THE MAJOR SOURCES AND USES OF AGRICULTURAL CREDIT AS REPORTED BY LENDING INSTITUTIONS IN A TWO COUNTY AREA OF OKLAHOMA

By

RONALD JAMES CURRY

Bachelor of Science

Oklahoma State University

Stillwater, Oklahoma

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Thesis Approved:

James W. White
Thesis Advisor

Eddy Finley

Robert Terry

Norman N. Durham
Dean of the Graduate College

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CHAPTER I

INTRODUCTION

The dilemma of agriculture in 1985 affected all lending institutions serving agriculture. Some were forced out of business and others suffered crippling impairments of their capital and reserves. Ten banks in Oklahoma were closed during the first ten months of 1985, with two located in the study area. Ralph Darter (4), agricultural loan officer for Security National Bank of Duncan, in a personal interview confirmed that he was told there would be 250 to 300 agricultural banks closed nation-wide. During the same period of time, Federal Land Banks and Production Credit Associations were in a merger process. This would allow the Farm Credit System to transfer capital between the systems to struggling and failing loan associations. The Farm Credit System's Governor Donald E. Wilkinson told the Daily Oklahoman in a personal interview that the Farm Credit System was facing a net loss nation-wide for 1985-86; the first loss since the 1930's reported Cromley (3).

Problem

This crisis brought forth the need for a study of the major sources, availability and acquisition of agricultural credit by producers in Stephens and Jefferson counties of Oklahoma.

Agricultural credit has been extremely important to farmers. Sources of credit, availability, terms for obtaining it, and how best to utilize it have been essential factors in making relevant decisions concerning those who depend on credit to maintain and/or expand the farm business.

"The availability of credit is very important to farmers and ranchers in today's agriculture", said Gaines (8), President of the Duncan Production Credit Association. As indicated in Agriculture Bulletin 451 (26), "Credit is extremely important to farmers". These two statements point out that credit was necessary for the orderly function of agriculture. The two banks that were closed, Terral State Bank and First National Bank of Marlow, brought out the question, "where could agricultural producers find a source of agricultural credit" and "what were the requirements for obtaining that credit".

Purpose

The purpose of this study was to determine the major sources, availability and acquisition of agricultural credit for producers in a two county area of Oklahoma.

Objectives

In order to accomplish the purpose of this study it was necessary to achieve the following objectives:

1. To identify major agricultural credit sources available to producers in a two county area of Oklahoma.

2. To determine the amount of agricultural credit available to producers in a two county area of Oklahoma.

3. To identify problems of credit acquisition encountered by producers from agricultural lending institutions in a two county area of Oklahoma.

4. To identify the general characteristics of agricultural lending institutions in a two county area of Oklahoma.

Assumptions

With regard to this study the following assumptions were made:

(1) That opinions expressed by the loan officers of the credit institutions were honest and constructive and represented the policy of their financial institutions.

(2) The instrument was adequate in determining the sources, availability and guidelines necessary for the acquisition of agricultural credit.

Definitions

The following are definitions of words used in this report:

Agricultural Lending Institution: A commercial business engaged in loaning money or credit to producers for the purchase of agricultural equipment, real estate, livestock and/or supplies. For the researchers purpose agricultural lending institution refers to commercial banks, Production Credit Associations, Federal Land Banks and Farm Home Administration.

Assets: Any items of value owned by an individual or organization such as: real estate, cash, personal property, stocks, livestock, etc.

Chattels: Assets of a personal nature such as machinery, automobiles, livestock or crops.

Capital: Money invested in assets of a business.

Cash Flow: A statement showing income and expense for a given time.

Collateral: Items pledged or mortgaged to secure a note.

Co-signature: One who jointly or individually resumes responsibility for a loan.

Credit: Time given for a trust in someone to pay at a later date.

Debt: Obligation due to others, usually money owed.

Equity: The value of property beyond the total amount owed on it.

Finance: To provide capital for the operation of a farming or ranching unit.

Financial Statement: A form showing assets compared to liabilities.

Interest: Premium paid for the use of money.

Liabilities: Anything for which a person is liable such as debts.

Mortgage: A legal assignment of property to a creditor as security for a debt.

Net Worth: The difference between assets and liabilities.

Operating Expense: The costs recurrent every year such as taxes, interest, rent, land payments, fuel, seed, fertilizer etc.

Refinance: Repay one debt by borrowing from the same or another source.

Security: Something given as a pledge of repayment; fulfillment of a promise; protection; guarantee.

Scope

This study was limited to the agricultural lending institutions located within two southern Oklahoma counties. Stephens and Jefferson counties are located in South Central Oklahoma, with U.S. Highway 81 being the major north-south road. Duncan, the county seat of Stephens county, is 75 miles south southwest of Oklahoma City. Waurika, the county seat of Jefferson county, is 100 miles south of Oklahoma City. Stephens county's major agricultural enterprises were wheat, hay crops, and beef cattle with peanuts, cotton, and swine being minor enterprises. Stephens county had 244,014 acres of crop land and 331,101 acres of pasture and range land with an average farm size of 549 acres. Their were

2754 farmers according to Agricultural Stabilization and Conservation Service (ASCS) director Tom Hergee (10).

Jefferson county's major agricultural enterprises were beef cattle, wheat, hay crops, and pecans with minor enterprises of oats and vegetables. Jefferson county had 83,000 acres of crop land in production and 376,483 acres of pasture and range with an average farm size of 894 acres. The county had 1016 farmers according to Hergee (10).

This study included the following agricultural lending institutions based on their location in the two county area.

State National Bank of Marlow
First National Bank of Marlow
Duncan Production Credit Association
Pauls Valley Federal Land Bank-Duncan Branch
Farmers Home Administration-Duncan
Farmers Home Administration-Waurika
Citizens Bank of Velma
Security State Bank of Comanche
First Bank and Trust Co. of Duncan
First Farmers National Bank of Waurika
First State Bank of Ryan
Oklahoma National Bank of Duncan
Peoples Bank & Trust of Ryan
Security National Bank & Trust Co. of Duncan
Waurika National Bank
American National Bank of Duncan

Home Savings Bank - Duncan Branch

Ringling State Bank

It was the intent of this study to ascertain information from the agricultural lending institutions that might benefit producers in locating sources of credit and the guidelines for securing agricultural credit from those sources. An attempt was made to identify those characteristics each lending agency had in common.

CHAPTER II

REVIEW OF LITERATURE

The purpose of this chapter was to present an overview of related and indirectly related literature that identified areas of concern relevant to the study.

The presentation of this review was divided into two major areas and a summary to facilitate clarity and organization. The areas were: Importance of Agricultural Credit and Importance of the Farm Economy to Rural America.

Importance of Agricultural Credit

The need of agricultural credit was emphasized in Agriculture Bulletin 451 (26), "Credit is extremely important to farmers. You must know where to find it, terms for obtaining it, and how best to use it so you can pay for it (p. 30)." Plaxico (20), stated "Farmers use debt capital to expand operations and/or make investments to achieve greater production efficiency and cover cash flow deficits (p. 30)." Both of these statements point to the need and importance of agricultural credit. In summary, agriculture credit was important. Financing Modern Agriculture (7) states that,

> Modern farmers use credit not because they are in poor financial condition but because it helps them make more money. With greater incomes they can have more comfortable homes, books, music,

> education for their children and other things that make life more enjoyable (p. 15).

The majority of agriculture's business was done on borrowed money. The average farmer in Stephens county managed $100,000 of borrowed money and in Jefferson county he managed $150,000 according to the Agricultural Census of 1982 (19). Chapman (2) pointed out that "Almost every successful farmer must, at one time, borrow some money (p. 251)". Tweeten (22) indicated in 1980 farmers of Oklahoma spent $191 million for interest on farm mortgage debt. In addition Tweeten (22) further reported the interest on farm mortgages showed the greatest percentage increase for all farm expenses between 1949 and 1980. Plaxico (20) in the Current Farm Economics, stated that total farm debt had increased from $466 million in 1960 to $5.4 billion in 1983 with the debt equally spread between farm real estate of 2.7 billion dollars and farm non-real estate debt of 2.7 billion dollars. The weighted average price of farmland in Oklahoma in 1985 was 521 dollars according to a survey of ASCS directors said Hergee (10). The average farm size of Stephens county and Jefferson counties being 549 acres and 894 acres would give the farmers of the counties operating farmland worth 286,029 dollars and 465,774 dollars respectively. These figures would be rough estimates, but does give the idea of how much money the farmers of the two counties were managing.

Properly used credit can speed up the process of farm ownership or make the farm more efficient through newer equipment or needed equipment. Agricultural credit, if used correctly, can bring the farmer higher prices for his goods if he can borrow against his crops or livestock to meet expenses while not selling them at a seasonally low price.

Importance of the Farm Economy to Rural America

William Jennings Bryan said something to the effect, "Burn down your cities and our farms will rebuild them, destroy our farms and grass will grow in the streets of your former great cities" wrote Rozwenc (21). Bryan was simply saying without America's agriculture our nation could not be great. The American farmer grows enough to feed himself and 70 to 80 other people according to Tweeten (22). These 70 to 80 other people were free to pursue jobs either non-related or semi-related to agriculture. Nelson (17) wrote that an estimated 243,000 workers in Oklahoma had jobs related to agriculture.

The Oklahoma Agriculture 2000 (22) stated that in 1980 farmers in Oklahoma spent \$527 million for feed, \$439 million for livestock, \$160 million for fertilizer and lime, \$161 million for hired labor, and \$363 million for repairs and operation of machinery and other capital items.

Gibson (9) wrote that a recent study of Iowa farm failures revealed every bankrupt farmer left behind \$70,000 in unsecured loans. He further stated that it would be the Agribusinesses; feed dealers, equipment dealers, fertilizer and chemical dealers and others who would take the loss. Gibson (9) quoted Plaxico as saying

> the towns of 800 to 1500 are going to have real problems surviving, they are not going to be big enough to support financial institutions and agricultural marketing and supply businesses needed by the large commercial farmers (p. 15).

The farm crisis of the 1980's most dramatically affected the small town that provides retail and agribusiness trade to farming areas. Without the farmer as known then the rural farm towns could not survive. Bob Bergland, former Secretary of Agriculture, stated that the question was

> 'Who is going to farm and under what terms, if a system is not devised to stop the hemorrhaging, the decline of the family farm will happen very fast. As a result rural business will be carried out in the big cities' reported Gibson (9) (p. 15).

The Economic Review (5) reported that agricultural bankers in a survey found that in 1983 exits from farming due to financial stress were 2.8 times higher than normal. Partial liquidations were 3.3 times higher than normal.

The Hoards Dairyman (11) reported that a survey by the Federal Reserve Bank of Kansas City revealed that 23 percent of the rural non farm businesses were having severe financial problems.

The importance of the farm economy to Oklahoma was best stated by U.S. Representative Glenn English "The decline of the farm is the state's number one problem. We haven't dealt with anything this serious since the great depression" reported Morgan (16).

Agriculture is the largest basic industry in Oklahoma whose output can be sustained in the forseeable future. The long-run economic future of Oklahoma will be determined more by agriculture than by any other industry wrote Tweeten (23). He further said that preserving the family farm not only helps a way of life, but also the economic and social base for the local rural community.

Oklahoma's economic base is narrow based, consisting of the oil and gas industry and agriculture. Of these only agriculture was a renewable resource. Investment in the development of Oklahoma's greatest renewable resource, agriculture, can broaden the states economic base wrote Nelson (18).

Campbell (1) wrote in the Drovers Journal that the farm credit situation in 1985 was so bad that unless something drastic was done in the near future, up to one third of the commercial farm operations would be unable to continue. He went on to say that American agriculture was on the edge of a major financial collapse which could effectively destroy much of midwestern rural America as it was known.

Jack Craig, president of the Oklahoma Board of Agriculture, wrote in the Oklahoma Agricultural Statistics (19):

> one of Oklahoma's most important industries continues to be agriculture. Its influence is felt throughout all seventy-seven of the state's counties and has its major impact in most rural communities (p. i).

A statement by Nelson (18) supports the previous statement,

> The value of Oklahoma's agricultural production in 1980 was almost $3 billion. It was produced on about 80,000 farms occupying more than 34 million acres of land - almost 80 percent of the states land area (p. 826.1).

Agriculture was of critical importance to the rural communities in Oklahoma. Many firms were directly involved with agriculture. Others depend on a major part of their business from farm people or people who work in agri-businesses.

Nelson (18) states agricultural output directly accounts for only four percent of the total goods and services output for Oklahoma. However, 13 percent of the state's output could be attributed to agriculture. In Oklahoma, nine percent of income and 11 percent of employment were directly from agriculture; but 31 percent and 29 percent of the state's income and employment, respectively, were attributable to agriculture.

Farmers spend money for other items besides agriculture. When the farmer has a good year he purchases goods for the home and a better way of life, when farm income drops, the farmer curtails spending by cutting back on all but the necessities.

The rural economy was affected during these times of low farm income. Figures from the Oklahoma Agriculture Statistics 1984, (19) states that net farm income for 1982 was $7,025 but in 1983 only $1,158. This was a sharp decline of $5,867 on the average per farmer. The decline of $5,867 meant less dollars per farmer to spend in town or on equipment.

Summary

In summary, agricultural credit was important to both lenders and producers. As stated earlier farmers used credit not because of poor financial planning but to make money. The wise use of credit has played a major part in the growth of agricultural productivity. Farmers used credit to expand their operations or buy needed items in larger quantities at a lower cost per unit.

Lenders loaned money to agricultural producers for livestock purchases, new equipment, crop supplies, and real estate. These purchases allowed the local businesses to pay their employees and debt obligations. The use of credit was desirable and useful when it improved the economic and social well being of the farm family.

Agriculture was of critical importance to rural America and its communities. Agricultural credit acquisition problems were a symptom of low farm net income. With low farm income the farming sector had less to spend in rural towns thus hampering or lowering the economy of rural America. Rural America depended upon the farm economy, with a healthy farm economy rural America thrived, and with a sick or depressed farm economy so went rural America. The economy of Stephens and Jefferson counties was dependent upon agriculture and the oil industry. Of the two, agriculture was renewable. A significant group of the population in the two counties was dependent upon agriculture for all or part of their income. When agriculture suffered so did their incomes. When the people dependent on agriculture suffered their spending in towns and business were reduced, thus bringing economic hard times to towns and cities.

CHAPTER III

DESIGN AND METHODOLOGY

The purpose of this chapter was to describe the methods and procedures followed in conducting this study. In order to acquire data which would provide information relating to the intent and objectives of the study, a population was determined and a survey instrument developed for data collection. Procedures were established to facilitate data collection and methods of data analysis were selected. Data were collected during December, 1985. Specific objectives of the study were utilized to provide direction for the conduct and design of the research. The specific objectives were:

1. Identification of major agricultural credit sources available to producers

2. Determining the availability of agricultural credit to producers

3. Identify problems of credit acquisition encountered by producers from agricultural credit institutions

4. Identify the general characteristics of agricultural lending institutions in a two county area of southern Oklahoma.

The Population

The study area selected was Stephens and Jefferson counties in South Central Oklahoma. The area was selected due to its proximity to the researcher's home. It was decided that only agricultural lending institutions within the two counties would be interviewed. Agricultural credit institutions were defined as those commercial lending institutions that had agricultural loans outstanding at the time of the study.

The credit institutions in Stephens and Jefferson counties were chosen from the area telephone directory. These credit institutions were contacted by phone and asked if they had agricultural loans in their portfolio. Those with agricultural loans were identified as major agricultural credit sources. The scope of this study was limited to the major cources of agricultural credit located in Stephens and Jefferson counties of Oklahoma.

Administration and Development of the Instrument

Due to the small population, a personal interview questionnaire was utilized as the most effective method of gathering information. The lending institutions' loan officers were interviewed during December, 1985. The questionnaire was developed after studying a similar instrument developed by Marhler (15) in 1963. After consultation with the author's thesis committee and several revisions a questionnaire was field tested with three agricultural loan officers from outside the two county area. The questionnaire was then approved. The use of the personal interview type questionnaire was utilized to achieve the objectives of the study.

Analysis of Data

The population of this study included all lending institutions identified in Stephens and Jefferson counties with agricultural loan portfolios. Information obtained from the survey provided a procedure for identifying credit sources, its availability and essential "tools" for acquisition. The questionnaire contained 24 short answer items. Major topics included agency utilization of farm credit loan officers, types of loans available, repayment schedules, purpose of loans, interest rates, credit information, foreclosure, loans to minors, borrower characteristics, factors in establishing credit, "tools" of credit acquisition and responsibility for education programs.

The information was derived using a battery operated calculator. Frequency distributions, percentages, and rank ordering were the descriptive statistics used to describe the data.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

Introduction

The purpose of this chapter was to present, describe, and analyze the major sources, availability and acquisition of agricultural credit for producers in Stephens and Jefferson counties of Oklahoma. The data was collected by personal interview with the loan officers from 17 of the 18 major suppliers of agricultural credit. After several unsuccessful attempts to interview the loan officer of one financial firm it was decided not to include them in the study.

The identity and characteristics of the lending institutions were reported in the first section of this chapter. The second section of the chapter was devoted to the perceived causes of foreclosure of producers by the lending institutions. The third section focused on general characteristics of agricultural borrowers and specific characteristics of loans to high school students. The fourth section of the chapter concentrated on the need of agricultural credit education and who should present such programs.

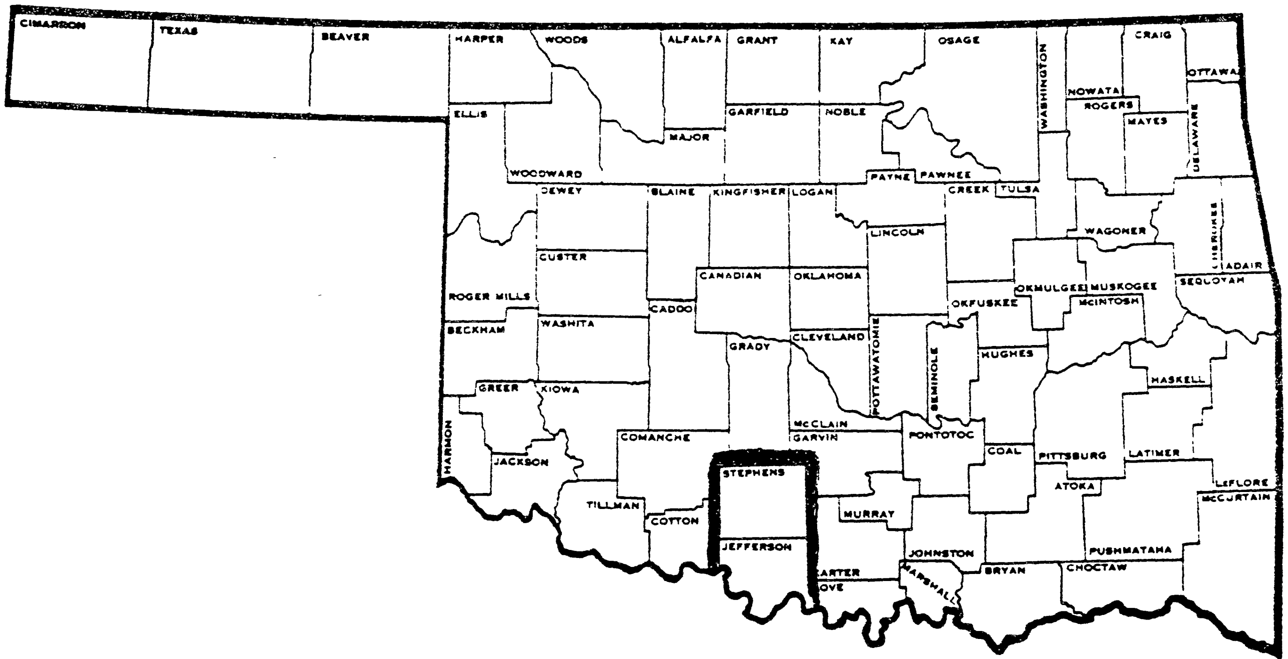
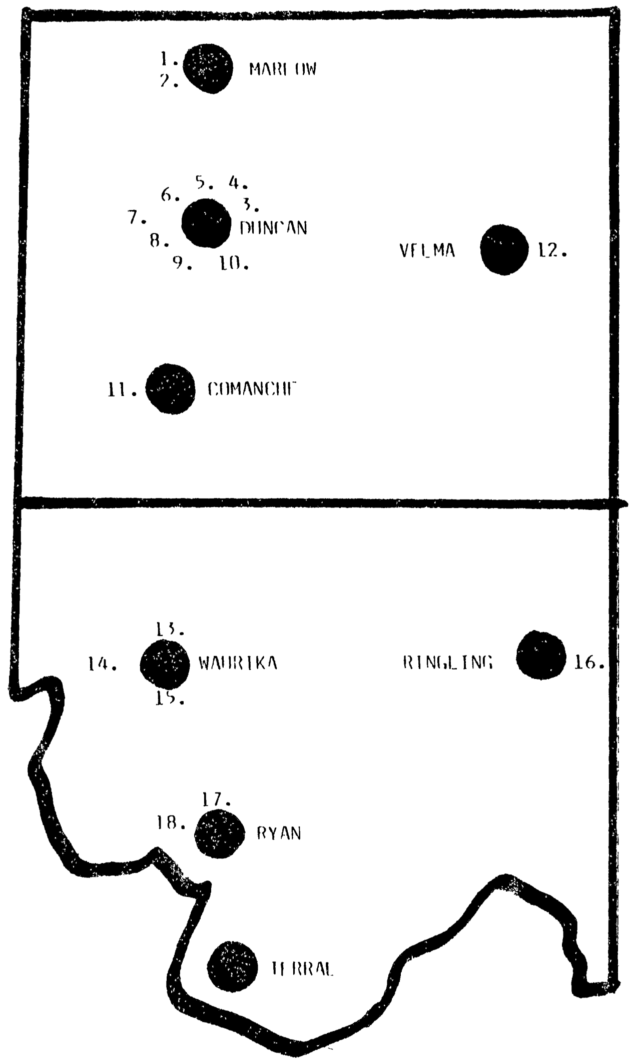


Figure 1. Location of the Two County Study Area in Oklahoma



1. State National Bank of Marlow
2. First National Bank of Marlow
3. Duncan Production Credit Association
4. Pauls Valley Federal Land Bank - Duncan Branch
5. Farmers Home Administration - Duncan
6. First Bank and Trust Co. of Duncan
7. Oklahoma National Bank of Duncan
8. Security National Bank & Trust Co. of Duncan
9. American National Bank of Duncan
10. Home Savings Bank - Duncan Branch
11. Security State Bank of Comanche
12. Citizens Bank of Velma
13. Farmers Home Administration - Waurika
14. First Farmers National Bank of Waurika
15. Waurika National Bank
16. Ringling State Bank
17. First State Bank of Ryan
18. Peoples Bank & Trust of Ryan

Figure 2. Map of Study Area and List of Agricultural Lending Institutions Within This Area

General Characteristics of Agricultural Lending Institutions

The subjects of this study included the major agricultural lending institutions of Stephens and Jefferson counties of Oklahoma. Major agricultural credit institutions were defined as those lending agencies that had agricultural loans at the time of the study. The telephone directory was used to call all credit institutions located in the two county area. The credit agencies were asked if they had agricultural loans, 18 answered yes, and were identified as major agricultural credit institutions. Seventeen of the eighteen or (94.4 percent) agreed to a personal interview and were included in this study.

A 24-question survey was administered to each institution. The statistical analysis was based on the frequency of responses given on each individual statement. Certain respondents chose to answer in more than one area of a question and this had the effect of altering the frequency (N) of total responses on those questions.

Indicated in Table I was the utility of experienced farm credit officers by the 17 agricultural lending firms. Twelve (70.6 percent) employed full time farm credit officers, while one (5.9 percent) had a part time farm credit officer. Three (17.6 percent) utilized a combination arrangement for their agricultural loan officers and one (5.9 percent) employed no experienced farm credit loan

TABLE I

DISTRIBUTION OF RESPONDENTS BY CAPACITY OF EXPERIENCED FARM CREDIT OFFICERS

Employment Arrangement	Frequency (N=17) N	Distribution %
Yes, Full-time	12	70.60
Yes, Part-time	1	5.90
Combination	3	17.60
No	1	5.90
Total	17	100.00%

officer. The institution with no experienced farm credit officer was relatively new with most loans being commercial and had few agricultural loan portfolios.

Table II outlined the types of agricultural loans available to producers in Stephens and Jefferson Counties from the 17 major agricultural lending firms. There was a total of three (17.6 percent) which made only chattel loans, while one (5.9 percent) firm was strictly real estate. A large majority of the institutions 13 (76.5 percent) had both chattel and real estate loans.

Table III revealed the repayment schedules of chattel loans. Chattel loan repayments of under one year were utilized by six (27.27 percent) of the respondents, while chattel loan repayments of one to three years totaled seven (31.82 percent). Three to five year repayment programs were used by six (27.27 percent) financial firms. However, only three (13.64 percent) of the lending firms allowed five or more years for repayment of chattel loans. In addition, some institutions had different repayment schedules for chattel loans depending upon the purpose of the loan. For example, a crop loan was under one year where a "stock cow" loan was for three to five years.

Table IV showed the repayment schedules of real estate loans used in the two county area. Only 14 (82.4 percent) of 17 credit institutions made real estate loans, however, two (14.29 percent) used a repayment of one to three years, two (14.29 percent) agencies used four to six years and

TABLE II

DISTRIBUTION OF RESPONDENTS BY TYPES OF AGRICULTURAL LOANS

Types of Loans	Frequency (N=17) N	Distribution %
Chattel	3	17.60
Real Estate	1	5.90
Both	13	76.50
Total	17	100.00%

TABLE III

DISTRIBUTION OF RESPONDENTS BY REPAYMENT SCHEDULF OF CHATTEL LOANS

Repayment Schedule	Frequency (N=17) N	Distribution %
Under 1 year	6	27.27
1 to 3 years	7	31.82
3 to 5 years	6	27.27
5 or more years	3	13.64
Total	22	100.00%

TABLE IV

DISTRIBUTION OF RESPONDENTS BY REPAYMENT SCHEDULE OF REAL ESTATE LOANS

Repayment Schedule	Frequency (N=17) N	Distribution %
1 to 3 years	2	14.29
4 to 6 years	2	14.29
7 to 9 years	5	35.71
10 years or more	5	35.71
Total	14	100.00%

seven to nine years repayment was used by five (35.71 percent) agencies. Ten years or more for repayment of real estate loans was utilized by five (35.71 percent) of the farm credit firms.

Table V revealed the use of chattel loans by area of loan utilization. Purchasing livestock was ranked first with 17 (100 percent) of the credit agencies reporting activity. Eleven (64.7 percent) of the institutions reported winter crops ranked fourth in perceived importance regarding loan activity in this area. Summer crop loans were ranked third in importance with regard to the amount of loan activity in this area with 12 (70.6 percent) agencies, while hay loans ranked fifth with 10 (58.5 percent) financial firms and pasture improvement loans ranked sixth with seven loans (41.2 percent) reported by lending firms. Machinery and equipment loans were reported by 16 (94.1 percent) of the 17 financial firms which ranked second among chattel loan utilization. Vegetable loans were reported by three (17.6 percent) agencies ranking them seventh in loan activity.

Table VI illustrated the frequency of agencies with maximum loan amounts. The distribution real estate loan revealed 12 (70.59 percent) agencies with maximum loan amounts, two (11.76 percent) had no maximum loan, while three (17.65 percent) did not make real estate loans. Maximum real estate loans to an individual ranged from $100,000.00 to $3,500,000.00 with an average loan value for area financial firms of $635,000.00.

TABLE V

A SUMMARY OF CHATTEL LOANS BY AREA OF UTILIZATION

Area of Loan Utilization	Frequency (N=17) N	Distribution %	Percent of lending agencies (%)	Rank
Purchase Livestock	17	22.37	100.00	1
Winter Crops	11	14.47	64.70	4
Summer Crops	12	15.59	70.60	3
Hay	10	13.61	58.80	5
Pasture	7	9.21	41.20	6
Machinery and Equipment	16	21.05	94.10	2
Vegetables	3	3.95	17.60	7
Total	76	100.00%		

TABLE VI

A SUMMARY OF WHETHER OR NOT MAXIMUM LOAN AMOUNTS WERE MADE FOR REAL ESTATE AND/OR CHATTEL MORTGAGES

Type of Mortgage	Frequency (N=17) N	Distribution %
Real Estate:		
Yes	12	70.59
No	2	11.76
Not Applicable	3	17.65
Chattel Mortgages:		
Yes	14	82.36
No	2	11.76
Not Applicable	1	5.88

The distribution of firms with maximum chattel loans revealed 14 (82.36 percent), while those without a maximum numbered two (11.76 percent), and one (5.88 percent) agency reported it did not make chattel loans.

Table VII outlines the use of Agricultural credit as perceived by loan officers of credit institutions. Three (17.65 percent) indicated that the use of agricultural credit was increasing, while nine (52.94 percent) agencies stated agricultural credit use was about the same and five (29.41 percent) described agricultural credit as a decreasing sector.

Table VIII indicates the methods of repayment used by agricultural producers to financial firms. Monthly payments were reported by two (8.33 percent) respondents. Quarterly payments were used by two (8.33 percent), while semi-quarterly payments were reported by nine (37.5 percent) agencies and annual payments were used by 11 (45.84 percent) agencies. Semi-annual and annual payments combined made up 83.34 percent of the methods used to repay agricultural loans.

Characteristics of Agricultural Interest Rates

Table IX indicates the interest rate arrangements utilized by lending agencies in Stephens and Jefferson counties. There were seven (43.75 percent) institutions charging a fixed rate of interest for real estate, while

TABLE VII

A SUMMARY OF RESPONDENTS' PERCEPTIONS BY CATEGORY OF AGRICULTURAL CREDIT UTILIZATION

Category	Frequency (N=17) N	Distribution %
Increasing	3	17.65
About Same	9	52.94
Decreasing	5	29.41
Total	17	100.00%

TABLE VIII

A SUMMARY OF AGRICULTURAL LOAN REPAYMENT SCHEDULES

Method	Frequency (N=17) N	Distribution %
Monthly	2	8.33
Quarterly	2	8.33
Semi-Annually	9	37.50
Annually	11	45.84
Total	24	100.00%

TABLE IX

A SUMMARY INTEREST RATE ARRANGEMENTS
UTILIZED BY AGRICULTURAL
CREDIT FIRMS

Type of Arrangement	Frequency (N=17) N	Distribution %
Real Estate:		
Fixed	7	43.75
Variable	5	31.25
Both	4	25.00
Chattel:		
Fixed	10	66.67
Variable	2	13.33
Both	3	20.00

variable interest rates were used by five (31.25 percent). However, four (25 percent) institutions used both fixed and variable rates of interest for real estate loans. Ten (66.67 percent) agencies utilized fixed rates for chattel mortgages while only two (13.33 percent) agencies used variable rates and three (20 percent) used a combination of both fixed and variable rates of interest.

Table X illustrated the ranges of interest rates that were being assessed at the time of the survey to agricultural producers. Interest rates on real estate loans were in the range of 10.5-12.0 percent for four (22.22 percent) lending firms, while the majority, 13 (72.23 percent) of institutions with real estate loans were charging 12.5-14.0 percent interest. Only one (5.55 percent) institution was charging interest rates in the 14.5-16.0 percent range.

Chattel loan interest rates ranged from 10.5 to 16.0 percent with three (16.67 percent) agencies charging 10.5-12.0 percent interest rates. Most agencies, 11 (61.11 percent) were assessing rates in the range of 12.5-14.0 percent. Four (22.22 percent) agencies were charging 14.5-16.0 percent interest on chattel loans. One agency reported two interest rates. A rate that was utilized for chattel mortgages and the one for real estate loans.

TABLE X

A SUMMARY DISTRIBUTION OF INTEREST RATES ASSESSED BY FINANCIAL FIRMS FOR REAL ESTATE AND CHATTEL LOANS IN STEPHENS AND JEFFERSON COUNTIES

Range of Interest Rates	Frequency (N=17) N	Distribution %
Real Estate:		
8.5-10.0	0	0
10.5-12.0	4	22.22
12.5-14.0	13	72.23
14.5-16.0	1	5.55
16.5-18.0	0	0
Chattel:		
8.5-10.0	0	0
10.5-12.0	3	16.67
12.5-14.0	11	61.11
14.5-16.0	4	22.22
16.5-18.0	0	0

Selected Activities of Agricultural Loan Departments

The distribution of agencies by how information relative to the agricultural loan program was made available to producers was shown in Table XI. "Farmer, Rancher comes to You" ranked first with all 17 (100.00 percent) agencies reporting. Solicitation was used by seven (41.2 percent) of the agencies, while four (23.5 percent) utilized advertising to inform producers.

Frequency of staff participation in activities of agricultural nature was revealed in Table XII. Weekly meetings were reported by four (23.53 percent) institutions, while monthly meetings were indicated by six (35.29 percent) of the agencies and quarterly meetings were utilized by two (11.76 percent) agencies. Semi-annually meetings were reported by four (23.53 percent) institutions and only one (5.88 percent) agency used an annual meeting for its agricultural personnel.

The following were listed as issues at the agricultural meetings arranged by the lending agency: Agricultural policy; young farmers; agricultural groups; farm business management classes; Oklahoma State University Extension Agricultural meetings; Oklahoma Bankers Association Seminars; and Stephens and Jefferson County agriculture group meetings. County agriculture producer meetings were the most frequent type of meeting indicated.

TABLE XI

A SUMMARY OF HOW INFORMATION RELATIVE TO AGRICULTURAL LOAN PROGRAMS WAS MADE AVAILABLE TO PRODUCERS

Method	Frequency (N=17) N	Distribution %
Solicitation	7	41.20
Farmer, Rancher comes to you	17	100.00
Advertising	4	23.50

TABLE XII

A SUMMARY OF AGRICULTURAL MEETINGS BY FREQUENCY OF RESPONDENTS PARTICIPATION

Frequency of Participation	Frequency (N=17) N	Distribution %
Weekly	4	23.53
Monthly	6	35.29
Quarterly	2	11.76
Semi-Annually	4	23.53
Annually	1	5.88
Total	17	100.00%

Agricultural Foreclosure

Table XIII describes the relative incidence of foreclosure as reported by the agricultural credit institutions in Stephens and Jefferson counties. Eight (47.06 percent) lending agencies indicated their rate was very low, while seven (41.08 percent) reported their rate of foreclosure as being low. However, two (11.76 percent) agencies reported their overall rate of foreclosure was in the moderate category. The foreclosure rate was low to very low as indicated by 15 (88.14 percent) of the 17 institutions interviewed.

Table XIV indicated the perceived "causes" of foreclosure as selected by the respondents were "mismanagement" and "inadequate cash flow". Both were selected as perceived "causes" by 12 (70.59 percent) of the 17 respondents and ranked first as reasons for loans being called. "Overexpansion" and "borrowing to much" were major causes by eight (47.06 percent) respondents and ranked third. "Inadequate cash flow", "mismanagement", "overexpansion" and "borrowing to much" were indicated as the four major factors of difficulty. Respondents indicated these areas made up over 84 percent of the loan problems faced by the 17 lending agencies. Losses due to "unforeseen risks" were indicated by five (29.41 percent) respondents, while four (23.53 percent) respondents stated "lack of adequate resources" other than borrowed money as a cause of foreclosure.

TABLE XIII

A SUMMARY OF FORECLOSURE INCIDENCE BY RATE

Rate of Foreclosure	Frequency (N=17) N	Distribution %
Very Low	8	47.06
Low	7	41.08
Moderate	2	11.76
High	0	0
Total	17	100.00%

TABLE XIV

A SUMMARY OF PERCEIVED "CAUSES" OF FORECLOSURE

"Cause"	Frequency (N=17) N	Distribution %	Rank
Mismanagement	12	70.59	1
Lack of adequate resources other than borrowed money	4	23.53	6
Loss due to unforeseen risks	5	29.41	5
Inadequate cash flow	12	70.59	1
Overexpansion	8	47.06	3
Borrowing to little	0	0	
Borrowing to much	8	47.06	3
Other	0	0	
Total	49		

High School Student Loans

Table XV described loans made to high school students at 15 (88.24 percent) financial firms while two (11.76 percent) firms did not make loans to high school age young people. The major reason given for not loaning to high school students was lack of assets and not being of legal age. Conditions most often cited for high school age students to receive a loan were "must have a cosigner" and "must be for a 4-H or Future Farmers of America (FFA) project." Interest rates for high school students ranged from 6.8 percent to 15 percent with the average being 12.25 percent. Eight (47.06 percent) institutions had no maximum loan limit for high school age students. The only requirement was that the loan be within repayment ability. Nine (52.94 percent) agencies with maximum loans for high school age students had loan limits ranging from $2,000.00 to $10,000.00 with the average being $5,000.00.

Appraised Value Loaned

The percentage of appraised value loaned varied greatly for both real estate and chattel loans. Real estate appraised loan values ranged from 65 percent to 100 percent with an average loan value of 80 percent. Chattel loan value appraisals varied from 50 percent to 100 percent with an average of 75 percent appraised value.

TABLE XV

A SUMMARY OF WHETHER OR NOT LOANS ARE MADE TO HIGH SCHOOL AGE STUDENTS

Loans to High School Age Students	Frequency (N=17) N	Distribution %
Yes	15	88.24
No	2	11.76
Total	17	100.00%

Characteristics of Agricultural Borrowers

Table XVI indicated the response of loan officers to the question "would the agricultural economy of Stephens and Jefferson counties be more prosperous if farmers borrowed money in larger amounts." Only one (5.88 percent) agency respondent thought that the economy would improve with increased agricultural borrowing. Their reasoning was qualified with "if cash flow could justify larger debt." An overwhelming majority of the respondents, 16 (94.12 percent), stated the economy would not improve. Respondents of institutions that indicated otherwise stated: (1). The farmers lacked the cash flow to justify larger loans, (2). The economics of agriculture in 1985 would not justify expansion or excessive borrowing, (3). Unless the potential for a profit was present extra money borrowed would hamper the economy, (4). Many producers were having a difficult time in servicing their loans at current levels of borrowing and they could not justify larger loans and (5). Farmers could not borrow themselves out of debt.

Table XVII revealed important considerations about the borrower in loaning money. Each respondent was allowed to choose the top four considerations. Five respondents however only chose three considerations. Of the responses, all 17 stated ability to repay was most important. Character was ranked second with 14 (82.35 percent) agency responses. Honesty ranked third with 13 (76.47 percent) respondents.

TABLE XVI

A SUMMARY OF WHETHER OR NOT RESPONDENTS PERCEIVED THAT THE AGRICULTURAL ECONOMY OF STEPHENS AND JFFFERSON COUNTIES WOULD PROSPER IF GREATER FARMER BORROWING OCCURRED

Perceptions of Greater Borrowing	Frequency (N=17) N	Distribution %
Yes	1	5.88
No	16	94.12
Total	17	100.00%

TABLE XVII

A SUMMARY OF LENDER CONSIDERATIONS REGARDING THE LOANING OF MONEY

Borrower Considerations	Frequency (N=17) N	Distribution %	Rank
Ability to Repay	17	100.00%	1
Honesty	13	76.47	3
Managerial Ability	10	58.82	4
Character	14	82.35	2
Size of Business	2	11.76	6
Age of Borrower	0	0	7
Stability in Business	7	41.18	5

Ten respondents (58.82 percent) indicated that managerial ability ranked fourth in importance to them, while size of business was important to two (11.76 percent) respondents and ranked sixth in importance. Age of borrower was not selected as a factor of consideration and ranked seventh, while only seven (41.18 percent) agencies indicated stability in business as a factor and ranked it fifth in importance. The loan officers as a whole were emphatic regarding the ability of borrowers to repay with character and honesty emphasized as necessary in a borrower to make a loan.

Factors important in establishing a good credit rating were illustrated in Table XVIII. Repayment ability had the largest number of respondents with 17 (100 percent) and ranking first in importance. Character was considered important by 12 (70.59 percent) agencies and ranked fourth. In addition, managerial ability was considered as third in importance by 13 (76.47 percent) respondents, while the overall group perceived honesty as being second in importance. Furthermore, a majority of loan officers felt all four were important and could not be separated.

Items a farmer needs to present to lending agencies for loan consideration were listed in Table XIX. Each respondent was allowed to select as many items as they required of their clients. A financial statement was required by all 17 (100 percent) agencies. A cash flow plan was a necessity by 15 (88.24 percent) financial firms. Enterprise budgets were

TABLE XVIII

A SUMMARY OF IMPORTANT FACTORS IN ESTABLISHING GOOD CREDIT AS PERCEIVED BY RESPONDENTS

Factors	Frequency (N=17) N	Distribution %	Rank
Repayment Ability	17	100.00%	1
Character	12	70.59	4
Managerial Ability	13	76.47	3
Honesty	15	88.24	2

TABLE XIX

A SUMMARY RESPONDENTS' PERCEPTIONS OF ITEMS, RECORDS AND/OR KNOWLEDGE PRODUCERS SHOULD PRESENT TO LENDING AGENCIES

Items/Records	Frequency (N=17) N	Distribution %	Rank
Financial Statement	17	100.00%	1
Cash Flow Plan	15	88.24	2
Enterprise Budget	6	35.29	4
Farm Business Management Training	2	11.76	9
Records of Previous Years Production	13	76.47	3
Need of Credit	6	35.29	4
Hedging or Contracting of Production	3	17.65	7
Participation in Government Programs	3	17.65	7
Networth Statements	6	35.29	4

utilized by six (35.29 percent) agencies, while farm business management training was desired by two (11.76 percent). Thirteen (76.47 percent) agencies required records of previous years production, while showing need of credit was necessary at six (35.29 percent) institutions. Furthermore, hedging or contracting of production was required by three (17.65 percent) agencies and participation in government programs was necessary at three (17.65 percent) agencies. Only six (35.29 percent) institutions required a net worth statement. The top three items needed when seeking agricultural credit in Stephens and Jefferson counties were: (1). Financial Statement, (2). Cash flow plan and (3). Records of previous years production.

Table XX described the greatest problems facing farmers in securing agricultural credit. Each respondent was asked to select three problems, most however only selected two. Repayment capacity was selected by 15 (88.23 percent) agencies, while suppressed market prices for agricultural products was indicated by six (35.29 percent) agencies and only one (5.88 percent) response was received concerning integrity of producers. Cash flow problems were identified by 14 (82.35 percent) as being a serious problem, while decreased real estate values were emphasized by six (35.29 percent). The two main problems facing farmers were identified as repayment capacity and cash flow.

TABLE XX

A SUMMARY OF RESPONDENTS PERCEPTIONS REGARDING PROBLEMS FACING FARMERS IN SECURING CREDIT

Problem	Frequency (N=17) N	Distribution %	Rank
Repayment Capacity	15	88.23	1
Suppressed Market price for agricultural products	6	35.29	3
Integrity of Producers	1	5.88	5
Cash Flow Problems	14	82.35	2
Decreased Real Estate Values	6	35.29	3

Agricultural Credit Education

Table XXI revealed the assistance given to clients in determining short-term or long-term credit needs. A majority of agencies, 13 (76.47 percent), indicated they provided assistance to the borrower in determining credit needs. However, four (23.53 percent) credit institutions stated that no assistance was given.

Table XXII outlines the type of credit assistance given by the thirteen institutions who provided assistance to borrowers in determining credit needs. All 13 (100 percent) provided assistance in determining "cash flows", while one (7.69 percent) provided "estate planning" and assistance through "field supervision" and was reported by two (15.38 percent) agencies. "Other help" was not defined.

Table XXIII described the requirements of educational program participation by potential clients seeking agricultural credit. Only one (5.88 percent) agency required their clients to be enrolled in an agricultural credit educational course, but the majority, 16 (94.12 percent) did not require an educational program. However, during the personal interviews several loan officers indicated they encouraged clients to enroll in agricultural education programs but did not require it.

Table XXIV revealed the credit loan officers felt a combination of agricultural educators should be responsible for developing and presenting educational programs on

TABLE XXI

A SUMMARY OF WHETHER OR NOT ASSISTANCE WAS PROVIDED BORROWERS IN DETERMINING SHORT TERM OR LONG TERM CREDIT NEEDS

Assistance Provided	Frequency (N=17) N	Distribution %
Yes	13	76.47
No	4	23.53
Total	17	100.00%

TABLE XXII

A SUMMARY OF TYPES OF ASSISTANCE PROVIDED TO AGRICULTURAL BORROWERS

Kind of Assistance	Frequency (N=13) N	Distribution %	Rank
Cash Flow	13	100.00	1
Estate Planning	1	7.69	4
Tax Management	0	0	
Field Supervision	2	15.38	2
Other	2	15.38	2

TABLE XXIII

A SUMMARY OF WHETHER OR NOT A FINANCIAL FIRM'S CLIENTS PROGRAMS ARE REQUIRED TO PARTICIPATE IN A EDUCATIONAL PROGRAM

Educational Program Required	Frequency (N=17) N	Distribution %
Yes	1	5.88
No	16	94.12
Total	17	100.00%

TABLE XXIV

A SUMMARY OF RESPONDENTS' PERCEPTIONS REGARDING AGENCY RESPONSIBLE FOR DEVELOPING AND PRESENTING EDUCATIONAL PROGRAMS CONCERNING AGRICULTURAL CREDIT FOR FARMERS

Responsible Agency	Frequency (N=17) N	Distribution %	Rank
Lending Agency	5	13.51	3
County Extension Agent	7	18.92	2
Young Farmer Advisor (VoAgInst.)	4	10.81	5
State Department of Vocational Agriculture	3	8.11	6
Farm Business Management Instructor	3	8.11	6
OSU Extension Specialist	5	13.51	3
Combination	10	27.03	1

agricultural credit for farmers. Ten (27.03 percent) indicated a combination of educators should be responsible, while county extension agents were ranked second with seven responses (18.92 percent). Five (13.51 percent) respondents each indicated the lending agency and Oklahoma State University Specialists respectively should be responsible for producer education programs. Four respondents (10.81 percent) indicated that their types of educational programs should be handled by the Young Farmer Advisor, while three respondents (8.11 percent) stated that credit and farm management type programs should be the responsibility of Farm Business Management Instructors. In addition three (8.11 percent) respondents also indicated the State Department of Vocational Agriculture should be responsible.

CHAPTER V

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This chapter was set forth to provide concise summaries of the following areas: purpose of the study, a rationale, design and procedures, and major findings of the research. After indepth consideration of these areas, conclusions and recommendations were outlined based on the analysis of the data and major findings.

Purpose of the Study

The purpose of this study was to determine the major sources, availability and acquisition of agricultural credit by producers in a two county area of Oklahoma.

Rationale for the Study

Bank closings, the nation-wide merger of Production Credit Associations and Federal Land Banks, and farm foreclosures were headlines of newspapers during 1985. Two banks in the area were closed with only one reopening. This prompted the need for a study of major sources, availability, and acquisition of agricultural credit for producers in Stephens and Jefferson counties of Oklahoma.

Design of the Study

This study was limited to the major agricultural lending institutions located within Stephens and Jefferson counties of Oklahoma. Major agricultural lending institutions were defined as those lenders with agricultural loans at the time of the study. All credit institutions within the two counties were telephoned and asked if they had agricultural loans. Eighteen institutions answered yes to agricultural loans and were identified as agricultural lending institutions. Seventeen (94.4 percent) of the eighteen major agricultural lending institutions agreed to participate in the survey. Due to the small population a personal interview questionnaire was used for gathering data. A 24 item questionnaire was developed with the help of the Oklahoma State University Agricultural Education Staff and approved for data collection. The data obtained was compiled and utilized to compute frequency distributions and percentages.

Major Findings of the Study

The following categories were selected to report the major findings of this study:

1. General characteristics of agricultural lending institutions
2. Characteristics of agricultural interest rates
3. Selected activities of agricultural loan departments
4. Agriculture foreclosure

5. High school student loans

6. Characteristics of agricultural borrowers

7. Agricultural credit education

General Characteristics of Agricultural Lending Institutions

With regard to general characteristics 70 percent of the institutions had an experienced full time farm credit representative while only one institution did not have an experienced farm credit loan officer.

In terms of types of loans available 76 percent had both real estate and chattel loans. One institution handled only real estate loans and 17 percent of the agencies had only chattel loans. Repayment schedule of chattel loans was evenly distributed. Twenty-seven percent indicated full payment was due in twelve months or less, one to three years with 32 percent, and three to five years with 27 percent. Five years or more was used only by 14 percent of the lenders. Real estate loan repayment schedules tended to favor longer time periods with ten years or more and seven to nine years with both garnering 35.7 percent of the lenders. Together these two schedules made up 71.4 percent of the real estate repayment schedules. One to three years and four to six years repayment schedules were used by 14.3 percent of the lenders respectively.

Purposes for which loans were secured ranked respectively: (1) purchase livestock, (2) machinery and equipment,

(3) summer crops, (4) winter crops, (5) hay, (6) pasture and (7) vegetables. "Purchase livestock" and "Machinery and Equipment" were the major reasons given for borrowing money as indicated by 100 percent and 94 percent of the usage respectively. A maximum loan amount was in effect at 71 percent of the lending agencies making real estate loans while 82 percent of the lenders reported a maximum for chattel loans. The average maximum for real estate and chattel loans was $635,000.00.

The percentage of appraised value loaned to clients ranged for real estate loans from 65 percent to 100 percent for an average of 80 percent, while the percentage loaned on chattel loans ranged from 50 percent to 100 percent for an average of 75 percent.

The frequency of agricultural credit use from the lenders was judged by 17 percent as increasing, while 53 percent indicated it was about the same, and 29 percent as decreasing. Methods used by producers for loan repayment were primarly semi-annually with 37.5 percent and annual with 46 percent. Annual and semi-annual payments combined made up 83.3 percent of the payments.

Characteristics of Agricultural Interest Rates

The type of interest rate assessed by the lenders for real estate loans was 43.75 percent a fixed interest rate, while 31.25 percent utilized variable rates, and 25 percent of the lenders used both fixed and variable interest rates.

Types of interest rate arrangements for chattel loans were 67 percent fixed, 13 percent variable and 20 percent using both fixed and variable. The range in interest rates charged for real estate loans was 10.5 percent to 16 percent with 22 percent charging 10.5 to 12 percent, 72 percent charging 12.5 to 14 percent interest on real estate loans. Interest rates for chattel loans ranged from 10.5 percent to 16 percent, while seventeen percent of the lenders were charging 10.5 to 12 percent interest, 61 percent charged 12.5 to 14 percent interest and 22 percent charged 14.5 to 16 percent interest for chattel mortgages. A large majority of chattel lenders was charging 12.5 to 14 percent interest.

Selected Activities of Agricultural Loan Departments

Information relative to the agricultural loan program was made available to producers by advertising and solicitation, 24 and 41 percent respectively (personal contact by loan officers). All institutions (100 percent) reported "the farmer and rancher comes to you" as the primary method of information dissemination. The frequency of staff participation in activities or meetings of an agricultural nature varied. The majority of lenders met monthly or weekly (59 percent), 12 percent met quarterly, 24 percent met semi-annually, and six percent met annually. The most often mentioned nature of meetings was "county agricultural producers meeting".

Agricultural Foreclosure

The relative incidence of agricultural foreclosure was low to very low as reported by 88 percent of the lenders. Two institutions (12 percent) reported foreclosure as moderate on a scale of very low to high.

Mismanagement and inadequate cash flow were the factors most often selected as attributing to the necessity for foreclosure. Together they made up 49 percent of the responses, while over expansion and borrowing to much together also made up 33 percent of the response.

High School Student Loans

Eighty-eight percent of the lenders made loans to high school students, while 12 percent did not make high school student loans. Those who did not listed "no assets" and "not being of legal age" as their reasons. The conditions for a loan most often listed were "parents cosign the note" and "be for a 4-H or Future Farmer of America project". The interest rates for high school students ranged from 6.8 percent to 16 percent with the most common being 12.25 percent.

Characteristics of Agricultural Borrowers

In response to the statement "the agricultural economy of Stephens and Jefferson counties would be more prosperous if farmers borrowed money in larger amounts, yes or no." Ninety-four percent of the lenders answered no with six percent saying yes. Most lenders replied that cash flow and repayment capacity were down and the farmers could not justify expansion or excessive borrowing.

The most important considerations about the borrower in loaning money were ranked as (1) ability to repay (100 percent), (2) character (82 percent), (3) honesty (76 percent) and (4) managerial ability (59 percent). The most important factors in establishing a good credit rating were: (1) Repayment ability (100 percent), (2) Honesty (88 percent), (3) Managerial ability (76 percent) and (4) Character (71 percent).

When seeking agricultural credit the following items or records were needed for the farmer to present to the lending agency: (1) Financial statement (100 percent), (2) Cash flow plan (88 percent) and (3) Records of previous years production (76 percent). All other listed items received less than 35 percent of the responses.

Repayment capacity and cash flow problems were most often mentioned as the greatest problems facing farmers in securing agricultural credit by 88 percent and 82 percent lenders respectively.

Agricultural Credit Education

Assistance to the borrower was provided by 76 percent of the lenders in determining short-term or long-term credit needs. Of those who provided assistance all assisted in cash flow planning, one provided estate planning, and two provided field supervision. Six percent of the lenders required additional educational programs regarding agricultural credit for their clients while 94 percent did not.

The responsibility for developing and presenting educational programs concerning agricultural credit for farmers was a combination of agricultural educators. Second ranked was the county extension agent with the lending agency and Oklahoma State University specialists tied for third.

Conclusions

The following conclusions were based on the data collected and the subsequent findings.

1. There are an adequate number of major agricultural credit institutions in Stephens and Jefferson counties to serve agriculture.

2. Most agricultural lenders employed experienced farm credit loan officers.

3. Chattel loans were most often used to purchase livestock and machinery.

4. Agricultural credit utilization and demand is about the same as in recent years.

5. The majority of agricultural credit lenders utilize annual or semi-annual loan payment schedules.

6. Interest rates were mostly in the 12.5 to 14.0 percent range for both chattel and real estate loans.

7. The incidence of foreclosure was low.

8. The main cause of foreclosure was attributed to mismanagement and inadequate cash flow.

9. Most agricultural lending agencies also make agricultural credit available to high school students.

10. Almost all lenders agreed that the economy of Stephens and Jefferson counties would not be more prosperous if farmers borrowed money in larger amounts.

11. The most important considerations for a borrower in loaning money were ability to repay, character and honesty.

12. The most important considerations for producers in establishing a good credit rating were repayment ability, honesty and managerial ability.

13. A financial statement, a cash flow plan and documentation of previous years' production are important records when seeking agricultural credit.

14. The greatest problems facing farmers were repayment capacity and cash flow problems.

15. Most of the lenders did not require participation in an educational program to acquire agricultural credit.

16. It was concluded that a combination of educators should be responsible for developing and presenting an educational program concerning agricultural credit for farmers.

17. Adequate credit is available to those producers who can show repayment capacity.

Recommendations and Implications

The following recommendations were made as a result of the conclusions drawn from analysis and interpretation of the data:

1. Lenders, Extension Specialists, Farm Business Management Instructors, County Extension Personnel and Vocational Agriculture Instructors should continue to assist and encourage farmers and ranchers to keep better farm records.

2. When seeking agricultural loans producers should present a financial statement, cash flow plan and records of previous years production.

3. County Extension Agents, Farm Business Management Instructors and Vocational Agriculture Instructors should make known their role and expertise in agricultural credit education to the agricultural lenders in the area.

Recommendations for Further Research

1. Those individuals making similar studies concerning utilization and acquisition agricultural credit should use

a personal interview in gathering data from lending institutions.

2. A more comprehensive study of all 77 counties in Oklahoma should be undertaken to provide an overview for the entire state.

3. Further study should be undertaken to determine the types of educational programs in agricultural credit that lenders see as important and to determine the most effective time for agricultural credit meetings to be held for farmers and ranchers.

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APPENDIX

AGRICULTURAL CREDIT SURVEY

____
I.D. No. (1-2)

1. Name of agency, institution or organization_________.

2. Does your agency have an experienced farm credit representative?
(3) 1.____Yes, Full-time
2.____Yes, Part-time
3.____Combination
4.____No

3. Types of loans available:
(4) 1.____Chattel 3.____Both
2.____Real estate

4. Repayment schedule on loans in your portfolio. (Number of Years)
(5) Chattel
1.____Under 1 yr.
2.____1-3 yrs.
3.____3-5 yrs.
4.____5 yrs. or more

(6) Real estate
1.____1-3 years
2.____4-6 yrs.
3.____7-9 yrs.
4.____10 yrs. or more

5. Purposes for which loans are secured and type of chattel mortgages utilized.
(7) 1.____Purchase livestock
(8) 1.____Winter crops
(9) 1.____Summer crops
(10) 1.____Hay
(11) 1.____Pasture
(12) 1.____Machinery & Equipment
(13) 1.____Vegetables
(14) 1.____Other______________________________

6. Maximum loan amount to one individual:
(15) Real estate 1.____Yes
2.____No
Amount______
(16) Chattel 1.____Yes
2.____No
Amount______

7. Frequency of agricultural credit utilization from your agency:
(17) 1.____Increasing
2.____About same
3.____Decreasing

8. Methods utilized by producers for loan repayment:

(18) 1.____Monthly
2.____Quarterly
3.____Semi-annually
4.____Annually

9. Interest rate your firm assesses producers:

(19) Real estate 1.____Fixed
2.____Variable
3.____Both

(20) Chattel 1.____Fixed
2.____Variable
3.____Both

10. Range in interest rates assessed by your firm:

(21) Real estate
1.____ 8.5-10.0
2.____10.5-12.0
3.____12.5-14.0
4.____14.5-16.0
5.____16.5-18.0
6.____18.5- up

(22) Chattel
1.____ 8.5-10.0
2.____10.5-12.0
3.____12.5-14.0
4.____14.5-16.0
5.____16.5-18.0
6.____18.5- up

11. Is information relative to your loan program made available to farmers/ranchers?

(23) 1.____Solicitation (personal contact)
2.____Farmer/Rancher comes to you
3.____Advertising
4.____Other____________________________

12. Frequency your staff participates in meetings, committees or activities of an agricultural nature:

(24) 1. Weekly__________
2. Monthly__________
3. Quarterly__________
4. Semi-Annually__________
5. Annually__________

Nature____

13. Relative incidence of foreclosure by your agency:

(25) 1.____Very low
2.____Low
3.____Medium
4.____High

14. To what do you attribute the necessity for foreclosure?

(26) 1.____Mismanagement
2.____Lack of adequate resources other than borrowed money
3.____Loss due to unforeseen risks
4.____Inadequate cash flow
5.____Over expansion
6.____Borrowing to little
7.____Borrowing to much
8.____Other____________________

15.(34) Are loans made to high school students: 1.____Yes
2.____No

A. Why not?______________________________
B. If yes, under what conditions?________________
C. Interest rate____________%
D. Maximum loan______________

16. Percentage of appraised value loaned to your clientele:
A. Real estate _____
B. Chattel _____

17.(35) The agricultural economy of Stephens and Jefferson counties would be more prosperous if farmers borrowed money in larger amounts?
1.____Yes
2.____No

Why?/Why not?

18. The most important considerations in loaning money are: (about the borrower)

(36) 1.____Ability to repay
(37) 1.____Honesty
(38) 1.____Managerial ability
(39) 1.____Character
(40) 1.____Size of business
(41) 1.____Age of borrower
(42) 1.____Stability in business

19. The most important factor(s) in establishing a good credit rating are:

(43) 1.____Repayment ability
(44) 1.____Character
(45) 1.____Managerial ability
(46) 1.____Honesty
(47) 1.____All of the above
(48) 1.____Other____________________

20. When seeking Agricultural credit what items, records or knowledge should the farmer present to the lending agency?

(49) 1.____Financial statement
(50) 1.____Cash flow plan
(51) 1.____Enterprise budget
(52) 1.____Farm business management training
(53) 1.____Records of previous years production
(54) 1.____Need of credit
(55) 1.____Hedging or contracting of production
(56) 1.____Participation in government programs
(57) 1.____Networth statements
(58) 1.____Other____________________

21.(59) In your opinion what are the greatest problems facing farmers in securing agricultural credit today?

1.____Repayment capacity
2.____Subpressed market prices of agricultural products
3.____Integrity of producers
4.____Cash flow problems
5.____Decreased real estate values
6.____Other____________________

22. Do you provide assistance to the borrower in determining short-term or long term credit needs?

(60) 1.____Yes
2.____No

If yes, what types of assistance do you provide

(61) 1.____Cash flow
(62) 1.____Estate planning
(63) 1.____Tax management
(64) 1.____Field supervision
(65) 1.____Other____________________

23. Do you require an educational program regarding agricultural credit for your clients?

(66) 1.____Yes
2.____No

If yes, please specify Nature____________________

24. Who should be responsible for developing and presenting an educational program concerning agricultural credit for farmers?

(67) 1.____Lending agency
(68) 1.____County Extension Agent
(69) 1.____Young Farmer Advisor (Vo-Ag Instr.)
(70) 1.____State Dept. of Vocational Agriculture
(71) 1.____Farm Bus. Management Inst.
(72) 1.____OSU Extension Specialists
(73) 1.____Combination
(74) 1.____Other____________________

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VITA

Ronald James Curry

Candidate for the degree of

Master of Science

Thesis: THE MAJOR SOURCES AND USES OF AGRICULTURAL CREDIT AS REPORTED BY LENDING INSTITUTIONS IN A TWO COUNTY AREA OF OKLAHOMA

Major Field: Agricultural Education

Biographical:

Personal Data: Born in Douglas, Arizona, November 30, 1955, the son of Ronald D. and Kay Curry. Married to LaDean Bradshaw on July 9, 1976. Father of Andrew James Curry and Andrea Dawn Curry.

Education: Graduated from Sterling High School, Sterling, Oklahoma, in May 1974; Attended Cameron University for six semesters, then transferred to Oklahoma State University received Bachelor of Science Degree in Agricultural Education from Oklahoma State University in May 1978; completed requirements for the Master of Science Degree at Oklahoma State University in May 1986.

Professional Experience: Vocational Agriculture Instructor Indiahoma Public Schools July, 1978 to June, 1979; Vocational Agriculture Instructor Central High Public Schools July, 1979 to present.

Professional Organizations: Member, Alpha Tau Alpha, Phi Kappa Phi, Gamma Sigma Delta, Oklahoma Vocational Agriculture Teachers Association, National Vocational Agriculture Teachers Association, Oklahoma Vocational Association, Oklahoma Education Association.