Farm Credit

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David Kohl, professor ag economics, Virginia Polytech, outlined some of the statistics that have contributed to the farm economic problems. In 1960 we had $210 billion worth of assets in United States agriculture. By the inflationary period of the 1970s, we went to over a trillion dollars worth of assets. In 1981 total agricultural assets reached a peak. At that time real interest rates began to cause assets to suck capital into cash flow. During this period of time, agriculture was an attractive investment. The export policy of the country was to feed the world. And we expanded the agricultural mechanism to accomplish this.

"We also expanded domestic programs," he said. "And we eased the availability of credit. We were two or three generations away from the depression." Kohl said. That's enough time to forget the lessons learned in the depression of the 1930s. We also changed tax policies during this time to encourage investment in agriculture. We made investment tax credits. We accelerated depression and figured in capital gains. By 1981 the assets picture had peaked and now everything that happened in the 1970s is happening in reverse.

From 1981 to 1983, we've had a slight decline in agricultural assets. And by 1985 we were down to a trillion dollars. In 1986 we will have about $865 assets and by 1992 experts are predicting we will have returned back to the 1975 level of $600 to $700 billion worth of farm assets in the United States. So we see we have a blip in farm assets during the 1970s. On the other side the U.S. farm debt went from $25 billion outstanding in 1960 to an increasing debt load in relation to assets. By 1981 when the farm assets reached their peak, farm debt continued to grow at a 25 percent annual rate. A lot of farm operating losses were refinanced using their land collateral as a method of getting cash flow.

Now farm debt is back down into $210 billion range. But farm assets are coming down faster than farm debt. So we are still eroding the farm picture on the balance sheet of American farmers. In 1960 farm assets in ratio to farm debt was 12 percent. So a farm worth $100,000 was carrying about $12,000 worth of debt. During the 1970s this ratio went up to 16 percent. In 1982 it was 18 percent, 1983, 20 percent, 1985 to 1986 it is now 24 percent. And based on the experts projections, by 1992 the average farm will have a 30 to 35 percent farm debt to asset ratio.

At present in the northeast part of the United States, the farmers over a 40 percent debt to asset level is one in five farmers. This is a level where stress begins. In the southern part of the country. And on the west coast, it's a little bit more. But in the central bread basket, the current debt to asset ratio right now is 38 percent. And about two out of five farms are in the stress situation. "We really have too much and too few dollars coming in to pay it off," Kohl said. "Net farm income compared from 1975 to 1985, we find that farmers have only half of the dollars coming in that were coming in the 1970s. Farms were leveraged in the 1970s. And now you only have half the income to support that expansion," Kohl said.

Kohl listed changes he expects to see in agriculture. 1. Cash flow and profitability. Interest rates are declining but not as fast in agriculture as in other sectors. Farm operating costs are coming down for feed and fertilizer. The key is to get costs down faster than your income.

2. Exports. Kohl predicted that the export markets will not come back because of the population growth that has turned downward. The income growth of the world has increased but not in the areas that need our food. And the production growth of farm commodities has been increasing in competing countries. "The probability of export markets increasing are not very good," he said.

3. On domestic markets, we have not done a very good job at anticipating consumption trends. We have changed our eating habits. We have gone from a sit-down meal, to fast-food, to grazing at the salad bar just like cattle. But our farming industry has not anticipated these trends.

4. Technological advances. "This is the scarey one," Kohl said. "We can produce more and more from less and less units of farm operation. And I expect that to continue. Things are going to be changing. We may be faced with half the dairy farms in the future. Structural change will happen. And it will happen over the world and also in the agribusiness sector."

PDA To Distribute Rice To Needy

HARRISBURG — The state Department of Agriculture has offered Pennsylvania counties a special allocation of 65 truckloads of milled rice for distribution to the needy this month.

The rice is in addition to cheese, butter and other federal commodities also available to the counties in December under the department's Temporary Emergency Food Assistance Program.

In all, 13.5 million pounds of food valued at nearly $13 million has been offered to the counties for their December distributions.

The department was able to acquire enough rice for a special holiday offering by requesting commodities that other states declined to accept from the U.S. Department of Agriculture.