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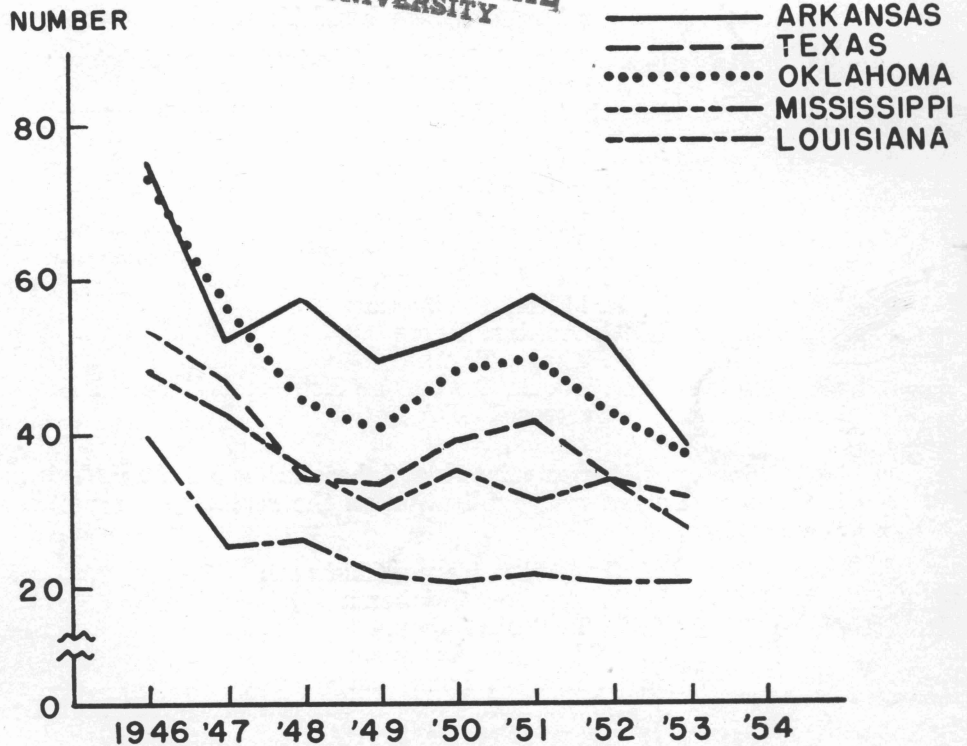


• *Farm Land Market Situation*  
 • *in the Southwestern States*  
 • *1946-54*

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Volume of land sales per 1,000 farms, Southwestern States, 1946-54

Southwestern  
Regional  
Bulletin  
No. 5



Agricultural Experiment Stations of Arkansas, Louisiana, Mississippi, Oklahoma and Texas, Farm Foundation and U. S. Department of Agriculture Cooperating

## PREFACE

This background report on the farm land situation in the Southwestern States, including Arkansas, Louisiana, Mississippi, Oklahoma and Texas, is issued by the Southwestern Land Tenure Research Committee in its regional series. This is a situation report emphasizing the major developments in the land market since World War II. Information and interpretation are presented which will be of use to farmers, ranchmen, bankers, credit agencies, county agents and any others concerned with the buying, selling and financing of land transfers.

Members of the Southwestern Land Tenure Research Committee are:

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T. R. Timm, Texas  
B. T. Inman, Production Economics Research Branch, Agricultural Research Service, USDA

This committee appointed a Subcommittee on Land Values in 1953 and requested it to prepare a regional publication on the real estate situation. The subcommittee is composed of:

W. G. Adkins, Texas, Chairman  
L. A. Parcher, Oklahoma  
R. L. Tontz, Oklahoma  
V. B. Fielder, Arkansas  
A. C. Harper, Louisiana  
J. H. Southern, Production Economics Research Branch, Agricultural Research Service, USDA  
W. H. Scofield, Production Economics Research Branch, Agricultural Research Service, USDA, Advisor

At the request of the regional committee, John H. Southern, Agricultural Research Service, U. S. Department of Agriculture, cooperating with the Texas Agricultural Experiment Station, assumed leadership and responsibility for writing the report. The subcommittee furnished information and reviewed the original draft which was then revised for this publication.

Special acknowledgment is due the cooperation of the Farm Foundation, the Texas Agricultural Experiment Station for its editorial and publication facilities and the other state agricultural experiment stations in the region for their collaboration.

# Farm Land Market Situation in the Southwestern States, 1946-54

JOHN H. SOUTHERN, Agricultural Economist,  
Production Economics Research Branch,  
Agricultural Research Service, U. S. Department of Agriculture

**T**HIS REPORT PRESENTS AND INTERPRETS LAND market information in the Southwestern States—Arkansas, Louisiana, Mississippi, Oklahoma and Texas—with emphasis on the major developments in the market since World War II. Information and interpretation will be of value to farmers, businessmen, bankers, credit agencies and any others concerned with buying, selling and financing land-transfers. Also, such information will furnish the basis for further research into current and emerging problems in the market.

During the 9-year period, 1946-54, the land market reflected the strength of southwestern agriculture and the high level of general economic activity. Farm incomes were good, remaining at or near record levels. Although mortgage indebtedness rose steadily it did not reach serious proportions. Many buyers paid cash for land, and others retired indebtedness of long standing. Prices for land increased steadily and fairly rapidly from 1946 through 1948, and again following the Korean outbreak. Just prior to this outbreak, in 1949 and early 1950, prices had begun to weaken. Beginning in mid-1950 prices again climbed. The general trend has eased off since mid-1952.

Although land prices reached record levels in all states, going above previous highs in 1920, there was no feature of the general land market that made it a "boom" activity. Turnover was rapid, at what might be "boom" rates only in a few local areas, and speculative buying and selling to cash in on rising prices, although playing a part, was not widespread enough to cause an important land market problem. Resales were not excessive. Some farmers may have paid prices that were too high for land, but they still continued as the number one buyer.

Land price increases usually were 1 to 2 years behind rising incomes. This offered an opportunity to farmers to purchase land. Increasing income was reflected in higher land prices in some areas more quickly than in others, and prices in 1954 in some areas were higher than could be justified by expected agricultural incomes. Despite the strong demand for land, the number of sales declined steadily from the 1946 peak. By 1953, the volume of voluntary sales was only half as great as in 1946. By the end of 1953 and in 1954, except in certain localities, uncertainty began to dominate the market and prospective buyers and sellers adopted a wait-and-see attitude.

## THE LAND MARKET PROCESS

"Value of farms or tracts" as used in this report refers to an estimated market value which

is based upon currently observed land prices. "Price" refers to the specific per acre selling price of farms or units of land that were sold. "Value" refers to all farm property, while price refers only to the farms that changed hands.

The farm real estate market is created by the actions of buyers and sellers, actual and prospective, as they evaluate the factors which give land its present and future value. Their appraisals are expressed in asking and offering prices.

In addition to the function of price-making, the land market is the most widely used means of transferring the land investment in agriculture from one individual to another and of allocating a large proportion of capital resources within agriculture. It provides ways for farmers to acquire ownership of land, the means to accumulate, protect equities and satisfy indebtedness obligations. The market process does not always accomplish these functions. In some instances and during certain periods ownership and equities have been lost and capital accumulation has been negative.

Since land as a commodity cannot be standardized, as can its products, the market for it is imperfect and unorganized. Land moves only in relatively large units and at a low annual rate of turnover as compared with most commodities. Land as sold varies in quality and in area. Its productive capacity may be high, low or intermediate. It is not highly sensitive to day-to-day shifts in demand and to shortrun fluctuations in

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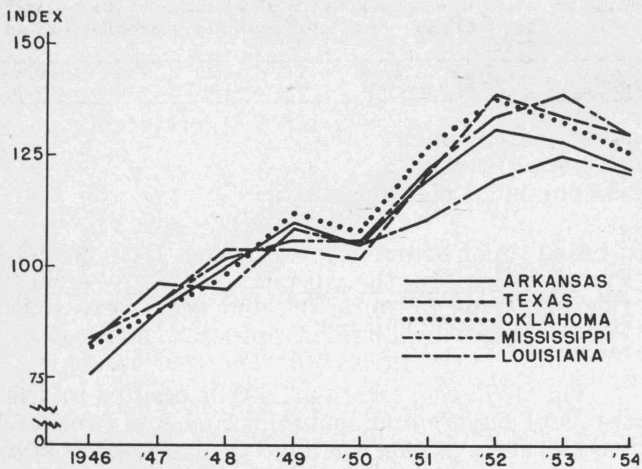


Figure 1. Trends in land prices, Southwestern States, 1946-54. Index 1947-40 = 100.

the general price level. Aside from its physical characteristics, land also is peculiarly subject to certain institutional impacts, such as population movements, mineral speculation, national credit policies, and community and regional location, that make its pricing a highly subjective matter. Therefore, the land market at any one time may not function perfectly. Evaluation of the land factor may become a problem not only to individual buyers and sellers, but also to the public, for as a resource, land can be wrongly evaluated and used.

The land market reflects specific trends and adjustments in agriculture. It reflects who is buying and who is selling land, and therefore, expresses changes in ownership patterns. In the 1946-53 period, farmers were strong participants in the land market. Tenants purchased farms and farmers who were already owners purchased additional acres. However, during the 4 years, 1950-53, tenants participated less in the market. At the same time, farmers who were already owners continued to buy more land. Proportionately more nonfarmers purchased land as tenants dropped out of the market.

The land market also reflects changes in capital requirements for agriculture as the land factor generally is the largest single investment item used in agricultural production. In specialized types of farming, land may not be the largest investment item, but as a general rule this is the case in the Southwestern States. Land costs involving mortgages tend to be fixed for relatively long periods. At times they may take most of the farm income, leaving little for variable operating costs and family living. Since 1946, the land market has expressed increasing total capital requirements. Prices for land rose rapidly, and a significant proportion of buying was for tracts to be added to existing farms. The market process reflected changes in capital requirements in two ways: through changes in the price paid for land and through adjustments in unit size.

Use of credit to facilitate land transfers is important in the land market process. The market reflects the extent and type of available credit and terms of repayment. In many cases, credit allows sales which otherwise would not be made. The amount of credit used and the equity risk involved, when combined with repayment terms and income prospects, may forecast problems for mortgaged owners, as well as for creditors, and may point toward emerging tenure changes.

## LAND MARKET TRENDS

Like land values for the nation as a whole, the level of land values in the five states is the result of many factors. In the postwar years, general economic activity and farm income reached and remained near record levels over the nation. Incomes and land values rose steadily into 1948, starting a slight decline late in the year which continued through 1949. The outbreak of hostilities in Korea stopped the downturn in farm income. Prospective buyers and sellers felt assured of a continuing period of good returns. As a result, land values again began a rise which lasted well into 1952, easing off late that year and in 1953. Total national income, after dropping in 1949, reversed its movement in 1950 and continued to rise through 1953.

### Land Values and Farm Income

Over a period of time, land values more closely reflect farm income than any other factor such as, national income and the general level of economic activity. It is difficult, however, to find sizable areas in any of these states where the value of land is based solely on its agricultural production and income. Mineral activity is widespread in the region, and in many localities urbanization and the growth of population have influenced land values. Special programs, such as the Veterans Land Board purchase plan in Texas, the Veterans Farm and Home Board purchases in Mississippi, and price supports and acreage restrictions also affect land values. Yet in all states farm land values moved in unison with total cash incomes to farmers (Table 1). Farm income in all states began to move upward about 1941 and in 1953 it was from three to six times the 1940 level. Land values lagged and were low in relation to income during the early years of the period. However, land values continued to rise after farm income had dropped. Much of this rise since 1950 represents an adjustment toward a farm income-land value relationship that existed in the late 1930's and early 1940's. In all five states, land values reached record peaks about 1952 or 1953, exceeding the 1920 levels by 25 percent or more.

Gross cash farm income is one index of farm conditions, but it does not reflect the entire income situation. Production and living costs of farmers did not rise as fast as commodity prices and incomes in the early part of this 8-year period.

In general, costs in agriculture rose in 1947 and 1948 more rapidly than in the war years and the postwar period. In 1949, prices farmers paid for items used in production and living caught up with prices farmers received and since that time they have continued to rise (Table 2). The major effect was that the cost-price squeeze was felt in 1949 and was reflected in the easing of land values late in 1949 and early 1950. Each state showed a slight drop in values at that time, the first break that had occurred since before World War II. With the Korean action, prices farmers received for their products climbed again at a faster rate than costs and land values rose sharply in 1951. However, costs of production continued to climb as prices received began falling in 1952. As a result, values began to ease off in late 1952 and dropped by several points during 1953.

While land values follow movements in farm income, they lag behind farm income changes a year or more. Information on the number of pounds of cotton and bushels of wheat required to buy an acre of land in appropriate areas is shown in Table 3. With both commodities, the

Table 1. Cash receipts from farm marketings and index of estimated value of farm real estate per acre, Southwestern States, 1946-54

State and year	Cash receipts from farm marketings <sup>1</sup>	Index of value per acre <sup>2</sup>
Percent of 1947-49 average		
<b>Arkansas</b>		
1946	81	76
1947	94	90
1948	106	100
1949	100	110
1950	93	105
1951	106	120
1952	110	131
1953	104	128
1954	99 <sup>3</sup>	122
<b>Louisiana</b>		
1946	75	83
1947	98	96
1948	104	95
1949	98	109
1950	95	105
1951	112	111
1952	128	120
1953	120	125
1954	113 <sup>3</sup>	121
<b>Mississippi</b>		
1946	60	84
1947	97	92
1948	116	102
1949	97	106
1950	96	106
1951	108	122
1952	108	134
1953	131	139
1954	95 <sup>3</sup>	130
<b>Oklahoma</b>		
1946	79	82
1947	99	90
1948	106	98
1949	94	112
1950	87	108
1951	99	127
1952	107	138
1953	90	133
1954	88 <sup>3</sup>	126
<b>Texas</b>		
1946	70	84
1947	97	92
1948	99	104
1949	104	104
1950	105	102
1951	113	121
1952	110	139
1953	97	134
1954	98 <sup>3</sup>	130

<sup>1</sup> Agricultural Marketing Service, USDA.

<sup>2</sup> Production Economics Research Branch, Agricultural Research Service, USDA. Index as of March 1.

<sup>3</sup> Preliminary, based on 10 months, Jan.-Oct. 1954.

Table 2. Indexes of prices received by farmers, prices paid by farmers and total national income, United States, 1946-54<sup>1</sup>

Year	Prices received by farmers <sup>1</sup>	Prices paid by farmers <sup>1</sup>	Total national income <sup>2</sup>
Percent of 1947-49 average			
1946	87	83	85
1947	102	96	93
1948	106	104	105
1949	92	100	102
1950	95	102	113
1951	111	113	131
1952	106	115	138
1953	95	112	144
1954 <sup>3</sup>	93	113	142

<sup>1</sup> Agricultural Marketing Service, USDA, prices paid include commodities, interest, taxes and wage rates.

<sup>2</sup> Based on estimates by the U. S. Department of Commerce.

<sup>3</sup> Preliminary.

amount required to buy an acre of land has more than doubled, whereas prices for each commodity changed very little during the period. This illustrates how land prices, relatively low at one time in terms of the major commodity produced, may change in a short period to become relatively high in terms of that same commodity.

Incomes to farmers are peculiarly vulnerable to conditions that may not be reflected in the general level of business activity. Total business activity and national income may move to higher levels, while at the same time farm incomes and land values may drop considerably. In the Southwestern States, the chief sources of farm income are cotton, wheat, rice and beef cattle. Much of the rice, cotton and wheat produced goes into export channels, and during and since the war they have been in great demand. Total cash receipts from these crops remained high through 1953, but total income from livestock dropped more than 40 percent from 1951 to 1953. The large decrease in income from livestock was felt widely as many farmers had expanded their livestock enterprise under the encouragement of high prices and the desire to diversify their land use. Another major factor in the drop in net farm income was the continued rise in costs which farmers had to pay. Costs of production on rice and cotton were heavy and continued to rise while unit prices had eased slightly. Increasing supplies with no expansion in demand, pointed toward lower prices. In either case, the final result appeared to be lower incomes in the immediate future.

### Trends by Areas

Within most areas of the five states, much of the increase in land values occurred during the war years, 1941-45. Most lands had doubled or

Table 3. Quantities of cotton and wheat required to buy an acre of land, 1946-53

Year	Cotton, pounds of lint <sup>1</sup>	Wheat, bushels <sup>2</sup>
1946	175	12.8
1947	206	14.3
1948	209	16.1
1949	275	27.9
1950	221	23.2
1951	297	25.8
1952	337	29.8
1953	369	28.7

<sup>1</sup> Based on Texas average annual price of cotton and average annual selling price of all bonafide sales of farm land in Ellis county, Texas, a cotton-growing county.

<sup>2</sup> Based on Texas average annual price of wheat and average annual selling price of all bonafide sales of farm land in Sherman county, Texas, a wheat-growing county.

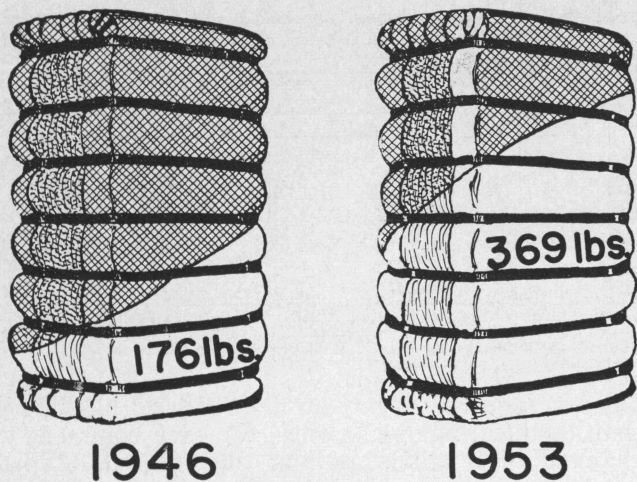


Figure 2. Pounds of cotton required to buy an acre of land, Texas Blackland Prairie, 1946 and 1953.

more in value from 1940 to 1946. Values again increased an average of 50 percent or more in each state after 1946 (Table 4).

In general, values have climbed the highest in areas with a great deal of urban and industrial development, increasing population, an increasing demand for rural residences and in areas of intensive agricultural development. Such areas include the three-county corner of Northwestern Arkansas, the Coast Prairie of Texas and the Gulf Coast areas of Louisiana and Mississippi.

A great deal of agricultural development and intensification accompanied the residential and urbanization trends. Northwestern Arkansas has shifted rapidly from fruit and general farming to become one of the major broiler-producing areas of the United States. Urbanization also has shifted land uses away from agriculture in areas adjacent to such cities as Dallas and New Orleans, and it has raised values in line with nonfarm uses. These combined factors caused land values to increase almost threefold in such areas since 1946.

Areas where values have doubled on the average since 1946 include the more productive lands devoted almost solely to commercial farming and lands that are potentially more productive when placed under more intensive utilization through land clearing and pasture development and through supplemental irrigation. In the first category are the Mississippi delta lands in Arkansas, Louisiana and Mississippi, the wheat and

Table 4. Estimated value of farm land per acre, Southwestern States, 1946-53<sup>1</sup>

As of March 1	Arkansas	Louisiana	Mississippi	Oklahoma	Texas
----- Dollars -----					
1946	44.25	61.30	44.48	39.22	35.63
1947	52.40	72.80	48.53	42.75	39.79
1948	57.84	72.53	53.43	46.74	46.03
1949	63.35	84.36	55.73	53.29	46.81
1950	60.18	82.21	55.42	51.42	46.21
1951	69.15	87.39	63.84	60.57	54.76
1952	75.10	94.21	70.16	65.46	62.98
1953	73.48	98.08	72.60	63.40	60.58
1954	70.05	95.28	67.94	59.54	59.15

<sup>1</sup> Production Economics Research Branch, Agricultural Research Service, USDA.

cotton lands of Western Oklahoma and the High Plains of North-central Texas. In the second category, areas that hold promise for more intensive use through development, are included most of East Texas, the Coastal Plains and Brown Loam area of Mississippi and some areas of Eastern Oklahoma. Supplemental irrigation in many localities of all states has influenced land values to a marked degree.

Values increased the least in the far west grazing lands, the older irrigated lands of both the Upper and Lower Rio Grande Valleys in Texas, the rougher phases of the Ozark Uplands of Eastern Oklahoma and Northern Arkansas, (with the exception of the three-county area mentioned above) and the upland areas of Louisiana and Mississippi.

### Volume of Sales

The number of voluntary land sales measures the degree of activity in the land market in any one year. Sales usually increase in periods when land values are lagging behind rapidly increasing farm income. Sales usually ease off, and may become relatively low, when farm incomes stabilize or trend downward.

These general characteristics of the market have not held true in the Southwestern States in this period. Voluntary sales reached their post-war peak in 1946 and have dropped consistently since that year, even though farm incomes rose higher and tended to remain high. The only exception was the slight increase in sales in all states following the Korean action in 1950 when demand for land was exceptionally strong (Table 5). However, beginning shortly after this action, the trend in volume of sales turned downward again. In all states, the number of sales in 1953 was down to nearly half those of 1946.

This almost steady decline in sales since 1946 resulted primarily from the small number of tracts or farms offered for sale rather than from lack of demand. Reports from real estate dealers in the five states show that many prospective buyers of land have been unable to find tracts or farms for sale. Owners of land have not been willing to sell at what might be termed attractive offering prices. Such a steady decline in number of farms offered for sale has important implications on tenure trends. Opportunities for young men to get started as owners and for tenants to become owners are more limited. Many tracts sold do not offer adequate opportunity for success to the person wishing to operate the unit as a farm. Such tracts are economic in size only if added to other farms.

### Sales by Areas

The peak in transfers occurred in nearly all states in 1946, the Texas peak occurring in 1944. Volume as measured by sales per 1,000 farms was relatively higher in Arkansas than in the other states and remained higher through 1953.

Volume of sales was relatively low in Louisiana and Mississippi throughout the period. Total transfers include single fields and tracts which in themselves are not complete farm units. The number of complete farm units changing hands in any 1 year was considerably less than the actual number of sales.

Acreages sold in all states dropped by the end of 1953 to two-thirds or less of the 1946 acreage. While widespread data are not available, local county studies show that since 1946, except in established grazing areas, approximately one-fourth to one-third of the total farmland had been transferred. As values were rising most of the time, the dollar volume of sales did not drop as much as number of sales and the acreage sold.

In Arkansas, sales volume has been highest in the hilly uplands where acreages are small. Many out-of-state residents have made purchases in the area, which includes the Ozark and Ouachita Mountains, since 1946. Many of these buyers later found that the soils are relatively low in productivity and that the area is subject to short but severe drouths. As a result, many of these holdings are soon back on the market for resale. Delta lands have moved at a uniform though slow rate. Acreages are large and per-acre values high, with the result that a fairly large amount of capital is required for purchase. In the Coastal Plain, volume of sales has been low. Many of the tracts offered have been purchased by buyers interested in adding to timber holdings; such tracts usually are removed permanently from the farmland market.

In Texas, transfers have declined nearly a half since 1946, but sales volume in the irrigated areas of the Lower and Upper Rio Grande valleys dropped relatively less than for the State. Irrigated acreages were in great demand during this period, particularly for residential and intensive agricultural uses, and because of the severe drouth in nonirrigated areas. Also, particularly in the Lower Rio Grande Valley, irrigated tracts have been subdivided into small acreages, 5 to 20 acres, which permits buyers to handle the financial obligations even though per-acre values have been

Table 5. Estimated number of voluntary farm land sales and number of sales per 1,000 farms, Southwestern States, 1946-53<sup>1</sup>

Year beginning March 1	Arkansas	Louisiana	Mississippi	Oklahoma	Texas
All voluntary sales					
1946	11,878	4,166	8,205	11,331	18,360
1947	8,173	2,686	7,354	8,605	16,376
1948	8,933	2,804	6,115	6,484	11,196
1949	7,646	2,349	5,321	5,683	10,578
1950	8,129	2,219	6,187	6,736	12,351
1951	8,929	2,360	5,515	7,017	13,080
1952	7,862	2,241	6,010	5,992	10,768
1953	5,846	2,219	4,843	5,234	9,976
Number of voluntary sales per 1,000 farms					
1946	75.0	39.4	48.1	73.8	53.5
1947	52.1	25.2	42.6	57.7	47.0
1948	57.5	26.1	35.0	44.8	34.4
1949	49.7	21.7	30.1	40.5	33.4
1950	52.8	20.5	35.0	48.0	39.0
1951	58.0	21.8	31.2	50.0	41.3
1952	51.1	20.7	34.0	42.7	34.0
1953	38.0	20.5	27.4	37.3	31.5
Index of voluntary sales per 1,000 farms 1947-49 = 100					
1946	141	158	132	155	140
1947	98	102	117	121	123
1948	108	107	98	94	90
1949	94	89	85	85	87
1950	99	84	99	101	102
1951	109	90	88	105	108
1952	96	85	96	90	89
1953	72	84	77	78	82

<sup>1</sup> Production Economics Research Branch, Agricultural Research Service, USDA.

high. An additional stimulus to a high rate of land sales in this irrigated area was the promotional aspects of land development. Development companies were organized to develop, subdivide and finance land sales. In the Lower Valley, this type of selling occurred rapidly through 1948, but was checked somewhat by the severe freeze of 1949 and by the lack of water to carry out anticipated irrigation enterprises. A large proportion of this buying was by out-of-state residents. A further impetus to land sales throughout Texas has been the Veterans Land Board purchase program. Fairly large tracts of land were broken up to sell in small acreages to veterans. The Upper Rio Grande Valley was affected by urbanization of a great deal of farmland. Large areas of irrigated valley, while still producing crops, were brought into the El Paso city limits.

In the grazing lands of the Edwards Plateau, Central Basin and Rio Grande Plain, transfers

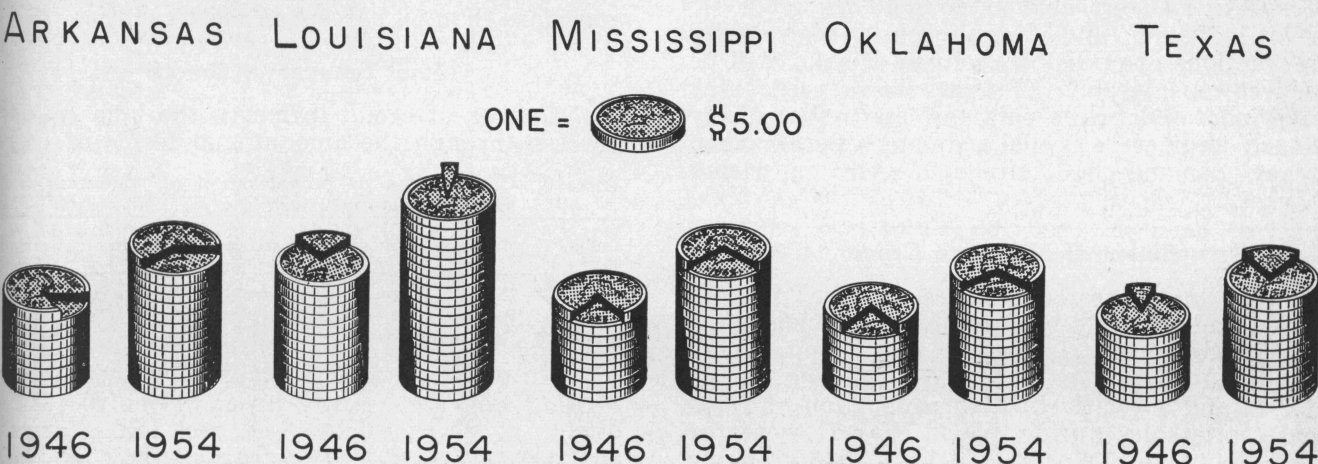


Figure 3. Average price per acre of farm land, 1946 and 1954.

declined to almost an all-time low. Many transfers of grazing holdings are within families, and such tracts seldom are placed on the market. Also, these areas suffered prolonged drouth which has decreased interest among prospective buyers. Sales volume declined in East Texas, the Coastal Plain and the Blackland Prairie, but in the latter area the market remained relatively more active.

Total volume of sales in Oklahoma followed the regional pattern of decline, but the rate of sale in the eastern half of the State remained relatively higher. Ownership tracts in this part are small with fairly low per-acre values. Much of the buying has been for the purpose of adding these small tracts to existing farms. Many small ranches or livestock farms have been established by combining separate tracts into larger units.

Sales were relatively low in both Louisiana and Mississippi during the entire period. The rate of sales per 1,000 farms in these states was only a little more than half the rate in the other three states. As a large portion of these states is woodland, held by timber companies and in national forests, much of the land is not subject to the usual farm land sale transaction.

### CREDIT SALES AND MAJOR LENDERS

An important phase of the land market process is the way in which land transfers are financed. A buyer who pays cash for a farm or a tract of land, even though the amount may be exorbitant, is much more secure in his possession than is the buyer who uses credit unwisely. Also, the buyer's possession is more vulnerable if his equity in the purchase is small, or if to fulfill his land indebtedness obligations, he must unduly contract his operating capital or the level of living of his family. Practically no mortgage credit is extended in the Southwestern States under flexible terms that provide for payments related to income from land. Thus, extent of use and amount of mortgage credit reflects an indebtedness item of an inflexible nature. Also, the amount of credit available affects the composition of the market by determining the number of prospective buyers able to compete for land. If credit is "tight" and if only cash or high equity transactions are possible, volume of sales will be reduced considerably. At times liberal credit may have increased prices paid for land, particularly if such credit were available during a period when strong demand had already caused a rising market.

#### Extent of Mortgage Credit

The Southwestern States in the 1946-53 period had a relatively low volume of farm mortgage indebtedness. In the war years, land owners liquidated obligations dating as far back as the 1920's, and a relatively high proportion of farm real estate sales during World War II were for cash. Thus, total mortgage debt in 1946 probably was at about the lowest point since 1920. How-

ever, credit sales increased steadily and the average indebtedness for each credit transaction has shown a steady increase. Thus, the availability and terms of real estate credit have become factors of increasing importance in the land market.

Credit transactions were at a relatively low level in 1946 but increased in proportion to all sales in 1947 (Table 6). Credit sales continued to increase through 1949 to about half of all sales and have remained at about this level.

At the end of 1953, credit transactions were running from half of all sales in Oklahoma to more than three-fifths of all sales in Texas. Credit sales in the other states fell within this range. The special program for purchase of land for veterans in Texas had reached such proportions that in 1953, two out of every five sales were to veterans. These sales were credit transactions financed by conditional sales contracts. Mississippi also has a veteran's land (and home) purchase program, which adds to that State's credit sales, but the volume through 1953 was low. The Oklahoma School Land Commission has been a special source of credit, but the volume of loans handled has been low.

With the proportionate increase in credit sales has come a steady growth in outstanding mortgage indebtedness. By 1953, this indebtedness was about 40 percent above the 1946 indebtedness in Louisiana and about 70 percent above indebtedness for that year in Texas and Arkansas. However, the proportion of total value of farm real estate represented by mortgage obligations had changed very little. In other words, even though outstanding mortgage indebtedness had climbed, land values increased at about the same rate and apparent indebtedness represented no heavier obligation on all land in 1954 than it had in 1946. In all states, total mortgage indebtedness was less than 10 percent of the total value of farm real estate. On the other hand, indebtedness on new farm purchases in many instances was extremely heavy. In 1953, mortgage debt on farms purchased averaged as high as 70 percent of the purchase price in some Texas counties, and more than 50 percent in most counties.

#### Major Sources of Credit

Sources of credit influence the land market process through the amount and terms of loans

Table 6. Credit sales as proportion of all voluntary land transfers, Southwestern States, 1946-54<sup>1</sup>

Year ending March 1	Arkansas	Louisiana	Mississippi	Oklahoma	Texas
	—	—	—	—	—
	Percent				
1946	29	38	45	40	46
1947	35	43	45	44	49
1948	39	58	53	50	53
1949	44	60	59	50	61
1950	45	58	56	53	60
1951	40	53	55	46	59
1952	46	51	49	45	64
1953	55	55	57	61	61
1954	55	57	65	53	63

<sup>1</sup> Production Economics Research Branch, Agricultural Research Service, USDA.



advanced to buyers. During 1946-54, the amount of credit available was considered ample except in 1953 when national fiscal policy created a "tight" credit situation.

During the war years, the significant change in sources of credit was the gradual decrease in credit extended by the federal land banks for land purchase. The volume of new mortgages extended by these banks held up fairly well, but the total farm mortgage debt held by them decreased steadily throughout the war years and afterwards (Table 7). In 1946, outstanding indebtedness held by these banks was only a little more than half the amount outstanding in 1940. Appraisal policies and an upper limit on the proportion of appraised values that can be loaned combined to decrease mortgage lending by the land banks except for their activity in refinancing and in improvement loans. Outstanding mortgage debt held by the land banks includes all mortgages held and does not represent purchase mortgages alone (Table 8). For example, less than 10 percent of the total credit extended by the land bank in Texas in 1953 was for purchases of land. Information from other states also indicates that only a small proportion of total

Table 8. Distribution of farm mortgage debt outstanding, by type of lender, Southwestern States, 1940 and 1946-54<sup>1</sup>

State, year as of Jan. 1	Federal land banks	Federal Farm Mortgage Corp.	Farmers Home Adm.	Life ins. cos.	All oper- ating banks	Others <sup>2</sup>	All lenders	Percent							
Arkansas															
1940	27.3	9.1	7.3	18.4	4.8	38.1	100.0								
1946	16.6	4.4	14.6	22.3	7.8	34.3	100.0								
1947	14.6	2.7	14.5	23.9	11.9	32.4	100.0								
1948	13.4	1.9	14.5	28.8	12.4	29.0	100.0								
1949	13.0	1.4	13.2	31.6	11.5	29.3	100.0								
1950	13.1	1.0	12.2	35.0	10.9	27.8	100.0								
1951	12.4	.7	11.8	35.9	11.3	27.9	100.0								
1952	11.5	.5	10.9	36.6	11.4	29.1	100.0								
1953	10.9	.3	10.1	37.7	11.5	29.5	100.0								
1954	10.5	.2	9.3	40.1	10.7	29.2	100.0								
Louisiana															
1940	41.0	8.2	1.9	12.9	11.0	25.0	100.0								
1946	26.3	4.9	15.3	13.6	10.4	29.5	100.0								
1947	24.4	3.1	14.3	13.8	15.1	29.3	100.0								
1948	23.6	2.3	14.2	14.7	18.0	27.2	100.0								
1949	23.3	1.8	13.0	16.0	18.8	27.1	100.0								
1950	23.6	1.3	12.2	18.6	19.8	24.5	100.0								
1951	21.7	.9	12.3	18.0	19.8	27.3	100.0								
1952	19.9	.6	12.1	18.8	19.4	29.2	100.0								
1953	18.6	.4	12.0	19.8	20.3	28.9	100.0								
1954	17.9	.3	11.3	21.2	21.2	28.1	100.0								
Mississippi															
1940	33.8	7.9	1.9	20.9	8.1	27.4	100.0								
1946	20.9	4.0	15.1	21.0	8.0	31.0	100.0								
1947	19.4	2.6	15.8	21.0	11.7	29.5	100.0								
1948	19.2	2.0	16.7	22.6	12.3	27.2	100.0								
1949	19.0	1.4	16.8	23.6	11.9	27.3	100.0								
1950	20.0	1.0	17.0	24.3	13.4	24.3	100.0								
1951	18.7	.7	16.4	25.4	12.9	25.9	100.0								
1952	18.2	.4	15.5	25.4	13.0	27.5	100.0								
1953	17.0	.3	14.6	25.6	13.0	29.5	100.0								
1954	16.6	.2	13.8	26.6	11.8	31.0	100.0								
Oklahoma															
1940	23.6	10.5	1.1	17.5	2.7	44.6	100.0								
1946	17.7	5.5	8.2	15.6	6.0	47.0	100.0								
1947	17.7	3.4	9.1	15.7	8.0	46.1	100.0								
1948	16.3	2.4	9.3	18.5	8.8	44.7	100.0								
1949	16.3	1.6	8.6	22.1	8.9	42.5	100.0								
1950	16.6	1.1	8.2	25.5	8.9	39.7	100.0								
1951	15.8	.7	8.2	28.8	8.2	38.3	100.0								
1952	15.3	.4	8.3	30.8	7.5	37.7	100.0								
1953	14.2	.3	7.5	34.4	6.8	36.8	100.0								
1954	14.6	.2	7.0	35.0	6.5	36.7	100.0								
Texas															
1940	46.8	11.0	.8	20.3	2.6	18.5	100.0								
1946	37.1	6.4	6.0	24.4	5.4	20.7	100.0								
1947	33.1	3.7	6.5	25.3	7.5	23.9	100.0								
1948	27.7	2.6	6.5	30.5	8.1	24.6	100.0								
1949	24.7	1.7	5.6	35.5	7.5	25.0	100.0								
1950	23.3	1.2	4.9	38.6	6.8	25.2	100.0								
1951	21.6	.8	4.5	39.8	6.3	27.0	100.0								
1952	21.6	.6	4.1	39.8	6.2	27.7	100.0								
1953	21.1	.4	3.8	41.4	6.0	27.3	100.0								
1954	21.6	.3	3.4	42.1	5.5	27.1	100.0								

<sup>1</sup> Agricultural Research Service, Production Economics Research Branch, USDA.  
<sup>2</sup> Consists mainly of individuals and commercial loan companies.

credit extended by this agency was for the purchase of land. Other lenders, especially insurance companies, made some loans for refinancing and improvements, but the volume of such loans was not as great as that extended by the land banks.

Gradually, the insurance companies have financed an increasing number of land sales. The volume of outstanding farm mortgage debt held by insurance companies increased in all states, more than doubling in Oklahoma, Texas and Arkansas from 1940 to 1953. The loan policy of insurance companies has been adjusted toward the level of current agricultural incomes; it has recognized some of the technological changes that have occurred in agriculture. However, insurance companies have been highly selective in all states, both between and within areas. For example, very few loans have been made in East Texas, Eastern Oklahoma and in the hilly areas of the other states. In the Texas Blackland Prairie and the Mississippi Delta, insurance companies were active in the loan field, but usually limited their

Table 7. Distribution of dollar volume of farm mortgages recorded, by type of lenders, Southwestern States, 1940 and 1946-53<sup>1 2</sup>

State and year	Federal Land Bank and Land Bank Commissioner	Individuals	Commercial banks	Insurance companies	Miscellaneous lenders	Percent					
Arkansas											
1940	8	31	28	16	17						
1946	7	24	43	20	6						
1947	9	29	30	26	6						
1948	10	31	24	31	4						
1949	8	25	25	37	5						
1950	9	26	25	32	8						
1951	9	31	24	27	9						
1952	9	25	24	31	11						
1953	8	23	21	37	11						
Louisiana											
1940	19	44	22	4	11						
1946	15	43	25	7	10						
1947	14	42	19	11	14						
1948	10	43	24	9	14						
1949	12	44	19	9	16						
1950	10	39	24	12	15						
1951	10	39	23	11	17						
1952	12	35	14	17	22						
1953	14	30	17	13	26						
Mississippi											
1940	17	27	35	7	14						
1946	16	33	26	15	10						
1947	15	36	24	18	7						
1948	13	41	27	9	10						
1949	15	34	26	16	9						
1950	13	35	23	20	9						
1951	15	34	24	19	8						
1952	12	27	22	16	23						
1953	13	23	21	19	24						
Oklahoma											
1940	10	29	19	20	22						
1946	15	34	21	20	10						
1947	11	34	23	23	9						
1948	12	36	20	24	8						
1949	15	32	18	27	8						
1950	14	28	16	31	11						
1951	13	29	15	33	10						
1952	12	32	17	27	12						
1953	15	26	17	27	15						
Texas											
1940	23	27	14	24	12						
1946	13	34	17	28	8						
1947	11	35	16	31	7						
1948	12	32	16	35	5						
1949	17	35	14	29	5						
1950	15	29	14	34	8						
1951	16	28	11	39	6						
1952	18	24	14	36	8						
1953	19	19	14	37	11						

<sup>1</sup> "Mortgages recorded" include those mortgages filed only in a specific year, and do not include all mortgage indebtedness outstanding.  
<sup>2</sup> Farm Credit Administration.

loans to adequate-size family farms with a history of good production.

Individuals, chiefly sellers, were an important source of credit from the view of number of loans. Their loans have been small, however; the average loan extended by them usually was less than the average extended by insurance companies and other lending agencies. In Texas, individuals extended credit in more than 50 percent of the mortgaged transactions in 1953, but the dollar volume of their loans was well below the dollar volume of credit handled by insurance companies. Nevertheless, individuals as creditors, played a major role in the land market because many sales apparently depended upon the sellers' willingness to extend credit in transactions when other lenders were not available or the buyer could not meet the loan requirements.

Although commercial banks held smaller amounts of outstanding mortgage indebtedness than insurance companies and individuals in these years, their relative position has gained since 1946. In Texas and Oklahoma, mortgage debt held by banks by the end of 1953 was less than 7 percent of the total mortgage debt. It ranged from 10 to a little more than 20 percent for the other three states. Commercial banks have been more important lenders in Louisiana than in any other state. While not generally active in the overall land mortgage picture, commercial banks and with private lenders furnished about half of the land mortgage credit in this State.

#### Terms of Mortgages

Terms for mortgage credit were closely related to the type of creditor. For the most part, mortgage terms of individual lenders, including sellers, and commercial banks were similar. The repayment period was short and interest rates were 6 percent or more. Mortgage credit extended by individual sellers in 1953 in Texas averaged slightly over 5 years for the repayment period. Mortgages held by commercial banks averaged slightly less than 5 years. In most states, banking laws do not permit long-term mortgage loans, or the type considered more adapted to land mortgage credit. Individuals made larger loans in relation to the purchase price than did commercial banks—70 percent as compared with only 55 percent for banks.

Terms of mortgages held by insurance companies were more favorable for orderly retiring of indebtedness than mortgages held by individuals and commercial banks. The average period of repayment of insurance company mortgages in Texas was 12 years. Many insurance company loans were for 15 or 20-year periods. The interest rate commonly charged by insurance firms was  $4\frac{1}{2}$  or 5 percent. Most of the loans extended by these lenders carried a prepayment provision, while those held by individuals usually did not have such provisions.

Mortgage terms of the federal land banks were the most favorable of the usual sources of credit from the standpoint of repayment provisions and interest rates. However, this agency in recent years has not been an important source of credit to finance farm purchases.

#### BUYERS AND SELLERS

The types of buyers and sellers often explain a great deal about the land market and also reflect tenure trends. If owner-operatorship is the goal of most buyers, the concern would be whether farm units purchased are of the size and productivity to furnish an adequate income for operations, living and debt retirement. If nonfarmers are the chief buyers, the concern would be the relationship of that fact to the long-time tenure goal of owner-operatorship and the need for improved rental arrangements. An increasing number of nonfarmer buyers, or a high level of nonfarmer activity in the market, usually is evidence of speculative buying, or of investment funds seeking an outlet.

#### Buyers

In the Southwestern states the demand side of the land market was strongly influenced by farmer buyers during 1946-53. From the standpoint of the commonly accepted tenure goal of ownership of the land by those who till it, this was a healthy market. However, some farmer buyers may have been purchasing units too small for efficient operation, or may have been jeopardizing their land investment by going too deeply in debt under unsatisfactory mortgage terms. Tenants bought heavily in the first 3 years of the period. After 1948, tenants bought less land, gradually becoming less important through 1953. However, in 1953, they showed an increase in Louisiana and Mississippi (Table 9).

Owner-operators usually were the largest group of buyers during the early years of the period. Some exceptions to this were noted. In Arkansas, nonfarmer buyers were the most important group in 6 of the 9 years. Most of this nonfarmer buying was concentrated in the Ozark Upland area, where nonresidents purchased residential and small units at a fairly heavy rate. In 1953 more than half of the buyers in Arkansas were not residents of the county or of the adjoining county in which the land was located. Also, resales among these buyers were numerous, adding further to the volume of buying among nonfarmers. In 1951 and 1952, following the Korean outbreak, a strong demand for land developed and nonfarmers became more active in all states and replaced, in some instances, owner-operators as the largest group of buyers. However, when tenant and owner-operators are combined, farmers were the most important buyers in nearly all years, including the latter years of the period.

The active participation of farmers in the land market reflected the need for adjustment in

size of farms toward more efficient units. Much of the buying of owner-operators was of tracts or separate fields to round out an operating unit. At the same time, many tenants bought tracts to be used as headquarters while renting additional land to become part-owners. The ownership pattern of most of the farm land area of these states is one of relatively numerous small tracts, which is well adapted to this type of farm unit adjustment through land buying. Often farm owners paid a relatively high price for a tract to add to or round out an operating unit.

Nonfarmer buying tended to be heavier in certain areas and localities. In counties adjacent to such cities as Dallas and New Orleans, most farm land was purchased by nonfarmers to hold for urban and industrial subdivisions, or as an investment. As early as the beginning of 1947 about 70 percent of the farm land in Dallas county, Texas, was in the hands of urban or nonfarmer owners.<sup>1</sup> Orleans and other parishes surrounding the city of New Orleans, Louisiana, grew so rapidly that most farm land was converted to higher uses for industry and subdivision. Areas surrounding other population centers in the various states have had the same experience to some degree. In many cases, city boundary limits have been extended to include several square miles of what has been farm land. The Gulf Coast area of Texas, Louisiana and Mississippi particularly have been affected by nonfarmer buying. Other areas, such as the Blackland Prairie of Texas, have continued to be desirable investments for nonfarm funds, and buying by nonfarmers in such areas remained high in all years of this period. In this type of land market, prices often are pushed so high that farmers cannot compete with the buyer who has other sources of income and investment capital.

### Sellers

Almost 57 percent of all landowners in the region in 1946 were farmers.<sup>2</sup> The proportion was above 70 percent in Arkansas and Louisiana. As a result, it could be expected that farmers, if they were not already, would become the chief sellers of land in any period of active land sales. Such has been the situation in all states since 1946 (Table 9). While farmers continued as active buyers they also were the chief sellers in the market. In Arkansas and Mississippi, selling by farmers was relatively high, more than two-thirds of total sellers in all years. In the other three states, farmer owners made up nearly two-thirds of all sellers.

Just prior to this period, or from 1940 to 1945, loan companies and lending agencies were active sellers, disposing of most of their holdings acquired in the 1930's through foreclosure. Few

<sup>1</sup>The Price of Texas Farm and Ranch Lands, 1920-1945, Texas Agricultural Experiment Station Bulletin 688, College Station, Texas, April 1947.

<sup>2</sup>Ownership of Farmland in the Southwest, Arkansas Agricultural Experiment Station Bulletin 502, Fayetteville, Arkansas, December 1950.

Table 9. Types of buyers and sellers, Southwestern States, 1946-53<sup>1</sup>

State and year <sup>2</sup>	Type of buyer			Type of seller		
	Tenant	Owner-operator	Non-farmer	Farmer	Estate	Others <sup>3</sup>
	Percent					
Arkansas						
1946	35	25	40	67	6	27
1947	31	31	38	72	7	21
1948	22	39	39	80	10	10
1949	27	33	40	77	7	16
1950 <sup>4</sup>						
1951	20	37	43	72	12	16
1952	17	37	46	70	8	22
1953	15	33	52	68	7	25
Louisiana						
1946	17	36	47	61	14	25
1947	36	46	18	68	17	15
1948	29	42	29	67	11	22
1949	22	42	36	61	14	25
1950 <sup>4</sup>						
1951	14	37	49	62	20	18
1952	8	33	59	64	15	21
1953	24	38	38	68	13	19
Mississippi						
1946	44	28	28	71	12	17
1947	40	37	23	62	17	21
1948	40	38	22	71	13	16
1949	33	37	30	69	15	16
1950 <sup>4</sup>						
1951	16	53	31	72	13	15
1952	18	47	35	71	13	16
1953	25	43	32	81	7	12
Oklahoma						
1946	31	37	32	53	18	29
1947	26	46	28	60	13	27
1948	33	36	31	68	18	14
1949	31	34	35	60	16	24
1950 <sup>4</sup>						
1951	24	40	36	68	14	18
1952	15	50	35	58	24	18
1953	19	45	36	68	16	16
Texas						
1946	29	35	36	63	16	21
1947	30	36	34	62	16	22
1948	25	42	33	67	16	17
1949	28	33	39	65	18	17
1950 <sup>4</sup>						
1951	24	39	37	66	13	21
1952	20	33	47	66	16	18
1953	21	36	43	62	18	20

<sup>1</sup>Agricultural Research Service, Production Economics Research Branch, USDA.

<sup>2</sup>Year beginning March 1.

<sup>3</sup>Includes sales by lending agencies, public agencies, but made up chiefly of nonfarmer individuals.

<sup>4</sup>Data for 1950 not available.

sales were made after 1946 by such sellers. Retiring farmers were an important type of seller in all states in most years. Increasing land values made sales more attractive to this type of seller, as also was the case with estates. The latter type of seller was particularly active in all states except Arkansas. It is probable that some postponement of estate settlement had occurred while land prices were low. Rising land prices later encouraged estate settlement.

"Other" sellers were primarily nonfarmer individuals. Sales by this group usually were second in importance only to sales by farmers. Some slackening of sales by these nonfarmer individuals was evident by 1953. This was a reflection of the steady rate at which farmers had been acquiring land. Through this process nonfarmer owners have become fewer in number, and thus automatically they play a less important role as sellers.

### SUMMARY OF THE REAL ESTATE SITUATION

The value of farm land increased to all-time highs in all states, rising on the average about 50 percent in each state. The rise in land values was halted by falling agricultural prices in 1948 and 1949. After the Korean outbreak in 1950, land values again started climbing and eased off only

in 1953 after commodity prices, especially livestock prices, had weakened.

The number of voluntary sales was relatively high in 1946, but had declined by nearly a half, except in Mississippi, by the end of 1953.

High agricultural income was the chief single factor stimulating land market activity and values. General land market activity did not indicate a "land boom." There was little evidence of speculation by nonfarmers in bonafide farm land.

Credit sales increased in all states so that by 1953 considerably more than half of all transfers involved mortgage credit. The proportion was well above 60 percent in Arkansas and Texas.

The federal land banks gradually became less important as a source of credit to finance land purchases. They were lending primarily for refinancing and for farm improvements. Purchase lending by life insurance companies was expanded. In 1953, these companies were the chief source of mortgage credit in every state except Louisiana and Mississippi. From the standpoint of number of loans, individuals were about the most important type of lender. Average size of loans by individuals was small, however; they ranked third in dollar volume of credit extended.

Special land credit programs for veterans were active in Texas and Mississippi. The Texas program became an important factor in the State land market. Average indebtedness on mortgaged transactions was high throughout the period. Indebtedness was between 60 and 70 percent of the purchase price in Mississippi and Louisiana in nearly all years, running slightly lower in the remaining states.

Farmers were the chief buyers and sellers of land. Farm tenants were active buyers, especially in the early years of the period.

#### Some Interpretations and Emerging Problems

The foregoing features in the region-wide land market hold certain implications for landowners and for agriculture in general.

Farmers own more of the agricultural land than ever before in the history of the region. The widely-held goal of ownership of farm land by those who till it probably is nearer realization than at any time since these states were settled.

The land market will be influenced significantly by national and international developments during the next few years. For the immediate future, trends indicate a downward adjustment in agricultural income. Although this adjustment may be small, it probably will result in a period of decreasing land market activity and some decrease in the market value of land.

The increase in land values to present levels has raised significantly the capital requirements for agriculture. Generally, an adequate farm unit today is valued at three to four times its market value in 1941. This increased amount poses

special problems in accumulating the necessary capital required for a down payment. Such amounts may encourage some farmers to purchase units that are too small for efficient operation or to buy in low-productive areas where the money will cover a larger acreage. Entrance of young operators and farm tenants into agriculture may be restricted except in cases where substantial family aid or farm credit is available.

Many buyers who purchased units with small down payments in the early years of the 1946-53 period have paid off or reduced their mortgage obligations to manageable proportions. The recent purchaser who paid only a small amount down may be in a vulnerable position if the price he receives adjust downward while his costs of production remain disproportionately high. The consequence of this situation may be that some buyers will face foreclosure by creditors. The prospective farmer buyer of land should use greater caution now in obtaining and using mortgage credit. He should seek lenders with mortgage terms that are as favorable as possible and he should estimate prospective incomes carefully.

A continuing adjustment in agricultural prices and incomes may mean that creditors should decide whether to introduce some flexibility into conventional mortgage contracts. It is likely that federal land banks and life insurance companies, if they so desire, will be in position to introduce more flexibility in the form of delinquent adjustment, variable repayment or refinancing to meet any problems of mortgage repayment. Commercial banks and private individuals may have greater difficulty in introducing changes in their current mortgage agreement.

Much of the land market process reflected trend toward greater agricultural efficiency which could be gained by increasing the land resource. Buying of many tracts was for the purpose of adding to operating farm units. This has meant a continuing reduction in the number of farms and farmers, a greater production per worker of those left on the farm, and finally a gradual reduction in the number of farms that will be available in the land market. Farmer may now give greater consideration to increasing scale through better management and more intensive operations on present acreages.

With the increasing investment occurring in land, as well as in operating capital for a successful farm unit, and with that investment concentrated more in the hands of farmers, the problem of transfer of land to the succeeding generation takes on greater importance. Decisions by farmers now are more complex; they must decide whether to transfer land to a succeeding generation as an operating farm, to divide the unit among the heirs, to leave transfer to estate settlement or to sell on the open market on retirement. Efficiency of agricultural production can be influenced greatly by the decisions reached.