

281.9  
F313

STACKS

DC BRANCH

Federal Reserve Bank of Chicago - -

November 13, 1970

# Agricultural Letter

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

NOV 27 1970

CURRENT SERIAL RECORDS

Number 1091

FARM DEBT by year-end is likely to total around \$60 billion. This would be about 8 percent higher than the year before and nearly three times the amount outstanding in 1960. Non-real estate debt outstanding is expected to account for the bulk of the increase, although farm real estate debt will also post a gain.

Real estate debt outstanding at institutional lenders through midyear was up only about 1 percent from the comparable period in 1969. Banks and life insurance companies actually showed small reductions in the amount of farm mortgage debt held, while federal land banks were up about 7 percent. Individuals have stepped up their participation in real estate financing in recent years and will likely account for the bulk of the increase in total real estate debt outstanding in 1970. Although reliable estimates are not available on the amount of credit extended by individuals, numerous surveys indicate that it has increased markedly in 1970.

Non-real estate credit, in contrast to mortgage debt, continued to expand rapidly through 1970 to date. At midyear, non-real estate farm loans outstanding at banks stood 6 percent higher than a year earlier. At production credit associations, the advance was more than 17 percent from mid-1969.

Significant shifts in sources of farm credit have occurred over past years. Perhaps one of the more striking developments has been the relative growth in noninstitutional credit, although the amount is not well documented (official statistics fail to take it fully into account).

Seller financing has long been an important feature of the farm real estate market and has become increasingly important in recent years, reflecting the joint effects of general inflation, inflated land prices, credit restraint, and certain features of the federal income tax. Department of Agriculture estimates in early 1970 indicated individual sellers were financing around three-fifths of the farmland transfers, compared with less than half in 1969 and only 42 percent in 1960.

A similar development appears to be taking place in non-real estate farm credit. Merchant-dealer credit extended to farmers appears to be increasing relative to total non-real estate credit. A number of the major manufacturers of farm machinery are reported to have greatly increased their loans outstanding on sales of farm machinery in recent years. Supplier-financing of fertilizer, petroleum products, and feeds also has been enlarged. The expansion of such credit no doubt reflects in large part the rapid growth in purchased farm production items. Expenditures on such items jumped nearly two-fifths since 1960.

Marked shifts in the proportion of farm credit supplied by the various institutional lenders also have been taking place. The cooperative lenders—federal land banks and production credit associations—have shown the largest relative increases in credit advanced, while other types of lenders have generally declined in importance. Federal land banks now account for around 40 percent of the farm real estate credit held by in-

stitutional lenders—up from 32 percent in 1960. Over the same period, the portion held by insurance companies dropped from 39 percent to 34 percent. The amount held by banks was unchanged.

## Non-Real Estate Farm Loans

January 1 year	Banks		Production Credit Association		Farmers Home Admin.		Federal Intermediate Credit Banks		Total
	(dollars in millions)								
1960	4,819	72%	1,361	20%	398	6%	90	1%	6,668
1965	6,990	70	2,278	23	644	6	125	1	10,037
1969	9,720	67	3,826	26	822	6	180	1	14,548
1970	10,329	65	4,533	29	785	5	218	1	15,865
1970*	11,233	64	5,359	30	785	5	251	1	17,628

\*June, preliminary

## Real Estate Farm Loans

January 1 year	Banks		Federal Land Banks		Life Insurance Cos.		Farmers Home Admin.		Total
	(dollars in millions)								
1960	1,631	23%	2,335	32%	2,820	39%	439	6%	7,225
1965	2,669	24	3,687	33	4,288	38	619	6	11,263
1969	3,857	24	6,081	38	5,764	36	494	3	16,196
1970	4,000	24	6,713	40	5,734	34	455	3	16,902
1970*	4,039	23	6,994	40	5,637	32	780	5	17,450

\*June, preliminary.

Commercial banks have accounted for the largest share of the increase in non-real estate loans since the early 1960s, as well as for the bulk of the total non-real estate loans outstanding among institutional lenders. But production credit associations have shown a much more rapid rate of growth and, as a result, have steadily enlarged their share of the total—from around 20 percent in 1960 to nearly 30 percent this year.

Credit conditions in recent years no doubt have exerted considerable influence on these trends. Although the shifts in farm credit sources have been underway for some time, it appears that they have accelerated since about the mid-1960s. High interest rates and state usury laws certainly have had their effects on the participation by some lenders in financing agriculture—chiefly insurance companies and individuals.

Roby L. Sloan  
Agricultural Economist

## FARM BUSINESS CONDITIONS

I T E M S	1970		1969
	September	August	September
<b>PRICES</b>			
Received by farmers, U. S. (1957-59=100) . . . . .	116	114	114
Paid by farmers, U. S. (1957-59=100) . . . . .	134	133	128
Parity price ratio (1910-14=100) . . . . .	72	71	73
Wholesale, all commodities (1957-59=100) . . . . .	117.8	117.2	113.6
Paid by consumers (1957-59=100) . . . . .	136.6	136.0	129.3
Wheat, No. 2 red winter, Chicago (dol. per bu.) . . . . .	1.67	1.52	1.31
Corn, No. 2 yellow, Chicago (dol. per bu.) . . . . .	1.52	1.46	1.24
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.79	.74	.63
Grain Sorghum, No. 2 yellow, Kansas City (dol. per cwt.) . . . . .	2.29	2.18	2.08
Soybeans, No. 1 yellow, Chicago (dol. per bu.) . . . . .	2.81	2.79	2.49
Hogs, barrows and gilts, Omaha (dol. per cwt.) . . . . .	20.39	22.75	25.89
Beef steers, choice grade, Chicago (dol. per cwt.) . . . . .	30.76	30.81	29.75
Milk, wholesale, U. S. (dol. per cwt.) . . . . .	5.79	5.57	5.68
Butterfat, U. S. (dol. per lb.) . . . . .	.71	.71	.70
Broilers, live, U. S. (dol. per lb.) . . . . .	.13	.13	.16
Eggs, U. S. (dol. per doz.) . . . . .	.39	.33	.41
Milk cows, U. S. (dol. per head) . . . . .	341	337	307
Farm labor, U. S. (dol. per week without board) . . . . .	--	-- <sup>P</sup>	--
Factory labor, U. S. (dol. earned per week) . . . . .	136.17 <sup>P</sup>	134.13 <sup>P</sup>	132.84
<b>PRODUCTION</b>			
Industrial, physical volume (1957-59=100) . . . . .	166.0 <sup>P</sup>	168.9	173.9
Farm marketings, physical volume (1957-59=100) . . . . .	143	123	143
<b>INCOME PAYMENTS</b>			
Total personal income, U. S. (annual rate, bil. dol.) . . . . .	811.8 <sup>P</sup>	806.4	763.1
Cash farm income, U. S. <sup>1</sup> (annual rate, bil. dol.) . . . . .	44.6	45.3	43.8
<b>EMPLOYMENT</b>			
Agricultural (millions) . . . . .	3.5	3.8	3.6
Nonagricultural (millions) . . . . .	74.7	76.1	74.4
<b>FINANCIAL (district member banks)</b>			
Demand deposits:			
Agricultural banks (1957-59=100) . . . . .	139.4	139.9	138.3
Nonagricultural banks (1957-59=100) . . . . .	136.3	129.4	127.5
Time deposits:			
Agricultural banks (1957-59=100) . . . . .	371.6	368.6	338.0
Nonagricultural banks (1957-59=100) . . . . .	340.8	335.7	

<sup>1</sup>Based on estimated monthly income.

<sup>P</sup>Preliminary.