Farm Debts Soar During the Sixties

Fewer farmers owe money these days but their total debt load has never been greater.

Only about half of the Nation's farmers were in debt in 1970, a decline from 1960. But even though there were fewer operators and a smaller percentage of all operators in debt, total operator debt has more than doubled during the 1960's.

For all farms with debt, the average amount owed per farm jumped from $49,000 to $82,000 on Class I farms with yearly earnings of $40,000 and over) and from $3,000 to $7,000 on the smallest farms.

The proportion of indebted farmers varied according to the economic size of a farm. There were outstanding debts on 4 out of 5 Class I farms but only 2 out of 5 of the smallest farms. Between 1960 and 1970, debt became increasingly concentrated on larger farms.

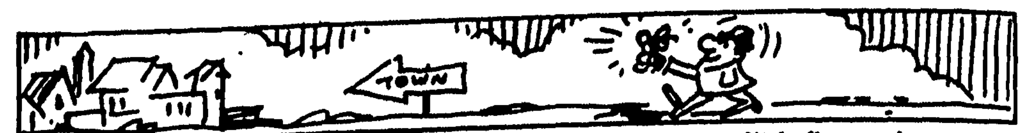
Similarly, larger farms increased their share of farm income earned and land and buildings owned during this period.

The higher debt level for larger farms doesn't necessarily mean that these farms are in an unfavorable economic position. In fact, the repayment ability on larger farms, as determined by a ratio of farm income to debt, appears more favorable now than 10 years ago. Also, debt appears to be an important factor in explaining farm growth.

Income from off-farm sources also affects a farm's debt-carrying capacity. Off-farm income becomes increasingly important as farm size decreases. In 1970, off-farm income ranged from 15 percent of total income for Class I farms to 96 percent for the smallest units.

When both farm and off-farm income are considered in relation to debt, operators in Classes II and III (with annual incomes of $20,000–$39,999 and $10,000–$19,999, respectively) are often worse off than operators of either larger or smaller farms. These farms are apparently too large to let the operator engage in extensive off-farm work, but not large enough to benefit fully from the greater returns of larger units.

The larger farms which carry most of the farm debt seem to be the most efficient economically. For instance, Class I farms in 1970 produced $1 of net income for each $17 of assets utilized. In contrast, Class II farms had $20 and Class III and smaller units, over $30 of assets for each dollar of income. Thus, there is incentive for increasing farm size, and, consequently, the size of debts.



In England, it has been said that if you tie a string around your little finger when you go to town, you will receive a gift.