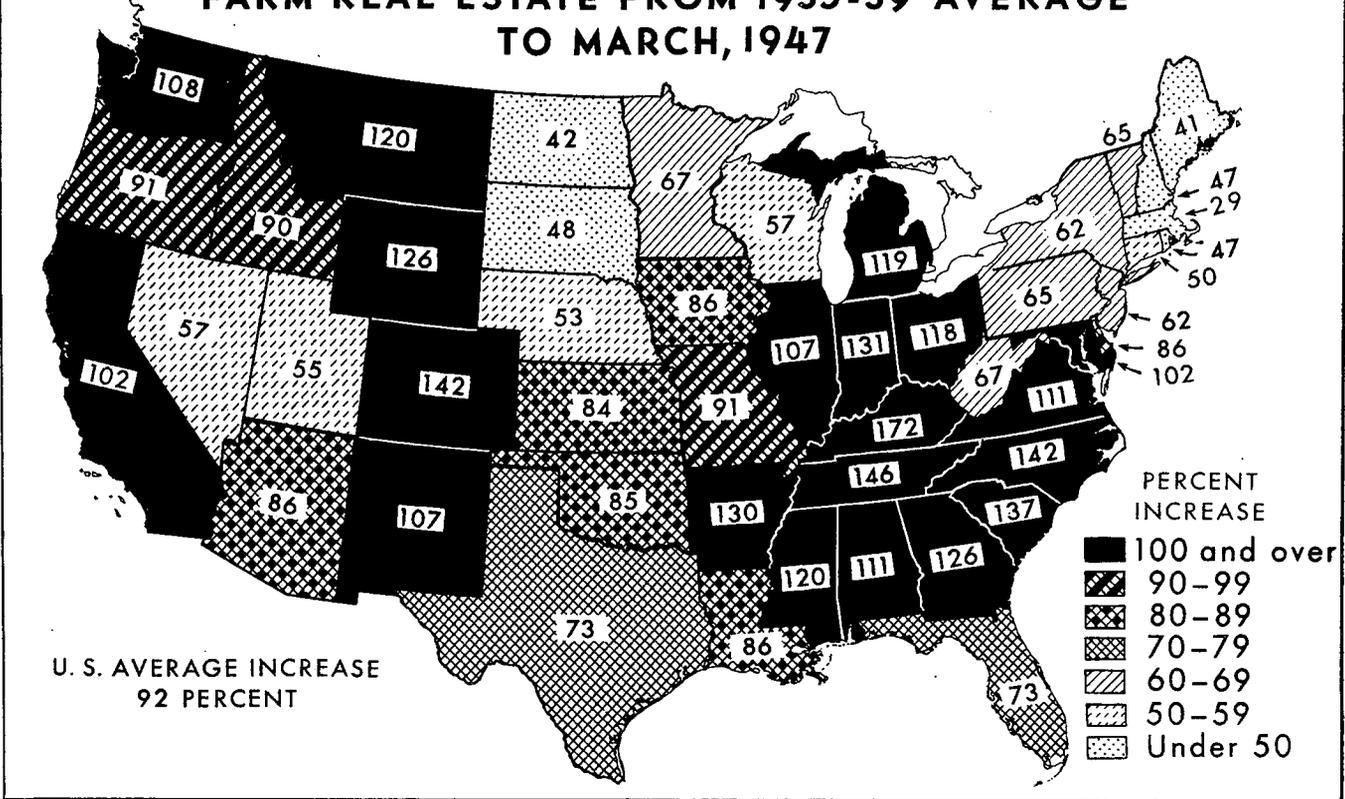


## PERCENTAGE CHANGE IN AVERAGE VALUE PER ACRE OF FARM REAL ESTATE FROM 1935-39 AVERAGE TO MARCH, 1947



U. S. DEPARTMENT OF AGRICULTURE

NEG. 46359-X BUREAU OF AGRICULTURAL ECONOMICS

The upward trend in farm real-estate values that started in the late 1930's continued at a rapid rate during the war and until at least March 1947. The Bureau of Agricultural Economics index (1912-14=100) of average value per acre of farm real estate for the United States was 159 in March 1947. This index was only 6 percent below that for 1920, the peak following World War I. Increases averaged about 1 percent per month for the 6 years immediately preceding 1947.

In the Northeast, where the urban influence is strong, land values reached the 1920 level by March 1947 and have continued to increase uninterruptedly. In the Midwest, values of farm real estate have risen substantially; but in view of the low levels at the beginning of the war, they are still far below those of the World War I period. In the Great Plains, where droughts and low prices were particularly depressing during the 1930's, the rise did not begin until 1941-42, and the 1912-14 levels have not been reached. Industrialization and an increased demand for tobacco contributed to the higher values in the Appalachian region, whereas in the Pacific region the improvement of farm land, especially through irrigation and the planting of new citrus orchards, has substantially enhanced values over those of World War I.

Land prices for the country have increased 92 percent above the 1935-39 average. This increase compares with prices in 1920 that were 70 percent above the 1912-14 average. Prices in the 1935-39 period were 15 percent below the 1912-14 average. The greatest increases since the prewar period have been in the Appalachian region, the eastern Corn Belt, the cotton States, and the eastern Rocky Mountain States. The Northeast, the western Corn Belt, the eastern Great Plains, and some of the intermountain States had the least increases. Land values in these States did not generally begin to rise so early as in other States.

A steady increase of the inflation pressures, due to continuing high levels of current farm incomes, and a further accumula-

tion of funds available for purchases appear to be the principal reasons for the continued increases in prices of farm lands. An abundance of credit at low rates of interest has also stimulated buying at high prices. The actual physical condition of the country's soil resources and farm improvements probably deteriorated during the war.

For the fourth consecutive year, the volume of farm real-estate sales for 1946 was more than three-fourths above the prewar average. During those 4 years, about one-seventh of all the land transferred had been owned by the seller less than 2 years. Farmers have bought about two-thirds of the tracts that changed hands. During 1946, about two-fifths of the nonfarmer buyers indicated an intention to operate the farms they bought, compared with only one-third in 1944 and 1945. This suggested "back-to-the-land movement" may have been due principally to returning servicemen. Individuals sold about five-sixths of the properties transferred in 1946, and about one-half of these were owner operators. There has been an increasing number of sales by owner operators each year since 1941, while sales by estates and corporations have decreased steadily.

Commercial banks have increased in importance as a source of credit to finance farm purchases, whereas Federal lending agencies have decreased. Individuals financed slightly less than one-half the credit transfers in 1945; commercial banks, more than one-fourth; insurance companies, about one-tenth; and land banks, only 7 percent.

Buyers of farm land have paid a large proportion of the purchase price in cash during recent years. More than one-half of the sales since 1943 have been for cash, on a much higher percentage than during the World War I period. Down payments on mortgage-financed transfers in recent years have averaged above 40 percent of the sales price. This ratio has changed very little despite the marked increase in price; however, debts that are above 50 percent of the sales price would approximate the figure that represented the full market value in 1941.