



*Ag Policy Forum*

## THE SECRETARY AND FARM POLICY

For the first time in 23 years, a secretary of agriculture has resigned in the middle of a presidential term. All the reasons probably will never be known. But 1972 is an election year, record wheat and corn crops were produced in the first year of a "new" farm program designed to stabilize prices and incomes, and Midwest corn prices plunged below \$1.

Senate hearings on the appointment of Earl Butz gave office seekers a chance to show concern for farmers. And the controversy that developed suggests that farm policy will be a key election issue.

Remember, however, that no matter who is Secretary of Agriculture, Congress holds high cards in determining many policies he carries out. Even the flexibility in administering the Agricultural Act of 1970 depends on money appropriated by Congress.

The options open to the Secretary under the present law include: (1) government buying of feed grains and wheat to take them off the market, (2) raising loan rates, and (3) increasing the set aside for 1972 plantings.

Greatly increasing government holdings of feed grains and wheat boosts storage costs, and eventually such stocks move back into the market to depress prices. The experiences between 1960 and 1965 clearly showed the limitations to the government's role in storing and pricing grains.

Raising support prices would be attractive to some farmers. But it would require more control of production than other farmers want. Raising payment rates would retire more acres but the higher government costs could bring adverse public reaction against all price stabilization programs.

## Plain Talk About FINANCIAL STATEMENTS



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The bank needs a new financial statement from each borrower every year. The examiners require it, and you and the bank need it to understand where you are going financially. The best way to determine where you are going is to compare where you are financially with where you were last year and five years ago.

You should prepare your statement about the same time every year because inventories of grain, feed and livestock will be in about the same relationship each year. The exact date can and should vary according to your plans, but an effort should be made to prepare the new statement the same month each year. If you are to have a good view of your progress, you must keep a consistent plan for reporting asset values and debts.

There is no best way to place value on equipment, but many customers like to carry the current value the same as they use for income tax purposes. The pricing of grain and livestock should be at market value.

The hardest job is to place a value on real estate owned. There is more misunderstanding regarding the valuation of real estate than any other asset. Most bankers prefer to list the real estate at its cost plus capital improvements made. This figure may well be less than the current market value. However, reporting the value this way makes it easy to see how much you have increased your net worth due to retained earnings. This is important because it shows how much profit you have made and have been able to save. More important, it shows if you can repay your loans out of profit or have to liquidate assets to make the payment.

If you write up the land to its current value due to inflation, your financial statement will look a lot better, but don't be fooled by the increase in net worth due to rising land prices. If you do not write up land values, then both you and your banker should make a record of its current value to determine your true net worth because this is one of the figures you need when determining how much you can borrow.

For a specific loan, it may not be necessary to list all assets, but you really gain nothing by withholding information. You should always list all debts — large, small and in between. The only way a banker can give the kind of financial help a farmer needs is to provide a complete financial statement.

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## Commonwealth National Agri-Loan Corp.



Commonwealth National Agri-Loan Corp. is a subsidiary of Commonwealth National Bank. Its sole purpose is to serve the financial needs of the South Central Pennsylvania agricultural community. Ask at your nearest Commonwealth office, or call Mr. Robert P. Bucher, Manager, direct, collect, in Lancaster (717) 393-5601, ext. 278.