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*Some Measures of the
Quality of Agricultural Credit*

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*(Resolution adopted October 25, 1926, and revised February 6, 1933,
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Contents

<i>Acknowledgments</i>	ix
<i>Foreword by James S. Earley</i>	xi
1. <i>Introduction and Summary</i>	1
The Production Credit Association System	3
The Federal Land Bank System	7
Summary of Findings	7
Grading Systems	10
Loan Experience and Loan Quality Over Time	12
2. <i>Relations Between Loan Grades and Subsequent Loan Experience</i>	14
Production Credit Association Loans	14
Production Credit Association Loan Data	14
Analysis of the Experience of Loans in Different Grades	15
Relations Between Loan Grades in the Portfolio	21
Federal Land Bank Loans	26
Land Bank Loan Data	26
Analysis of the Experience of Loans in Different Collateral Grades	29
3. <i>Loan Experience Over Time</i>	41
Production Credit Associations	41
Federal Land Bank	44
The 1917-32 Period	44
The 1933-57 Period	48
<i>Index</i>	52

Tables

1. Non-Real-Estate Loans to Farmers, Total Amount Outstanding Reported by Principal Lending Institutions and Percentage of Total for Each, United States, January 1, 1920-66 5
2. Non-Real-Estate Loans to Farmers, Total Amount Outstanding Reported by Principal Lending Institutions and Percentage of Total for Each, by Farm Credit Districts, January 1, 1964 6
3. Farm Mortgage Loans to Farmers, Total Amount Outstanding Reported by Principal Lending Institutions and Percentage of Total for Each, United States, January 1, 1920-66 8
4. Farm Mortgage Loans to Farmers, Total Amount Outstanding Reported by Principal Lending Institutions and Percentage of Total for Each, by Farm Credit Districts, January 1, 1964 10
5. Percentages of Current AB and C Loans Classified in Following Year as D, All PCA Districts, 1945-61 16
6. Origin and Disposition of D Loans, Number and Percentage of Total, All PCA Districts, 1945-62 17
7. Origin and Disposition of D Loans, Amounts and Percentage of Total, Nine PCA Districts, 1945-62 18
8. Current-Year D Loans Classified by Type of Disposition on Inspection Date of Following Year, Totals for Entire Period, All PCA Districts, 1945-61 19
9. Regression of Number of Loans Charged Off Upon Number of D Loans Under Three Alternative Lags, All PCA Districts, 1945-61 21

Tables

vii

10. Regression of Dollar Losses on Loans Upon Amounts of D Loans Under Three Alternative Lags, All PCA Districts, 1945-62	22
11. Regression of Number of Loans Charged Off Upon Number of C Loans Under Three Alternative Lags, All PCA Districts, 1945-61	24
12. Regression of Dollar Losses on Loans Upon Amounts of C Loans Under Three Alternative Lags, All PCA Districts, 1945-62	24
13. Regression of Number of Loans Charged Off Upon Numbers of C and D Loans Under Three Alternative Lags, All PCA Districts, 1945-61	25
14. Regression of Dollar Losses on Loans Upon Amounts of C and D Loans Under Three Alternative Lags, All PCA Districts, 1945-62.	26
15. Regression of Number of D Loans Upon Number of C Loans Under Three Alternative Lags, All PCA Districts, 1945-61	27
16. Regression of Amounts of D Loans Upon Amounts of C Loans Under Three Alternative Lags, All PCA Districts, 1945-62	27
17. Credit Services Provided by the Federal Land Bank in New York State, 1917 to April 30, 1958	28
18. Number of Loans by Disposition and Collateral Grade, Derived From Data Collected at the Time the Loan Was Closed, All Land Bank Loans in New York State, 1917 to April 30, 1958	30
19. Amounts of Loans by Disposition and Collateral Grade, Derived From Data Collected at the Time the Loan Was Closed, All Land Bank Loans in New York State, 1917 to April 30, 1958	31
20. Loan Disposition by Collateral Grade, as Percentage of Total Loans Closed and Loans Disposed of, All Land Bank Loans in New York State, 1933 to April 30, 1958	34
21. Characteristics of Loans Closed, All Land Bank Loans of Known Collateral Grades Closed and Disposed of in New York State, 1933 to April 30, 1958	37

22. Average Rank Assigned to Characteristics of Loans in Each of Three Dispositions, All Land Bank Loans Closed and Disposed of in New York State, 1917-57	39
23. Composition of Total Loans Outstanding on Examination Date, Percentage of Total, All PCA Districts, 1945-65	42
24. PCA Net Losses During Year Ending December 31, All PCA Districts, 1945-62	43
25. Loss Rates, by Number and Amount as Percentage of Loans Closed in Each Year, Loans Closed Minus Outstandings, and Loans Foreclosed, Land Bank Loans in New York State, 1917-58	45
26. Percentage of All Loans Closed Minus Outstandings in Each of Three Dispositions, Land Bank Loans in New York State, 1917-58	47
27. Composition by Collateral Grade of Total Loans Outstanding on December 31, Percentage of Total, Land Bank Loans in New York State, 1933 to April 30, 1958	49
28. Composition by Collateral Grade of Total Loans Closed During Year, Percentage of Total, Land Bank Loans in New York State, 1933 to April 30, 1958	50

FIGURE

1. Farm Credit Districts	4
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Foreword

THIS STUDY of the quality grading systems of the Production Credit Associations and the Federal Land Banks is the fifth publication in the National Bureau's program of research on the quality of credit in various sectors of the economy.¹ The checkered performance of farm credit through American history, and the truly disastrous record of the Great Depression, make agriculture potentially a sector of unusual interest from the credit quality standpoint. In agriculture, too, the public or quasi-public character of much lending has created a large volume of official statistics extending over many years, which present unusual opportunities for securing credit quality data.

The examination of these data was begun in 1959 by George Brinegar on an experimental basis, in order to include the ratings made by federal farm credit officials in the general study then being undertaken of credit ratings made by federal bank examiners and by Dun and Bradstreet, Moody's, and other private rating agencies. Later it was decided to encompass agriculture in the Quality of Credit program along with all other sectors in which the potential risk of delinquency and default was appreciable. At that time, further analysis of the official farm credit records was undertaken by the authors. The

¹ The four studies already published are: *The Quality of Bank Loans: A Study of Bank Examination Records* by Albert M. Wojnilower, Occasional Paper 82, New York, NBER, 1962; *The Quality of Trade Credit* by Martin H. Seiden, Occasional Paper 87, New York, NBER, 1964; *Trends in Corporate Bond Quality* by Thomas R. Atkinson, assisted by Elizabeth T. Simpson, New York, NBER, 1967; and *The Quality of Consumer Instalment Credit* by Geoffrey H. Moore and Philip A. Klein, New York, NBER, 1967. In press is *Home Mortgage Delinquency and Foreclosure* by John Herzog and myself. Edgar Fiedler and Maude Pech are revising their preliminary manuscript, *Measures of Credit Quality*, a compendium of time-series statistics on credit quality. George H. Hempel is in the process of completing his study of postwar municipal bond quality. I am in the late stages of final revision of my volume summarizing the credit quality program as a whole, *The Quality of Credit in the U.S.: A Summary Volume*.

Production Credit Association study could be enlarged to include the entire country and carried down through 1965. Lack of resources prevented the analysis of the Federal Land Bank data from going beyond the initial sample data of the Springfield (Massachusetts) Bank for the period ending in 1958.

The Brinegar-Fettig study does not of course purport to evaluate a cross section of U.S. agricultural credit. It is primarily a methodological study. It and other studies do in fact demonstrate that all types of farm credit, short- and long-term and in virtually all parts of the nation, have had remarkably strong performance records since World War II. Hence less interest has developed in postwar credit quality problems in agriculture than in some other sectors, e.g., small business firms and nonfarm households. But the Brinegar-Fettig study does indicate that the grading and examination procedures used by the farm credit agencies generate data which are generally valid discriminators of *differential* credit quality. The spectacular rise from depression lows in farm incomes and land values during World War II and thereafter make it difficult, if not impossible, to evaluate the time series behavior of the data, but the authors do show that the records of the federal farm lending agencies provide potentially valuable information for analyzing temporal trends in farm credit quality as well.

JAMES S. EARLEY, Director
Quality of Credit Program

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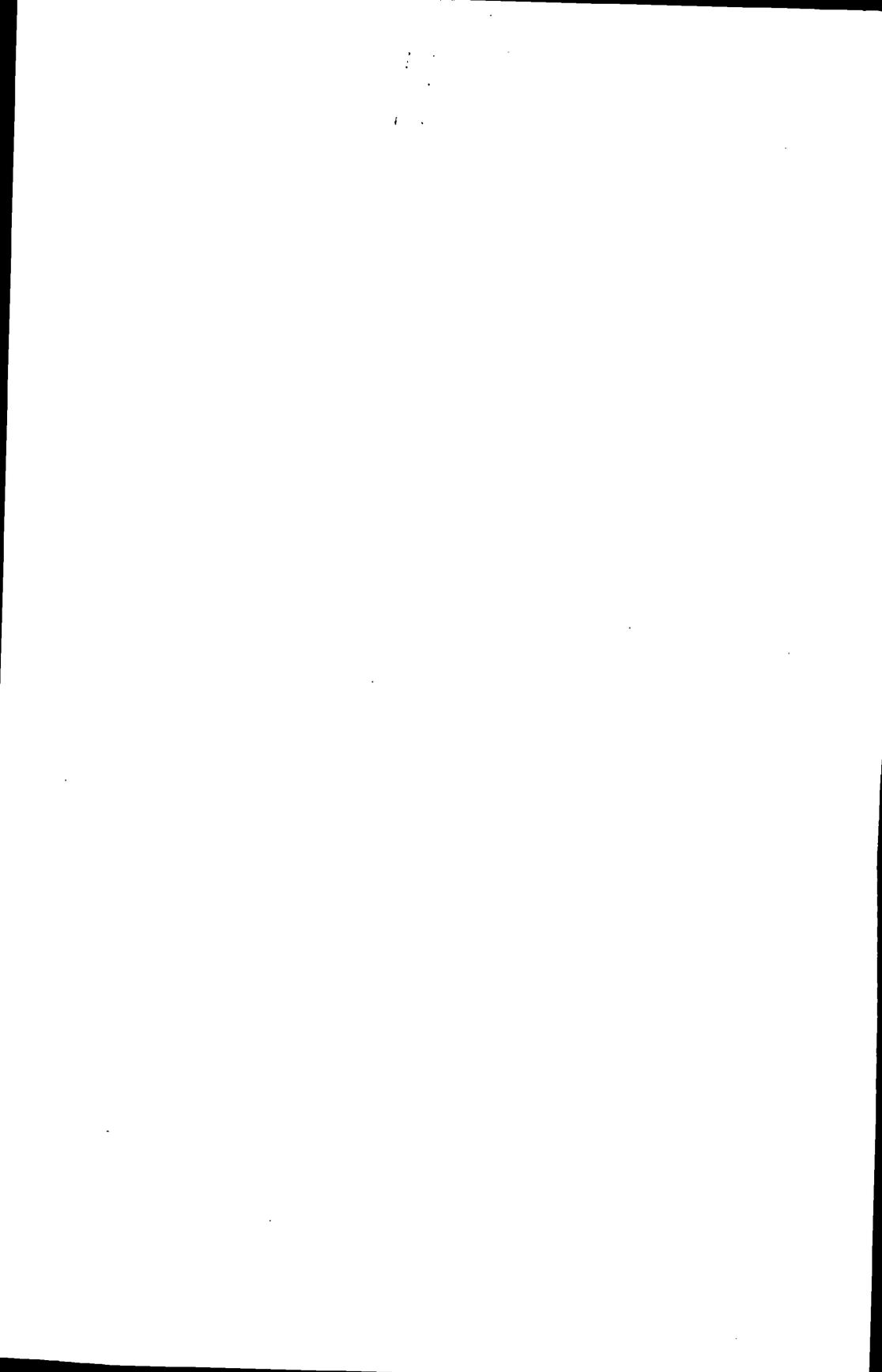
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