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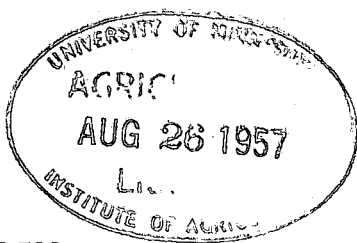
**Capital and Credit
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AGRICULTURAL FINANCE IN SWEDEN

SWEDEN is a relatively vast country though sparsely populated. The total area is 450,000 sq. km., but the population was only 7.2 million at the end of 1955. Thus there are only 16 inhabitants per sq. km. Great parts of the country are covered by forest. About 55 per cent. of the land is woodland and 10 per cent. is real farming land (arable, pasturage, ley for hay). The agricultural population was about 25 per cent. of the total population in 1950, but this proportion is still decreasing. Most of the farming land is privately owned. In 1944 90 per cent. of the arable land was owned by private persons (almost exclusively farmers), 4 per cent. by joint-stock companies and 6 per cent. by the State and communes. The woodland was distributed amongst private persons (50 per cent.), joint-stock companies (25 per cent.) and the state and communes (25 per cent.). Thus the typical Swedish farmer devotes himself to forestry as well as to farming. The majority of the country's farmers are proprietors. Of the 280,000 holdings with more than 2 ha. of arable land, however, about 18 per cent. are operated by persons other than the owners.

Small farm units predominate. In 1951 no less than 25 per cent. of the holdings were in the size-group ranging from 0.26 to 2 ha. of arable land. These are managed as 'support farms' (i.e. as income-sources additional to other occupations). Only units with at least 2 ha. of arable land are usually counted as farms. Of the remainder in 1951, 34 per cent. were in the size group 2-5 ha. and 32 per cent. in the group 5-10 ha. Often these smallholdings, especially the smallest ones, are also support farms. Farm units with more than 50 ha. of arable land constituted only 3 per cent. of the total.

I. The financing of farm ownership

It is usual, but by no means invariable, for one of the children to take over the farm when the father dies or wishes to retire. The new occupier need not be the eldest son but could be one of the others or a married daughter and her husband. But it often happens that none of the children wants to be a farmer, or that the one who does has bought or rented another farm already. When the old farmer

sells his estate he can demand a special sort of benefit in kind at retirement (*undantagsförmåner*). This implies that he and his wife are to live on the farm till their death and be furnished with fuel and light and some products from the farm (a certain quantity of milk, meat, &c.). The value of these benefits is capitalized and subtracted from the purchase price. This system, which amounts to a form of private life annuity, has been very common, especially when children have taken over from their parents; but now it is relatively rare.

The one taking over a farm from his parents can count upon getting a certain proportion of the purchase price as an inheritance or an advance of inheritance. But if he has brothers and sisters he has to redeem their shares in cash. It sometimes happens, however, that the brothers and sisters leave their shares in the farm on mortgages. The corresponding agreements may occur as transactions between persons not related (mortgage for unpaid purchase price). This private credit is of considerable importance in the financing of the ownership of farms. Direct lending to farmers by private persons other than farmers and former farmers is practically non-existent, except in cases of kinship and other personal relations. At most transfers of real estate, however, there remains a demand for borrowed capital for completion.

The loans contracted in connexion with the purchase are paid off, as a rule, during the farmer's active life. A Swedish farmer's ambition, and one which he generally realizes, is to leave his farm unencumbered. The saving which is made in the form of paying off loans (*after saving*) is the agricultural population's most important form of saving.

The farmers are well provided with loans for financing farm ownership. The most important sources are credit institutions, amongst which are four different types. Of these, two are organized by the farmers themselves: the *rural mortgage associations* and the *agricultural credit societies* (see below). The others are *savings banks* and *commercial banks*. The savings banks are non-profit institutions, with the purpose of encouraging saving, while the commercial banks are ordinary private joint-stock companies. *Insurance companies* also grant loans to farmers, but to a very limited extent.

The agricultural real-estate loans are secured by mortgage on the properties. Of these, the first (or base) mortgage loan is reckoned to extend up to about 60 per cent. of the property's appraised value (the official tax value or some other specially estimated value) which as a

rule is considerably lower than the market value. A second mortgage is against between 60 and 70 per cent. of the appraised value, and a third mortgage lies still higher. The security for loans against higher mortgages is often strengthened by a personal surety bond. To a lesser extent, life insurance policies and other securities are used as guarantees for loans.

The problems of financing beginners in farming are now partly solved through special state support. This activity, which was started in 1904 (in the main as a measure to counterbalance the lively emigration to the U.S.A.), consisted up to 1948 of special state 'own home' loans. Since 1948 these have been displaced by a *governmental credit guarantee* (surety) for loans provided by private credit institutions. Such loans can be obtained from mortgage associations, rural credit societies, savings banks, commercial banks and insurance companies. Loan guarantees may also be obtained for management loans which are meant to be used for purchase of equipment, &c., in connexion with farm purchase. Such loan guarantees can also be obtained by beginners on tenanted farms. To obtain a governmental credit guarantee one has to possess little or no means, be at least twenty-one years of age, have satisfactory professional training and be known to be careful in money matters. Loan guarantee is as a rule not given for farms of more than 20 ha. of arable land, nor for any farms too small to give the operator a necessary income.

Governmental activity in putting together and rationalizing farm units is also important for real-estate financing. Since 1948 the state has supported the so-called external rationalization, under which is included the forming of economically sound farm units by amalgamation, the enlarging of farm units by adding farmland or woodland and the improving of estates. This support activity also consists in the main of credit guarantees which can be utilized as can the rural own home and management loans mentioned above. Also, direct subsidies may be given in the form of special 'written-off loans' which as a rule are not repaid but are written off after a certain time.

The system of governmental credit guarantees for private loans has turned out well and the government's losses have been insignificant. During the years 1949-55 governmental credit guarantees have been granted for 283 million Swedish crowns, while the state expenditures for such guarantees during the same time have amounted to only about 0.4 million Sw. kr.

At present (December 1956) the interest rate for loans on first

mortgage is normally 5 per cent., and the same rate is charged on loans against governmental credit guarantee. Higher interest rates are applied for loans against more uncertain securities (the highest being for pure surety-bond loans—at present 6.75 per cent.).

It is not possible to give statistics showing the relation of self-owned and borrowed capital used for financing agricultural real estate purchases. It is also difficult to determine the relations between self-owned and foreign capital in the total agricultural real estate capital. It is true that one can assume that all real-estate loans are secured with mortgage in real estate; but it is not certain that all real-estate mortgage loans are intended for real estate financing. They may also have been taken up for other purposes, the good security value of the estate being used to obtain favourable loan conditions. One can assume in general, however, that loans on real estate mortgage are connected with the purchase of real estate. And if this should not be the case the self-owned part (counted as net) of the real estate has been reduced for the benefit of other assets.

A survey of farmers' assets and liabilities has been made by the Swedish Central Bureau of Statistics for the year 1952. This provided, among other things, the information that the average real estate value (arable land with buildings and woodland and growing forest) for all farm units of more than 2 ha., operated by owner farmers, was 60 per cent. of the total asset value (of about 64,000 kr. per farm). Of the balance-sheet total the average indebtedness was 25 per cent. of which 17 per cent. was on mortgage on agricultural real estate. Thus, the loans would correspond on the average to 30 per cent. of the real estate value. However, the estates are here appraised according to the official tax value, which in 1952 lay about one-third below the market value. According to the latter value, about 20 per cent. of the agricultural real estate capital would thus be borrowed.

II. *The financing of improvements in agriculture*

Agricultural improvements generally require new capital. This is not true of all; some make only small claims on capital formation—for example, improvements in work methods.

The capital-demanding improvements can embrace all types of agricultural asset, such as land improvements (including roads), soil improvements (fertilizers and manure, seeds and labour inputs for crops), building activity (dwelling houses as well as farm buildings), enlargement of the animal stock, purchases of new machines and tools

and perhaps increased stocks. In principle these improvements can be financed in four different ways, namely, by the farmer's own labour, by current saving, by utilization of other assets (capital transference) and by borrowing.

Financing new investments by input of labour is the oldest and most traditional method in agriculture, and it still plays an important role. Most agricultural land clearing has been financed in this way and farmers still devote many days' work to clearing, drainage and building activity. Manufacturing of tools on the farm, however, plays an ever-decreasing role. Not only the farmer's own labour but also services from the assets of the enterprise are in this way embedded in capital for future use (utilization of the farm's traction power, tools, &c.). A similar form of 'investment in kind' within the enterprise takes place when a farmer builds up his cattle stock by breeding young cattle of his own. Of course this form of financing is in its way a variation of current saving, which is the part of the income which is not immediately consumed. This can be used for current investments in the form of assets in the first place as cash or cheque account balances (which is rather common among Swedish farmers). Usually this saving is of course only sufficient for small investments.

Capital already saved for big investments is relatively uncommon. The Swedish farmers' financial assets (in the main, bank balances and securities) are by no means insignificant; but these savings are as a rule meant for old age and as a protection against unforeseen events and not as reserves for investment.

Also, where financing of new investments has to be made by borrowing, the Swedish farmers' demands are well met. Besides the credits previously mentioned there also exist a number of state loan funds for improvements in agriculture. Their number was previously greater, but now the governmental credit guarantee is the most common support of investment activity. In addition there exist a great number of various direct governmental subsidies. Instalment sales and other supplier credits are also of considerable importance, especially for machinery.

The securities for these loans can vary considerably. It has already been mentioned that real-estate mortgages are also used for loans meant for investment in other assets. Personal surety bonds and holdings securities are also to be found. It is notable that in Sweden there is no possibility of using as security the value of agricultural assets other than real estate. It is true that there is another kind of

security, called mortgage in agricultural inventory (live and dead inventory), but this does not give real lien but only preferential rights in the case of bankruptcy. (To obtain lien in Swedish law, the pledge must be transferred to the pledgee or be kept by a third party.) This kind of security, which is little utilized, can thus be used only to strengthen some other security. There are also certain possibilities of giving lien in grain (wheat, rye, barley, oats, peas, beans or vetches) and in fibre, flax and hemp; but these possibilities are very seldom exploited partly because of certain restrictive stipulations, and partly because there is little demand for such pledges.

The governmental loan guarantee functions in the same way for loans for new investments as for real-estate loans. It has already been mentioned that, on certain conditions, loan guarantees for management loans can be obtained by beginners in farming. Corresponding to the state support for external rationalization there exists a supporting activity (loan guarantees and state subsidies in the form of loans which are later written off) for internal rationalization.¹ Internal rationalization includes land clearing, draining, under-draining, irrigating construction, stone clearing, pasture improving, constructing of roads and pastures for common use, protection against wind erosion, &c., together with new building and improvements of existing farm buildings. Generally loan guarantees are granted for the total cost where improvement measures are concerned. The state subsidies vary but as a rule provide 25 or 40 per cent. of the total cost. Governmental loan guarantees can also be obtained for purchase, construction or rebuilding of certain warehouses, drying and cold store establishments for common use and for gardening.

The rates of interest vary for different kinds of loan. For guarantee loans the same rates are applied as for loans on first mortgage. The interest on loans on personal surety bonds varies between 5.75 and 6.75 per cent., and for bills of exchange a discount of 4.5-6.75 per cent. is charged. The rate of interest on state loans is lower than the market rate. Some kinds of loan are quite free of interest.

III. *Agriculture's own credit institutions*

The oldest of agriculture's own credit institutions (and the oldest branch of the Swedish agricultural economic co-operative movement) is the *rural mortgage institution*. The object of this institution is to

¹ These measures of rationalization are sometimes referred to as outer and inner rationalizing. See, for example, this *Journal*, vol. i, no. 4, p. 58.—*Editor*.

act as intermediary in loans to agriculture on first mortgage (and also, now, on government credit guarantees). The lending is managed by ten mortgage associations (the oldest having been founded in 1836) which borrow the necessary capital from the central institution, the Royal Mortgage Bank of Sweden (founded 1861). The Mortgage Bank and the rural mortgage associations are connected with the Swedish farmers' central organization, the Federation of Swedish Farmers' Associations. The Royal Mortgage Bank of Sweden obtains its capital by issuing debentures with the mortgage pledged as security. The Mortgage Bank is the only Swedish credit institution with the right to issue debentures on the security of mortgages on rural landed property.

Loans by mortgage associations can in the first place be granted to any one in possession of landed property with ownership rights or entailed estate rights. Loan on governmental credit guarantee can be obtained by persons other than landowners. Membership of a mortgage association is granted to any one who obtains a loan from it. The members are jointly responsible for the liabilities of the association. There are no membership subscriptions. In the corresponding way the mortgage associations are part-owners in the Royal Mortgage Bank of Sweden, and are jointly responsible for the Bank's liabilities. As further security the state has given the Mortgage Bank, as capital stock, Swedish state bonds at present amounting to 125 million Swedish crowns.

Mortgage loans can be partly amortization loans, partly non-callable loans. The amortization loans are yearly instalment loans where the loans are paid off annually with fixed sums including interest and amortization. Loans are granted on mortgages on landed property which forms an independent production unit. Such loans are based principally upon the fertility of the land. The rate of interest of the mortgage loans is the same as that of the Royal Mortgage Bank's bonds. The loan cannot be recalled by the mortgage association but may usually be repaid by the borrower at any time after ten years. Thus, at any time after ten years the borrower can exchange his loan for one with lower interest if the rate of interest should have fallen; but the association is tied to the original interest for the duration of the loan even if the general market rate of interest should rise. In addition to the interest, the borrowers pay a contribution to administrative expenses—as a rule, one-tenth per cent. of the initial sum borrowed.

The right to borrow depends on the loan value fixed by the mortgage association. This is generally the estate's tax value, but it can also be appraised by special valuation. The loan limit is 60 per cent. of this value. Guarantee loans can be granted to the whole loan value.

The Swedish *rural credit societies* are considerably younger institutions than the rural mortgage associations. The first rural credit societies were founded in 1916, principally on the pattern of the German so-called Raiffeisen credit societies.

The law prescribes that the main purpose of the rural credit societies should be to meet the credit demands of agriculture and to promote saving. A new statute for the activity of the rural credit societies was accepted by the 1956 parliament and came into force on 1 January 1957. This implies that a reorganization is taking place just now. But, as previously, the organization is to be composed of local rural credit societies, central credit societies (twelve in number) and a national organization which for the present is the Association of Swedish Rural Credit Societies. This latter is a member of the Federation of Swedish Farmers' Associations. The Association of Swedish Rural Credit Societies is not only the central leader and superintendent of the local credit societies, but is also in charge of the procuring of capital and other purely banking functions. These will now, however, be taken over by an agricultural bank which is to be founded. That bank is not mentioned in the statute but is a condition precedent for the organization.

At first the local rural credit societies restricted their credit to farm management but this limitation has now been removed as it has appeared that lending in the main consists of real-estate credits, above all first mortgages. Membership in a rural credit society can be obtained by anyone carrying on farming or an ancillary industry, or fishing, or helping by work or services another person in such an activity. Also agricultural organizations (companies, societies or other associations with the main purpose of promoting farming) can be members of rural credit societies. The members pay contributions according to certain rules. Up to now they have been personally responsible for the liabilities of the societies, but are so no longer now that the new statute is in force. There were 600 rural credit societies at the end of 1955 with a total membership of 162,000.

The societies are not allowed to give credits to non-members. The credits can be I.O.U.-loans, bills of exchange, or bank overdrafts. The I.O.U.-loans are to be granted for not more than one year or at

more than three months' notice. Overdraft is to be granted for one year at the most, and bills of exchange are discounted for a maximum period of six months. Loans may be renewed, of course, and hence the formally short-term loans usually function as long-term loans. Loans with fixed interest cannot be granted.

The central credit societies grant loans to the rural credit societies and to agricultural organizations and receive deposits from their members and the public. Since 1943 the organization has been self-supporting in the sense that deposits have exceeded loans.

IV. *Government loans and subsidies*

It is not possible to give here a full account of the various government agricultural loans and subsidies. But as they may be of interest from the international point of view their main purpose and significance will be mentioned. This survey refers to the stipulation in force at the end of 1956.

The government support to *land-improvement measures* is now given to a great extent in the form of governmental credit guarantees and subsidies connected with these measures. There are also some special forms of support. The most important of these is the support given to large-scale draining enterprises, often carried out jointly by several participants. For such enterprises, loans can be granted from the state draining fund and subsidies from the state draining grants. Loans can be granted up to the whole of the approved cost and state subsidies up to 40 per cent. of this cost. The state subsidies given to soil mapping and soil liming are important in relation to the fertility of the land. These subsidies can be obtained by operators of small farms whose economic conditions are unsatisfactory. In this connexion it should be noted that state support is also given to the parceling of farmland. For instance, subsidies are given towards certain surveying costs and to settlement, road and cultivation costs in connexion with partition. Road construction must also be mentioned as an important part of land development. For the most part, the roads are nowadays publicly administered but a rather large number of private roads still remain. State subsidies can be given for the construction and maintenance of private village roads and also for machines and tools necessary for the maintenance of private roads.

Governmental credit guarantees and the corresponding subsidies are also the most important support for *building activity*, but cannot be used for the construction or improvement of dwelling houses. For

this there is a special kind of loan from the state loan fund for dwelling house construction. These loans can be obtained by farmers as well as by others for the building of one- or two-family houses. Own home loans can usually be obtained in addition to the first mortgage up to 90 per cent. of the building cost. The rate of interest is as low as 3 per cent. and besides this the interest on pre-existing loans may be subsidized. Part of the loan (4,000 kr.) is quite free of interest and amortization for ten years. At the end of this period it will be decided by special inquiry whether this is to be repaid or not. If an own home loan should be granted the house may not exceed a certain floor space (for new buildings, 125 square metres) and must contain at least three rooms and kitchen and have certain equipment (as a rule central heating, w.c. and bathroom). Rebuilding loans can be obtained for general improvements and for water, drainage or electric lighting equipment. Subject to means tests, such loans can be combined with direct subsidies in the form of written-off loans. Dwelling allowances and fuel allowances can also be given to families with two or more children, whose incomes do not exceed certain sums and who live in dwellings where certain standards of quality and space are required. Previously, special loans and subsidies have been provided for new building, rebuilding or improvements of farm labourers' dwellings. These loans are now to be suspended in accordance with a resolution of the 1956 Parliament. Instead, own home loans will also be granted for farm labourers' dwellings. Special allowances are also given for countryside electrification, and state loans can also be obtained for the exploitation of waterfalls, for the construction and improvement of electric distribution networks and for electrical installations.

Where *animal husbandry* is concerned there are now special kinds of loans for horses only (formerly there were also limited loans for rabbit breeding). From the state loan fund for promoting horse-breeding, interest-free loans can be granted for the purchase of thoroughbred brood mares, brood mares and stallions of the North Swedish breed, and stallions of the Ardennes breed, and also for building riding schools and the purchase of riding-school horses. During recent years, direct state subsidies have also been paid as breeding premiums for brood mares and stallions, as special allowances to promote North-Swedish horse breeding (in the first place to provide common pastures for young horses and to assist stallion associations) and as subsidies to certain horse-breeding societies (breeding and riding and trotting sport societies). Some support is given to hoof

care in the form of allowances to hoof-care societies and to private farriers. The state-supported horse prizes are also important for horse breeding. For cattle breeding, state support is given to societies and private persons keeping bulls, and to breeding societies keeping national pedigree records, to prizes for cattle, and to control societies for yield control. For sheep breeding there are special allowances for ram keeping, for the starting of ram associations, for the starting and maintenance of sheep-breeding stations (in North Sweden) and for associations using common sheep pastures. There are also state allowances for goat-breeding stations. For hog husbandry there are subsidies for boar-keeping associations, for private farmers for the upkeep of boars and for hog-breeding associations and hog-husbandry stations (in North Sweden). Also certain small allowances are given for poultry and rabbit husbandry and for bee-keeping, but nothing is provided for furred-animal breeding. In the case of all domestic animals, with the exception of rabbits, poultry, furred animals, dogs and cats, state support is given to persons of small means for medical care. Special allowances are given for combating cattle tuberculosis, contagious abortion and other infectious animal diseases. If animals are to be slaughtered because of foot-and-mouth disease or other epizootic disease the owner is compensated from public funds. This applies to all domestic animals except dogs and cats. So far as poultry breeding is concerned, special allowances are given for combating *tulorum* disease including fowl typhoid. A special state fund exists for controlling udder diseases among cattle.

The most important kinds of state support for the purchase of agricultural equipment are loans and allowances that can be obtained for the purchase of machines for joint use. Such loans and allowances may be granted to private persons or to associations for machines to be used by several farmers, or to local inhabitants for providing professional machinery services. To maintain agricultural fuel supplies in case of blockade, special interest-free loans can be obtained for storing tractor fuel. Repayment of petrol taxes is also a form of state support to encourage tractor ownership and use. Petrol is normally taxed but it has been considered that tractors used in farming and gardening should be free of this tax. For practical reasons this has been arranged so that each farmer or contractor owning one or more petrol-driven rubber-wheeled tractors used mainly for agricultural purposes, receives an annual fixed sum as restitution of petrol tax.

Regarding *plant cultivation*, allowances can be given for exhibition

of seed-grain and corn, for founding seed-grower associations or seed-cleansing establishments, for prize awards for seed-growing and information services and for purchase of original seeds by smallholders. In certain cases state subsidies can be given for the rooting out of barbery.

As yet there is no crop insurance against risks connected with variations in crop yields. A state committee is working on the problem. During recent years special subvention loans or contributions in cash have been granted to farmers suffering from crop damage. Subventions which are included in the state agricultural price regulation system are not considered here. It may be of some interest, however, to mention the special so-called producer subsidies which are given to long-established smallholders. Such subsidies can be obtained by a farmer who has owned a farm unit of at most 10 ha. arable land since 1948, and who has not too high an income. The amount of the allowances given depends on the average milk delivery to the dairy during the period 1948-52. For those not delivering milk to dairies the basis is the average number of cows kept during the same time. The highest possible allowance is 380 crowns a year. This allowance is a social device to improve the incomes of smallholders of long standing. The longer-term general agricultural policy is to combine these smallholdings into larger units, so no allowances are given to new operators of smallholdings.

In the case of *forestry*, there are special supporting loans and subsidies. For woodland improvement measures, such as planting timber, draining and clearing, loans can be granted from the state woodland improvements grants as well as from the state woodland loans fund. State subsidies can also be obtained for construction of timber roads, floating ways or forest houses, and state loans for constructing timber roads. In addition the state gives subsidies for special forestry measures in the province of Norrland.

These kinds of support play an essential role in the financing of agriculture. The total sum granted to agriculture from the state during the fiscal year 1954-5 (including all the variations of state support) amounted to 408 million crowns. In 1955 the total outstanding state agricultural credits amounted to 323 million crowns, and loans on governmental credit guarantee amounted to 202 million crowns.

V. *The agricultural credit market*

The table below summarizes the development of the agricultural

credit market since the early thirties. The figures refer to outstanding loans at the end of the year.

The Swedish agricultural credit market, 1933-55
Outstanding loans

<i>Year</i>	<i>Mortgage associa- tions</i>	<i>Agricul- tural credit societies</i>	<i>Savings banks</i>	<i>Commer- cial banks</i>	<i>Insurance companies</i>	<i>The state</i>	<i>Total</i>
1933	419	35	574	300	13	201	1,542
1938	454	103	701	320	37	281	1,896
1945	532	177	695	400	20	300	2,124
1950	733	388	928	396	22	299	2,766
1955	1,051	670	1,238	411	79	323	3,772

The main characteristic of the development of the agricultural credit market is, thus, that the farmers' own credit institutions have taken over the market to an ever-increasing extent. While mortgage associations and agricultural credit societies handled 29 per cent. of the known agricultural credits in 1938, they handled 46 per cent. in 1955. The expansion of the agricultural credit societies has been particularly rapid.

The total sum of the other liabilities in agriculture is not known. From the previously mentioned survey for 1952, however, it is possible to estimate that out of I.O.U.-loans to all farmers the average percentage of loans given by lenders other than those mentioned above was 24, 3 per cent. being by private farmers and 18 per cent. by other private lenders. It thus appears that the private lenders are of even greater importance than the savings banks in financing Swedish agriculture. The I.O.U.-loans, in their turn, amounted to 74 per cent. of all liabilities. Of the rest, 9 per cent. were exchange bills and other commodity drafts.

VI. Some topical problems

Scarcity of capital is for the moment one of the more outstanding characteristics of the Swedish agricultural credit market, owing to the fact that the state has used credit restrictions to counterbalance inflationary pressure. These restrictions are now influencing all markets including the agricultural market.

The Swedish agricultural credit system is soundly constituted and functions well. There will therefore be no great demand for reforms in the immediate future. The legal basis for the Swedish credit system

has lately been surveyed and revised. This has resulted in new legislation for all types of credit institution (the rural mortgage institution in 1955, the savings banks in 1955, the commercial banks in 1955, the agricultural credit institution in 1956).

In the immediate future the greatest gains are likely to be obtained from *insurance activity*. The farmers' trade organization, the Swedish Farmers' Union (R.L.F.), had already begun a reformation which will be continued. The main thought behind this activity is that the possibilities of organizing collective insurances under the Union's own administration should be exploited to the utmost. In this way, insurances can be made considerably less expensive, partly through lower prime costs, partly through lower administration expenses. Thus, since 1954, R.L.F. has organized a *collective insurance against accidents in and out of work* for its members. In scope and benefits this insurance corresponds closely to the compulsory insurance against occupational accidents and disease which automatically applies to all employees and which is financed by premiums paid by the employers. R.L.F. has also made a contribution to another branch of insurance—the *liability insurance*. A collective liability insurance, covering damage to things as well as to persons, was inaugurated in 1955 and now serves about 130,000 farmers (71 per cent. of R.L.F.'s members). The Union has also taken an interest in other insurances—for example, livestock and motor vehicle insurance, although no special kind of insurance for these has yet been started.

A very necessary kind of insurance activity is life and pension insurance. During recent years increasing interest has been taken by all population groups in pensioning. The proposal presented by a special government committee on compulsory nation-wide pension insurance is a manifestation of this interest. It is recommended that not only employees but also the total economically active population should be covered, including farmers and other entrepreneurs (but not housewives). There should be provision for old age and disablement and family pensions. The insurance is not for a social minimum pension (a national pension has been provided in Sweden since 1913 but gives only a fair minimum of subsistence), but is a pension on insurance basis, which in the case of old-age pensions, for example, would give nearly 40 per cent. of the average income earned during the working life assuming that monetary value and income level were unchanged.

The notable feature of the insurance proposed is not only that it should be compulsory for all, but also that it should make possible

a system in which pensions should be adapted to changes in monetary values as well as to the active population's real income level. At the same time it should be based upon sound insurance principles regarding the relations between premiums paid and benefits received. All this should be carried through by relinquishing the premium reserve principle, normally used in life insurance, and substituting for it the so-called distribution principle. According to this the pensions to the passive groups are directly paid by the premiums of the active groups. The connexion to monetary value and real income level can then quite simply be obtained by tying the level of pensions to the development of the nominal average income and by adapting the premiums to that level.

There is no space to give a further account of this interesting project. It can only be stated that it has not been approved by many groups. Thus, the agricultural organizations have rejected it—especially the part concerning old age provision—in the main because the high premiums would increase indebtedness in agriculture and thus obstruct investment development and increases in productivity. A new government committee¹ has been appointed for further work upon the problem.

The question of *group life insurance* is also topical. During recent years this has gained some ground but not yet amongst the agricultural population. It is less expensive than other types but can provide only relatively small capital sums at death.

As a country's agriculture is developed from a natural barter economy to production for the market in a monetary economy, the financial problems get increasingly important. The raising of the agricultural population's income level and living standard seems to be bound up with changes in and enlargement of the financial field. In the first phase the only requirement is to provide this branch of the economy with sufficient capital. When credit problems are satisfactorily solved, as a second phase efforts can be directed to the levelling of various risks. These are not only casualty risks but also personal risks of sickness, disablement and premature death. Taking a long view, a third phase might perhaps be pictured, where the income level of the agricultural population has been raised so high, and its disposable surplus capital has reached such quantities, that the agricultural organizations should also help their members to invest this surplus capital.

¹ This committee presented its report at the beginning of 1957.