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**DEMAND FOR FARM LOANS** accelerated in the first quarter of 1976, according to slightly over one-half of the 700 agricultural bankers responding to an April 1 survey. However, the bankers also indicated that funds were generally adequate to handle the rise and, in fact, a substantial number expressed the desire to increase the amount of loans outstanding.

The step-up in loan activity was most prevalent in Iowa, where 64 percent of the survey respondents indicated a rise. Iowa farmers expanded cattle feeding activities rapidly in the early part of 1976, a major source of loan demand. At the same time, as with Midwest farmers in general, Iowa farmers were gearing up to increase planted crop acreage this spring. A monthly index of over 200 Seventh District banks heavily engaged in agricultural finance confirms the survey results. The index of total loans in March stood 15 percent above a year earlier.

**Availability of funds** remains adequate at most agricultural banks despite the rise in loan demand. For the third consecutive quarter 41 percent of the bankers indicated the availability of funds had increased over the comparable year-earlier period. Furthermore, 44 percent of bankers surveyed expressed a desire to increase the loan-to-deposit ratio of their banks, compared to only 20 percent who thought the loan-to-deposit ratio should be lowered.

Iowa bankers reported a situation somewhat contrary to that in the other four states. One-third of the Iowa bankers experienced a slowdown in the rate of loan repayments during the first quarter. At the same time 43 percent of the Iowa bankers indicated that renewals and extensions were up compared to the first quarter of 1975. The situation no doubt reflects the problems Iowa cattle feeders were experiencing during this period. By March fed cattle prices had dropped to the point where many feeders suffered losses on animals marketed. This marks the second consecutive year that cattle feeders have been subject to some rather serious losses in the first-quarter period.

Farm Credit Administration (FCA) agencies also experienced loan growth during the first quarter. Production Credit Associations (PCAs) operating in district states recorded a 14 percent increase in outstandings over a year earlier, while Federal Land Banks (FLBs) showed a 21 percent increase in outstandings. The rate of increase experienced by the FCA agencies within Seventh District states exceeded the rise at the national level by about one-fourth.

According to Seventh District bankers, for the first time in three years dealers and merchants have not greatly restricted credit terms extended in conjunction with the sale of farm supplies. Approximately two-thirds of the bankers reported that dealers and merchants were offering the same terms as a year earlier, and about 11 percent of the respondents said credit terms were actually less restrictive. Nevertheless, the amount of credit available via dealers and merchants is substantially less than three or four years ago. Consequently, almost one-half the bankers responding to this question on the survey thought that current dealer and merchant credit policies were resulting in greater agricultural loan volume at their banks.

Bankers generally anticipate that loan demand will remain strong through the second quarter. Large increases are expected in the area of operating loans where 62 percent of the bankers look for a year-to-year rise, no doubt a reflection of the anticipated increase in planted crop acres. However, this is the smallest percent of bankers in three years suggesting an increase in operating loan volume during the second quarter, perhaps due to the easing of some farm supply input prices. Slightly over one-half the bankers expect higher farm machinery loan volume, the largest number looking for an increase in this category in two years. A substantial number of Wisconsin bankers—48 percent—expect dairy loan demand to increase in the second quarter, also the highest percentage expecting an increase in two years. Optimism in the dairy industry probably stems from the recent increase in the milk price support level with the prospect of additional quarterly adjustments in the future.

**Outstanding farm debt held by U.S. banks** rose to a record $26.5 billion as of January 1, 1976, a 9.3 percent increase over the past year. This figure is just slightly under the $26.8 billion in outstandings held by FLBs and PCAs on the same date. Non-real estate loans outstanding at banks grew 10.5 percent in 1975, a significantly faster growth rate than the 6.2 percent increase recorded in 1974. In contrast, banks experienced only a 5.5 percent rise in outstanding farm real estate debts, compared to a 9.3 percent rate of increase the previous year. Farm real estate loans account for $6.3 billion of all agricultural loans held by U.S. banks, with the remaining $20.2 billion in the form of non-real estate loans.

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