

*Capital and Credit Needs
in a Changing Agriculture*

Planning Committee

**for the Symposium
on Capital and Credit Needs
in a Changing Agriculture**

E. L. Baum, Chairman
Tennessee Valley Authority

Kenneth L. Bachman
U.S. Department of Agriculture

Howard G. Diesslin
Farm Foundation

Earl O. Heady
Center for Agricultural and
Economic Adjustment,
Iowa State University

Glenn L. Johnson
Michigan State University,
and Economic Consultant,
Tennessee Valley Authority

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Edited by

E. L. BAUM

Chief, Agricultural Economics Branch
Tennessee Valley Authority

HOWARD G. DIESSLIN

Associate Managing Director,
Farm Foundation

EARL O. HEADY

Professor of Economics,
Iowa State University
Economic Consultant,
Tennessee Valley Authority



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Foreword

AGRICULTURE is being forced to undertake many major production adjustments. In order to keep up with technological developments and cost-price relationships, farmers must increase capital investments in farm equipment, machinery, and buildings and related equipment. In addition, they must meet increased annual operating expenses for fertilizers, new and improved seeds, insecticides, pesticides, and the like. Capital and credit problems have become important limiting factors in the adjustment process.

Because of larger farms and scale of operations, capital accumulation has been easier in some regions than in others. Adjustments in agriculture in the Tennessee Valley and the Southeast have been more difficult because farmers there lack ability to generate capital or obtain credit. The Southeast has the largest number of low-production and low-income farmers. Many farmers with small production units seek to avert risk by avoiding opportunities to obtain necessary capital for expanding their holdings, or for adopting improved practices necessary for more efficient operation.

The Tennessee Valley Authority, the Farm Foundation, and the Center for Agricultural and Economic Adjustment at Iowa State University sponsored a Symposium on "Capital and Credit Problems in a Changing Agriculture," with the aim of more clearly identifying these emerging problems and aiding in their solution. The U. S. Department of Agriculture actively assisted these sponsoring organizations.

All these organizations are keenly interested in the effect of capital and credit problems on the future development of our nation's agriculture. TVA is vitally concerned with the comprehensive development of the resources in the Tennessee Valley. The Farm Foundation sponsors research and extension educational activities through regional agricultural research and extension work groups and committees throughout the United States. The Center for Agricultural and Economic Adjustment at Iowa State University is concerned with all types of problems related to agricultural adjustment throughout the United States. The U. S. Department of Agriculture is actively engaged in research on southern agricultural adjustment problems and related research on capital and credit needs. However, the conference planners recognized early that the best understanding of capital and credit problems for

adaptation to a specific region's needs would come if the involvements were examined on a national basis.

Within the framework of current and prospective economic growth in agriculture, the general objective of the symposium and this book is to examine the capital and credit structure of agriculture (1) as it has performed in the past, (2) as it now exists, and (3) as it might be changed in years ahead to encourage needed agricultural adjustments.

It is our hope that research on and attention to these problems will be stimulated, not only on a state basis, but on a regional basis so that those who are guiding adjustments within agriculture will have the necessary information and analytical tools to guide farmers in making their adjustments.

Leland G. Allbaugh, *Director*
Division of Agricultural Relations
Tennessee Valley Authority
Knoxville, Tennessee

Joseph Ackerman, *Managing Director*
Farm Foundation
Chicago, Illinois

Earl O. Heady, *Executive Director*
Center for Agricultural and Economic Adjustment
Iowa State University
Ames, Iowa

Preface

THE 1940's and 1950's were characterized as an era of "farming with inflation." Farm real estate and total farm assets almost quadrupled in value during this 20-year period. Capital and credit problems were of secondary importance as agriculture's credit base expanded — a result of the year-to-year increase in market value of farm land. Farm real estate values — stable during 1959-60 — then turned downward. Therefore, if agriculture is to enter an era of "farming without inflation," the farm economy enters this new climate in strong financial condition. Even so, new credit standards become imperative to both lenders and farm borrowers. More importantly, capital and credit problems quickly become primary economic problems facing the individual farmer, farm lender, and the agricultural industry.

The symposium and the contents of this book are directed toward agricultural workers who are conducting research and educational activities in the land-grant colleges, public agencies, and credit agencies. The ideas have been developed in five closely related subject matter categories: (1) capital and credit in economic growth, (2) changing capital structure in agriculture, (3) credit market and institutions, (4) values and education in relation to capital use and productivity, and (5) selected research for improving use and productivity of capital and credit. They are presented in the interest of stimulating further research and educational activities on agricultural capital and credit problems as they are related to agricultural development.

It is our hope that the information and thinking presented herein will be useful in developing a rational approach to farm problems and in building a stronger agricultural industry. The problems confronting the farmer of the future are complicated and, in most cases, will be difficult to overcome.

Part I is concerned with the nature of the growth problems in agriculture, the determinants of capital formation, the basic structure of the capital market, indications of changes in capital productivity in different agricultural regions, and trends in credit. This introductory section provides the background for discussions on the effects of technology, vertical integration, and agricultural adjustments as they are related to capital and credit needs (Part II).

In Part III the authors are primarily concerned with evaluating our farm credit institutions and the functioning of the credit market. These evaluations serve as a basis for recommending improvements in the credit structure to meet changing needs in the different sectors of agriculture.

Since the recommendations for improvement dwell heavily upon the need for greater education of both borrowers and lenders, Part IV is devoted to chapters dealing with values, attitudes, and investments in the human factor. A better understanding of these considerations should enable agricultural workers and credit representatives to work more effectively with farmers in securing a more efficient use of capital. The goal, of course, is toward equalizing the productivity of agricultural capital with alternative uses for this capital in other sectors of our economy. It is hoped that the human factor as related to capital investments and the extension of credit will receive greater emphasis.

Chapters dealing with selected research on capital and credit problems are presented in Part V. It is anticipated that agricultural research workers will go much beyond the work reported here since there is a pressing need for such analytical research to serve as a basis for the development of a sound credit market designed to best serve a rapidly changing agriculture.

A debt of gratitude is owed particularly to those in the sponsoring organizations who made possible this symposium and its reporting in this book, and to the Iowa State University Press, through which publication was effected. Appreciation is extended to Mrs. Juanita W. Simms, Agricultural Economics Branch, Division of Agricultural Relations, TVA, for her fine cooperation in preparing the manuscript for publication, and to others of the secretarial staff in the branch.

The Symposium Planning Committee received many helpful suggestions from Joseph Ackerman, Farm Foundation; Leland G. Allbaugh, TVA; Malcolm Holliday, FHA; Ivy W. Duggan, Trust Company of Georgia; Russell C. Engberg, Farm Credit Administration; J. W. Fanning, University of Georgia; Carl P. Heisig, USDA; Arthur B. Mackie, TVA; and Norman J. Wall, USDA.

The planning committee believes that the information presented in this book should contribute materially to the improvement and expansion of economic research on capital and credit problems that could aid in bringing about sound adjustments in agriculture.

E. L. Baum
Tennessee Valley Authority

Kenneth L. Bachman
U. S. Department of Agriculture

Howard G. Diesslin
Farm Foundation

Earl O. Heady
Iowa State University

Glenn L. Johnson
Michigan State University

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