

Farm Mortgage Debt

Economic Research Service, U.S. Department of Agriculture

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Farm mortgage debt on January 1, 1973, totaled \$34.5 billion or 10.2 percent higher than a year earlier (fig. 1). The farm mortgage debt held by the Federal land banks increased more than that held by any of the other lender groups--14.9 percent compared with 13.6 percent for banks, 2.2 percent for life insurance companies, and 10.1 percent for individuals and other lenders. The volume of direct loans held by the Farmers Home Administration (FHA) decreased nearly 13 percent as FHA continued the program of transferring from direct lending to an insured loan program. As of January 1, 1973, FHA-insured farm ownership loans totaled \$2.0 billion or nearly 6 percent of the total farm mortgage debt held by all lenders.

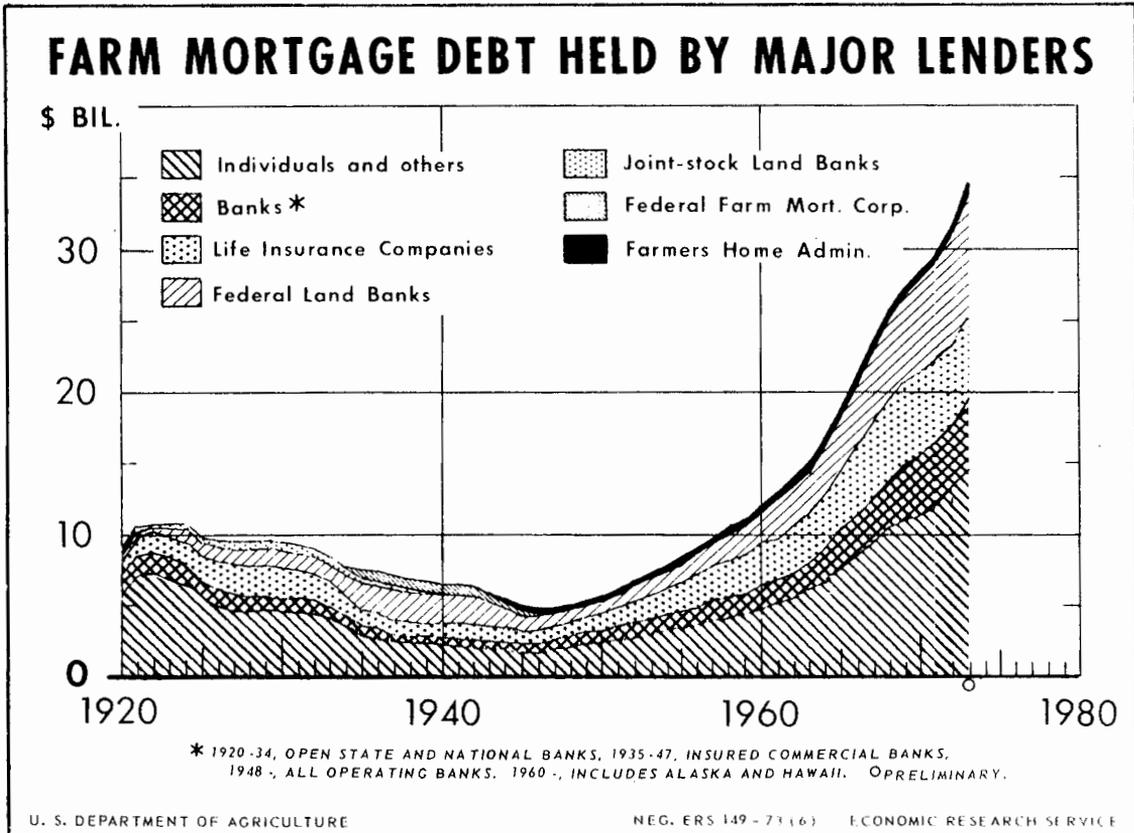


Figure 1

The 1972 farm mortgage debt increase of \$3.2 billion was the largest yearly increase on record and nearly twice the size of the 1971 increase (fig. 2). The 1972 percentage increase of 10.2 percent was the largest percentage increase since 1965. From the mid-1960's to 1970, both the debt change in actual dollars and the annual percentage change declined due to the shortage of loan funds and the higher interest rates. Since 1970, the yearly increase in the farm debt has risen sharply.

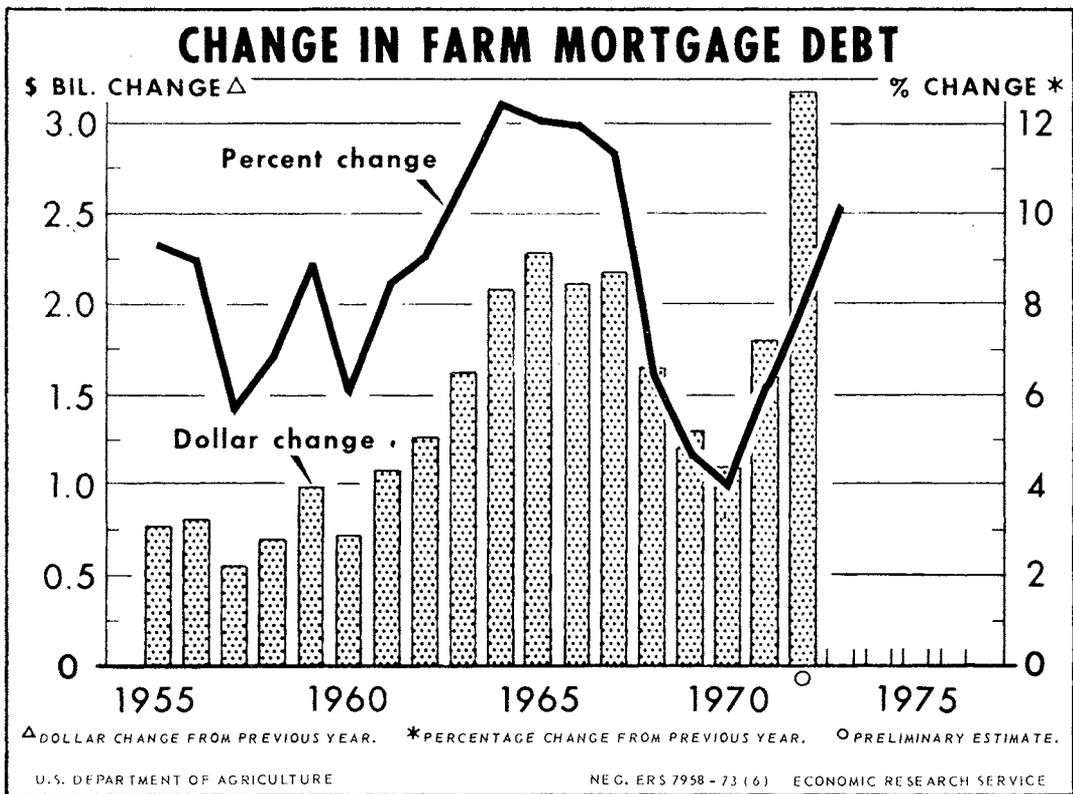


Figure 2

The volume of new farm mortgage money loaned by Federal land banks during the first half of 1973, \$1,397 million, was 44 percent greater than 6 months earlier and 69 percent greater than a year earlier. Should this rate of increase be sustained, new money loaned for the last half of 1973 will surpass \$2 billion. Provisions in the Farm Credit Act of 1971 which increase the proportion of a farm's value that land banks can finance are but one factor contributing to the substantial increase in Federal land bank lending.

A second major factor, which also influenced the volume of new loans by other lenders, is the substantial increase in land values. For the year ending March 1, 1973, land values per acre were up 13 percent from a year earlier. ^{1/}

^{1/} Farm Real Estate Market Developments, CD-78, U.S. Dept. Agr., Econ. Res. Serv., July 1973.

This significant increase was due to several factors, including the availability of credit, high level of farm income, and interest rates below the peak 1969/70 level.

Interest rates on new farm mortgage loans in 1972 were about 0.5 percentage point below 1971 rates and nearly 1 percentage point below 1970. During 1972, new farm mortgage loans made by life insurance companies averaged 8.3 percent, compared with 8.6 percent in 1971. Rates charged by the Federal land banks ranged from 7.00 to 7.75 percent in 1972 and from 7.50 to 8.00 percent in 1971.

Based on reported trends in farm mortgage lending during the first half of 1973, the total farm mortgage debt increase during 1973 will probably equal or exceed the 1972 increase of 10.2 percent. Life insurance company lending in the first quarter of 1973 was 41 percent above a year earlier and loans outstanding at the end of the quarter were 3 percent above the like 1972 period. Federal land bank loans outstanding increased more than 11 percent in the first half of 1973. Three land bank districts, Columbia, St. Paul, and Omaha, now have loans outstanding in excess of \$1 billion.

Average Size of Loans Held

The average size of individual farm mortgage loans has more than tripled since 1960, as measured by the size of the loans held by the two principal institutional lenders--Federal land banks and life insurance companies (fig. 3).

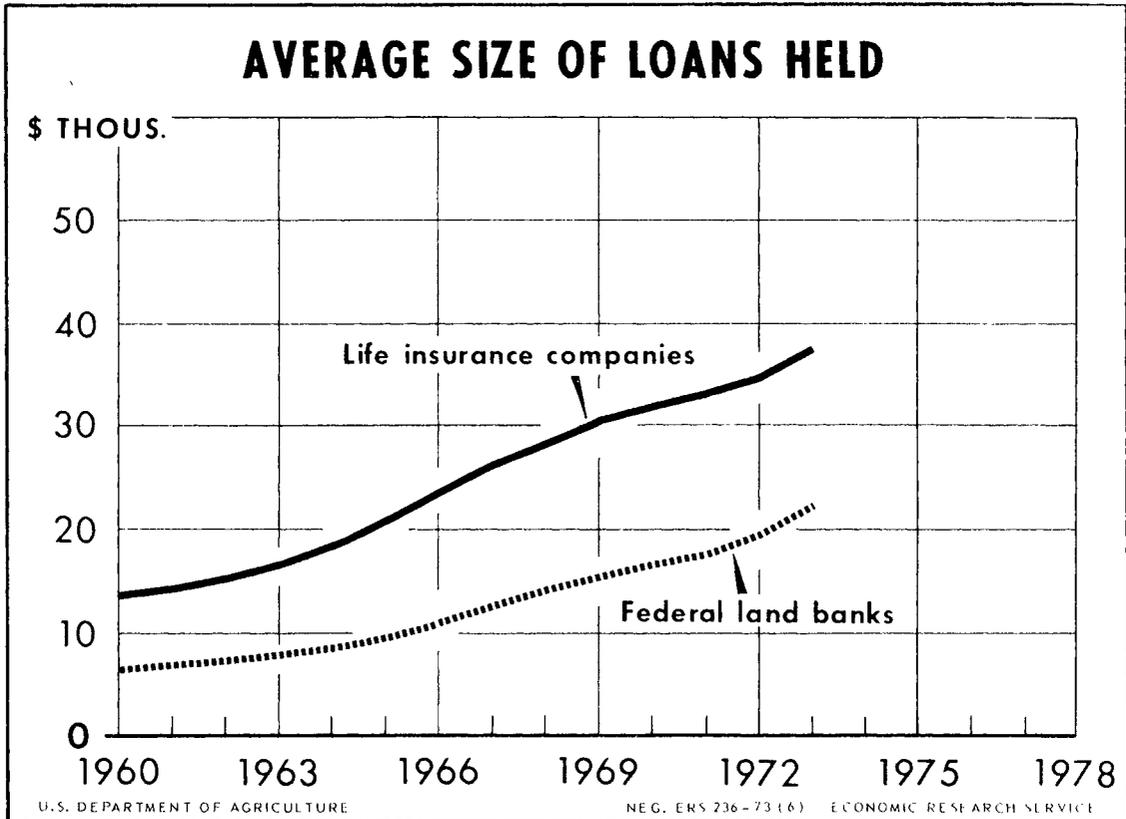


Figure 3

those held by life insurance companies on January 1, 1973, averaged \$37,630, compared with \$13,620 on January 1, 1960. Those held by the Federal land banks increased to \$22,310, compared with \$6,310.

Farm Mortgage Debt by Farm Production Regions

All farm production regions shared in the 1972 farm mortgage debt increase. Percentage increases were largest in the Southeast (14.9 percent), Southern Plains (14.8 percent), and Northeast (14.2 percent) regions (table 4). As in 1971, the lowest percentage increase, 7.1 percent, was in the Corn Belt. The percentage increase was larger in 1972 than in the previous year for all regions except the Mountain region, which increased 8.6 percent in 1972, compared with 8.9 percent in 1971.

Debt-to-Asset Ratio

The ratio of the 1973 farm mortgage debt to the value of real estate decreased slightly to 13.3 percent from 13.6 percent a year earlier. The farm mortgage debt increased 10.2 percent, but the value of real estate increased over 12.2 percent. Thus, the debt-to-asset ratio declined. Table 5 shows the debt-to-asset ratio by States for 1969-73.

Table 1--Farm mortgage debt: Amount of outstanding loans reported by principal lenders, other debt, and total debt, United States, specified dates, 1910-1973 ^{1/}

Begin- ning of year or month	Outstanding loans reported by--						Other farm- mortgage debt <u>8/</u>	Total farm- mortgage debt
	Federal land banks <u>2/</u>	Federal Farm Mortgage Corporation <u>2/ 3/</u>	Joint-stock land banks <u>2/ 4/</u>	Farmers Home Administra- tion <u>5/</u>	Life insurance companies <u>6/</u>	Banks <u>7/</u>		
	1,000 dollars							
1910.....	---	---	---	---	386,961	406,248	2,414,654	3,207,863
1920.....	293,595	---	60,038	---	974,826	1,204,383	5,915,930	8,448,772
1930.....	1,201,732	---	637,789	---	2,118,439	997,468	4,675,340	9,630,768
1940.....	2,009,820	713,290	91,726	32,178	984,290	534,170	2,220,925	6,586,399
1945.....	1,209,676	347,307	5,455	195,519	938,275	449,582	1,795,101	4,940,915
1950.....	906,077	58,650	270	193,301	1,172,326	937,144	2,311,510	5,579,278
1955.....	1,266,953	12,834	---	287,171	2,051,784	1,210,676	3,415,860	8,245,278
1960 <u>9/</u>	2,335,124	---	---	439,269	2,819,542	1,631,271	4,857,203	12,082,409
1961.....	2,539,044	---	---	483,985	2,974,609	1,691,239	5,131,427	12,820,304
1962.....	2,803,103	---	---	569,093	3,161,757	1,789,103	5,576,049	13,899,105
1963.....	3,024,013	---	---	588,802	3,391,183	2,056,944	6,106,879	15,167,821
1964.....	3,281,797	---	---	605,307	3,780,537	2,360,320	6,775,544	16,803,505
1965.....	3,686,755	---	---	619,492	4,287,671	2,668,535	7,631,787	18,894,240
1966.....	4,240,227	---	---	631,147	4,801,677	2,939,046	8,574,789	21,186,886
1967.....	4,914,522	---	---	585,426	5,213,587	3,169,469	9,418,231	23,301,235
1968.....	5,563,204	---	---	536,221	5,539,600	3,541,927	10,305,420	25,486,372
1969.....	6,081,229	---	---	493,522	5,763,500	3,856,514	10,944,544	27,139,309
1970.....	6,671,222	---	---	455,338	5,733,900	4,113,251	11,433,580	28,407,291
1971:								
Jan.	7,145,363	---	---	346,569	5,610,300	4,444,769	11,985,520	29,532,521
July.....	7,532,647	---	---	336,463	---	4,073,764	---	---
1972:								
Jan. <u>10/</u> ..	7,879,753	---	---	312,221	5,564,300	4,218,482	13,385,432	31,360,188
1973:								
Jan. <u>11/</u> ..	9,050,067	---	---	272,406	5,689,270	4,792,185	14,742,024	34,545,952

^{1/} Data for 48 States only, except as indicated. ^{2/} Starting with 1930, the data include regular mortgages, purchase-money mortgages, and sales contracts; before 1930, they include regular mortgages only. Federal land bank and Federal Farm Mortgage Corporation mortgages in process of foreclosure were estimated for 1951 and 1952. ^{3/} Loans held by Corporation were made on its behalf by the Land Bank Commissioner. Authority to make new loans, except incidental to liquidation, expired July 1, 1947. On June 30, 1955, loans of the Federal Farm Mortgage Corporation were sold to the 12 Federal land banks. ^{4/} Liquidation of the joint-stock land banks began May 12, 1933, and was completed Apr. 26, 1951. Data include banks in receivership. ^{5/} Data for 1940-41 include only tenant-purchase loans and direct soil and water loans to individuals. Thereafter, data also include farm-development (special real estate) loans beginning 1942, farm enlargement loans beginning 1944, project-liquidation loans beginning 1945, rural-housing loans beginning July 1950, and building-improvement loans beginning 1955. Data also include loans for these purposes from State Corporation trust funds. Beginning Oct. 1961, rural-housing loans were made on nonfarm tracts; these loans are included in the amount outstanding reported for Jan. 1, 1962, but excluded for July 1, 1962, to date. ^{6/} Estimates based on direct reports from life insurance companies, official reports submitted to State insurance commissioners, "Best's Life Insurance Reports," "Spectator Life Insurance Yearbook," and data from Life Insurance Association of America and Institute of Life Insurance; beginning 1965, data are from Institute of Life Insurance only. Includes legal reserve companies only. Before 1930, includes only regular mortgages; beginning 1930, includes regular mortgages, purchase-money mortgages and, prior to Jan. 1, 1965, sales contracts. ^{7/} Before 1935, open State and national banks; 1935-47, insured commercial banks; and 1948 to date, all operating banks. Prior to July 1971, included bank holdings of soil and water loans and farm-ownership loans insured by the Farmers Home Administration. Thereafter, they are reported in the "Other farm mortgage debt" column. ^{8/} The amounts shown in this column are residuals or differences between the amounts reported by institutional lenders and the estimates of total farm mortgage debt. The amounts shown may be taken as a rough measure of the farm mortgage debt held by individuals and other non-reporting lenders. ^{9/} Beginning in 1960, data for reporting lending institutions in Alaska and Hawaii are included. No estimates of total farm mortgage debt for these States are available. ^{10/} Revised. ^{11/} Preliminary

Table 2--Farm mortgage debt: Amount of outstanding loans reported by principal lenders, other debt and total debt, by States, Jan. 1, 1973

State	Outstanding loans reported by--				Other farm mortgage debt 6/4/	Total farm mortgage debt 4/
	Federal land banks 1/	Farmers Home Administration 2/	Life insurance companies 3/ 4/	All operating banks 5/		
1,000 dollars						
Northeast						
Maine.....	12,195	3,121	279	7,258	41,870	64,723
New Hampshire.....	5,534	397	188	7,745	15,177	29,041
Vermont.....	28,375	573	346	23,988	32,776	86,058
Massachusetts.....	18,303	236	81	14,124	40,345	73,089
Rhode Island.....	3,033	27	0	1,151	2,007	6,218
Connecticut.....	24,062	104	1,307	6,120	25,742	57,335
New York.....	159,444	2,758	7,803	112,920	669,099	952,024
New Jersey.....	48,972	728	3,431	17,393	51,008	121,532
Pennsylvania.....	98,667	2,561	15,442	208,617	291,839	617,126
Delaware.....	13,056	228	1,184	17,908	11,109	43,485
Maryland 7/.....	73,898	642	5,890	74,374	122,433	277,237
Lake States						
Michigan.....	263,446	2,997	32,411	141,643	435,965	876,462
Wisconsin.....	202,011	7,779	47,867	290,677	684,877	1,233,211
Minnesota.....	346,601	8,281	199,598	148,465	610,559	1,313,504
Corn Belt						
Ohio.....	243,037	3,012	92,733	267,294	364,999	971,075
Indiana.....	326,333	3,317	168,298	247,708	438,220	1,183,876
Illinois.....	420,332	5,345	318,652	253,619	406,494	1,404,442
Iowa.....	497,099	10,076	478,623	162,133	504,033	1,651,964
Missouri.....	265,891	17,355	200,087	260,696	466,441	1,210,470
Northern Plains						
North Dakota.....	192,854	9,885	23,469	59,496	342,098	627,802
South Dakota.....	199,334	9,776	75,895	21,557	202,621	509,183
Nebraska.....	278,802	7,842	261,591	41,786	257,490	847,511
Kansas.....	337,278	5,723	237,125	98,261	276,578	954,965
Appalachian						
Virginia.....	142,482	3,535	31,164	96,755	163,642	437,578
West Virginia.....	15,220	2,065	2,669	44,257	45,949	110,160
North Carolina.....	256,633	10,662	50,923	72,508	287,461	678,187
Kentucky.....	168,040	8,058	64,553	227,138	149,155	616,944
Tennessee.....	167,250	11,799	30,912	191,087	224,024	625,072
Southeast						
South Carolina.....	148,999	6,105	21,971	35,540	118,978	331,593
Georgia.....	327,445	6,803	67,841	248,154	188,696	838,939
Florida.....	240,125	4,314	209,158	96,033	539,445	1,089,075
Alabama.....	154,316	17,058	42,970	116,878	113,681	444,903
Delta States						
Mississippi.....	207,215	15,426	184,204	145,218	117,260	669,323
Arkansas.....	155,462	6,419	261,794	173,947	143,670	741,292
Louisiana.....	211,897	4,411	142,443	97,676	228,712	685,139
Southern Plains						
Oklahoma.....	194,164	8,277	164,012	125,138	329,984	821,575
Texas.....	675,331	14,766	606,036	282,776	882,738	2,461,647

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Table 2--Farm mortgage debt: Amount of outstanding loans reported by principal lenders, other debt and total debt, by States, Jan. 1, 1973--continued

State	Outstanding loans reported by--				Other	Total
	Federal land banks 1/	Farmers Home Administra- tion 2/	Life insurance companies 3/ 4/	All operating banks 5/	farm mortgage debt 6/ 4/	farm mortgage debt 4/
	1,000 dollars					
Mountain						
Montana.....	236,478	2,959	115,228	16,197	289,723	660,585
Idaho.....	228,024	10,641	143,915	8,013	267,179	657,772
Wyoming.....	67,269	3,101	66,390	8,048	110,116	254,924
Colorado.....	250,879	3,825	173,826	22,381	380,402	831,313
New Mexico.....	73,887	1,640	74,780	13,774	144,501	308,582
Arizona.....	41,498	1,337	103,863	5,736	127,965	280,399
Utah.....	39,709	4,355	14,012	11,821	95,208	165,105
Nevada.....	18,142	1,048	32,090	1,409	34,486	87,175
Pacific						
Washington.....	175,572	11,936	164,295	29,370	533,175	914,348
Oregon.....	168,489	2,983	90,540	19,237	426,880	708,129
California.....	594,100	4,578	654,540	209,657	2,505,214	3,968,089
Alaska.....	1,816	359	0	1,868	---	8/4,043
Hawaii.....	31,068	1,183	2,841	6,636	---	8/41,728
United States.....	9,050,067	272,406	5,689,270	4,792,185	14,742,024	34,545,952

1/ Includes regular mortgages, purchase-money mortgages, and sales contracts. State distribution of loans in process of foreclosure are estimated.

2/ Direct farm loans only. Includes farm-purchase, farm-enlargement, farm development, project-liquidation, rural-housing (excludes nonfarm), and direct soil and water loans to individuals, and loans for these purposes from State Corporation trust funds.

3/ Includes regular mortgages and purchase-money mortgages. Data from Institute of Life Insurance.

4/ Preliminary.

5/ Includes national and State commercial, mutual and stock savings, and private banks. Mortgage loans held by banks are classified according to location of bank and, therefore, are not strictly comparable by States with mortgage loans for other reporting lenders, which are classified according to location of security or borrower.

6/ The amounts shown in this column are residuals or differences between the amounts reported by institutional lenders and the estimates of total farm mortgage debt. The amounts shown may be taken as a rough measure of the farm mortgage debt held by individuals and other nonreporting lenders.

7/ Includes District of Columbia.

8/ Total for reporting lending institutions. Estimate of total farm mortgage debt not available.

Table 3--Farm mortgage debt: Amount of outstanding loans reported by principal lenders, other debt, and total debt, by States, Jan. 1, 1972

State	Outstanding loans reported by--				Other farm mortgage debt	Total farm mortgage debt
	Federal land banks 1/	Farmers Home Administration 2/	Life insurance companies 3/	All operating banks 4/		
1,000 dollars						
Northeast						
Maine.....	9,034	3,615	300	6,716	36,029	55,694
New Hampshire.....	3,918	435	800	8,558	15,010	28,721
Vermont.....	22,678	670	400	21,629	27,913	73,290
Massachusetts.....	14,719	299	100	11,862	33,243	60,223
Rhode Island.....	3,123	29	0	615	1,795	5,562
Connecticut.....	21,621	130	1,400	5,164	23,071	51,386
New York.....	134,277	3,381	8,300	95,198	570,318	811,474
New Jersey.....	41,170	853	4,200	16,148	45,111	107,482
Pennsylvania.....	6/83,340	3,025	14,800	182,212	6/254,238	6/537,615
Delaware.....	6/12,643	256	1,100	17,755	6/10,896	6/42,650
Maryland 7/.....	6/68,128	832	5,900	72,344	6/116,422	6/263,626
Lake States						
Michigan.....	237,582	3,691	35,200	128,823	401,126	806,422
Wisconsin.....	180,508	9,045	45,600	239,077	592,320	1,066,550
Minnesota.....	312,567	9,406	197,200	133,870	567,215	1,220,258
Corn Belt						
Ohio.....	226,696	3,618	97,500	237,745	340,598	906,157
Indiana.....	298,443	3,837	171,500	212,981	403,607	1,090,368
Illinois.....	379,757	6,256	321,800	263,447	395,623	1,366,883
Iowa.....	455,972	11,258	463,300	142,553	471,169	1,544,252
Missouri.....	221,637	19,497	206,400	220,393	418,732	1,086,659
Northern Plains						
North Dakota.....	174,715	10,572	23,300	60,020	321,626	590,233
South Dakota.....	178,545	10,638	78,500	21,288	190,994	479,965
Nebraska.....	251,385	8,814	248,700	36,986	238,229	784,114
Kansas.....	290,301	6,586	233,900	86,353	251,608	868,748
Appalachian						
Virginia.....	6/124,957	4,032	33,200	96,305	6/154,417	6/412,911
West Virginia.....	6/13,327	2,419	1,700	35,583	6/37,947	6/90,976
North Carolina.....	216,995	12,284	54,000	74,038	262,882	620,199
Kentucky.....	151,454	9,046	65,700	195,581	134,485	556,266
Tennessee.....	152,798	13,556	32,500	158,894	199,837	557,585
Southeast						
South Carolina.....	127,030	7,155	23,700	33,041	106,841	297,767
Georgia.....	273,316	8,508	65,000	197,324	157,908	702,056
Florida.....	194,623	5,203	203,200	79,271	473,360	955,657
Alabama.....	133,496	19,621	45,700	98,405	102,012	399,234
Delta States						
Mississippi.....	177,163	17,778	186,700	133,229	109,360	624,230
Arkansas.....	129,742	7,681	257,100	138,592	128,162	661,277
Louisiana.....	172,840	5,208	135,300	83,455	198,835	595,638
Southern Plains						
Oklahoma.....	157,604	9,557	162,000	102,486	289,746	721,393
Texas.....	577,488	16,848	569,800	208,264	767,283	2,139,683

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Table 3--Farm mortgage debt: Amount of outstanding loans reported by principal lenders, other debt, and total debt, by States, Jan. 1, 1972--continued

State	Outstanding loans reported by--				Other farm mortgage debt	Total farm mortgage debt
	Federal land banks <u>1/</u>	Farmers Home Administration <u>2/</u>	Life insurance companies <u>3/</u>	All operating banks <u>4/</u>		
1,000 dollars						
Mountain						
Montana.....	211,460	3,511	114,400	16,709	270,363	616,443
Idaho.....	198,019	11,635	140,100	6,979	244,004	600,717
Wyoming.....	56,334	3,362	63,200	6,411	98,529	227,636
Colorado.....	202,964	4,839	165,100	22,856	333,874	729,633
New Mexico.....	66,100	1,865	80,000	12,266	141,110	301,341
Arizona.....	37,378	1,435	105,800	5,380	125,916	275,909
Utah.....	35,176	5,083	13,400	12,080	89,544	155,283
Nevada.....	15,221	1,186	31,300	1,693	32,333	81,733
Pacific						
Washington.....	153,340	13,219	154,400	27,600	487,555	836,114
Oregon.....	148,885	3,499	90,000	18,964	396,674	658,022
California.....	511,155	5,109	608,900	227,083	2,315,762	3,668,009
Alaska.....	1,532	474	0	1,330	---	8/3,336
Hawaii.....	16,597	1,365	1,900	2,946	---	8/22,808
United States <u>6/</u>	7,879,753	312,221	5,564,300	4,218,482	13,385,432	31,360,188

1/ Includes regular mortgages, purchase-money mortgages, and sales contracts. State distribution of loans in process of foreclosure are estimated.

2/ Direct farm loans only. Includes farm-purchase, farm-enlargement, farm development, project-liquidation, rural-housing (excludes nonfarm), and direct soil and water loans to individuals, and loans for these purposes from State Corporation trust funds.

3/ Includes regular mortgages and purchase-money mortgages. Data from Institute of Life Insurance.

4/ Includes national and State commercial, mutual and stock savings, and private banks. Mortgage loans held by banks are classified according to location of bank and, therefore, are not strictly comparable by States with mortgage loans for other reporting lenders, which are classified according to location of security or borrower.

5/ The amounts shown in this column are residuals or differences between the amounts reported by institutional lenders and the estimates of total farm mortgage debt. The amounts shown may be taken as a rough measure of the farm mortgage debt held by individuals and other nonreporting lenders.

6/ Revised.

7/ Includes District of Columbia.

8/ Total for reporting lending institutions. Estimate of total farm mortgage debt not available.

Table 4--Farm mortgage debt: Total outstanding and percentage change, by farming regions, Jan. 1, 1969-73

Region	1969	Per-centage change	1970	Per-centage change	1971	Per-centage change	1972	Per-centage change	1973 <u>1/</u>	Per-centage change
	<u>\$1,000</u>	<u>Percent</u>	<u>\$1,000</u>	<u>Percent</u>	<u>\$1,000</u>	<u>Percent</u>	<u>\$1,000</u>	<u>Percent</u>	<u>\$1,000</u>	<u>Percent</u>
Northeast.....	1,655,998	4.4	1,819,305	9.9	2,140,079	17.6	<u>2/2,037,723</u>	-4.8	2,327,868	14.2
Lake States.....	2,696,514	5.4	2,785,477	3.3	2,846,605	2.2	3,093,230	8.7	3,423,177	10.7
Corn Belt.....	5,481,952	6.9	5,655,595	3.2	5,734,957	1.4	5,994,319	4.5	6,421,827	7.1
Northern Plains...	2,355,020	6.9	2,475,615	5.1	2,544,636	2.8	2,723,060	7.0	2,939,461	7.9
Appalachian.....	1,881,145	6.0	1,987,228	5.6	2,033,926	2.3	<u>2/2,237,937</u>	10.0	2,467,941	10.3
Southeast.....	1,903,942	9.4	2,026,492	6.4	2,149,998	6.1	2,354,714	9.5	2,704,510	14.9
Delta States.....	1,565,604	10.8	1,691,276	8.0	1,767,356	4.5	1,881,145	6.4	2,095,754	11.4
Southern Plains...	2,549,493	6.2	2,668,915	4.7	2,679,491	.4	2,861,076	6.8	3,283,222	14.8
Mountain.....	2,579,579	5.1	2,661,410	3.2	2,744,260	3.1	2,988,695	8.9	3,245,855	8.6
Pacific.....	4,470,062	5.8	4,635,978	3.7	4,891,213	5.5	5,188,289	6.1	5,636,337	8.6
United States...	27,139,309	6.5	28,407,291	4.7	29,532,521	4.0	<u>2/31,360,188</u>	6.2	34,545,952	10.2

1/ Preliminary.

2/ Revised.

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