UNITED STATES DEPARTMENT OF AGRICULTURE
MISCELLANEOUS PUBLICATION No. 268

WASHINGTON, D. C. ISSUED SEPTEMBER 1938

A GRAPHIC SUMMARY OF AGRICULTURAL CREDIT

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This publication is one of a series of 10 publications as follows:

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A Graphic Summary of Agricultural Credit	Norman J. Wall and E. J. Engquist, Jr.

This series, which has been prepared under the general direction of O. E. Baker, senior agricultural economist, will bring up to date the Graphic Summary of American Agriculture published in 1931 as Miscellaneous Publication 105.

The first Graphic Summary of American Agriculture appeared in the 1915 Yearbook of Agriculture (also issued as Yearbook Separate 681), and was largely based on the 1910 census. The second was contained in the 1921 Yearbook (also issued as Yearbook Separate 878), and was based largely on the 1920 census. The third was published as Miscellaneous Publication No. 105, in May 1931, and was based both on the 1925 Agricultural Census, and the annual estimates of the Bureau of Agricultural Economics. It was divided into 11 sections, but these sections were bound together and issued only as a single publication. It was more inclusive than previous issues, particularly of maps and graphs relating to the economic and social aspects of agriculture.

The publications in this series devote still more attention to economic and social conditions. They are based on both the 1930 and 1935 census reports, as well as the annual estimates of the Bureau of Agricultural Economics. They deal not only with changes between 1930 and 1935 but also with the changes during the decade of urban prosperity and agricultural depression that preceded the more general depression. Most of the distribution maps for crops and many of those for livestock present the 1929 census returns, because the drought of unprecedented severity and extent in 1934 would make such maps for 1934 misleading. Several increase and decrease maps, however, show the changes that occurred between 1929 and 1934, or 1930 and 1935.

The graphic presentation was designed and drafted under the direction of R. G. Hainsworth, in charge of the Graphic Section of the Bureau of Agricultural Economics.

Most of the clerical work in compiling the statistical data used in the following charts was done under the supervision of Mrs. Lucy R. Hudson and Mrs. Cecelia G. Schreiber.

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A GRAPHIC SUMMARY OF AGRICULTURAL CREDIT[1]

By NORMAN J. WALL, *senior agricultural economist*, and E. J. ENGQUIST, Jr., *associate agricultural economist, Bureau of Agricultural Economics*

Wide variations in the total amount of agricultural indebtedness and in the sources from which the credit was obtained have been significant characteristics of the debt structure of American agriculture during the last two decades. The expansion in agricultural indebtedness during the World War and immediate post-war period and the sharp reduction of debt following 1929 were closely associated with significant changes in the level of farm income. The prevalence of distressed economic conditions during most of this period led to extensive Federal and State legislation to alleviate unfavorable credit conditions.

AMOUNT OF AGRICULTURAL INDEBTEDNESS

Farm-mortgage indebtedness increased from $3,320,470,000 in 1910 to $7,857,700,000 at the beginning of 1920 and continued to increase up to 1928, at which time the total stood at about $9,469,000,000. During this period there were substantial increases in the loans of the Federal land banks and joint-stock land banks, established under the Farm Loan Act of 1916, and in the loans held by life insurance companies. The increase in the farm-mortgage holdings of these agencies represented, in part, a shift of indebtedness, including short-term loans, from commercial banks and individuals. From January 1, 1930, to January 1, 1935, the mortgage indebtedness of farmers decreased sharply from $9,214,278,000 to $7,645,091,000.[2] The reduction of 17 percent during this period resulted largely from foreclosures and other acquirements of mortgaged properties by mortgagees. By January 1, 1937, the estimated farm mortgage indebtedness had been reduced further to $7,254,821,000.

The total of personal and collateral loans to farmers by open commercial banks also showed wide variations during this period. From 1914 to 1920 the estimated amount of such loans increased from $1,607,970,000 to $3,869,891,000. From the peak level of 1920 there was an almost continuous reduction until the beginning of 1937, at which time the estimated amount of such loans was $593,614,000, or

[1] The charts in this publication that deal with the estimates of farm-mortgage indebtedness and its distribution by tenure and lending agency for 1935, and the revised estimates for 1930, are based upon data compiled under the immediate direction of Donald C. Horton, agricultural economist.

[2] For further details relating to these estimates see joint release (multilithed) of the Bureau of the Census and the Bureau of Agricultural Economics entitled "Cooperative Survey—Farm Mortgage Indebtedness in the United States (Detailed Summary)."

less than one-sixth of the 1920 peak. This reduction in loans was accompanied by a decrease in the number of banks operating in agricultural areas equal to about one-half of the number of banks in operation in such areas on June 30, 1920. From June 1936 to June 1937 there was an increase of 10 percent in the outstanding amount of these loans, the first significant increase to occur in any recent year.

The decline after 1920 in personal and collateral loans held by commercial banks was offset to some extent by an increase in short-term loans of a similar character obtained from federally sponsored agencies. At the end of 1937 the amount of such loans was $194,224,535. In addition, there was a considerable volume of outstanding loans representing emergency crop-production advances and loans for agricultural rehabilitation made by the Resettlement Administration and the Farm Security Administration.

FEDERAL EFFORTS FOR IMPROVEMENT OF CREDIT FACILITIES

Following 1920 when farm-commodity prices declined precipitously, commercial banks which had been the major source of short- and intermediate-term credit were faced by severe difficulties. To avert widespread suspension of banking facilities, the War Finance Corporation was authorized to make advances to banking institutions. But despite this financial assistance, bank suspensions were very numerous throughout the 1920's. In 1923 legislation was enacted that authorized the establishment of 12 intermediate credit banks with the objective of providing more adequate discounting facilities for agencies providing short- and intermediate-term credit for farmers. The failure of local rediscounting agencies to be organized in sufficient number to make these facilities generally available made this new avenue of credit a relatively limited one.

Federal assistance during this period also was provided in the form of seed loans made directly to farmers by the Federal Government. From 1921 through 1937, Congress by special appropriation or authorization made funds available in 13 different years for direct advances for producing crops or for purchasing feed for livestock. These advances were first known as seed loans and later as emergency crop-production loans. The earlier appropriations were available only to limited districts within a very few States and the amounts involved were relatively small.

Following 1929 when farm income and farm-commodity prices declined even more drastically than they had following 1920, the credit problems of agriculture were further intensified. The number of bank suspensions increased, and the lending facilities of operating banks were sharply curtailed by the decline in deposits and the need of maintaining a liquid position under the abnormal conditions existing at that time.

In 1932 the Reconstruction Finance Corporation was authorized to establish 12 regional agricultural credit corporations to make loans directly to farmers and stockmen where the proceeds of such loans were to be used for an agricultural purpose. In the earlier months of operation, the demand for loans was largely from the livestock areas, and, in particular, from the range sections. In the first part of 1933 the volume of crop-production loans assumed considerable proportions. The combined total of all outstanding loans reached a peak of $158,-

394,375 in August 1933. After the establishment of the production credit associations, the orderly liquidation of the regional agricultural credit corporations was begun.

The Federal Government took additional steps, beginning in 1933, to alleviate the credit distress prevailing in agricultural areas by developing a comprehensive program of refinancing outstanding indebtedness and setting up a system for providing a permanent source of credit for meeting current production-financing requirements.

Under the refinancing program the Federal land banks were authorized to make loans on the basis of "normal-value" appraisals as contrasted with the abnormally depressed sales-value basis prevailing previously. In addition, provisions were made for Land Bank Commissioner loans which could be made, either on first- or second-mortgage security, in an amount up to 75 percent of the normal value of the underlying security. From May 1933 to the end of 1937, Federal land bank loans in the amount of $1,291,438,933 and Land Bank Commissioner loans in the amount of $937,621,745 were made under this program.

To provide a continuous source of credit for current production requirements, 12 production credit corporations were set up to capitalize and supervise the operations of local discounting agencies known as production credit associations. About 550 production credit associations are now in operation to supply credit for sound agricultural purposes in all agricultural areas.

Under the provisions of the Farm Credit Act of 1933, 12 district banks for cooperatives and a central bank for cooperatives were established. The lending operations of these institutions cover somewhat the same field (excluding stabilization operations) as was formerly served by the revolving fund of the Agricultural Marketing Act enacted in 1929. The banks for cooperatives make commodity, operating capital, and facility loans to farmers' cooperatives.

Other Federal efforts in the field of agricultural credit include (1) the loan facilities of the Commodity Credit Corporation for making loans on staple commodities in connection with adjustment or marketing programs of the Agricultural Adjustment Administration; (2) the Farm Security Administration (formerly the Resettlement Administration) engaged in making relief and rehabilitation advances, with the additional authority granted in 1937 for making loans to tenants for the purchase of farms; (3) the Rural Electrification Administration, established for the purpose of making loans for—

> financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas who are not receiving central station service.

ACQUIRED FARM REAL ESTATE AND INTEREST RATES

In spite of the extensive refinancing program of the Farm Credit Administration, the volume of farm land acquired by lending agencies reached substantial proportions. At the beginning of 1929 the Federal land banks, joint-stock land banks, life insurance companies, and three State credit agencies had an investment of almost $150,000,000 in acquired farm real esate. By 1937 this had increased to $983,284,000, involving over 28,000,000 acres. On January 1, 1937, the majority of this was held by life insurance companies, their investment amounting to an estimated $713,166,000. The above data exclude an estimated investment of $45,598,000 by open commercial banks in farm real estate on January 1, 1937.

The joint-stock land banks were placed in voluntary liquidation under the Emergency Farm Mortgage Act of 1933. The liquidation of these agencies, as well as that of three State credit agencies in Minnesota, North Dakota, and South Dakota, has resulted in a shift of their loan holdings to other active lending agencies or in the acquirement of a large number of properties from delinquent borrowers. The shift and reduction in loans by these agencies accompanied that which was taking place in insurance-company and commercial-bank holdings of mortgage loans.

Average interest rates charged on agricultural loans have decreased in most sections of the country during the last two decades and particularly during the last few years. Although regional variations are still apparent, the uniform rates charged by federally sponsored agencies have probably reduced the average interest rate in the high-rate areas more than in the low-rate areas. The Federal land bank loan rate varied between 5 percent and 6 percent until 1935. Since that date the contract rate on new loans made through national farm loans has been 4 percent. The rate charged on production credit association loans is 5 percent. In many areas, also, there has been a slightly downward trend in the rate of interest charged by commercial banks on agricultural loans.

SOURCE OF DATA

The data presented in the following charts have been obtained principally from the various reports issued by the Bureau of the Census, the Farm Credit Administration, and the following publications issued by the Bureau of Agricultural Economics:

Technical Bulletin 288, Farm-Mortgage Credit.
Technical Bulletin 521, Agricultural Loans of Commercial Banks.
Circular 414, Farmer Bankruptcies, 1898–1935.
Technical Bulletin 539, Federal Seed Loan Financing and its Relation to Agricultural Rehabilitation and Land Use.
Technical Bulletin 575, Demand Deposits of Country Banks.
Mimeographed report, Supplementary Report on Agricultural Credit Developments Relating to Commercial Banks.
Joint release, Bureau of Agricultural Economics and Bureau of the Census, Farm-Mortgage Indebtedness (detailed summary).
Circular 417, The Farm Real Estate Situation, 1935–36.
Mimeographed reports, Farm Real Estate Taxes by States.
Mimeographed report, Outstanding Farm-Mortgage Loans of Leading Lending Agencies.
Mimeographed report, Regional Variations in the Source and Tenure Distribution of Farm-Mortgage Credit, Outstanding January 1, 1935.
Agricultural Finance Review (multilith), Vol. 1, No. 1.

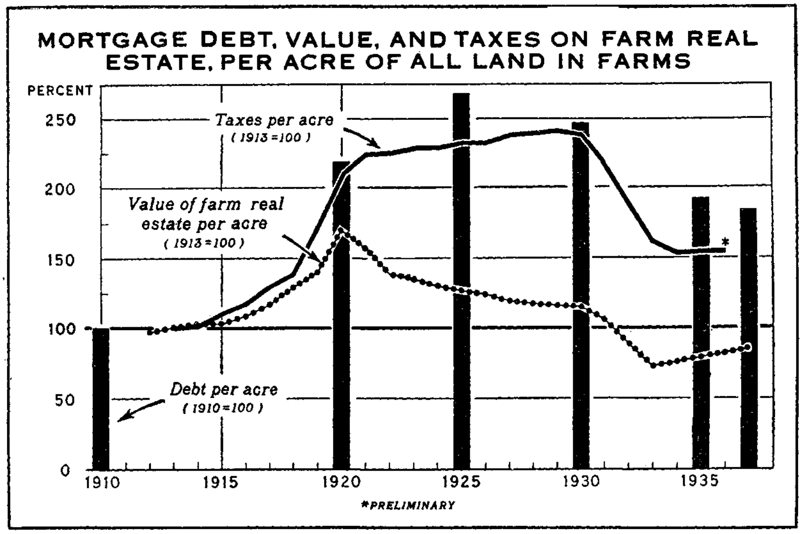

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FIGURE 1.—Farm-mortgage indebtedness more than doubled from 1910 to 1920. Despite a sharp drop in land values, indebtedness continued to increase until about 1928. Taxes on farm real estate also increased at a rapid rate adding to the heavy load of fixed charges borne by farmers in the 1920's. Since 1930 there has been a substantial reduction in indebtedness largely because of the liquidation of debt through foreclosure and assignment, and a material decrease in the amount of taxes paid per acre.

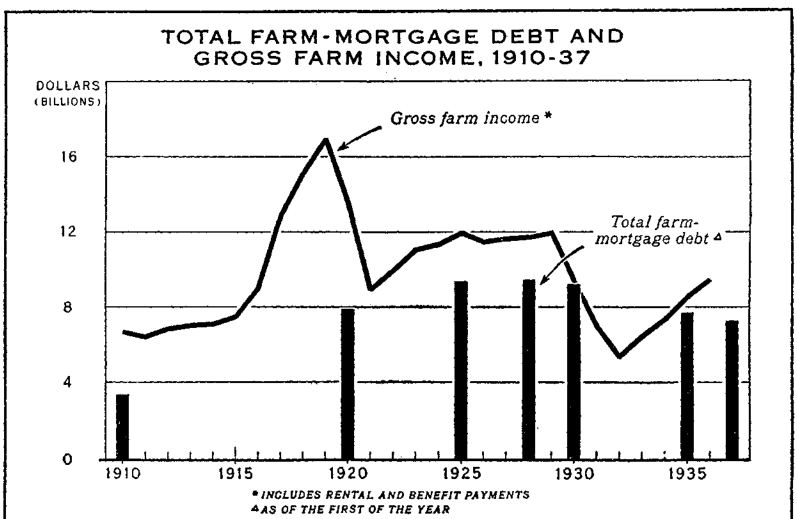

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FIGURE 2.—Changes in the volume of farm-mortgage debt lag behind changes in farm income. While the rapid rise in farm income prior to 1920 was accompanied by a substantial expansion in agricultural indebtedness, the fall in farm income in 1921 and 1932 was not matched by a comparable decrease in debt. As a consequence, the relation of debt to income fluctuates considerably, becoming extremely unfavorable at times. Since early 1933, increases in gross farm income have again placed the two factors in better relation to each other.

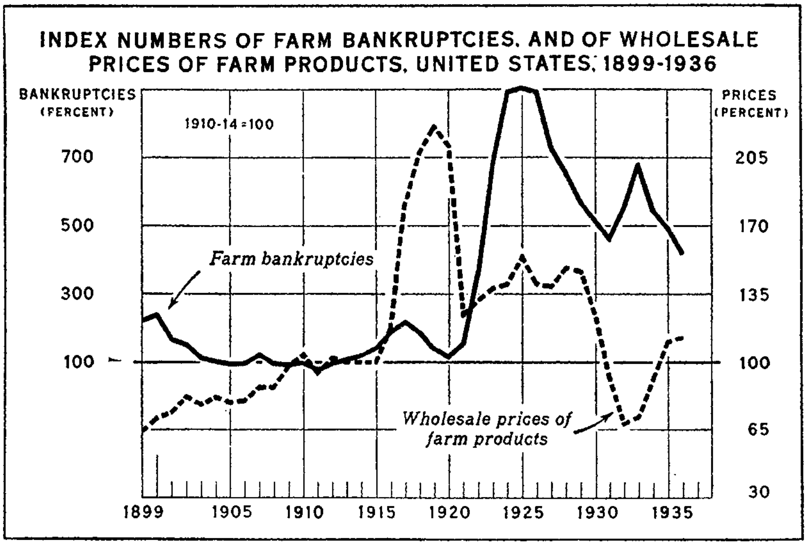

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FIGURE 3.—Changes in farm-commodity prices and farm income have been reflected in the frequency of farm bankruptcies. The peak of bankruptcies, 7,872 in number, occurred in 1925, 4 years after the cessation of the sharp drop in farm-commodity prices in 1921. The number of farmer cases concluded in the bankruptcy courts is only a small proportion of the farm-debt-distress cases and involves primarily tenant farmers. Since 1933 the amended National Bankruptcy Act provides additional facilities for composition or extension of debts.

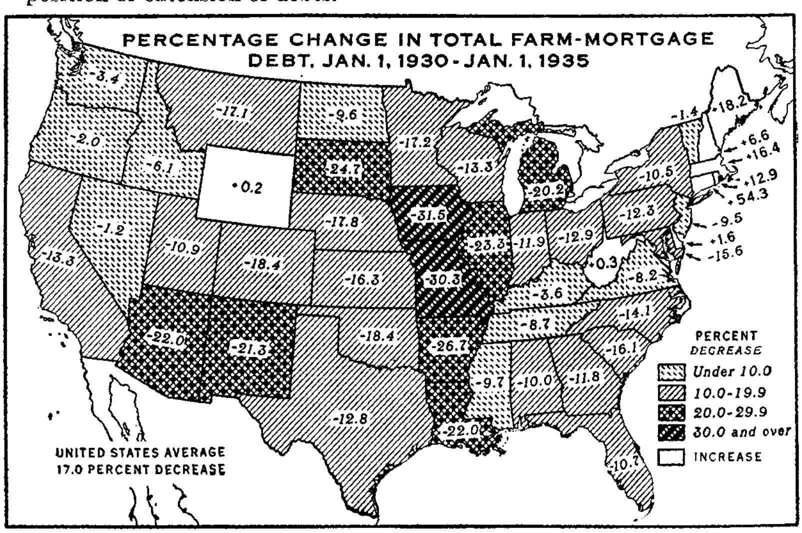

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FIGURE 4.—Total farm-mortgage debt in the United States decreased 17 percent, or approximately $1,500,000,000, between 1930 and 1935. In the North Central States mortgage debt declined over 20 percent, or $1,144,000,000. This accounted for 73 percent of the total reduction in mortgage indebtedness for the United States during this period. The decrease in Iowa of 31.5 percent represents a debt reduction of almost $373,000,000. The increase in debt in the New England States represents to some extent the increase in the number of farms enumerated by the Census Bureau.

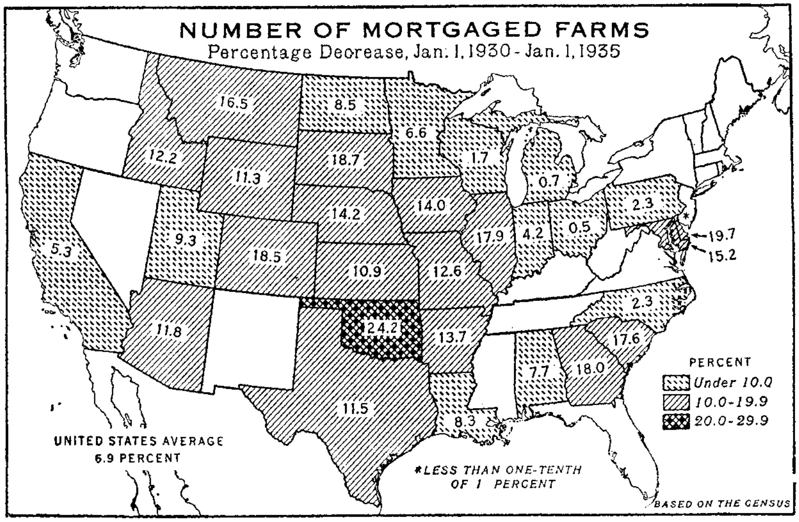

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FIGURE 5.—The decrease between 1930 and 1935 in the number of farms mortgaged, as in the case of the amount of the mortgage debt (fig. 4), occurred largely in the Midwest, Northwest, and Southwest. It was notably large in Oklahoma. For the United States as a whole there were 2,350,000 farms mortgaged on January 1, 1935, compared with 2,523,000 5 years earlier, a decrease of 6.9 percent. The percentage of all farms reporting which were mortgaged, dropped from 40.1 to 34.5 between 1930 and 1935.

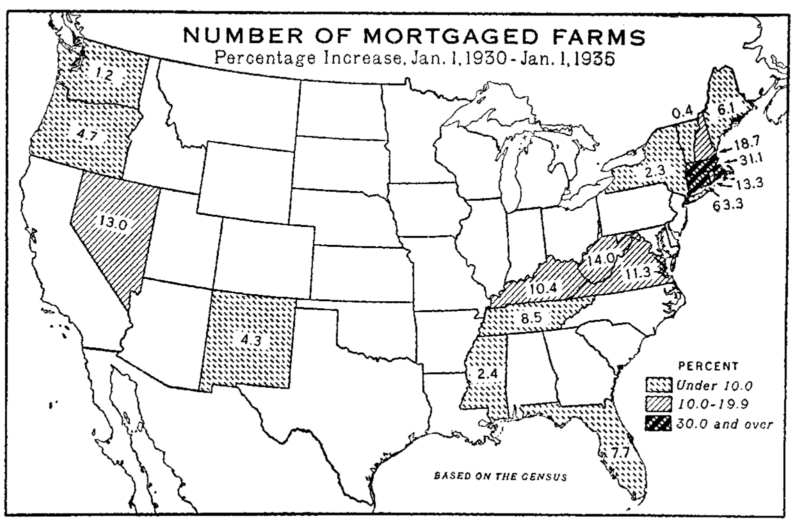

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FIGURE 6.—The increase in the number of mortgaged farms in the New England States represents to a considerable extent an increase in the number of farms included in the 1935 census as compared with 1930. The rather sharp increase in the number of mortgaged farms in Virginia, Kentucky, Tennessee, and Nevada occurred in spite of a drop in total farm-mortgage debt in those States.

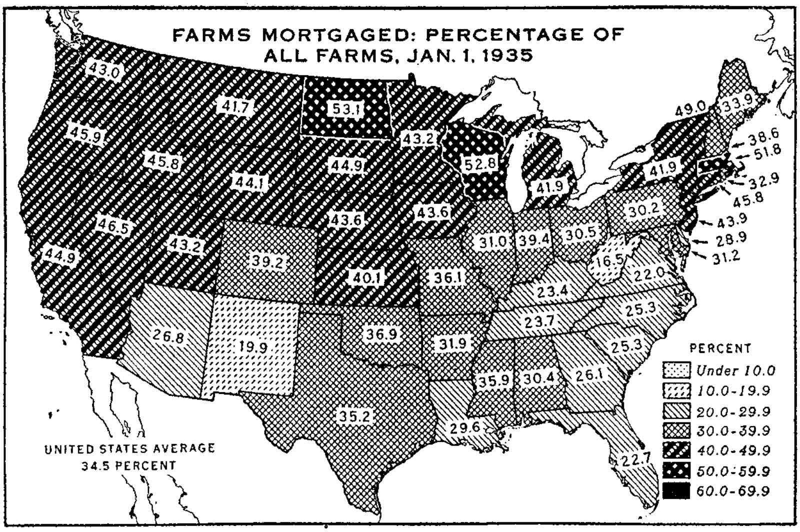

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FIGURE 7.—It is estimated that on January 1, 1935, 2,350,000 farms were mortgaged, or 34.5 percent of the 6,812,350 farms in the United States. It will be noted that in Wisconsin and North Dakota more than half of the farms were mortgaged in 1935, as compared with less than 20 percent in West Virginia and New Mexico.

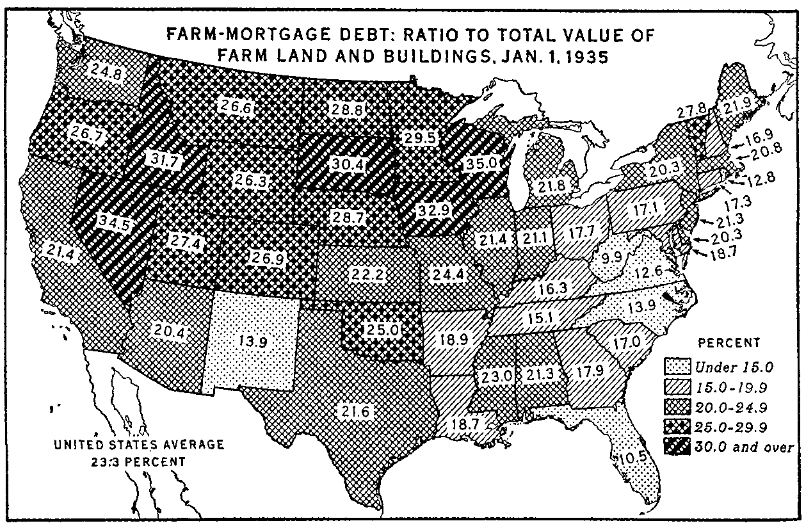

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FIGURE 8.—Since the value of farm land decreased by 31.4 percent from 1930 to 1935 and farm-mortgage indebtedness decreased 17 percent, the relative weight of the outstanding debt, as measured by the ratio of mortgage debt to total value of land and buildings, was greater in 1935 than in 1930. The high ratio of debt to value of property in the Great Plains States reflects, in part, the results of several years of severe drought.

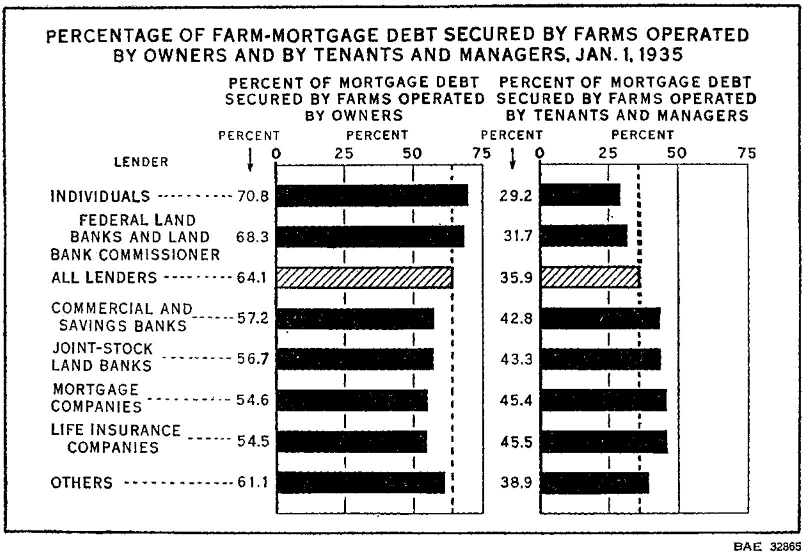

FIGURE 9.—On January 1, 1935, about 64 percent of the total farm-mortgage debt rested on farms of owner operators and about 36 percent on farms of nonoperators. Individuals and the Federal credit agencies had a higher-than-average percentage of their loans on owner-operated farms whereas the life insurance companies, commercial and savings banks, joint-stock land banks, and mortgage companies had a smaller-than-average percentage on owner-operated farms. As compared with 1930, debt on owner-operated farms showed a decline of 13.7 percent, and on farms operated by tenants and managers, a decline of 22.3 percent.

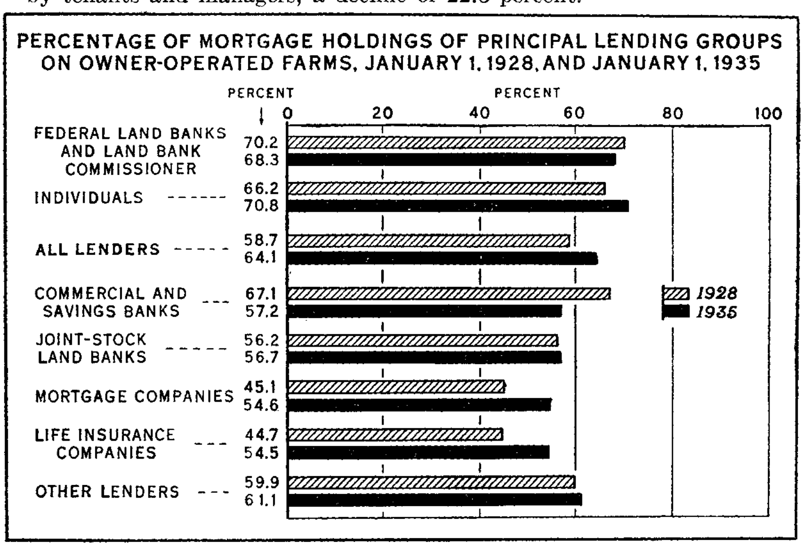

FIGURE 10.—The proportion of all farm-mortgage debt resting on owner-operated farms rose from approximately 59 percent on January 1, 1928, to approximately 64 percent on January 1, 1935. It is estimated that 41.5 percent of all owner-operated farms were mortgaged on January 1, 1935, compared with 44.6 percent 5 years earlier. The frequency of debt on tenant- and manager-operated farms was much less, being 25.1 percent on January 1, 1935, and 34.2 percent 5 years earlier.

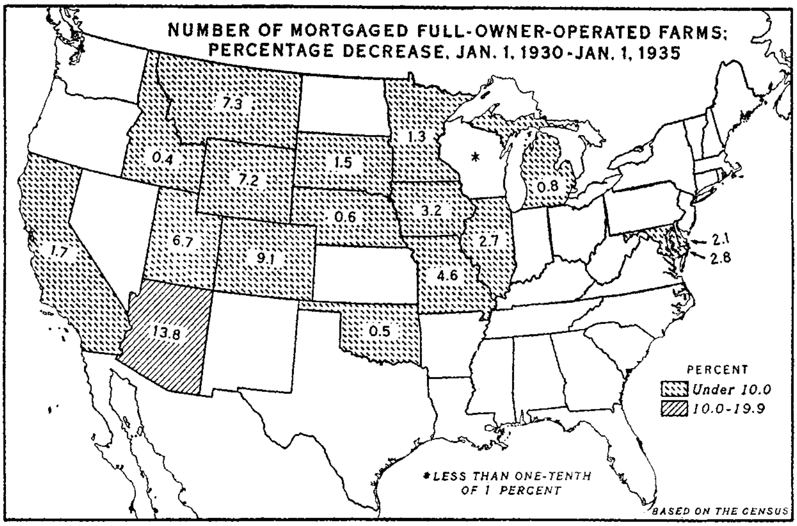

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FIGURE 11.—In general the decrease in the number of mortgaged full-owner-operated farms took place in the areas where the frequency of debt had been high. (See fig. 7.) For the United States as a whole there occurred between 1930 and 1935 a 10.3-percent increase in the number of full-owner-operated farms, an increase of 3.1 percent in the number of full-owner-operated farms mortgaged, and a decrease of 15.1 percent in the amount of mortgage debt on full-owner-operated farms.

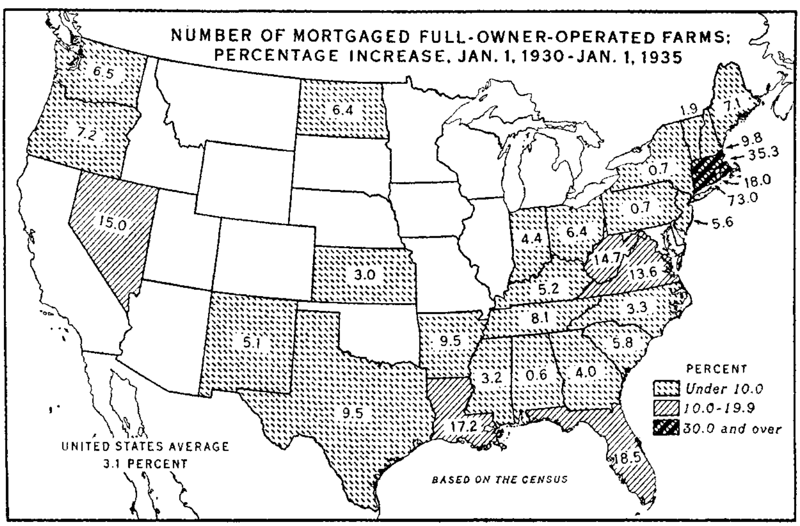

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FIGURE 12.—The decrease in total debt on mortgaged full-owner-operated farms despite an increased number of such farms reflects largely the reduction in average debt per farm during this period. The increase in the number of owner-operated farms from 1930 to 1935 consisted to considerable extent of an increase in small farms. The fall in land values also resulted in smaller debt per farm for farmers becoming indebted for the first time. Also, the debt which was liquidated by foreclosure from 1930 to 1935, was probably the most burdensome, namely, large loans placed during the time of high land values.

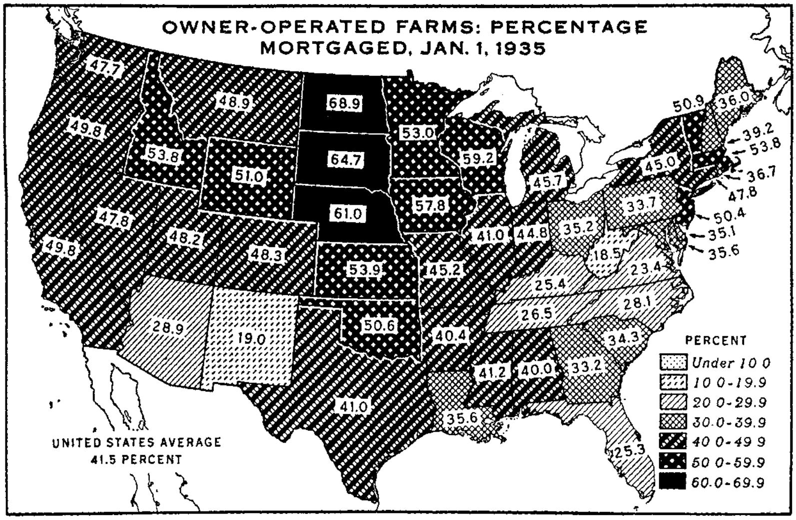

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FIGURE 13.—Farms operated by their owners are more frequently encumbered by debt than those operated by tenants and managers. For every 1,000 farms operated by their owners, 415 were mortgaged in 1935 as contrasted with 446 in 1930, or a decline of about 7 percent. For every 1,000 farms operated by tenants and managers, the number mortgaged in 1935 is estimated at 251 and in 1930 at 342, which indicates a decline of nearly 27 percent. The large proportion of mortgaged owner-operated farms in the Great Plains States is associated, in part, with the severe droughts of recent years.

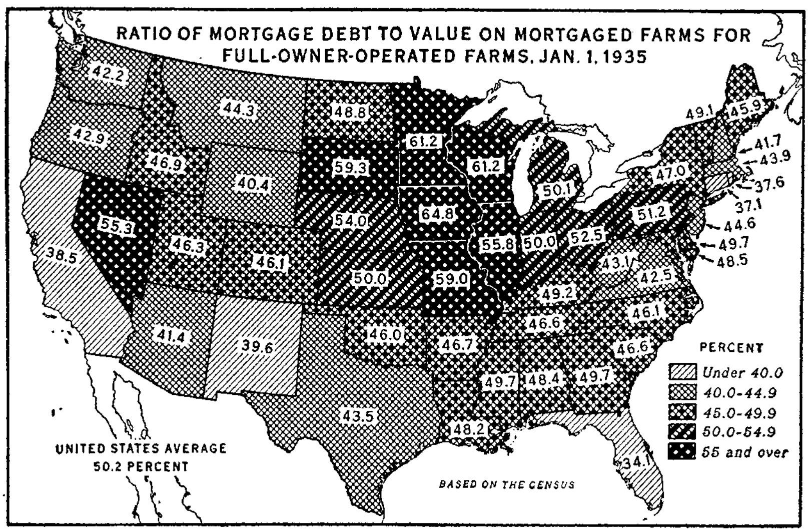

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FIGURE 14.—The data in this chart relate the amount of debt on owner-operated farms to the value of land and buildings in the same farms. In 1920 this ratio of debt to value in the United States as a whole was 29.1 percent, in 1930 it was 39.6 percent and in 1935 it was 50.2 percent. The high ratio of debt to value for 1935 reflects the decline in value which had taken place in the preceding years, without significant debt reductions on those farms which remained mortgaged. The high ratio of debt to value for mortgaged farms indicates the burden which is being carried by farmers who are in debt.

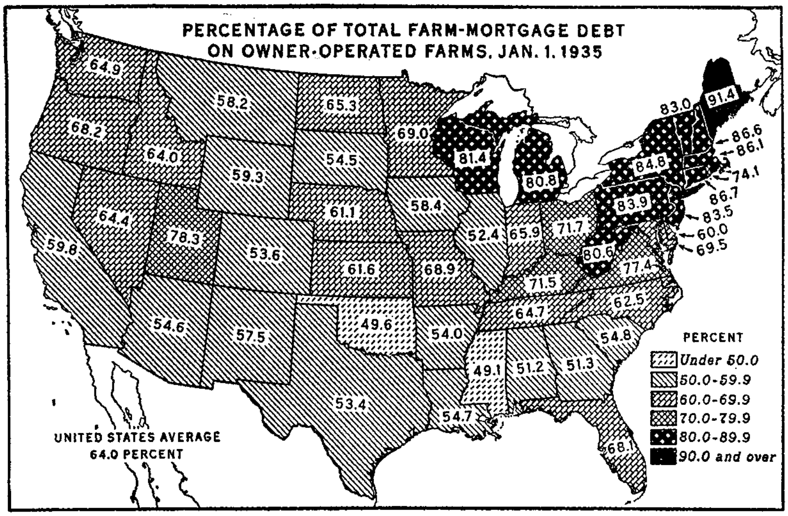

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FIGURE 15.—Farms operated by their owners, although representing but 57.2 percent of all farms in 1935, were security for 64.0 percent of the total farm-mortgage debt. Of the 2,350,313 mortgaged farms, 68.9 percent were in this tenure group. The regional differences in percent of total debt secured by owner-operated farms is influenced by the percent of total farms operated by owners, which is notably high in the northeastern dairy States.

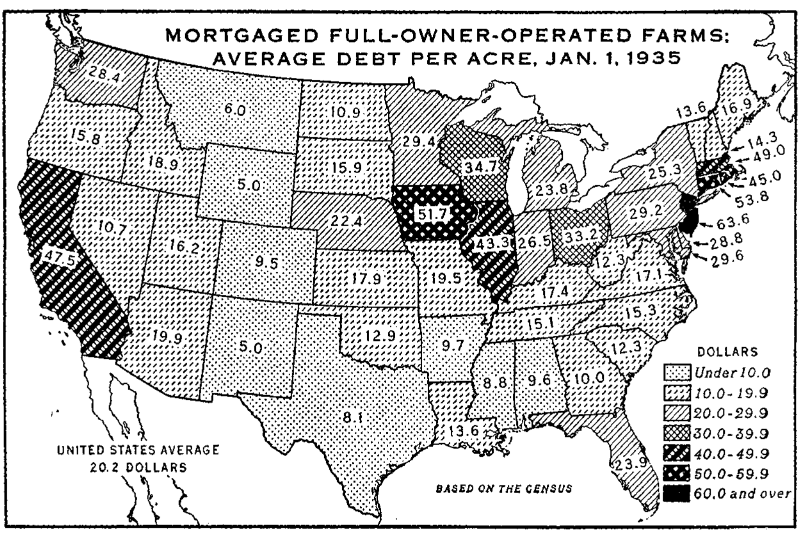

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FIGURE 16.—Regional variations in average debt per acre for mortgaged owner-operated farms are somewhat related to variations in the value of land and buildings. This relation is not uniform, however, as indicated by the ratios of debt to value in figure 14. Other factors which determine the amount of debt per acre are borrowers' needs, which vary with type of farming, the frequency of land transfers, which usually involve large purchase money mortgages, and the degree of competition amongst the various lending agencies.

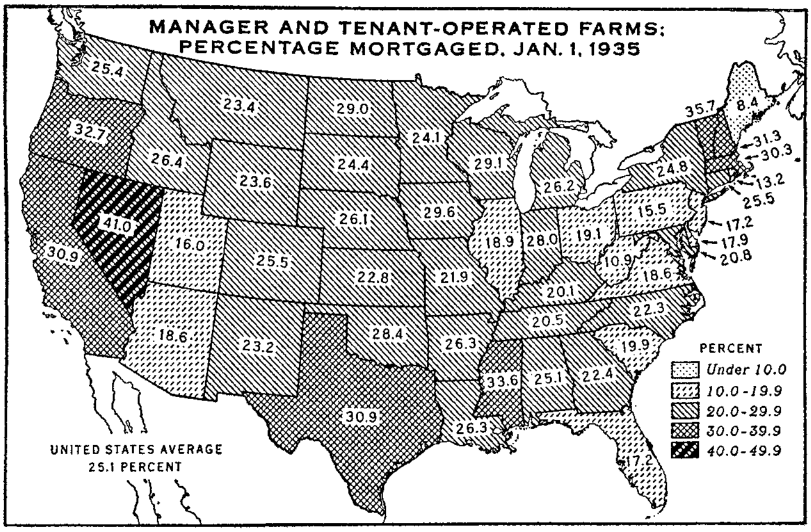

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FIGURE 17.—Only 25.1 percent of tenant- and manager-operated farms were mortgaged on January 1, 1935, compared with 41.5 percent of owner-operated farms. (See fig. 13.) This difference may be explained in part by the large volume of distress transfers, 1930–35, of mortgaged owner-operated farms to nonoperating owners with complete liquidation of debt. It may also be noted that the relative frequency of tenant- and manager-operated farms mortgaged was fairly uniform over a large portion of the country whereas the percentage of owner-operated farms mortgaged varied considerably.

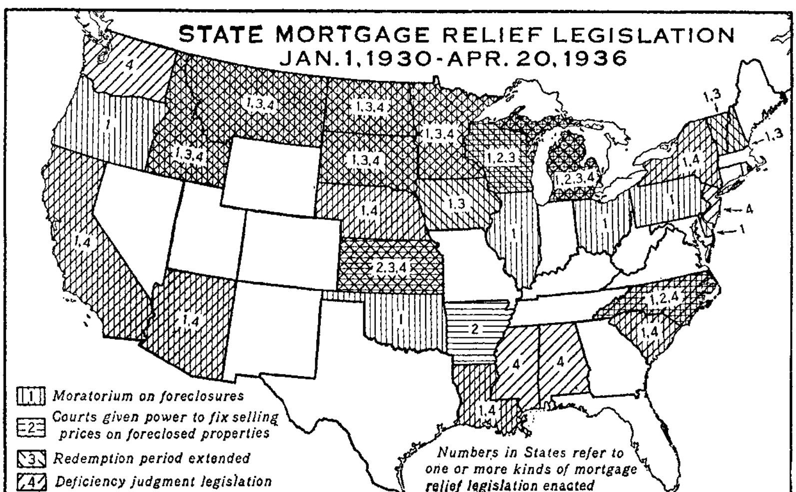

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FIGURE 18.—Widespread difficulty in meeting mortgage payments resulted in the enactment, in many States, of laws to relieve debtor distress. The types and frequency of these laws, 1930–36 (not subsequently declared unconstitutional), are shown above. Some of the States in which no legislation was enacted during this period already had general or specific debtor-relief laws. More detail regarding this type of legislation is to be found in United States Department of Commerce, Domestic Commerce Series No. 96, Long-Term Debts in the United States.

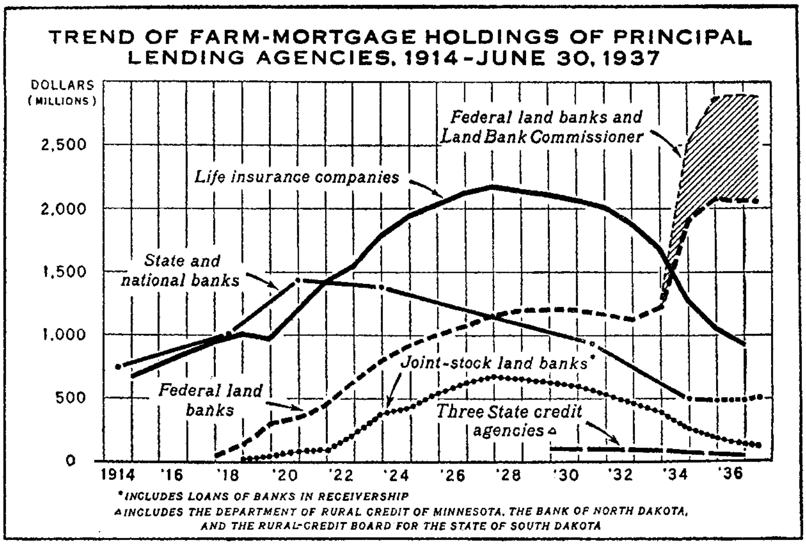

FIGURE 19.—In the period from 1920 through 1927 outstanding farm-mortgage loans of life insurance companies, Federal land banks, and joint-stock land banks increased in a larger amount than did the total farm-mortgage indebtedness. After 1929 outstanding loans of all the principal lending agencies decreased until 1933. Since the latter date, Federal land bank and Land Bank Commissioner loans have been rapidly expanded, reflecting to a considerable extent the refinancing of loans held by other agencies.

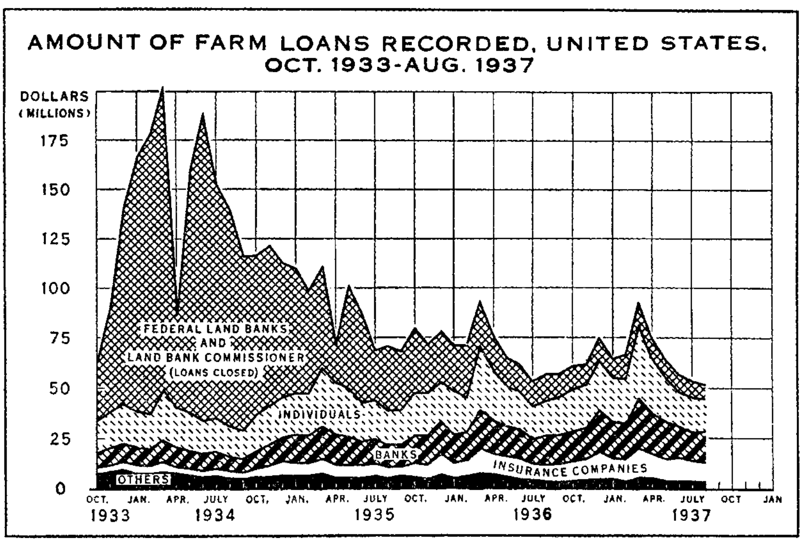

FIGURE 20.—With the completion of the emergency refinancing program of the Farm Credit Administration the volume of farm mortgages currently recorded has been greatly reduced although there has been an increase in the volume of recordings by private lenders. A larger percent of the total outstanding farm-mortgage debt is now in the hands of agencies specializing in long-term amortized loans. (See fig. 23.) Therefore, the volume of future recordings of mortgages, which include renewals and refinancing of short-term real estate loans, may not be expected to exceed greatly that attained in 1936 and 1937.

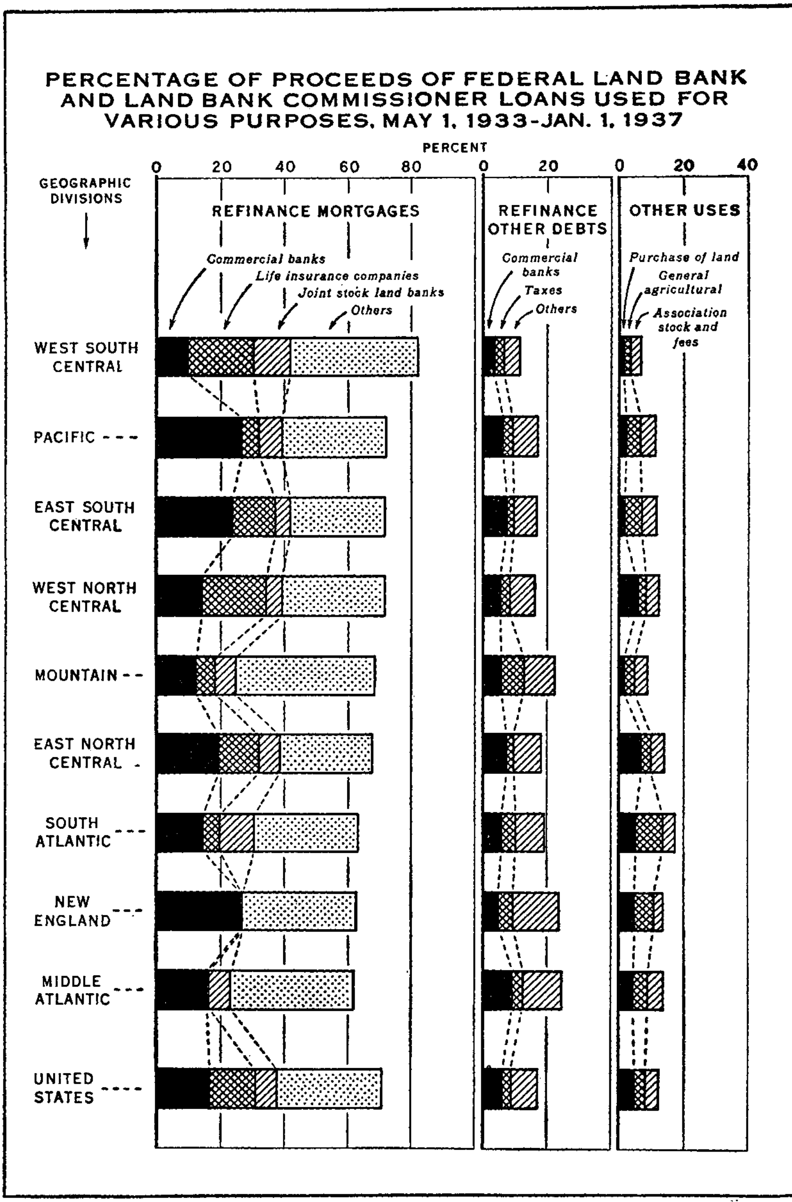

FIGURE 21.—For the United States as a whole 70.8 percent of the proceeds of Federal land bank and Land Bank Commissioner loans made during the period May 1, 1933–January 1, 1937, are estimated to have been used for refinancing first and junior mortgages. In the West South Central States, 82.2 percent of such loan proceeds were used to refinance outstanding farm-mortgage loans. This percentage is largely accounted for by Texas, in which State the estimated percentage of loan proceeds used for the purpose of refinancing existing mortgage indebtedness was 84.3 percent. The small proportion of loan proceeds, in all geographic divisions, used for the purchase of land should be noted.

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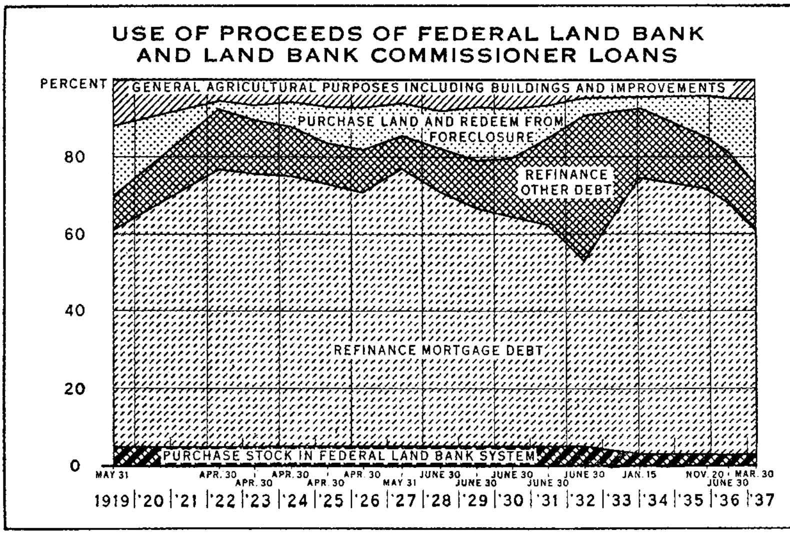
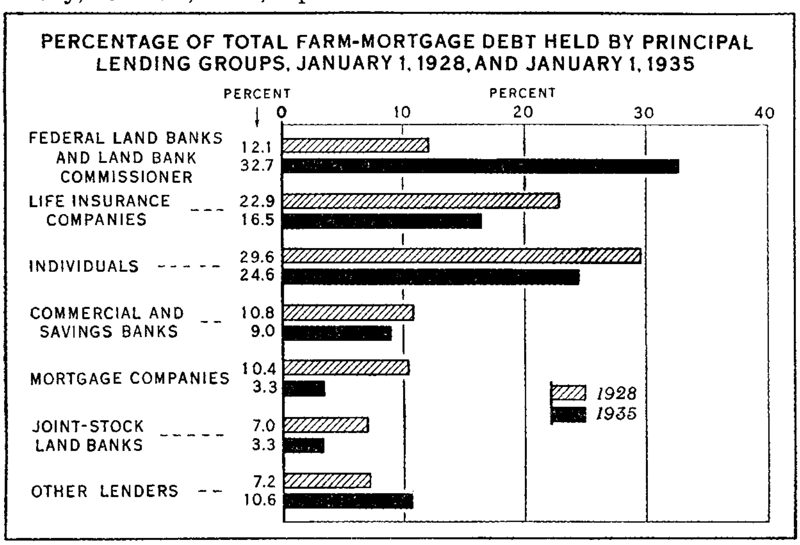


BAE 34006

FIGURE 22.—During times of relative agricultural prosperity, increased frequency of voluntary transfers creates a demand for funds to finance such transfers. During times of relative distress, on the other hand, farmers have used a higher proportion of funds, borrowed from the federally sponsored agencies, for refunding nonreal estate loans. The refinancing of real estate mortgage loans has been the principal use to which farmers have put the proceeds of their Federal land bank loans. More detailed analysis may be found in the Use of Farm Mortgage Loan Proceeds, Farm Credit Quarterly, volume 1, No. 3, September 1936.



BAE 32947

FIGURE 23.—The proportion of the total outstanding farm-mortgage debt held by the Federal credit agencies on January 1, 1935, was much higher than on January 1, 1928, reflecting both the increased volume of mortgage loans held by these agencies and the reduced total outstanding farm-mortgage debt. Through liquidation of loans by foreclosure and shifting of loans to the federally sponsored agencies, most of the private lender groups reduced their holdings of mortgages by a larger percentage than the total reduction in farm-mortgage debt.

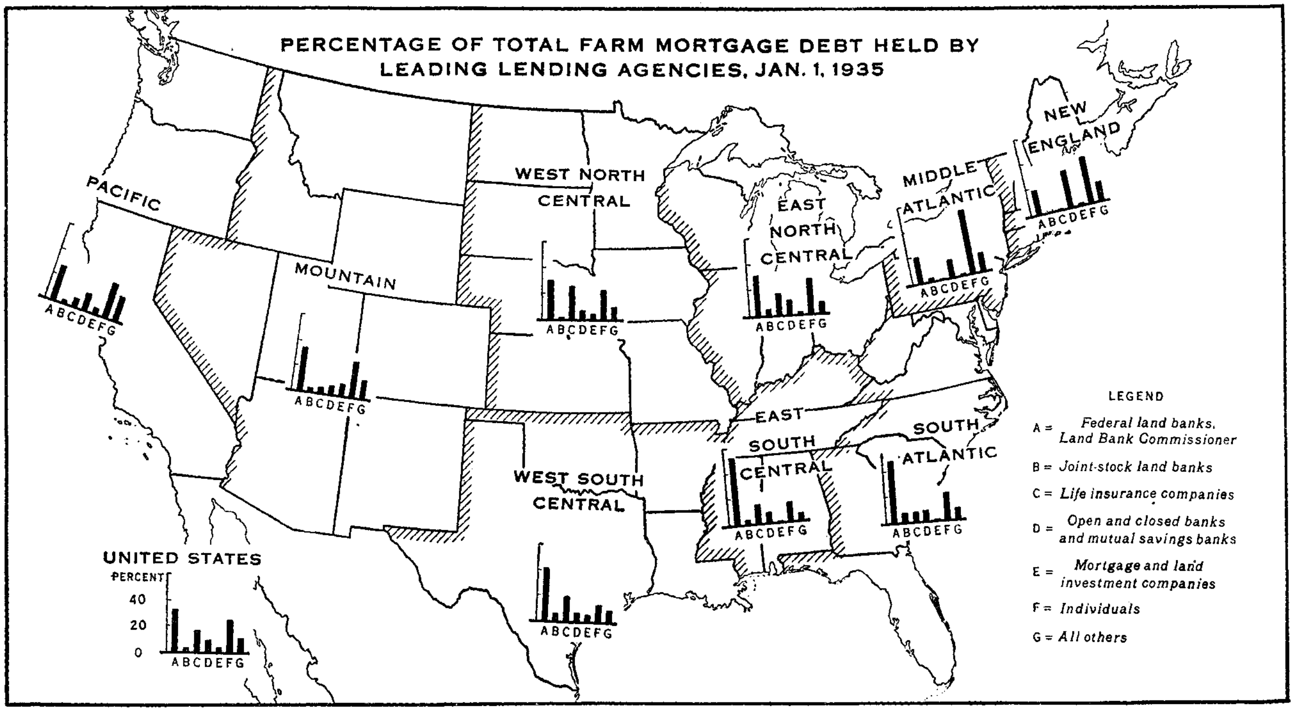


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FIGURE 24.—Wide variation in the relative importance of the different sources of farm-mortgage credit in the United States is evident in the above chart. Except in the New England and Middle Atlantic States the Federal land banks and Land Bank Commissioner are the most important lenders in every geographic division. They predominate most, however, in the Southern States. Individuals are, generally, the next most important source of loans, ranking either first or second in seven of the nine geographic divisions. Loans of insurance companies are notably small in the New England and Middle Atlantic States.

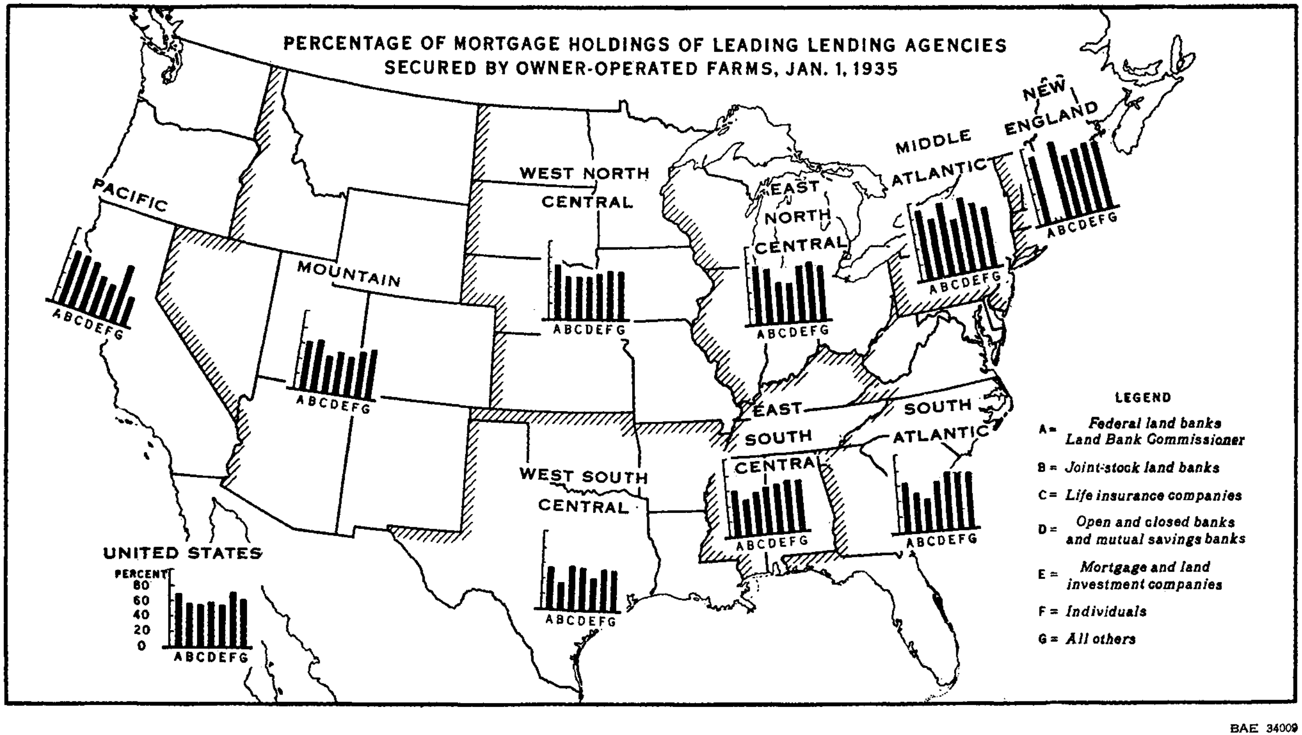
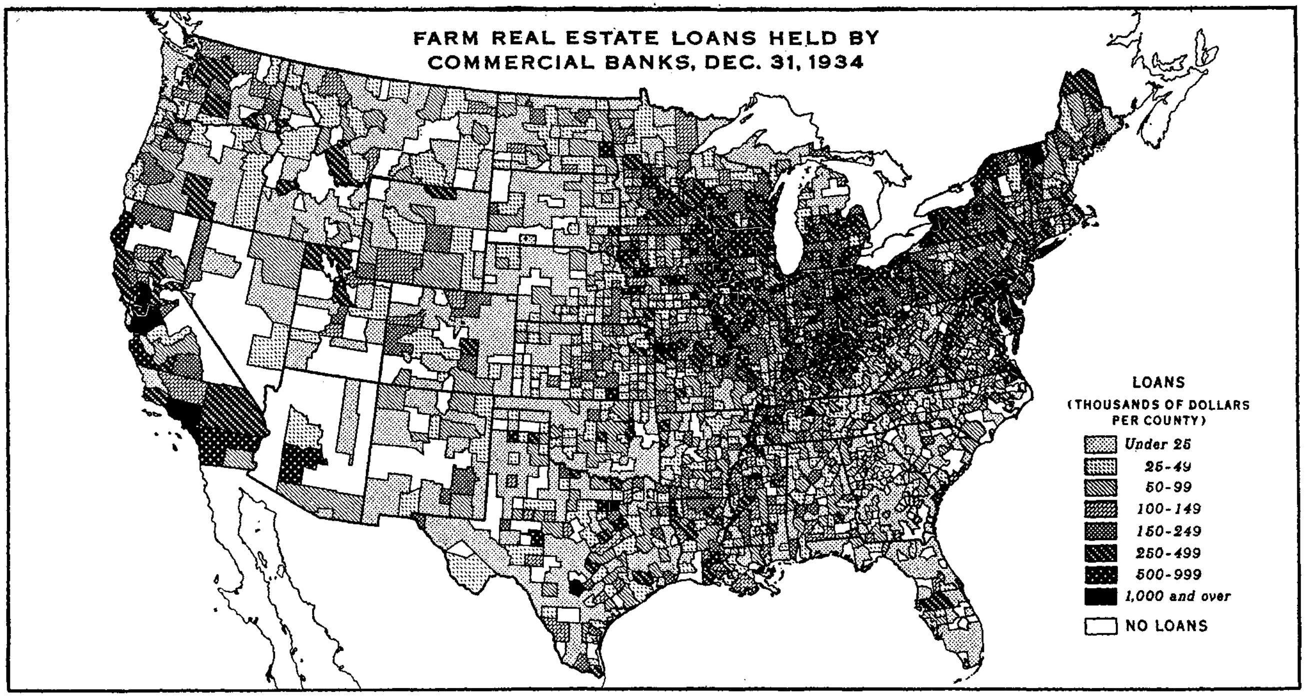


FIGURE 25.—Of the total farm-mortgage debt, 64 percent, or $4,895,811,000, rested on owner-operated farms on January 1, 1935, $2,749,280,000 being secured by farms operated by tenants and managers. The proportion of total loans secured by owner-operated farms for any one type of lender shows considerable variation from region to region. Individuals, for instance, vary in this respect, from 89.5 percent in the New England States to 54 percent in the West South Central States. The most significant regional comparisons are obtained by relating the data in this figure to figure 15.



BAE 32268

FIGURE 26.—This map, based upon data of insured commercial banks, shows the heavy concentration of farm-mortgage loans held by banks in the Northeastern States, in some of the States in the Midwest, and in California. In earlier years banks in the New England States and in such sections as southern Wisconsin and northern Illinois were large purchasers of mortgages secured by farm lands in other areas. Since 1920, however, the volume of farm-mortgage loans held by banks in these areas of surplus investment funds has been substantially reduced. In some States, particularly California, the county data are appreciably influenced by the holdings of branch banking systems reporting their loans on the basis of the location of their main office.

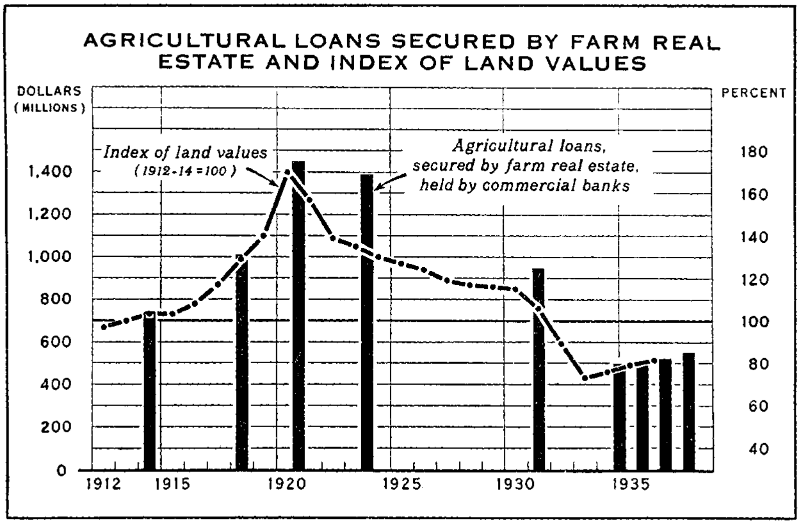


FIGURE 27.—The volume of farm real estate loans held by commercial banks has tended to follow the trend of farm-land values. After a period of declining farm income, such as occurred subsequent to 1920 and 1929, there is a tendency for banks to expand their mortgage holdings to obtain additional security for advances previously made on the basis of the higher price level. Since the end of 1934, farm-mortgage loans held by commercial banks have shown little change, although banks in some of the Midwest States have shown a consistent increase in such holdings.

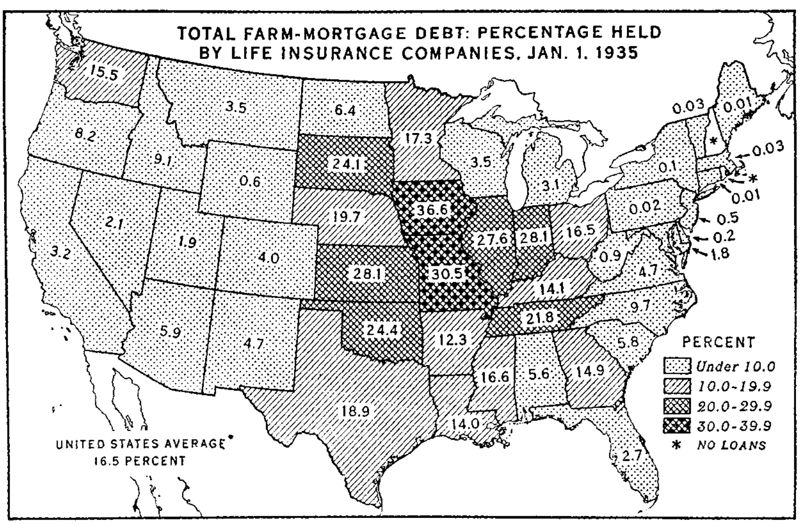
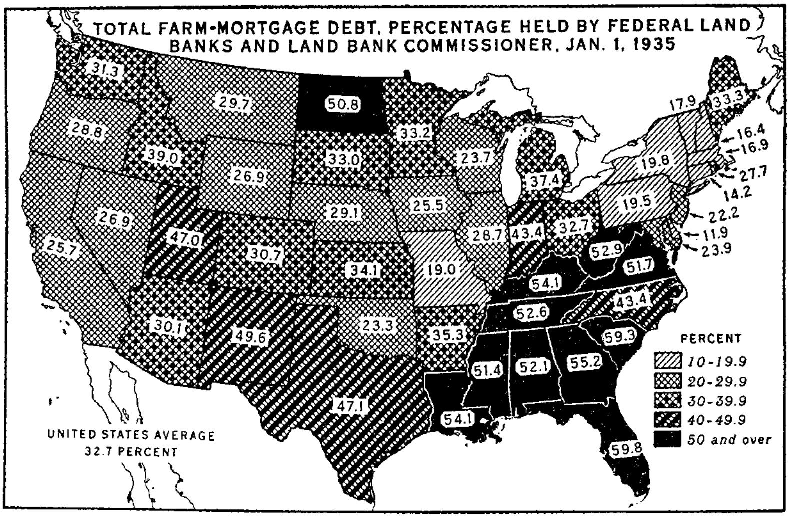
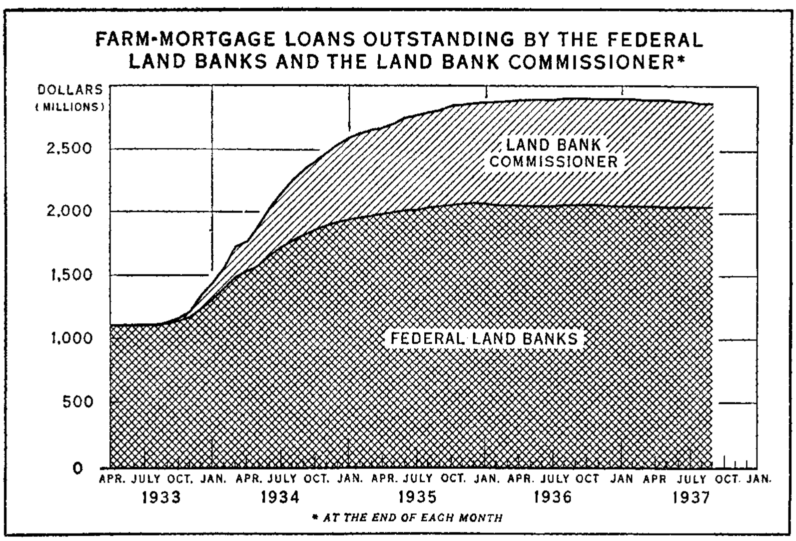


FIGURE 28.—Lands in the North Central States secured 74.8 percent of all farm-mortgage loans of life insurance companies at the beginning of 1935. Due to this concentration of loans, these companies held a high proportion of the total farm-mortgage indebtedness in these States. In the West North Central States, life insurance company loans represented 25.9 percent of the total mortgage indebtedness, in the East North Central States 16.3 percent of the total, and 19.3 percent of the total indebtedness in the West South Central States.



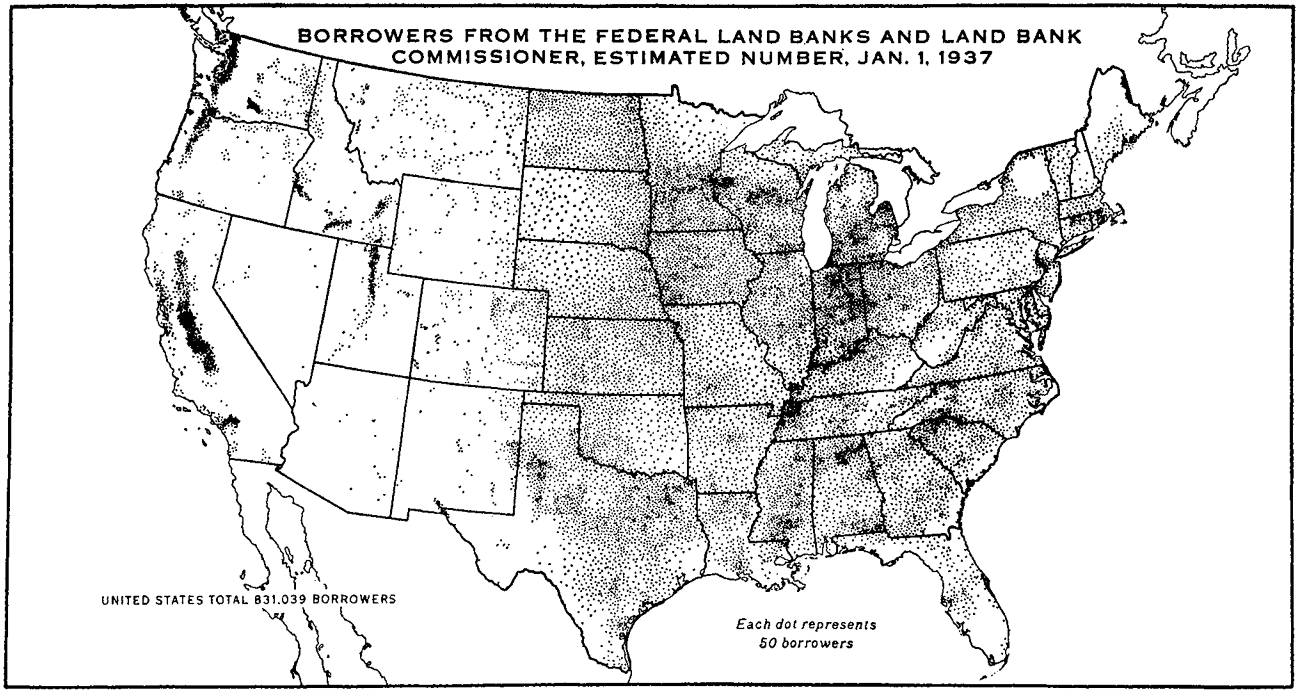
BAE 32850

Figure 29.—Agencies of the Farm Credit Administration substantially increased their farm-mortgage-loan holdings in relation to the estimated total farm mortgage debt from 12.9 percent in 1930 to 32.7 percent of the total in 1935. During this period the proportion of the total debt held by the Federal land banks and Land Bank Commissioner increased most in the Middle Atlantic, North Central, and South Atlantic States. In the East South Central States these agencies held 52.6 percent of the estimated total mortgage debt on January 1, 1935.



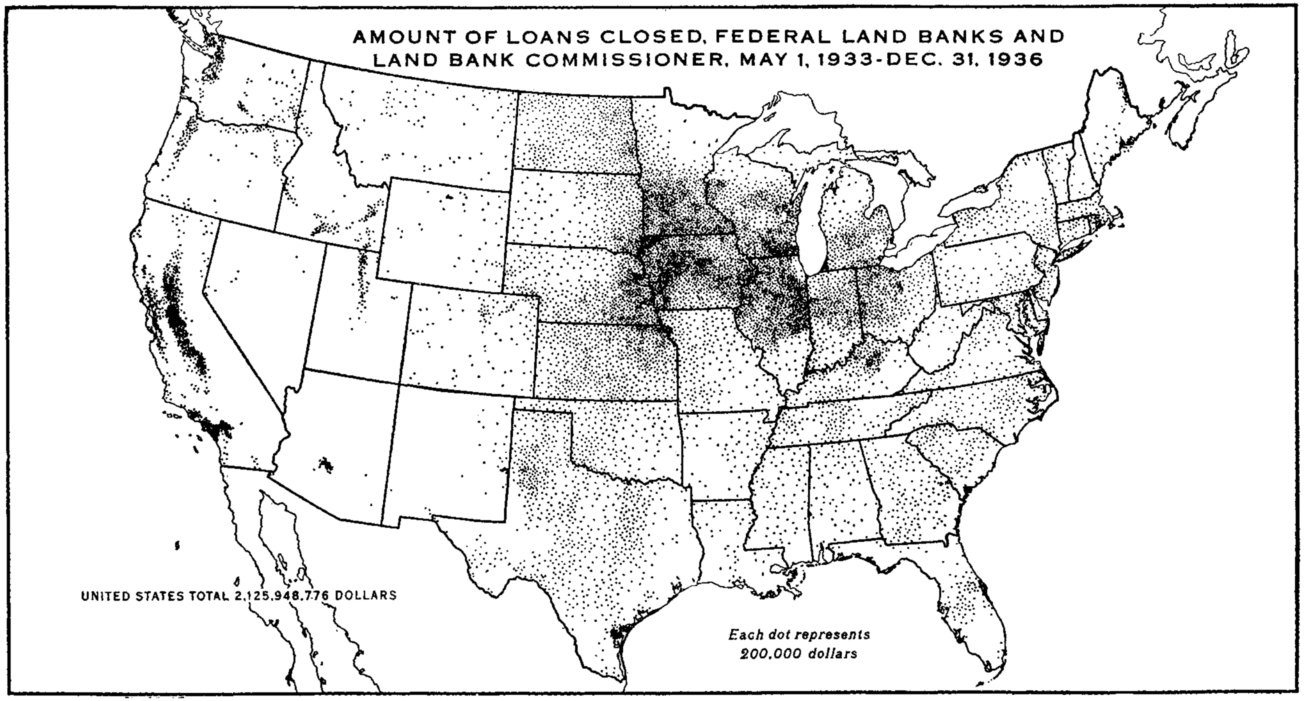
BAE 32891

Figure 30.—Between May 1, 1933, and December 31, 1935, the Federal land banks and Land Bank Commissioner rapidly expanded their farm-mortgage holdings from $1,105,128,000 to $2,866,651,000. The peak of $2,902,834,000 was reached in October 1936. There has been a small reduction since then. Land Bank Commissioner loans, which accounted for nearly half of the expansion, were made under the terms of the Emergency Farm Mortgage Act of 1933 from funds largely provided by the Federal Farm Mortgage Corporation, which was established early in 1934.



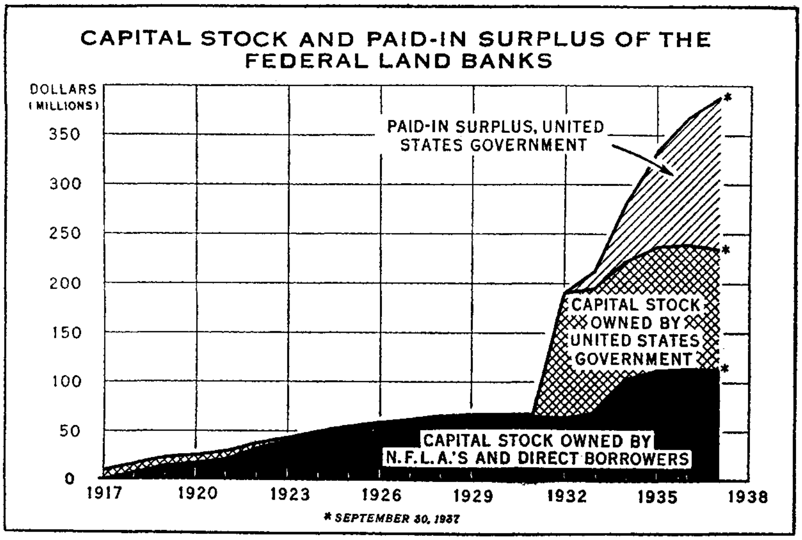
BAE 32897

FIGURE 31.—At the end of 1936, 831,000 farmers had loans from the Federal land banks and the Land Bank Commissioner. This represented approximately 35 percent of the estimated 2,350,000 farms mortgaged on January 1, 1935. Federal land bank and Land Bank Commissioner loans appear to be heavily concentrated in the Corn Belt, western Dairy Belt, Spring Wheat Belt, Hard Winter Wheat Belt, portions of the Cotton Belt, and valleys of the Pacific coast, Utah, and Idaho. This concentration should be related to other factors, such as frequency of debt and total debt.



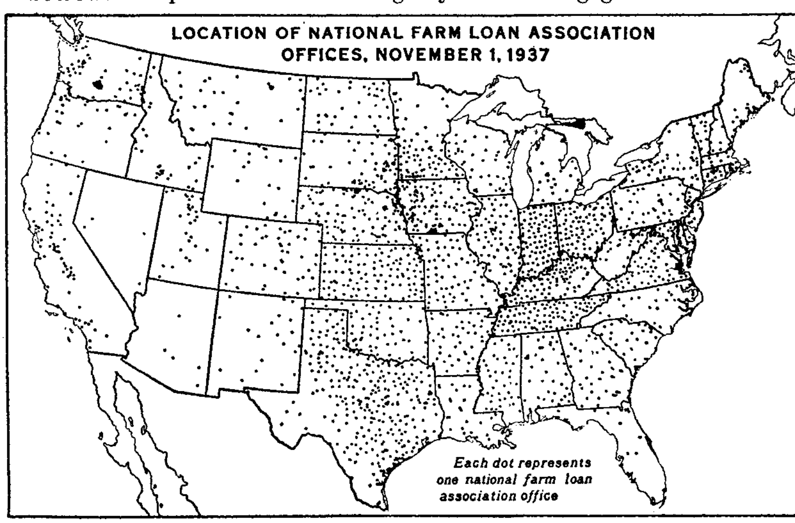
BAE 32887

FIGURE 32.—From May 1, 1933, to December 31, 1936, the Federal land banks and the Land Bank Commissioner loaned nearly $2,126,000,000. The Federal land banks, already holding a high proportion of the farm-mortgage debt in the South, were not called upon, in that region, to supply funds for refinancing to the same extent as they were elsewhere. In the Corn Belt the reduction by life insurance companies of their investments in farm real estate loans was in part the cause for the extensive use, in that region, of the resources of the Federal credit agencies. In the great valley of California the volume of loans closed during this period also has been substantial.



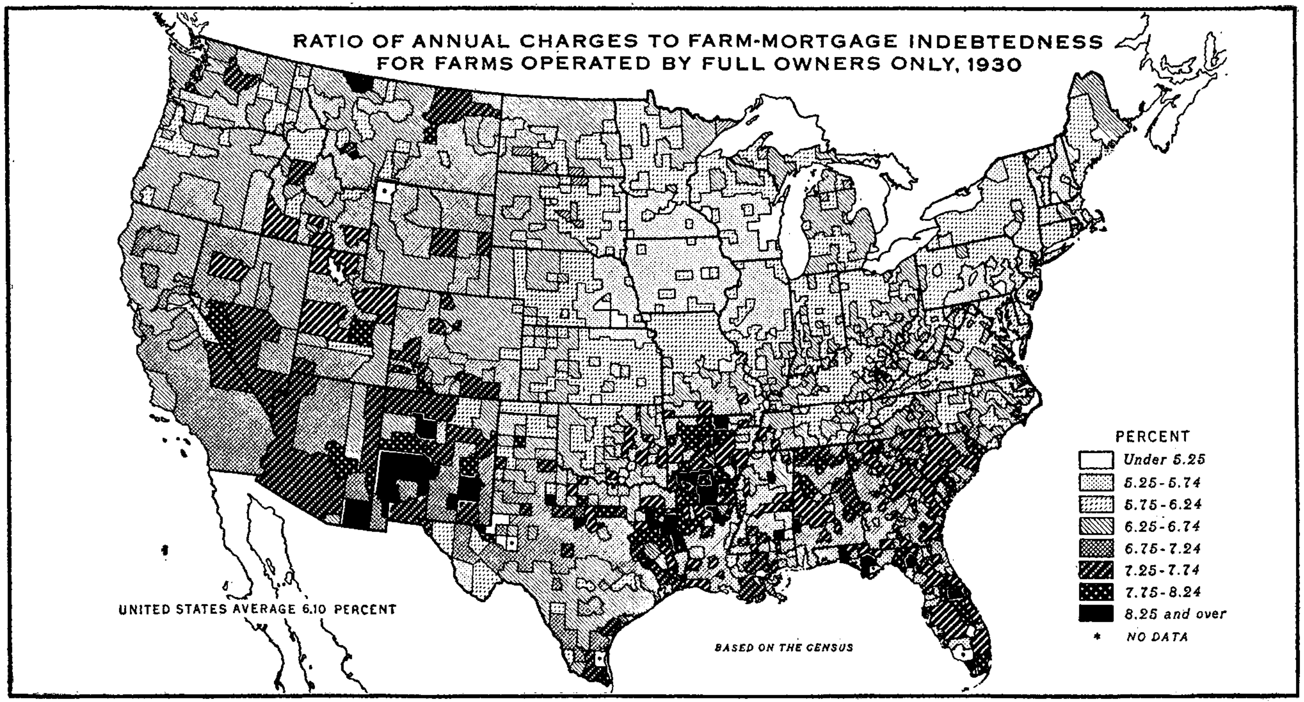
BAE 32892

FIGURE 33.—The purchase of Federal land bank stock by national farm loan associations almost accomplished, by 1932, complete member-borrower ownership, as contemplated in the original Farm Loan Act. The additional subscription to and payment for capital stock of the Federal land banks by the United States Government in 1932 was a part of the program to increase the effectiveness of the system in meeting the urgent needs of farmers for refinancing. The paid-in surplus was provided in amounts equal to the deferments and extensions which the land banks granted to borrowers as provided in the Emergency Farm Mortgage Act of 1933.



BAE 32695

FIGURE 34.—The basic unit of the Federal Farm Loan System is the national farm loan association. The increased farm-mortgage holdings of the federally sponsored agencies has increased the importance and responsibility of these associations. Strengthening of these units has involved several essential steps, one of which has been consolidation and combination. The result is a marked reduction over the last few years in the number of these associations. At the end of 1929 there were 4,662 associations.



BAE 32842

FIGURE 35.—Interest rates on farm-mortgage loans, as reported in the census of 1930 for farms operated by full owners, show wide variations as between regions and even within States. Such variations partly reflect differences in risks based upon soil and climatic as well as economic and social conditions. Interest rates have generally been lowest in the central Corn Belt States and highest in the South and Southwestern States. The refinancing program of the Farm Credit Administration has tended to lower average interest rates, particularly in the high-rate areas.

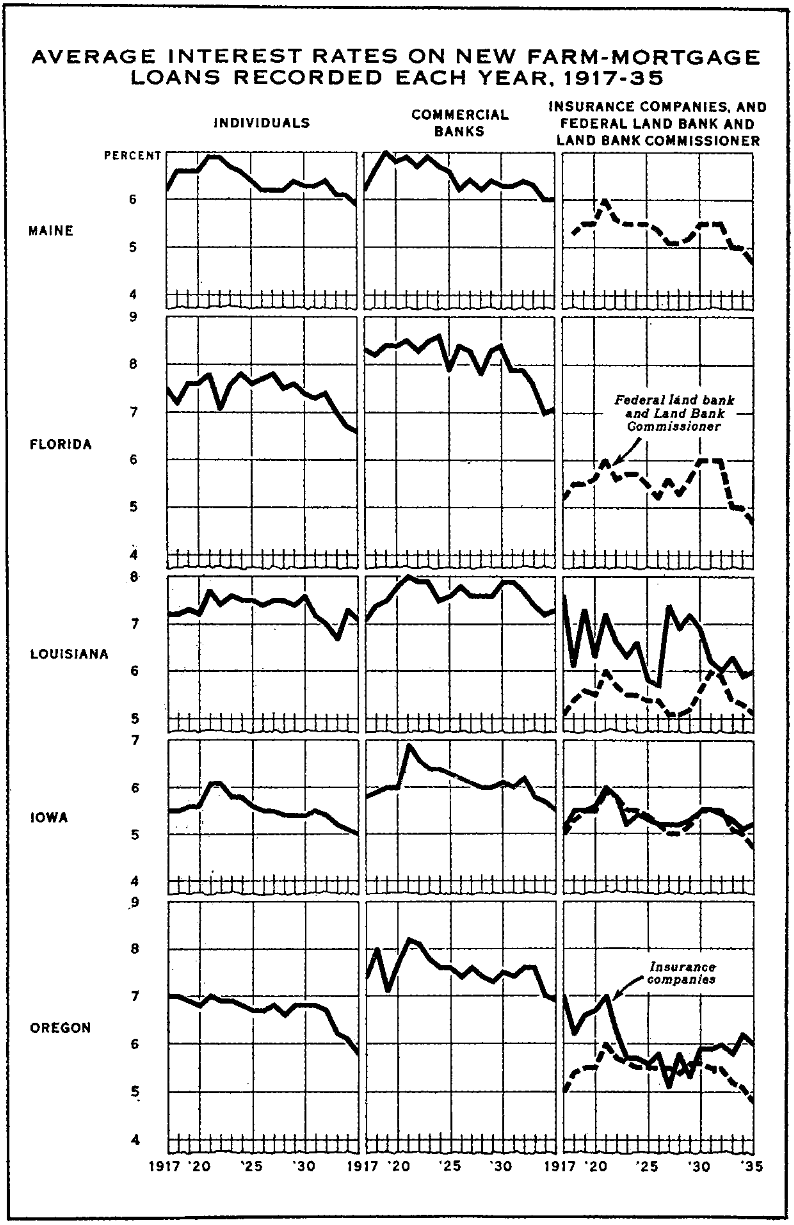


FIGURE 36.—This figure shows for selected States the annual average rates of interest on farm mortgages recorded each year. The level of interest rates varies not only between regions but also by type of lender, partly reflecting the variations in types of loans and security required by the lender. Each State also shows some differences in trends of interest rates, although in general the trend has been downward since the early 1920's. The decline in rates has been more pronounced since 1932. The averages of interest rates on loans recorded by commercial banks has been, in most States, higher, and by the Federal land banks, lower, than interest rates charged by other lenders.

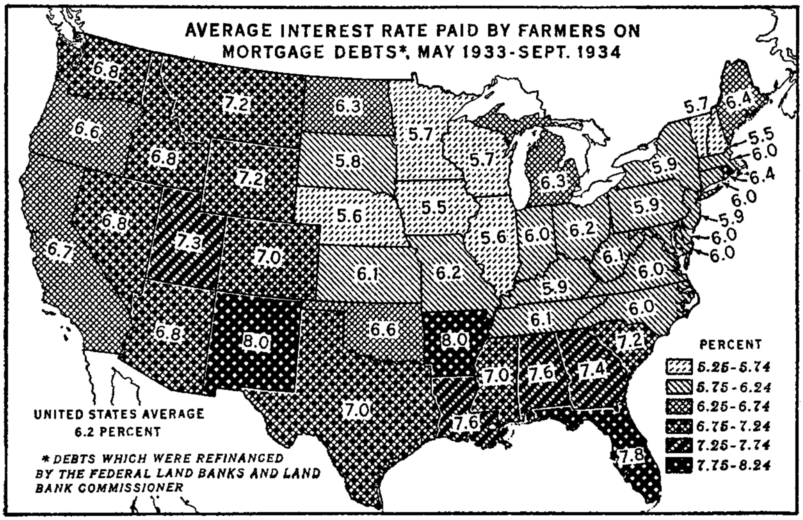


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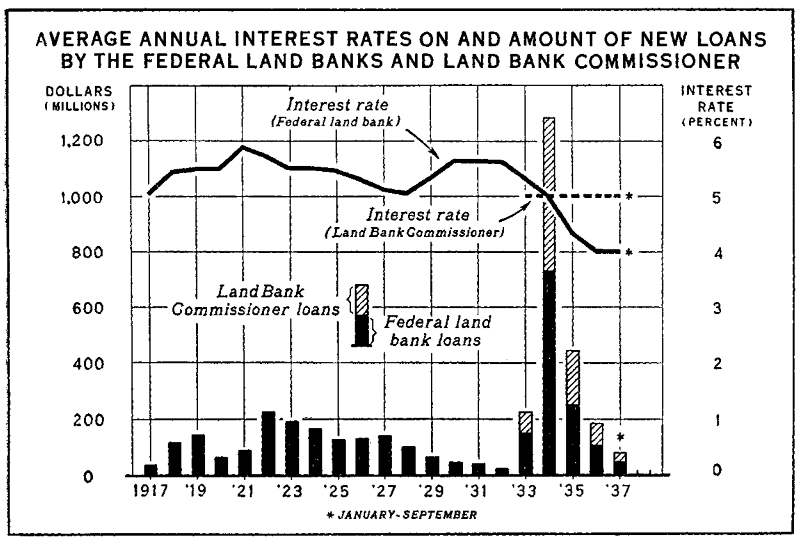
FIGURE 37.—From May 1933 to September 1934 the Federal land banks and the Land Bank Commissioner refinanced over $900,000,000 of farm real estate mortgages, on which farmers had been paying, prior to refinancing, an average rate of interest of 6.2 percent. Several factors cause the regional variations. In the North Central States many insurance company loans, already bearing a relatively low rate, were refinanced. In other States maximum contract-rate laws were a factor resulting in the average rate, before refinancing, having been about 6 percent.



BAE 32906

FIGURE 38.—The contract rate of interest on new Federal land bank loans varied between 5 and 6 percent from 1917 through 1934, during which time the majority of the loans now outstanding were written. The volume of new loans by the Federal land banks for 1937 was smaller than for most of the preceding years when the rate of interest was 1 to 2 percent higher. The present contract rate of 4 percent is the lowest in the history of the Federal Land Bank System.

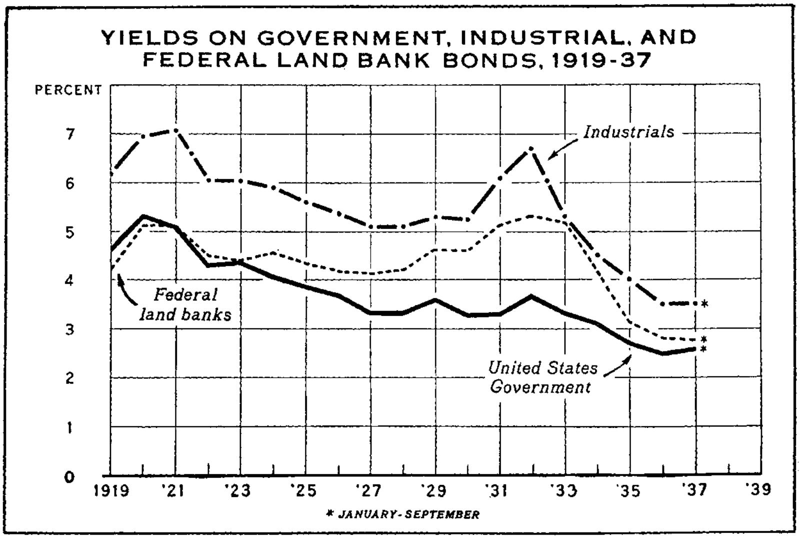


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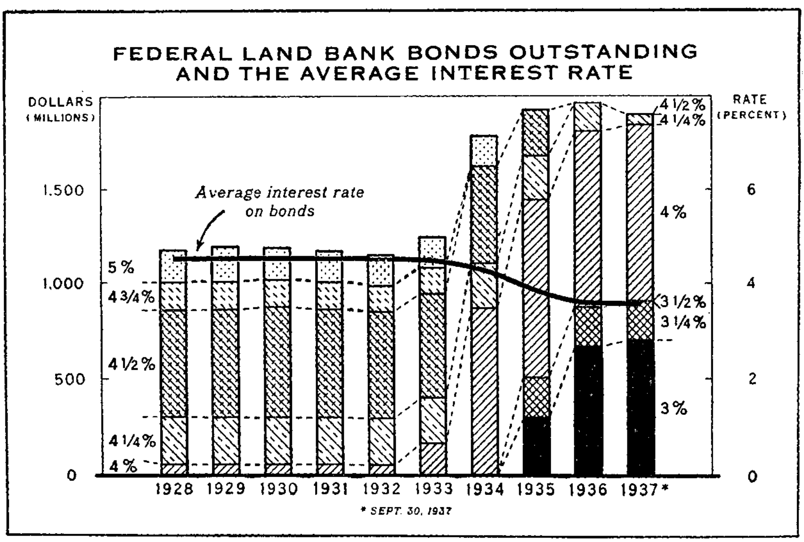
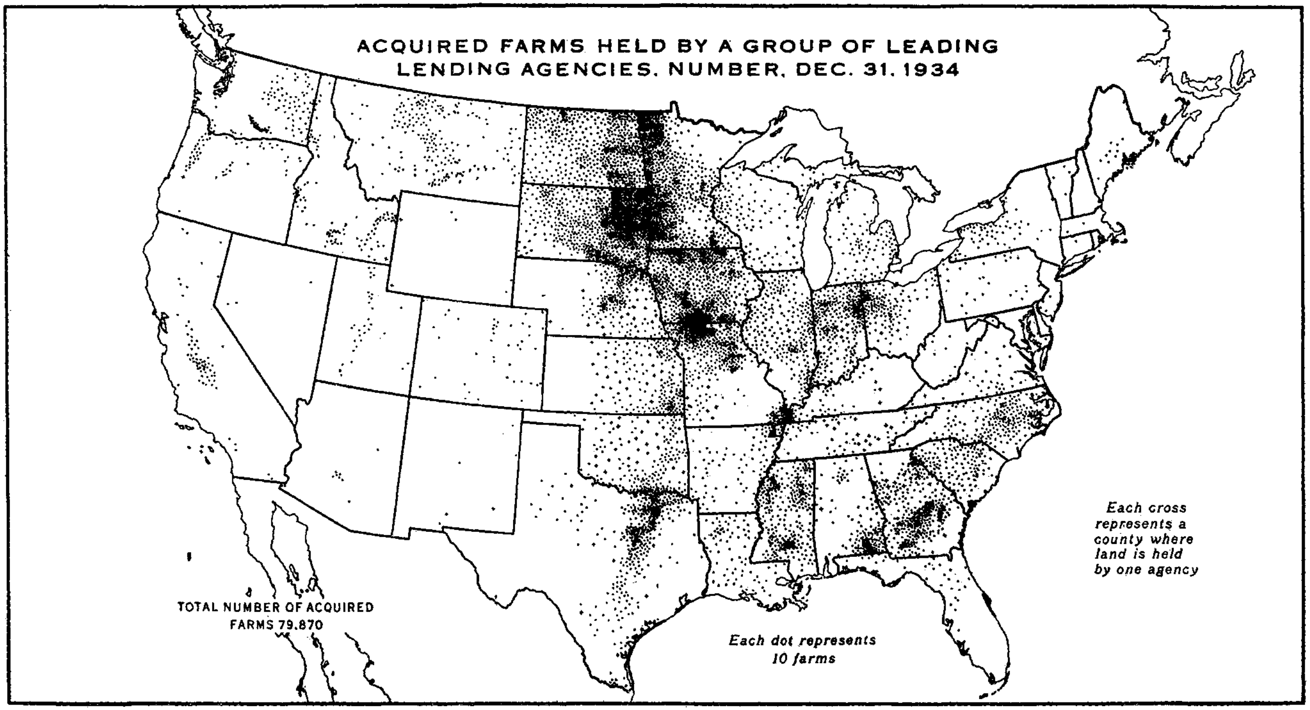
FIGURE 39.—The yields on Federal land bank bonds fluctuated between a range of 4 and 4½ percent during most of the early years of the system. Following 1930, the land banks experienced difficulties in obtaining funds at low enough cost to allow them to make new loans in any large volume. During 1933–35 the Federal land banks obtained funds through the Reconstruction Finance Corporation and the Federal Farm Mortgage Corporation. The general rise in bond prices by 1935, placed the Federal land banks again in a favorable position to finance their lending operations.



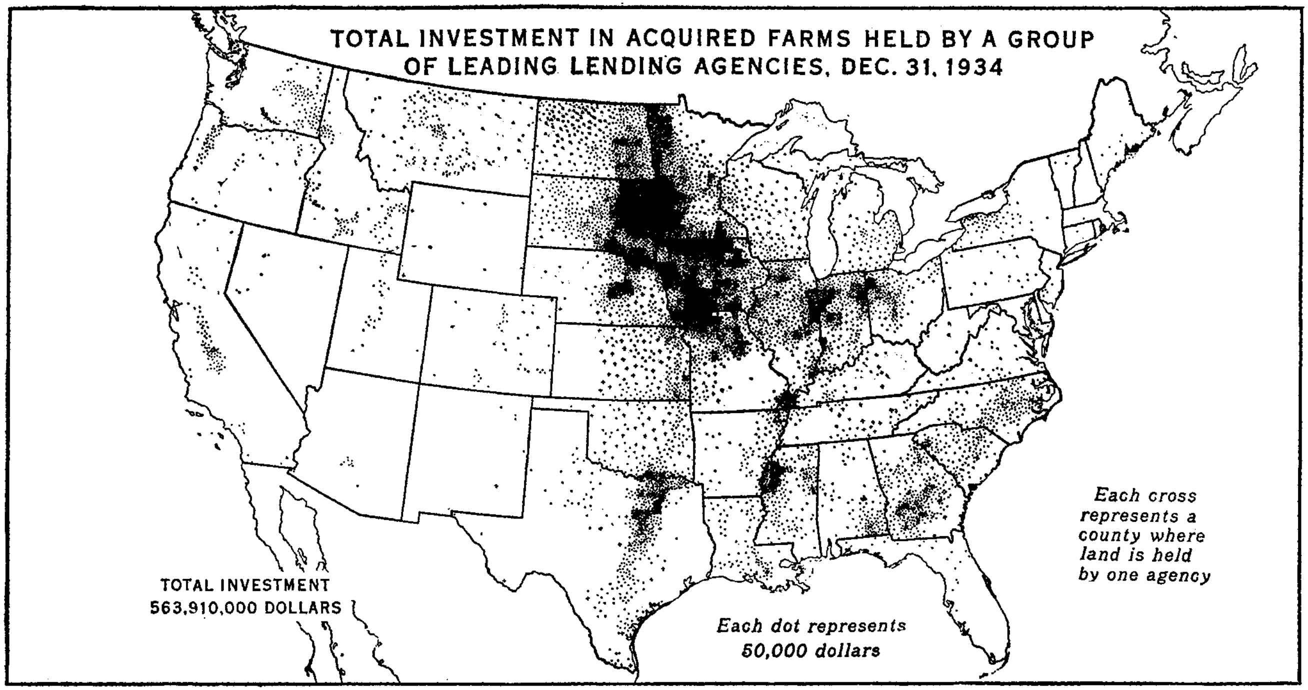
BAE 32903

FIGURE 40.—In 1934 the Federal land banks began an extensive program of refunding bonds issued in the earlier years of the system. This program was successfully carried out together with the new financing required by expanded loan activities. Through new issues bearing 3 and 4 percent and retiring of old higher rate issues the average interest on bonds outstanding has been substantially reduced. Much of the "new" financing was done by selling or exchanging bonds for Federal Farm Mortgage Corporation bonds.



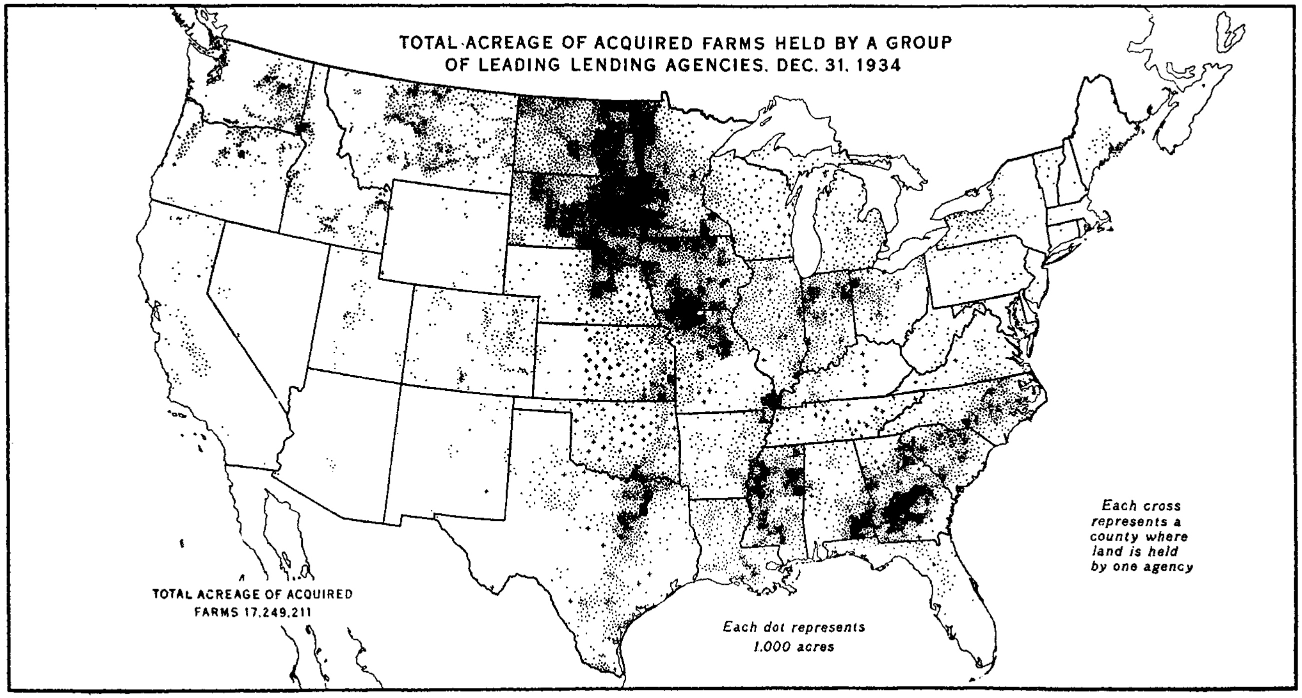
BAE 32322

FIGURE 41.—The sharp drop in farm income following 1929 was accompanied by a rapid increase in the farm real estate holdings of leading lending institutions. Wide variations are shown within individual States, resulting in part from variations in soil and weather conditions. The heavy concentration of farms in Minnesota, North Dakota, and South Dakota reflects to a large extent the high rate of acquirements by the State credit agencies in these three States. This map, as well as figures 42 and 43, is based upon the farm real estate holdings of 14 life insurance companies, whose farm-mortgage loans represent approximately 75 percent of the total held by all life insurance companies; the 3 State credit agencies of North Dakota, South Dakota, and Minnesota; the Federal land banks; and the joint-stock land banks.



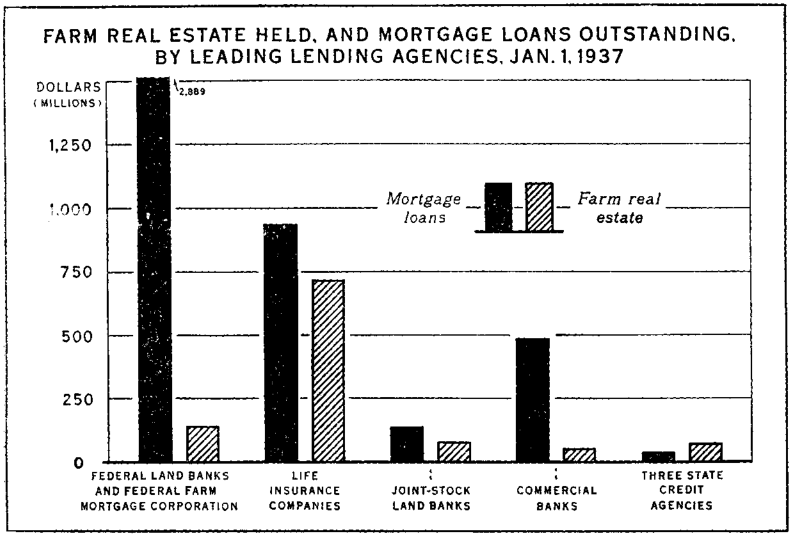
BAE 32448

FIGURE 42.—Data based upon a group of lending agencies larger than is shown on the above map indicate that the estimated total investment in farm real estate held by all life insurance companies, three State credit agencies, the Federal land banks, and the joint-stock land banks increased from $149,559,000 at the beginning of 1929 to $983,284,000 at the beginning of 1937. In addition to the latter amount, insured commercial banks held farm real estate carried on their books at $45,598,000 at the beginning of 1937. Comparison with figure 41 will show that the investment in farms is even more concentrated in the Midwest than is the number of farms.



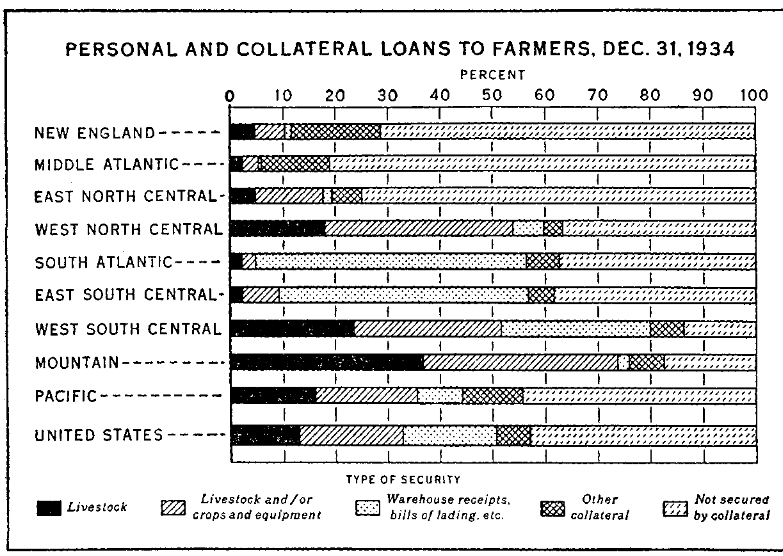
BAE 32522

FIGURE 43.—On the basis of total acreage in acquired farms held by these lending agencies, such acreage in the Southeastern States is relatively more important than when comparison is made on the basis of total number of acquired farms or of the investment in such farms. Based upon data for a larger group of lending agencies than is shown in the above map, the estimated acreage of acquired farms held by all life insurance companies, three State credit agencies, Federal land banks, and joint-stock land banks, on January 1, 1937, has been placed at 28,145,325 acres. Over half of this acreage was in the West North Central States.



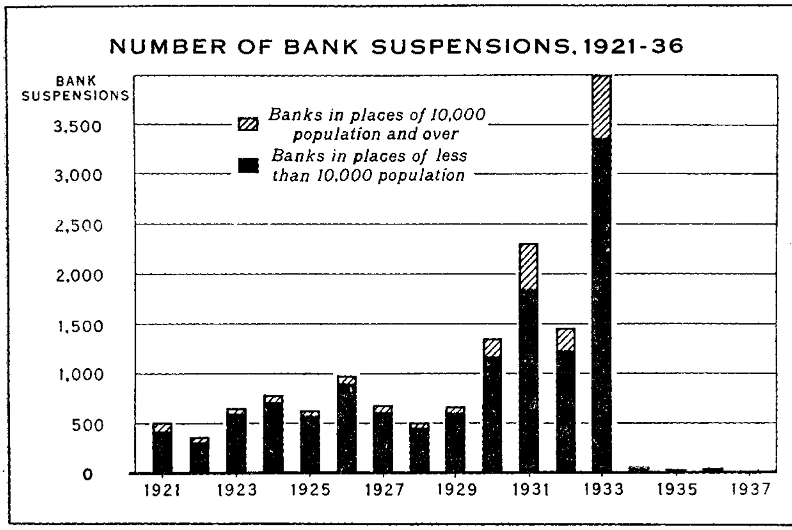
BAE 32910

FIGURE 44.—Acquirement of real estate has resulted in problems for the lender as well as for the dispossessed farmer. Life insurance companies' investments in such real estate, estimated at $713,166,000 on January 1, 1937, accounts for the majority of the holdings of the principal lending agencies. Estimated real estate investment of the three State credit agencies exceeds the amount of their mortgage loans. Real estate acquirements of the federally sponsored agencies is a small proportion of total loans partly because of the recent acquirement of a majority of their loans.



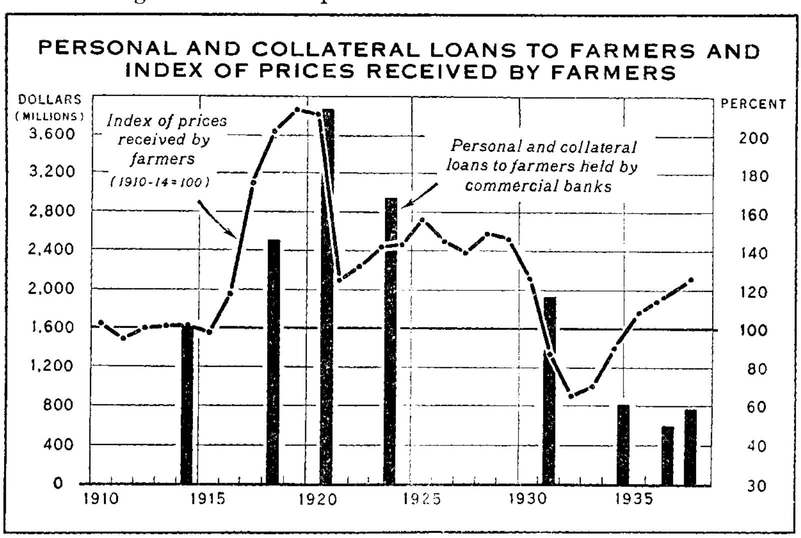
BAE 34098

FIGURE 45.—Unsecured loans constituted 43 percent of all personal and collateral loans to farmers held by commercial banks. But in the Northeastern States this type of loan represented about 75 percent of the total. The high percentage of loans secured by warehouse receipts, bills of lading, etc., in the Southern States was due in part to the Commodity Credit Corporation cotton-loan program which prevailed in the fall of 1934. In the range livestock areas a high percentage of the loans are based upon livestock security.



BAE 29716

FIGURE 46.—The sharp drop in farm income following 1920 and 1929 made it difficult for farmers to repay loans. As the consequence of extending too liberal credit to farmers and others on the basis of the previous high level of prices, many banks in agricultural areas were forced to suspend operations, further curtailing credit facilities. Concentration of bank suspensions in places of less than 10,000 population is explained by the large proportion of all banks in such centers, 79 percent of all commercial banks being located in such places at the end of 1934.



BAE 29713

FIGURE 47.—The trend from 1914 to 1934 of personal and collateral loans to farmers held by commercial banks tended to follow the movement of farm-commodity prices, although there was a tendency for loans to lag behind commodity prices. Variations in farm-commodity prices influence the ability of farmers to repay advances obtained from banks. Price variations also alter the value of the collateral that farmers can offer as security for loans. The increase in 1937 marks the reversal of the downward trend that has prevailed in recent years.

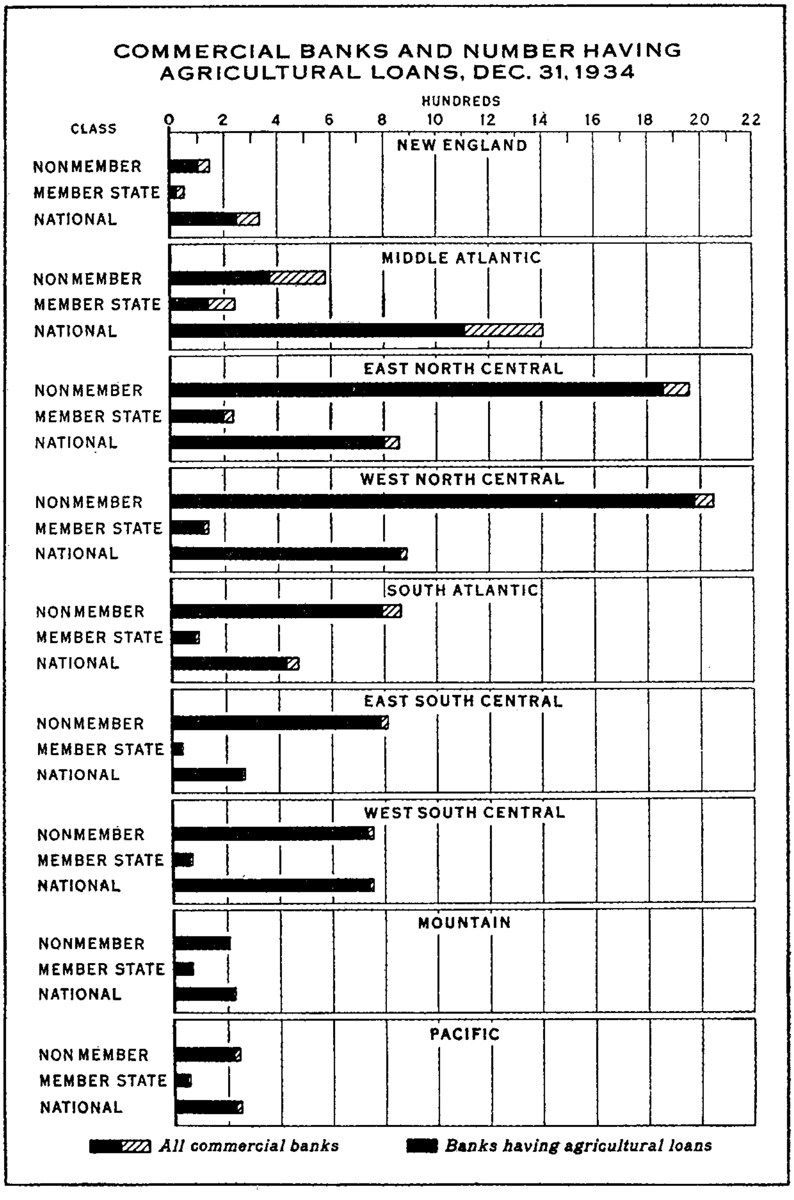


FIGURE 48.—The Mountain States had the highest percentage of banks having agricultural loans, with 98.8 percent of the total thus included. Commercial banks whose agricultural loans were secured exclusively by farm real estate were relatively more numerous in the New England, Middle Atlantic, South Atlantic, and Pacific States than in other sections of the country. These groups of States, on the other hand, showed the lowest proportion of banks having personal and collateral loans. The number of commercial banks does not include offices of branch banks.

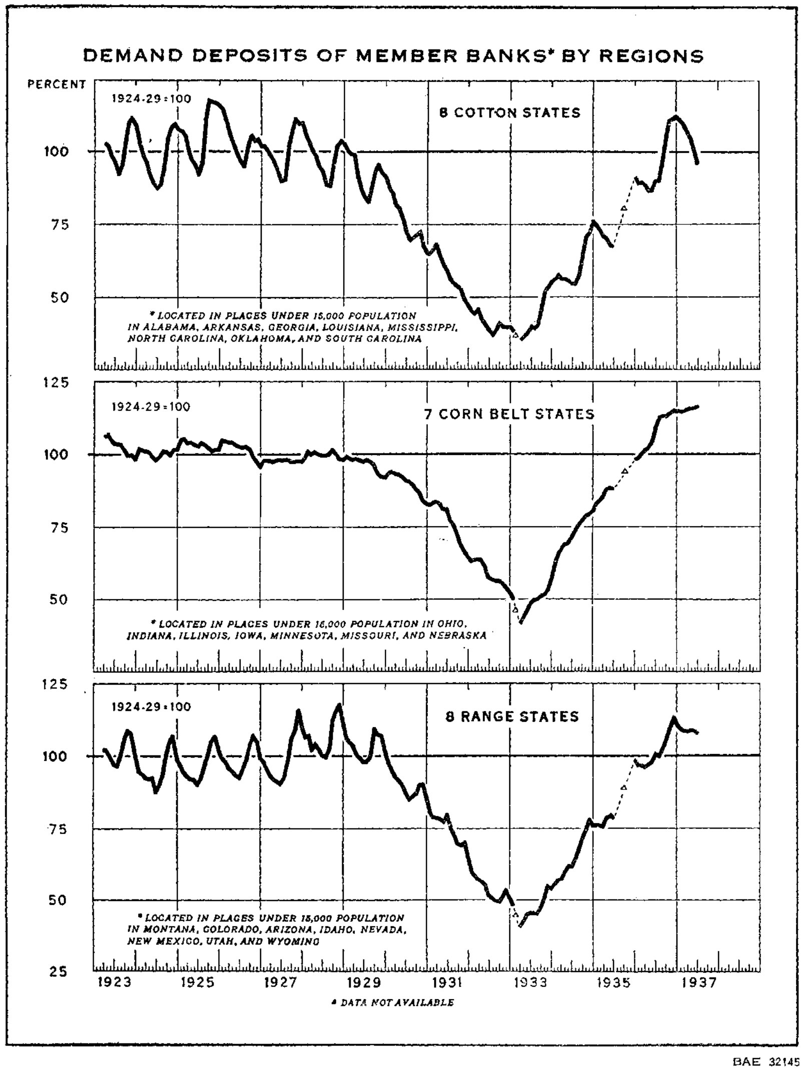


FIGURE 49.—The sharp drop in farm income which accompanied the depression that followed 1929 is reflected in the deposits of country banks in the various agricultural regions. The extent of the seasonal movement of deposits as between regions shows marked contrasts. The diversified type of farming in the Corn Belt States is reflected in smaller seasonal fluctuations in deposits than in the cotton-growing or range States. In these latter States deposits normally rise with increase in the farmers' income near the close of the year.

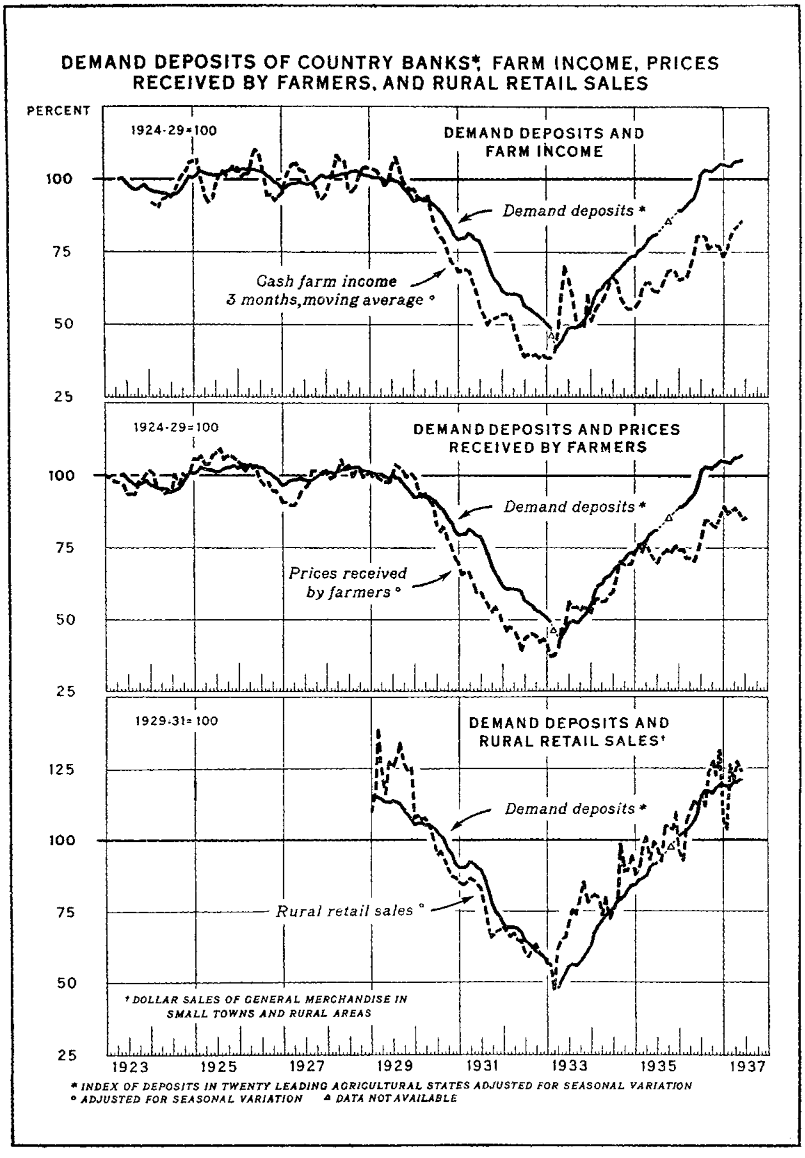
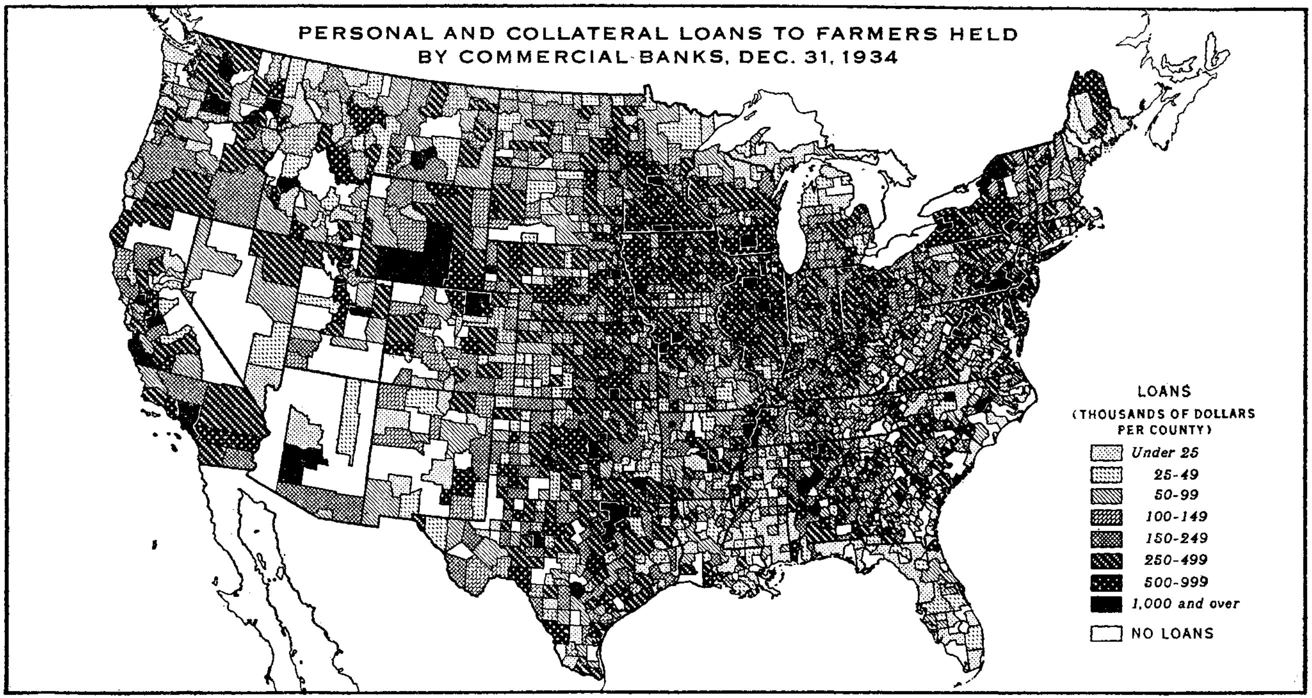


FIGURE 50.—The level of demand deposits of country banks is influenced by changes in farm income and in the level of prices received by farmers. The low level of farm-commodity prices in 1923 and low cotton prices in 1926 are reflected in a relatively lower level of deposits. The marked drop in income and prices following 1929 and the subsequent recovery are clearly reflected in bank deposits. In more recent years country-bank deposits also have reflected the inflow of Federal funds for relief, drought expenditures, benefit payments, etc. As demand deposits of country banks thus reflect the composite inflow and outflow of funds in agricultural communities, this series serves as a rough measure of agricultural purchasing power, as indicated by the trend of retail sales.



BAE 32269

FIGURE 51.—In general the distribution of personal and collateral loans to farmers, held by insured commercial banks, is similar when totaled by geographic divisions to the distribution of total agricultural income and the value of farms. Banks in the West North Central States held 23.3 percent of United States total of such loans at the end of 1934. These States accounted for 25.0 percent of the total annual average cash farm income in the period 1932–34 and for 28.6 percent of the total value of farms on January 1, 1935. In some States, particularly California, the county data are appreciably influenced by the holdings of branch banking systems reporting their loans on the basis of the location of their main office.

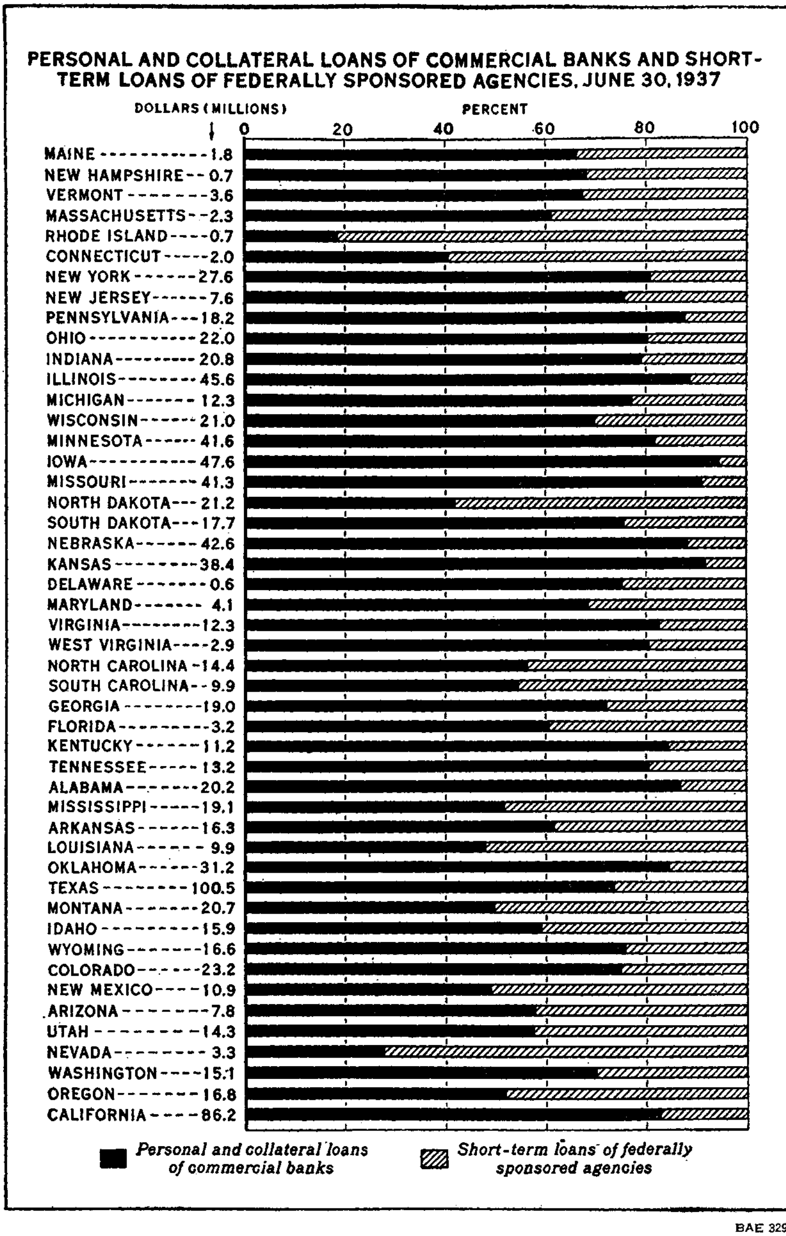
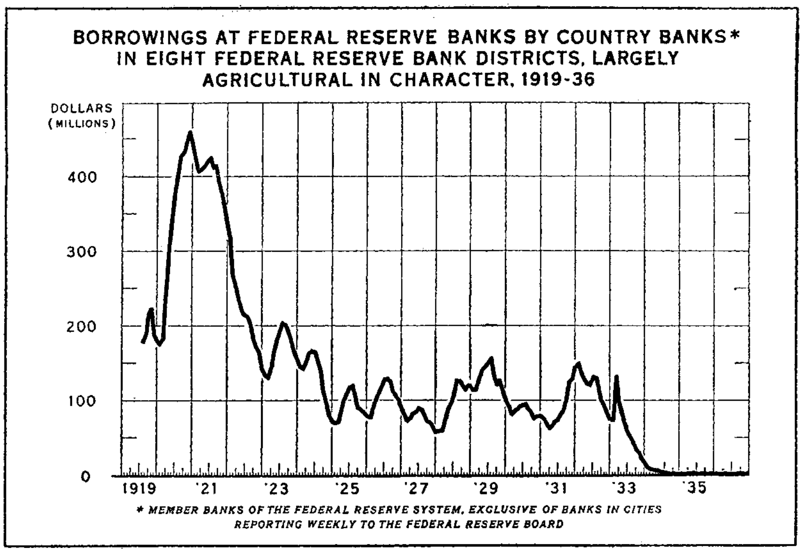
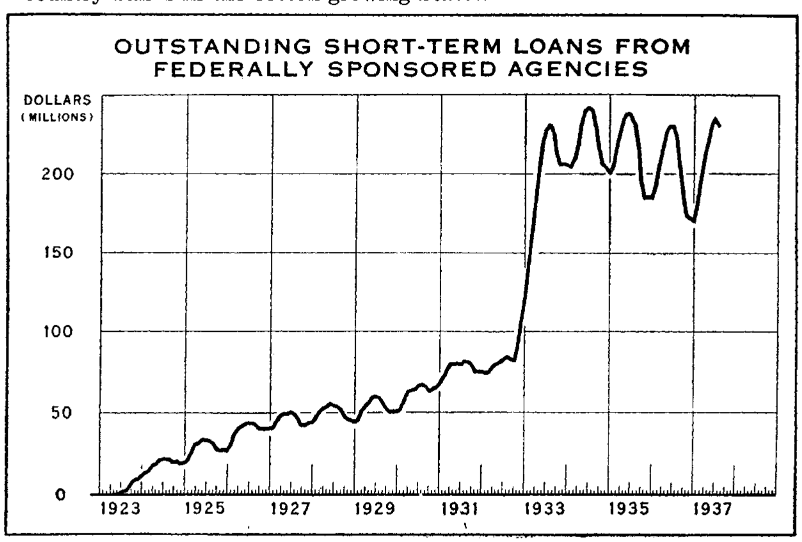


FIGURE 52.—Short- and intermediate-term loans of federally sponsored agencies, of a character similar to personal and collateral loans to farmers made by commercial banks, on June 30, 1937, were equal to 24.0 percent of the combined holdings of such agencies and the holdings of commercial banks. In general the volume of loans from the federally sponsored agencies are relatively most important in the range livestock States and in the cotton-growing areas. The proportion of the financing handled by these agencies in specialized fruit and vegetable areas is also relatively large. The loans of federally sponsored agencies included in the above chart are loans by the regional agricultural credit corporations, loans by the production credit associations, and discounts by the Federal intermediate credit banks for private financing institutions.



BAE 29715

FIGURE 53.—The dependence of country banks upon the Federal reserve banks for seasonal accommodation has tended to decrease in importance. After reaching the abnormal high peak of about $450,000,000 at the end of 1920, borrowings of country banks from the Federal reserve banks have tended to work gradually downward, and after 1934 borrowings had been practically eliminated. The marked seasonal movement of this series is largely accounted for by the seasonal accommodations extended to country banks in the cotton-growing States.



BAE 34099

FIGURE 54.—This series includes short- and intermediate-term loans similar in character to those made by commercial banks, excluding emergency drought, rehabilitation, and seed loans. With the establishment of the regional agricultural credit corporations in 1932, the volume of loans from federally sponsored credit agencies became a significant proportion of the total personal and collateral loans to farmers. In the more recent years this series reflects largely the loans of production credit associations.

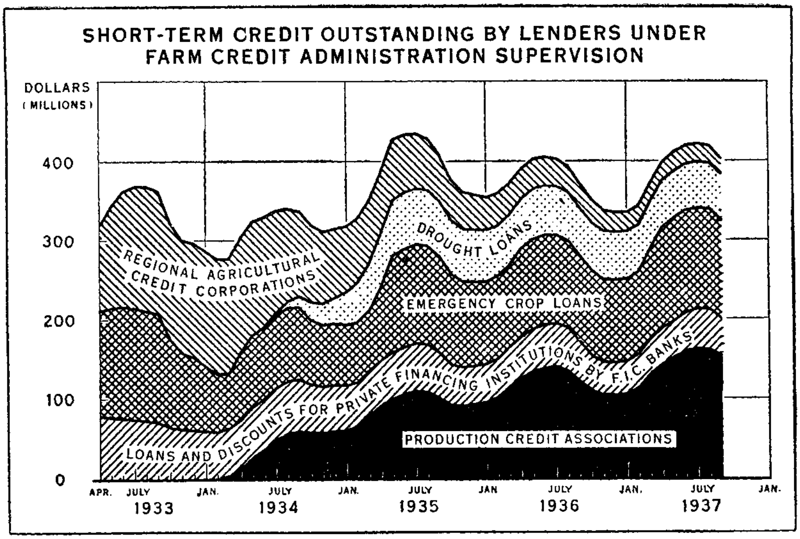


FIGURE 55.—The seasonal characteristics of short-term credit are demonstrated by the midyear peaks of outstanding loans of the federally sponsored agencies. A high proportion of the total outstanding loans of these agencies is of an emergency character. The production credit associations, organized in 1933 and 1934, have shown an increase in volume of business, offsetting the decrease in regional agricultural credit corporation loans. The volume of loans shown for the Federal intermediate credit banks are loans to and discounts for private financing institutions.

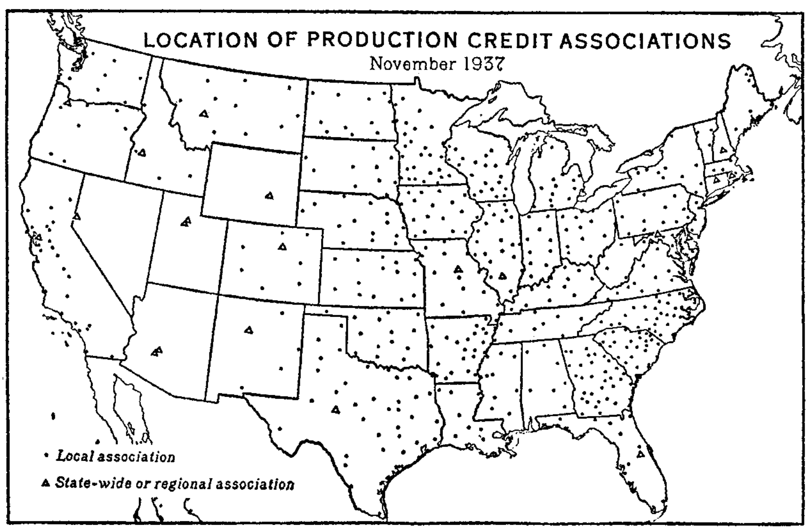
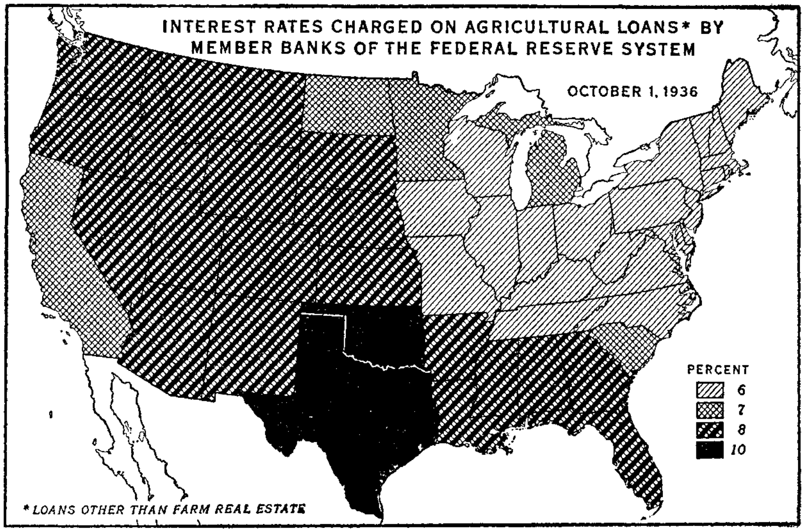
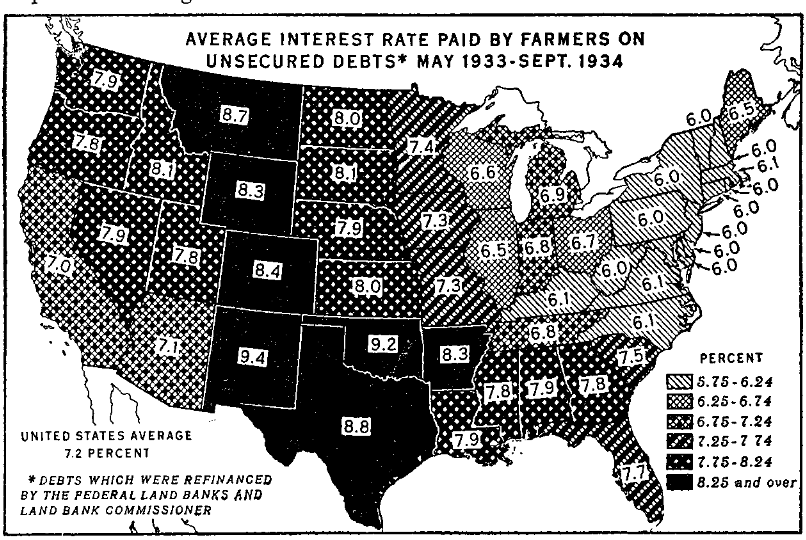


FIGURE 56.—Production credit associations were established by the Farm Credit Act of 1933 to supply short-term credit on a business basis to farmers and stockmen. They are organized and supervised by the production credit corporations, who own approximately 86 percent of the capital stock of the associations. The rest of the capital stock is owned by member borrowers. The associations discount borrowers' paper with, or borrow directly from, the Federal intermediate credit banks. The associations have over 250,000 farmer members.



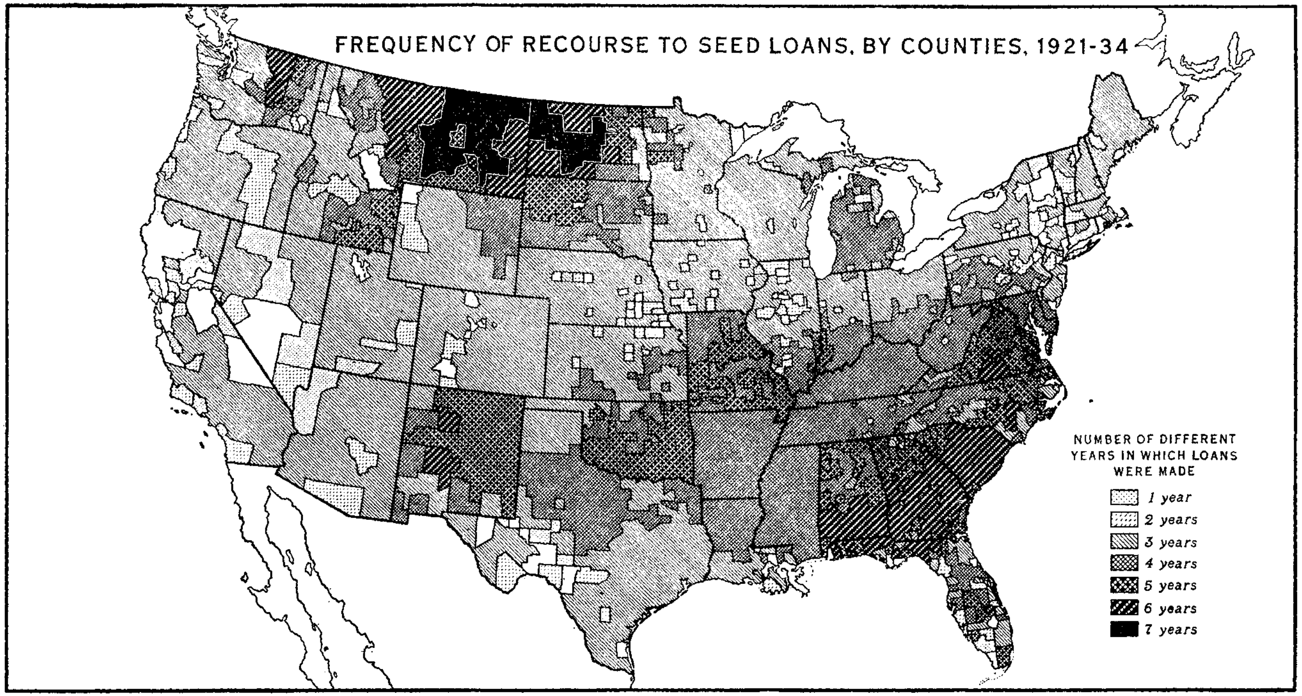
BAE 32928

FIGURE 57.—Interest rates on personal and collateral loans to farmers generally have been lowest in the Northeastern States and highest in the West South Central States of Oklahoma and Texas. The rates shown in this map, which apply to the largest volume of loans made at different interest rates, are a fairly close approximation of the regional differences in the average interest rate paid on all personal and collateral loans, as indicated by previous surveys of interest rates charged by commercial banks, made by the Department of Agriculture.



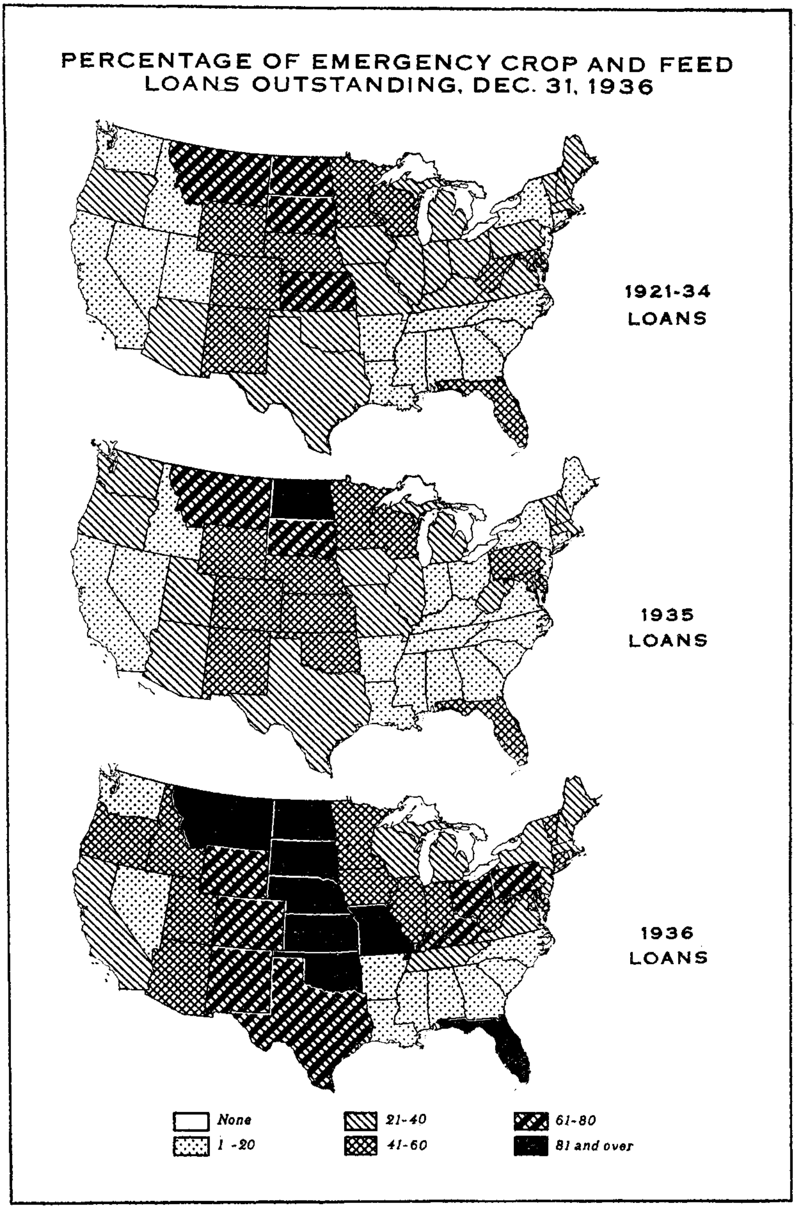
BAE 32843

FIGURE 58.—Loans other than real estate loans, refinanced by the Federal land banks and the Land Bank Commissioner from May 1933 to September 1934 carried an average rate of interest of 7.2 percent, which was somewhat higher than that paid on real estate loans. (See fig. 37.) The high-rate areas are clearly shown in this chart. Whereas the influence of certain agencies was effective in reducing rates on mortgage loans, the low-rate area for nonreal estate loans is fairly well restricted to those States with low maximum contract rate laws.



BAE 28085

FIGURE 59. Use of Federal seed loans or emergency crop-production loans as a means of financing crop production has been most frequent in the spring wheat States and in the southeastern cotton-growing States. Loans made since 1934 have also been heavily concentrated in these two areas. In those counties which have received Federal aid of this character most frequently, there has also been a high ratio of loans to total number of farms in such counties. (No loans were made during the years 1923, 1925, 1927, and 1928.)



BAE 32896

FIGURE 60.—The repayments of principal on seed loans or emergency crop-production loans on a State basis has shown wide variations. In the spring wheat States, where recurring droughts have reduced farm income in several years since 1920, the percentage of balances remaining unpaid has been high. In the southeastern cotton-growing States collections have been favorable and unpaid balances represent only a small part of the loans originally made. Drought conditions in much of the Great Plains region tended to reduce the percentage collected on loans made in 1936.

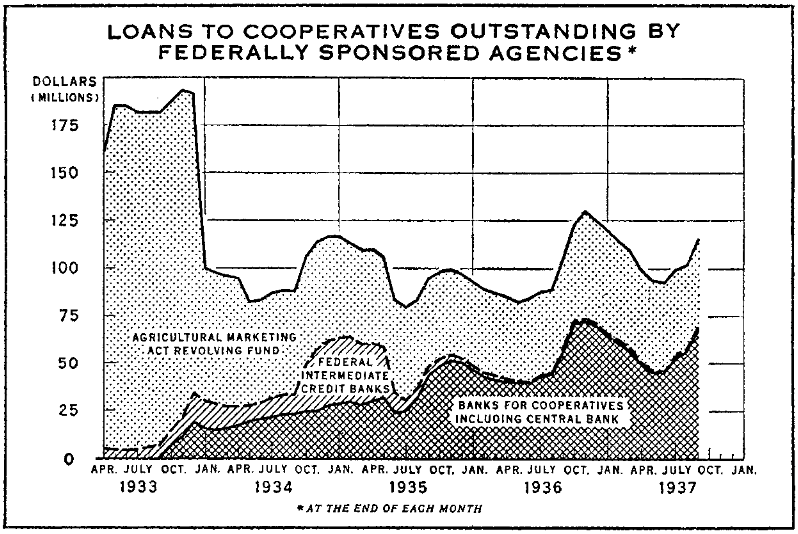


FIGURE 61.—The banks for cooperatives were established under the Farm Credit Act of 1933 to engage in the financing of farmers' cooperatives. Of the $143,592,400 capital stock and guaranty fund of these banks, as of September 30, 1937, $140,500,000 was held by the United States Government. The banks for cooperatives now handle the majority of the types of loans to cooperatives formerly made by the Federal intermediate credit banks. Loans to cooperatives from the Agricultural Marketing Act revolving fund, formerly supervised by the Federal Farm Board, are being liquidated.

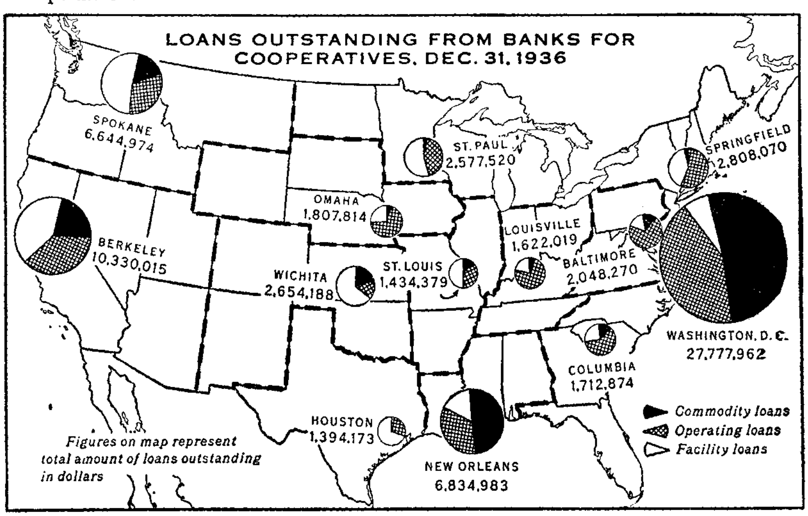
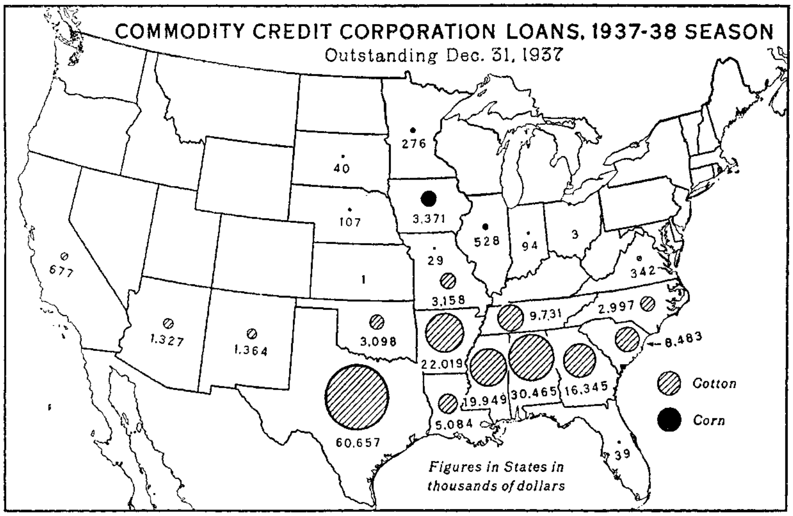
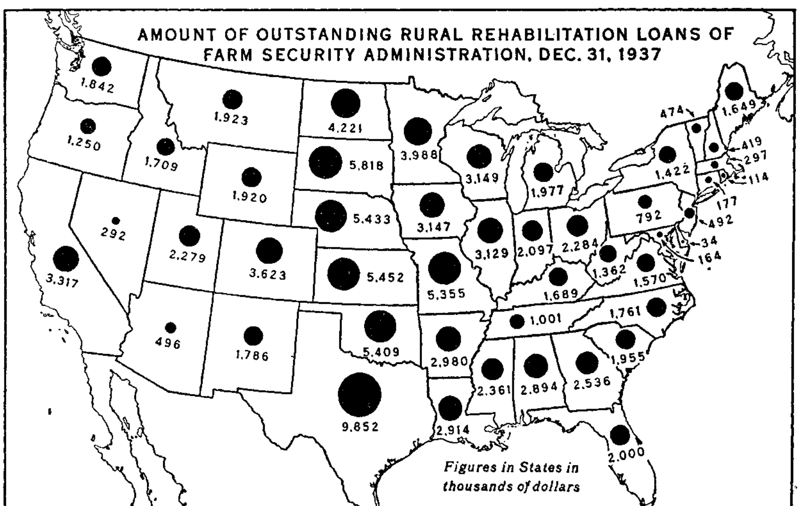


FIGURE 62.—On December 31, 1936, the banks for cooperatives, including the Central Bank for Cooperatives, had $69,647,241 in loans outstanding, classified as follows: $22,652,753, commodity; $28,868,118, operating capital; $18,126,370, facility. Only a small portion of the loans made by these banks are rediscounted with the Federal intermediate credit banks. Farmers' cooperatives borrowing through these facilities numbered 1,382. There are approximately 10,500 farmers' cooperatives in the United States.



BAE 34115

FIGURE 63.—The Commodity Credit Corporation, a Delaware corporation, was authorized by the President's Executive order of October 16, 1933. It has a capital stock of $100,000,000 and obtains additional funds for making loans through the sale of debentures and through advances from the Reconstruction Finance Corporation. The 1937–38 loan program of the Corporation also included advances as of December 31, 1937, on peanuts in the amount of $4,473,000, tobacco $4,807,000, turpentine $1,473,000, and nominal amounts on dates, figs, and prunes.



BAE 34103

FIGURE 64.—One of the important phases of activity of the Resettlement Administration (established by Executive order in 1935) was the making of rehabilitation loans to individual farmers. In 1937 these lending activities were transferred to the Farm Security Administration of the Department of Agriculture. The amount of vouchers certified for loans to individuals for rural rehabilitation amounted to $7,907,000 in 1935, $84,655,000 in 1936, and $61,951,000 in 1937, a total for the 3 years of $154.513 000.

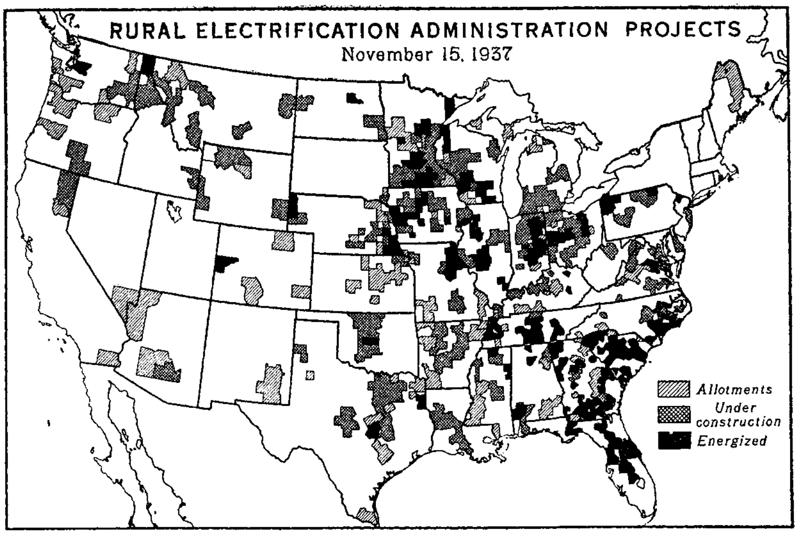


FIGURE 65.—The Rural Electrification Administration was originally established in 1935 by Executive order with an allotment of funds from the appropriation for work relief. It was given a definite legislative status by the Rural Electrification Act of 1936, making funds available as follows: $50,000,000 as loans from the Reconstruction Finance Corporation during the fiscal year ended June 30, 1937, and $40,000,000 as a Treasury appropriation for each of the 9 fiscal years thereafter.

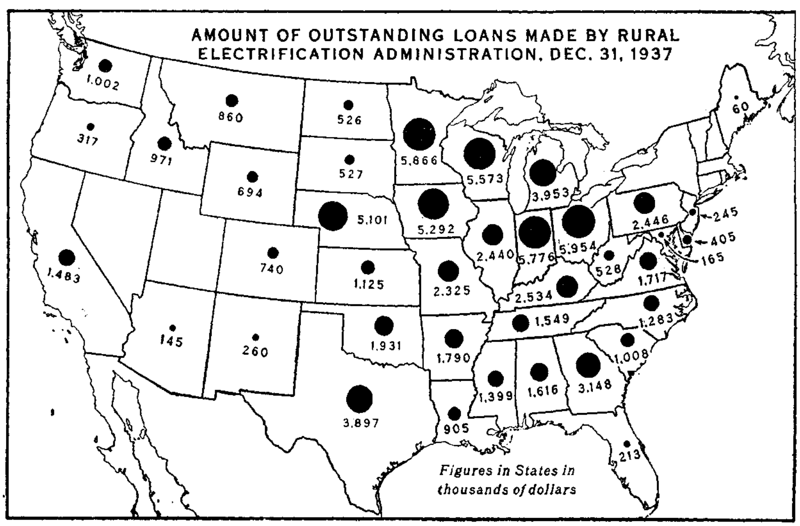


FIGURE 66.—Over one-half of the outstanding loans of the Rural Electrification Administration are in the North Central States. In Ohio, Indiana, Wisconsin, Minnesota, Iowa, and Nebraska the amount of such loans is in excess of $5,000,000. Twenty-year loans are made at 2.88 percent interest, chiefly to farmers' cooperatives, but also to public power districts, private utilities, and other agencies, for the entire cost of building electric-distribution lines in rural areas.

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