Federal Reserve Bank of Chicago - - Agricultural Letter

February 16, 1968

Number 948

DEMAND FOR NONREAL-ESTATE FARM CREDIT in the Seventh Federal Reserve District is expected to increase in the early months of 1968 relative to year-ago levels. That was the consensus of more than 350 country bankers responding to a recent survey on credit conditions in district states.

More than half the bankers expected the volume of nonreal-estate farm loans to increase. These are loans made typically to finance purchases of machinery, livestock, and feed and to pay taxes, wages, and other current expenses. Most of the other bankers expected the demand for such loans to be about the same as last year. Only about 6 percent of the responding bankers expected a decline in demand.

Most of the bankers expecting increased loan demand are in the Corn Belt states. About two-thirds of the bankers in Illinois and Iowa foresaw stronger credit demands. Their views probably reflect circumstances of the record corn and soybean crops. High crop production would normally permit a heavy payoff of outstanding loans. But sharply lower prices in recent months apparently encouraged many farmers to hold their grain in hopes that the prices would improve. Corn in farm storage in the three Corn Belt states of the district was 17 percent greater January 1 than a year before. Also, harvesting was delayed by weather and the high moisture condition of the grain. Many farmers may be encouraged to turn to livestock as an outlet for this large crop. Such moves would further boost credit demands.

Renewals and extensions of farm loans are also expected to increase, while the rate of loan repayments is expected to lag behind a year ago. Again, these opinions were most evident among bankers in the Corn Belt states and are probably connected with conditions of the crop harvest. Well over half the bankers in each district state of the Corn Belt expected larger renewals in the first quarter. Nearly three-fourths of the bankers in Illinois expected an increase. About two-fifths of the bankers in Indiana and Iowa expected slower repayments. In Illinois, the proportion was more than half.

Most bankers believe funds are adequate to handle farm credit needs, despite the expected larger demands. But about a fifth of them reported fewer funds available than last year. Demand deposits at agricultural banks in December were about the same as those a year earlier, but time deposits continued to rise. They increased about 14 percent from December 1966.

Interest rates on agricultural loans appeared to be increasing again after being stabilized late in 1967. More than three-fourths of the bankers reported they were charging 6.5 percent or more on "typical" feeder-cattle loans. This compares with about two-thirds charging such a rate in September 1967 and less than half charging it in January 1967. About a fourth of the banks are charging 7 percent or more, compared with 11 percent a year ago.

Electronic record keeping services offered to farmers by banks has increased rapidly in the last year. About 15 percent of the banks in the district offer such a service. About three-fourths of them began offering the service either last year or the first of this year. About 8 percent of the bankers surveyed plan to begin offering farmers electronic data processing services this year.

A larger proportion of Illinois bankers are currently offering farmers electronic record keeping services than bankers in other states—whether of the district or the nation. About 28 percent of the Illinois respondents were offering the service in January. This compares to 13 percent in Wisconsin, 11 percent in Iowa, and 7 percent in Indiana. Nationally, about 9 percent of the agricultural banks reported offering computer services to farm customers, according to a mid-1967 survey by the American Bankers Association.

The growing interest of banks in providing automated accounting services for farm customers can be attributed partly to the increasing need for financial information in the extension of farm credit. Complete farm records are needed not only to evaluate the potential profitability of an application for a farm loan but also to evaluate the farmer's repayment capacity and ability to bear risk. This information is especially important in making large loans and loans with long maturities.

A farmer also needs the information in making management decisions and in processing paperwork dealing with income taxes, social security, gas tax refunds, and workmen's compensation. The survey indicated many banks may offer the service to make more complete use of computer facilities or to attract new customers.

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