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A Look at Farm Assets and Debts

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A LOOK AT FARM ASSETS AND DEBTS

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Source of data: U.S. Dept. of Agriculture statistics.

A Look at Farm Assets and Debts is one of a series of pamphlets intended to provide Indiana's citizens with information about the agricultural food production, processing and marketing system which supplies our huge variety of safe and nutritious food on a daily basis.

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On January 1, 1980, the assets of all kinds of U.S. farms were estimated to be 918.9 billion dollars.

Such huge, one-shot figures without comparisons are meaningless. So, let's look at the change in farm assets per farm during the past 20 years in both current dollars and in dollars corrected for inflation.

Year	Assets per farm: 1980 dollars	Assets per farm: 1967 dollars
	(thousand dollars)	
1960	$ 53.0	$ 60.1
1970	106.8	92.9
1980	393.9	179.2

The assets of an average U.S. farm have increased sharply. Even considering inflation, the average investment behind each farm has tripled since 1960. Of course, this is not a "good" average figure for a true operating farm. Almost half of our farms are really not farms but simply a place for rural living. Therefore, a better picture of the investment required for an average *operating farm* is probably at least twice these amounts. In 1980, 74 percent of these assets was locked up in farmland and buildings; 26 percent was in equipment, inventories of crops and livestock and other financial assets.

What has happened to debt load of farmers during these years is shown below. (These data are in current dollars.)

Debts per farm

Year	Real estate debt: Total	Real estate debt: Debt as % of assets	Non real estate debt: Total	Non real estate debt: Debt as % of assets	Total debt: Total	Total debt: Debt as % of assets
1960	$ 3,048	8.8	$ 3,202	17.4	$ 6,250	11.8
1970	9,896	13.5	8,085	24.1	17,981	16.8
1980	35,200	12.2	32,233	30.4	67,433	17.1

The debts of farmers relative to their assets have increa[illegible] over the past 20 years. The sharpest total dollar incre[illegible] has been in real estate debt. However, the greatest debt increase relative to the assets has been for the non-real estate, operating capital. Again these figures should be doubled to get a truer picture of the situation of "operating farms."

The table below shows who is supplying the needed credit to farmers.

Source of borrowed funds, 1980

Source	Total	Real estate	Non real estate
	(percent of total)		
Banks	25	10	41
Individuals	23	31	16
PCA	12	—	25
Federal Land Bank	19	36	—
Farm Home Adm.	10	8	12
Insurance company	8	15	—
CCC loans	3	—	6
	100	100	100

In general, banks and individuals are the largest sources of credit for farmers. The farmers' credit co-operatives are also major sources: the Federal Land Bank for real estate loans; the Production Credit Associations for operating capital. Since 1960, individuals and insurance companies have been supplying less and the Federal Land Bank and PCA's more of the farmer's credit needs. However, it is still true that granddads, fathers, previous owners or friends are still a very important part of the credit picture. This is especially true in financing the purchase of land.

There is another pertinent fact in this review of farmers' assets and debts. The total amount of interest paid by farmers on their debts was $12.8 billion in 1979. This represented 9.8 percent of their total cash receipts from the sale of crops and livestock. In 1960, the interest bill was about 4 percent of their cash receipts.

Not only has the debt load relative to assets increased, but the relative annual cost of that debt has increased substantially. Many farmers who could be considered quite w[illegible]hy if they were to sell out or die, can have a difficult t[illegible] making ends meet from year to year!