8-1956

"The Use of Agricultural Credit Facilities by Fifty Negro Farmers Of Hopkins County, Texas"

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1956

THE USE OF AGRICULTURAL CREDIT FACILITIES BY FIFTY NEGRO FARMERS OF HOPKINS COUNTY, TEXAS

By

Bishop Benjamin Curry Jr.

A Thesis Submitted in Partial
Fulfillment of the Requirements
for the Degree of

Master of Science

In The

Graduate Division

of

Prairie View Agrieultural and Mechanical College

Prairie View, Texas

August, 1956

Dedicated

To my wife, Virgie A. (Strong) Curry, Jr. and Children--Doris Ann, Evelyn LaVerne, Bishop III, Virgie René, and Charles Marion whose fidelity, faith, and sacrifice encouraged my pursuance of this degree.

ACKNOWLEDGEMENT

The writer is gratefully indebted to Dr. J. M. Drew, Dean of Graduate School, Dr. J. M. Coruthers, Professor of Agricultural Economics, Dr. E. W. Owens, Associate Professor of Economics, Prairie View A & M College, Prairie View, Texas for their most helpful suggestions and examination of the entire manuscript.

B. B. C., Jr.

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Part I

Introduction

Farming as a competitive business has become more and more dependent upon capital to make full use of other factors of production--land, labor, and management. The wise use of capital may result in a net return that will provide progressive improvement in the farmer's business operations and standard of living.

Borrowing capital for productive purposes is a normal practice and is followed in all business enterprises. The farmer, who has the ability to use productively more capital than he owns, should borrow; and certain institutions have been developed to meet his needs. The ultimate source of funds loaned is the surplus scattered here and there over the country-- a surplus which, instead of being needed and applied by the owner, is loaned at interest.

The local bank, various branches of the Farm Credit Administration, individual merchants, dealers and farmers are all managers and/or supervisors of surplus funds, which are passed on to those who are in position to use them in production.

It is very important to all concerned, the owner of the surplus funds, the farmer in need of capital, and the business agency which negotiates and supervises the trans-

fer—that the business of placing capital where it is needed, be done with maximum efficiency, and that methods be used which are most satisfactory to investors and borrowers. Financing institutions are designed to serve the needs of Agriculture and attempt to meet the requirements of the farmer's business. If the productivity of farmers is of such that they can pay off their mortgage within three or five years, loans should be made available for the specified time. If the farmers business is better adapted to less than annual payments of the loan, it is most economical for the loan to be made in this manner. Careful consideration of the economical combination of factors of production that will render the farmers ability to repay a loan should be of primary concern of the lending agency as well as the farmer. If the purpose for which the farmer wants money is not productive and there is no substantial prospect of the ability of the borrower to make it remunerative, the loan should not be made.

This study when completed, will not point out the educational needs of the "men of the soil" in Hopkins County, Texas toward the wise use of records, farm planning, and available Agriculture credit facilities for a sound farming business.

Purpose Of Study

The purpose of this study is to find out the following:

(1) The wisdom being employed by Negro Farmers of Hopkins County, Texas in using Agricultural credit for promoting their farming operations.

(2) Can Negro farming operations improve by additional use of agricultural credit facilities?

(3) To seek out the areas of needed increase in Negro farmers' education concerning the selection and use of agricultural credit facilities.

The Scope and Method of Study

The scope of this study is confined largely to an analysis of the comparative advantage Hopkins County, Texas Negro Farmers are taking of borrowing money for farm operation.

The data for this study is a result of personal contacts with a random selection of individual farmers to fill out a questionnaire of specific questions known to be pertinent to the subject or study.[1]

No less than fifty (50) farmers representing both owners and tenants have been chosen for this study.

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[1] J. Norman Efferson, Principles of Farm Management, 1953. McGraw-Hill Book Company, Inc., New York, New York, p. 56.

Part II

"HISTORY OF FARM CREDIT IN THE UNITED STATES"

One of the great economic problems that colonial pioneers were faced with was a source of capital to combine with the other factors of production at their disposal. This problem has not disappeared since we ceased to be a pioneering country. Yet, considerable efforts have been spent trying to meet the credit needs of the farmer.

The history of agricultural credit in the United States is largely a study of the flow of capital, in all of its various productive forms, from the centers of industry and accumulated supplies to the frontier agricultural districts. To the American farmer, from the first settlement in Virginia to the present farming section of the South and the West, the problem of capital has been that of obtaining better forms of equipment and supplies with which to make agricultural labor more productive.

The American farmer has borrowed to buy the farm, to equip and operate it and finally to market the farm products. The farmer often found it necessary to borrow food, clothing, and general household supplies until he could produce a crop.

CLASSIFICATION OF AGRICULTURAL CREDIT

Agricultural credit in the United States has come to be classified according to the time factor into three periods as follows:

(1) Long term credit. This includes loans for periods of five or more years. These loans are to be provided for the purchase of the farm and the fixed improvements on the farm. A farm mortgage has usually been given as collateral to the farmer's promissory note. Farm mortgages in the United States have been mostly for periods from five to ten years. Recently with the development of the Federal land bank system, long amortization loans from twenty to forty years are becoming common.

(2) Middle term or intermediate credit. Intermediate loans are usually made for periods of from six months to three years. These loans have been made, as a rule, for the erection and repair of farm buildings; for the improvement of land, such as clearing, fencing, irrigating, draining, developing orchards, vineyards, etc. for the purchase

of farm machinery and dairies and breeding stock; and for the marketing of farm products. Many loans of this nature run for periods longer than three years and are made on the basis of real estate mortgages. The farmer has usually given as security for such loans his promissory note and a chattel mortgage on livestock and stored crops, or a real estate mortgage on his farm. Commercial banks still commonly require chattel or real estate mortgages as security, although the Federal Reserve banks require only promissory notes and financial statements.

(3) Short term credit. Short time credit covers loans up to six months. The loans are usually for consumption purposes, such as for food, household utensils and clothing; or for production purposes, such as for labor, seed, feed, fertilizer, sprays, current equipment supplies, livestock and incidental operating expenses. In practice many loans of this nature have been renamed and have become long time loans. In the development of this country, the merchant furnished much of this kind of credit on open account. As commercial banks developed, they supplemented and to a degree supplanted the early work of the merchant. Commercial banks have usually required the promissory note of the borrowing farmer, accompanied by a chattel mortgage on livestock or crop. The Federal system has sought to develop the method of requiring financial statements and to abolish the requirements of chattel mortgages.

It is impossible to make a rigid classification of Agricultural credit needs on the time basis. The above mentioned classifications shade into one another and are to be taken only in a general way for purposes of analysis.[1]

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[1]Earl S. Sparks. History and Theory of Agricultural Credit In The United States, 1932. Thomas J. Crowell Company, New York, N. Y. pp. 1-3.

THE FARM CREDIT ADMINISTRATION

The Farm Credit Administration was established as an independent executive agency of the government in 1933. At that time there were consolidated in the Farm Credit Administration functions relating to agricultural credit which had been vested in the Federal Farm Board, the Federal Farm Loan Board, the Federal Farm Loan Bureau, the Treasury Department, and the Department of Agriculture. Functions of the Reconstruction Finance Corporation relative to the operations of the Regional Finance Corporation, which were abolished on April 16, 1949, were also transferred to the Farm Credit Administration. In 1939 the Farm Credit Administration was transferred to the Department of Agriculture.

The Farm Credit Administration through the lending institutions under its supervision makes available to farmers and farm cooperatives throughout the United States a specialized credit service. These institutions include 12 federal land banks and 1,233 national farm loan associations; 12 credit corporations and 503 production credit associations; 12 district banks for cooperatives and one central bank for cooperatives; and 12 federal intermediate credit banks. In addition there is the Federal Farm Mortgage Corporation, a wholly government-owned corporation which has in the past made high-risk loans directly to farmers. The lending authority of this corporation is strictly limited by law, and it has been inactive as a lender since July 1, 1947. The credit services of all the above-mentioned institutions are designed to meed the needs and requirements of farmers and their cooperatives.

The Farm Credit Administration is primarily a system of cooperative credit under which the institutions actively lending directly to farmers are organized and managed along cooperative lines. The activities of the district and local associations are supervised, examined, serviced, and coordinated by the central office in Washington.

Prior to the establishment of the credit agencies that are now supervised by the Farm Credit Administration, of the type they needed, for the amounts they needed, an terms adapted to their farming operations, and at reasonable rates of interest. Most credit institutions had been established to serve business and industry. Farmers as a rule could not get credit at comparable rates and on comparable terms with other business enterprises.

The institutions now under the Farm Credit Administration were established to provide a direct channel between the farmer borrowers on the one hand and the investing public on the other. Through the institutions of

the Farm Credit Administration, farmers are assured of credit on a sound basis adapted specifically to their needs. They are able to obtain money at wholesale interest rates plus the cost of operating lending system, including the maintenance of adequate reserves. The bonds and debentures of these Farm Credit Administrations institutions are sold to investors at rates as low as the rates on the highest classes of securities, other than government bonds, sold on the investment markets.

The capital supplied by the government to assist in capitalizing these Farm Credit institutions represents the major portion of the government's financial responsibility for the operations of the system. Most of the operating expenses are paid from earnings. The bonds and debentures of these corporations are not guaranteed by the government either as to principal or interest.

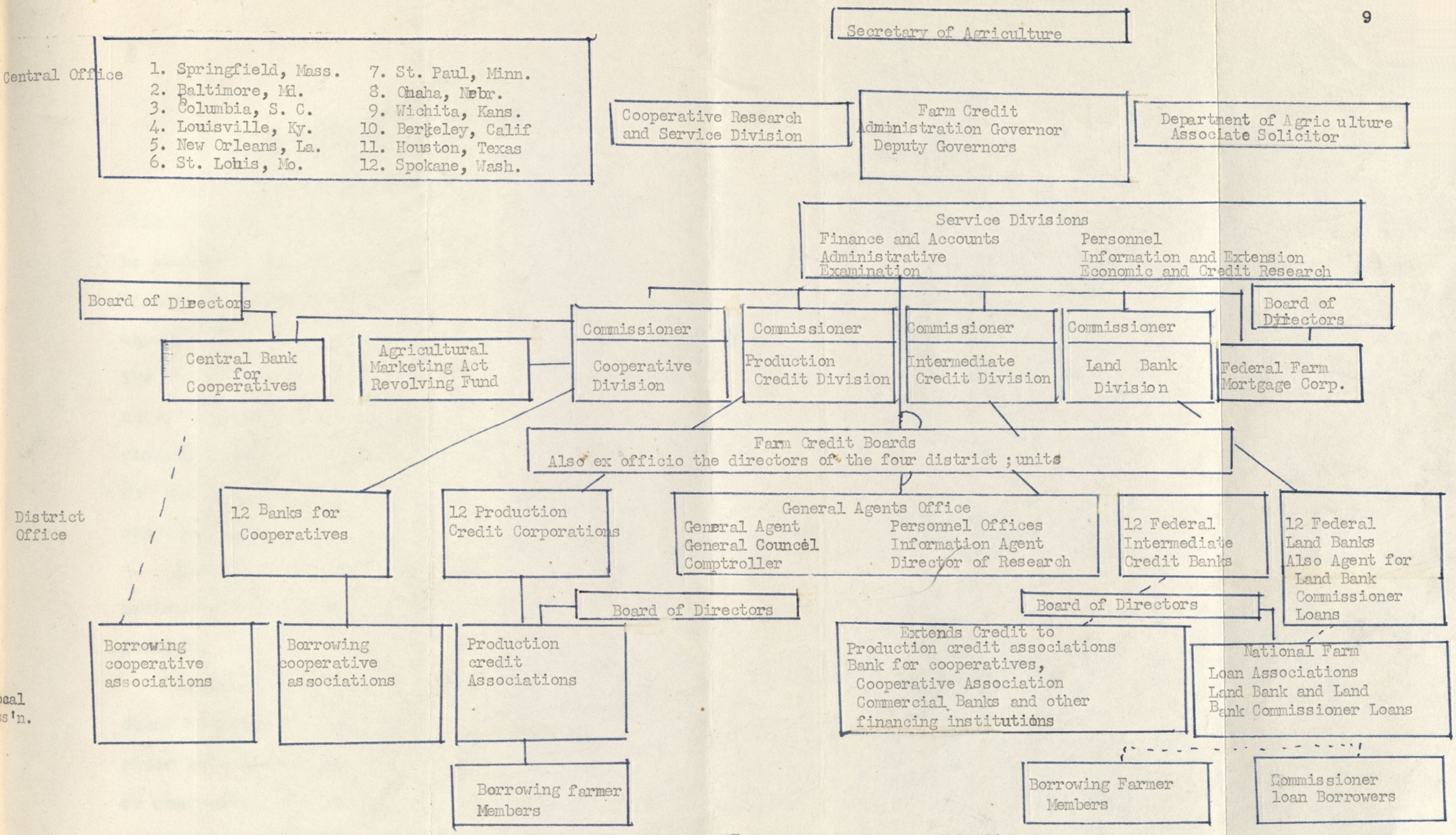
The operations of the Farm Credit institutions have been an important influence in reducing interest rates to farmers. Not only have loans made directly by these institutions been at reasonable rates, but there has been an indirect influence on interest rates charged by other lenders.

The Farm Credit Administration supervises the federal land banks and national farm loan associations, the production credit corporations and production credit associations, the banks for cooperatives, and the federal intermediate credit banks. These lending institutions make available to farmers and farm cooperatives throughout the United States a specialized credit service. They provide a direct channel between the farmer borrowers on the one hand and the investing public on the other. The principal funds used in lending are obtained through borrowings and the sale of bonds and debentures. The district institutions and local associations under the Farm Credit Administration are either (1) owned by farmers; (2) owned partly by farmers and partly by the government, with full farmer ownership their ultimate objective; or (3) wholly capitalized and owned by the government.

The Farm Credit Administration is organized along functional lines at three levels. The central office is located at Washington and is primarily regulatory and supervisory. The federal land banks, production credit corporations, federal intermediate credit banks, and twelve of the banks for cooperatives are located at twelve Farm Credit district headquarters. The national farm loan associations are located at the local level. At the central office the Governor, under the general direction and supervision of the Secretary of Agriculture, exercises executive authority. In each district the Farm Credit board of directors exercises such powers as are necessary to carry

on the business of the banks and corporations. In the associations the local boards exercise similar powers. [1]

[1] I. W. Duggan and Ralph U. Battle. Financing the Farm Business, 1950. John W. Wiley and Sons, Inc., New York, N. Y. pp. 255-6.



Organization chart OF the Farm Credit Administration

SUMMARY OF
LEGISLATION AFFECTING
AGRICULTURAL CREDIT

Aside from banks the first special financial institutions for short-term and intermediate agricultural credits to expand to any great extent were livestock loan companies. Though some of these developed before 1900, they made an especially rapid growth during and immediately following the 1914-1918 World War and since have declined in importance. The management of these companies usually has been closely associated with the livestock commission business and the meat-packing business, but ultimately banks have supplied much of the money.

In 1923 there were established twelve Federal intermediate-credit banks to supply intermediate credit to farmers.

Although farmers still obtain most of their credit from other sources, an increased importance has been assumed since 1933 by the agridultural-credit agencies sponsored or controlled by the Federal government. For that reason and for the following additional reasons we shall give special attention to these agencies: (1) Many features of credit in general are well illustrated by them. (2) Because of certain cooperative features possessed by them, it is more important for the borrower to understand their

operation if he borrows from them than is the case as to other agencies from which he may borrow. (3) The fact that they are to some extent subsidized by the government is of interest to all.

In May, 1933, The Farm Credit Administration (F.C.A) was created to supervise and coordinate the government-sponsored or operated agricultural-credit agencies which were dealing in adequately secured credit.

The Farm Credit act provided that the commissioners in the echelon of command of the F. C. A., created in 1933, shall perform "such duties as may be assigned to them by law or by the Governor of the Farm Credit Administration."

The Soil Conservation and Domestic Allotment Act of 1936, The Sugar Act of 1937, and The Marketing Agreement Act of 1937. On Feb. 28, 1936, within eight weeks after the Hoosac Mills decision, Congress enacted the Soil Conservation and Domestic Allotment Act of 1936. Under this act benefit payments are made to producers out of general treasury funds for shifting from such "soil-depleting" crops as cotton, corn and for carrying out certain other soil-building practices. The administration of this act also was placed in the hands of the Secretary of Agriculture.

The Agricultural Adjustment Act of 1938.-- In February of 1938 Congress enacted the Agricultural Adjustment

Act of which is broader in scope than any previous farm-relief legislation.

Part III

BRIEF HISTORY AND BACKGROUND OF HOPKINS COUNTY, TEXAS

Crop-growing and livestock county of Northeast Texas with some income from industry and oil production. Largely rural population of moderately high density. 10 percent Negro. Created from Lamar and Nacogdoches Counties in 1846. Named for pioneer family.

Northwestern part lies on the rolling black-land prairies and eastern part in Post Oak Bell rolling to hilly terrain. Alt. 530 ft. Ann. rainfall 39.62 in. Temp. avegs. Jan. 45 degrees, July 82 degrees, means 64 degrees.

Soils black waxy, sandy loam, black loams,and sandy. Timber, used for boxes, bridges, posts and fire wood, includes post oak, pine, red oak, hickory, bois d'arc and pecan. Oil production, 1,637,990 bbls., clay for brick; small amount of lignite mined.

Crops: Cotton (16,737 bales in 1950). Peanuts, corn, grain sorghums, sweet potatoes, watermelons, tomatoes, peaches, beans, and peppers. Syrup from ribbon cane and sorghum. Outstanding dairy county; 15,500 cows milked 8,000,000 gallons annually; some poultry raising, hogs, sheep. Growing season 241 days.

Area sq. Mi.	739
Population, 1950	23,490

Tax Value	$11,574,520
Income	$20,604,000
Bank Deposits	$10,904,000
Retail Sales	$15,004,000
Av. Farm acreage	130.3
No. Farm owners	1,560
No. Farm tenants	1,026
Auto reg.	6,852
Farm value	$15,320,110.00
Crop land	(A) 114,907

Sulphur Springs (1955 est.-10,00. 1950 - 8,991), County seat, is farm market center with considerable amount of industry, including two large milk products plants (one of the first established in Texas by national concern), large valve-producing factory, garment factory, brick and meat packing plants, fertilizer plants. City---County hospital. Three notable livestock exhibits ---Northeast Texas Livestock Show, Northeast Texas Dairy Show, Texas Jersey Cattle Club Show.[1]

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[1] Texas Almanac. Dallas Morning News Publishers, Dallas, Texas, 1956-57. p. 654 .

PART IV

PRESENTATION OF DATA

The information in this section will be confined primarily to tabulated data made possible by a questionnaire used to survey fifty farmers in Hopkins County, Texas. From this study through principally chart presentation will be discussed number and percentage distribution of farm land, type of farming and percentage distribution and ownership stattus, type of farming in relation to the amount of loan, relation and percentage distribution of farm business records to ownership status, percentage distribution and educational level of farmer and farmers wife, number and percent of farmers using available sources of credit.

Table I, reveals the percentage relationship of owners and tenants in Hopkins County, Texas as of June, 1956. While ownership is the goal of most ambitious farmers, it is worthwhile to give importance to the tenant. In this connection Hopkins and Murray states:

> There are many communities where tenants and their families comprise the majority of the population. Satisfactory community organization cannot be maintained if tenants are moving from farm to farm one community to another every year or so. Long-term tenure is essential to healthy life of the community in such areas.
>
> Society at large has an interest in tenancy systems. Because the nation is interested in maintenance of its natural resources, whether the land is farmed by tenants or by owners. To this

end Hopkins and Murray further recommend: (1) Mutually profitable type of farming, (2) Conservation of the land, (3) Responsibilities for good farming practices, and (4) Remuneration for improvements.[1]

Considering these four elements of a tenant-landlord agreement it can readily be seen that there should be no stigma attached to the status of the tenant.

The survey revealed that 31 of the farm operators were owners, and of this number 36% of them are Grade "A" dairymen which signifies that they are above the average and are good farmers. They are stable, and like other farm owners regard the land they own as a home and as a permanent place of business. More about the Grade "A" dairymen in Hopkins County, Texas will be discussed later on in this part.

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1 John A. Hopkins and William G. Murray, Elements of Farm Management. Prince-Hall, Inc., 1954. pp. 79-81.

TABLE I

NUMBER AND PERCENTAGE DISTRIBUTION OF FARM LAND

Ownership Status	In Relation to Tenants and Owners As Found in Hopkins County, Texas, June, 1956.	
	Number	Percentage
Owners	31	.62
Tenants	19	.38
Total	50	100

Source of data: Questionnaire

"FARM OWNERSHIP AND TENANCY"

It is generally conceded that a system of land tenure approximately that in what every man owns the farm on which he lives and works is the ideal to be sought. A certain amount of tenancy is inevitable in all settled countries. In the pioneer stages of American agriculture, land was to be had for the asking or the taking, and the condition of almost complete owner-operatorship was the stay within the area of established settlement rather than enter the unsettled frontier regions and rent land from those who owned it more abundantly than they could work. Except in the South, especially among the colored farmers, though in too large extent also among the white tenants of that class. In that part of the nation, a serious situation exists, but in general in the United States, tenancy functions to a great degree as a convenient steppingstone towards ownership.

In embarking upon the enterprise of farming, land is the factor of production required to a great extent. Many young farmers, and older ones as well, cannot afford the purchase of the land they would operate. The capital-goods they require for a sensible beginning scale of operation, very often they do possess, or can acquire on available credit, and the labor they provide themselves. Through the savings from efficient operation of rented farms, the purchase of the land they would operate may be consumated. High prices for land, particularly inflated ones, obviously tend to lengthen such a process.

ADVANTAGES OF FARM TENANCY

Many writers on farm tenancy convey the impression that it is an unmitigated evil. It is not difficult to refute such an attitude since there are a number of advantages to agriculture in the institution of farm tenancy. The most important of these will be briefly considered in succeeding paragraphs.

(1) Tenancy is a steppingstone to independent owner-operatorship. The term "agricultural ladder" is used to describe the steps by which the farm worker establishes his relation with the land. The theory of the agricultural ladder postulates that the typical farmer begins his career as a <u>farm laborer</u>, working for wages on his father's or someone else's farm; that after he has saved enough working capital to operate his own farm, he takes the next step on the agricultural ladder, and becomes <u>a farm tenant</u>;

and that successfully operating as a tenant he acquires sufficient capital to buy his own farm, then stepping up to the state of farm owner. In the process he serves a sort of apprenticeship as it were, gaining desirable experience in handling a farm.

(2) In some instances to rent a farm is more desirable than to buy it. In areas where the prices of land rental rates are often comparatively much more reasonable. Then, too, a farmer can through rental of additional acreage more easily extend his farming business to such an area as will represent the most profitable size of farm for operation in a particular locality. Also, in this same connection it is interesting to note the fact that the average size of the tenant farm in Ohio, Indiana, Illinois, and Iowa is considerably larger than that of the owner farm in the same areas.

(3) Tenancy enables the prospective farmer safely to determine whether farming is an occupation in which he may happily spend his life, and also to test whether or not a particular farm is the one which he should buy. A much smaller investment makes these preliminary explorations practicable. If the experiments are successful, the tenant may deepen his stake in the venture through acquiring the particular farm.

(4) Tenancy provides a greater mobility of population, which among a high-grade tenant class as in the West, really functions as a mitigant of provincialism and localism. Of course, with too large a percentage of a community thus mobile, the result is bad, but for those in process of climbing the rungs of the agricultural ladder the diversity of contacts and variations in farming experience are valuable when the estate of farm ownership is reached.

DISADVANTAGES OF FARM TENANCY

(1) The steady impoverishment of the soil, or what we are accustomed to call soil mining.
(2) Low incomes and resulting low standards of living.
(3) Poor farming methods are likely to result.[1]

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[1]Wilson Gee, The Social Economics of Agriculture, 1947. The MacMillan Company, New York, N. Y. pp. 188-93.

TABLE II

TYPE OF FARMING, PERCENTAGE DISTRIBUTION AND OWNERSHIP STATUS OF FARMS IN HOPKINS COUNTY, TEXAS JUNE, 1956

Type of Farming	Percentage Distribution and Ownership Status			
	Owners		Tenants	
	Percent	Number	Percent	Number
Grade "A" Dairying	.22	11	--	--
Grade "B" Dairying	.36	18	--	--
General	.26	13	.12	6
Truck Crops	.02	1	.02	1
Total	.86	43	.14	7

Source of data: Questionnaire

Table II, shows the type of farming and their degree of importance. It is interesting to note that Grade "B" dairying ranks first percentage wise with 36% of all farms surveyed having a year-round income and above the average standard of living.

Hopkins County, Texas has long been an outstanding dairy county, and as pointed out in the history of the county there are two milk processing plants which handle an enormous quantity of milk daily from local producers.

In addition to Grade "B" it can be noted from Table II, that Grade "A" dairying being 22% would give 58% as a total for dairying as a farm enterprise for the county. This of course gives added impetus to the need for the wise use of capital to make for the greatest possible net cash return from the enterprise. To do this pasture improvement loans, and soil conservation loans would serve the best interest of the dairyman. Labor saving equipment and feed storage also call for a sizable outlay of capital, which if properly planned for could aid the farmers in attaining increased pay for their efforts. All of these are thrift elements associated with dairy farming, and directs attention to potential improvements in the productivity of the farm community and county.

General farming represents 12% and 2% for truck crops as to type of farming, both of which are operated by tenants. General farming as a type of farming is done chiefly by tenants because of the initial outlay of capital required for the more specialized types of farming. Following this line of thought Chapman says:

> There is nothing wrong with tenancy, as such. In fact, for a young man with limited capital, it is far better in many instances to invest available funds in livestock and equipment than in land. By doing so it is quite likely that his farming operations can be greatly extended and thus be made more profitable. The all-important consideration involved is to secure a farm lease agreement or operation contract that will permit of the application of every principle of efficient farm management.[1]

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[1]Paul W. Chapman, Efficient Farm Management, 1948. Turner E. Smith and Company. p. 317.

TABLE III

SIZE OF FARM, ACREAGE ALLOTMENT AND OWNERSHIP STATUS BY NEGRO FARMERS A IN HOPKINS COUNTY, TEXAS
JUNE, 1956

Size of Farm in Acres	Ownership Status							
	Allotment of Acreage By Owners				Allotment of Acreage By Tenants,			
	Pasture	Crops	Timber	Idle	Pasture	Crops	Timber	Idle
0-20	1	1	20	18	13	-	17	18
21-40	8	2	6	4	2	6	2	-
41-60	6	9	3	-	1	5	-	-
61-80	8	6	-	-	1	7	-	-
81-100	4	5	-	-	-	-	-	-
101-120	-	2	-	-	-	-	-	-
121-140	-	1	-	-	-	-	-	-
141-160	2	-	-	-	-	-	-	-
161-180	-	-	-	-	-	-	-	-
Total	29	26	29	22	17	18	19	18

Source of Data - Questionnaire

Table III, gives interesting data on acreage allotment by ownership status. One hundred-thirty and three tenths (130.3) acres is the average farm size for the county.[1] Taking into account this fact it can be observed from Table III, that neither class of Negro farmers in Hopkins County, Texas have recognizable acreage to meet the average for the county. Thus, land - as a factor of production is found to be lacking. The bulk of the owners are found with pasture acreage too small for economical production. The same is true of the tenant farmers whose chief acreage is devoted to crops. However, the owners are in a better position to bargain for loans because they are in possession of ample livestock and security for a loan.

Every farmer whether owner or tenant should be mindful of efficiency factors in farming if he aspires to be successful. These factors are very understandably discussed by Chapman:

> In general farming, that is, farming devoted mainly to the production of field crops and livestock, the following five factors for measuring efficiency of the business operation should be considered.
>
> Size of Business - Size of business includes: (1) Acres of land in the farm with special emphasis upon cropland including acres of improved pastures; (2) labor available for productive enterprises; (3) number of head of farm animals; and (4) the total capital investment and funds available for

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1 Op. cit. Texas Almanac. p. 654.

productive enterprises.

There is no single factor so closely related to income as the size of the farm. To attain an average income, in terms of all the farms of the nation, it is almost imperative that the farm be as large as the average size of farm engaged in the same productive enterprises.

Balance of Business - Balance means the extent to which production is diversified; it means specifically, the extent to which there is a balance between crop and livestock enterprises.

Labor Efficiency - Labor efficiency means using farm workers throughout the entire year in ways that insure full-time employment and maximum production. Power-operated machinery is a very important element in labor efficiency.

Crop Yields Per Acre - This efficiency factor is self-explanatory. Good farms make acre-yields much higher than the averages for the states in which they are located.

Efficiency Standards - For each of these efficiency factors it is possible to set a standard. This standard is the "yardstick" by which this segment of management for any farm may be measured. The standard may be the average degree of efficiency attained by the farms of the community, state, or nation.[1]

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[1] Op. cit. Chapman. pp. 23-27.

TABLE IV

TYPE OF FARMING IN RELATION TO AMOUNT OF LOAN BY NEGRO FARMERS IN HOPKINS COUNTY, TEXAS AS OF JUNE 1956

Amount of Loan In Dollars	Type of Farming							
	Grade "A" Dairying		Grade "B" Dairying		General		Truck	
	Number	Per Cent	Number	Per Cent	Number	Per Cent	Number	Per cent
200-299	--	--	7	.14	14	.28	1	.02
300-499	--	--	--	--	--	--	--	--
500-699	4	.08	5	.10	2	.04	--	--
700-899	6	.12	--	--	--	--	--	--
900-1000	1	.02	6	.12	4	.08	--	--
over 1000	--	--	--	--	--	--	--	--
Total	11	.22	18	.36	20	.40	1	.02

Source of data: Questionnaire

Table IV, shows the relative amount of loans in dollars by types of farming in Hopkins County, Texas. It can be observed that 15% of the general farmers included in this study borrowed $200-$300., which is a relatively small sum. Of course, some justification is revealed in Table III of this study which pointed out the fact that the size of farm operated by general farmers is comparatively small -- 40-80 acres for a field crop farmer in modern agriculture. In a preceding chapter it was also pointed out that the average size farm for this county is 130.3 acres, thus it may be concluded that the farmers included in this study are too far below the county average.

However, it is a common practice for farmers in Hopkins County to (1) plant a few cucumbers--the first seasonal cash crop for this area, and (2) sell Grade "B" milk, though the quantity sold would not classify the farmer as a Grade "B" dairyman. These factors might be considered as financial stop-gaps, yet they do not conform to farm management efficiency factors. One other factor involved is the number and quality of livestock owned by the general farmer, plus the size of his operation that makes him a poor risk.

The Grade "A" and "B" dairymen are in a somewhat better position to shop around and get better terms because (1) they are a better risk on account of their scope of operation, and (2) they deal with the local banks or Federally sponsored lending agencies. Duggan and Battle in discussing credit risk points out:

> Good management practice and observance of sound credit principles can reduce reduce risk to a minimum. When a farmer borrows money, he should be sure that it is (1) for purposes that will result in either increased income or some other benefit to the farm family; (2) for amounts that can be repaid from income, after allowing a reasonable margin for uncertainities; and (3) on terms that will permit repayment at the time farm income is available.[1]

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[1] Op. Cit. I. W. Duggan and Ralph U. Battle. p. 70.

TABLE V

NUMBER AND PERCENTAGE DISTRIBUTION OF FARMERS WHO KEPT FARM BUSINESS RECORDS IN ACCORDANCE TO OWNERSHIP STATUS OF HOPKINS COUNTY, TEXAS JUNE, 1956

Farm Business Records Kept	Ownership Status			
	Owners		Tenants	
	Number	Per Cent	Number	Per Cent
Yes	18	.36	2	.04
No	4	.08	14	.28
Partially	9	.18	3	.06
Total	31	.62	19	.38

Source of data: Questionnaire

Table V, relation and percentage distribution of farm business records to ownership status. This table has some startling implications namely (1) 36% owners reported yes in answer to the question-Do you keep farm business records?- as against 8% and 18% reporting no and partially, respectively. A point of note here is that exactly half of the owners surveyed admitted inadequate systems of farm business records. Another point of note to state is the fact that two of the owners--Grade "A" dairymen were registered in the no-column, which is very uncommon as a practice for a Grade "A" dairyman.

The tenant operators interviewed fell principally into a normal or expected pattern as 28% reported no as against 4% and 6%, respectively for yes and partially concerning their farm business record keeping habits.

There is no substitute for a good system of farm records. Hopkins says the following about record keeping:

> The principal purposes of farm records may be grouped under three general headings. In the first place records give a history of the performance of the farm for the period during which they are kept. At intervals statements of the value and status of the business are obtained. These not only show the farmer where he stands financially at the time, but at later dates permit him to appraise the progress which he had made between inventory dates. The records of receipts and expenditures, of crop yields, livestock production, feed, and other consumption help explain the results obtained.

> A second objective is to provide an aid to the control of the current farm operations. One needs to give close attention to current records to tell how well the business is conforming to plans or budgets that were set up for it. This does not refer merely to the financial plans but also to physical or technological efficiency. It is important that any unsatisfactory performance be detected promptly if it is to be remedied before more serious losses occur.
>
> A third objective is to provide the basic information needed in the budget or production plans. If the budget is to be practically useful, it must reflect accurately the productive potentialities of the farm for which it is drawn. The records will give the needed information on crop yield, rates of gain obtained on livestock, butterfat production per cow, eggs per hen, and other figures of this type. They will also show the actual amounts of receipts and expenses. Without such figures as these it is necessary to fall back on estimates which may be quite inaccurate.[1]

In addition to a good and practical system of record keeping it is my contention that if the farmers had a plan of operation, then record keeping would be more meaningful, thus the farmer should have (1) a plan of operation (2) the plan should be written in order to be functional, and (3) the plan should be inclusive of all persons affected by it. These items would reflect a tendency toward a balanced farming program. Sutherland and Williamon state the following about a balanced farming program:

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[1] John A. Hopkins, Farm Records, 1942. Iowa State College Press, Ames, Iowa. p. 3.

Balanced farming is simply good all-round farming and homemaking in which the best use is made of all the farm resources.

There is no short-route to balanced farming. It is necessary to develop and follow a carefully-thought-out farm and home plan to achieve this goal. Such a farm and home plan is to the farm family what a blueprint is to the builder.

The farm and home plan should provide for complete utilization of all the farm resources under a set of standards that mark good farming. The five standards that are considered essential to balanced farming are as follows:

1. Good land use.
2. Efficient farm organization.
3. Balanced farm operation.
4. Efficiency in production and marketing.
5. Good farm family living.[1]

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1 Circular 381, Planning For Balanced Farming, 1953. Clemson Agricultural College, Clemson, South Carolina.

TABLE VI

EDUCATIONAL STATUS OF FAMILY MEMBERS AS FOUND IN HOPKINS COUNTY, TEXAS, JUNE, 1956

Educational Level	Farmer		Farmer's Wife	
	Number	Percent	Number	Percent
Elementary School	41	.82	31	.62
High School	7	.14	19	.38
College	2	.04	--	--
Total	50	100	50	100

Source of data: Questionnaire

TABLE VII

SOURCE OF CAPITAL AS USED BY FARMERS IN RELATION TO OWNERSHIP STATUS
AS FOUND IN HOPKINS COUNTY, TEXAS
JUNE, 1956

Source of Credit	Ownership Status				Per Cent of Total Farmers (Owners and Tenants)
	Owners		Tenants		
	Number	Per Cent	Number	Per Cent	
Local Bank	17	.34	1	.02	.36
Production Credit Association	4	.08	-	-	.08
Farmers Home Administration	5	.10	-	-	.10
Federal Land Bank	-	-	-	-	-
Merchants	1	.02	-	-	.02
Dealers	2	.04	2	.04	.08
Farmers	-	-	16	.32	.32
Others	2	.04	-	-	.04
Total	31	.62	19	.38	100

Source of Data - Questionnaire

Table VII, deals with the number and percent of owners and tenants using the available sources of agricultural credit in Hopkins County, Texas as of June, 1956. From this table can be observed that approximately the same percent 34% owners borrow from the local bank as against 32% tenants borrow from local farmers. This comparison seems to indicate that there is a definite relationship between security possessed by the borrower to his source of finance for agricultural purposes.

Farm owners, for the most part, are men with permanent ties to the land, and likewise, to their obligations. They may be classed as proven managers in money matters, and thus a better risk in terms of a loan. Farm owners usually are agressive and the speculative type of persons who like to feel a part of the do-well element of their society, consequently, they prefer borrowing money where the supply is easily and readily accessible to satisfy their economic need. The foregoing statements to a great extent were social reasons why the farm owners tend to deal with local banks in preference to other available sources of agricultural credit. And now, we shall take a look at some business or economic reasons why 34%, as the survey shows, of the farm owners chose the local banks.

We find, that, government sponsored lending agencies have limitations on the assistance farmers may get to finance their farming operations. A sort of check-balance system wherein the government will not drive off the market private lenders' money. Government sponsored lending agencies tend to make an attempt at making loans to farmers who cannot secure the same monetary services at reasonable rates and terms from no other sources. By reason of this policy, farm owners, who usually are possessors of collateral in quantity to be recognized by the higher standard for a loan held by most private lending agencies. This does not imply, however, that tenants are not as good risks as owners, because most owners at one time or another shared the position of the tenant on the agricultural ladder.

Land is the factor of production which is indispensible in the enterprise of farming. Taking into account this fact, many farmers remain tenants for reasons of not being able to buy land at reasonable prices. Often the cost of land as compared to its productivity makes buying unsound considering the long-range price fluctuation of products to be grown on the land. In this county under ground mineral rights generally are withheld in whole or

in unreasonable part, because of the presence of oil wells, which is another contributing factor to farm tenancy. It is felt that it is cheaper in the long run to rent land, than to buy only part of its value.

Lending agencies will hesitate to make farm purchase loans when it is observed that the production and income estimated for the particular farm is not favorable to the farm paying for itself; thus, the tenant farmer is many instances remains and borrows money where ever he can get favorable or unfavorable terms. He must maintain survival!

The local bank as an agricultural lending agency must of necessity secure its loan well because of it's source of money. According to the survey made for this study, 100% of all the loans made by the banks were short-time loans for production purposes. A conversation with the banker did reveal, however, that improvement, live-stock purchases, farm machinery loans are available, but they suggest a plan of monthly repayment. This, too, is logical since all commercial banks lend, for the most part, depositors' money. The interest rate varies with the amount and length of loan -- 6% to 10%. The amount of risk also tends to determine the rate of interest.

Banks require a chattel mortgage on production loans, that is, such property as machinery, livestock and crops. However, there are farmers included in this study whose repayment record is of such that they can get a character loan of substantial size without a pledge of property.

The production Credit Association as a lending agency in Hopkins County, Texas has been used very sparingly by farmers included in the survey for this study. Table VII shows, tha t only 8% of the reporting farmers had secured loans from the P.C.A., and of this number none were tenants. However, as a source of credit for farmers, the following are purposes for which loans are made by the Production Credit Association:

> Farmers and ranchers obtain loans from production credit associations to finance expenses connected with farm production, living expenses and family needs, and to refinance debts. Some of the purposes for which they obtain loans are: Money for feed, seed, fertilizers, spray materials, gasoline, tile, cement, lumber, fencing, and other supplies; money to pay for livestock, poultry, machinery, labor, and professional services; money for rent, taxes, interest, insurance, household equipment and home improvement.
>
> Size of loan varies with needs. The amount a farmer or rancher may borrow depends primarily upon the soundness of his business; his ability to repay the loan out of his average farm income, his financial condition, and his farming experience.[1]

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1 Circular 3, Loans From Production Credit Associations, 1954. Farm Credit Administration, Washington, D. C.

The Farmers Home Administration as a lending agency in Hopkins County, Texas is credited with patronage by 10% of the farm owners as against no tenant operators included in this study.

The Farmers Home Administration is the Federal agency which for a number of years was known as the Farm Security Administration. The following is a list of types of loans made by the F. H. A.:

1. Production and Subsistence Loans
2. Farm Ownership Loans
3. Soil and Water Conservation Loans
4. Emergency Loans
5. Special Livestock Loans. 1

The Farmers Home Administration has standards for selection of efficient family-type farm-management units, which tend to assist the loan officer and the farmer in determining the farmers' eligibility for an F. H. A. family-type loan.

STANDARDS FOR SELECTION OF EFFICIENT FAMILY-TYPE FARM-MANAGEMENT UNITS

Definition: A efficient family-type farm-management unit is a farm which furnishes maximum, productive employment for an average farm family, assuming justifiable use of labor saving equipment on the farm and in the home and

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1 Circular P A 255, Thumb Nail Sketch of The Farmers Home Administration, 1954. United States Department of Agriculture, Farmers Home Administration, Washington, D.C.

operation of the farm on a sustained or increasing yield basis. It is a farm which an average farm family can operate successfully without employing outside labor, except during seasonal peakload periods. Such a farm must have the capacity to yield income on the basis of long-time prices which will maintain an average farm family according to acceptable living standards, pay annual operating expenses, and pay off the loan.

FARMERS HOME ADMINISTRATION
FARM OWNERSHIP PROGRAM - EVALUATING
QUALIFICATIONS OF APPLICANTS - CRITERIA

I GENERAL: In considering the qualifications of applicants to receive direct and insured Farm Ownership loans, no discrimination shall be made on the basis of descent, race, creed, or political affiliation.

II REQUIREMENTS: The following requirements shall govern in considering the qualifications of applicants for direct and insured Farm Ownership loans. In order to be approved for a Farm Ownership loan, each applicant must:

A. Be a citizen of the United States of America.

B. Except for veterans, be engaged presently or have been engaged recently in farming as a means of providing a major portion of the family income.

C. Be a farm tenant, farm laborer, share cropper, veteran, or other individual qualified under paragraph II b, above, in order to be considered for a Tenant Purchase loan.

D. Be a farm owner, contract purchaser of a farm, or other individual qualified under paragraph II B, above, in order to be considered for a Farm Enlargement or a Farm Development loan.

E. Be willing to cooperate with representatives of the Farmers Home Administration in:

1. Instituting and carrying out proper farming conversation practices and sound farm- and home-management plans.

2. Maintaining such records and accounts as required.

F. Possess honesty, integrity, industry, and other qualities evidencing good character.

G. Have shown a proper attitude toward meeting his debt obligations.

H. Have a genuine desire for stability of residence.

I. Be adapted to and interested in operating a family-type farm.

J. Possess the necessary initiative, resourcefulness, and ability to succeed with the operation and management of a family-type farm.

K. Be unable to obtain credit sufficient in amount to finance his actual needs at rates (but not exceeding 5 percent per annum) and terms prevailing in or near his community for loans of similar size and character from responsible sources.

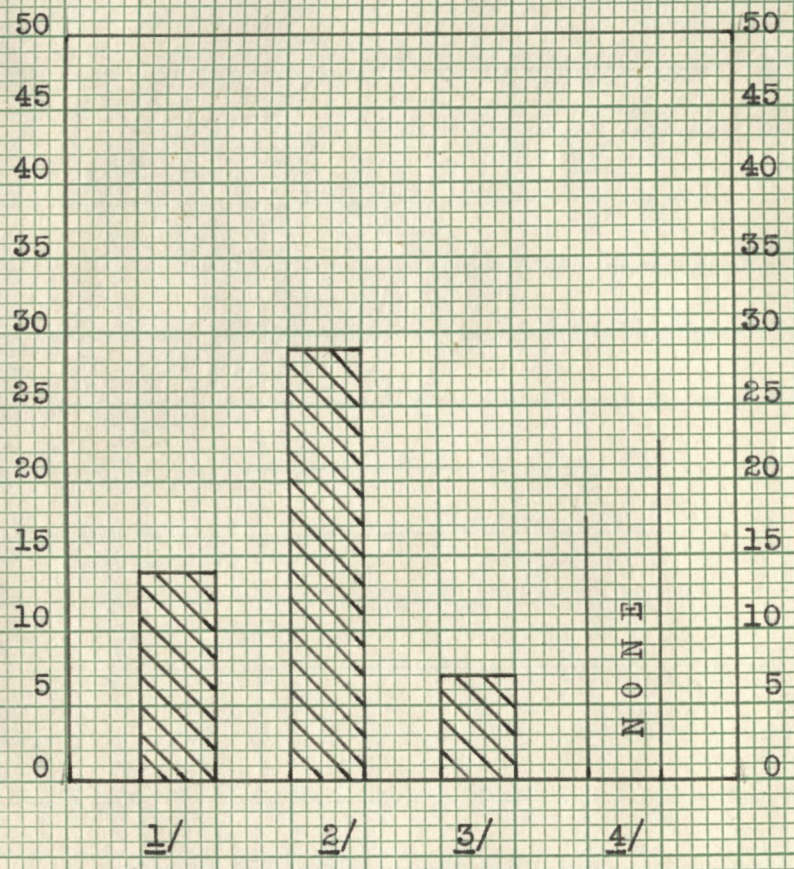
L. Except for disabled veterans, be free from incurable physical disabilities likely to interfere with successful farmin-and home-management operations and with the repayment of the loan.

M. Have no excessive non-real estate debts which, together with the Farm Ownership loan, cannot be repaid from anticipated farm income.

N. Not be under legal disability or minority.

CHART I

TERMS OF CREDIT AS USED BY NUMBER OF NEGRO FARMS IN HOPKINS COUNTY TEXAS, JUNE, 1956



1/, Short Term - 6-9 months

2/, Intermediate Terms - 12 months

3/, 3 - 5 years

4/, Others

Table VIII, terms of credit, seems to indicate that the majority of the farmers included in this study arrange to pay off their loans in 12 months. This, of course, may be attributed to the fact that for the period studied the greater number of loans were of the production type. Since lending agencies follow a policy of making notes payable when return of yield of money invested exists, the logical time limit for production type loans would range from 6-12 months for the farming enterprises of Hopkins County, Texas. The 12% group of farmers using the 3 - 5 years as the term of their loan represents farmers who had made farm building construction, and farm machinery purchase loans. The wise choice of terms for a loan is to arrange the repayment schedule according to the amount borrowed. That is, if the amount borrowed is more than the cash you can realize out of the invested money within a period of 1 - 2 years or longer, then the loan should be amortized accordingly.

Contact No. _____

Name_____

QUESTIONNAIRE

Use Of Agricultural Credit Facilities By Hopkins County Negro Farmers.

Number in family___Farm Owner - Yes___No___Tenant - Yes___ No___. Years on the farm___Years on this farm___. Type of farming_____. Size of farm____acres; Leased acres ___; Length of Lease____yrs. Number of acres in cultivation ___Pasture____Woodland____Idle_____. What is usually planted on leased land?_____. Rental terms_____. Do you keep farm business records? - Yes____No___Partially___. Do you borrow from several sources for farm finance? Yes___No___. What usually do you use as a guide to determine how much money you will need to borrow for farm operation?_____

_____

What usually determines whether you select one lending agency over another?_____

Do you have extra security for making a loan to improve the farming operation after the initial loan is made? Yes__No___

In your years of experience what outstanding things have you learned about borrowing for farming operation?_____

_____

_____

What advice would you give a young farmer about the use of Agricultural Credit?_____

_____

Educational Level

Farmer -- Elementary____High School_____College _____.

Farmers' Wife -- Elementary ___High School___College___.

Oldest Child at home --Elementary__High School__College___.

Adult Education --Night School __Short Course___Evening School___Other_____.

Do you review magazines, books, bulletins, and other reading materials on farm operation and methods? Yes____No____.

Source of Credit :

Agency: Individual

Local Bank	Prod. Credit Ass'n	Farmers Home Adm	Federal Land Bank	Others	Merchants	Dealers	Farmers	Others	Purpose of loan	Amt. of Loan	Rate of Int	Amt. and/or value of Security	Time for Repayment: Days 30	Days 90	Mos. 6	Mos. 12	Years 3	Years 5	Years 10	Years 40	Was Note Renewed: Yes	Was Note Renewed: No	Year
																							1955
																							1954
																							1953
																							1952
																							1951
																							1950
																							1949
																							1948
																							1947
																							1946
												Average:											

Remarks: _____

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Farming is a complex business. Good management of the financial organization is essential to success. Successful management of the farm is reflected not only in the lives of the farm people but in the general well-being of all the people.

This study has dealt with the use of agricultural credit facilities by Hopkins County, Texas, Negro Farmers, and the economical combination of factors of production which they have employed in their farming operations for the period studied.

It was found in the first place, that 62% of the farmers surveyed were farm owners. This, of course, is a healthy sign as farm ownership is an attribute to (1) community stability, and (2) better institutional life of a community, both of which could be component elements in remedial measures through which the farmer's standard of living might be elevated.

Secondly, this study revealed that there were 58% Grade "A" and "B" dairymen as against 47% general and truck crop farmers.

Considering the economic advantage of a year-round income it was encouraging to note dairying holding an appreciable edge over other types of farming in Hopkins County.

Thirdly, it was pointed out that the average land holdings for the farmers surveyed were too small to be economically productive. The county average is 130.3 acres per farm, while a majority of the farmers included in this study had farms ranging from 40-80 acres.

Fourthly, the survey shows that 62% of the loans made by Hopkins county farmers range from $200.00 to $800.00 per year as a ten year average, which suggests that either the farmers have personal capital or are failing to use wisely, finance in proper proportion to realize the greatest productivity from their land.

Fifthly, only 38% of all the farmers surveyed evidenced positive methods of record keeping for their particular farm. The logical deduction, then, would be that the other 62%, some owners and some tenants could not reasonably know whether their efforts are gaining or losing.

Sixthly, the educational level of the farmers would seem to indicate why they do not keep farm business records, or have a written family-type farm plan; 82% of the farmers surveyed had only elementary school level of education,

while 62% of the farmers wives were on the same level of education.

Seventhly, it was revealed that 54% of the farmers in Hopkins County, Texas, use Federally sponsored or local banks for agriculture credit, while 46% used farmers, merchants, dealers and others. This is not a good indication that there is any planning to meet the standards of more considerate and better organized sources of credit.

Eighthly, this study showed 54% of the farmers by reason of their scope of operation paid their loans off in 12 months. Considering the purposes for borrowing, this may or may not be a good indicator of the wise use of credit, because, usually the lending agency will set up a repayment schedule to meet the time of the farmer's income.

In conclusion the writer wishes to express confidence that the following areas of education are needed by Hopkins County, Texas farmers: (1) Methods of Record Keeping; (2) Counseling and guidance in the wisdom of a family-type farm plan; (3) Merits of the wise selection of sources of farm credit.

It is recommended that the farmers included in this study should (1) be prompt in their business obligations,

(2) seek professional advice as to the best plan for their farm unit, (3) have a live-at-home program, and (4) be slow about going in debt.

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