

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-



*Potatoes are graded in the field by this farmer who obtains credit from his production credit association. Part of the proceeds will be used to retire the member's loan. The money was advanced to him on a budget plan—the first payment for plowing and planting, the second for spraying and cultivation, and the third for harvesting.*

operative one-man one-vote principle. Every farmer who obtains a loan purchases a small amount of stock in his association, so that eventually the organization may be owned entirely by the farmers who borrow from it.

### **Credit Has Role in Development of Cooperatives**

Over the years the extension of credit has been an important factor in the development of farmers' cooperative associations. In order to operate successfully, a cooperative must have a sound financial structure. If the business requires a building and equipment, adequate funds must be available to meet these capital expenditures and also to finance current operating expenses. Cooperatives have three main sources of funds: (1) Proceeds from the sale of capital stock to members, deductions from receipts for commodities marketed or supplies resold that are retained by the cooperative as a capital contribution from

patrons, and membership fees paid as entrance requirements or annual dues; (2) the money which the cooperative is able to earn or save on its operations; and (3) credit sources such as banks, which lend money subject to repayment from the business operations of the co-op itself.

A substantial percentage of Wisconsin cooperatives require that new members purchase capital stock. When the national survey of farmer cooperatives was made in 1937, all of the Wisconsin cooperative associations were visited. Over 900 of them, it was found, required the initial purchase of capital stock or certificates, or membership fees. About 25 provided for the payment of annual dues; 100 did not require any financial contribution. In 1936, the business of the marketing and purchasing cooperatives of Wisconsin resulted in net earnings of \$1,562,000, after all expenses of the year's operations were met. Almost half of this amount, \$730,000, was returned to the