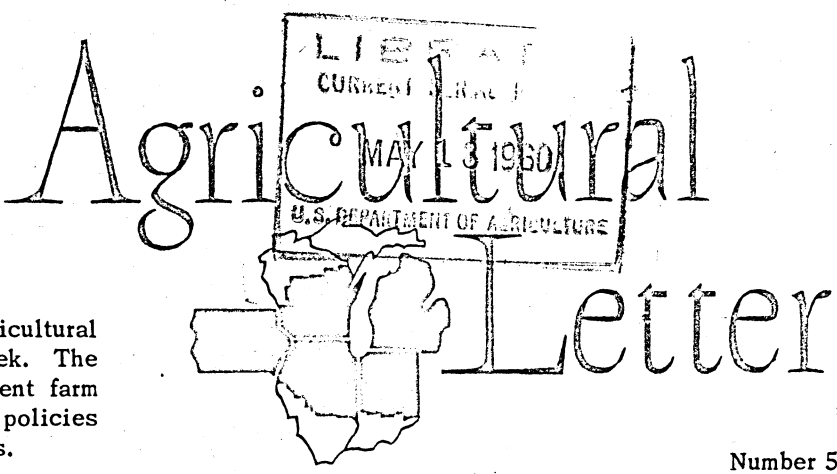


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ILLINOIS BANKERS held their annual Agricultural Conference at the University of Illinois last week. The major topics for discussion included the current farm outlook, agricultural research findings and bank policies relative to the making and servicing of farm loans.

The agricultural climate was described by Professor L. H. Simerl as showing considerable stability over-all but with large fluctuations for individual sectors. He noted that realized net farm income of farm operators has ranged from \$11 to \$13 billion during the past six years. Income in 1959 was the low of this range but only slightly below the 1957 level, while 1958 income was the best of the six years.

Trends in farm income, however, have differed greatly according to the type of enterprise. Hog producers had low returns in 1955 but then had three good years before the price decline in 1959. Cattle feeders had low returns from 1953 to 1955 and then had three good years. Dairy farmers' incomes have been rather stable during the 1950's though dipping in the middle of the decade. Cash grain farmers have had a slow downward trend in income throughout the 1950's.

The outlook for farm income in 1960 has improved in recent months largely as a result of prospects for higher hog prices, though good weather conditions could boost income of cash grain farmers also. The speaker noted that probably the biggest adjustment ahead is in the price of beef cattle.

"CONFINEMENT" HOG PRODUCTION may account for 75 per cent of total U. S. output of hogs in the near future, according to experts quoted by Professors A. G. Mueller and A. H. Jensen of the University of Illinois. Confinement production, when compared with the conventional pasture system, has many problems such as tail biting and cannibalism, disease control, manure and feed handling, lot and building design and labor requirements. In going from a pasture farrowing to a central farrowing operation, according to the speakers, an average of one-half pig more per litter will need to be saved to pay for the additional expense. Automation costs associated with the dry lot system would have to be paid out of any labor saved or greater feeding efficiency. A high level of management skill is required.

Advantages of the central farrowing house and confinement feeding include greater convenience and minimization of chore labor, which may become relatively important during periods of adverse weather. Although diseases may spread more rapidly through a confined group of hogs, the closer observation of all hogs in many instances permits the manager to detect disease sooner and treat it effectively.

It was concluded that even though swine generally may gain more per day in the confined dry lot than with pasture feeding, confinement feeding takes more feed to put on a pound gain in weight. Thus, confinement feeding at present is not necessarily the most economical in terms of feed use.

AGRICULTURAL FINANCING was discussed by several speakers. Some highlights:

Farm credit needs: The changing structure in agriculture, together with the trend toward larger, more mechanized farms, is expected to require more credit and capital per farm. Since earnings of individual farmers, given a constant level of management, are largely dependent on the amount of capital, the capital utilized in individual farms will be increased to obtain higher levels of earnings. But many problems are associated with obtaining capital for the needed adjustments. Returns on farm land and on capital invested in agriculture have been declining.

The role of banks: "Credit needs of farm families usually should be set up on a twelve-month basis geared to the farmer's capacity to repay . . . more attention needs to be given to the idea of one lender providing all of a farmer's credit needs . . . greater use needs to be made of correspondent banking relations in order to provide adequate credit for deficit areas."

Two bankers spoke favorably of the results of the farm service departments in their banks. The purpose of these departments is to provide farm management advice in addition to the traditional lending role of banks.

Evaluation of credit risks: The growing complexity of modern farming requires that greater emphasis be placed on the management ability of the farmers. In addition to evaluating the security behind a loan, the borrower's personal characteristics must be scored: Does he use good farming practices and is he a capable manager? Does he have a judgment and bankruptcy record? How large of a debt load can he carry? Does the borrower have a cushion of financial liquidity in case of adversity?

The meeting was attended by about 150 bankers from Illinois and adjacent states.

Research Department