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### Banks and Soil Conservation

Banks deal primarily in one commodity - money - but in serving their customers, they become concerned with all kinds of security and assets. These may range from real property to a man's personal bond or a firm's good will; from plant equipment or store inventories to a still unplanted grain crop or unborn calf crop.

Of all the tangible property involved in financing operations in our average American community, none is more important than agricultural land. Farming is the nation's biggest business, and productive land is the farmer's principal basic asset.

The key to the value of any land - to the owner or as security for a bank loan - is its productivity. Productivity is the basis of any successful business. In our own business of banking, we cannot serve our customers and the community unless the money of our depositors is made to work - is kept productive. Our job is to seek out productive enterprises in industry, commerce, agriculture - where every dollar can work to best advantage. Naturally, then, those of us who deal in agricultural credit and development have to look first at the actual or potential productiveness of the farms involved.

The quality of the land and the caliber of its management are the two sides of the square with which we can measure a farm's productiveness accurately - and best determine whether money advanced for its purchase or improvement or for production purposes is a sound investment and in the best interests of the owner or operator. This is altogether different from speculative lending based solely on land or commodity prices that might turn downward instead of holding

their own or moving upward during any given loan period. It is the ability of farm land to produce income year after year, regardless of such fluctuating values, that determines its real value and investment safety.

"That is all very well," you may say, "but the question is how to treat and manage our farmlands so as to get this sustained, economical production."

Fortunately, we now have the answer to that problem in soil and water conservation farming which, in recent years, has spread so rapidly over the country and into our own state. When I say we have the answer, I mean we know from full experience of farmers in just about every possible type of operation, what conservation farming has done and can do to help improve and stabilize individual and community-wide agricultural production. The important thing now is for every landowner and operator to become a conservation farmer and for conservation practices to be put into use on all our agricultural lands just as fast as possible.

There is more urgency for pushing ahead with the conservation program than might be suspected until we look more closely at the situation. Two factors are responsible: the continuing need for adequate production of food, fiber, and other agricultural commodities; and the physical limitations of our farms.

In spite of temporary surpluses of grain, livestock, or other farm products that develop from time to time, the fact remains that the croplands, the pasturelands, and the woodlands of the United States have to produce abundantly every year. Over the long pull, they are going to have to yield more, not less, because of the increasing demands of our fast-growing population, greater industrial use of farm-produced raw materials, and continuing export



trade. Our population already has passed the 185-million mark, and is growing at a very rapid rate. We may expect to have considerably more than 200 million people to feed, clothe, and house right here in our own country by 1975.

Nobody, of course, doubts the capacity of American agriculture to provide food and fiber for that many people when the time comes. Crop and livestock improvements, insect and disease controls, the greatly increased use of fertilizers, and various other technological advancements in agricultural production are continuing to step up per-acre production from our farmlands. Continued improvement in farm mechanization and electrification is likewise increasing the output per acre and per man.

Farmers are producing more food and fiber per hour of work than ever before. New USDA figures show that farm output in 1961, at 1 per cent above 1960, hit a new record level. This record was set with 4 per cent fewer man-hours of work than in 1960. As a result, farm production per man-hour last year rose 4 per cent to a new high.

But there has to be a ceiling, somewhere, on crop and livestock production capacities. We don't yet know where that ceiling is, because new research findings and technological improvements in agriculture every year are raising the ceiling on production of one commodity or another or, sometimes, of the farm unit as a whole. Meanwhile, however, we must be practical and recognize the obvious limitations on our foreseeable productive capacity. Important among them - perhaps of first importance - is our limited supply of good, productive land.

The soil conservationists remind us that the nation's productive land is still deteriorating faster than the rate at which the damage can be offset. In fact, the Soil Conservation Service estimates that some half million acres of

cropland are being lost to efficient and economical production every year in this country through lack of conservation treatment and management.

While it is true that we have been losing that much or more good land for a long time, we have come to the point where we can't afford to let any of our good soil depreciate further or wash or blow away. A hundred, 50, or even 25 or 30 years ago, there still was new land that could be cleared and developed to take the place of that which we wore out and to take care of the country's expanding needs. True, there still is a small amount of undeveloped land left that can be brought into production through clearing, irrigation, or drainage; but for all practical purposes, from here on we are going to have to depend upon such good, productive land as we now have.

Agricultural economists have figured out that it requires about  $2\frac{1}{2}$  acres of cropland to produce the food each one of us consumes, not counting the additional acreage of pasture and range land for animal products we use or, of course, timberland. With  $3\frac{2}{3}$  acres per capita of cultivable land available in the United States, there has been an understandable tendency for some of us to be rather complacent about the whole business.

Well, I figure that the situation with respect to our land - our soil account - is about like that of a bank account: the time for a depositor to start worrying about his withdrawals is while he still has a good balance - not when he begins to receive overdraft notices or has to go into his savings account. The time to worry about our soil account is while it is still in the black - not after we've whittled down our  $3\frac{2}{3}$  acres and have an overdraft on the  $2\frac{1}{2}$  acres.



It is essential that we keep up our soil reserves - nation-wide, watershed by watershed, farm by farm - just as it is important for banks and other businesses to provide financial reserves against future needs and emergencies. This principle, moreover, holds equally true for an individual farm, our own agricultural community, or the state or nation as a whole. In talking about the overall situation, we sometimes are prone to overlook the importance of each individual farm or piece of land right around us. But that is what you and I are concerned with, because it is the productive health of our agricultural lands right here at home that is so important to our own community prosperity and well-being.

We come up against this fact almost every day at the bank. We know how true it is that "Poor land makes poor people." Poor people on poor land aren't good credit risks for a bank, and they aren't the best customers for our merchants. Neither can they be expected to produce adequate tax revenues for our schools and highways, state services, national defense, and other public needs.

All of these are things in which your banker is interested. He has to be in order to stay in business, quite aside from his desire to provide public service. That is why we are interested in keeping agriculture financially sound. That is why our state and national bankers associations have active agricultural committees staffed by well-informed and hard-working members. That is why so many individual banks have agricultural specialists or some other particularly qualified person in the organization to deal with this phase of our relations and services.

It is only natural, then, that we should be alert to the possibilities of conservation farming and take positive steps to help further conservation

programs. The spread of soil and water conservation has been one of the most remarkable agricultural developments in our time. We, as bankers, realize that we can't afford to fall behind in the procession of local, state, and national interests that are working to speed the application of conservation farming on the agricultural lands of the nation.

Farmers and ranchers of the 50 states, Puerto Rico, and the Virgin Islands have, since 1937, organized considerably more than 2,800 soil conservation districts under state and territorial enabling laws. These districts are managed by landowners or operators elected by the district farmers. They include within their boundaries about 90 per cent of the land in farms and 95 per cent of all farms and ranches in the United States. I am pleased to note that Georgia is one of the states that is 100 per cent covered by soil conservation districts.

Farmers, through their districts, are able to get educational and technical assistance from the Extension Service, the Soil Conservation Service, and various other government or private sources. These may include anything from obtaining help from the state fish and game department in stocking their farm ponds to borrowing or renting a grader or other special equipment from the county commissioners.

The plain fact is, though, that, in addition to educational and technical assistance, many farmers also need financial assistance in order to go ahead with their farm conservation programs as fast as they would like to. To do the conservation job right, a man usually has to make a considerable investment in seed, fertilizer and other materials, labor, and the rental of special machinery. Then a farmer may have to wait a while before his new system yields higher returns than his old one gave him - and may find himself a little pinched in the meantime.



Actually, the only places this supplementary financial aid can come from are private or public credit sources, or direct government cost-sharing programs. Conservation cost sharing, notably through the Agricultural Conservation Program and the small-watershed protection and flood prevention program, cannot begin to meet the total needs for conservation financing. Moreover, the Government is placing increased weight on the factor of public benefit in agreeing to share the cost of watershed protection and similar undertakings.

Bankers in increasing numbers throughout the country have developed an understanding and sympathetic attitude toward the conservation credit needs of their customers. Many have taken the initiative in developing vigorous programs to promote soil and water conservation in their areas. It has simply been a case of realizing the opportunity to step into the conservation credit field with profit to themselves at the same time they are performing a real service for their customers and the public. And I assure you that our conservation-minded bankers want their farm customers to make fullest use of their services and facilities in conservation credit.

Total farm assets amount to \$214-billion in the United States and, of this, \$144-billion is in farm real estate. The balance includes livestock, machinery and farm improvements, crop inventories, and farmer-owned currency, deposits and U. S. Savings Bonds. As can readily be seen, all rest directly upon the land - on the soil and its ability to produce. Conservation financing to keep this vast farm plant in peak producing condition certainly should have an established place in the lending operations of any banking institution whose customers include farmland owners and operators.

Conservation financing should not be looked upon as an end in itself, so far as either the borrower or the lender is concerned. On the contrary,

conservation financing is a dependable means of preserving the security of agricultural loans of all kinds, be they for financing land purchases, farm improvements, machinery and equipment, or production of crops or livestock. In other words, most bankers appreciate the truth of the slogan that "Conservation farming is profitable farming." They know that the farmer's main collateral, productive land, declines in value when the soil washes or blows away and the land's productivity goes down. This means a loss of reserves that are so important to the security of any farm loan.

We also know that this depreciation in reserves and value of farm collateral is by no means confined to the individual farm. Low-producing farms reflect their condition throughout the community - in less business of all kinds, in reduced tax revenues, and in curtailed community essentials such as roads, schools, churches, and recreational facilities. These are the banker's bread and butter, too. So he is very much concerned with productive, prosperous farms which not only directly swell his deposits, but also contribute to the prosperity of all the business and professional interests of the community and to the maintenance of public revenues at a healthy level.

The emphasis on small-watershed conservation protection and flood prevention appears to me to hold special promise from the community standpoint. There are few communities, indeed, which have not suffered costly damage from recurring floods on even small creeks and rivers. Many others have suffered from the silting up of their municipal, power, or irrigation water reservoirs, or from water supplies curtailed through ground water depletion. And too many communities have felt the general effects of declining agriculture because of poor land use and water waste in their watersheds.



The combined effects of soil conservation work in soil conservation districts - especially where concentrated in watershed projects - are already beginning to reduce sedimentation rates in many parts of the country. We have seen these results here in Georgia from studies made by the Soil Conservation Service on water supplies of five municipalities; namely, Atlanta, Columbus, Macon, Milledgeville, and Augusta. The five plants get their water from four different rivers, and the local water supply men agree that the reduction was due to the cumulative effect of soil conservation work in the watersheds during the past several years.

The effect of concentrated watershed treatment, which is a standard requirement in small-watershed projects, can be even more impressive. For example, a study of sediment yield from the Bolton Mill Creek Watershed above Newnan Reservoir, Newnan, Georgia, showed that sedimentation was reduced about 72 per cent during a 10-year period when a large proportion of the watershed had been reforested.

It has not always been possible for landowners and operators to undertake individually the building of flood-prevention structures, for example, or to put into effect other broader scale works of wider public benefit. Under the Water Protection and Flood Prevention Act of 1954, the Federal Government was authorized to cooperate on a cost-sharing basis with state and local interests in carrying out watershed-wide conservation programs on upper tributary streams.

Personally, I believe this approach to some of our land conservation and flood prevention problems is going to prove to be increasingly effective as time goes on, because such watershed undertakings are basically local - not "Federal projects." They must be initiated and sponsored by local people in the community who must stand their full share of the cost of such programs. I

think we in the banking field will have the opportunity to provide a major service in soil and water conservation by making our financing facilities available both to individual farmers in project watersheds and to watershed associations or other interests sponsoring these programs.

Service is the key to the bankers' business. We must provide services that contribute to the financial well-being of our customers and the community, because it has truly been said that "a bank can be no more prosperous than the community it serves."

Conservation farming and woodland management are proved means of developing and maintaining a sound and profitable rural economy. That is why many banks in the country today are committed to the policy of encouraging conservation farming in their communities. I could make another entire talk just reviewing some of the many ways in which they are doing this - both in supporting soil conservation districts, watershed and related programs, and in their day-by-day credit dealings with their customers.

We do these things in the interest of conservation - not because we propose to tell our customers how to run their farms, but in order to deal intelligently and in the most helpful manner with those who own and manage our basic community soil and water assets.

A good, sound conservation plan is fast becoming a necessity for today's progressive farmer - as a blueprint to efficient and stable operations, as a guide to what the return will be on his investment, and as a dependable credit support. By the same token, a "conservation bank plan" is fast becoming a necessity for every banking institution which operates in the field of agricultural credit. Thus are our efforts joined in the community of interests in which every responsible community group shares the responsibility for helping to build a more secure and satisfying future.