

The Growth of

Table 1
AVERAGE AMOUNT OF AGRICULTURAL
LOANS OUTSTANDING BY FORM OF
ORGANIZATION AND DEBT-TO-
ASSET RATIO
Tenth Federal Reserve District
June 30, 1966

Total Debt of Borrower as a Per Cent of Total Assets	Form of Organization			Average for Debt Ratio
	Sole Propri- etorships	Corporate Farms	Partner- ships	
Less than 25	\$2,958	\$ 8,878	\$ 9,784	\$3,072
25-49	4,317	21,051	18,622	4,642
50-74	4,493	93,816	8,885	5,065
75 and over	3,897	100,308	28,020	5,695
Not reported	1,958	19,875	2,504	1,985
All Borrowers	\$3,668	\$ 37,863	\$12,927	\$3,985

proprietorships and other borrowers accounted for the remaining 90.1 per cent. Nationally, corporate farm borrowers accounted for 5.2 per cent of the outstanding loan volume, compared with 4.9 per cent for partnerships. Corporate farm borrowers in the Tenth District held 13.9 per cent of the total U.S. corporate farm loan volume; partnerships accounted for 18.4 per cent.

The growth of corporate farm loans has been impressive in the past decade. A similar survey in 1956 revealed that farm corporations in the Tenth District had \$21.8 million in outstanding farm loans—3.1 per cent of the total loan volume. From 1956 to 1966, corporate farm loans increased 288 per cent, compared with 176 per cent for all Tenth District farm loans and 132 per cent for all farm loans made by commercial banks nationally. In addition, it is important to remember that these surveys measured only identifiable agricultural loans to corporate farms. The use of bank credit by predominantly nonfarm corporations engaged in agriculture may not have been measured adequately.

The major purpose of corporate farm loans in the District was to purchase feeder livestock. Nearly \$56 million in corporate farm loans—66 per cent of the total—was used to buy feeder livestock. The increase in number of

large commercial incorporated feedlots has been a significant factor in the growth of bank loans to agricultural corporations. Purchase of other livestock and current operating expenses accounted for 17 and 13 per cent, respectively.

The major purpose of corporate farm loans nationally was much different from in the Tenth District where livestock dominates the agricultural economy. Current operating expenses accounted for 39 per cent of the \$606 million in outstanding corporate farm loans, while the purchase of feeder livestock used 30 per cent. All other purposes, including the purchase of other livestock, purchase of farm real estate and equipment, and expenditures for improvements to land and buildings accounted for the remaining 31 per cent of dollar amount of corporate farm loans.

Corporate farm borrowers in the Tenth District averaged \$37,863 in loans outstanding, compared with \$12,927 for partnerships and \$3,668 for sole proprietorships (Table 1). Corporate borrowers with a total-debt-to-total-asset ratio of 75 per cent or over averaged slightly over \$100,000 in loan size.

Table 2 shows the proportion of total agricultural loans for alternative forms of business organization by debt-to-asset ratios. Again, it

Table 2
PROPORTION OF TOTAL AGRICULTURAL
LOANS OUTSTANDING BY FORM OF
ORGANIZATION AND DEBT-TO-
ASSET RATIO
Tenth Federal Reserve District
June 30, 1966

Total Debt of Borrower as a Per Cent of Total Assets	Form of Organization			Average for Debt Ratio
	Sole Propri- etorships	Corporate Farms (Per Cent)	Partner- ships	
Less than 25	26.7	7.6	16.3	25.2
25-49	42.6	20.7	52.5	42.2
50-74	22.9	49.8	22.9	24.1
75 and over	2.8	20.7	7.3	3.9
Not reported	5.0	1.2	1.0	4.6
All Borrowers	100.0	100.0	100.0	100.0