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Some Current Aspects of Agricultural Finance and Banking  
in the United States

by

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For the past 20 years or so, farm credit markets and mechanisms in the United States have been cited to others as models deserving of admiration in their entirety and worthy of emulation with respect to many of their major features. Within the United States, analysts commenting on overall current developments have during this period generally concluded that "credit-worthy" operators of commercially-viable farms could obtain "adequate" financing at "reasonable" rates and other terms--presumably as judged by comparison with loan standards, amounts, and terms for other businesses and consumers. In discussion of factors responsible for such general satisfaction with the major portion of farm credit systems, the diversity and operating techniques of lending institutions have received, and continue to receive, the most attention.

The loan demands of commercial farmers, it is noted, are met through a variety of channels which include individual lenders--who are primarily sellers of farms--and also commercial, cooperative, and government institutions. Well over half of the 14,000 commercial banks--both large and small--make significant amounts of farm loans. A small number of life insurance companies--which, however, includes several of the very large companies--provide farm mortgage loans. The cooperative credit system taps central money markets for funds to make both operating and mortgage loans. Government crop storage loans are available to producers of several major crops. Farmers affected by general physical disasters such as droughts, storms, and floods are typically declared eligible for emergency loans from or guaranteed by the Federal government. Since 1974, livestock producers who suffer severe financial losses resulting from market factors have also been eligible for Federally-guaranteed loans. Farmers with relatively small or unproductive units who experience difficulty in obtaining loans from the commercial and cooperative lending institutions are eligible for direct loans from the Federal government, and also for Federally-guaranteed loans. The Federal government also provides guarantees for rural housing loans.

While generally satisfied with the adequacy and operation of these farm credit mechanisms as a whole, borrowers, lenders, and analysts have during this period been concerned about numerous specific aspects of the system. Analysts have been uncertain, for instance, whether certain groups of farmers--such as expanding farmers, beginning farmers, or marginal operators--were obtaining economically or socially desirable amounts or terms of credit. Analysts also found that certain types of farm loan demands were favored by many lenders, and that repayment terms commonly used for some types of loans were less than optimum. It has also been apparent that some lending institutions--primarily the small rural banks--were having problems in coping with increasing individual and/or total farm loan demands. These and many other problems of similarly limited scope received considerable attention from both research workers and credit market participants.

There is, however, another integral aspect to the overall "success" of U.S. farm credit mechanisms, and that is the very favorable loan repayment record that has generally prevailed since the beginning of World War II. This record is, in retrospect, a primary factor underlying the heralded responsiveness of U.S. farm credit institutions to farm loan demands. The lack of severe farm loan repayment problems in the 1950's, during what was considered to be a post-boom era, made a profound impression on lenders and farm finance researchers. This favorable experience led them first to accept greater relative use of debt financing, and in short order to actively encourage more highly leveraged financial positions as a means of increasing the growth rate of the income and wealth of individual farmers. If, because of recent excesses, widespread debt repayment difficulties should reappear, this fundamental problem would temporarily overshadow the other credit market concerns that I have noted. I have therefore chosen this topic as the primary focus of this paper.

In its 200-year history, U.S. agriculture has experienced a number of boom-bust sequences that dominate its financial history. Jones and Durand, in their major study of farm mortgage lending, noted that four major farm investment and land-price booms preceded World War II--those associated with the American Revolution, the War of 1812 and the worldwide crop failures of that decade, the American Civil War, and World War I. Each boom was

followed by about two decades of farm financial experience that they characterized as severe farm mortgage debt distress.

The aftermath of the World War I boom is the first such period that is fairly well documented by national financial series. The boom was triggered when operators' real net farm income jumped by 48 per cent between 1916 and 1917, and increases in capital expenditures and land prices continued to 1920 in spite of subsequent annual declines in real net farm income. The boom ended when farm income virtually collapsed in 1921 and remained relatively depressed during that decade. The national index of farm land prices fell each year in spite of the general economic prosperity of the 1920's, registering a total decline of 33 per cent between the 1920 peak and the advent of the Great Depression in 1929. The experience of farm lenders was correspondingly grave. In 1920, there were nearly 30,000 commercial banks in the U.S. Between 1920 and 1929, nearly 6,000 banks suspended operations, with a substantial majority of these bank failures occurring in rural states. The onset of the Great Depression further aggravated the farm financial difficulties. By the 1932 trough land prices, for instance, had fallen by a total of 59 per cent from their 1920 peak.

Since this last episode of severe financial adversity, the U.S. farming sector has experienced two more booms, that of 1941-1952 and the current boom which began in 1972. The first of these was followed by widespread farm financial problems that were characterized as a "cost-price squeeze" on net income, but not by the general debt-repayment distress that had followed previous booms. The primary new factor thought responsible for this result was the government price support program for major crops, which limited the decline in net farm income. Some financial innovations such as amortization and longer maturities of farm mortgage loans, Federal insurance of bank deposits, and Federal lending programs were also considered to have been helpful factors, though in a more limited way.

With these new programs and arrangements still in place, most farm credit market participants and analysts, at least in their public statements, appear to have implicitly adopted a sanguine view of the post-boom future, in which experience more adverse than that of the 1950's is regarded as highly improbable. (Some, in fact, have issued projections which can be shown to have assumed

that the capital boom would continue for at least another decade.) A hallmark, as well as capsule summary, of this view is that farm land prices are not likely to fall significantly, if at all. Apparently, any post-boom financial distress is expected to be either mild or very short-term in nature.

In questioning this view, which seems in part to be implicitly based on the experience of the 1950's, I will discuss in detail the differences between the present financial situation and that of the early 1950's. First, however, I want to take note of two major uncertainties that may also play a large role in determining the financial nature of the period that lies ahead.

First, at the end of the earlier boom, it turned out that farm land prices were consistent with the level at which the Federal government (or the public) was initially willing to support the prices of major crops. (The post-boom fall in the national index of land prices was limited to a slight decline of only a year's duration, in 1953.) The degree of compatibility directly after this boom remains to be revealed. There may well prove to be variations among major crops or production areas in this respect.

Second, relatively large and steady annual reductions in unit costs of producing major crops were achieved during the 1950's and 1960's. A high rate of technological advance and relatively stable prices of inputs such as fertilizer and fuel contributed much to this result. At present, the near-term return of such favorable trends seems doubtful. The potential impact of this difference on the post-boom trend in land prices may be large, when one recalls that the major analyses of farm land prices published in the 1960's agreed that the combination of decreasing unit costs of production and stable, supported output prices was the chief factor responsible for the upward trend in land prices after 1953. In the absence of unit cost reductions, it is doubtful that the public will be willing to compensate by raising support prices to foster land price increases.

These uncertainties are well known, but their potential financial impact is less frequently discussed. I turn next to lesser known but existing differences in the financial situation now as compared with the early 1950's. The point of this comparison will be to demonstrate that the boom following World War II was unique in that, for a number of reasons, there did not

develop the financial excesses present in earlier booms and in the current boom. The current financial position, as compared with that of the two preceding decades, will then be explored in detail.

The period of relatively favorable real farm income fueling the boom during and after World War II was extraordinarily long. Operators' real net farm income rose by 79 per cent between 1940 and 1942, maintained that level for seven years (1942-1948), and then held at a level only about a fourth lower for another four years (1949-1952). In sharp contrast, operators' real net farm income rose by 103 per cent between 1971 and 1973, but fell sharply in each succeeding year and by 1976 was back at approximately the 1971 level. The recent income experience thus bears a striking resemblance to that of 1916-1920, when the sharp rise in real income between 1916 and 1917 was also followed by large annual declines that put income in 1920 (when land prices and machinery purchases peaked) below the 1916 level. (Since real net income next fell by another 40 per cent between 1920 and 1921, the resemblance between that period and the present will surely stop with 1920.)

Because of the great length of the income boom, and also because of the unavailability of machinery and construction materials during the first half of that period, liquid financial assets (currency, bank deposits, and U.S. savings bonds) as a proportion of total assets were by the end of the boom built up to a level (8.5 per cent) more than twice as high as the present level (3.5 per cent).

Rural commercial banks were also very liquid at the end of the previous boom, with loan/deposit ratios apparently averaging well below 40 per cent in the early 1950's. The rural banks are now in a diametrically opposite situation, as will be noted in greater detail later.

Finally, and perhaps most importantly, debt played a limited role in financing the earlier boom. Total outstanding debt declined through 1945. And, while outstanding debt doubled between 1946 and 1953, the absolute increase was small compared to the large capital flows of that period, most of which were financed from farmers' savings. The farming sector thus entered the post-boom period with relatively large credit reserves--especially after the level of land prices proved sustainable--and with a major lender group, the rural commercial banks, in a good position to accommodate loan renewals and new loan demands.

Tostlebe, in his major study of agricultural finance, established that during the first half of this century the only period in which debt played a major role in financing capital formation was during the decade preceding 1920. His data indicated that increases in debt financed 37 per cent of farm capital formation in the five-year period 1910-1914, and 76 per cent in 1915-1919. The latter period has been widely characterized, in both popular and analytical literature, as a debt-financed boom. A highly comparable series presented in this paper indicates that increases in debt financed 64 per cent of capital formation in the period 1972-1975 (complete data for 1976 are not yet available, but it is likely that the percentage was again relatively high). In sharp contrast, increases in debt were not involved in financing the World War II boom prior to 1946; Tostlebe's data indicate that debt financed only 15 per cent of capital formation in 1945-1949, and my comparable series indicate that debt financed 28 per cent of capital formation in 1950-1952.

It is characteristic of a boom that euphoric projections of future income streams are widely accepted by participants, both borrowers and lenders. When such projections prove to have been overly optimistic, a sharp decline in capital expenditures and in asset prices typically occurs. The asset purchases, highly leveraged positions, and other steps taken on the basis of former income projections are then, in retrospect, relabelled as excesses. But in the period during and immediately after World War II, a majority of the participants expected a rapid retreat to pre-war levels of commodity prices and income. These expectations probably inhibited capital spending as well as the development of highly leveraged positions. In addition, borrowers, lenders, and analysts alike were highly cautious toward use of debt as a result of the disastrous experience of preceding decades. This attitude also moderated the relative amount of debt financing, which in turn probably also moderated the ongoing increases in capital spending and in land prices. In the post-boom era of the 1950's, therefore, there were relatively few excesses to unwind, and there existed large credit reserves and credit supplies to help farmers through this period.

Let us now look at financial data for 1950-1975 to see how the current situation compares with that just outlined. This discussion will refer extensively to the two packets, one labelled "Charts" and the other "Tables," of which there are ample copies for everyone in the audience.

Chart 1 shows the increase in the total annual capital flow since 1970 (the latest data plotted are for 1975; complete data for 1976 will be available by September 1977). Note in particular the plateau in the total capital flow for 1973-1975. Upon glancing also at the top line in Chart 2, a similar pattern is seen to exist for farm cash flow (gross income less production expenses other than capital consumption). The year 1972 lies between this plateau and the initial years of the decade. These patterns form the basis for dividing the first six years of this decade into three groupings for the purposes of Tables 1 and 2, which accompany these charts.

The stub of Table 1 provides brief information on the components of capital flow. Total capital flow has two primary components: purchases of farm real estate from owners leaving the sector (recently about two-fifths of the total flow) and capital formation. The two major components of capital formation--expenditures for machinery and for real estate improvements--are also shown in Chart 1.

In Chart 2, we turn to consideration of the financing of the annual capital flow, which is again plotted on this chart. There are two primary means of financing: through borrowing, as measured by the net increase in debt during the year; and from internal resources, including current cash flow and accumulated savings. Both the major role of internal financing and the recent sharp increase in debt financing are readily apparent in Chart 2 and in Table 1.

(Charts 1, 2, and 8 are drawn on identical logarithmic scales. Thus slopes and vertical distances of all series plotted anywhere on these three charts are directly comparable, whether found on the same or on different charts. Equal slopes represent equal percentage rates of change; equal vertical distances represent equal total percentage changes.)

In studying capital flows and their financing, Tostlebe found it useful to compute and to observe the behavior of certain ratios reflecting meaningful relationships among these series. An extended set of these ratios is shown in Table 2, and many of them are plotted on an annual basis in the next few charts. The ratios are divided into four categories, each responding to a different analytical question.

Within each of these four categories, you will also note one or more ratios calculated on a "net" basis. These represent an alternative approach



to the same analytical questions. To simplify the discussion, they (and the addenda to Table 1 from which they are derived) will be ignored until Chart 5 is discussed.

The first set of ratios shown in Table 2 indicates the relative burden that the capital flow imposes on the cash flow of the farming sector (cash flow not used for capital purposes is available for consumption and nonfarm investment). As shown there and plotted on an annual basis in Chart 3, that relative burden increased significantly during the early and mid-1960's, but has not risen since above the area reached in 1965-1967. As is evident in Chart 3, this pattern of the total relative burden has primarily reflected the behavior of the relative burden of the capital formation component. The relative burden of real estate purchases, dominated by the behavior of land prices, exhibits a steadier upward trend as land prices tended to rise faster than cash flow.

The second set of ratios in Table 2 examines what proportion of cash flow was allocated to financing of the capital flow. Surprisingly, in spite of the huge cash flow of 1973, the proportion of cash flow allocated to internal financing both then and in the next two years was no higher than in the 1950's and early 1960's, and lower than in the five years preceding 1973. This surprising relationship is seen on an annual basis as the dashed line in Chart 4. Penson has recently published this same finding in another form; namely, that farm operators have recently placed huge amounts of funds (\$21.6 billion in 1973 and \$15.4 billion in 1974) into nonfarm securities and reserves.

Before commenting on the implications of this finding, it is useful to introduce the third set of ratios shown in Table 2, which represents an attempt to derive an indication of the relative debt repayment burden presented by the ongoing increases in debt. Ideally, one would want to relate something like the accumulative scheduled repayments of past debt increases to the future cash flow stream. The denominator, at least, of such a ratio is not known. Hopefully the proxy shown, which relates current increases in debt to current cash flow, is indicative of the trend in the relative repayment burden. As shown in Table 2 and in Chart 4 (bottom line), this indicator has made new highs in recent years. Cash flow would have to

rise in the future to keep this indicated increase in repayment burden from materializing. If cash flow fails to rise, as happened in the 1950's. (Chart 2), repayment of the past borrowings is more likely to be burdensome.

The three series shown in Chart 5 are similar to the respective series in Chart 4, except that capital consumption (depreciation allowances and accidental damage) has been subtracted both from cash flow and from the capital formation component of capital flow. (The results of this operation are also shown in the addenda to Table 1.) In this approach, one implicitly assumes that the funds designated in the national accounts as capital consumption (depreciation) allowances are used to pay for an equal amount of capital expenditures. Thus one focuses on net capital formation and net capital flow and examines how these series are financed from net income and the net increase in debt. As it turns out, Charts 4 and 5 tell much the same story. The farming sector has in recent years allocated less of its income stream to financing of capital flows, and it has employed increased debt financing relative to that income stream.

Looking at either chart, three distinct moves toward greater use of debt financing are evident since 1950. In the first, which occurred in the mid- and late 1950's, increased debt financing substituted for a smaller allocation of cash flow to internal financing. Then, during the early and mid-1960's, both increased debt financing and an increased allocation of internal funds occurred as the relative burden of the capital flow increased sharply. Finally, in the 1970's, increased debt financing again substituted for a smaller relative allocation to internal financing. But whereas in the 1950's such a shift had occurred under the pressure of falling income, in 1973 and 1974 it occurred in the face of relatively high cash flow and income.

This recent behavior, which as already noted is also manifested in Penson's equivalent data, is almost difficult to believe. It probably reflects, however, a concentration of increased borrowing among a relatively small proportion of farmers, primarily those who have significantly expanded their operations in recent years. This highly uneven distribution of debt, which has both good and bad implications for any future period of financial stress, poses additional research questions that must be approached through micro-level data from the Census and other sources.

The last set of ratios in Table 2 are relatively straightforward in comparison to those preceding. They simply show the percentage of capital flow or capital formation that can be regarded as financed by the increase in debt. As indicated in Table 2 and in Chart 6, the relative role of debt financing during the 1972-1975 period exceeds that of the earlier periods covered in the table and chart, and in particular far exceeds that during the final stage of the last boom (1950-1952). Data for 1976 will, I believe, be in the same range or higher, and the same appears true for the first half of 1977.

The message of all these data is, in the end, quite simple. There has been a capital spending and land price boom. That boom has been significantly debt-financed--a situation not experienced in the U.S. since 1920. The financial future of the farming sector can justifiably be viewed with some apprehension. Increased research and policy attention to the treatment of financial stress seems in order.

With Chart 7, I return to a more familiar presentation (which should now appear relatively lacking in analytical content). The intent of this chart is to indicate that all major lender groups have participated in financing the recent boom. (The group labelled "money market lenders" combines lender groups that derive all or most of their funds from national money markets or from large banks active in those markets--the cooperative farm credit system, the Farmers Home Administration, and "individuals and others," mainly merchants and dealers, in the non-real-estate loan area.)

Chart 8 and Table 3, however, indicate that certain lender groups--the cooperative farm credit system and also the commercial banks--have participated more vigorously than other groups in the recent increases in farm debt. Each of these groups has certain advantages and disadvantages with respect to ability to cope with a period of financial distress in agriculture. For instance, the cooperative system, in contrast to most banks, has all of its loans in agriculture--but they are nationally diversified whereas the loans of most banks are concentrated in a small region. Banks' sources of funds, consisting at rural banks mostly of local deposits, may suffer with reductions in farm income, while the cooperative system's sources would be largely unaffected by that event. On the other hand, extensive farm loan problems would eventually affect the cooperative system's ability

to raise funds, and also would raise their cost, whereas, with their deposit insurance and their more diversified portfolio, the supply of funds at many banks might be relatively unaffected by similar farm loan experience.

From all such considerations, however, it appears that the lending institution most vulnerable in the event of adverse farm loan experience is the small rural bank that is heavily involved in farm lending and at which farm income trends significantly affect deposit growth. Study of Table 4 indicates that perhaps one-third of all commercial banks are currently in this category (last two columns of Table 4), and that such banks account for over one-half of all farm loans at commercial banks.

The most vulnerable group isolated in Table 4, in the last column, is that comprised of the 2,100 banks with more than half (an average of 64 per cent) of their loans in farming. While 15 per cent of the nation's banks are in this group, and it accounts for 26 per cent of farm loans outstanding at banks, these generally small institutions hold only \$20 billion, or 2.4 per cent, of the nation's bank deposits. This sum is less, it can be noted, than the deposits at each of the nation's three largest banks. Obviously, should adverse farm financial experience develop, it may prove desirable or necessary to give this group of banks attention and assistance very disproportionate to its relative importance in the nation's banking system or financial markets.

Given the inherently risky situation faced by these banks, it is disturbing to find, in Table 5, that their relative liquidity has very recently been drastically reduced, on average, from that maintained since the late 1960's. This development has resulted from the adverse impact of falling farm income on deposit growth and on loan repayment. More recent data show these trends continuing into 1977 in each of the nation's major agricultural areas in which the presence of small banks is significant. Clearly, if the farming sector is now entering a post-boom period, the small rural banks are in a far different situation than the one characterized by their highly liquid positions of the early 1950's. Whatever may lie ahead, the next few years will be an interesting period for agricultural finance analysts.

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\* The analyses and conclusions presented herein are solely those of the author and do not necessarily reflect the views of the Board of Governors or of other members of its staff.

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CHARTS

Some Current Aspects of Agricultural Finance and Banking  
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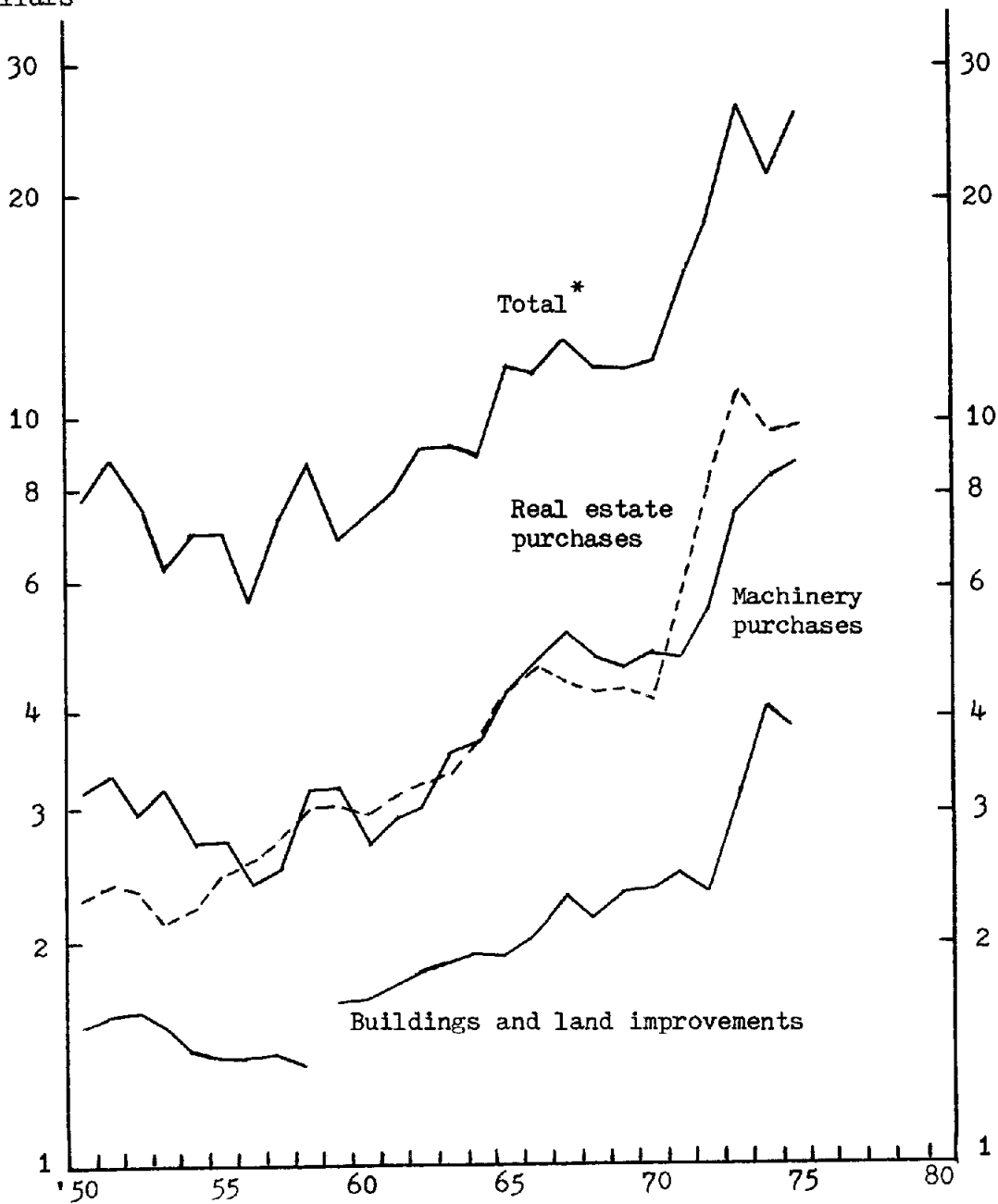
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Chart 1

Annual capital flows

Billions of dollars



\* Total includes additions to financial assets and livestock and crop inventories.

Chart 2

Financing of the annual capital flow

Billions of dollars

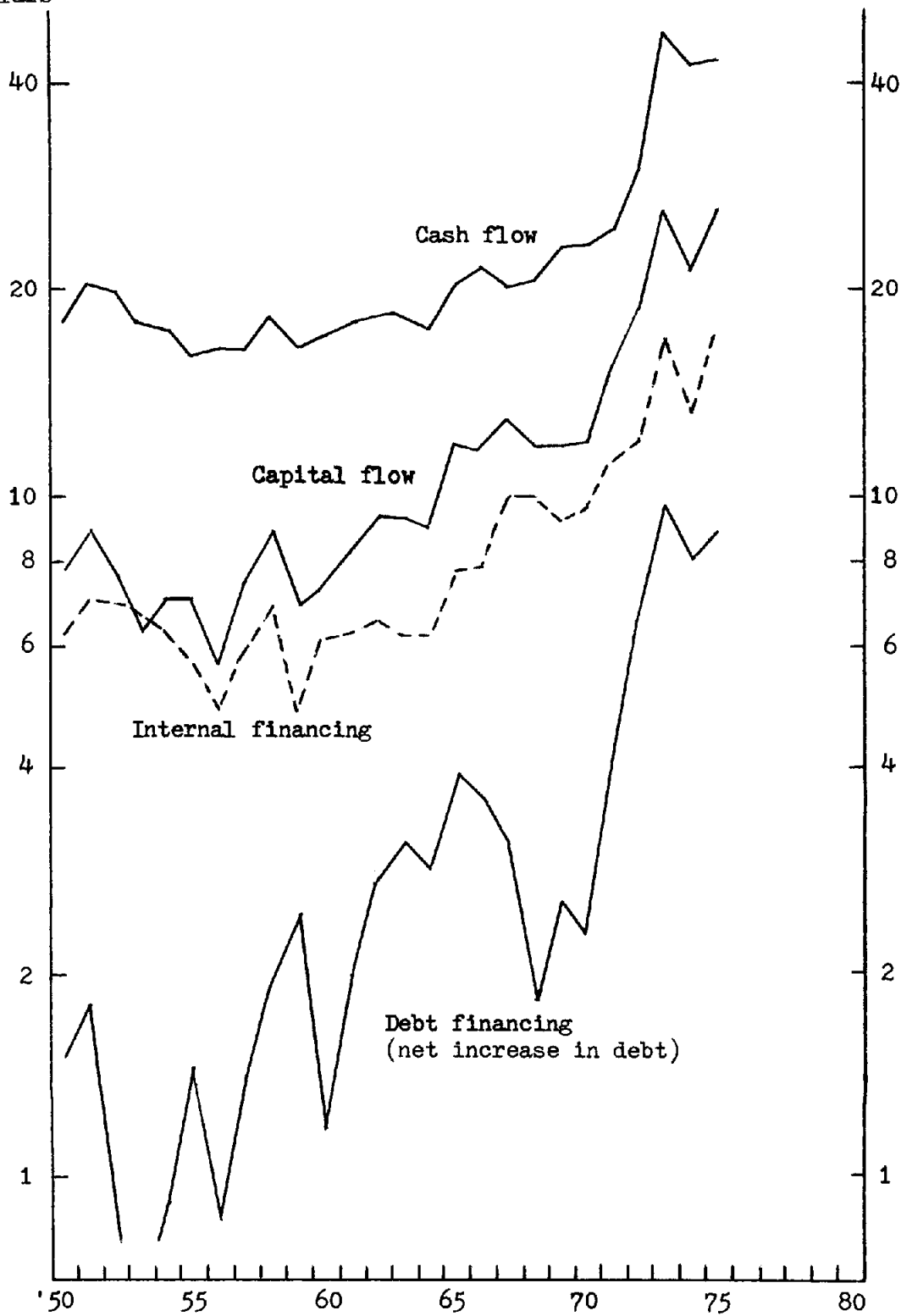




Chart 3

Relative burden of capital flows

Per cent

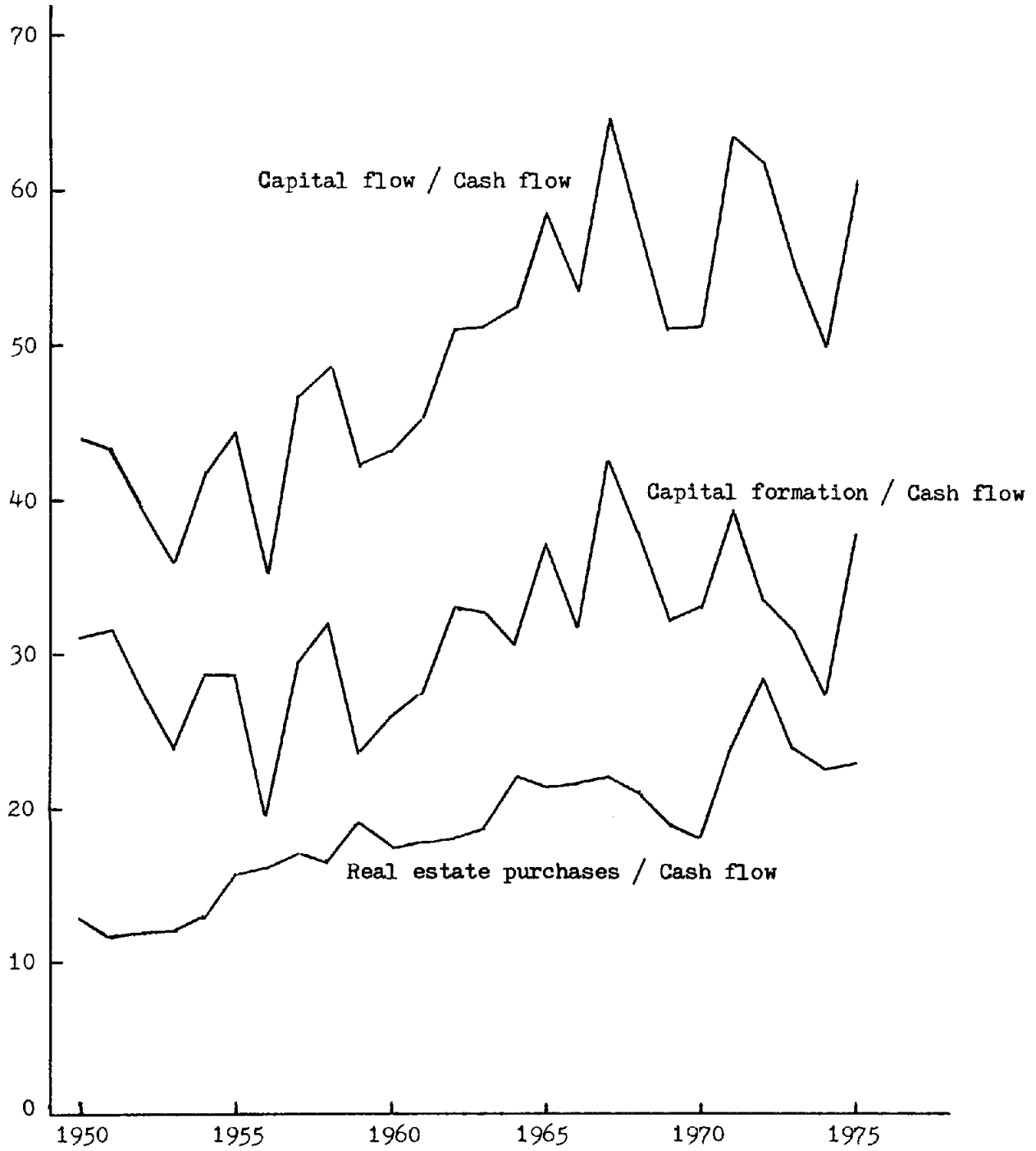


Chart 4

Financing of capital flow, related to cash flow

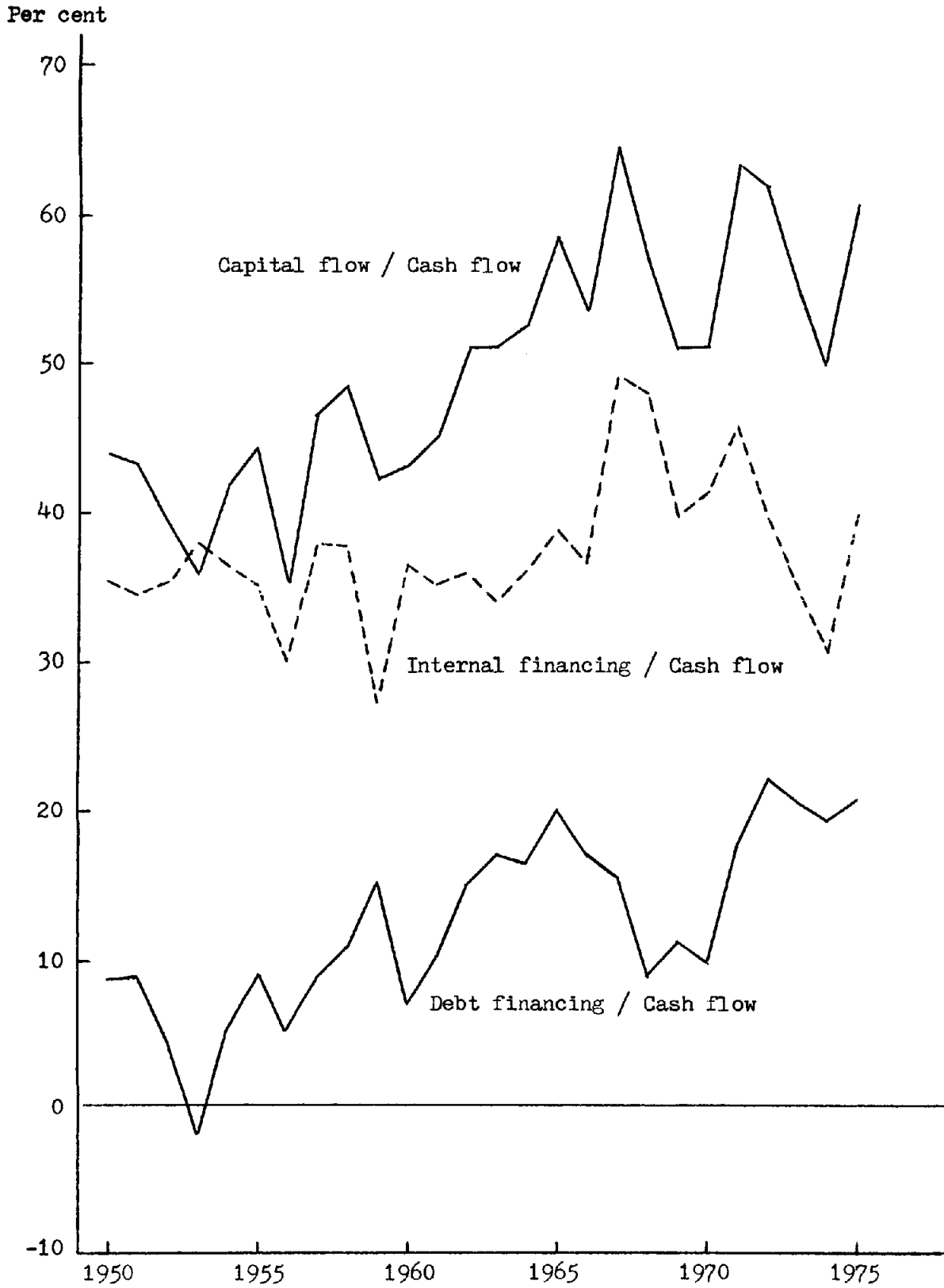


Chart 5

Financing of net capital flow, related to net income

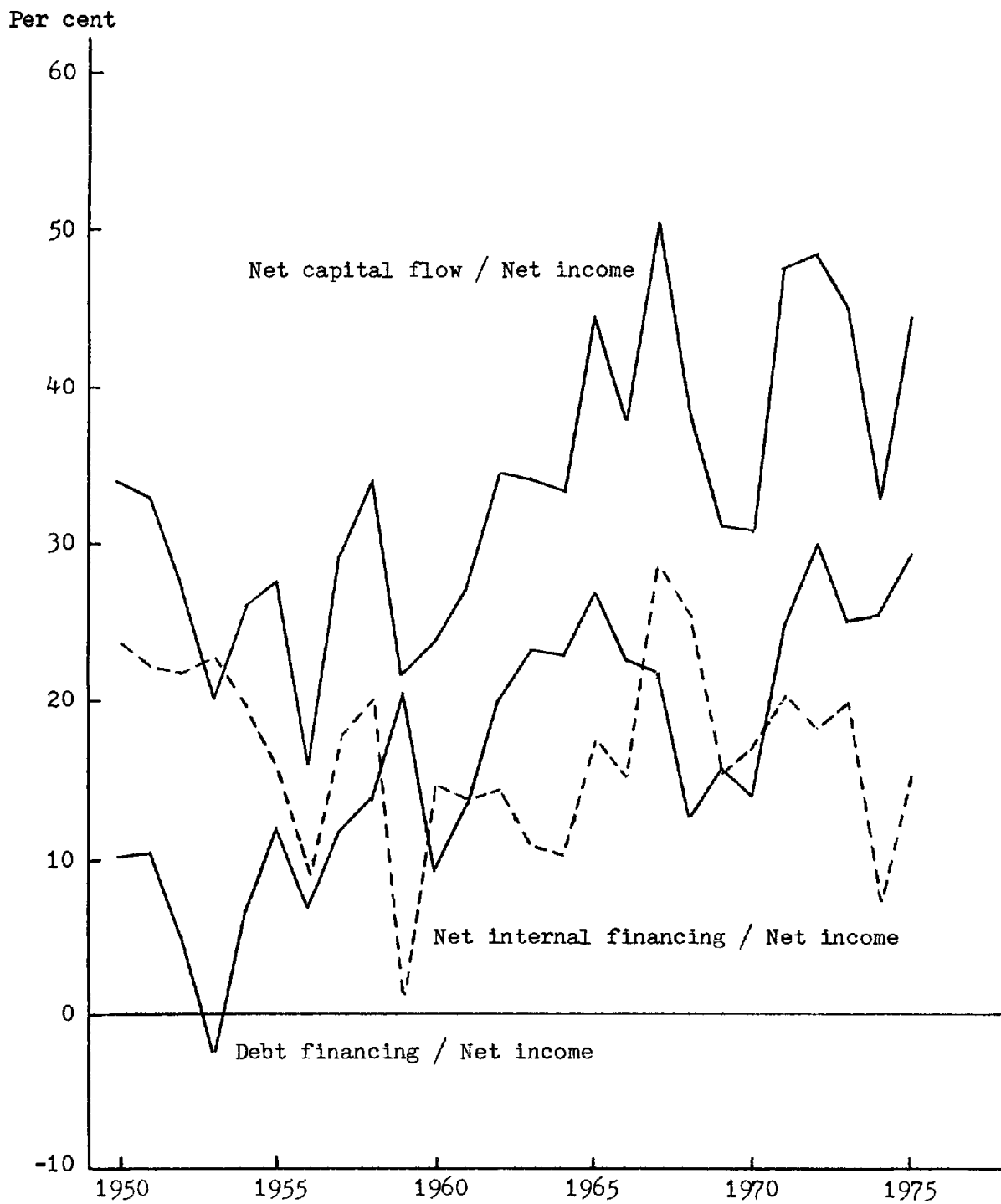


Chart 6

Relative role of debt financing

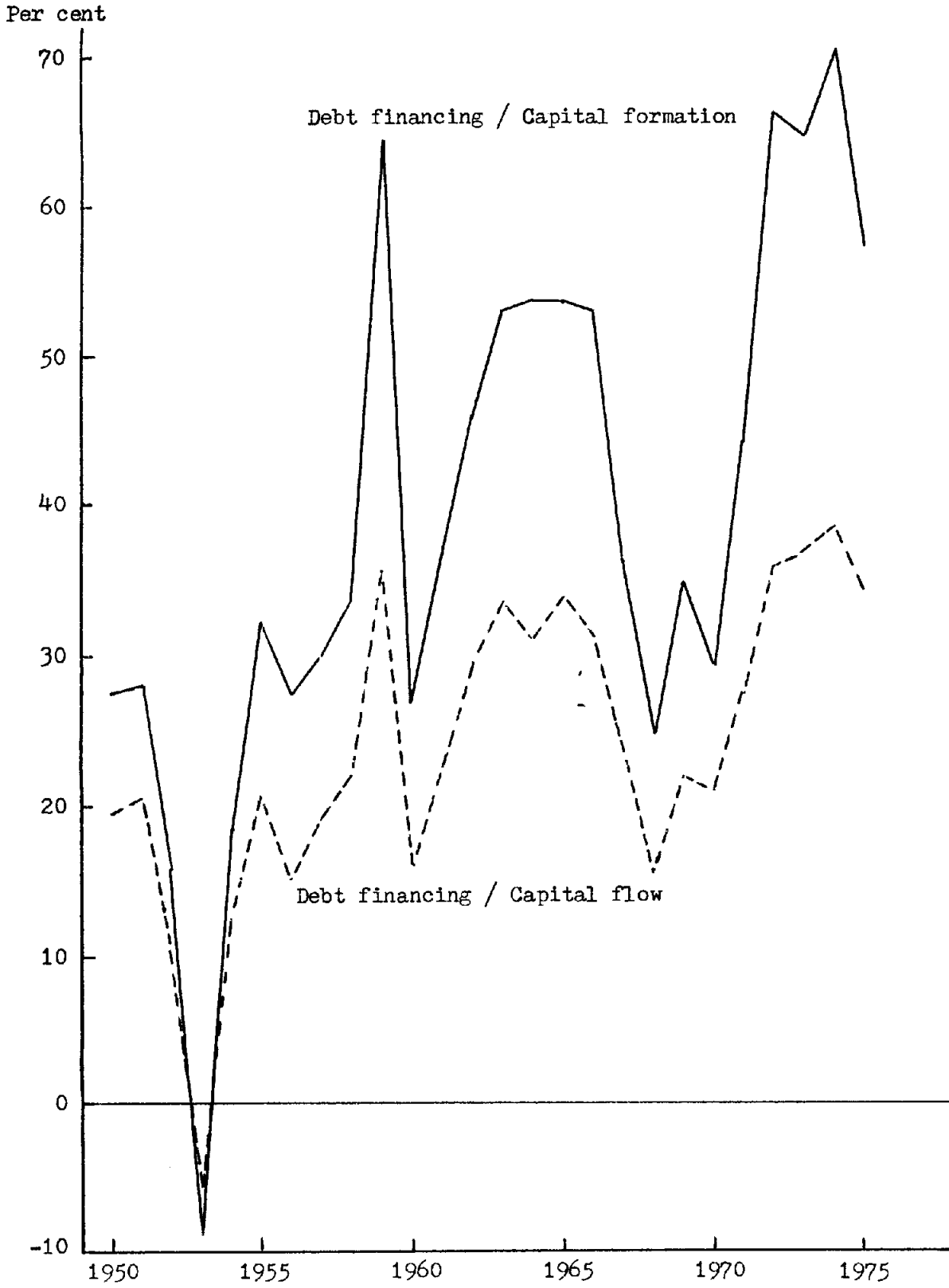


Chart 7

Billions of dollars

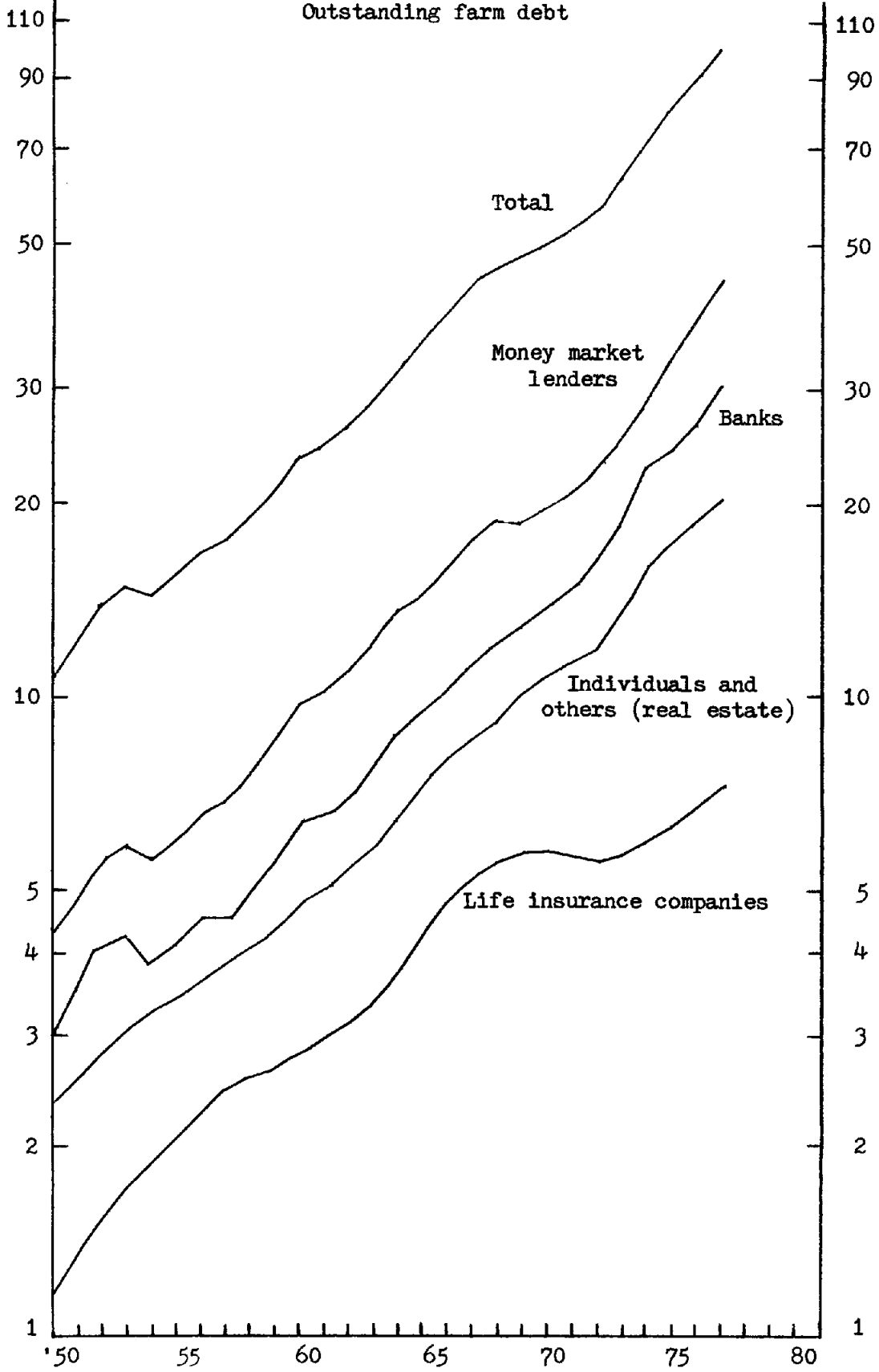
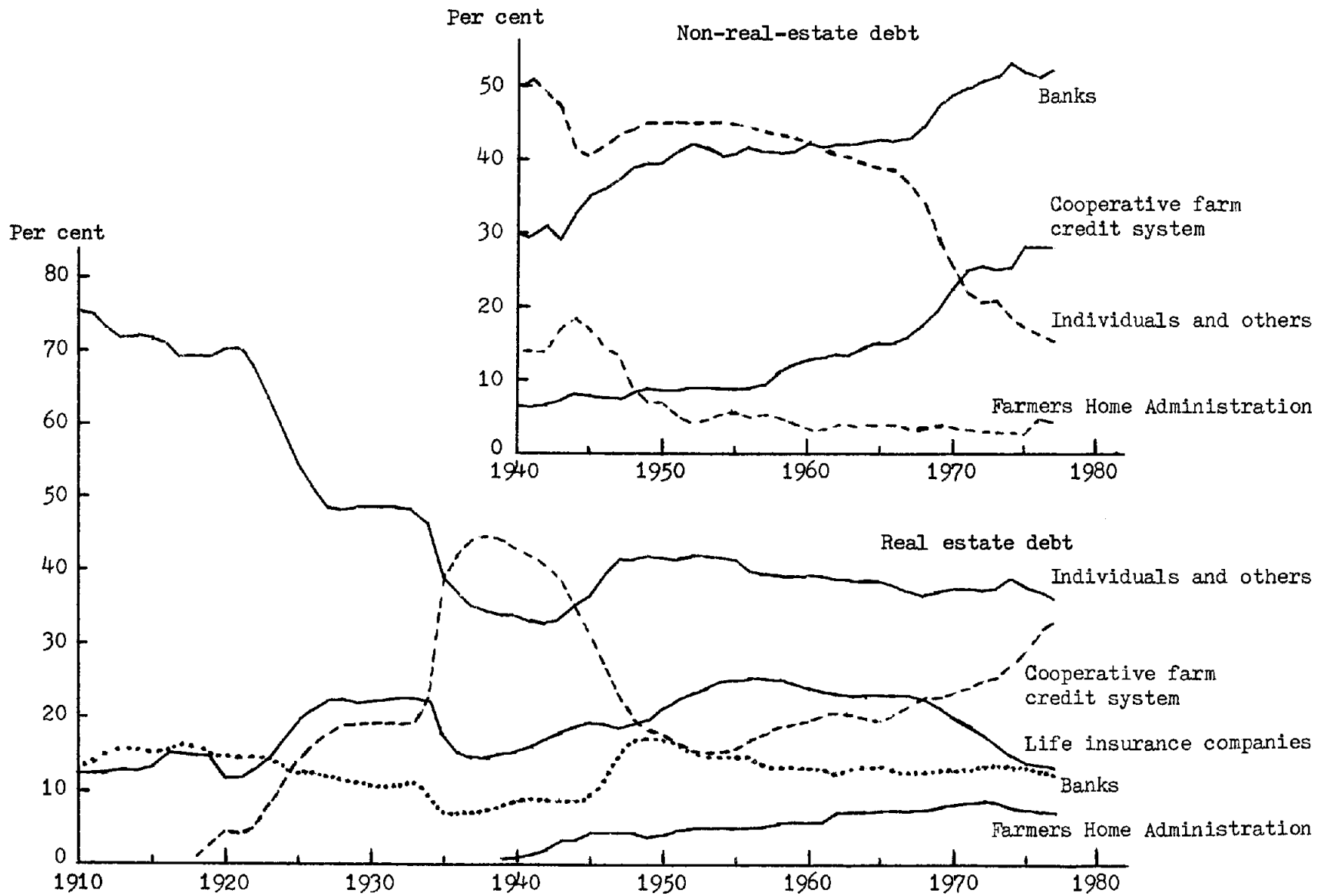


Chart 8

Lender shares of outstanding farm debt, January 1



TABLES

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Table 1

Capital, credit, and income flows  
(annual average, billions of dollars)

Item	1950- 54	1955- 59	1960- 64	1965- 69	1970- 71	1972	1973- 75
Capital flow.....	7.6	7.2	8.6	11.9	13.6	18.6	24.6
Real estate purchases.....	2.3	2.8	3.3	4.4	5.0	8.5	10.3
Capital formation.....	5.3	4.4	5.3	7.5	8.6	10.1	14.3
Machinery.....	3.1	2.8	3.2	4.6	4.9	5.7	8.3
Livestock.....	.5	.1	.3	.1	.6	.4	.4
Stored crops.....	.1	.2	-	.3	.1	.4	1.2
Financial assets.....	.1	-.1	-	.4	.6	1.2	.7
Buildings.....	1.5	1.4	1.8	2.2	2.4	2.4	3.7
Financing of capital flow.....	7.6	7.2	8.6	11.9	13.6	18.6	24.6
Debt (net increase in debt).....	.9	1.6	2.3	3.0	3.3	6.7	9.0
Internal.....	6.6	5.6	6.2	8.9	10.4	11.9	15.6
Cash flow.....	18.5	16.5	17.6	20.9	23.6	30.0	44.3
Addenda:							
Capital consumption.....	3.2	3.9	4.6	5.8	7.1	7.9	10.7
Flows excluding capital consumption:							
Net capital flow.....	4.4	3.3	4.0	6.1	6.5	10.7	13.9
Net capital formation.....	2.1	.5	.7	1.7	1.5	2.2	3.6
Net income.....	15.3	12.6	13.0	15.1	16.5	22.2	33.6
Net internal financing.....	3.4	1.7	1.6	3.1	3.3	4.0	4.3



Table 2  
 Relationships among capital, credit, and income flows  
 (annual average, per cent)

Analytical ratio	1950- 54	1955- 59	1960- 64	1965- 69	1970- 71	1972	1973- 75
Relative burden of capital flows:							
Capital flow / Cash flow.....	41	44	49	57	58	62	55
Real estate purchases / Cash flow.....	12	17	19	21	21	28	23
Capital formation / Cash flow.....	29	27	30	36	36	34	32
Net capital flow / Net income.....	29	26	31	40	39	48	41
Real estate purchases / Net income.....	15	22	25	29	30	38	31
Net capital formation / Net income.....	14	4	5	11	9	10	11
Relative allocation of income flows to financing of capital flows:							
Internal financing / Cash flow.....	36	34	35	42	44	40	35
Net internal financing / Net income.....	22	13	12	21	20	18	13
Relative repayment burden presented by debt financing:							
Debt financing / Cash flow.....	5	10	13	14	14	22	20
Debt financing / Net income.....	6	13	18	20	20	30	27
Relative role of debt in financing of capital flows:							
Debt financing / Capital flow.....	12	23	27	25	24	36	37
Debt financing / Capital formation.....	17	36	43	40	38	66	63
Debt financing / Net capital flow.....	20	48	58	49	51	62	66
Debt financing / Net capital formation.....	43	320	329	176	220	305	250

Table 3

Historical turning points in lender shares of outstanding farm debt  
(per cent)

Year	Banks	Cooperative farm credit system	Life insurance companies	Farmers Home Administration	Individuals and others
<u>Real estate debt, 1910-1977</u>					
1910.....	13	-	12	-	75
1917.....	16 H	-	15 H	-	69
1920.....	14	4	12 L	-	70
1932.....	10	19	22 H	-	48
1935.....	7 L	38	17	-	39
1938.....	7	44 H	14 L	-	34
1942.....	8	40	17	2	33 L
1949.....	17 H	18	20	4	42 H
1953.....	15	15 L	24	5	42
1956.....	14	16	25 H	5	40
1972.....	13	24	17	8 H	37
1977.....	12	33	13	6	36
<u>Non-real-estate debt, 1940-1977</u>					
1940.....	30	6	-	14	50
1944.....	32	8	-	18 H	42
1945.....	35	8	-	17	40 L
1951.....	41	8	-	5	45 H
1974.....	53	25	-	3 L	18
1977.....	52	28	-	4	16

Table 4

Insured commercial banks, by relative involvement in farm lending  
December 31, 1976

Item	All banks	Farm loans as percentage of total loans at bank			
		Under 5	5 to 24	25 to 49	50 and over
Banks:					
Number.....	14,397	5,650	3,760	2,874	2,113
Per cent of total.....	100	39	26	20	15
Farm loans:					
Billions of dollars.....	30	4	9	9	8
Per cent of total.....	100	14	30	30	26
Average per bank (millions of dollars).....	2.1	.7	2.4	3.1	3.6
As per cent of total loans...	6	1	12	35	64
Total loans as per cent of--					
Assets.....	53	53	54	54	54
Deposits.....	65	66	62	60	60
Deposits:					
Billions of dollars.....	825	635	127	43	20
Per cent of total.....	100	77	15	5	2
Average per bank (millions of dollars).....	57	112	34	15	9
Capital and surplus per bank (millions of dollars).....	5.4	10.7	2.9	1.3	.9

Table 5

Average loan/deposit ratios at insured commercial banks,  
by relative involvement in farm lending  
(per cent)

December 31	All banks	Farm loans as percentage of total loans at bank			
		Under 5	5 to 24	25 to 49	50 and over
1960.....	52	53	52	44	43
1961.....	51	52	51	43	43
1962.....	54	55	53	45	45
1963.....	58	59	57	47	47
1964.....	58	60	55	48	48
1965.....	61	63	56	50	49
1966.....	62	64	60	52	52
1967.....	60	61	56	52	53
1968.....	61	62	57	52	51
1969.....	66	68	60	53	53
1970.....	62	63	58	53	56
1971.....	61	62	58	53	54
1972.....	63	65	59	53	52
1973.....	67	70	61	55	52
1974.....	68	70	61	56	53
1975.....	64	66	60	57	55
1976.....	65	66	62	60	60