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Federal Reserve Bank of Chicago - -

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# Agricultural Letter



Number 317

EACH YEAR the USDA prepares estimates of the total assets and liabilities of agriculture as of January 1. The resulting balance sheet pictures all farm businesses as though they were a unified enterprise associated with a farm household containing millions of people. The over-all look provided by the balance sheet aids in analyzing changes in the financial position of the industry.

Assets of agriculture increased by 2.2 billion dollars during 1954 (see table below). Major categories registering gains included real estate, crops owned by farmers (including those held as security for CCC loans) and household furnishings and equipment. The substantial increase in the value of real estate was due primarily to a 2 per cent increase in land values.

The value of livestock and machinery inventories, on the other hand, each declined by about one-half billion dollars. While livestock numbers did not change appreciably during the year, lower values per head (chiefly on cattle and hogs) reduced the total value of livestock by 4 per cent. Purchases of farm machinery and motor vehicles failed to offset depreciation allowances, and equipment inventories declined by 3 per cent.

Liquid funds of farmers on January 1, 1955, amounted to 19 billion dollars, the same as a year earlier. A .3 billion dollar decline in working funds (currency and demand deposits) offset the increases of time deposits and holdings of U.S. savings bonds. This was the first year that farmers did not increase their liquid financial assets since 1949 when net farm income dropped 13 per cent from the 1948 level.

Farm debt (excluding CCC loans) increased by .8 billion dollars during 1954. The rise was in contrast to the slight decline in total farm debt during 1953. Farm mortgage debt increased by .5 billion dollars in each year while non-real estate debt declined by 9 per cent during 1953 and rose by 5 per cent in 1954. The in-

crease of short-term borrowing last year is attributed to larger livestock purchases, drought in some areas and to some extent to high expenses but lower farm income.

Proprietors' equities, as the result of these diverse movements, rose slightly during 1954. This is in contrast to the 1952 and 1953 declines of 5 and 6 billion dollars, respectively. In both of these years equities declined, due primarily to lower inventory values of real estate and livestock. Currently, equities are about 6 per cent below the 1952 peak of 154 billion dollars.

It is to be noted that the recent increase in equities stems primarily from increases in land values rather than from a boost in physical assets or to a reduction in liabilities that could be attributed to definite financial progress on the part of farmers.

CHANGES in the Balance Sheet of Agriculture do not provide conclusive evidence that the financial position of farmers has improved or deteriorated significantly during 1954. However, the continued slide in farm income is placing additional financial pressure on some farmers. Lenders, particularly those located in areas suffering from crop losses, may experience slower repayments and greater instances of credit difficulties. Currently, the reported instances of farm loan repayment difficulties continue at a low level. And while credit complications may increase, it is not likely that they will mount to serious proportions as debts are only 11 per cent of total farm assets compared with nearly 20 per cent in the prewar year 1940.

Research Department

Balance Sheet of Agriculture, January 1  
(billions of dollars)

Assets		Claims			
	1954	1955			
Real estate . . . . .	89.1	91.3	Real estate debt . . . . .	7.7	8.2
Livestock . . . . .	11.9	11.4	Non-real estate debt . . . . .	7.0	7.3
Machinery and motor vehicles . . . . .	18.2	17.7	Loans held by CCC . . . . .	2.4	2.5
Crops owned by farmers . . . . .	9.2	9.6	Total debt . . . . .	17.1	18.0
Household furnishings . . . . .	10.6	11.1	Owners' equities . . . . .	143.8	145.1
Liquid financial assets . . . . .	19.0	19.0	Total Claims . . . . .	160.9	163.1
Investment in Farmers'					
Cooperatives . . . . .	2.9	3.0			
Total Assets . . . . .	160.9	163.1			