

Boom in Farm Prices and Rapid Turnover Prompts Fears Collapse Will Follow Peace

Memory of Bust After World War I Still Is Vivid to the Farmers

When GI Joe comes back to his farm home from the war he may find a lot of new faces around the neighborhood. And he may miss a lot of the old familiar ones. The family up the road may have moved bag and baggage to Oregon. A new owner may be tilling the bottom lands on the back eighty.

Rural America is on the move. Farmers, like their city cousins, have been shifting their base of operations at an ever-increasing tempo in the months since Pearl Harbor. More farms are changing hands this year than at any time in the past generation. They are changing for scores of reasons, but back of almost every sale is the chance to strike pay dirt—to realize a profit on the old homestead.

Many farm folks are frankly concerned over this trend. They are troubled not so much about the migration as they are about the steady increase in farm real estate transactions. They fear that the long threatened land inflation is under way. And they are asking themselves: "Will the old cycle of boom and bust be repeated?"

Every previous war has brought its own land boom that left a wreckage of deflation behind. The collapse of the speculative era following World War I is painfully fresh in the memory of many a farmer.

considered fairly representative, it is estimated that farm land prices have risen about 17 per cent between April, 1943, and April, 1944. From the beginning of the year until April 1, the advance has been about 2 per cent. The increases have been largest in Indiana, Illinois and Iowa, in which states the per cent of purchases by city investors was largest, being 30 to 37 per cent of all sales.

It is true that farmers have been using much of their larger incomes to buy bonds and to pay off debts. The steadily decreasing volume of farm mortgage debt is evidence of this trend. But now reports indicate that heavier debts are frequently being assumed when farms are bought. This is especially true of tenants who are buying on contract or with relatively small down payments.

All Sorts of Buyers.

Surveys by county banks indicate that all types of farm buyers are now in the market. Tenants are acquiring their own farms. Owners are expanding their present units or are taking on additional acreage, perhaps for sons now in the service. Even large commercial farms in some instances are changing hands at increasing prices. Local business and professional people and city investors bent on hedging against inflation or higher income taxes are buying land. War plant workers, too, are making purchases, expecting to turn to farming when their munitions jobs are ended.

All these conditions are reminiscent of what occurred in World War I, for that too, was a story of agricultural upsurge. Farm income rose from 6 billions in 1914 to 14 1/2

proposed in the future before endorsing them.

"The land boom of the first World war and its awful consequences throughout 20 years have been credited by some to unwise land ownership policies," he declared. "Upswings of prices with the second World war have engendered the fear that another boom was in the making and that its consequences would be the same as the first.

"Buyers have been warned repeatedly. Still, reports of advancing prices multiply. Some believe that voluntary action would be ineffective. So legislated remedies are proposed."

Most drastic proposal is the permit system advocated by William G. Murray of Iowa and others. It would require a prospective purchaser to appear before a board and show reason why he should be allowed to buy a farm.

If the board found him an unfit person to own land, or didn't like his attitude, it apparently could turn him down. No permit would be awarded before the land had been appraised.

Limited Loans.

Another proposal is credit control. First provision is that no loans should exceed 50 per cent of the value of the land. Presumably value would be established by appraisal. Such a regulation might be legislated, and it might stick. Presumably, also, lending agencies would establish a policy of refusing to lend to men who paid long prices. An approach to this is already in effect. The land banks, mortgage, trust and insurance companies have been discouraging borrowers both from paying too much and from borrowing too much of the purchase price. But they don't have any control over folks who are prepared to pay cash, or the private money lender who is willing to take a long chance for a high interest rate, or the owner who can finance his own sale.

Mildest of these proposals is to impose a stiff federal capital gains tax. Such a bill was placed before congress by Senator Gillette of Iowa. It is directed at speculators by providing a tax amounting to 90 per cent of the profits if the land is resold before the end of two years. Each year thereafter the tax would be decreased until the end of six years, when none would be levied. There is no doubt as to the class of transactions which the legislation is intended to curb. But would a farmer who was obliged to sell within the limits specified be subject to the tax?

All the schemes thus far advanced seem to be pointed toward keeping the buyer from making a fool of himself, but of course every sale must have two parties. So the man who wants to quit farming; the man who wants to retire on proceeds from sale of his land; the fellow who wants to sell and move elsewhere; the widow who has been hanging on until she can get the family equity out intact; the non-operator who is sick of wrangling with tenants and who has been longing for the time when he can get out and save his shirt—all these welcome the upturn of prices.

Now lots of farmers who have no desire to sell, who think their troubles are caused by folks they don't believe should be allowed to own land, applaud these proposals. And they may be right, but it will be well to look into them, their implications, what else may be proposed in the future before endorsing them.

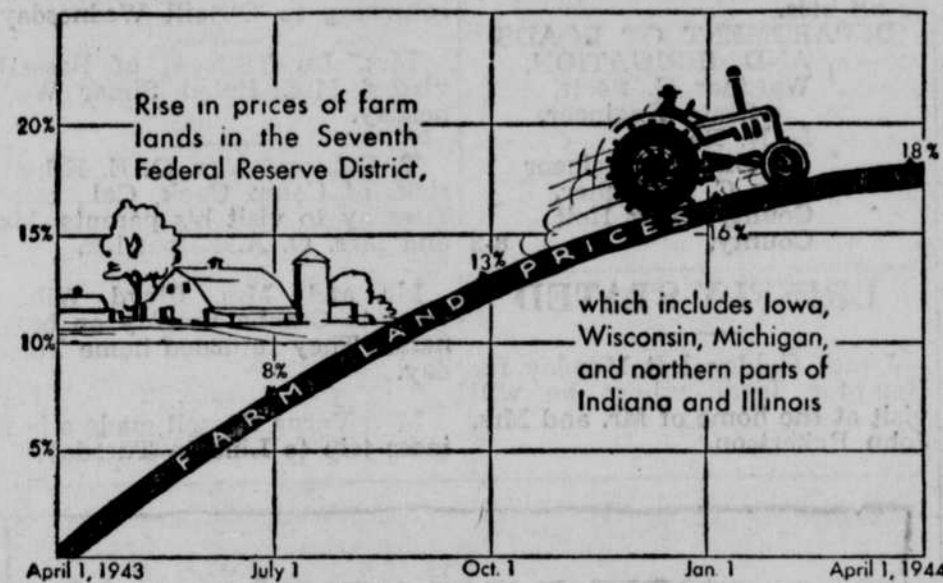
This country can have control of land sales and purchase in two ways. First by doing nothing; second by whopping it up for the proposals. Farmers will be more vitally affected than any other group. If they want a Federal agency empowered to say who may own land, they can have it. If they don't care, they can have it anyway. Forces sponsoring the change in land policy will see to that. But if farmers don't want it, they may be able to forestall it by protest.

Bankers Say Land Is Selling Above Normal

Average prices at which farm lands are now selling in the seventh federal reserve district as compiled from reports of 500 country bankers are shown in the chart. The seventh district includes Iowa, Michigan, Wisconsin and the northern parts of Illinois and Indiana.

STATE	"Better" lands			"Poorer" lands		
	Present values	"Normal" values	Per cent above "normal"	Present values	"Normal" values	Per cent above "normal"
Illinois	\$202	\$124	63%	\$100	\$62	61%
Indiana	143	88	63%	72	47	53%
Iowa	160	118	36%	81	58	40%
Michigan	107	79	35%	51	35	46%
Wisconsin	105	82	28%	51	39	31%
7th District	153	103	49%	76	51	49%

Midwestern Land Prices Climb 18% in Year



Symptoms are already evident suggesting that history could repeat itself in World War II, unless brakes are applied to the fast-moving upsurge in farm land buying.

For instance, land values have risen 33 per cent above their 1935-39 average and are already up to 100 per cent of their pre-World War I levels. Farm sales during 1943 were at a record volume, surpassing even the previous high reached in 1919. Sales in 1944 are forging ahead of last year's record.

Plenty of Money Floating.

Three factors are believed to be immediately responsible for the urge to acquire additional holdings: 1—Both farmers and nonfarmers have large and increasing funds available for land purchase. 2—Present high income and the rosy prospect of more yet to come make the purchase of farms seem especially attractive not only to farmers but city-dwellers as well. 3—Long term credit at low interest rates makes it easy to acquire land.

Speaking of income, nearly 20 billion dollars—\$19,764,550,000 to be exact—flowed into farmers' pockets from the 1943 bumper harvest. Last year's total was more than four times the low-ebb depression income of 4 1/2 billion dollars in 1938. It was about \$3,750,000,000 in excess of the 1942 total. When operating costs, including taxes, interest, wages for labor, machinery and other items are deducted, farmers were left with a spendable income that was almost double that of 1939. Meanwhile, the cost of living had advanced only one-fourth.

U. S. department of commerce estimates of individual savings indicate an increase of 7.5 billion dollars for 1940 to 36 billion dollars for 1943. A very large part of these savings is in highly liquid assets of currency and bank deposits.

Whenever an industry does as well as farming has done, there is a tendency to speculate. Those already in the business seek to expand their operations. Others seek to get in on the good thing. And thus a spiraling boom can be born.

In the midwestern area, comprising the Seventh Federal Reserve district, for instance, which may be

Veterans, War Workers Who Plan to Go Back to Land When Peace Comes, Should Be Cautious, Board Warns

Estimates show that about 900,000 New York state residents will be demobilized from the armed forces, and another 500,000 from war industries. If the proportion of these men interested in farming runs about the same as it does in our total state population, about 75,000 persons from the Empire state will be looking for a place on the land. Purchase of submarginal land will

for the farming of today is only one pitfall which veterans and war workers will need help to avoid, says the New York State Rural Policy committee. Others are purchase of farms, at perhaps inflated values, with a large debt; location in an area which carries on a type of farming different from their past experience; and too hasty purchase of land that will tie them down before they

get adjusted to "staying put."

Actually, only 30 per cent of the land in up-state New York is well adapted to farming today, and much of this land is in established farms that will not be for sale. Another 38 per cent is fair farm land.

County agricultural defense committees, or other groups, should be charged with the responsibility of helping men who wish to return to the land, in order that they make good investments and become productive and self-sustaining citizens, the state policy group advised.

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