SOURCES AND AVAILABILTY OF FARM CREDIT

IN A THREE COUNTY AREA OF NORTH

CENTRAL OKLAHOMA

by

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SOURCES AND AVAILABILTY OF FARM CREDIT IN A THREE COUNTY AREA OF NORTH CENTRAL OKLAHOMA

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INTRODUCTION

Everyday, the American public is inundated by the media with news of the declining farm situation. No one knows better than the farmers themselves, and those working directly with those farmers that every dollar used on the farm must be used wisely. Since farmers need credit to make major purchases and to cover poor crop years, interest payments can consume a large portion of farm income. Controlling this major expense may mean the difference between losing a farm or showing a profit.

The much-publicized farm crisis, and declining farm income have created widespread problems that seem insurmountable. Farmers everywhere have concern about staying in business. Recent studies indicate that total farm debt was approximately 212.1 billion dollars (1). Over 14 percent of farm borrowers (3) were not able to receive continued operating credit for 1985 as a result of their deteriorated financial condition. Approximately 41 percent of current farm borrowers had a negative net farm income during 1984. However, that number drops to approximately 37 percent for 1985 because many of those that made up the numbers from 1984 quit the business.

A result of the disturbing evidence was the indication that the amount of lendable money was decreasing, and that lending institutions are much more selective as to whom they will make loans. Now, more than ever before, farmers must seek the best sources of credit as well as to use it wisely.

Problem

A study of the sources and availability of farm credit in North Central Oklahoma revealed a need to assist farmers in determining sources of agricultural credit to meet production needs.

Purpose

The purpose of this study was to determine the major sources, availability and lending policies concerning agricultural credit by lending institutions in a three county area of North Central Oklahoma.

Objectives

(1) To identify lending institutions in Alfalfa, Major and Woods counties oriented toward providing credit services to agricultural producers.

(2) To determine interest rates and repayment plans available to agriculture producers in North Central Oklahoma.

(3) To identify selected factors that were considerations for agricultural loan approval.

(4) To determine the policy agricultural lenders involve in farm and ranch foreclosures.

Rationale

Reliable information concerning the lending practices and policies of their lenders would provide producers additional opportunities, and insight to make better credit decisions about their operations. A working knowledge of the criteria for loan approval would assist many in not only acquiring loan approval but in choosing the lender whose policies and loan requirments best meets the needs of their specific operations. Furthermore, Vocational Agriculture/FFA students would also benefit through an awareness of lending policies established by lending institutions for youth loans. Sources and availability of agricultural credit as well as the terms for obtaining and utilizing it have been essential in making practical and profitable decisions concerning producers operations in which operating and/or long term credit was a major item in their cash flow projections. A study relevant to their subject and area of the state could assist both producers

and lenders in making better and more efficient decisions concerning agricultural production units.

Assumptions

The following assumptions were made relative to this study:

1. The survey instrument was appropriate for ascertaining lending practices, criteria for loan approval, cost of credit, and demographic data concerning lenders and loan officer opinions.

2. The responses expressed by loan officers participation in this were honest and representative of the lending policies of their financial institutions.

Definitions

The following were definitions of words pertinent to the discipline and this study.

Agricultural Lending Agency: A commercial lending agency engaged in providing agricultural loans to producers for acquiring real estate, farm equipment, and operating needs. A majority of the lenders referred to in this study were commercial banks, Production Credit Associations, Federal Land Banks, and Farmers Home Administration.

Assets: Property or items of value such as cash, real property, capital items, etc., owned by individuals or agricultural borrowers.

Credit: Monetary resources provided to borrowers in trust that the principal along with the cost of credit will be returned with a specified time and conditions.

Cash Flow: A plan showing income and expenditures from various entities over a specified time period, usually for a 12 month period.

Debt: An obligation due to lenders by borrowers.

Equity: The value of real property and other assets above the amount of debt incurred against it.

Finance: To provide credit capital for conducting agricultural operations.

Foreclosure: A legal device utilized by creditors to recover capital loaned to debtors.

Interest: The cost of capital resources and their use over a specified time period.

Liability: Usually an expenditure for which one is liable, such as debt for operating cost, equipment, or real property.

Mortgage: A legal document assigning assets to a creditor as security for an incurred debt.

Net Worth: The difference between an individual's assets and liabilities.

Operating Costs: Annual expenditures for providing fuel, seed, fertilizer, repairs, interest, taxes and rents incurred by agriculture producers.

Security: Assets or property given as a pledge for repayment, a promise to fulfill an obligation or a guarantee.

Scope

This study was limited to agricultural lending agencies located in three North Central Oklahoma counties. Alfalfa, Major, and Woods counties were located in North Central Oklahoma with the state line being the north boundary of Alfalfa and Woods counties, the Cimmaron River the west boundary of Woods county, Grant and Garfield counties the east boundary of Alfalfa county, while Dewey and Blaine counties largely mark the southern boundary of Major county. The vocational agriculture departments located within Alfalfa, Major and Woods counties make up the Alva Professional Improvement Group, which is a sub-district in the Northwest Oklahoma Vocational Agriculture Supervisory District. Cherokee was the county seat of Alfalfa county and Fairview the county seat of Major county, while Alva was the county seat of Woods county. Wheat, beef cattle and alfalfa hay were the major production agriculture enterprises, while the major agribusiness of producers in the three county area were feedlots. A large portion of the area was devoted to native range, while the wheat growing area was utilized for both the grazing of stocker cattle and grain production.

The following lending agencies in Alfalfa, Major and Woods counties participated in this research effort:

Alva State Bank

Central National Bank of Alva

Community National Bank of Alva

Jet State Bank

First National Bank of Nash

Helena National Bank

Federal Land Bank-Enid

Production Credit Association-Enid

Cleo State Bank

Hopton State Bank

First State Bank of Waynoka

Farmers and Merchants Bank of Fairview

Fairview State Bank

Alfalfa County Bank-Cherokee

Farmer's Exchange Bank of Cherokee

First National Bank of Carmen

Freedom State Bank

CHAPTER II

REVIEW OF LITERATURE

The purpose of this chapter was to present a profile of related and non-related literature that cited areas of credit sources and availability relative to this study.

The presentation of this overview was divided into three major areas and a summary to facilitate clarity and organization. The major areas of related literature were: 1) Credit Difficulties, 2) Need for Credit and 3) Credit Resources.

Credit Difficulties

"The budget deficit, high interest rates and the strong dollar--all are major contributors to a financial crisis one ag economist likens to the Dust Bowl era," states Wayne Board (6, pg. 1), Associate Editor for Southwest Farm Press. This crisis has provoked a lot of people to take a deeper look into the lending and borrowing habits of those connected with agriculture. For the past several years, farmers have been finding it harder and harder to secure low-interest loans, while at the same time facing declining real estate values on land that was purchased with high-interest loans.

Dissatisfaction with the Farm Credit System has also presented its share of problems for farmers looking to secure loans. In many places, commercial banks have a lower interest rate than those agencies organized for the purpose of providing lower interest rates to aid farmers. Further dissatisfaction and a source of many cases of loan mismanagement results from the lack of long-term personal assistance, another of the reasons the FCS was established. Tevis and Olson (19), state that loan officers change very often at the Federal agencies. Their view of this is that the change will avoid a personal relationship which might interfere with calling a loan--a practice becoming more common each day.

In spite of the FCS crisis and farmers' dissatisfaction with the system, many more are being forced to the federal agencies. Cheryl Tevis (20), Senior Associate Farm Management Editor for Successful Farming, made this report.

> Denied funding by commercial lenders, a growing number of first-time FmHA borrowers are waiting in line. Wisconsin has the highest number of applications from new borrowers, recording a 70 percent increase from 1983 to 1984. Iowa is next.
>
> "Some farmers still have the collateral to back their loans, but not the income and cash flow to meet their debt obligations," says Paul Lindholm, president, Farmers and Merchant State Bank, Clarkfield, Minnesota. With current commodity prices, interest rates and other farm input prices, these farmers are in need of financial assistance beyond what commercial lenders can provide. Additional FmHA funding and assistance is needed in order to avoid the disaster many farmers are facing at this time," he points out (p.26)

Everywhere in the agricultural community, the credit conditions are worsening. Declining land values, fluctuating interest rates (trending toward the high side) and poor agricultural prices are factors which have lead to slow loan repayments. Slow loan repayments then complete the vicious circle by making the amount of lendable money lower than it would be with normal loan repayments. Agri Finance (1) magazine reports that the Federal Reserve Bank of Kansas City's quarterly survey for the third quarter of 1984 shows that agricultural credit conditions generally worsened in its Tenth District. The report indicated that over 54 percent showed the rate of loan repayment to be lower than in the past. Loan renewals and extensions were lower in only 3.49 percent of the agencies, while being greater in 51 percent.

Although the number of farmers in serious trouble is relatively small (14), their importance in the industry is great. These 4-5 percent of the farmers hold far more than that percentage of the sales market. The Agricultural Finance Outlook and Situation Report (1) shows that the bigger the farm sales, the more debt those farmers are holding. Figures show that more than 37 percent of the farmers with sales of over $250,000, had debt-to-asset ratios of 70 percent or higher; thus proving that there is a direct relationship between dollar sales and debt-to-asset ratios. Also the middle level operators with typical family-sized farms are facing tremendously heavy debts. The

same survey showed that those farms grossing from $50,000 to $250,000 held 52 percent of all farm debt owed. This middle group, held an average debt-to-asset ratio of 38 percent.

Need for Credit

Need for additional financing for farmers is hardly new. During the collapse following the World War I boom, farm debts rose to almost four-billion dollars (16), equaling about 44 percent of gross farm income for 1921. The result was not only many farm failures, but many bank failures because of loan defaults. The immediate need for credit was seen by all. Loan renewals and loan enlargements were needed to help the financially-strapped farmers save the farms they had been working for years. The trouble stemmed partly from over-optimistic lending and borrowing in the period of the post-war boom. Many were forced to take the way of bankruptcy--forced sales were common. The government agencies that were organized under the Farm Loan Act of 1916 (5, pg. 126), were failing to help. Set up on a very conservative basis to provide only land mortgage loans, the land banks were not set up to deal with emergency loans.

Many farm production operations require at least six to nine months to realize a sale on crops sown or planted, banks, accustomed to lending for only three to six months, were not the answer. Private sector lending tends to be reduced sharply in such times. Only an improvement in prices, squeezing down of inflated land values, and a

reduction of costs could bring full recovery. Even when many farmers increased their real estate mortgages, some were in desperate circumstances for cash flow. It was the lack of credit suited to "hanging on" that was the most serious handicap in the 20's.

The government did, however, step in and create emergency agencies through the land banks. Benedict (5, pg. 129) remarks, ". . .a quick expansion of alternative loan funds would have provided relief and would have given them (the bankrupt farmers) a chance to save their farms and possibly even, eventually, to regain some of their lost equities." Those that were helped however received subsidies provided through the land banks in the form of reduced rates of interest. "Thus, it is proved," according to Benedict (5, pg. 133), "that the land bank system provides an exceedingly important and efficient mechanism for channeling credit into agriculture in a time of severe depression."

No longer is it a question of whether a farmer will need to borrow money sometime in his farming career, but "when?". Big business management practices demanded by the operations of those selling over $40,000 in farm products (8, pg. 6) demand a greater investment than can be handled alone. One might not be greatly interested in these figures if it is known that only one-fifth of the nation's 2.5 million farmers are in this category. It must be realized, however, that these half-million farmers accounted for over 80 percent of U.S. farm sales in 1978. Hardest hit, are the

younger-half of these farmers who started farming in the late 60's and early 70's. These men have had to pay high prices for land while at the same time their earnings have not been high enough to permit rapid debt repayment (7, pg.245).

Gone is the self-sustaining farm of the earlier part of this century. Gone too, are the financial situations of the 20's and 50's when a few hundred dollars could aid a troubled cash flow. A multitude of farmers are now saddled with farmland that was bought when land prices peaked in 1981. Even farmers who haven't bought land since the early seventies are facing a credit crunch. Many of those who couldn't lock in a fixed-rate mortgage on thirty-year loans are paying close to 13 percent on land bought at 7.5 percent (17). Now, more than ever, these farmers are seeking sources of credit to tide them over until land values and crop prices rise. During the buy-buy days of the 1970's, access to credit was so easy, and expansionary psychology so pervasive, that even many bankers were pulled into the trap.

In the early 80's when land prices peaked, the Secretary of Agriculture (8, pg. 10) made this statement.

> While we are telling farmers that they are well off--that farm prices, net farm income, and farm exports are up dramatically--some farmers continue to tell us that in the midst of stability and prosperity, they can't make it. Individuals have individual problems--problems they explain in terms of machinery and land and investments and debt--and averages do not address their very real and specific situations.

He went on to say that those in most serious trouble were the small farmers. But, now the tide has changed, and in only a few years. Why so rapidly? The problem was actually created back in that time of "economic bliss." Expansion was still the name of the game. Farmers were caught in the middle of inflation, and real estate seemed a good hedge. To enlarge a farm, a farmer with an equity of $100,000 in cash and land, could borrow up to $300,000 to buy a new farm. He then had an income statement that showed $400,000 in land that would yield an income flow at the long-term rate of $12,000. The debt costs on the $300,000 would be about $27,000 per year. At a 9 percent interest rate, the asset would have to yield price gains of at least 6 percent to be profitable. At a time when land prices were skyrocketing, it was not unusual for that $300,000 piece of land to increase $24,000 in one year. Add the amount of current return, and the increase is $36,000--on paper. This shows a total return of $9,000. The paper figures looked great, but the problem is one of cash flow. Actually the net realized return is -$15,000. Because of this deficit in cash flow, the farmer will have to increase his borrowing.

It's easy to see that neither the farmers nor the bankers were the culprits, but the victims (14), and that number of victims has dramatically increased in the past few years. With falling crop prices, the cash flow was substantially reduced, thus inducing more borrowing. Then land prices started to plummet, resulting in deteriorating

financial statements, further compounding the problem by reducing the collateral needed for borrowing.

Another reason for an increased need for borrowing in the last decade is the fact that fewer children of farmers return to the farm. Nonfarm children inherit large amounts of farm capital (2, pg. 131) and invest it in more lucrative places, or use it to buy a new home in the city. Consequently, the farm heirs are forced to borrow from a credit institution to pay off the nonfarm heirs. This inheritance by nonfarm heirs represents a significant out-flow.

Credit Resources

With the American public constantly being bombarded with advertisements of various lending agencies, it would seem that the farmer would have a multitude of agencies and varying interest rates from which to choose. However, this is not entirely true. Farm Journal reporter, Marcia Taylor (17, pg. 22) states, "Sources of fund for many farmers are becoming scarce." Evidence of this is brought to light by the fact that Federal Land Bank had 43.7 percent of Farm Real Estate Market Shares as of January 1, 1985. Second to this was individuals and others with 27 percent. Banks and the Farm Home Administration were 9.2 percent and 9 percent respectively. Life insurance companies held 11.2 percent.

The severity of the situation is compounded by the recent appearance of con-artists in the agricultural sector.

A recent Wall Street Journal (20, pg. 1) reporter states, "As forced farm liquidations and bankruptcies mount, farmers are increasingly easy prey for hucksters and their phony promises of cheap loans, safe securities, sound equipment, and useful legal advice." Numerous instances were cited by the reporter about con-artists from one coast to the other. Hundreds of gullible farm families have lost land and life savings to these shysters, thus creating the need for them to borrow further to keep in operation.

It can be seen from the pattern of history, and earlier remarks that borrowing money has always been an acceptable part of farming, but some farmers do not realize that cash is a commodity just like corn or wheat (4). The cost of money rises, and occasionally falls--with demand. Controlling the need for money will aid in avoiding borrowing during times of high rates--and education in terms of where to find the best rates and policies will help lessen the blow even in times of higher rates.

A Production Credit Association (9) spokesman recently estimated that interest rates would continue to fall, but suggested that financially-strapped farmers, should first consider liquidation of portions of their enterprise that have not proven profitable and expand into the areas that were proven to be money-makers, before seeking to borrow more.

News of the Farm Credit Association's near-demise has frightened many farmers, but it seems that possibly the best will come of it. The government stepped-in in strong force during the 20's and 30's. Now, however reluctantly, the government is beginning to see that strong measures will have to be taken to insure the survival of the farmers. Many congressmen are just now beginning to realize that no farmers means an empty pantry for the United States. Guaranteed operating loans through the FmHA budgeted for 1985 were increased to $650 million (12) from the 1984 obligation level of $111 million. Subsequently, teams of special farm credit support teams were being sent to communities where banks had failed to help farmers obtain guaranteed loans if bank closings left them without sources of funds. The debt set-aside program allows a lowering of interest rates and set-aside of a portion of loan payments for up to five years (18).

Federal Land Banks adopted a new differential loan pricing policy (11) effective October 1, 1985, providing different interest rates for all new and existing variable-rate loans. This will permit those farmers in the low-risk sector to obtain lower interest loans that those whose risk is greater or will have a high servicing cost.

Life insurance companies, once a major source of borrowing, were partially out of the picture until several started soliciting loans in Iowa and Illinois. Looked at by USDA Deputy Secretary John Norton (10, pg. 5) as "obviously a very positive signal." He remarked that with a 50 percent drop in the borrowing base (land) there are still severe problems ahead for farmers in these states.

Regardless of the increase in the flow of loanable money, and the intervention of the government on behalf of farmers, the farmers, themselves must make every effort to show lenders they are worthy of continued and increased credit. Historically, farmers, on a whole, have repaid their debts. Many debts of the 20's were not repaid until the middle 50's. However, of the $837 million (5, pg. 133) loaned during the 20's, only $20 million was outstanding in 1953.

Many farmers are changing the way they do business. Traditionally, an off-the-cuff business, farmers are beginning to modernize the way they keep records. No longer will a "spiral" notebook on the dashboard of the pickup suffice. Computerized spreadsheets are common. Many banks are demanding that farmers have a detailed cash flow statement in order to gain a loan interview. As Norlan Taylor told the Agri Finance (15, pg. 26) magazine, "I think it will be more difficult for some people to get good loans. They're (bankers) going to make people use a cash flow analysis."

Summary

Falling land values, poor crop prices, and farm credit difficulties all combine to make profitable farming extremely difficult. Farmers are meeting obstacles in their search for credit that take the form of high interest rates, shortage of available funds, and reluctance of the lending agencies to loan to farmers who may already be overextended.

Borrowed funds, however, are a necessity both to farmers, and to America. Those farmers who produce the bulk of food and fiber for the consumers of the United States are the ones most heavily in debt. The Agricultural Finance Outlook and Situation Report (1) reveals that the bigger the farm sales, the more debt the farmers are holding. This stems, partly, from the high-inflation years of the seventies when purchasing land was encouraged to act as a hedge against inflation. However, over-production and poor world markets lead to a drop in farm product prices, and eventually, a drop in land values.

Farmers are faced with tremendous debts, and a low cashflow. Additional borrowed funds must be used in order to keep the operation running and produce funds to repay the old loans. Sources for these funds must be located and evaluated as to interest rates, repayment policies, financial planning assistance, and foreclosure policies. Available agencies include the Farmer's Home Administration, Federal Land Bank, insurance companies, commerical banks, and private lenders.

CHAPTER III

DESIGN AND METHODOLOGY

The purpose of this chapter is to describe the methods and procedures followed in conducting the study. A population was identified and a survey instrument developed to provide data relating to the intent and objectives of this study. Procedures were established and data collected, data collected during the late summer of 1986. The specific objectives stated were:

Objectives

(1) To identify lending institutions in Alfalfa, Major and Woods counties oriented toward providing credit services to agricultural producers.

(2) To determine interest rates and repayment plans available to agriculture producers in North Central Oklahoma.

(3) To identify selected factors that were considerations for agricultural loan approval.

(4) To determine the policy agricultural lenders involve in farm and ranch foreclosures.

Population

The geographical area selected for study was Alfalfa, Major and Woods counties in North Central Oklahoma. These counties make up the Alva Professional Improvement group of

Vocational Agriculture teachers. This area was chosen because of the number of foreclosures and cash flow problems among farmers and the need for credit awareness among Vocational Agriculture students in the area. All lending institutions making agricultural type loans were included in the study.

Administration and
Development of the Instrument

The questionnaire was developed after studying other instruments developed by Kouplen (7) and Curry (5). Consultation with members of the OSU Agricultural Education staff and colleagues resulted in the final version of the instrument.

The questionnaire was field tested by an agricultural loan officer and approved by the thesis adviser. The questionnaire was hand-delivered to each of the lending institutions with explanations as to the purpose of the study. Personal interviews were not possible because of the amount of time required to orient each loan officer.

Most of the questionnaires were returned promptly. All but two (89.47%) were back in the author's hands within three weeks. Two questionnaires were never returned, however, a telephone follow-up was conducted. One agency simply chose not to respond, while the other was in the midst of personnel changes.

The instrument consisted of a 24 item questionnaire with selected items serving as possible participant responses. Some items also provided for "yes" and "no" responses. Several items allowed the opportunity for multiple responses wich gave broader description of the lending agencies' credit criteria and lending policies.

Analysis of Data

A twenty-four item questionnaire was hand delivered to 19 agricultural lending agencies in Alfalfa, Major and Woods counties. The questionnaire addressed six major areas: (1) The Lending Agency's Attitude toward Agricultural Credit; (2) Loan Data; (3) Foreclosures; (4) Demographics of the Clientele; (5) Producer Assistance Programs; and (6) The Loan Officer. Some respondents chose to reply with multiple responses to some questions. Non-responses and multiple answer selections skewed total percentages to sum to values larger than 100 percent. A few questions specified rank order responses where the sum of the ranks were calculated and the smallest total merited the highest ranking, i.e. 1st, 2nd, etc. Seventeen of the 19 (89.47%) lending agencies surveyed returned useable survey instruments.

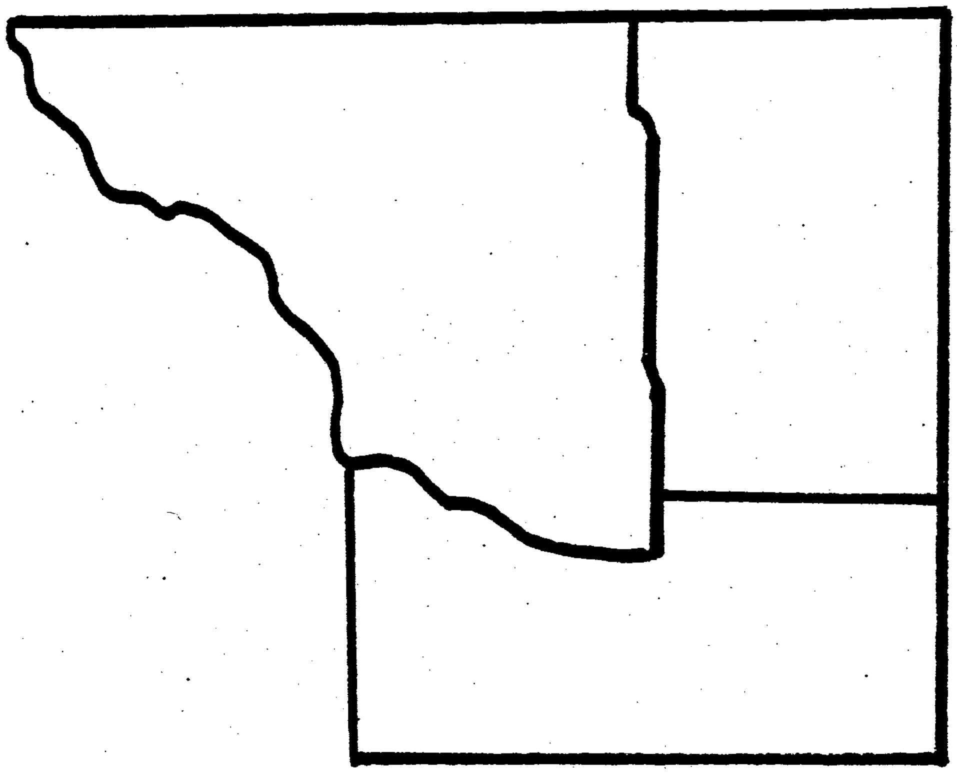
The descriptive statistics utilized to treat the data collected from the questionnaires were frequency distributions, percentages, and rank ordering.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

The purpose of this chapter was to present, describe, and analyze the sources and availability of farm credit in a three county area of North Central Oklahoma. The area consists of Alfalfa, Major, and Woods counties. Data was collected by hand-delivered questionnaires from 17 of the 19 (89.47%) lending institutions in the area. Two questionnaires were never returned although a telephone follow-up was conducted. One simply chose not to respond, while the other was in the midst of personnel changes.

The first section of this chapter is devoted to the "Farm Attitude" of the lending agencies. This includes the amount of agricultural funds available, and trends. Another section contains loan data such as interest rates and repayment schedules, while other sections include data regarding foreclosure criteria and policies, borrower data, producer assistance, education programs, and loan officer "attitudes."



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Farmers and Merchants Bank of Fairview
Fairview State Bank
Alfalfa County Bank-Cherokee
Farmer's Exchange Bank of Cherokee
First National Bank of Carmen

Figure 2. Map of Study Area and List of Agricultural Lenders Within the Area.

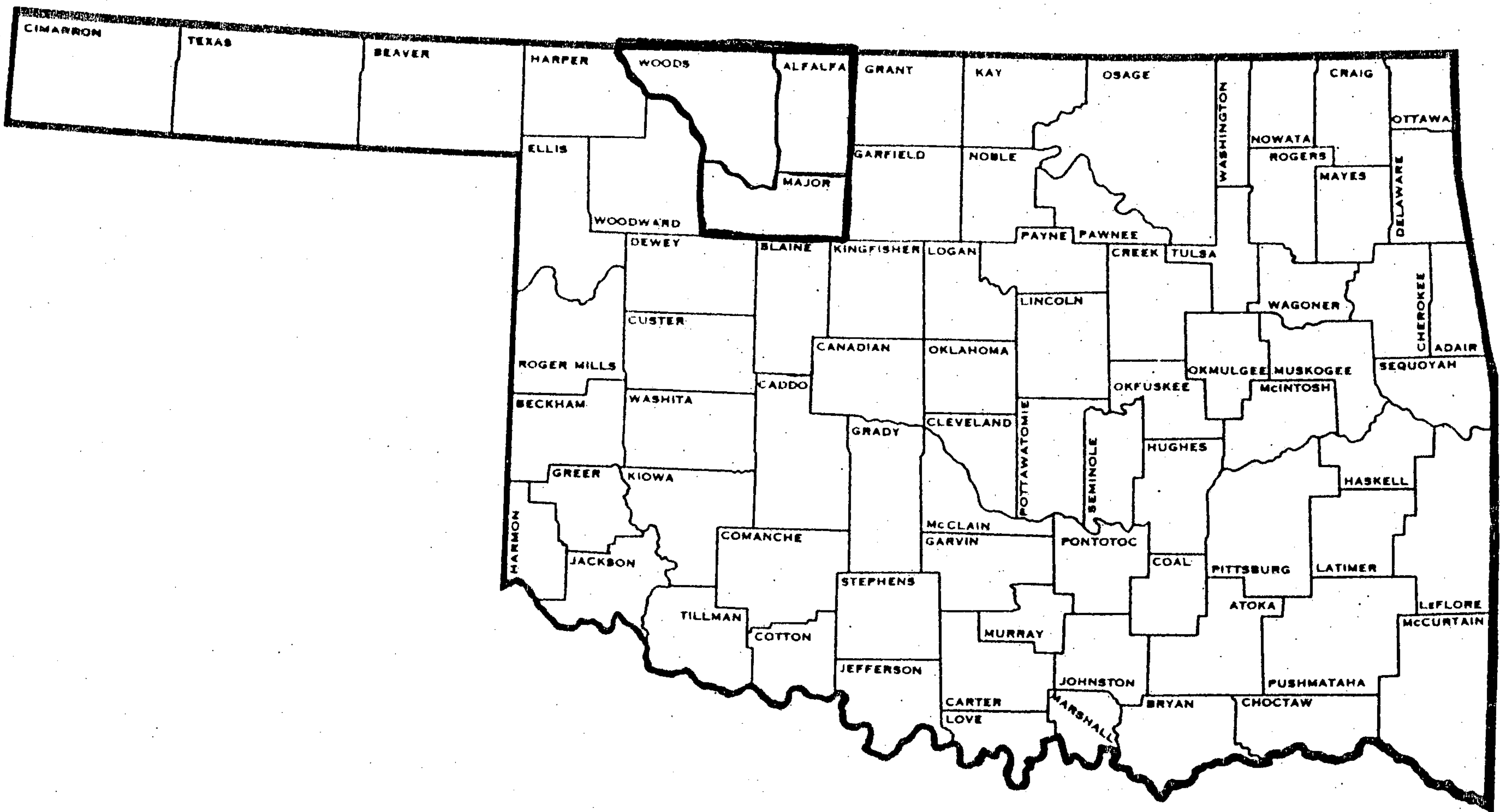

Figure 1. Location of the Three County Study Area in North Central Oklahoma.

Lending Agency's Attitude Toward Agricultural Credit

Table I revealed there was a large range of credit available to farmers in the three county area. Four (23.5%) of the respondents had less than $750,000 available for agricultural loans. However, the maximum available was revealed by three respondents (11.8%). Only one of the agencies (5.9%) indicated a range of $951,000-1,050,000 available. The ranges of $1,051,000 to $2,050,000 and $2,051,000 to $5,050,000 were indicated by 4 respondents (23.5%) respectively. One respondent indicated that his agency had no set amount available, while one chose not to answer this question.

It must be noted in addition to these responses that the types of lending institutions had an influence on the amount of money available. Small banks usually had less, while the larger agencies had more. The "over ten million" lenders consisted of mostly loans with PCA's, Federal Land Banks, and Farmer's Home Administration.

Table II indicated the changes regarding the level of available money. Three respondents (17.6%) had a set amount of agricultural money available, while 23.5 percent had a percentage of total money available to be used for agricultural loans. Most of the respondents (58.8%) indicated that available agricultural money was variable.

Generally speaking, levels of agricultural credit have changed according to 52.9 percent of the respondents. Table

TABLE I

A SUMMARY OF CREDIT CURRENTLY AVAILABLE FOR AGRICULTURAL PURPOSES

Level of Credit Currently Available	Frequency (N=17)	Distribution
	n	%
Less than 750,000	4	23.5
751,000 - 850,000	0	
851,000 - 950,000	0	
951,000 - 1,050,000	1	5.9
1,051,000 - 2,050,000	4	23.5
2,051,000 - 5,050,000	4	23.5
5,051,000 - 7,050,000	0	
7,051,000 - 10,050,000	0	
Over 10,050,000	2	11.8
No Set Amount	1	5.9

* Frequencies and percentages do not sum to normal 100 percent.

TABLE II

A SUMMARY OF CHANGES REGARDING CREDIT AVAILABILITY

Change of Available Credit	Frequency (N=17)	Distribution
	n	%
A set amount per applicant	3	17.65
A percentage of available credit	4	23.53
Variable depending on demand	10	58.82
Total	17	100.00

TABLE III

A SUMMARY OF WHETHER OR NOT LEVELS OF CREDIT AVAILABILITY AND REASONS OF CHANGE OCCURED

Changes on Credit Availability	Frequency (N=17)	Distribution
	n	%
yes	9	52.9
no	7	41.2
Reason for Change:	(9)	%
Changing needs of producers	1	11.12
Change in lending policies	8	88.88

* Frequencies and percentages do not sum to normal 100 percent.

III revealed that 41.2 percent of the agencies disagree and stated that there has been no change. Those respondents indicating change, 88.88 percent stated it was because of agency lending policy changes. One respondent indicated that the level of resources available had changed because of the changing needs of producers, as well as agency policy changes. One respondent cited the level of resources had changed due to depressed land values and their decreases in equity.

Table IV lists the types of agricultural loans available. Agencies providing real estate loans totaled

TABLE IV

A SUMMARY OF TYPES OF AGRICULTURAL LOANS AVAILABLE

Type of Loan Available	Frequency (N=17)	Distribution
	n	%
Real Estate	11	64.7
Operating	16	94.1
Equipment	13	76.5

* Frequencies and percentages do not sum to normal 100 percent.

64.7 percent while 94.1 percent give operating loans, and 76.5 percent give equipment loans.

Tables V, VI, and VII described trends or frequency of agricultural loans. Of the lending institutions providing real estate loans (Table V), only 18.2 percent saw an upward trend in 1985, while 54.5 percent saw a downward trend. Interestingly, 1984 forecasts indicated relatively the same trends while both upward and downward trends were indicated by 36.4 percent. Nineteen-eighty trends indicated an upward movement by 45.5 percent of those providing real estate loans. The 1980 data indicated no "down trends" while six real estate respondents chose not to answer. Even fewer respondents serving real estate clientele chose to answer on

TABLE V

A SUMMARY OF TRENDS OF AGRICULTURAL REAL ESTATE LOANS

Year Trend	Frequency (N=11)	Distribution
	n	%
1985		
up	2	18.2
down	6	54.5
1984		
up	4	36.4
down	4	36.4
1980		
up	5	45.5
down	0	
1975		
up	3	27.3
down	1	9.1

* Frequencies and percentages do not sum to normal 100 percent.

1975 trends with 27.3 percent indicating an upward movement and 9.1 percent indicating downward movement. The reason many respondents chose not to answer concerning 1980 and 1975 trends could possibly be changes in loan officers and/or new personnel, causing them to be unfamiliar with the trends from ten years ago.

Operating loan trends shown in Table VI reflected much the same pattern as real estate loans. Over 37 percent of

TABLE VI

A SUMMARY OF TRENDS OF AGRICULTURAL OPERATING LOANS

Year Trend	Frequency (N=16)	Distribution
	n	%
1985		
up	6	37.5
down	8	50.0
1984		
up	7	43.8
down	6	37.5
1980		
up	10	62.5
down	1	6.2
1975		
up	6	37.5
down	1	6.2

* Frequencies and percentages do not sum to normal 100 percent.

the respondents indicated an upward trend in operating loans, while 50 percent indicated a downward trend. During 1984 trends showed 43.8 percent upward,and 37.5 percent downward. In 1980, 62.5 percent indicated an upward trend while 6.2 percent indicated downward trends. Downward trends in 1975 were indicated by only 6.2 percent, while over 37 percent stated upward trends.

Table VII revealed by and large that the number of equipment loans decreased by 61.5 percent compared to 23.1 percent upward. Equipment loans in 1984 showed a broader range than either 1984 real estate or 1984 operating. Equipment loans showed a downward trend of 61.5 percent in 1984 as compared to 23.1 percent indicating an upward trend. Nineteen-eighty revealed a definite upward trend as indicated by 61.5 percent of the respondents while only 7.7 percent believed that the trend was downward. Only a 7.7 percent downward trend for 1975 as opposed to 38.5 percent of those providing equipment loans believed in an upward trend.

Table VIII revealed that 76.5 percent of the responding loan agencies have a full-time experienced farm loan officer, while 11.8 percent had a part-time experienced farm loan officer, and only 11.8 percent of the agencies did not have a farm loan officer.

Dispersal of information relative to the agency's loan programs revealed in Table IX indicated that in most agencies (76.5 percent) the farmer came to the agency.

TABLE VII

A SUMMARY OF TRENDS OF AGRICULTURAL EQUIPMENT LOANS

Year Trend	Frequency (N=13)	Distribution
	n	%
1985		
up	3	23.1
down	9	69.2
1984		
up	3	23.1
down	8	61.5
1980		
up	8	61.5
down	1	7.7
1975		
up	5	38.5
down	1	7.7

* Frequencies and percentages do not sum to normal 100 percent.

TABLE VIII

A SUMMARY OF AGENCIES WITH EXPERIENCED FARM CREDIT OFFICERS

Experienced Farm Credit Officer	Frequency (N=17)	Distribution
	n	%
fulltime	13	76.4
part-time	2	11.8
none	2	11.8
Total	17	100.0

Solicitation and advertising were indicated by 17.6 percent of respondents, while 4 respondents (23.5%) indicated other methods of advertisement which included customers, personal contact, and mailouts.

Most common reasons for denial of farm loans revealed in Table X showed inadequate cash flow received the most notoriety, 58.8 percent. The second most often mentioned reason for loan denial was lack of successful "track record" stated by 3 (29.4%) respondents, while poor management and character of the borrower was indicated by 11.8 percent and 5.9 percent respectively. Only one respondent stated that inadequate farm records was a reason for loan denial and ranked it last.

Loan Data

Tables XI through XVI reveal interest rates charged by lending agencies. Table XI showed that the most common fixed interest rate for real estate loans was 12 percent although only 27.3 percent of those agencies giving real estate loans used that rate. Other responses revealed 9.0-10.65 percent, 11.75 percent, 12-13 percent, 12.5 percent;, and 13 percent, which represented 9.1 percent of those lending for real estate purposes. One agency chose not to answer and one replied that the rate is set each month at a monthly board meeting.

Table XII indicated a broad range of responses for fixed interest rates among operating loans, the most common

TABLE IX

A SUMMARY OF HOW INFORMATION RELATIVE
TO LOAN PROGRAMS ARE MADE
AVAILABLE TO FARMERS

Method	Frequency (N=17)	Distribution
	n	%
solicitation	3	17.6
farmer comes to agency	13	76.5
advertising	3	17.6
other	4	23.5

* Frequencies and percentages do not sum to normal 100 percent.

TABLE X

A SUMMARY OF THE MOST COMMON
REASONS FOR LOAN DENIAL

Reasons	Frequency (N=17)	Distribution
	n	%
inadequate cashflow	10	58.8
character of borrower	1	5.9
poor management	2	11.8
lack of successful track record	4	23.5
inadequate records	0	
Total	17	100.0

TABLE XI

A SUMMARY OF FIXED INTEREST RATES
CHARGED ON REAL ESTATE LOANS

Interest Rate	Frequency (N=11)	Distribution
	n	%
9.0 - 10.65%	1	9.1
11.75%	1	9.1
12%	3	27.3
12 - 13%	1	9.1
12.5%	1	9.1
13%	1	9.1

* Frequencies and percentages do not sum to normal 100 percent.

TABLE XII

A SUMMARY OF FIXED INTEREST RATES
CHARGED ON OPERATING LOANS

Interest Rate	Frequency (N=16)	Distribution
	n	%
9.0 - 10.65%	1	6.2
11.75%	2	12.5
12%	5	31.2
12 - 13%	0	
12.5%	2	12.5
13%	3	18.8
13 - 14%	1	6.2

* Frequencies and percentages do not sum to normal 100 percent.

response being 12 percent interest, which was stated by 31.2 percent of the respondents. Over 18 percent stated that 13 percent interest was their most common rate, while over 24 percent revealed a 12.5 percent rate. Only one indicated an interest rate of 10.65 or less. One agency chose not to respond, and one stated that the rate was set each month at a board meeting.

Only 13 of the agencies offered equipment loans. Table XIII showed that the most common fixed equipment loan rate was 13 percent, while 12-12.5 percent interest seemed to be the going rate for 4 agencies. Table XIV revealed that seven afforded their clientele variable loans. The rates revealed were: 9.0-12.4 percent, 11.75-13.75 percent, 12 percent, 12-13 percent, 12.5 percent, and 12.75 percent. One agency assigns new rates each month and one agency chose not to answer.

Variable interest rates shown in Tables XIV - XVI showed a somewhat lower rate. Of the eleven agencies giving real estate loans (Table XIV), only seven gave variable loans and each had a different rate.

Variable operating loans found in Table XV, revealed again several did not have variable loans in this area. The only rate receiving more than one response was 11.75 percent interest which received 2.

Table XVI showed variable rates on equipment where two agencies stated their rates as 12.5 percent. Over 30 percent stated they had no variable equipment, while other

TABLE XIII

A SUMMARY OF FIXED INTEREST RATES
CHARGED ON EQUIPMENT LOANS

Interest Rate	Frequency (N=13)	Distribution
	n	%
9.0 - 10.65%	1	7.7
11.75%	1	7.7
12%	2	15.4
12 - 13%	0	
12.5%	2	15.4
13%	4	30.8
13 - 14%	1	7.7

* Frequencies and percentages do not sum to normal 100 percent.

TABLE XIV

A SUMMARY OF VARIABLE INTEREST RATES
CHARGED ON REAL ESTATE LOANS

Interest Rate	Frequency (N=11)	Distribution
	n	%
9.0 - 12.4%	1	9.1
11.75%	1	9.1
12%	1	9.1
12 - 13%	1	9.1
12.5%	1	9.1
12.75%	1	9.1
no variable real estate loans	3	27.3

* Frequencies and percentages do not sum to normal 100 percent.

TABLE XV

A SUMMARY OF VARIABLE INTEREST RATES CHARGED ON OPERATING LOANS

Interest Rate	Frequency (N=16)	Distribution
	n	%
9.0 - 12.4%	1	6.2
11.5	1	6.2
11.75%	2	12.5
12%	1	6.2
12.5%	1	6.2
13%	1	6.2
13 - 14%	1	6.2

* Frequencies and percentages do not sum to normal 100 percent.

rate responses included "no answer" and rates were set at monthly meetings.

Repayment schedules are represented in Tables XVII, XVIII, and XIX. Real estate repayment schedules were mostly in the 0-5 year range shown in Table XVII with 54.5 percent of the agencies choosing this response. Of those agencies providing real estate loans, 27.3 percent had repayment schedules of 6 to 10 years, while only one agency had 11-15 and 16-20 years, respectively.

Table XVIII showed that the most common repayment schedule for operating loans was 1-12 months. Only 6.2 percent of the agencies had operating loans with repayment schedules of 4-6 years.

Equipment loans, representated in Table XIX, were typically repaid in 1-3 years as represented by 6.7 percent of the lending agencies. One-third of the agencies had 4-6 year repayment schedules on equipment loans.

Table XX revealed the repayment plans most frequently utilized were semi-annually and annually. Semi-annually was the response chosen by 52.9 percent of the agencies, while "annual" repayment schedules were selected by 41.2 percent of the agencies. "Quarterly" payment schedules were the choice of 5.9 percent of the respondents, and "monthly" received no responses.

TABLE XVI

A SUMMARY OF VARIABLE INTEREST RATES
CHARGED ON EQUIPMENT LOANS

Interest Rate	Frequency (N=13)	Distribution
	n	%
9.0 - 12.4%	1	7.7
11.75%	1	7.7
12%	1	7.7
12.5%	2	15.4
13%	1	7.7
13 - 14%	1	7.7

* Frequencies and percentages do not sum to normal 100 percent.

TABLE XVII

A SUMMARY OF TYPICAL REPAYMENT SCHEDULES
FOR REAL ESTATE FARM LOANS

Repayment Schedule	Frequency (N=11)	Distribution
	n	%
0 - 5 years	6	54.5
6 - 10 years	3	27.3
11 - 15 years	1	9.1
16 - 20 years	1	9.1

* Frequencies and percentages do not sum to normal 100 percent.

TABLE XVIII

A SUMMARY OF TYPICAL REPAYMENT SCHEDULES FOR OPERATING FARM LOANS

Repayment Schedule	Frequency (N=16)	Distribution
	n	%
1 - 12 months	15	93.8
1 - 3 years	0	
4 - 6 years	1	6.2
over 6 years	0	

* Frequencies and percentages do not sum to normal 100 percent.

TABLE XIX

A SUMMARY OF TYPICAL REPAYMENT SCHEDULES FOR EQUIPMENT FARM LOANS

Repayment Schedule	Frequency (N=13)	Distribution
	n	%
1 - 3 years	10	66.7
4 - 6 years	5	38.5
7 - 9 years	0	

* Frequencies and percentages do not sum to normal 100 percent.

TABLE XX

DISTRIBUTION OF REPAYMENT METHODS MOST UTILIZED

Repayment Method	Frequency (N=17)	Distribution
	n	%
monthly	0	
quarterly	1	5.9
semi-annually	9	52.9
annually	7	41.2
Total	17	100.0

Foreclosures

Table XXI showed that the incidence of foreclosure was definitely not decreasing. However, the responses to "increasing foreclosure" and "foreclosure remaining the same" were equal, each claiming 41.2 percent of the responses compared to 17 percent who state that foreclosure was decreasing.

Table XXII was a summary of those responses to question 13: "To what do you attribute the necessity of foreclosure?" Totals of each numbered response were added, then totals ranked in order from lowest to highest, lowest being 1, and highest being 6. Those agencies who chose to respond to only one answer were not included. The necessity of foreclosure was listed as follows: 1) inadequate cash flow; 2) overexpansion; 3) mismanagement; 4) borrowing too much; 5) unforseen risk; and 6) lack of resources.

TABLE XXI

A SUMMARY OF FORECLOSURE TRENDS

Repayment Schedule	Frequency (N=17)	Distribution
	n	%
increasing	7	41.2
decreasing	3	17.6
the same	7	41.2
Total	17	100.0

TABLE XXII

A SUMMARY OF TO WHAT AGRICULTURAL LOAN INSTITUTIONS ATTRIBUTE THE NECESSITY OF FORECLOSURE

Reason	Sum of Ranks	Group Ranking
mismanagement	41	3
lack of resources	68	6
unforeseen risk	67	5
inadequate cash flow	26	1
overexpansion	31	2
borrowing too much	43	4

Table XXIII revealed fairly uniform responses with the exception for "field visit" and "when the loan was declared delinquent." These two responses were almost equal in being ranked first or second by most agencies. "Field visit" was ranked as the first step in foreclosure policy with "declaring the loan delinquent" as the second step. "Notification of the borrower" and "sale of assets" were third and fourth respectively. Two of the agencies marked "other" as a response, but only one wrote it in. The agency which listed the "other" stated "an attempt to obtain financing from another source and pay us off" was their second step. One agency took the time to list their steps in detail:

> Foreclosure is last resort for lender - - process is:
>
> 1. Counsel with borrower on problems.
> 2. Ask borrower to present acceptable plan to resolve problems.
> 3. Work with borrower to formulate plan if he is unable to do so.
> 4. If no plan can be agreed on, ask borrower to pay loan in full.
> 5. If borrower cannot refinance or pay debt, ask borrower to sell collateral/other assets and apply proceeds on loan.
> 6. Notify borrower of forbearance policy.
> 7. If borrower unwilling to act, demand payment and advise borrower we will initiate collection if situation is not resolved by an established time.
> 8. If borrower does not act, refer to attorney, attorney gives borrower notice foreclosure will be filed if no agreement made with lender by established time.
> 9. If borrower does not act, foreclosure is started.
>
> (With borrower cooperation, the problem situation could be resolved at any time and the subsequent steps not taken.)

TABLE XXIII

A SUMMARY OF AGENCY'S FORECLOSURE STEPS

Foreclosure Steps	Sum of Ranks	Group Ranking
field visit	21	1
loan declared delinquent	23	2
borrower notified	42	3
sale of property	56	4

Demographics of the Clientele

Table XXIV showed the factors that the lenders consider important. Ranked in order, the factors considered most important are: "ability to repay", "honesty", "character", and "managerial ability." Factors considered least important are: "operation stability", "size of operation", and "age of borrower."

Table XXV revealed items that the agencies wished farmers to present when making loan application were financial statements, a cash flow plan, followed by a net worth statement. Previous year's records and need of credit follow. Enterprise budgets, participation in government programs, and farm business management training were listed as the items least requested by lenders.

Table XXVI indicated methods by which loans were most often secured. Livestock was indicated by 94.1 percent of the agencies as being the reason loans are most often

TABLE XXIV

A SUMMARY OF THE MOST IMPORTANT FACTORS AGRICULTURAL LENDING INSTITUTIONS CONSIDER ABOUT BORROWERS

Factors	Sum of Ranks	Group Ranking
ability to repay	27	1
honesty	44	2
managerial ability	53	4
character	51	3
size of operation	97	6
age of borrower	99	7
operation stability	68	5

TABLE XXV

A SUMMARY OF ITEMS AGRICULTURAL LENDING INSTITUTIONS WISH TO HAVE PRESENTED BY BORROWERS

Item	Sum of Ranks	Group Ranking
financial statement	54	1
cash flow plan	68	2
enterprise budget	126	6
farm business mgmt. training	149	9
records of previous years	98	4
need of credit	110	5
hedging or contracting	150	10
participation in gov't programs	133	7
net worth statements	73	3
other	137	8

secured. This was followed by "winter crops" (82.4%) and "machinery and equipment", 70.6 percent. "Real estate" was indicated by 35.3 percent, followed by "hay" and "pasture" by 17.6 percent each. Summer crops and vegetables were indicated by 11.8 percent, and 5.9 percent respectively.

Of the responding lending agencies, 100 percent made loans to high school Vocational Agriculture or 4-H students as shown in Table XXVII. Reasons varied from "purchase of show livestock" to "public relations." One stated that they only made these loans to customer's children. Interest rates varied from 9.5 to 13 percent, with the majority of agencies giving a slightly lower rate to students. Maximum amounts tend to depend on the customer and his ability to repay. Special provisions requested in question 19 included: "co-signed by parents", and "lower interest rates."

Producer Assistance Programs

Table XXVIII represented the data from question 20, "Do you provide assistance to the borrower in determining short-term or long-term credit needs?" Those agencies who provide assistance represented 76.5 percent, while 23.5 percent provided no assistance. Types of assistance provided were "cash flow" assistance, provided by 64.7 percent, and 17.6 percent provided "field supervision." "Tax management" was provided by 11.8 percent, while "other" assistance (23.5%) listed was: "direct individual to proper

TABLE XXVI

A SUMMARY OF PURPOSES FOR WHICH LOANS ARE MOST OFTEN SECURED

Loan Purpose	Frequency (N=17)	Distribution
	n	%
purchase livestock	16	94.1
winter crops	14	82.4
summer crops	2	11.8
hay	3	17.6
pasture	3	17.6
machinery and equipment	12	70.6
vegetables	1	5.9
real estate	6	35.3

* Frequencies and percentages do not sum to normal 100 percent.

TABLE XXVII

A SUMMARY OF WHETHER OR NOT LOANS WERE MADE TO HIGH SCHOOL VOCATIONAL AGRICULTURE OR 4-H STUDENTS

Is loan Made?	Frequency (N=17)	Distribution
	n	%
yes	17	100.0
no	0	
Total	17	100.0

TABLE XXVIII

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

Is Assistance Provided	Frequency (N=17)	Distribution
	n	%
yes	13	76.5
no	4	23.5
Total	17	100.0

TABLE XXVIIIb

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

Nature of Assistance	Frequency (N=17)	Distribution
	n	%
cash flow	11	64.7
estate planning	1	5.9
tax management	2	11.8
field supervision	3	17.6
other	4	23.5

* Frequencies and percentages do not sum to normal 100 percent.

government programs," "encourage hedging on forward cash contracting," and "financial analysis on statements and tax returns."

"Do you require an educational program regarding agricultural credit for your clients?" was a question pertaining to Table XXIX. All (100%) of the respondents stated they did not require such a program, but one wrote in that they did only on an "as needed" basis. Another agency stated that they "encouraged and sponsored such meetings."

Table XXX indicated the responses to who should be responsible for developing and presenting educational programs on agricultural credit. Equal numbers (23.5%) stated the job should fall to the Vo-Ag Young Farmer Advisor (Vo-Ag), farm business management instructor, or OSU Specialist. Others (17.6%) opted that the job belonged to the lending agency or county extension agent. One respondent declared that the "operator needs to put forth the first step." The answer "choice" with the greatest response was "a combination" which was indicated by 23.5 percent of the lenders.

The Loan Officer

Table XXXI indicated that frequency of staff meetings of an agricultural nature were seldom held. Weekly meetings were held by only 23.5 percent of the agencies as were monthly meetings. Quarterly meetings were held by most

TABLE XXIX

A SUMMARY OF WHETHER OR NOT AGENCIES REQUIRE EDUCATIONAL PROGRAMS REGARDING AGRICULTURAL CREDIT FOR CLIENTS

Is Program Required	Frequency (N=17)	Distribution
	n	%
yes	0	
no	17	100
Total	17	100.0

TABLE XXX

A SUMMARY OF WHO SHOULD BE RESPONSIBLE FOR DEVELOPING AND PRESENTING EDUCATIONAL PROGRAMS

Responsible Agency	Frequency (N=17)	Distribution
	n	%
lending agency	3	17.6
county extension agent	3	17.6
young farmer advisor (vo-ag)	4	23.5
state department of agriculture	0	
farm business mgmt. instructor	4	23.5
OSU specialists	4	23.5
combination	8	47.1
other	1	5.9

* Frequencies and percentages do not sum to normal 100 percent.

TABLE XXXI

A SUMMARY OF FREQUENCY OF STAFF MEETINGS OF AGRICULTURE NATURE

Frequency of Meetings	Frequency (N=17)	Distribution
	n	%
weekly	4	23.5
monthly	4	23.5
quarterly	7	41.2
semi-annually	0	
annually	2	11.8

* Frequencies and percentages do not sum to normal 100 percent.

(41.2%) of the institutions, while 11.8 percent held only annual meetings.

Table XXXII revealed the greatest problem facing agriculture today was suppressed market prices, repayment capacity, and cash flow problems. Decreased real estate values were indicated by 35.3 percent of the lenders and inadequate records was also a problem. "Government programs," written in by one (5.9%) respondent was selected as being the greatest problem facing agriculture today.

TABLE XXXII

A SUMMARY OF THE OPINION AS TO THE GREATEST PROBLEMS FACING FARMERS IN SECURING AGRICULTURAL CREDIT TODAY

Problem	Frequency (N=17)	Distribution
	n	%
repayment capacity	9	52.9
suppressed market prices	11	64.7
integrity of producers	0	
cash flow problems	10	58.8
decreased real estate values	6	35.3
inadequate records	2	11.8
other	1	5.9

CHAPTER V

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This chapter was devoted to analyzing the findings made while conducting this study. The author stated the conclusions drawn and made recommentations based on the findings.

Purpose

The purpose of this study was to determine the major sources, availability, and lending policies concerning agricultural credit by lending institutions in a three county area of North Central Oklahoma.

Rationale

With this information, farmers can choose the best lending agency for their needs. A study of this nature would also provide information relative to the reasons for loan refusals, and a source assistance to farmers who are in doubt as to whether they can qualify for a loan. The researcher's Vocational Agriculture students would also benefit from this study by becoming better acquainted with credit alternatives for funding their Supervised Occupational Programs.

Design of the Study

The area selected for study was Major, Woods, and Alfalfa counties in North Central Oklahoma. These counties make up the Alva Professional Improvement group of Vocational Agriculture teachers. This area was chosen because the author saw a need for such a study among lenders that would benefit farmers and Vocational Agriculture students in the area. All (100%) lending institutions making agricultural type loans were included in the study.

The questionnaire was developed after studying other instruments developed by Kouplen (7) and Curry (5). Consultations with members of the Agricultural Education staff at OSU, and by peers of the writer resulted in a final version of the questionnaire.

The questionnaire was field tested by an agricultural loan officer and approved. The questionnaire was hand-delivered to each of the institutions with explanations as the purpose of the instrument. Personal interviews were impossible because of the amount of time required to orient each loan officer.

Most of the questionnaires were returned promptly. All but two were back in the author's hands within three weeks. Two questionnaires were never returned although the author did a follow-up. One agency simply chose not to respond, while the other was in the midst of personnel changes.

Seventeen lending agencies responded although 19 questionnaires were distributed. This resulted in a response rate of 89.5 percent. The questionnaire consisting of 24 questions, was hand-delivered to each agricultural lending agency. Descriptive statistics were used to analyze the data. Responses concerning each individual answer choice were totaled and percentages of the total number of frequencies calculated. Some of the respondents chose more than one answer, while others chose not to answer some questions. These multiple and non-answers affected the total percentages causing some to total more or less than 100 percent. A few questions were ranking type questions where the total sum of ranks were calculated and the lowest sum was the highest ranking category.

The questions were divided into six major areas: 1) Lending Agency's Attitude toward Farm Credit; 2) Loan Data; 3) Foreclosures; 4) Demographics of Clientele; 5) Producer Assistance and Education Programs; 6) The Loan Officer.

Major Findings of the Study

The following categories were selected on the major findings of the study:

1. Lending Agency's Attitude Toward Agricultural Credit
2. Loan Data
3. Foreclosures
4. The Clientele

5. Producer Assistance and Education Programs
6. Loan Officers

Lending Agency's Attitude Toward Agricultural Credit

The lending agency's "Farm Attitude" on the whole appears to be positive. The amount of agricultural money available appears to be substantial, especially when one considers that these responses were made during a time of the year that would most likely be either in the middle of, or nearing the end of an institution's fiscal year. Although only 64.7 percent provided real estate loans, almost all of the agency's provided operating loans. Inadequate cashflow and lack of successful track record were the major factors in denial of loans. All of the responding agencies except two had a farm loan officer.

A negative aspect of the findings were the frequency of ag loans which show that all types of loans were down from those made in 1984. The 1984 data reveals an equally up and down in real estate, but slightly up in operating and equipment loans. The 1980 and 1975 trends both showed strong upward movements. During this time of economic instability for farmers, it seems that the frequency of agricultural loans was declining.

Changes in available resources seem to be due to lending agency policy changes. All types of loans seem to be down in 1985, one assumes that lending agencies were decreasing the amount of available resources for agricultural purposes.

Loan Data

Loan data information indicates that the most common interest rate on real estate and operating loans was 12 percent while equipment loans draw 13 to 14 percent. Variable interest was only slightly lower than fixed rates. Repayment schedules typically range from 0 to 5 years for real estate, 1 to 12 months for operating loans, and 1 to 3 years for equipment accounts. Repayment plans were typically annual or semi-annual which proves to be logical considering that crops were harvested during this same time span.

Foreclosures

Foreclosure data shows that the incidence of foreclosure was persumed to raimain the same or increase, and that the most common reason for foreclosure was inadequate cash flow. Most agencies began foreclosure steps with a field visit followed by the loan being declared delinquent, borrower notification, and sale of property.

The Clientele

Lending agencies surveyed indicated that the most desirable characteristics in a borrower were "ability to repay", "managerial abilty", "honesty", and "character".

Items that they wished to be presented when a farmer asked for a loan were a financial statement and a cash flow plan. Livestock purchases and winter crops where the most common reasons farmers borrowed, and all of the lending agencies loaned money to Vocational Agriculture students and 4-H'ers.

Producer Assistance and Education Programs

Most of the agencies provided assistance to assist farmers developing credit plans and loan portfolios, while none of them required an educational program for borrowers. When asked who should be responsible for providing educational programs, the agencies responded on the most part, "a combination of several sources."

Loan Officer Data

Staff meetings of an agricultural nature were held only infrequently at most of the agencies. However quarterly meeting were held by 41.2 percent of the agencies. When asked what was "the greatest problem facing agriculture today," a majority of the respondants stated suppressed market prices, and repayment capacity and cash flow problems being indicated by 52.9 percent.

Conclusions

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

1. The total amount of agricultural capital was down from previous years.
2. It was conducive for the lending institutions to have a farm credit officer.
3. Handling agencies do not actively solicit farmer's business.
4. Inadequate cash flow was the most common reason for loan denial.
5. Interest rates ranged from 9.0 to 14 percent depending on the type and nature of the loan.
6. Repayment schedules for real estate range from 5 years up to 20 years.
7. The number of foreclosures seems to be steady or slightly increasing.
8. Lenders consider ability to repay, honesty, and character as major characteristics to look for in a borrower.
9. Financial statements and cash flow plans were the credit qualifying items most often required by lenders.
10. Agricultural loans were available to high school students, and usually at a reduced interest rate.
11. Lenders provide assistance in helping producers determine credit needs.

12. Staff meetings of an agriculture nature were held quarterly.
13. The most serious problem facing agriculture today was suppressed market prices.

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. Lenders should assist farmers and ranchers in determinign the most profitable marketing alternatives for their crops.

Recommendations for Further Research

1. Those individuals making studies of a similar nature should use a personal interview to obtain data.
2. A complete study of all counties in Oklahoma would benefit producers and lenders statewide.

3. Agricultural research efforts should be oriented toward the developing of alternative crops to increase farm income.

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APPENDIX

AGRICULTURE CREDIT AVAILABILITY SURVEY
FOR PRODUCERS IN A THREE COUNTY
AREA OF NORTH CENTRAL
OKLAHOMA

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

Name of lending agency: ______________________

I. Lending Agency's "Farm Attitude"

1. Level(s) of credit currently available for agricultural purposes.
(03) 1. ______ less than 750,000
2. ______ 751,000 - 850,000
3. ______ 851,000 - 950,000
4. ______ 951,000 - 1,050,000
5. ______ 1,051,000 - 2,050,000
6. ______ 2,051,000 - 5,050,000
7. ______ 5,051,000 - 7,050,000
8. ______ 7,051,000 - 10,050,000
9. ______ Over 10,050,000

2. Is this level available
(04) 1. ______ a set amount per applicant?
2. ______ a percentage of current resources?
3. ______ variable depending on demand?

3. Have the level(s) of resources available for agricultural credit changed?
(05) 1. ______ yes If yes, why?
2. ______ no

(06) If yes, why?
1. ______ because of the (changing needs of producers.
2. ______ lending policy of the institution changes.
3. ______ other ______________.

4. Types of agricultural loans available.
   (07) 1. ______ Real Estate
   2. ______ Operating
   3. ______ Equipment

5. Trends or frequency among agricultural loans:

Real Estate

		1985				1980	
(08)	1.	______	up	(10)	1.	______	up
	2.	______	down		2.	______	down
		1984				1975	
(09)	1.	______	up	(11)	1.	______	up
	2.	______	down		2.	______	down

Operating

		1985				1980	
(12)	1.	______	up	(14)	1.	______	up
	2.	______	down		2.	______	down
		1984				1975	
(13)	1.	______	up	(15)	1.	______	up
	2.	______	down		2.	______	down

Equipment

		1985				1980	
(16)	1.	______	up	(18)	1.	______	up
	2.	______	down		2.	______	down
		1984				1975	
(17)	1.	______	up	(19)	1.	______	up
	2.	______	down		2.	______	down

6. Does your agency have an experienced farm credit officer?
   (20) 1. ______ full-time
   2. ______ part-time
   3. ______ no farm loan officer

7. How is information relative to your loan program made available to farmers?
   (21) 1. ______ solicitation
   2. ______ farmer comes to agency
   3. ______ advertising
   4. ______ other

8. What is the most common reason for you to deny a farm loan?
(22) 1. ______ inadequate cashflow
2. ______ character of borrower
3. ______ poor management
4. ______ lack of successful "track record"
5. ______ inadequate farm records (other than cashflow)

II. Loan Data

9. Annual Interest rate charged by your firm?

(23) Fixed		(24) Variable	
1.	______ Real Estate	1.	______ Real Estate
2.	______ Operating	2.	______ Operating
3.	______ Equipment	3.	______ Equipment

10. What is your typical repayment schedule for farm loans?
(25) Real Estate
1. ____0-5 yrs
2. ____6-10 yrs.
3. ____11-15 yrs.
4. ____16-20 yrs.

(26) Operating
1. ____1-12 mo.
2. ____1-3 yrs.
3. ____4-6 yrs.
4. ____Over 6 yrs.

(27) Equipment
1. ____1-3 yrs.
2. ____4-6 yrs.
3. ____7-9 yrs.
4. ____Over 6 yrs.

11. Repayment method most utilized.
(28) 1. ______ Monthly
2. ______ Quarterly
3. ______ Semi-Annually
4. ______ Annually

III. Foreclosure Data

12. Is the incidence of foreclosure
    (29) 1. ______ increasing
    2. ______ decreasing
    3. ______ the same

13. To what do you attribute the necessity of foreclosure? (rank in order)
    (30) 1. ______ mismanagement
    2. ______ lack of resources other than borrowed money
    3. ______ loss due to unforeseen risk
    4. ______ inadequate cash flow
    5. ______ over expansion
    6. ______ borrowing too much
    7. ______ other ______________________

14. Explain your agency's foreclosure policy (Steps, i.e. Step 1, Step 2, etc.
    (31) 1. ______ Field visit is made to Borrower(s) with delinquent loan.
    2. ______ Loan declared delinquent.
    3. ______ Borrower notified of foreclosure proceedings.
    4. ______ Sale of producer assets.
    5. ______ other ______________________

IV. Borrower Information

15. What are the most important factors you consider about a borrower? (rank in order)
    (32) 1. ______ ability to repay
    2. ______ honesty
    3. ______ managerial ability
    4. ______ character
    5. ______ size of operation
    6. ______ age of borrower
    7. ______ operation stability

16. When seeking credit at your agency, what items do you wish the farmer to present? (rank in order)
(33) 1. ______ financial statement
2. ______ cash flow plan
3. ______ enterprise budget
4. ______ farm business management training
5. ______ records of previous years production
6. ______ need of credit
7. ______ hedging or contracting of production
8. ______ participation in government programs
9. ______ net worth statements
10. ______ other______________________

17. Purposes for which loans are most often secured.
(34) 1. ______ Purchase livestock
(35) 1. ______ Winter crops
(36) 1. ______ Summer crops
(37) 1. ______ Hay
(38) 1. ______ Pasture
(39) 1. ______ Machinery & Equipment
(40) 1. ______ Vegetables
(41) 1. ______ Real Estate
(42) 1. ______ Other

18. Are loans made to high school Vocational Agriculture or 4-H students?
(43) 1. ______ yes
2. ______ no
Why or why not?______________________
Interest Rate______________________
Maximum Amount______________________

19. Are there any special provisions for Vocational Agriculture students' loans versus other producers in your area?
(44) 1. ______yes
2. ______no
If yes, please state______________________

V. Producer Assistance and Education Programs

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

(45) 1. ______ yes
2. ______ no

If yes, what types of assistance do you provide?

(46) 1. ______ Cash flow
(47) 2. ______ Estate Planning
(48) 3. ______ Tax management
(49) 4. ______ Field supervision
(50) 5. ______ Other

____

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

(51) 1. ______ yes
2. ______ no

If yes, please specify
Nature ______________________________

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

(52) 1. ______ Lending agency
(53) 1. ______ County Extension Agent
(54) 1. ______ Young Farmer Advisor (Vo-Ag Instructor)
(55) 1. ______ State Department of Vocational Agriculture
(56) 1. ______ Farm Business Management Instructor
(57) 1. ______ OSU Extension Specialists
(58) 1. ______ Combination
(59) 1. ______ Other ______________________________

VI. Loan Officer Data

23. Frequency your staff participates in meetings, committees or activities of an agricultural nature:
(60) 1. ______ Weekly
2. ______ Monthly
3. ______ Quarterly
4. ______ Semi-Annually
5. ______ Annually

Nature ______________________________

24. In your opinion what are the greatest problems facing farmers in securing agricultural credit today?
(61) 1. ______ Repayment capacity
2. ______ Suppressed market prices of agricultural products
3. ______ Integrity of producers
4. ______ Cash flow problems
5. ______ Decreased real estate values
6. ______ Inadequate Records
7. ______ Other ______________________

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