Pa. Ag Bankers Confer On Farm Loan Outlook

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increase in Southeast Pennsylvania."

Hughes said he feels bankers should work with their clients on estate planning, and should be especially careful to ask their farm customers how they plan to handle their estate settlements.

"But don't try to do the whole job of estate planning yourself," he warned the bankers. "Estate planning demands a team approach, and you might have to get help from an attorney, a CPA and an insurance man."

In some cases, Hughes said, a good estate plan could mean the difference between transferring a farm to the next generation or being forced to sell it to pay estate taxes.

Dr. Virgil Crowley stressed the importance of cash flow for farmers in several appearances before the bankers. "Capital requirements for agriculture have increased tremendously in recent years," Crowley said. "Because of this, it's become crucial for both the farmer and his lender to know what the cash flow will be."

Crowley said cash flow projections can indicate when funds will be available for debt payments, and they can also be valuable guides in deciding whether or not a particular farm enterprise will be profitable.

Cash flow records show not only how much money comes into a farm, but exactly when it comes in. And it also shows the amount and timing of expenditures. Crowley said most farmers have a pretty good idea of how much they make and how much they spend, but they don't know the specific dates.

By using cash flow figures, Crowley told the lenders, they could project the business four or five years into the future. They could also get a good idea of the farmer's nearer term expectations, and they could spot potential trouble spots.

The best cash flow records normally come from dairy farmers, Crowley said, because they have a fairy steady level of income throughout the year. Crop farmers, orchardists and livestock producers who get big chunks of income at one time have a harder job of keeping track of and managing their cash flow figures.

"It's quite possible," Crowley pointed out, "to have a reasonably good business and yet not have enough cash flow to keep it going."

On Wednesday afternoon, the bankers piled into three chartered buses to visit two farms close to their convention site. The first was the Noah Wenger farm, a 107-acre beef and layer operation at Stevens R1. Wenger told the bankers he has 12,000 caged layers and usually feeds about 150 steers. "This year we're down to 110 steers, because I was a little concerned about the way the markets have been.

"All the work on our farm is done by myself and my family. We have the kind of farm that everybody in Washington talks about, but that nobody down there does anything about."

The bankers asked Wenger some probing questions about his cash flow, estate planning, accounting and marketing patterns.

One of the money men summed it all up when he asked, "How do you feel about the future of the beef business for the young farmer?"

"I'm optimistic," Wenger replied. "I know we hear a lot about feeding corn to people instead of steers. But you know, I've eaten corn meal mush. I wouldn't like to eat it all the time, and I think a lot of people are the same way. If we can put out the kind of beef that people want to buy and can afford, I don't think we'll have any trouble staying in the beef business."

From the Wenger farm, the party went to see a beef farmer turned dairyman, Raymond Burkholder, Lititz R4. "Why," he was asked, "did you switch from beef to dairy?"

"Well, I was in the beef business back in 1952," Burkholder repiled. "Steers were doing about as well as they are right now, and I decided it was a good time to get out. We started in the dairy business with nine cows, and now we've got 80 milking. We're tied down a little bit more, but I think there's more money in dairying."

The bankers asked Burkholder the same kind of questions they had put to Wenger, but zeroed in on his plans for expansion.

"We'd like to get a little bigger," Burkholder said, "but ground here costs so much. It's even getting expensive to rent. I bid $90 an acre on some corn ground for this spring and I didn't get it. Somebody else had the corn market figured the way I did at $4 a bushel, only he turned in a bid that was higher than mine. And the way things have turned out, I'm really glad he did."

On Wednesday evening, the bankers heard from one of their own, Derl I. Derr, who heads up the ag division for the American Bankers Association in Washington, D.C. "The future of agriculture depends very much on bankers," Derr told his colleagues. "Pennsylvania alone has $470 million in farm loans outstanding, and 60-percent of those loans came from commercial banks. Ag bankers will have to keep themselves well-informed if they're going to serve their customers and their communities well in the years ahead."

Nationally, Derr said ag lenders were faced with four main pressure points. The first of these is the changing dimensions of ag lending. On January 1 of this year, there were $94 billion in outstanding farm loans. Derr expects to see this figure increased to $150 billion by 1980. He said farm loans are getting bigger and they're being written for longer terms than before.

The second main pressure point on commercial farm lenders, according to Derr, is the aggressive expansion of the government lenders. These are the Farmers Home Administration, Federal Land Bank and Production Credit Associations. "The federal farm credit system is moving rapidly into more and more special programs for farmers. They're offering a wider range of services, and they're telling farmers about those services with a massive advertising and public relations program.

"Commercial lenders will always be able to compete with the federal lenders for the short term loans. But we must guard against the dangers of having just one long-term farm lender," Derr said.

The other two pressure points stressed by Derr were the inherent high risk in farm loans, and the increased competition for money.