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A few days ago I was reading a new book called "The Farmer's Last Frontier" by Fred A. Shannon. It is one of a series of nine volumes depicting the economic history of the United States. The first phrase of that book struck me as being highly significant. It was: "The farmer has rarely been prosperous." In the book, which I recommend to all of you for reading, the story of the development of the agricultural economy of the United States during the years 1860 to 1897 is clearly told. There are many things that occurred in that period which have a counterpart in today's agriculture. Obviously, the past five years <sup>period is</sup> ~~is~~ one of those rare periods in which farmers have been prosperous. Certainly they have earned all that they have. Just as a matter of introduction, let's take a glance at the picture in agriculture as we find it today.

Agriculture, as measured by the dollar value of its physical goods, increased from a 49 billion dollar industry to a 74 billion dollar industry during the 5 years ended January 1, 1945. The increases are due mainly to higher prices, but in part to increased quantities. During 1944, agriculture surpassed all former records of production. During 1944, the proprietor's interest in agriculture rose nearly 8 and 1/2 billion dollars while the creditor's interest

was reduced about 222 million dollars. On January 1st, 1945, owners including landlords not living on farms held a 90% interest in the physical and financial assets associated with agriculture. Many farmers owe nothing, while many still operate on a very narrow equity. Real estate, the farmer's largest single asset, is now valued at more than 50 billion dollars. It increased nearly 11% in value during 1944 when average land values increased in all states. On January 1st, 1945, the Oklahoma-Texas region, according to the BAE, showed the estimated total value of farm land and buildings at 4 billion 700 million dollars compared with 3 billion 400 million dollars on the same date in 1940.

At the beginning of 1944, the numbers of cattle, hogs, and chickens were the largest ever recorded. Farmers today are buying more machinery than ever before in their history. During 1944, bank deposits owned by farmers of the United States increased from an estimated 6 and 1/2 billion dollars to nearly 8 billion dollars. Farmers in the Oklahoma-Texas region own an average of about 100 dollars cash value per capita in United States Savings bonds. The farm real estate debt is at a very low level. All in all, the farmers are in a very good financial condition these days.

How to keep them that way is the big problem. Of course, we talk a great deal in terms of parity, and today it is a subject of wide and intense interest. In a talk made before the National Association of Commissioners, Secretaries, and Directors of Agriculture at Memphis about two weeks ago, Secretary Clinton P.

Anderson said:

"It seems to me that three fundamental decisions have to be reached in order to construct the framework of an up-to-date workable parity formula. First, we have to define a 'fair share of the national income.' Second, we have to devise a parity formula that would yield that fair part as defined. And third, we have to work out methods by which our parity goals can be reached."

I am sure that all of you are in accord with these objectives. In any case, the attainment of parity means the adjustment of supply to meet the demand. Closely allied to this problem is the problem of supplying agricultural credit. Keeping sufficient capital on hand to pay cash operating expenses has been a worry for farmers ever since the world shifted from the barter system to the monetary system. Farmers were among the last to shift, because the dollar system is artificial and on the farm, life is real. Although the day is largely past when farmers traded a load of corn to the merchant for a barrel of flour and sack

of sugar, there still is much of the barter method remaining on the farm. The "swap" is as natural to American farming as plowing. Good farm neighbors today exchange work to help one another, not considering whether a day's work is worth \$1 or \$10. Two sows may be traded for a heifer. A load of hay often is swapped for grain. The use of one man's tractor sometimes is teamed with another man's combine and both men work together to harvest crops on their respective farms. In such a system, farmers have little need for ready cash, but there are things that farmers must have today that they can't grow on their farms and that they can't swap for with their neighbors. When farmers go to town to do their trading, they find that it is the hard round dollar or folding money that talks. They must have cash, or they must have credit.

If a farmer has cash, there is no question except to stretch it to cover his needs. Credit involves much more. To obtain credit has been a hard pull for farmers down through the years with an even harder pull to pay off the debt once acquired. The sharecroppers of the old south had to have credit to make a crop, as well as everything else furnished to them. Their minimum needs were supplied by the landowners, at rates and on terms that left the sharecropper and his family with little, if anything, to show for their year's work. In turn the landowner usually was in debt to supply merchants and northern money lenders at high rates.

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Many a plantation wound up belonging to financiers or wholesale suppliers of plantation commissaries, leaving landowner and sharecropper to go down together, because of alien control of their economic life.

The old time "fishy-eyed" banker who could say "no" to farmers without a quiver until the farmer had covered the requested loan with all that he had accumulated in the past and mortgaged his future, at 10 percent interest, or maybe more, also was an exploiter of agriculture. Fortunately, both the sharecropper system and the cold-eyed bankers are rapidly passing out of the farming system. In their place are farm owners and tenants who are self-respecting business men and capitalists in their own right, and the bankers of today recognize the importance of agriculture and realize that the prosperity of their banks, their communities and the nation are dependent upon the prosperity of farmers. In many communities today bankers are taking the lead in promoting soil conservation, better farming, rural electrification and other elements of progressive and successful farming.

No small factor in bringing about both of these changes was the United States Department of Agriculture through the Farm Credit Administration and other agricultural credit agencies. The sad plight of the sharecropper, with his undernourished family, and

the perennial struggle of the best farmers to obtain credit necessary to tide them over crop failures, market collapses and other critical periods have been primary considerations of congress and the Department for many years. Many steps have been taken to provide adequate financing for farmers and collectively they have boosted the farmers of America several notches on the economic ladder.

Today the Federal government is in the business of agricultural credit in a big way. It provides financial assistance for every type of farmer, from the lowliest migratory worker to the largest plantation and ranch owners, from the financing of seed to plant a crop to financing co-operative farmer groups to install electricity, from the buying of a farm to loans for the purpose of holding a harvested crop off the market until the price improves. The federal government extends low-interest credit to virtually every farmer; whether he uses it or not, it is there for nearly every financial need of agriculture.

These various services are scattered throughout the United States Department of Agriculture and even into other branches of the government, so that the ordinary farmer practically has to have a search warrant and an Indian guide to locate the particular bureau that is able to supply the particular type of

credit he needs. This rambling financial institution is the direct result of attacking the farm credit problem a little at a time. Separate legislation was adopted by congress to provide nearly every separate service, in most instances creating or making possible the creation of entirely new bureaus to administer each new program. A few years ago an effort was made to bring these several agencies into a co-ordinated unit under the Farm Credit Administration, but this was only partially successful because the attempt left several types of credit entirely out of the Farm Credit Administration set-up, to function as separate units just as they had done before. It was the same old story of the United States Department of Agriculture trying to re-organize and co-ordinate itself without disturbing existing bureaus. Undoubtedly, some supporting legislation would need to be passed by congress to achieve an efficient "agricultural credit bank of the United States Department of Agriculture," legislation that congress would very likely be willing to enact if shown how it would improve the service to the farmer.

Elimination of high interest rates has largely been brought about through the extension of credit through federal sources. The status of thousands of farm families definitely has been improved through the channels of easier credit and credit not available to farmers from any other source. Most, if not all,

of these credit services of the federal government to farmers have proved their merit and have earned a place in the economic life of the nation. Nearly all of them will be, and should be, continued. The greatest need of farmers today in the field of agricultural credit is to organize these services so that farmers will know where to go and how to proceed if they require financial assistance which they cannot obtain from regular commercial institutions.

The stated purpose of the Farm Credit Administration, which had its beginnings in the Federal Farm Loan Act of 1916, would seem to indicate that such an organized set-up already exists. In its present form, revised many times, it is "to provide a complete and co-ordinated credit system for agriculture by making long-term and short-term credit available to farmers and to provide credit facilities for farmers' co-operative marketing, purchasing and business service organizations."

I don't need to tell you about the functions of the various agencies within the Farm Credit Administration. <sup>You</sup> ~~we~~ <sup>as well as</sup> know that the United States has been divided into 12 farm credit districts with Federal Land Bank, Federal Intermediate Credit Bank, a Production Credit Corporation, and a Bank for Co-operatives in each district. Of course, in addition to these agencies, there are the Emergency Crop and

Seed Loans, Regional Agricultural Credit Corporations, and some other agencies. In this connection, I think I should mention some correspondence I recently had with C. G. Schull, President of the Federal Land Bank at Wichita. In one of my letters, I made some statement about government lending. Mr. Schull pointed out that the Federal Land Bank is a farmers' co-operative credit system owned and operated very largely by its member-borrowers. Today, he told you that the bank in Wichita and the 115 National Farm Loan Associations in the Wichita District are now entirely owned by the farmers and ranchers who are the bank's borrowers. That is certainly in the right direction. However, for the purposes of my discussion and without taking issue at all with Mr. Schull, I shall consider the Federal Land Bank as part of the Government credit system. I think that is correct insofar as the Government supervises the operation to some extent and makes the operation of these co-operatives possible. It is a service organization and I think that applies to all of the Federal Credit agencies.

I mentioned a moment ago that there are some credit agencies outside the Farm Credit Administration. One of these which makes loans to co-operatives primarily, but also to ~~the~~ <sup>bodies</sup> public and others, is the Rural Electrification Administration whose specific purpose is to finance extension of rural electric lines for rural areas.

The Farm Security Administration also has made loans in the past to co-operative groups of farmers for purchase of farm machinery or pure-bred sires and similar requirements. Thus, free agencies operating independently of one another serve as banks for co-operatives. We also find the Farm Credit Administration operating in the fields of research and education, <sup>more or less</sup> independently of the Agricultural Research Administration and independently of the other educational services of the United States Department of Agriculture.

Recently, I completed work on a book which has just been published by the University of Oklahoma Press dealing with the organization of the United States Department of Agriculture. The main theme of this book is that the Department should be re-organized so that the different functions of the Department would be segregated and operated efficiently. I suggested three main branches: first, administration which would include all of the phases of administration of operations and services, with the Farm Credit Administration included, and under it, all of the credit operations of the Department; second, would be the research branch which would include all phases of research; and third, would be the education branch which would include all phases of education and information.

*For reasons of efficiency,*  
~~For that reason,~~ I think that the *and the FSA functions*  
 Commodity Credit Corporation's functions should be  
 included in ~~any other~~ *the unified* credit operation that would  
 be set up. Whether the Commodity Credit Corporation  
 should be moved in body, or the Farm Security  
 Administration should be moved in body, I would not  
 say. I think that a complete study of their powers  
 and duties should be made *with the aim of eliminating duplication* before this decision could  
 be made. Through exercise of its powers, the  
Commodity Credit Corporation today holds virtually  
complete control, or power of control, over the  
marketing and distribution of certain commodities.

It has practically unlimited financial resources, and  
 the effect it might have upon the adjustment of supply  
 to demand has never been completely determined.

It is my contention that all these  
 Federal Agencies dealing with credit should be brought  
 into a co-ordinated unit and operated on much the same  
 basis as ~~the~~ *private* bank now operated, so that the farmer who  
 needs ~~some~~ *any* kind of credit will know where to go to  
 make application for it.

An example of what can happen and does  
 happen <sup>when</sup> all of these credit agencies gets busy in a  
 particular area at the same time occurred during a flood  
period here a couple of years or so ago. Farmers were  
 dislocated; crops were flooded out; farms were buried in  
 silt; and buildings and livestock had been washed away.

Every agency dealing with credit, both business and private, was anxious to do its part in alleviating the problem of re-adjustment. A meeting of federal and state credit agencies and private lending institutions was called to take stock of the situation, co-ordinate efforts and plan immediate service to the farmer.

Bankers promised to stretch to the limit to make loans. The Emergency Crop and Seed Loan representative announced that his agency would make prompt loans to farmers "who could not obtain credit anywhere else." The Farm Security Administration man said that the FSA could make prompt emergency loans to farmers "who could not get necessary money from other sources." Production Credit associations were willing to make loans wherever possible. It appeared that a farmer, in order to obtain cash to replant his crop and resume operations, would find it necessary to call on two or more of these agencies to determine whether he had borrowing power with them before he could obtain a loan from other agencies. When the question was brought up, a temporary arrangement was agreed upon for representatives of each agency working in the flood area to handle applications and advise on loans of all agencies so far as he was able. This procedure facilitated matters

considerably but even then, lack of a permanent co-ordinated credit agency of the federal government resulted in much loss of time and lost motion in providing needed credit. It would be a simple matter to group all credit branches into a federal agricultural credit bank. This bank could then assign the responsibility for handling all federal credit applications in a given area to a single individual or office, instead of having representatives of several agencies working in the same town at the same time and requiring the farmers to go from one to another until he found the right one by a process of elimination.

The general policies of all of the credit agencies of the federal government are aimed at one objective: that of putting farming and individual farmers on a sound financial footing and keeping them there.

They are working to achieve this by helping farmers to obtain farm units large enough to produce a living.

They are encouraging them in better methods of farming.

They help the farmers to obtain better prices for his products. They protect them from the loan sharks who formerly charged exorbitant interest rates whenever the farmers had to buy land or borrow money to make a crop.

The credit agencies have encouraged farmers to pay off

debts and lay up a reserve for the future during the wartime period of relatively high prices. The progress

made on farms through the aid of these agencies has been great. Farmers have been able to stay on the farms and

produce in many instances simply because urgently needed credit was made <sup>available</sup> to them. Farmers have used the services of the credit agencies heavily in the past and have come to rely upon them to fill their needs. The credit agencies are anxious to fill the needs.

They will be in better position to do so in the future if their activities are co-ordinated to place the federal government's banking facilities for agriculture on a sound business basis, with duplicate loan agencies eliminated.

My point is that farmers should not be compelled to spend a great deal of time in going from one office to another to find out what credit facilities are available to them through the U. S. government and to determine whether they qualify for one kind or another. A central office for receiving applications for all of the types of credit services would greatly simplify this. A qualified man there could receive all applications and then channel them to the proper agency where they could be processed and any additional investigations or appraisals necessary could be made. I think it is time to set up the USDA Farmers' Bank so that the farmer will know where to turn when he needs credit, ~~that cannot be obtained through private sources.~~

I think it is time for us to unify our credit services to eliminate unnecessary duplication and overlapping of functions.

All of this is not intended to be a criticism of the men who work in the various credit agencies of the U. S. Department of Agriculture. Neither is it intended specifically as a criticism of the services themselves. It is a criticism of the method under which they are organized and set up to the confusion of the farmer or any one else who attempts to deal with them. Personally, I have made quite a bit of effort to grasp the picture of the credit facilities of the USDA. I have probably spent more time in dealing with this subject than the average farmer has and I still feel that I have only the vaguest sort of notion about how all of these agencies operate. I feel that if these are the farmer's own credit services they should be simple enough for the farmer to understand them.

Of course that goes for the entire Department of Agriculture and I could go on at length discussing this proposition but will not do so. I will simply say that I frankly do not believe the approach toward reorganization now being taken will prove adequate to eliminate these difficulties that I have mentioned or the others which exist in the department. I think that we are going to have to back off and take an objective viewpoint on the whole set-up and obtain some Congressional

action to pave the way for a simple, efficient and productive Department of Agriculture.

Looking a little farther ahead and continuing the idea of the farmer's prosperity, I noted a talk by I. W. Duggan, Governor of the Farm Credit Administration, at Joplin, Missouri recently. Governor Duggan predicted that interest rates on agricultural loans will probably be low for many years to come because of the large national debt and the continued efforts of the government to make the interest charges on those debts as light as possible. That is important because it is quite likely that there will be an increase in the demand for production credit due to the probable shifts in agriculture and to supplement the savings and earnings of farmers who want to make extensive changes in their farm buildings, to make repairs or to buy additional machinery.

The American Bankers' Association has just completed a survey covering country bank activities during 1944-1945. One of the principal points of this national survey shows that farmers of the nation are currently using only about one-fourth of the bank credit now available to them. Thus we find both the banker and the banks in a strong position. Among their objectives they want to develop adequate banking and credit services for farmers to promote diversified and well balanced production and to improve and conserve the fertility of the soil.

This report shows that 71 percent of the farmers in Oklahoma borrowed money from banks during that period. It is in line with another study made by the Federal Land Bank at Wichita and made public in June of this year. It showed that there had been a 7.7 percent decrease in the estimated farm mortgage debt in Oklahoma between 1940-1945. Of this debt, 23 percent was held by the Federal Land Bank.

It is in order to commend the National Farm Loan associations on the sound policy used in making the loans. That is, that the loans must continue to be based upon normal agricultural value -- the long-time earning power of the land. If this policy is followed by all of the lending agencies, both public and private, I think there is no question but what agriculture in Oklahoma can be developed along the lines of stability and prosperity.

This same idea was brought forth recently by a committee on agricultural credit operating as a part of a post-war planning committee under the general direction of the Oklahoma Agricultural Experiment Station. Dr. P. H. Stephens was chairman of the sub-committee on credit and in the committee's report, which has not yet been published but will be made available soon, the statement is made:

"Nothing in the farm finance picture indicates any post-war shortage of suitable agricultural credit for sound financing. The post-war problem is not availability of credit but the wise use of it."

Wise use of agricultural credit, of course, places a responsibility upon both the lender and the borrower. They must work together to prevent further inflation of land prices, to improve tenure conditions, to encourage production of commodities needed; and if possible to reduce production of commodities for which there may be excessive supplies.

One of the wisest uses that I know of for agricultural credit is in the direction of soil conservation. There is no need to discuss with this group the importance of applying full conservation to our land. You realize the need for it and the methods to be used as well as I do. It was encouraging, however, recently when Fred Merrifield, general agent of the Farm Credit Administration at Wichita, sent out a letter pointing out the availability of credit for the purposes of improving soil fertility and conserving the soil against wind and water erosion. We have abundant demonstrations and illustrations that could be cited to prove the economic value of such work. We can regard <sup>most of the</sup> any money spent on ~~the~~ soil conservation methods as a long-time investment and I think there may be many instances in which long term credit may be needed to

permit farmers to carry on soil conservation work that they believe in and which they are willing to put into operation. No doubt this will be made available to them.

Here in Oklahoma county The Farmer-Stockman, in co-operation with WKY farm reporter, is sponsoring a three-year countywide soil improvement program. It is three years long because we believe that it will take that much time to prove the value of soil improvement work. We are offering a total of \$6,700 in cash prizes to farmers who apply soil improvement methods to selected 10 acre plots of either crop land or pasture land or both. We hope that there will be several hundred demonstrations of this type conducted in connection with the contest. We are now receiving entries and will continue to receive them until January 1, then we will begin an intensive program to help these farmers show the greatest percentage of improvement possible on their 10 acre plots. Naturally, we hope that they will not limit the improvement to the 10 acre plots but these will simply be used for the basis of judging the constructive work they do on their entire farms.

The contest is open to both landlords and tenants and here we run into one of the greatest problems affecting agricultural credit, soil conservation and a great many other problems that farmers face. We find entirely too much moving among tenant farmers. Of course American farmers have always been on the move more or less in their efforts

to find more efficient and easier ways of supplying the needs of the growing nation. This eternal moving was responsible for the development of the west. It also was responsible for much of the destruction of the fertile soils of the west and east. Today we have in Oklahoma a situation where something like one-half the farms are occupied by tenants. Too few of them have been on the land as much as two or three years. This lack of tenure security aggravates the soil erosion problem. The farming practices that <sup>Tenants</sup> ~~they~~ are required to follow aggravate soil erosion. Then as the farm becomes poor, it aggravates the tenancy problem. Both of them together increase the land owner's problem and unless remedies are provided this continued decline in both the land and the people will impoverish the entire United States.

For many years The Farmer-Stockman has attempted to help in this problem through articles and by providing a series of contract forms that point the way toward improved landlord-tenant relationships. At present we are in process of revising these agreements with the idea of improving provisions for longer tenure in every one of them to give the tenant more security and to include soil conservation provisions in every one of them to give the land owner greater security. When these things

have been accomplished -- and they will be accomplished,  
very largely through the assistance of the credit agencies  
who finance them -- we can look forward to a more  
prosperous agriculture and greater security as an  
agricultural nation.

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