



WOLF

A REPORT FROM THE NATIONAL AGRICULTURAL CREDIT CONFERENCE

By Dean Wolf, Editor
THE FARM PICTURE

Amid all the uncertainties in the future of farming and ranching, you can be sure about a couple of things

1 The credit needs of agriculture will continue to grow — probably even faster than in the past

2 Commercial banks, such as the one that sends you THE FARM PICTURE each month, will do everything in their power to make sure farmers



IT TAKES LOTS OF CAPITAL

ALLEN

and ranchers get the financial backing needed for a strong, competitive agriculture

That came through loud and clear at the 20th National Agricultural and Rural Affairs Conference held recently in Kansas City. Sponsored annually by the American Bankers Association, this conference is to the nation's agricultural bankers what the "game of the year" is to your favorite football team. This year 749 registered for the conference, indicating the keen interest bankers have in the credit needs and financial affairs of agriculture.

A special agricultural credit task force, set up by the American Bankers Association, presented preliminary reports. Here are some of the trends of importance to farmers:

- Total dollar credit needs will be much greater in the future
- Individual loans will be larger as farming operations grow in size and become more highly mechanized
- The need will increase for longer

term operating loans and for specialized loans. Terms will be tailored to the type of farm operation and prospective schedule for repayment.

- The concept of continuous credit will grow. This is the leasing of capital — with the farm business never planning to be out of debt but simply managing debt continuously.

- There will be pressure for ways to finance so-called "growth operators" or "comers". These are the farmers with some demonstrated or probable potential for success but needing credit on terms far more liberal than is usually considered bankable credit. Included in this category are operators who are long on ability and know-how but short on financial assets.

One of the task force reports concluded that agriculture, in most cases, has been adequately financed in the past, and will be in the future. But the job ahead will take some changes in and out of the banking system.

One of the big problems is getting enough money into the right places. For example, there is a growing need for transferring funds from urban centers into rural communities. Rural banks simply will not be able to generate the amount of deposits needed to supply the credit required by their farm and ranch customers.

The correspondent banking system now in operation is working effectively in many instances to provide rural banks the additional funds they need to finance farming. But the system has limitations. It does not, for example, serve as a mechanism for shifting funds from urban centers to rural areas.

The task force pointed out that banks should be working toward identification of secondary markets for farm credit "paper" and the development of trade channels or vehicles to move such credit into the secondary markets. This would help increase the supply of loan funds available to farmers.

There also needs to be some way of sharing the risk or insuring against loss — in addition to the usual way of participation in a loan. It was pointed out that possibly society as a whole

should accept responsibility for some of this risk to insure a healthy agriculture and plenty of food.

A new approach to the business of financing agriculture in the future is likely to come from the efforts of bankers serving on the ABA's agricultural credit task force. Their recommended action focuses on seeking legislation that would permit banks to join together in forming an agricultural credit corporation.

This could be an organization of commercial banks operating on their own. Or it may involve some financial backing from the government to provide for a more ready marketability of the corporation's paper to banks and others with a surplus of loanable funds. In either case, the purpose of the new corporation would be to increase the money available for financing farmers and ranchers.

The ag credit corporation also would open the way for commercial banks to tap the secondary money markets. One way would be through approval to issue debentures just as the Farm Credit System can do now. If not that, it could approach insurance companies, pension funds, or other sources of money and offer participation in loans held by the ag credit corporation.

A bill has been introduced in the U.S. Senate that would enable national banks to invest up to 10 percent of their unimpaired capital and surplus in an agricultural credit corporation. Authorization of state banks to participate would have to come from state legislatures. Some states permit this at the present time.

The important thing about all this from the viewpoint of farmers is that the nation's agricultural bankers are out in front working on ways to assure adequate financing for agriculture in the future. Their attention is not only focused on providing enough credit but also on loan terms that fit the changing needs of farmers and ranchers.

FINANCIAL PLANNING KITS ARE AVAILABLE

Printed forms are available to help you with your financial planning. They will help you determine credit needs, get a loan and avoid cash flow problems. Individual financial planning kits at \$2.50 each may be ordered from Farm Business Council, 1300 Hagan St., Champaign, Ill. 61820. Please send check with your order.