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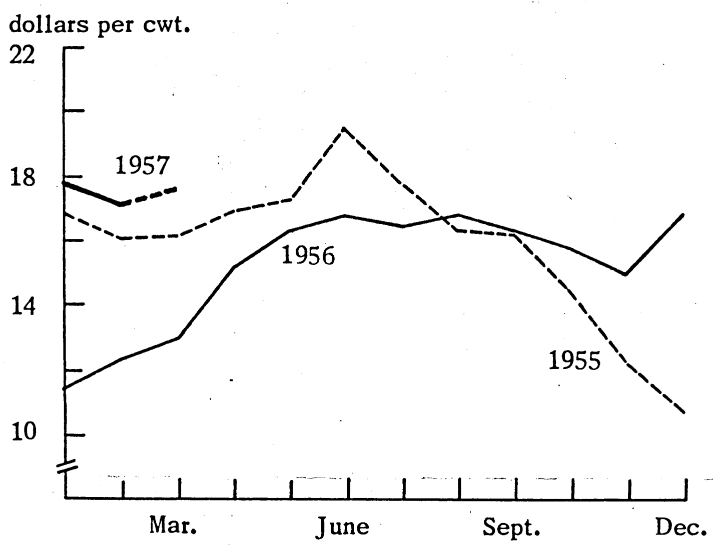
THE SPRING PIG CROP is now estimated to be slightly larger than last year. This is based on a survey of farmers in the nine Corn Belt states that account for over two-thirds of all spring pigs. In a survey last December farmers in these states indicated that the number of sows farrowing this spring would be 1 per cent smaller than in 1956.

Stepped-up farrowing plans are due to relatively favorable hog prices since last November. Most observers expect favorable prices to continue at least through late fall. As a result, hog production can be expected to increase further. Farmers reported that they intend to have 3 per cent more sows farrow in the summer quarter (June, July and August) than in the like period of 1956. Thus, the March 1 survey confirms what has been widely expected: marketings in the second half of 1957 will about match those of 1956, but by midwinter they will likely outpace those of a year earlier.

Prices of Barrows and Gilts at Chicago



BANKERS, county agents and others interested in agricultural finance convened at Purdue University last week for the annual Agricultural Clinic sponsored by the Indiana Bankers Association. A battery of capable economists and bankers discussed agricultural and credit policies and business and farm outlook for the year ahead.

Lending policy in a period of narrowing profit margins in agriculture presents problems. It was pointed out that agriculture is likely to continue to operate at a disadvantage relative to the nonfarm economy until such time as its capacity is brought in line with domestic and foreign demand. The income changes of recent years have forced some farm operators out of business, and the margin between net incomes of the efficient farmers and their less successful neighbors has widened. This has tended to shift farm resources into the hands of the better financed and more skillful managers.

In this setting the banker's role takes on additional importance. Decisions made by lenders help to determine who will farm and to some extent how resources—land, labor and capital—will be used. It is important, therefore, that lenders be able to recognize capable operators. But they must also recognize and counsel the less efficient farmers. For many of this latter group of operators, off-farm work, part-time or full-time, may offer the most attractive opportunity. "Adopting this as a positive policy will help the person who goes to more profitable employment, and it will help those farmers who remain in the business by enabling them to operate more efficient units and thereby bid more effectively for needed capital."

Future lending practices also stimulated much thought-provoking discussion. While practices have changed as the capital structure and needs of farming have changed, several speakers pointed out that future modifications will need to be made by commercial lenders.

Among lending practices discussed, it was suggested that commercial lenders should give increased attention to financing the entire farm and family as a unit rather than the many individual credit needs. On real estate, liberalized loan-to-value ratios and, on some of the better quality farms, "permanent" debt were mentioned as possible future developments. Under the latter practice, earnings that would normally be used to amortize the loan would be available for operating purposes and personal saving in forms other than equity in real estate.

"Moderate improvement in farm income, available investment opportunities and generally conservative debt levels on many Midwest farms" were tagged by one speaker as the major factors likely to lead to a further rise in the use of agricultural credit in the year ahead. With some improvement in income and a high degree of confidence in 1957, capital expenditures, for new machinery and buildings, are likely to rise somewhat from last year's low level. Moreover, with land prices continuing to tilt upward and about three-fourths of the land purchases requiring some credit financing, the trend toward more efficient size farms will require additional amounts of real estate credit.

Research Department