

A veteran Farm Credit manager looks back

BY JACK HUBLEY

LANCASTER — Though the numbers have changed, much about agricultural lending has remained the same during the last three decades. This is the conclusion reached by Carl A. Brown, a man with 28 years of service to the Farm Credit System.

Only yesterday, the veteran farm lender closed the book on the final chapter of a career that began in 1954 when Brown joined



the Northeastern Associations' office in Tunkhannock as assistant manager.

Two years later Brown moved to the Meadville Associations in Crawford County, and in 1962 Carl joined the Lancaster Associations. In 1964 Carl was named general manager, a position he held for 20 years.

The nation's premier agricultural lender, the Farm Credit System provides long-term real estate loans through its 505 Federal Land Bank Associations, as well as short-term lending through its 425 Production Credit Associations nationwide.

One of nine Pennsylvania Associations, the Farm Credit Associations of Lancaster serve Lancaster, Lebanon and Dauphin Counties with five offices staffed with 48 employees. Though the Lancaster offices' total loan volume alone exceeds \$222 million, the Farm Credit picture was quite a bit different when Carl came to the Tunkhannock office nearly 30 years ago.

"I can remember the celebration

we had up at Tunkhannock when we reach half-a-million in outstanding loans," Brown recalls. "We have plenty of loans out today with more money than that involved in one loan. And when I came down here (to Lancaster) in 1962, we had less than \$10 million outstanding."

And the numbers continued to grow. By 1987, Farm Credit membership (operated on a co-op basis, all Farm Credit borrowers become members) had risen to 1,378 accounting for loans of \$17.7 million. Today the Lancaster Association's \$222 million-plus loan volume represents the borrowing activity of some 2800 members.

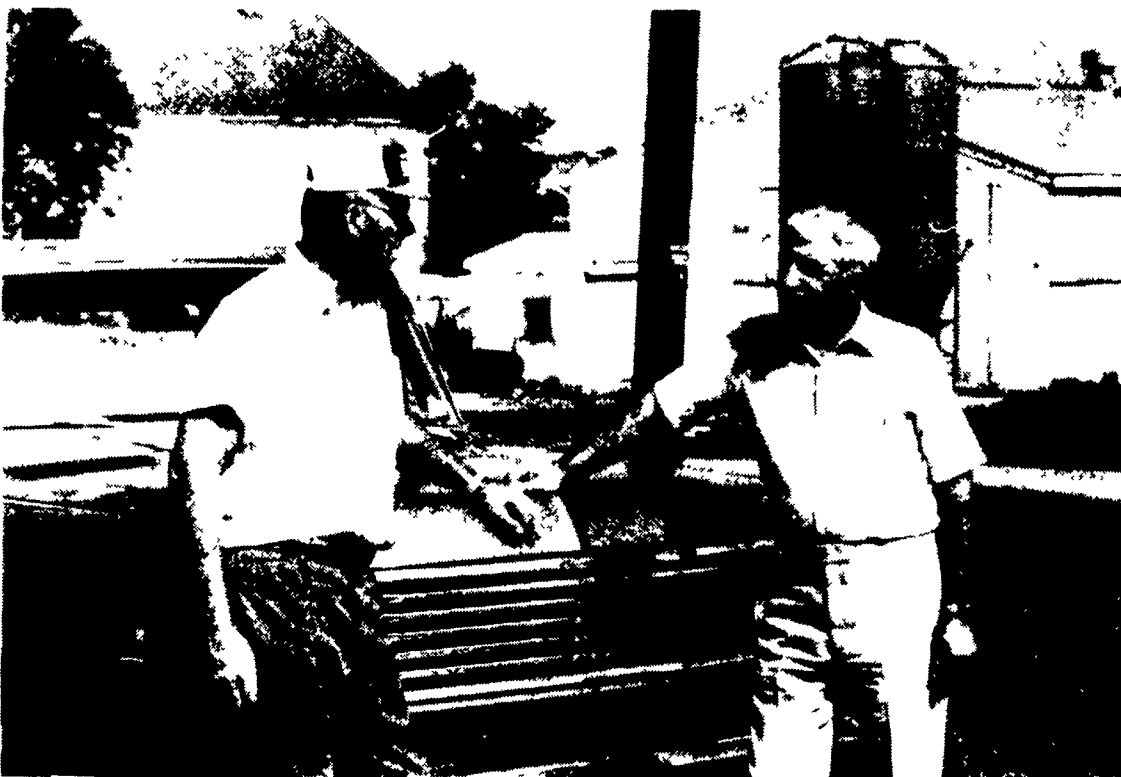
And to meet the needs of its membership, the Farm Credit staff has grown, as well. Brown recalls that 10 people were required to service three counties during the mid-1950's. The staff currently numbers 48.

"Our staff has become much more specialized, as well," stresses Carl. "For example, we now have one member who does nothing but supervise appraisals. This involves not only keeping up on prices, but factors that have an effect on land values, such as zoning changes."

"We also have our own training program for new loan officers that takes about two years to complete. In '62 our training program amounted to about one week of formal training," Carl chuckles, "and the rest of it was over a cup of coffee a couple of times a week."

Of course, the increase in Farm Credit's numbers is simply a reflection of agriculture's direction during the past few decades.

"You look at some of the farms we had mortgages on that sold for \$25,000, and today they're worth well over \$100,000. When I started here, there were very few farms priced over \$50,000," Carl remembers.



Carl Brown confers with local Production Credit Board president Jay Rohrer. Brown stresses that farm visitation will always be an important part of the loan officer's duties.

And riding along with the inflationary trend in costs has been the size of today's operations.

"Back in 1962, the biggest layer houses held about 12,000 birds, and Amish houses were running about 5,000 to 6,000," Brown points out. "It was at that time that the broiler industry really took off, with environmentally controlled housing and capacities of about 30,000 birds. As a matter of fact, the first financing agreements for those houses were made right here."

The lender can also recall when hog farming was little more than a backyard operation, with half-a-dozen sows weaning five pigs. But even though the trend toward larger, more efficient "food factories" continues, Brown points out that most of what are referred to as corporate farms are really nothing more than expanded family enterprises. Thus the great American ideal of the family farm is perpetuated, simply with more hands on deck.

And in dealing with these larger family units, Carl points out that much of the basic philosophy of lending is as applicable today as it was in decades past, when a young farmer named Carl Brown cracked a rib on a horse-drawn plow handle.

"Even if a man wants to build a \$1.5 million hog setup, we still have to look at the same lending criteria today, as we did back then. What kind of individual are you dealing with, what does he want to do with the money, and is he going to make enough money to pay it back?"

And one more characteristic of agriculture that hasn't changed, according to Brown, is the farmer's attitude toward borrowing.

"I think borrowers are as conservative now as they've been at any time in the last 25 years. The high interest rates of a few years ago have really reinforced this thinking. Nobody dreamed that rates would hit 18 to 20 percent, but they did."

"If you're making payments on a (variable interest) note at 12 percent, and all of a sudden you receive notice that your interest is jumping to 18 percent, any reserve you may have had dries up pretty fast. That's the kind of possibility that keeps farmers conservative."

And Brown's faith in the farmer's ability to manage money remains staunch.

"Basically people are honest," Carl emphasizes, "but circumstances make the difference. If the market goes off \$1.50 a hundred on milk tomorrow, for instance, there's going to be a lot of dairy farmers with "bad paper",

"Lending's overall philosophy hasn't changed much."



so to speak. It's not that you're not going to get your money, but you can't collect it at that time.

"Percentage-wise, the number of bad loans hasn't changed much. We're still running roughly the same percentage of bad paper that we had with half-a-million in loans outstanding."

And Brown points with pride to the fact that many of Farm Credit's customers have remained with the lending institution down through the years.

"I'd say we're dealing with about 75 percent of the same people we had back in 1967. But now these same farmers may be operating more farms, supporting more family members and borrowing two or three-times as much money."

And he expects the family farm to remain a Lancaster County institution for many years to come, although the loss of land through development will continue to erode tillable acreage.

Other themes that Carl expects to continue are a steady increase in interest rates, and an increase in the range and frequency of changes in those rates.



"There was a time when we could look ahead two years and predict rates with a good deal of accuracy," Carl recalls, "but those days are gone."

Factors contributing to instability in the marketplace, according to Brown, include the increased dependency on international trade, and now, the upsurge of devastating livestock diseases such as avian influenza and pseudorabies.

"Before we had the concentrations of livestock that we have today, we didn't have the disease problems. And this certainly increases our risk, along with the farmer's."

The manifestation of many factors influencing farming today is a dynamic agricultural economy that is sure to keep Carl's successor, Scott Owens, from falling asleep on the job.

"And then," Carl smiles, "just when you think you've got everything else figured out, along comes the weather."

"Basically, people are honest."



"I think that borrowers are as conservative now as they've been at any time during the last 25 years."