

ag due to finances

the Southern Plains and less than 20 percent of assets in the Northeast and Appalachia.

Debt Risk and Farm Size

Average debt-to-asset ratios also tend to rise with farm size. In other words, the larger farmers are typically carrying the largest debts relative to assets. The smaller farms usually carry less of a debt load, plus they tend to show greater stability in total income because more of their income comes from off-farm employment.

"Farms having the most problems with debt and cash flow are primarily the highly leveraged commercial-size farms (those with annual sales of \$40,000 or more)," confirms George Amols. "owners of smaller farms appear to be in much better financial shape."

At the start of this year, nearly a third of operations in the \$40,000 to \$199,999 sales class had debt-to-asset ratios of 40 percent or more. More than four out of ten farms in the \$200,000-plus sales class carried debt ratios of 40 percent or more. That's considered a high-risk position.

Debt-ridden operators are having an impact on the entire farm sector, where average debt-to-asset ratios have continued to climb. Debts were equal to 17.0 percent of assets in 1980. By January 1, 1984, the ratio had hit

21.6 percent, a historical high. In the same period, outstanding debts rose from \$170 billion to \$201 billion. Meanwhile, farm sector assets declined in value from \$986 billion to \$929 billion.

Analysts don't expect an immediate improvement in the farm financial situation. More than 60 percent of total farm debt is owed by highly leveraged operators. "Lenders know," says Amols, "that even if farm income improves, a large portion of their customers will continue to have serious cash flow problems."

Lenders Affected

Financial problems for farm borrowers bring financial risks for farm lenders.

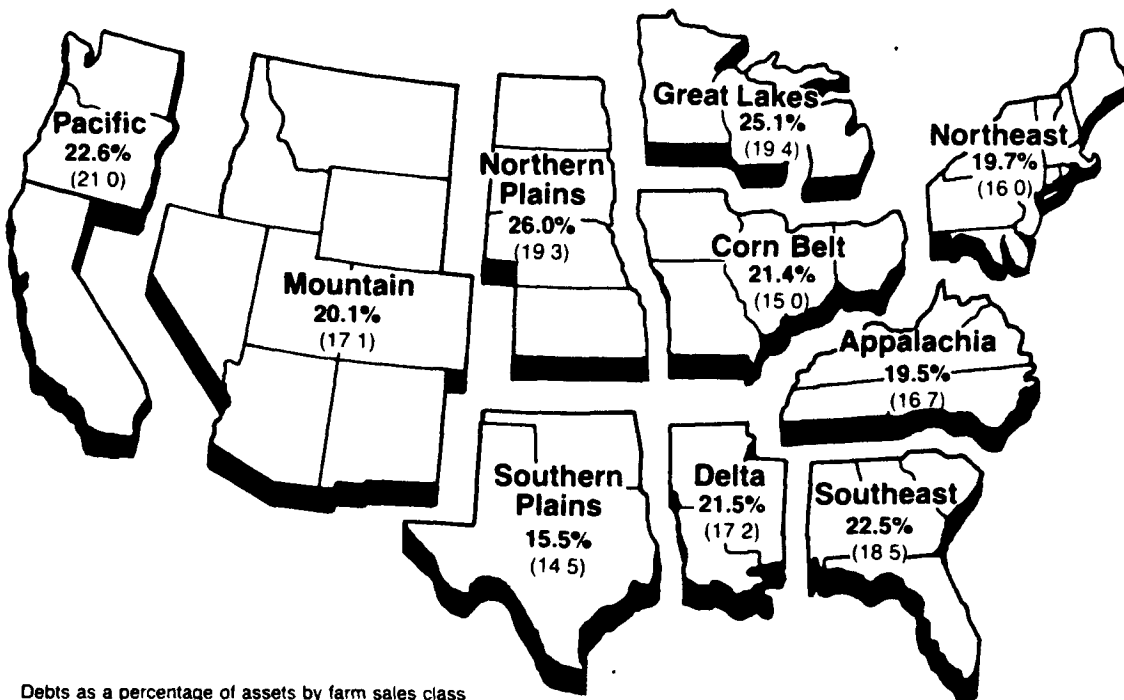
"Farm lenders will probably face a challenging credit environment for several years to come," adds Stephen Gabriel. "Their continued profitability and strong capital positions indicate they have the ability to cope with future difficulties in the farm sector, but their resiliency may well be challenged."

The Farmers Home Administration (FmHA) typically carries the greatest share of high-risk loans. In 1980, FmHA was followed by production credit associations (PCA's), merchants who sell products on credit, and

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Where Debt-Asset Ratios Are Highest

Debts as a percentage of assets by region Jan 1 1983 (Jan 1 1980 figures in parentheses)



Debts as a percentage of assets by farm sales class

	\$10,000 \$19,999	\$20,000 -\$39,999	\$40,000 -\$99,999	\$100,000 -\$199,999	\$200,000 -\$499,999	\$500,000 and up
Jan. 1, 1984	15.7%	15.9%	19.4%	21.5%	27.0%	36.6%
Jan. 1, 1980	12.7%	12.8%	15.2%	16.7%	19.9%	30.4%

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13 6x28 6 ply	160.00
14 9x28 4 ply	160.00
14 9x28 6 ply	175.00
16 9x28 6 ply	220.00
16 9x28 8 ply	240.00
16 9x30 6 ply	230.00
18 4x30 6 ply	270.00
23 1x30 8 ply	650.00
24 5x32 10 ply	750.00
16 9x34 6 ply	255.00
18 4x34 6 ply	299.00
18 4x34 8 ply	325.00
20 8x34 6 ply	459.00
20 8x34 8 ply	510.00
23 1x34 8 ply	689.00
11 2x38 4 ply	140.00
12 4x38 4 ply	168.00
13 6x38 4 ply	179.00
13 6x38 6 ply	198.00
14 9x38 6 ply	224.00
15 5x38 6 ply	225.00
16 9x38 6 ply	279.00
18 4x38 6 ply	325.00
18 4x38 8 ply	365.00
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