

Mortgage Credit and Production Credit Available

Both to individual farmers and to their cooperative associations, credit is available on a cooperative basis.

Long-term loans to farmers.—The organization of national farm loan associations, to be farmer-owned and farmer-controlled, was an essential part of the plan to provide farm mortgage credit to farmers through the Federal land bank system, which began to make loans in 1917. Wisconsin farmers are now served on a State-wide basis by 112 of these associations, through which they may enjoy all the benefits of the amortized, long-term, low-interest loans made by the Federal Land Bank of St. Paul. Farmers pledge their farms as first-mortgage security. On December 31, 1940, over

\$110,000,000 in Federal land bank and Land Bank Commissioner loans was outstanding. This amount represented about 29 percent of the total farm mortgage debt in the State.

The national farm loan associations are separate corporations, chartered under the Federal Farm Loan Act, and operating under the supervision of the Farm Credit Administration. Directors of an association are elected by the farmer-stockholders, and the directors in turn select their own officers. Loans are endorsed by the national farm loan association and made by the bank. By pooling of credit, farmers are able to secure funds at very reasonable rates.

Production credit for farmers.—When business conditions in the early 20's caused banks to curtail the granting of loans to farmers for their production

Both more effective credit service to borrowers and economy in operating expenses are obtained through the operation of a joint office by the national farm loan association and the production credit association at Madison, Wis.



credit needs, the farmers themselves began to organize their own credit co-operatives to provide short-term loans. Beginning in 1923, production credit for farmers became available in some localities through agricultural credit corporations and livestock loan companies, some of which were formed by groups of farmers. The organization of these enterprises, however, was dependent upon local initiative, and many thousands of farmers were located in areas where none was formed because capital funds were lacking. In order to meet the need of farmers requiring short-term credit, Congress provided in the Farm Credit Act of 1933 for a Nation-wide system of production credit associations.

Production Loans Finance Wide Variety of Farm Needs

Each year now thousands of Wisconsin farmers borrow from their production credit associations for many purposes. Dairymen borrow to purchase dairy cows, equipment, and feed, and to finance improvements to barns. Because of the year-around nature of the dairy business, repayments are usually made in regular installments from the milk or cream checks. Although most dairy loans are made for 1 year, the unpaid balance, representing funds advanced for purposes other than annual recurring costs, may be renewed at the end of that time provided the security and the borrower's repayment record are satisfactory.

Loans to produce fruit and vegetables, grain, tobacco, and other crops are made on a seasonal basis, the loans being repaid when the crops are harvested and sold. The farmers who breed cattle, hogs, and sheep pay their

loans when they receive payment from the sale of the livestock financed.

Wisconsin farmers are served by 21 production credit associations—at Antigo, Baraboo, Barron, Chippewa Falls, Dodgeville, Elkhorn, Fond du Lac, Green Bay, Janesville, Juneau, Lancaster, Luck, Madison, Mondovi, Neillsville, River Falls, Sparta, Waukesha, Waupaca, Wausau, and Wisconsin Rapids. At the end of December 1940, the associations had over 10,500 loans outstanding for more than \$5,800,000. Between organization and this date, they had made over 72,000 loans amounting to approximately \$47,000,000.

The Wisconsin production credit associations offer farmers' notes for rediscount to the Federal Intermediate Credit Bank of St. Paul, which, in turn, obtains funds through the sale to the investing public of its debentures, which are backed largely by the security of the farmers' discounted notes. By this plan the large money markets are made available to farmers at an interest rate comparable to rates paid by other industries. Thus, Wisconsin farmers have been able to obtain short-term credit at low rates. In March 1941, funds are being loaned at $4\frac{1}{2}$ percent per annum. Not only association members have benefited from this low interest rate, but also all those other farmers who have obtained short-term loans from other credit sources, which have reduced their rates to levels comparable to that of the production credit associations.

The associations are chartered by the Governor of the Farm Credit Administration. Directors of the associations are elected from among local farmer-members according to the co-