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FARM REAL-ESTATE FINANCING

Farmers will need and continue to use more credit in the future than they have in the past, according to the American Bankers Association. In a bulletin with the same title as above, the Association points out that the average size of family farms is increasing and that this means larger investments of capital than ever before. Technological developments make it necessary to have machinery to carry on crop production and conservation programs, to control insects and diseases, and to carry out other sound farming practices. Farmers currently are buying government bonds and holding them while borrowing money for short-term needs, and this practice is expected to continue. Also, a larger number of farms are being operated by men well past normal retirement age, and a large amount of credit will be required to transfer these farms to younger men. After viewing the outlook for larger farm credit needs, the ABA presents in its bulletin the outline of a plan of procedure that country banks may follow in making sounder farm mortgage loans.

The primary security back of a farm mortgage loan is the income-producing capacity of the farm itself, under average management. A good farm mortgage loan, says the ABA, is one on a farm which will produce sufficient income to pay living and other expenses, with enough left to cover interest and principal payments on the mortgage in accordance with the terms under which the mortgage was made. Regardless of how a farm mortgage is secured, the first claim on the income of a farm will always be a living for the farm family that operates it. After this claim come taxes and operating expenses.

Repairs and improvements also must be paid out of the farm's income before interest and principal are paid on the mortgage. The income of the farm, therefore, is subject to three or four claims before interest and principal can be paid.

The ABA bulletin considers farm mortgage lending in five separate phases. The first of these is the receiving of applications for loans. Much time can be saved for both the bank and the prospective borrower if a general evaluation of the proposed loan is made at the first interview with the applicant. Many times a bank customer will not have a very clear idea of the total amount he needs to borrow or the total amount that he can borrow. His first interview with the bank representative should serve to explore the farmer's need for credit and the basis upon which a loan could be made. When a mortgage loan cannot be made on one basis, sometimes the circumstances are such that the application can be changed to make it acceptable to the bank. The ABA advises bankers to use loan application forms on which the applicant is asked to provide such information as his financial statement, personal data, and a description of the farm and its organization. The ABA booklet includes suggested loan application forms which can be used by banks or adapted to their needs.

The second phase of farm mortgage loan operations is the working out of a plan of repayment. The most highly recommended practice is for loans to be amortized, because this is in the best interest of the farmer as well as the banker. The loan, says the ABA, should be amortized on a plan adapted to the bor-

rower's ability to pay, and the loan contract should permit the borrower to pay faster than required by the contract if he desires. Subject to applicable banking laws, both the terms of years and the frequency of payments should depend upon the type of farming, the quality of the farm, the size of the loan, and the borrower's ability to meet the payments. In cases where farm income is primarily from the sale of crops, it is usually desirable to have payments made at the time the crops normally are sold. On dairy farm mortgage loans, it may be desirable to have payments made monthly or quarterly.

Banks generally follow one of two basic amortization plans. In one, described as the Diminishing Payment Plan, the amount of principal payments remains constant, while the amount paid in interest declines with each payment, making each succeeding total payment smaller. The other plan, which is used more commonly and known as the Constant Payment Plan, calls for the same number of dollars to be paid to the bank on each payment date throughout the entire life of the loan. In this type of repayment plan, the interest portion of the loan payment becomes progressively smaller, while the portion applied to principal gradually becomes larger. Tables for computing payments under these plans are included in the bulletin. The use of a payment card or receipt book to record payments for the borrower has been a successful practice in many banks.

The third phase of farm mortgage lending, as outlined by the ABA, is sound appraisal, which is the foundation of satisfactory lending. The appraisal of a farm is not a science but is an expression of the judgment of an appraiser selected by the bank. It includes (1) inspection of soil, topography of the land, and farm buildings, to secure an accurate idea of their physical productivity; (2) consideration of the equipment and the managerial ability of the farmer himself, to get some idea of how well the soil is likely to be employed; and (3) checking roads, churches, schools, and availability to farm markets, which also affect the salability of the farm.

The history of farm mortgage credit emphasizes the fact that current market prices of farm land and of farm products are not a proper basis for extending long-term mortgage credit. Rather, banks should adhere to values based on the farm commodity prices which appear likely to prevail over a period of future years. Basing loans on normal values of land and normal commodity prices will prevent many difficulties for both farmers and lenders. The ABA bulletin contains much information that would be helpful to bank appraisers in appraising a farm. It also includes forms to be used or adapted for use in appraising farms for loan purposes.

The fourth phase of farm mortgage lending is the closing of the loan, which comes after the loan has been approved and the terms of the loan have been accepted by the borrower. This includes such matters as the actual signing of the papers and the arranging for the deed of trust and the insurance on buildings. The place for keeping these papers varies with different banks, but a loan file in which all the papers on an individual borrower are kept in a single folder is recommended.

The final phase of farm mortgage loan operations is servicing the loan, which means maintaining helpful and friendly contact with the farmer. This may involve occasional visits to the farm, providing the farmer with economic information which will help him to operate his farm efficiently and to keep in a safe financial position, as well as checking on payment of taxes, and so on. Reports containing information obtained by inspections of the farm should be collected in the loan file.

As banks engaged in farm mortgage lending take steps to improve their loan operations by use of credit files containing adequate information on the borrowers, they will be putting their loan service on a sounder basis. A specified plan in making of farm mortgage loans, including the taking of an application, the making of a sound appraisal, and the compiling of full credit information

about the man and the land, will have an important bearing upon the over-all public relations of the bank and give backing to the officers and directors in their approval of loans.

Copies of the bulletin reviewed here may be obtained from the American Bankers Association, 12 East 36 Street, New York City.

FARM MANAGEMENT

Higher Sheep Profit Gained from Quality Foundation Animals

Quality foundation animals are a prerequisite to higher profits in sheep raising, says Dr. H. M. Briggs, Animal Husbandry Department, Oklahoma A. & M. College. This is an important consideration for sheep raisers who are increasing or improving their flocks.

Both native ewes and western ewes have their merits, depending upon the objective of the producer. Native ewes are preferable for mutton production because of their conformation, or form, and the wool clip from a well-bred flock usually exceeds in quantity that from a fine wool flock. Ewes of this type have proved useful to the producer who wants only a small flock. They usually can be secured locally, and flock replacements can be selected from the ewe lamb crop.

There are several advantages in having western or fine wool ewes, in addition to the exceptionally fine quality of wool produced. The initial investment is smaller, and they require less feed than the heavier natives. They are easy to obtain in large numbers and ordinarily will breed and lamb early. The chief disadvantage of western ewes is their mutton conformation, which is not particularly desirable. They are also likely to have fewer twins than natives and are more nervous at lambing time, but they do make good mothers if handled properly.

If fine wool ewes are used in the production of lambs for market, they must be bred to good purebred mutton rams that will give the lamb crop thickness of fleshing, says the

sheep specialist. The cost of using a high-quality purebred ram is a minor item in sheep production when one considers that the ram may sire 35 to 40 head of lambs per year and may be used over a four- or five-year period.

Control of Coccidiosis in Livestock

Coccidiosis, which is sometimes called red dysentery, is caused principally by confining livestock in unsanitary pens or lots or by permitting water holes to become contaminated, says Dr. W. C. Banks, Extension Veterinarian of Texas A. & M. College. When large herds of cattle are fed outdoors, muddy, wet ground around haystacks, feed troughs, and watering places becomes a problem. Dr. Banks urges farmers to fill in the low spots and provide sufficient drainage so that the ground will dry out. Frequent removal of barnyard manure to fields also helps prevent coccidiosis and, at the same time, builds crop and pasture yields.

Since this disease affects the younger animals—from four months to two years of age—it is advisable to separate this age group from the older animals. Infected animals should be penned to themselves as much as possible.

Treatment of diseased animals may be accomplished with sulfaguanidine, says Dr. Banks. One grain of the drug per pound of animal is the recommended dosage. For example, a 500-pound calf might need 500 grains a day, or roughly one ounce. It is recommended that the treatment be divided into four doses, or one-quarter ounce at a time.

Sudan Grass Makes Excellent Hay

Sudan grass is a cheap, easy crop to grow; it has practically no weather hazards; and in feed value it compares very favorably with leading top-quality hay crops such as alfalfa, lespedeza, and Bermuda grass, says the Louisiana Extension Service. No other grazing crop will give as much return on labor and investment during July, August, and September. Sudan grass is a tropical plant and

should be planted now, but plantings can be made through July.

If planted early for hay, it is often possible to get three cuttings on good fertile land. Growth from planting time to the earliest grazing stage requires about 30 days. The best hay stage requires about 60 days. If grown in rows for hay, 7 to 10 pounds of seed should be planted per acre. For grazing purposes the stand should be thicker than for hay, with 12 to 15 pounds of seed planted per acre. If broadcast, from 25 to 30 pounds should be used per acre, but this method of planting should be used only on the most fertile land; on prairie, bluff, and hill soils, planting in 2- to 3-foot rows is better and safer for both hay and grazing. Row planting may be done with any ordinary planter equipped with a sorghum plate.

Rotary Hoe Does Economical Job

The rotary hoe, a tractor attachment, is speeding up cotton cultivation, especially in west Texas and the Plains area. Mr. Fred C. Elliott, Extension Cotton Work Specialist of Texas A. & M. College, states that it works best on the young cotton seedlings in getting rid of the grass and weeds early. As cotton gets taller, this weeding machine does not work so well.

There are several things to remember when using the machine. It should be set only deep enough to break the crust of the soil. The shallow action of the picks then pulls up the tender weeds and grass, leaving them to dry out in the wind and sun. The weeding process can be done most effectively about a week after a rain, when the soil crust has hardened but is not too hard. The best operating speed for the rotary hoe is between six and eight miles per hour—at least four and a half miles per hour, running in third gear.

FARM PRICES

Price Support Announced for 1949-Crop Rice

A program to support the price of 1949-crop rice at 90 percent of parity as of August 1, 1949, has been announced by the United

States Department of Agriculture. The program will be implemented by non-recourse warehouse-storage and farm-storage loans and by purchase agreements with producers. Eligibility requirements for rice, for producers, and for associations of producers are the same as those under the 1948 program.

Loans and purchase agreements will be available on rice produced in Louisiana and Texas from time of harvest through January 31, 1950. The loans will mature on April 30, 1950, or earlier upon demand.

Interim Price Support for Early-Harvest Wheat

Interim 1949-crop wheat loan and purchase agreement rates have been authorized by the Department of Agriculture in specified counties in 11 states, including Arizona, New Mexico, Oklahoma, and Texas, and at three terminal markets, including Galveston, Texas. Department officials stated that interim rates are established in advance of the beginning of the marketing year so as to make price support available to producers of early-harvested wheat. Appropriate adjustments, based upon the final rates for price support, will be made at the time of final settlement.

ANNOUNCEMENTS

Meetings

The World's Champion Junior Rodeo will be held at the Rodeo Grounds in Big Spring, Texas, June 27-28.

The Twelfth Annual Wool and Mohair Show is scheduled for June 29-30 in Sonora, Texas.

The Tenth Annual Cotton Research Congress will convene in Dallas on July 28 for a three-day session.

Publications

New Mexico Agricultural Experiment Station, State College:

Conservation Practices for the Wheat Lands of New Mexico, Circular 221, by Leonard R. Appleton.