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Revised Estimates of Non-Real-Estate Farm Debt Owed to Nonreporting Creditors,  
and of Total Non-Real -Estate Farm Debt, 1949-64

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SEP 23 1964

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At the beginning of 1964, farm operators and landlords owed \$16.2 billion in loans not secured by farm real estate. Over 40 percent of this amount was owed to merchants, dealers, and other creditors who do not report to regulatory agencies the amount of the loans they hold. These debts totaled \$6.7 billion on January 1, 1964, according to revised estimates--\$2.2 billion above the earlier estimate (table 1, fig. 1). These revised estimates, covering the period 1949-64, were based on benchmark estimates of farm debt for January 1, 1961.

The benchmark estimates were prepared by the authors following the 1960 Sample Survey of Agriculture by the Bureau of the Census, and were included in an earlier report.<sup>1/</sup>

Banks, the production credit associations, the Farmers Home Administration, and the Federal intermediate credit banks report regularly, either to supervisory agencies or through their publications, their outstanding loans to farmers. These institutions have been designated as "reporting lending institutions." But an important part of the non-real-estate credit used by farmers and landlords has been provided by the "nonreporting creditors." For many years this important segment of the debt was estimated from scattered bits of data.

The 1960 Sample Survey of Agriculture provided the first data ever available on a nationwide basis on the non-real-estate farm debt held by these nonreporting lenders. Through careful analysis of these data, in conjunction with census and agency data for the reporting lenders, we developed the benchmark estimates of farm debt and its components reported in ERS-167. As will be shown, the benchmark estimate for non-reporting creditors seemed to be in reasonable relationship to earlier estimates for the years 1940-57, but necessitated substantial revision of estimates for the years 1958-64.

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<sup>1/</sup> Garlock, Fred L., and Allen, Philip T. Technical Appraisal of the 1960 Sample Survey Estimates of Farm Debt. Econ. Res. Serv. ERS-167, 1964, appendix, pp. 17-28. This publication describes the methods used to estimate the components of total farm debt based on survey data and all other available data. The survey data were adjusted to take account of estimated underreporting and other factors.

Table 1.--Revised estimates of total non-real-estate farm debt and non-real-estate farm debt held by nonreporting creditors, 48 States, Jan. 1, 1949--Jan. 1, 1964

Year	Non-real-estate debt (excluding Commodity Credit Corporation loans)			Earlier estimates of non-real-estate debt held by nonreporting creditors
	Total (revised)	Held by reporting institutions <sup>1/</sup>	Held by non-reporting creditors (revised) <sup>2/</sup>	
	Million dollars	Million dollars	Million dollars	Million dollars
1949 ---	4,930	2,710	2,220	2,200
1950 ---	5,154	2,834	2,320	2,400
1951 ---	6,126	3,366	2,760	2,800
1952 ---	7,393	4,063	3,330	3,200
1953 ---	7,675	4,215	3,460	3,400
1954 ---	5,804	3,744	3,060	3,200
1955 ---	7,196	3,986	3,210	3,300
1956 ---	7,910	4,420	3,490	3,500
1957 ---	7,960	4,470	3,490	3,500
1958 ---	8,814	4,994	3,820	3,500
1959 ---	10,085	5,765	4,320	3,700
1960 ---	11,521	6,661	4,860	3,900
1961 ---	11,961	6,971	4,990	4,000
1962 ---	12,902	7,542	5,360	4,100
1963 ---	14,494	8,474	6,020	4,200
1964 ---	16,185	9,465	6,720	4,500

<sup>1/</sup> All operating banks, production credit associations, Farmers Home Administration, and Federal Intermediate Credit banks. (These Federal Intermediate banks make loans to and discounts for livestock loan companies and agricultural credit corporations.)

<sup>2/</sup> Merchants and dealers, consumer and sales finance companies, various other non-reporting lending institutions, individuals, and miscellaneous creditors. Figures rounded to nearest \$10 million.

Note: Earlier estimates of non-real-estate debt held by nonreporting creditors for period 1940-48 did not require revision.

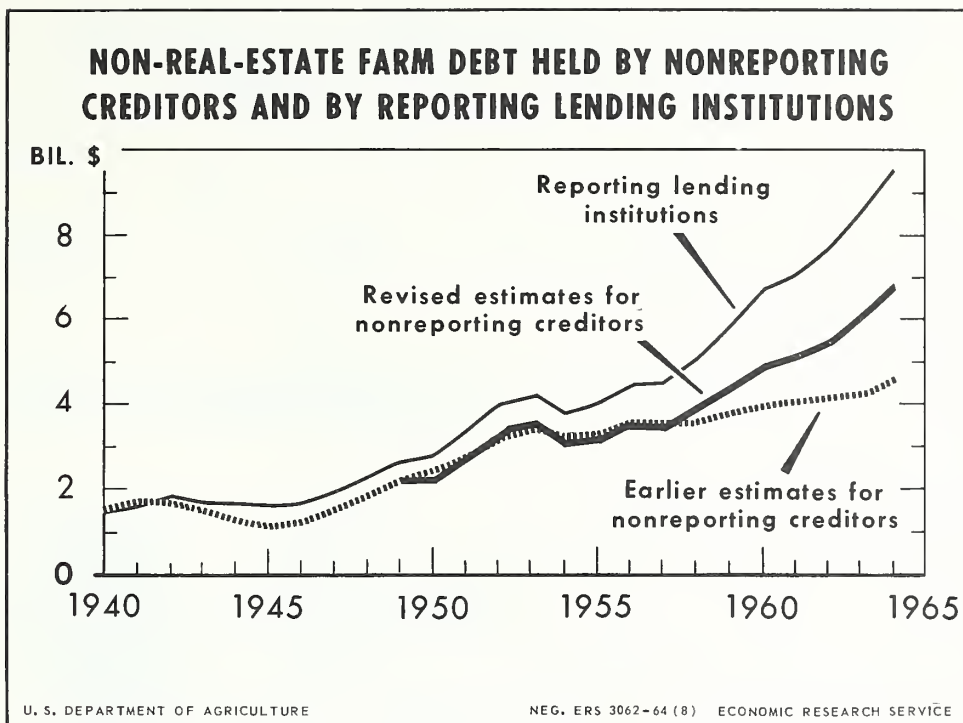


Figure 1

In revising the estimates of non-real-estate farm debt, we modified our original benchmark data to take account of the manner in which the lending institutions report. Both the loans of production credit associations and the "other loans to farmers" reported by banks include some loans that are secured by real estate. Since the amount of these loans is not regularly reported, we have used the total loans of production credit associations and the total of the "other loans to farmers" reported by banks in computing the non-real-estate farm debt held by reporting lending institutions. Table 2 gives the original benchmark estimates (from ERS-167) and the modified estimates for the various components of the debt.

Although these modifications were made primarily because of the manner in which lending institutions report their loans, they also increase the usefulness of the data on non-real-estate farm debt as a measure of the amount owed for short- and intermediate-term purposes. Nearly all of the loans of production credit associations and of the "other loans to farmers" made by banks are used for such purposes--even those secured by real estate. For the same reason, we have treated all farm debt owed to merchants and dealers as non-real-estate debt, even though part of this debt also is secured by real estate.

A limitation of the sample survey data for which no adjustment has been made should also be noted. Survey respondents were instructed not to report any debts they owed to merchants and dealers for family living purposes (in contrast to debts incurred for farm operating purposes). Thus, the debt owed by farmers to merchants and dealers shown in the tabulation may fall short of the total amount farmers owed to these creditors.

Table 2.--Benchmark estimates and estimates modified to conform to reports of lending institutions, non-real-estate farm debt as of January 1, 1961

Lending institutions	Benchmark estimates <u>1/</u>	
	Original <u>2/</u>	Modified
	Million dollars	Million dollars
Reporting lending institutions:		
Commercial and savings banks -----	4,944	4,984
Production credit associations -----	1,140	1,480
Farmers Home Administration -----	418	418
Federal intermediate credit banks -----	<u>3/</u>	<u>3/ 88</u>
Subtotal -----	6,502	6,971
Nonreporting creditors:		
Merchants and dealers -----	2,374	2,502
Individuals -----	1,345	1,345
Other lending institutions -----	1,010	922
Miscellaneous -----	218	218
Subtotal -----	4,947	4,987
Total non-real estate farm debt ----	11,449	11,958

1/ Figures may not add to total, due to rounding.

2/ ERS-167, table 8, p. 22.

3/ In benchmark estimates, included under "other lending institutions."

The basis for revision of earlier estimates of non-real-estate farm debt in 1949-64 is shown in figure 2. We first plotted the annual ratios (shown by the dotted line) between earlier estimates of non-real-estate farm debt held by nonreporting creditors and non-real-estate farm debt reported by the reporting lending institutions. The ratio for 1961, based on the modified benchmark data, was then calculated and plotted. Study of the relation between the ratios for the earlier estimates and the 1961 ratio indicated that the earlier estimates were reasonable, apart from minor ups and downs, until 1957 when the ratios for the earlier estimates began to decrease sharply.

A high ratio of debt to nonreporting creditors had been assumed for 1940 and 1941 because of the curtailment of lending by banks during the depression of the 1930's. Although non-real-estate farm debt to reporting lenders changed little from 1941 to the end of World War II, it is likely that credit from nonreporting creditors dropped considerably during that period because of severe war-time restrictions on output of many goods that often are financed with credit from merchants and dealers. From 1945 to 1949, as rationed goods again became available these nonreporting creditors, particularly merchants and dealers, probably increased their loans rapidly. However, because of the stronger financial position of farmers and the large excess reserves of banks, we doubt that the ratio for nonreporting creditors ever reached as high a point in the postwar period as it had attained in 1940 and 1941.

In this revision, it was assumed that the ratio for nonreporting creditors remained stable from 1949 to 1953 and that it declined slowly thereafter to the benchmark level for 1961. The fear of a severe postwar recession had largely subsided by the late forties. Following the decline in farm prices after the Korean conflict, the

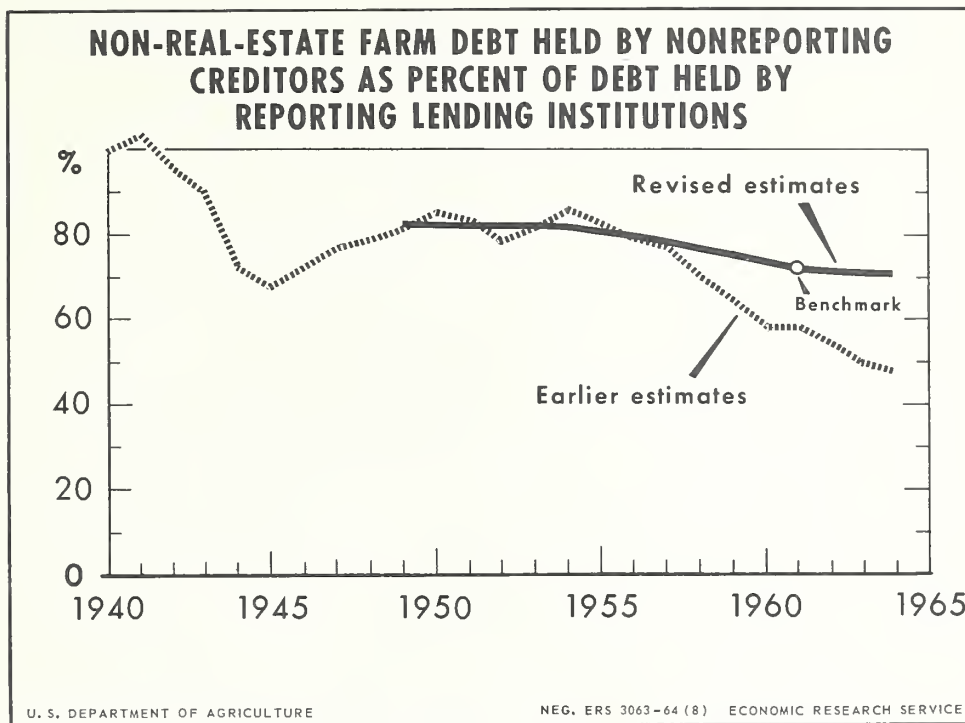


Figure 2

reporting lenders rapidly expanded their loans to farmers and many banks appointed agricultural representatives to handle their farm loans. The 1961 benchmark estimate indicates that nonreporting creditors also expanded their farm credits greatly--much more than had been assumed before the data for the benchmark estimate became available.







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