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1970 FARM FINANCE SURVEY RESULTS were recently published by the U.S. Department of Commerce as a special report to the 1969 Census of Agriculture. Although the results are somewhat dated, they still provide interesting insights into the financial practices and obligations of farmers. The report summarizes financial characteristics of both farm operators and landlords. Since the financial obligations of landlords represent a small portion of the total, the following summary concentrates entirely on farm operators. It should be noted, however, that landlords account for 14 to 18 percent of farm debt in Illinois, Indiana, and Iowa, compared to 11 percent for the entire United States.

Debt-free operators accounted for 47 percent of all farm operators as of the end of 1970. Among district states, the proportion of debt-free operators ranged from a low of 39 percent in Iowa to a high of 46 percent in Illinois. Among types of farms common to district states, a comparatively low proportion of the operators of dairy, other livestock, and cash-grain farms were debt-free, while the reverse held true for operators of vegetable farms.

The survey indicates that the proportion of debt-free operators is indirectly related to farm size as measured by annual sales. For example, only about one-fourth of the operators of farms with $20,000 or more in annual sales were debt-free at the end of 1970, whereas more than one-half of the operators of smaller farms were debt-free. Those farms with $20,000 or more in annual sales represented one-fourth of all farms and held well over two-thirds of the farm operator debt outstanding at the end of 1970.

Borrowed funds were equivalent to about two-fifths of total operating and capital expenditures of farm operators in 1970. A sizable portion of the borrowed funds, however, were not related to specific expenditures, perhaps reflecting borrowings to replenish working capital. Borrowed funds obtained for such a purpose could represent a significant portion of the cash downpayments used in specific expenditures. Among borrowings directly related to operating expenditures, such funds financed about one-fourth of the total operating expenditures of farmers in 1970, while borrowings related directly to capital expenditures were equivalent to nearly one-half of the total capital expenditures.

Among borrowings directly tied to expenditures of farm operators in district states, the ratio of borrowed funds to operating expenditures ranged from a low of 16 percent in Wisconsin to a high of 36 percent in Iowa. Alternatively, borrowings specifically related to capital purchases ranged from a low of 49 percent in Wisconsin to a high of 54 percent in Indiana.

Larger farms accounted for a comparatively large portion of total borrowings in 1970, reflecting the tendency of such farms to finance a greater percentage of their expenditures. For example, farms with annual sales of $20,000 or more accounted for 83 percent of the borrowings specifically related to financing capital and operating expenditures. And these farmers financed 30 percent of their operating expenditures in 1970, whereas all other farmers financed only 13 percent of their operating expenditures. Similarly, the large farms used debt financing to cover 51 percent of their capital expenditures, while for all other farms the ratio was 44 percent.

Short-term debt accounted for the bulk of the borrowings by farm operators in 1970, mostly reflecting the comparatively large amount of borrowings to cover operating expenditures. Overall, two-thirds of the funds borrowed by farm operators in 1970 had maturities of less than one year. (Of the remaining one-third of borrowed funds, a high proportion probably had maturities of exactly one year.) In district states, the proportion of funds borrowed in 1970 with maturities of less than one year ranged from a low of 48 percent in Wisconsin to a high of 72 percent in Iowa.

One-fourth of the funds borrowed to finance capital expenditures had maturities of less than one year, while 87 percent of the funds borrowed to finance operating expenditures matured within a year's time. Of the funds borrowed for unspecified purposes—which accounted for one-fifth of total borrowings—72 percent matured within a year.

Total farm debt has increased substantially since 1970. With the exception of the increased proportion of farms with annual sales of $20,000 or more, however, the bulk of the measures discussed above probably have not changed significantly. Therefore, the 1970 survey implications that farm debt is concentrated among just over one-half of all farm operators, that only about two-fifths of the annual expenditures by farmers are financed, and that the bulk of the funds borrowed by farmers have short-term maturities are probably indicative of the current financial arrangements of farm operators.

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