Farmers talk about their bankers and lenders

RACINE, WI — In the last few years, economic changes have placed many farmers on the brink of bankruptcy. Some blame agricultural lenders, who, during the booming 1970's, often encouraged farmers to borrow heavily. What are farmer's attitudes toward their lenders? Do farmer's blame lenders for unmanageable debt?

Surprisinly, no. More than 55 percent of farmers surveyed give ag lenders favorable marks and rate them as their most important partner in business.

Another statistic proves farmers' loyalty to their regular lender: 72 percent of farmers have never changed lending institutions.

These findings stem from an independent marketing research study, just released by Case IH, which measures farmer attitudes toward lenders, ranks lender services and explores the lender-farmer relationship.

In September, interviewers telephoned a geographically-balanced sample of 679 Class 1-A farmers throughout North America. Respondents averaged more than 25 years of farming experience and represented a cross-section of crop, dairy and livestock operations.

Here's what surveyed farmers conclude about lenders:

General attitudes

As noted before, 55 percent of farmers rate lenders favorably, 30 percent are neutral and 15 percent rate lenders unfavorably.

On specific attributes, more than 40 percent of farmers believe agricultural lenders have good reputations, offer a valuable service and meet their needs. However, almost 25 percent of farmers believe lenders do not know the agriculture business. A small group (7.0 pecent) said lenders encourage unneeded loans. Six percent said lenders require too much collateral and that loans are too difficult to obtain.

Of all farmers, crop and dairy farmers tended to have slightly higher opinions of lenders than livestock farmers. "Crop and dairy farmers may have more frequent contact with lenders, resulting in better relationships," Borden observes.

Farmers perceive their ag lenders as their most important professional partner, ranking above fertilizer/chemical dealers, agricultural equipment dealers, accountants, veterinarians and lawyers.

What are the most important services an ag lender can offer? On a 5.0 scale, the following all received 4.1 ratings: These services were viewed with equal importance.

* a full range of services to provide for all credit needs,
* the lowest interest rates in the area, and
* flexibility in dealing with farm credit.

On the same scale, other services were rated as follows: These services outranked other services such as providing ideas to make more money (3.4); long-term planning (3.3); marketing advice (3.1); estate planning (3.0); tax advice (3.0); and equipment leasing programs (2.4).

U.S. farmers consider lender services to be slightly more important overall than their Canadian counterparts, but specific services are ranked in the same order of value. "More severe cash flow problems and differences in government programs may have caused U.S. farmers to rely more heavily on their lenders in recent years," explains John A. Borden, executive vice president-marketing, Case IH.

Changing Relationship

More than 71 percent of farmers believe that the farmer-lender relationship has changed significantly in the last several years, primarily due to the tough economic climate. More than 63 percent say lenders are more conservative and tighter with money and 21 percent believe that lenders are stricter and require more detailed records.

How often do farmers meet with their lenders. The typical farmer visits his lender's office 4.5 times a year.

Types of credit used

Almost all farmers (98 percent) have access to and use several types of lending institutions. Most popular are commercial banks, used by 62 percent of farmers, followed by Federal Land Banks (FLB's) at 42 percent, Production Credit Association (PCA's) at 39 percent and the Farmer's Home Administration (FmHA) at 18 percent. Rounding out the sample, 16 percent of farmers use manufacturers' credit, 8 percent rely on insurance companies and 6 percent use savings and loan institutions.

"One of the most under-utilized forms of credit is offered by manufacturers. Only 43 percent of farmers think that they have access to this type of credit," said Borden.

Different types of lending institutions seem to fill varying credit needs. Fifty percent of farmers give high marks to commercial banks for convenience and familiarity. Forty-four percent say FLB's offer good long term loans and 34 percent say they have low, competitive rates. Farmers preferring PCA's give a wide range of reasons for choosing these lenders including low interest rates (31 percent), convenience (22 percent), good service and the perception that lenders at PCA's have a greater understanding of agriculture (15 percent).

Farmers cite competitive in-

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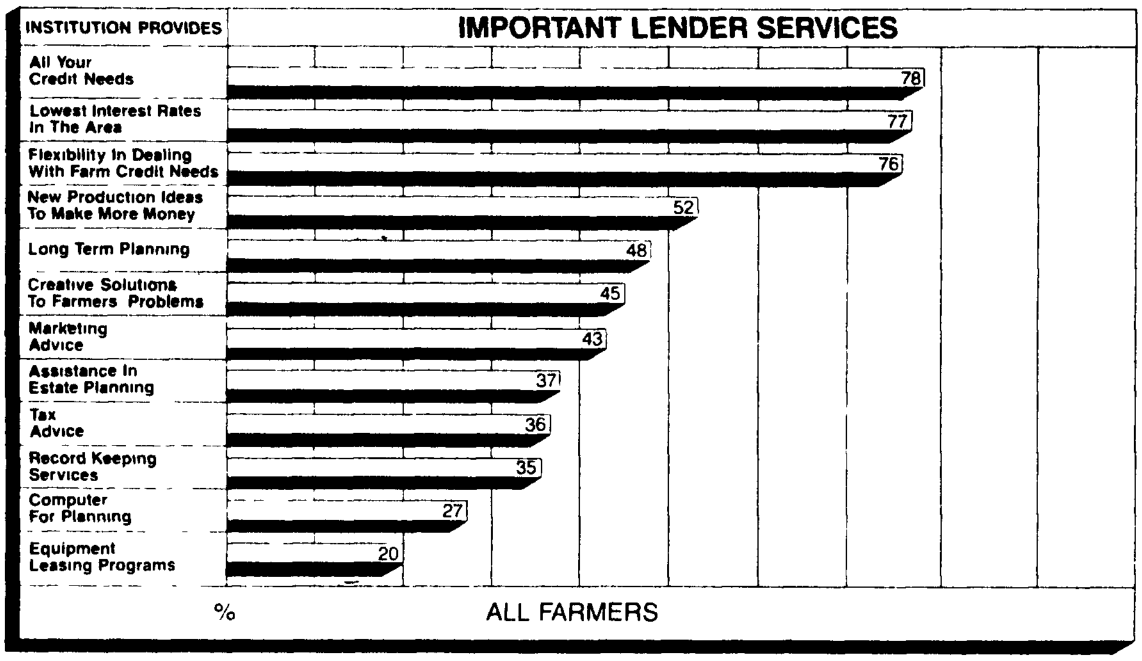

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