

FROM:
THE AMERICAN BANKERS ASSOCIATION
THE NEWS BUREAU
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THE BANKER AND THE COUNTY AGENT

Address of M. Monroe Kimbrel, President, The American Bankers Association, before the Annual Meeting of the National Association County Agricultural Agents, Leamington Hotel, Minneapolis, Minn., Tuesday, Sept. 24, 1963. Mr. Kimbrel is chairman of the board, First National Bank, Thomson, Ga.

When I was invited to join you today and participate in your program I was delighted for two reasons. First, some of my associates who are former county agents told me they thought I would be the first President of The American Bankers Association to appear before this group. And that could only increase my appreciation of your hospitality. When I mentioned this to my wife, she quickly pointed out that unless I did some homework I could just as easily win the dubious distinction of being the last.

My second reason for accepting the invitation is that it gives me an opportunity to visit with many old friends who have been working with agriculture for years. At the same time it gives me a chance to meet some new young people who are just entering the field. I think this infusion of youth is important. In fact, recently I heard a banker tell an agricultural meeting that one reason for being optimistic about the future of agriculture was the large number of bright young men entering this and related businesses. Someone, however, with tongue in cheek, pointed out that there wouldn't be so many young county agents if the banks would stop recruiting in your ranks.

In a more serious vein, I believe the number of county agents that have gone to work for banks is quite significant. It is a very tangible illustration

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of how highly the banking industry regards the knowledge and experience of county agents. It is also an outgrowth of the close cooperation that has long existed between bankers in rural areas and their county agents.

I don't think I have to review the history of your organization to point out the various ways in which banks have attempted to work closely with county agents. It is enough to point out that the two elements have been working together since 1914. In recent years, the need for cooperation and the number of areas in which we can work together have increased substantially.

In my own case, seldom a week goes by when I don't call my county agent or have him stop in to see me. The reason that our paths cross so frequently is that the growth in agriculture has presented both of us with similar problems.

The small farmer whom you once advised, and I financed, is now as much of a businessman as the manufacturer or distributor. His business has gone through a revolution. His needs have changed beyond recognition. His goals are more in line with those of men in industry. He cannot ignore developments in the Common Market, in the Far East, or in South America any more than he can ignore the items of legislation that affect farming.

In your efforts to get farmers to adopt better business practices, such as keeping detailed and accurate records, making market projections, and deciding long-range plans, you are also helping the farmer from a financial standpoint. When this same farmer was running a small unit, the local bank could meet most of his credit needs. The banker naturally wanted records on income and expenses so he could appraise the request for credit. But, in addition, the local banker was in a position to know the farmer, see the farm, inspect the livestock, and get first-hand information about the farm.

Today, however, the credit needs of the farmer often exceed the statutory lending limits of the local bank. When this happens, the local bank must get a city correspondent to participate in the loan. This change dramatically focuses attention on the need for accurate and complete records. For the correspondent banker

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generally does not have the first-hand knowledge of the farming operation. He hasn't inspected the equipment or livestock. He doesn't know the background and ability of the farm manager.

In most cases, the city banker has to rely on the records supplied by the local bank. Complete records will never guarantee that a loan application will be granted. However, incomplete or sloppy records will certainly make a banker cautious.

This is not being discriminatory to the farm borrower. It is a practice that all lenders observe when evaluating any type of loan request. If a farmer is running a business and wants to be treated as a businessman, is it unreasonable to expect him to follow fundamental business practices? We both have a lot to do in this area. Perhaps if the banker and county agent make a concerted effort we can convince those farmers who do not now do so to adopt this sound principle.

During the past decade or so, the changes in agriculture have changed the requirements of your job. As commercial farms have grown in size and efficiency, the farmer has become more sophisticated and more knowledgeable about a wide range of subjects. As we mentioned earlier, he is a businessman and is seeking to maximize his profits. He is running his own tests on livestock. He is experimenting with various types of fertilizers. He is keenly interested in marketing techniques. He is constantly on the lookout for new equipment or new ways to use old equipment to improve his operation.

Advising the farmer with these characteristics is indeed a challenge to today's county agent. Down in Georgia, for example, a county agent may get a call from a former professor of agriculture, who is now working for a large commercial poultry farm. It is obvious that this agent better be on his toes if he doesn't want to find himself in an embarrassing position.

But I don't think situations like this are uncommon. I believe that most of you, at one time or another, are going to run into commercial farmers who have

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had extensive training and experience in a specialized area. This raises the basic question of how can you best cope with these situations.

It simply is not realistic to expect every county agent to be a specialist in a broad range of subjects. Technical changes are occurring too rapidly for any individual to stay abreast of all developments in all fields related to agriculture. If you spent 24 hours a day reading you still wouldn't be able to master every aspect of this complicated business we call agribusiness. It is also obvious that if you had to spend all your time reading, you wouldn't be much good to the farmers you serve.

I think the best approach includes two basic elements. First, the agent must have a broad academic background. He doesn't have to be an expert in every field. However, he should be familiar with the general subject matter. Secondly, and probably the more important element, is this: the county agent must be able to cultivate and rely on a large number of specialists. At times the best answer an agent can give to a farmer is, "I don't know but I can find out quickly."

It seems to me that the farmer's respect for and reliance on you will increase when he learns the resources that you have to fall back on. I know from first-hand experience how great the reservoir of knowledge and experience is that can be tapped at your request. It includes the faculty and facilities of local colleges. It includes other agents who are specialists in a given field. It includes farmers who might have encountered a similar problem or situation. It goes all the way to the Department of Agriculture.

These two elements--broad background and access to specialists--seems to be working well in my area. In fact, a week or so ago I was talking to the man who was in charge of extension work in Georgia. He said in the past five years they didn't hire any county agents who did not have a master's degree or were not working on one. He was also quite enthusiastic about the refresher courses and various in-service educational programs. You notice I said was in charge of

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extension service. He is now heading the agriculture department of a large bank. But I daresay that he will undoubtedly continue to make a major contribution to the improvement of agriculture in our state, because he will still be available for advice and consultation.

In many respects the small country banker faces the same situation that you do. He, too, must have a broad background and be familiar with all the general information related to banking and agriculture. But he must also be able to fall back on specialists. In the banking business, this is accomplished through the correspondent banking system.

When I receive a loan application that I cannot legally handle alone, I must go to correspondent banks to get them to participate in the loan. If I run into seasonal loan demands that are exceptionally heavy, I have to make arrangements with my large city correspondent banks to help out.

I mention this correspondent relationship because it is one area of agribanking that is changing in response to the increased demands for credit by the farmers. It is a development that should be of interest to you as well as the farmers you serve.

Last week, The American Bankers Association held a one-day conference on agribanking for the large city correspondent banks. It was the first meeting of its kind ever sponsored by the A.B.A. and we were quite pleased with the response. Over 150 of the nation's largest banks were represented--many, I might add, by former county agents. In fact, when I arrived at the meeting I wasn't sure I didn't confuse my dates, because the first four people I met were from among your ranks--two were past presidents of this association.

The purpose of this meeting was to discuss what the country bank needs and wants from its city correspondent, and what the city bank expects the country bank to do in return.

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This increased cooperation between banks in meeting the needs of the farmer is becoming more evident every day. In the past few months, at least a half dozen large banks have added agriculture specialists or have set up agriculture departments. This trend will make full-service commercial banking a reality in rural America.

Yet, an agricultural specialist is not the only banking expert that the farmer needs. With the growth of many farms, farmers frequently need trust services. These specialized services can also be provided by the local bank through the correspondent system.

As more and more farmers look beyond the U.S. borders for trade opportunities, the correspondent system can again be brought into play. Export credits can be provided. Then, too, the local farmer, through the correspondent system, can have his affairs handled by the banker on the spot. With overseas branches and correspondents, large commercial banks can advise customers about marketing opportunities, local customs and other factors that might influence exports.

I could cite many other services that local banks can provide through correspondents but I think the scope is evident. The point that I want to make is that there is a definite parallel between your methods of advising the farmer and the bankers' methods of financing the farmer. Moreover, as most of you know, the banker stands ready to offer whatever aid he can to you in your work. In fact, the banker and his correspondents should be among the lists of specialists that you can feel free to rely on for information. With the increased emphasis on correspondent banking for agriculture, this should prove to be a growing source of information for you to draw on.

In reviewing the close cooperation that has always existed between the local agents and the local banker, it becomes obvious that we share many objectives.

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Your efforts to help farmers increase their efficiency has always had the support of bankers because bankers are striving toward the same goal. Increased efficiency not only helps the farmer, it also helps the community. And you will have a hard time finding a banker who is not interested in improving the local economy. In fact, in the book, "Financing American Enterprise," a history of banking by Dr. Paul B. Trescott, this point is covered. He said, "Because of their predominantly local character, individual banks had a high interest in the progress of their local communities. American banks have been borrower oriented; their boards of directors have often consisted of the principal users of credit in the locality--so much that the bank has often been a sort of committee for the economic development of the community."

Your efforts in the line of community development are not unlike our efforts. And as many of you know from experience, rural area development committees usually have the support, and at times are headed by, the local banker.

Your 4-H programs receive both the moral and financial support of bankers because they teach our young people some fundamental principals of business. This makes them better citizens and redounds to the benefit of the community and the country.

This year the nation's commercial banks are celebrating the centennial of the dual banking system--the name bankers have given to our system of state and federally chartered banks operating side by side.

During the year, much has been said and written about the progress that banking has made over the years. In some respects our observance was similar to the Centennial you observed last year. We are both interested in reviewing the past, not just to note achievements, but to enable us to chart our course for the future. Just as your organization is dedicated to improving the knowledge and techniques of the farmer, The American banking system is dedicated to meeting his financial needs. I am confident that as the needs of agriculture grow, the banking system will adapt to the emerging conditions. I am also confident that the close cooperation that has existed between the nation's bankers and the county agents will improve in the future in order to provide even better service to the American farmer.