Federal Reserve Bank of Dallas

FARM and RANCH BULLETIN

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FARM LENDING SHOWS SLIGHT INCREASE IN DISTRICT STATES

Total institutional lending to farmers and ranchers in the five states of the Eleventh Federal Reserve District was nearly 8 percent greater at the beginning of 1971 than a year earlier. Total institutional credit outstanding on that date was nearly $5 billion. The non-real-estate portion increased 6 percent in 1970, reaching $2.3 billion. The real estate debt was up 9 percent to $2.6 billion.

Commercial banks remained the major source of institutional non-real-estate credit with a slight increase to about $1.6 billion in loans outstanding. This figure represents 68 percent of the total, the same as last year. However, production credit associations (PCA's) expanded their share from 26 percent in 1970 to 27 percent. While both banks and PCA's increased lending, the Farmers Home Administration had an absolute drop in non-real-estate lending and the FHA share of the market declined from 6 percent to 5 percent.

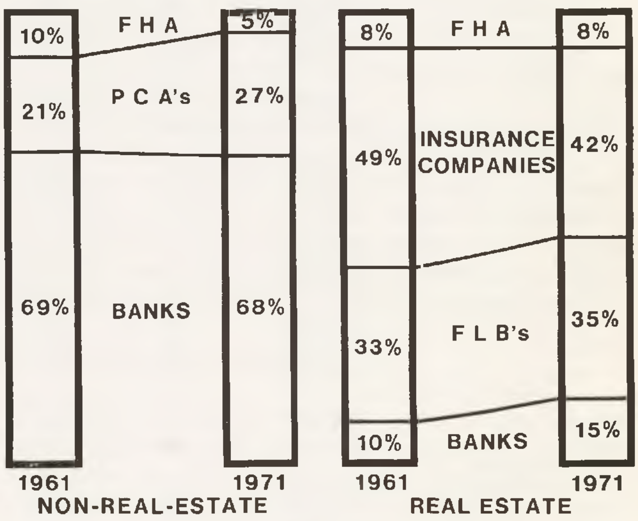
In farm real estate lending, insurance companies remained the largest source of institutional credit. But from January 1, 1970, the total amount of loans held by these companies had declined 3 percent, and their share of the market was down from 47 percent to 42 percent. Together, federal land banks increased their portfolios 6 percent in 1970, while commercial banks had a 3-percent increase. The most dramatic change was in the FHA's real estate lending. At the start of this year, the FHA had more than $213 million in farm real estate loans, up from just $26 million in 1970. This sevenfold expansion resulted from increased funding of the program and emergency loans due to the drouth that plagued District states last year. However, the FHA remained the smallest institutional lender and, at the beginning of this year, held only 9 percent of the total loans outstanding.

Changes in the volume of agricultural loans varied widely from state to state. Arizona showed a slight decline in non-real-estate credit, while Oklahoma had a 17-percent increase. For real estate loans, Arizona again had the smallest change—an increase of 4 percent—while New Mexico posted a 14-percent increase.

Institutional agricultural lending in the District states in 1970 lagged behind the national pace for

INSTITUTIONAL LENDERS' SHARES OF FARM CREDIT MARKET

FIVE SOUTHWESTERN STATES



SOURCE: American Bankers Association

FARM REAL ESTATE LOANS HELD BY PRINCIPAL LENDERS, JANUARY 1, 1971

Area and lender	Amount held (Thousand dollars)	Percent of area total	Percent change from Jan. 1, 1970
ARIZONA			
Banks	$7,079	4%	–20%
FLB's	36,633	23	1
Life insurance companies	106,334	67	(1)
FHA	8,782	6	578
Total	158,828	100	4
LOUISIANA			
Banks	79,734	20	13
FLB's	154,935	39	12
Life insurance companies	139,351	35	(1)
FHA	25,885	6	467
Total	399,905	100	13
NEW MEXICO			
Banks	10,605	6	23
FLB's	62,164	36	6
Life insurance companies	83,397	48	(1)
FHA	17,360	10	1,172
Total	173,526	100	14
OKLAHOMA			
Banks	97,386	21	3
FLB's	127,590	28	1
Life insurance companies	169,808	38	–3
FHA	59,415	13	879
Total	454,199	100	13
TEXAS			
Banks	193,843	14	–1
FLB's	531,134	37	6
Life insurance companies	590,948	42	–4
FHA	101,877	7	687
Total	1,417,802	100	7
FIVE STATES			
Banks	388,647	15	3
FLB's	912,456	35	6
Life insurance companies	1,089,838	42	–3
FHA	213,319	8	713
Total	$2,604,260	100%	9%

1. Less than one-half of 1 percent
SOURCE: American Bankers Association

NON-REAL-ESTATE FARM LOANS HELD BY PRINCIPAL LENDERS, JANUARY 1, 1971

Area and lender	Amount held (Thousand dollars)	Percent of area total	Percent change from Jan. 1, 1970
ARIZONA			
Banks	$220,786	90%	–2%
PCA's	18,395	8	17
FHA	4,191	2	18
Total	243,372	100	(1)
LOUISIANA			
Banks	74,389	48	(1)
PCA's	64,283	41	1
FHA	17,170	11	1
Total	155,842	100	1
NEW MEXICO			
Banks	84,761	57	5
PCA's	56,578	38	4
FHA	7,528	5	–4
Total	148,867	100	4
OKLAHOMA			
Banks	373,131	68	18
PCA's	152,400	28	14
FHA	23,097	4	11
Total	548,628	100	17
TEXAS			
Banks	817,476	66	1
PCA's	337,653	28	12
FHA	71,979	6	–8
Total	1,227,108	100	3
FIVE STATES			
Banks	1,570,543	68	5
PCA's	629,309	27	11
FHA	123,965	5	–3
Total	$2,323,817	100%	6%

1. Less than one-half of 1 percent
SOURCE: American Bankers Association

all lenders except the FHA. Nationally, banks increased agricultural lending by 8 percent. In states of the District, they showed an increase of only 4 percent. PCA lending was up 17 percent nationwide but only 11 percent in District states. And loans of federal land banks showed a 7-percent increase nationally, while the rate for District states was 6 percent. Insurance companies cut back 2 percent in the nation but 3 percent in District states. The rates of growth for all institutional lenders in the District except the FHA not only were below the national levels but were generally slower than the District averages for other recent years. This can be attributed largely to the drouth and to high interest rates that caused many farmers and ranchers to postpone borrowing in 1970.

Because of the drouth and other uncertainties in the District this year, southwestern farmers and ranchers have continued to take fairly conservative postures toward credit. Bank non-real-estate lending in the five states of the District increased during the first six months of 1971 at close to the national rate of 8 percent. However, PCA loans in the District during the first nine months increased 10 percent, while the national rate of increase was 15 percent. For the year ended September 30, the Houston Federal Land Bank had increased its total amount of loans outstanding 8 percent over a year earlier; the amount for the total system was up 9.4 percent. But during September, both District PCA's and the Houston Federal Land Bank had greater activity than the nation as a whole. While no conclusive data are available, preliminary indications are that insurance companies sharply increased agricultural lending this year. FHA loans have continued to increase due to extensive emergency programs and heavier funding of real estate programs.

MARKET INFLUENCES COTTON, FEED GRAIN PROGRAMS

Recently announced cotton and feed grain programs for 1972 are in line with expectations based on current prices, production, and stocks. Both programs are aimed at maintaining farm incomes, meeting demand, and holding carryover stocks within acceptable limits. Cotton prices have held up throughout 1971, bolstered by strong world demand and smaller stocks. Feed grain prices, on the other hand, have come under downward pressure due to a record U.S. crop and substantial increases in world production and stocks. As a result, the cotton program shows minimum change from last year while the feed grain program reflects substantial changes in set-aside requirements and payments.

The cotton program

Provisions of the 1972 upland cotton program closely follow those of the past year. The Government program provides for a national base acreage allotment of 11.5 million acres, a national average loan rate of 19.5 cents a pound, a preliminary set-aside payment rate of 15 cents a pound, and a set-aside requirement of 20 percent of a farm's base acreage allotment. This means that any cotton grower signing up and complying with the set-aside and conserving base requirements for his farm can plant the acreage he chooses after studying the outlook for supply, demand, prices, and other factors, including alternative crops.

The 1972 national marketing quota for extra-long staple cotton has been set at 115,800 bales. The allotment of 117,763 acres is virtually unchanged from last year. This national target is expected to meet all domestic and export requirements for the 1972-73 marketing year and to rebuild the dwindling carryover stocks to a more desirable level.

The feed grain program

Because of this year's large grain crop, the new feed grain program raises the feed grain set-aside 5 percent (to 25 percent of the base), establishes higher set-aside payments (40 cents for corn, 38 cents for sorghum, and 32 cents for barley), and brings barley into the feed grain program. Along with several other adjustments, the new program offers incentives for farmers to set aside additional acreage beyond the 25 percent. The program is designed to more than double the 18 million acres of feed grain set aside this year. Farmers will have greater flexibility in choosing how much acreage they will plant and to what crops they plant. Although the national average loan rates for grain sorghum and barley will be slightly higher than in 1971, rates for corn, oats, and rye will not change.

FARM POPULATION HITS NEW LOW

The nation's farm population dipped below the 10 million mark in 1970 for the first time since data were first collected in 1920. Government figures place the 1970 farm population at about 9,712,000—6 percent less than a year before and 38 percent less than ten years before. Farm residents made up only 5 percent of the population, compared with 9 percent in 1960.

FARM POPULATION DROPS IN ABSOLUTE NUMBERS AND AS PERCENTAGE OF TOTAL

(Thousand persons)

Year	Total resident population	Farm population: Number of persons[1]	Farm population: Percent of total population
1970	[2]203,212	9,712	4.8%
1969	200,810	10,307	5.1
1968	198,833	10,454	5.3
1967	196.894	10,875	5.5
1966	194,972	11,595	5.9
1965	192,920	12.363	6.4
1964	190,454	12,954	6.8
1963	187,795	13,367	7.1
1962	185,073	14,313	7.7
1961	182,282	14,803	8.1
1960	[2]179,323	15,635	8.7

1. April-centered annual averages
2. Census count

The age structure of the farm population is becoming more heavily weighted toward older adults. An apparent out-migration of young farm adults of childbearing age over the past ten years is indicated by an 8-percent decrease in the proportion of farm residents made up of children under 14 years of age. The proportion of adults 55 years old and older rose from 18 percent to 24 percent in the same period.

Of the 4.3 million people in the 1970 farm resident labor force, 54 percent were employed solely or primarily in agriculture and 44 percent had off-farm employment—chiefly in wage and salary positions. At the start of the 1960's, the proportions of employed workers were 64 percent in agriculture and 33 percent in nonagricultural industries. The 1970 proportion of employed farm residents engaged in nonagricultural industries was 10 percent higher in the South than in the rest of the nation, with 50 percent of the employed southern farm residents working in nonfarm industries. This was apparently associated with the large number of low-income farms in the South, where many farm residents sought supplemental income in nonfarm work.

Of the 2.3 million farm residents employed in agriculture in 1970, 60 percent were self-employed, 23 percent worked as unpaid family members, and the remaining 17 percent were wage and salary workers. However, about three-fourths of farm women were classified as unpaid family workers.

Farm residents comprised 63 percent of all persons employed in agriculture in 1970, a drop of 12 percent from 1960. The accompanying increase in the proportion of all agricultural workers that were nonfarm residents reflects an increasing tendency for people employed in agriculture to commute rather than live on the farm. Of the total agricultural employment of 3.7 million, about 1.4 million workers were not farm residents.

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