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AGRICULTURAL EXTENSION SERVICE

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University Farm, St. Paul 1, June 20, 1947

LAND PRICES CAUSE CONCERN. Representatives of farm organizations, lending institutions and government agencies met in a conference recently in Washington, D.C. to consider the problem of farm land inflation. This conference was called by the Secretary of Agriculture at the suggestion of the President.

Representatives reviewed the current farm land price and farm debt situation and the outlook for farm commodity prices. Farmers purchasing land at high prices and incurring heavy debts may find themselves in financial difficulty if farm prices decline to lower levels, it was pointed out. Special mention was made of the fact that many veterans are purchasing farms at inflated prices using guaranteed loans often up to 100 per cent of the purchase price. The conference felt the educational program to caution farmers against incurring heavy debts should be continued and expanded.

The general resolution adopted by the conference follows: Recognizing the unusual character of the farm income and the farm land price situation at the present time, it is agreed that the Department of Agriculture, the state colleges, farm organizations, lending agencies, and their associations should discourage borrowing to speculate in farm land or borrowing to buy land at prices which are not justified by long-term income prospects.

Lending agencies represented at the meeting agreed that loans on farm land should be based on an appraisal of the normal earning capacity of the farm over a long period of years.

Further it is urged that educational efforts call particular attention to the more rapid rise which has occurred in the prices of farm lands of low productivity and land which is hazardous for crop and grazing uses. Also emphasis should be placed upon the favorable weather in recent years which cannot be expected to continue indefinitely.

LAND FEVER--ANDERSON. Secretary of Agriculture Anderson, speaking before the conference on farm real estate prices made these comments: "Farm land prices have risen every year since the war began. Using 1935-39 average prices as 100 per cent, they were 103 per cent in the year of Pearl Harbor. Then in succeeding years they went up to 110, 120, 138, 152, 171. And now as of March 1, our latest report, they are 192 per cent of the prewar prices. The land prices rise in the last four years is greater than any comparable period on record. Average values in half the states are now above their post-World War I peaks, and the average for the country as a whole is within six per cent of the 1920 record high. Greatest land price increases have been in the Southeast, in the Mountain States, on the Pacific Coast, and in the Eastern Corn Belt -- particularly Ohio, Indiana, and Michigan. The smallest increase have been in New England, the Great Plains, and in Nevada and Utah. Kentucky leads with a 172 per cent increase. Massachusetts is the lowest with only a 29 per cent increase."

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