

THE PRODUCTION CREDIT ASSOCIATION OF SULPHUR SPRINGS:
BASIS FOR DEVELOPMENT AND SCOPE OF ITS SERVICES

A THESIS

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THE PRODUCTION CREDIT ASSOCIATION OF SULPHUR SPRINGS:

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TABLE OF CONTENTS

<u>Chapter</u>	<u>Page</u>
I. THE PROBLEM AND METHODS OF STUDY USED	1
The Purpose	1
Methods of Study	1
II. BACKGROUND AND HISTORY OF THE PRODUCTION CREDIT SYSTEM	3
Reasons for Organizing Production Credit Associations	3
Why Farmers Needed Special Loans	4
Early Background	5
III. GROWTH AND PRESENT POSITION OF THE PRODUCTION CREDIT ASSOCIATION	13
Founding of the Production Credit Association	13
Loan Volume Expansion	15
Proportion of Farmers Served	15
Present Position	16
IV. THE PRODUCTION CREDIT ASSOCIATION OF DISTRICT 27	17
Description of Counties	17
Founding of District 27	21
V. OPERATION OF PRODUCTION CREDIT ASSOCIATIONS	23
Loans to Fit the Needs of Farmers	23
Application Procedure	24
VI. ACTUAL CASE STUDIES FROM DISTRICT 27	31
Purpose	31
Case Studies	31
VII. SUMMARY AND CONCLUSIONS	44
Summary	44
Conclusions	46
BIBLIOGRAPHY	47

LIST OF TABLES

<u>Table</u>	<u>Page</u>
I. The Amount of Farm Products Required to Pay \$1,000 of Debt for Various Years	8
II. Operations of the Sulphur Springs Production Credit Association from 1936-1949.	30

LIST OF FIGURES

<u>Figure</u>		<u>Page</u>
1.	Map Showing the Production Credit Associations in Texas	14
2.	Loan Application Form	25
3.	Loan Analysis Form	26

CHAPTER I

THE PROBLEM AND METHODS OF STUDY USED

The Purpose

It is the purpose of this study to present a digest of the development of the Production Credit Association of Sulphur Springs in aiding the farmers of Lamer, Delta, Hunt, Franklin, Hopkins, and Titus counties.

As an example of the method of operation of a Production Credit Association, District 27, in Northeast Texas, which includes Lamer, Delta, Hunt, Franklin, Hopkins, and Titus counties, with the main offices in Sulphur Springs has been selected.

To clarify the present position of the Production Credit Association in Sulphur Springs, it is necessary to give a history of the founding of the national system of PCA's. Therefore, this study will also include the background and the present position of the Production Credit System.

Methods of Study

A detailed Explanation will be given on methods that are used in granting a loan and the procedures that are required of the farmer in obtaining a loan in District 27.

The aid that the Production Credit Association has given the farmers of District 27 will be illustrated by the use of actual case studies which were obtained by personal interview.

CHAPTER II

BACKGROUND AND HISTORY OF THE PRODUCTION CREDIT SYSTEM

Reasons for Organizing PCA's

In order to get a good understanding of the reasons for organizing production credit associations in 1933 and 1934, it is necessary to go back 75 or 80 years and review the changes in agriculture since then and the way these changes increased the need for and the use of credit by farmers and stockmen. In those days agricultural units were almost self-sustaining-- they raised or made most of the things that it took to keep them going including food, clothes, shelter, equipment, and work-stock. They did not have much cash income, but likewise they did not have much cash expense.

Land was very cheap, in fact, much of it could be had by just settling on it. There were only small payments to be made on land loans and there were little or no taxes. The land was new, rich, very productive, and needed very little fertilizer, which today is very expensive to buy and use.

Farmers raised their horses and mules and the feed for them. Contrast this with present-day purchases of tractors and the gasoline and repairs required to keep them in condition. Horses and mules were used for transportation in those days instead of automobiles, trucks, and tractors.

Gradually through the years, however, agriculture became more specialized and more of a commercial business, with the farmers growing more and more products to sell. Also as the frontier advanced, agriculture expanded along with it. Free land became scarce and now has almost disappeared. Some of the land began to "wear out" and began to need fertilizing. Farming became more mechanized. All of these changes caused a tremendous increase in the amount of both long-term and short-term credit used by farmers and stockmen.

Why Farmers Needed Special Loans

It was apparent that agriculture had special characteristics which made it different and distinct from any other industry and which called for a different type of credit. Some of the principal differences between agriculture and commercial industries are: It takes considerable time to grow corn, cotton, and potatoes, or to grow calves, colts, or pigs for marketing. Not much, if anything, can be done by man to speed up these processes of nature. Also, nature, through lack of rain, freezes, cyclones, and insect infestation, often delays or destroys the plans a man has made to raise or grow these products.

Contrast this with the manufacture of shoes or automobiles. This production can be started or stopped on a short notice, or can be speeded up or slowed down at the wish of the management. The production, both as to quantity and quality, is easily controlled. Also, the turnover is faster. The whole process of manufacturing, distributing, and retailing of these products may be accomplished while a farmer sits and waits for it to rain enough for him to plant a crop.

It became obvious that agricultural people needed a lender who could loan money for a longer period of time than the lender to commercial industries. It was also plain that the agricultural lender needed to be in position to wait for loans to be repaid by the farmer or rancher whose production had been delayed or destroyed by the weather or insects.

Early Background

The increase in the use of credit for buying and owning land and for production purposes, together with the nature of the agricultural business as previously outlined, led many people to believe and insist that agriculture needed a special credit system--a different credit system than that serving other industries.

This belief grew to the extent that in 1912 the United States Congress appointed a special commission to go to Europe and study the then-existing agricultural credit systems which had been operating successfully there for many years. This commission found in Europe a cooperative credit system designed and devoted exclusively to making loans to farmers and stockmen. The commission came back and strongly recommended that such a system be established in this country.

The findings and recommendations of this commission led directly to the establishment of the Federal Land Bank System in 1917, and these banks have been operated successfully since that time and have been of immense and inestimable assistance to agricultural people in their land mortgage financing. For the first time farmers and ranchers were offered loans for a long enough term that the profits from operations could pay the loans over a period of years--and these loans were offered on a cost-plus basis at a low enough interest rate that agricultural people could pay it. All of the initial capital of these land banks was furnished by the United States Government but the cooperative feature of the System required borrowers to purchase capital stock in proportion to the size of their loans, and this together with the accumulation of earnings from the banks into surplus reserves was intended

to gradually permit the retirement and return of the government capital to the Treasury.

From 1917 until the depression of 1920-1921, it seemed that agriculture was fairly profitable. At about that time, however, cotton dropped in price from about 40¢ per pound to around 5¢ per pound--and wheat, hogs, and steers dropped in proportion. On page 8, Table I shows the amount of different farm products required to pay back a loan of \$1000 for various years. Many farmers and stockmen were insolvent in 1920-1921 partly because of the lack of a credit system that had plenty of money to loan for production purposes and which not only had the ability to wait for loans to be repaid but could have forestalled the many forced sales that were made at huge sacrifices and at big losses to both the borrower and the lender.

These conditions led to another Congressional committee called the "Joint Commission of Agricultural Inquiry."¹ Commercial banks were hard hit by the decline in prices in 1920-1921 and many of them were not in position to make new loans to farmers or others, and were forced to collect many of the loans

¹ Production Credit Associations in Texas, Prepared by The Production Credit Corporation of Houston, January, 1950.

TABLE I

THE AMOUNT OF FARM PRODUCTS REQUIRED TO PAY \$1,000 OF DEBT FOR VARIOUS YEARS

Years	200-lb. Hogs	1000-lb. Cattle	90-lb. Lambs	100-lbs. Milk	Cases Eggs	Bushels Wheat	Bushels Corn	Pounds Tobacco	Bales Cotton
1919	38	11	86	304	81	463	661	3,206	6
1922	69	19	108	474	134	1,036	1,343	4,386	9
1932	151	24	250	782	235	2,618	3,135	9,524	31
1939	81	15	145	596	192	1,448	1,761	6,494	23
1945	36	8	85	312	88	671	909	2,451	9
1948	21	4	49	206	69	465	532	2,381	6
1949	25	5	51	217	71	495	800	2,331	7

they had out at that time. As a result of the findings of this committee, Congress, in an attempt to provide a permanent and dependable source of short-term credit, authorized the establishment of the Intermediate Credit Bank System--and provided for the creation of 12 of these banks, one in each city where a Federal Land Bank was located. These banks were to be owned by the United States Government and the entire capital was and still is owned by the government.

The purpose of these banks was not to make loans directly to farmers and ranchers but to be wholesalers of credit--to go into the money markets of the entire country and, regardless of the times being good or bad, to obtain sufficient funds to create a reservoir with which to purchase agricultural loans made in the first instance by commercial banks, agricultural credit corporations, livestock loan companies, and other agencies. These banks, while owned by the government, were not to lend government money but to borrow their loan funds from the general public on a strictly business basis and without any guarantee by the government. The credit banks were successful in doing this--in fact, even in those black and dreary days of 1930-1934, these banks had plenty of money--millions of dollars--for the purpose, but unfortunately they were able to reach and assist only a very small per cent of the farmers and stockmen.

The chief difficulty in the intermediate credit setup was centered in the local credit agency. Intermediate credit banks were willing and able to lend, but local capital was not available to start the private agricultural credit corporations. With banks failing right and left, few individuals wanted to risk investing in a new agency to make loans to farmers at a time when farm prices were at an extremely low level. The banks still open had no desire to put any spare cash in farm loans or even to run the risk of borrowing funds to lend to farmers. Every dollar borrowed from an intermediate credit bank required a pledge of capital in the form of government bonds to guarantee the payment of the loan. Local banks had found this practice oftentimes embarrassing and unprofitable, although it was entirely justified from the viewpoint of the intermediate banks.

As a result of all of this, during the worst depression the United States has ever known, countless thousands of farmers and ranchers suffered and lost much more than would have been necessary if they could have had the right kind of an adequate, dependable and adaptable short-term credit system.

So again, after months of study and debate, Congress acted in an attempt to add to and perfect this agricultural credit system which already included the Federal Land Banks and the Federal Intermediate Credit Banks. A review of Congressional

hearings and debates of early 1933 indicated the feeling that while there was a good and successful source of wholesale credit available to farmers and ranchers for the production of all kinds of crops and livestock, there was a dire need for some method of pipelining this credit out into the country where it could and would reach all of the agricultural people.

The new Production Credit system was set up on a permanent basis. It was never the intention of Congress or of the Farm Credit Administration that the associations were to be regarded as emergency institutions whose operations would be terminated or restricted with the passing of the agricultural emergency during which time they were born. The system was to be dissociated from and independent of the regular commercial banks of the country. It was not set up as a supplemental credit system, but as another credit system designed to serve the peculiar and continuing production credit needs of agriculture. It was the purpose of the Production Credit system to make short-term credit available to farmers throughout the entire country:

- a. on a permanent basis
- b. from money derived from private investors
- c. in a form adapted to the peculiar needs of agriculture
- d. at the lowest cost consistent with sound business principles
- e. on notes signed by individual farmers and endorsed by local farmers' co-operative credit associations which were designed ultimately to be completely farmer-owned and farmer-controlled.

The Production Credit system logically falls into three parts as follows:

1. The Production Credit Division of the national Farm Credit Administration
2. The Twelve Production Credit Corporations, one in each FCA district
3. The more than 500 Production Credit Associations serving farmer-borrowers throughout the country.²

² Earl L. Butz, The Production Credit System for Farmers pp. 4-5, (Washington, D. C., 1944).

CHAPTER III

GROWTH AND PRESENT POSITION OF THE PCA

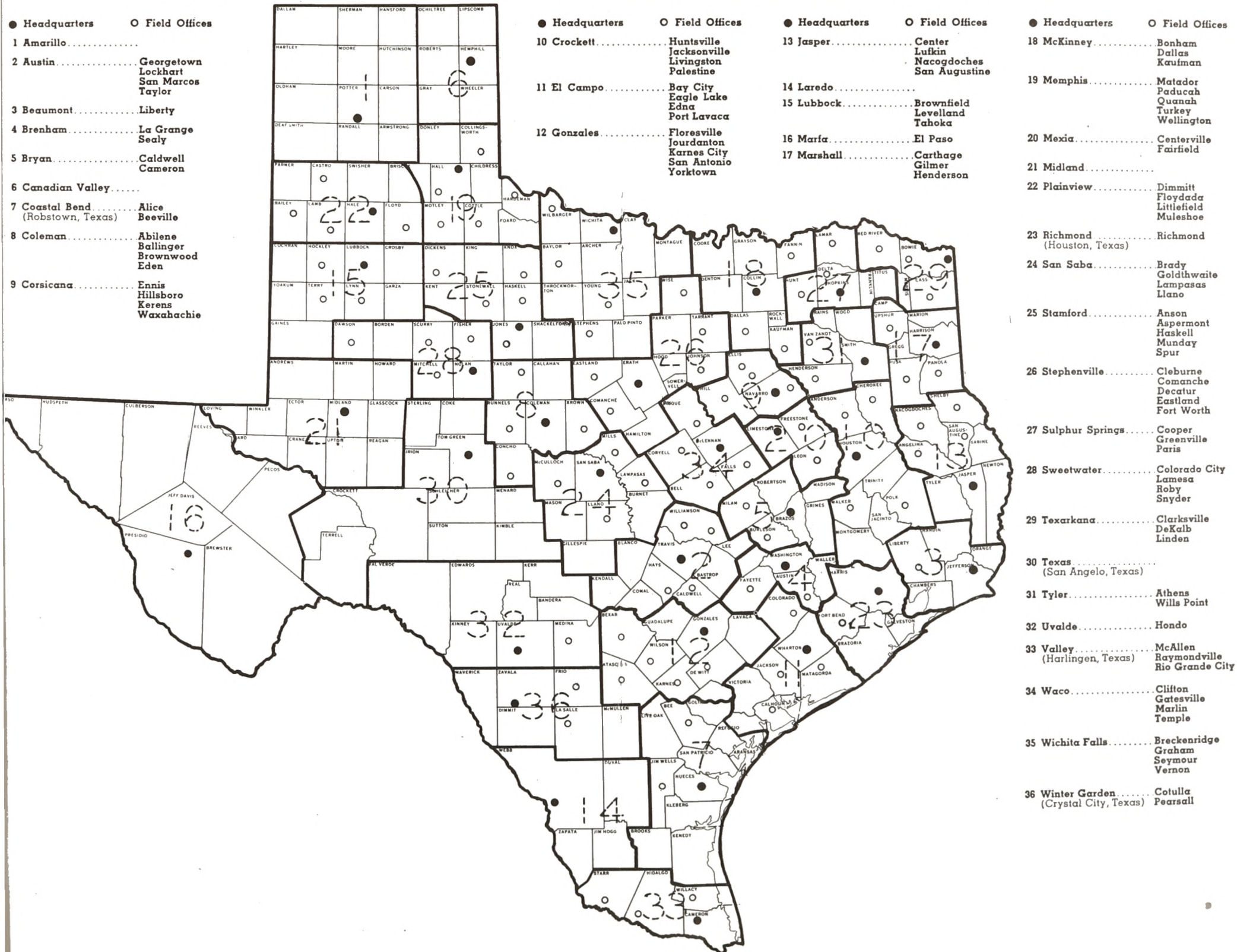
Founding of the PCA's

The first production credit association was chartered at Champaign, Illinois, on September 19, 1933. Between that date and December 31, 1934, a total of 674 associations were chartered, covering every agricultural county in the United States. However, it had become evident by mid-1934 that some associations would not have a volume of business sufficient to warrant their continuation as originally organized. As a result of reorganizations and consolidations, 77 association charters were cancelled during 1934, leaving 597 associations in operation at the end of that year.³ This number was further reduced to 503 by the end of 1949.

Texas, with 36 associations, has the greatest number of any state, followed by Georgia with 33. Eight states have 20 or more associations each. The 36 districts of the Production Credit Association in Texas are shown in Figure 1, on page 14. The number of associations per Farm Credit Administration district ranges from 26 in the New Orleans District to 93 in the Columbia District.

³ Butz, The Production Credit System for Farmers, p. 11.

PRODUCTION CREDIT ASSOCIATIONS IN TEXAS



Management of Production Credit Associations

Each production credit association is operated under the direction of a board of directors elected by the membership. Each director is elected for a term of three years, and the terms of the different directors are staggered so that the majority will always be men of some experience. All boards in Texas have five members, two elected one year, two the next, and one the third year.

Recognizing the difficulty of voting intelligently on members nominated for directorships from a big area covering from three to twelve counties, the members of the associations in Texas follow the practice of electing a nominating committee a full year in advance of each election. This committee reports back at the next annual stockholders' meeting. Usually it nominates more men than there are places to fill, and always the stockholders are given an opportunity to make additional nominations from the floor. There have been several cases in which this was done and the man so nominated was elected.

Most of the boards meet regularly once a month, and it is their job to set general policies and see that they are carried out. They employ a secretary-treasurer to manage the association, and they elect two of their own number to serve with the secretary-treasurer as an executive committee. This committee passes on all loans and it is responsible to the board for the protection of the stockholders

against undue loan losses. On the average through the year, this committee meets about once a week and frequently in the busy loan season it takes all day to consider and pass on loans.

The secretary-treasurer is responsible for the performance of the other employes—ranging from two to about twenty in the associations in Texas. His job includes the supervision of field offices which range in number from none in a few of the sparsely settled ranching sections to four or five in the more thickly settled farming territories. The position of manager requires an unusual combination of talents. He must be a good credit man, must be a good public relations man in dealing with hundreds of borrowers who are the owners of the association, and must be good at handling employes.

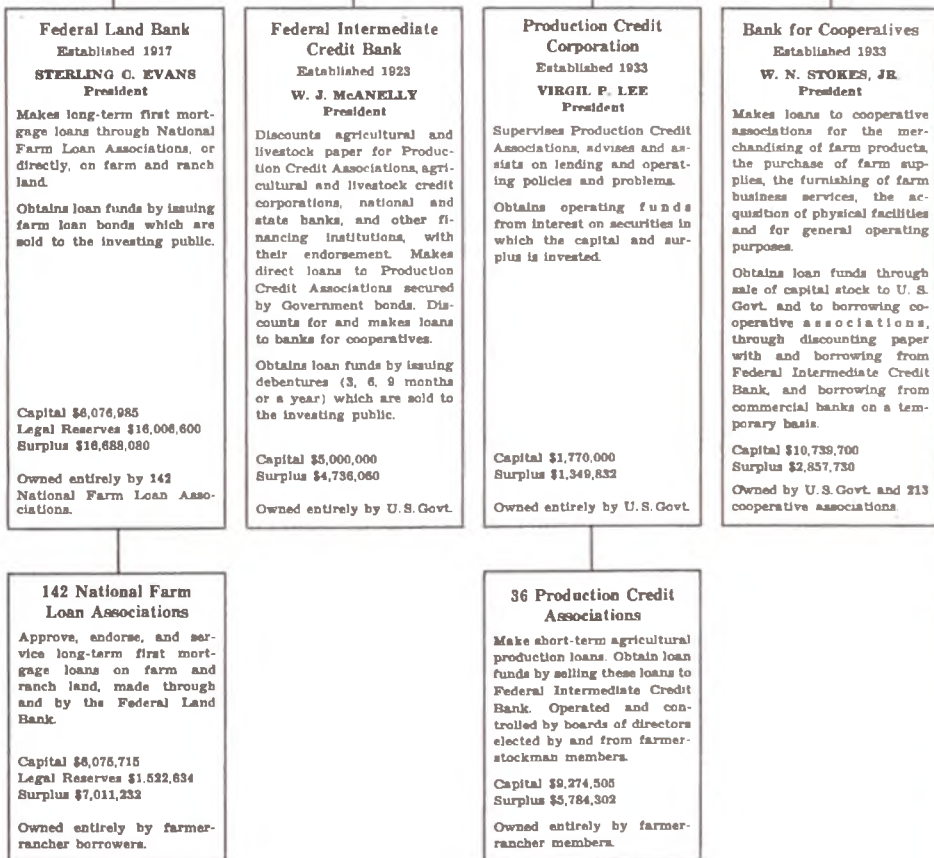
There is some confusion on the part of the public as to who actually runs the associations. It seems to be assumed by some that the really important decisions are made by the Production Credit Corporation or the Federal Intermediate Credit Bank, or at least by somebody in Houston where these two institutions are located. The facts are that the associations are merely under the general supervision of the Production Credit Corporation of Houston and their notes are discounted with the Federal Intermediate Credit Bank of Houston. Neither the corporation nor the bank makes the loans. If an association should send in a loan which

CHART OF 10th FARM CREDIT DISTRICT COVERING THE STATE OF TEXAS JANUARY 1, 1950

FARM CREDIT BOARD OF HOUSTON

B. L. SANDERS, Chairman	Elected by National Farm Loan Associations
CHAS. C. THOMPSON, Vice Chairman	Appointed by Governor of Farm Credit Administration from the 3 nominees receiving highest votes by National Farm Loan Associations
WALTER W. CARDWELL	Appointed by Governor of Farm Credit Administration
E. J. KYLE	Appointed by Governor of Farm Credit Administration
C. C. WIMBERLY	Appointed by Governor of Farm Credit Administration
D. B. DENNEY	Elected by cooperatives owning stock in the Bank for Cooperatives
J. B. PUMPHREY	Elected by Production Credit Associations

DIRECTS AND SUPERVISES OPERATIONS OF



Loan Volume Expansion

The volume of loans made by production credit associations increased each year--from 107 million dollars in 1934 to 501 million dollars in 1943. The number of loans closed in any one year reached its peak of nearly 246,000 in 1937, and has averaged around 230,000 since 1940. The rather steady and significant increase in the total volume of loans closed appears to have resulted from an expanded use of production credit by individual borrowers rather than from a material expansion in the number of farmer-borrowers served by the associations at any given time.

Proportion of Farmers Served

The membership in the production credit associations totaled 390,748 in 1946. Although this membership is not quite 7 per cent of the 6 million farmers in the United States, it is a far more impressive figure than that achieved by the intermediate credit banks. Production credit associations do not serve a sufficiently large segment of American agriculture to constitute really serious competition with any other agency or group of agencies making loans of a similar character. If each of the 230,735 loans closed in 1943 were assumed to have been made to a separate individual, then the

production credit associations served only 3.9 per cent of all United States farmers in 1943, or 5.2 per cent of all United States farms of 30 acres or more in size. If it is assumed that only one-half of all farmers use short-term credit, then it follows that production credit associations in 1943 made loans to only 7.5 per cent of all United States farmers who used short-term credit, or roughly to one borrower in 13.

Present Position

In the Production Credit Association System all over the United States on December 31, 1949, \$73,765,000 of the original appropriation of \$120,000,000 had been returned to the U. S. Treasury. There is \$46,235,000 left in the System, \$22,296,100 in the 467 production credit associations in the other 11 Farm Credit Districts, not including Texas. The Texas associations have become 100% owned by farmers and ranchers. The remaining \$23,938,900 is in the 12 production credit corporations.

CHAPTER IV

THE PRODUCTION CREDIT ASSOCIATION OF DISTRICT 27

Description of Counties

The Sulphur Springs Production Credit Association District consists of six counties. In order to understand the types of loans made in this area, a general description of each county will be given.

Lamar is a leading farm county, the economy of which is based upon an income from livestock raising, trade, and industry. The southern central and southwestern parts of the county consist of rolling Blackland Prairies. The southeast corner and the northern third of the county are in the Post Oak Belt. The altitude is 550 feet. The annual rainfall is 40.30 inches. Soils range from red chocolate loam in the Red River Valley to rich black loam in the southern portion.

Cash from crops averages \$14,000,000 annually. With a growing season of 241 days, the principal money crops are cotton, hay, corn, cucumbers, peanuts, pecans, tomatoes, sweet potatoes and hubam clover seed. Dairy products average \$1,500,000 annually. Beef cattle, hogs, and poultry are raised for shipment, local slaughtering, and packing houses.

The total cropland acreage is 182,385. The total number of farms is 3,263, with the average farm consisting of 123.4 acres.⁴

Delta is one of Texas' smaller counties. The land is level to rolling Blackland Prairies, with interspersed sandy clay soil. The altitude is 450 feet. The annual rainfall is 40 inches. The principal crops are cotton, corn, hay, grain sorghum, and truck crops. Dairy, poultry, and beef cattle are produced on a small scale. The total cropland is 82,492 acres. The total number of farms is 1,543, with the average farm consisting of 92.4 acres.⁵

Hunt county is one of Texas' leading crop producing counties. The land consists of level to rolling terrain with the west and northwest parts being in the Blacklands. The eastern part of the county lies in the Post Oak Belt. The average altitude is from 500 to 700 feet, with an annual rainfall of 40.19 inches.

Cotton is the leading crop produced. The other crops are corn, grain sorghums, hubam clover, onions, wheat, oats, and other small grain. Peaches, pears, plums, and berries

⁴ Texas Almanac, Dallas Morning News, 1949-50, p. 555.

⁵ Ibid., p. 518.

are also produced for market. There has been an increase of dairying in recent years with many Grade A barns being constructed. Total cropland is 259,367 acres. The total number of farms is 4,902, with an average size of 103.5⁶ acres.

Franklin county is largely devoted to agriculture but with considerable recent income from oil. The topography is rolling to hilly, with the south and southeast parts of the county being in the Piney Woods area. The north and northwest parts lie in the Post Oak Belt. The altitude is 450 feet with an annual rainfall of 47.12 inches. The soils in the north and west are composed of gray sandy loams and gumbo, while in the south and east, they are composed of deep sand and red clay.

The principal crops are sweet potatoes, peanuts, cotton, corn, hay, and grain sorghums. Dairying is the main industry. Poultry, beef cattle, and hogs are also produced.

The total cropland is 21,982 acres. There are 1,142 farms with an average of 103.4 acres per farm.⁷

Hopkins is an outstanding dairy county. Annually, 8,000,000 gallons of milk is produced from 15,500 cows. The northwestern part of the county lies in the Blackland Prairies, and the eastern part lies in the Post Oak Belt.

⁶ Texas Almanac, p. 542.

⁷ Ibid., p. 527.

The average altitude is 530 feet with an annual rainfall of 39.62 inches. The soil types range from black waxy, sandy loam, black loam to sandy.

The principal crops are cotton, corn, peanuts, grain sorghums, sweet potatoes, watermelons, tomatoes, peaches, beans, and peppers.

The total cropland acreage is 114,907. There are 4,150 farms with an average size of 108 acres.⁸

Titus is a highly diversified agricultural county. The upland soils are grey sandy and sandy loam, while the valleys vary from deep rich sandy to alluvial. The altitude is from 300 to 450 feet, with an average rainfall of 43.87 inches.

Soils and adequate rainfall have produced remarkable diversity of crops. The principal crops are cotton, peanuts, sweet potatoes, corn, with market movement of watermelons, Irish potatoes, black-eyed peas, beans, and tomatoes. There has been noteworthy development in livestock in recent years. In 1948 about \$800,000 was received from sales of beef cattle, \$525,000 from milk, \$225,000 from hogs, and \$58,000 from poultry.

Total cropland is 38,308 acres. The total number of farms is 2,308, with an average of 74.5 acres per farm.⁹

⁸ Texas Almanac, p. 592.

⁹ Ibid., p. 592.

Founding of District 27

The Cooper Production Credit Association and the Mt. Pleasant Production Credit Association were organized in December 1934 and ran separately until 1936. At that time, they were consolidated under the charter of the Mt. Pleasant Association. In 1937, the association was moved to Sulphur Springs, with field representatives in Paris, Cooper, and Greenville. The office is open in Mt. Pleasant only from February to May for one day each week.

The Mt. Pleasant P. C. A. was organized originally with nine farmers subscribing \$5.00 each or \$45.00, and the Production Credit Corporation at Houston provided \$100,000 for Class A Stock.

Provision was made for the farmers and ranchers to acquire full ownership of the association and along with it, the responsibility for its success. This plan was adopted on the age-old theory that people tend to take care of what belongs to them and the idea that only local farmers and ranchers have the intimate knowledge of the people and their operations that are necessary in making loans which are both safe to the lender and profitable to the borrower. The corporation capital increased from time to time to a total of \$260,000 and then began to decrease. By 1949, it was decreased to \$5,000 and at the

end of 1949 the association paid off this last \$5,000 and became member owned along with the other thirty-six associations in Texas. At the present time, the Sulphur Springs Association is financing its own operations, and is subject to Federal Income and other taxes, as is any other business.

CHAPTER V

OPERATION OF PRODUCTION CREDIT ASSOCIATIONS

Loans to Fit the Needs of Farmers

The production credit associations make loans for anything a farmer or ranchman needs in the operation of his farm or ranch business, except long-term loans on his land. Eligible purposes include all operating expenses such as feed; taxes; insurance; lease rentals; labor; tractor fuel; family expense, which would include living, travel expense, and schooling for his children; capital and semi-capital items that would fall in the short-term category, such as the purchase of cattle; sheep; or other livestock needed in his operation; farm machinery; farm or ranch improvements; building tanks; contouring or terracing his land; carrying out of soil building practices; purchase of automobiles; dairy equipment; home furnishings; appliances; and others.

The Production Credit Association wants to handle all credit business of the farmer so as to keep his loans consolidated. Many members have found that they can reduce their operating costs by using the loans of the association to pay cash for what they buy. They have found that rarely is there a time when cash will not save them money. They know that

open accounts or credit purchases usually cost them anywhere from 10 to 40 percent interest in the form of higher prices. Members borrow from the association at low rates of interest and use the cash to save money on their everyday purchases.

Application Procedure

With the assistance of an association employee, the farmer completes a loan application form showing his complete plans for the year, what credit he will need and the purposes it will be used for, when it will be needed during the year, how much he expects to produce and what he expects to get for it, what he owns and what he owes, and other information needed in analyzing the proposition from the standpoint of soundness. The loan application form is shown on page 25 and on page 26 an analysis form for the loan is given.

An association employee who is experienced in farming or ranching visits the applicant's farm or ranch and makes a report of how the operation looks on the ground and the kind of job the applicant is doing in handling it. He makes a check on the kind of man he is and how good a farmer or rancher. With the information in this report and the information in the loan application, an analysis of the proposed loan is made based on such qualifications as:

LOAN APPLICATION

Application No. _____

PRODUCTION CREDIT ASSOCIATION

The undersigned hereby makes application for a loan of \$_____ to mature _____ and submits the following information upon which the Association or any other holder of his note may rely:

(a) Name _____ Age _____ Name of Wife _____ Age _____
Any children of either parent own (or claim) a property interest? _____ Ages of Children at home _____

(b) Name _____ Age _____ Name of Wife _____ Age _____
Any children of either parent own (or claim) a property interest? _____ Ages of Children at home _____

Postoffice _____ County _____ State _____

I have been farming _____ years; in the livestock business _____ years; at my present location _____ years.

The purposes of the loan are as follows: _____

to be disbursed \$_____ on approval, and the remainder as outlined in the budget of income and outlay on page 3.

CURRENT FARMING PROGRAM AND PREVIOUS RECORD

Current Farming Program	Land Owned or Rented	Share in Crop	Past Three Years Crop Production Record of Land to be Farmed					
			Acres	19	Yield	Acres	19	Yield
Acres								
Acres								
Acres								
Acres								
Acres								
Acres								
Acres								
Acres								
Acres AAA Program				\$			\$	

Do you have an interest, other than noted in application, in any other crops to be produced this year? _____
If so, explain _____

SHARECROPPERS AND TENANTS

	Acres in Cotton	Acres in Other Crops (Specify Kind)	Total Advances You Will Make to Them From This Loan	Int. Rate	Your Security
Number of Sharecroppers			\$		
Number of Tenants			\$		

SOURCE OF AGRICULTURAL CREDIT PAST THREE YEARS

Year	From Whom Borrowed	Amt. Borrowed	Amt. Paid	Balance	Security	Sources of Liquidation

Amount of liability incurred by endorsement or guaranty to accommodate others \$_____ ; Amount of liability on bonds \$_____ ;
Amount of insurance carried on improvements \$_____ ; and on my life \$_____ in favor of _____ ;
on dependents \$_____ . Suits pending against me are as follows: (State nature of suit and amount involved) _____
Unsatisfied judgments against me are as follows: (State amounts and dates of judgments) _____

My record in bankruptcy is: _____
STATEMENT OF FEED, SEED, AND FARM PRODUCTS ON HAND (VALUED IN FINANCIAL STATEMENT)

Type	Quantity	Value	Type	Quantity	Value
		\$			\$

OTHER PARTNERSHIPS: Name of Partnership _____ Nature of Business _____
Description of Partnership Property _____ Value _____ Partnership Debts _____ Net Worth of Partnership \$ _____
_____ \$ _____ \$ _____ My Share \$ _____

LAND LEASED OR RENTED FROM OTHERS

Name and Address of Lessor	LOCATION				ACREAGE		Date Lease Expires	Date to Which Lease is Paid	Annual Rental
	County	Mi.	Dir.	From	Total	Cult.			

TOTAL \$_____

ANALYSIS

PRODUCTION CREDIT ASSOCIATION

APPLICATION OF

ADDRESS

COUNTY

REPAYMENT ESTIMATE THIS LOAN				FICB
Source	Share	Number	Amount	
Cotton			\$	\$
Cotton				
Wheat				
Wheat				
Oats				
Corn				
Wool				
Mohair				
Calves				
Lambs				
Kids				
Hogs				
AAA Payments				
Other Livestock:				

INSPECTOR'S VALUE OF COLLATERAL			
Chattels	Claim	Count	Value
Cattle			\$
Sheep			
Goats			
Horses & Mules			
Hogs			

TOTAL VALUE \$_____

OTHER COLLATERAL:

§ _____

TOTAL VALUE ALL COLLATERAL: \$ _____

FINANCIAL STATEMENTS

	Current	Past 3 years (corrected)		
		19____	19____	19____
A	\$ _____	\$ _____	\$ _____	\$ _____
L	\$ _____	\$ _____	\$ _____	\$ _____
W	\$ _____	\$ _____	\$ _____	\$ _____
W	\$ _____	\$ _____	\$ _____	\$ _____

Estimated annual income of this operation at normal prices for products: \$_____

Estimated current annual expenses (including depreciation: \$) \$

LOAN APPROVAL REQUIREMENTS

SUPPLEMENTARY REMARKS

ACTION OF LOAN COMMITTEE:

We approve loan as follows:

\$_____ for immediate disbursement

\$_____ for_____

\$_____ for _____ Mos. Budget

\$ _____ Total

Loan to Mature_____

Date of Committee Action_____

Date First Check Issued _____

Loan Type_____

Certification of Secretary-Treasurer:

I hereby certify that an exact signed original copy of this application and action of loan committee is held in this Association's files.

Secretary-Treasurer

EXPECTED INCOME

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
FROM SALE OF:													\$
Cotton (No. Ba._____)													
Wheat (No. Bu._____)													
Calves (No._____)													
Lambs (No._____)													
Kids (No._____)													
Wool (Lbs._____)													
Mohair (Lbs._____)													
AAA Payments													
Dairy & Poultry Income													
Sub-Total Production Income													\$
Cattle: No. _____ Kind _____													
No. _____ Kind _____													
Sheep (No._____)													
Goats (No._____)													
Salary or Wage Income													
Other Income													
Total Cash Income Expected													\$
Income to be Paid on Loan													\$

EXPECTED OUTLAY

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
GENERAL:													\$
Taxes, Livestock													
Taxes, Real Property													
Income Tax													
Interest (Inc. Land & PCA Debts)													
Lease Rentals													
Insurance, Life													
Insurance, Fire													
Travel & Auto													
Family Expense													
Other Expense													
LIVESTOCK AND CROPS:													
Labor													
Tagging and Shearing													
Vaccine and Salt													
Feed													
Bucks & Billies													
Tractor Fuel													
Repairs & Materials													
Fertilizer													
Seed													
Total Expenses (Sub-Total)													\$
Livestock Pur. ()													
Equipment Pur. ()													
Land Payments (Prin. Only)													
Permanent Improvements													
Total Capital (Sub-Total)													\$
Total Outlay Expected													\$
Amount of Budget to be Advanced by Association													

Date and Amount of
Notes Signed Now

REMARKS: (Applicant's comments on improvements during past year, on any items in the application, etc.)

Applicant understands and agrees that if a loan or loans is approved pursuant to this application, each advance of the loan proceeds shall bear interest at the rate being charged by the association at the time such advance is made, and consequently the rate of interest charged on separate advances may vary. Applicant hereby authorizes association to insert in the face of the note or notes executed by applicant, the rate of interest prevailing at the time association advances the proceeds of said note or notes, and further authorizes association to delegate this power to anyone acting on its behalf or to any subsequent legal owner and holder of said note or notes.

Applicant certifies that each of his statements herein is true of his own knowledge and applicant agrees to abide and be governed by the articles of incorporation, by laws, and rules and regulations of the association.

Covenants, agreements and directions made in "Applicant's Loan Agreements" to said Association, heretofore executed and entered into by me, the original of which is on file in the office of the Association, are to be read into this application and made a part hereof as though expressly printed herein.

Dated at _____

on _____, 19____

Application Taken by _____

Signature of Applicant

REAL ESTATE AND IMPROVEMENTS OWNED

Title to Property in Whose Name	LOCATION				ACREAGE		Description of Improvements	Total Values
	County	Mi.	Dir.	From	Total	Cult.		
								\$

TAXES PAID FOR THE YEAR 19_____

TOTAL \$_____

LIENS ON REAL ESTATE

Name and Address of Lienholder	Number Acres	Total Annual Payments Required	Int. Rate	Date Int. Paid to	Final Due Date of Principal	Amt. Now Delinquent	Date Reg. Pmts. Due	Total Debt Outstanding
		\$				\$		\$

ITEMIZED LIST OF ALL DEBTS OWED OTHER THAN THOSE SECURED BY REAL ESTATE
AND CHATTEL MORTGAGES:

Name and Address of Creditor	Amount of Debt	Due Date	Name and Address of Creditor	Amount of Debt	Due Date
	\$			\$	

LIVESTOCK

(Give ages as past, not coming)

Number of Head	Breed and Class of Stock (State whether registered, grade, or other)	Types and Ages	Value Per Head	Total Value Extended
		Cows	\$	\$
		Cows		
		Calves		
		Calves		
		Bulls		
		Heifers		
		Heifers		
		Steers		
		Steers		
		Ewes		
		Ewes		
		Lambs		
		Bucks		
		Muttons (Sheep)		
		Nannies		
		Billies		
		Muttons (Goats)		
		Hogs		
		Horses		
		Mules		
			TOTAL	\$

Recorded brands and marks: Cattle_____ Sheep_____ Goats_____
Are the livestock offered as security run separately, or mixed with other livestock?_____ If mixed give detailed description, including brands or
marks, of other livestock and liens, if any, upon such livestock_____

FINANCIAL STATEMENT AS OF_____

ASSETS			LIABILITIES		
CASH (On hand and in Banks)			Notes & Accts. Secured by Chattel Mortgages		
NOTES DUE ME (Amount Collectible)			PAYABLE TO		
ACCOUNTS DUE ME (Amount Collectible)			DUE	SECURED BY	
FEED, SEED & FARM PRODUCTS ON HAND					
LIVESTOCK			PAYABLE TO		
TRACTORS (No._____)			DUE	SECURED BY	
CARS AND TRUCKS (No._____)					
OTHER MACHINERY AND TOOLS			UNSECURED NOTES OWED		
RANCH OR FARM LANDS			OPEN ACCOUNTS OWED		
OTHER LANDS			LIENS ON REAL ESTATE		
CITY REAL ESTATE					
SHARES PCA STOCK			DELINQUENT TAXES (List Years)		
OTHER STOCKS AND BONDS					
GROWING CROPS			OTHER DEBTS		
OTHER ASSETS (Describe)			TOTAL LIABILITIES		
			NET WORTH		
TOTAL	\$		TOTAL	\$	

I receive \$_____ annually from salary or wage income from:_____

(Name and Address of Employer)

How Paid:_____ Permanent or Temporary_____

PRODUCTION CREDIT ASSOCIATION

REPAYMENT ESTIMATE THIS 'LOAN

FICB

COLLATERAL

SOURCE	ACRES	SHARE	NUMBER	AMOUNT
Cotton				\$
Cotton				
Wheat				
Peanuts				
Oats				
Corn				
Maize				
Calves				
Hogs				
TOTAL				\$ \$

CHATELLETS	CLAIM	COUNT	VALUE
Cows			
Calves			
Yearlings			
Other Cattle			
Sheep			
Hogs			
Horses & Mules			

TOTAL VALUE \$

OTHER COLLATERAL:

Tractors \$

Other Equipment

TOTAL VALUE ALL COLLATERAL: \$

FINANCIAL STATEMENTS

Past 3 Years (Corrected)

Current 19____ 19____ 19____

A \$ _____ \$ _____ \$ _____ \$ _____

L \$ _____ \$ _____ \$ _____ \$ _____

With livestock and commodities on hand at market values—NW \$_____ \$_____ \$_____ \$_____

With livestock and commodities on hand at average values—NW \$_____ \$_____ \$_____ \$_____

Amount borrowed for expenses past year \$_____ Amount repaid from production \$_____

Amount borrowed for capital and debts \$_____ Amount repaid from sale of capital assets . . . \$_____

Date of last inspection report _____

LOAN APPROVAL REQUIREMENTS

SUPPLEMENTARY REMARKS

FOR USE OF FICB ONLY:

Loan to Mature

Date First Check Issued _____

Date of Committee Action _____

We approve loan as follows:

\$_____ for immediate disbursement

S_____for

\$_____ for _____ Mos. Budget

\$_____Total

Loan Committee

I hereby certify that an exact signed original copy of this application and action of loan committee is held in this association's files. I further certify that the association holds for filing a proper chattel mortgage covering the chattels and crops described in this application and that no conflicting liens are of record against said chattels and crops.

Date _____ C/MS _____

Approved for \$_____ Note \$_____

Approved By _____

Classification No. _____ Renewal \$ _____

Secretary-Treasurer

LOAN APPLICATION

Name _____ ☐ Single ☐ Married Address _____ Age _____
Ages of Children at Home _____ No. Years Operating _____ At this Place _____

LOANS WILL BE USED FOR FOLLOWING PURPOSES:

PROCEEDS OF LOAN TO BE DISBURSED AS FOLLOWS:

\$ _____ for _____	\$ _____ on Approval	\$ _____ June _____
\$ _____ for _____	\$ _____ January _____	\$ _____ July _____
\$ _____ for _____	\$ _____ February _____	\$ _____ August _____
\$ _____ for _____	\$ _____ March _____	\$ _____ September _____
\$ _____ for _____	\$ _____ April _____	\$ _____ October _____
\$ _____ for _____	\$ _____ May _____	\$ _____ November _____
\$ _____ TOTAL		\$ _____ December _____

CURRENT FARMING PROGRAM AND PREVIOUS RECORD

CURRENT FARMING PROGRAM	LAND OWNED OR RENTED	SHARE IN CROP	PAST 3 YRS. PRODUCTION RECORD OF LAND TO BE FARMED					
			19____		19____		19____	
			ACRES	YIELD	ACRES	YIELD	ACRES	YIELD
acres								
acres								
acres								
acres								

LOCATION OF FARMING OPERATIONS

LAND OWNED BY	COUNTY	MI.	DIR.	FROM	ACREAGE		IF RENTED, STATE RENTAL AGREEMENT
					TOTAL	CULT.	

SOURCE OF AGRICULTURAL CREDIT PAST THREE YEARS

YEAR	FROM WHOM BORROWED	AMT. BORROWED	AMT. PAID	BALANCE	SECURITY	SOURCES OF LIQUIDATION

ITEMIZE ALL DEBTS OWED

NAME OF CREDITOR	ADDRESS	INT. RATE	AMOUNT OF DEBT	MATURITY DATE	AMOUNT OF INSTALLMENTS	DATES DUE	SECURITY

ASSETS

Cash on hand.....\$ _____
Livestock
Implements & Machinery
Feed, Seed, Etc.....
P. C. A. Stock.....
Farm Real Estate: _____ Acres.....
Other Assets.....
TOTAL\$ _____

LIABILITIES

P. C. A. Loan.....\$ _____
Other Chattel Mortgages
Unsecured Notes & Accounts.....
Land Debts.....
Delinquent Taxes.....
TOTAL LIABILITIES\$ _____
NET WORTH\$ _____
TOTAL\$ _____

I receive \$ _____ annually from salary or wage income from _____
I receive about \$ _____ per month from poultry and dairy products. Life insurance \$ _____

Applicant certifies that each of his statements herein is true of his own knowledge and agrees to abide and be governed by the articles of incorporation, by laws, and rules and regulations of the association. Applicant covenants, agrees, and authorizes the association: 1. That the association shall be subrogated to the rights and liens of applicant's creditors to the extent of payments made from proceeds of loans or advances made by the association to applicant or such creditors, and the association is authorized to make such payments direct to such creditors as indicated in the loan purposes herein shown. 2. That a representative of the association, Production Credit Corporation of Houston, or any holder of applicant's note, or notes, shall have the right to enter upon applicant's premises, at any time, for the purpose of inspecting the security for applicant's loans. 3. To pay from applicant's funds on his behalf all fees in connection with this application and the amount required for Class B stock of the association. 4. That the association is under no obligation to make any loans or advance to applicant hereunder and that the making and delivery by applicant to the association of any note, mortgage, or other instrument or the recording thereof, shall not constitute an approval of the loan applied for, in whole or in part; provided, that if no advance is made by the association under such loan, such note, mortgage, or instrument executed by applicant in connection therewith, with the exception of the application and supporting papers, shall be returned to applicant upon request. 5. That after approval of this application, the association may refuse to make advances of the loan proceeds which were applied for and approved, at any time, if in its exclusive opinion, the condition of applicant's agricultural operations makes such action advisable, or if for any other reason the association deems such action necessary for the protection of the interests of the applicant or the association. And applicant expressly waives and releases each, every, and all claim or demand of every kind or character, which he might but for this clause, be in position to assert by reason of any claimed breach by the association of any agreement with applicant, and particularly with reference to any refusal by the association to make loan advances to applicant. 6. Applicant agrees that in connection with any loan made to him, each advance of the loan proceeds shall bear interest at the rate being charged by the association at the time such advance is made, and consequently the rate of interest charged on separate advances may vary. Applicant hereby authorizes association to insert in the face of the note or notes executed by applicant, the rate of interest prevailing at the time association advances the proceeds of said note or notes, and further authorizes association to delegate this power to anyone acting on its behalf or to any subsequent legal owner and holder of said note or notes. 7. It is contemplated that further and additional advances, with or without special application may hereafter be made to applicant, in which event the covenants and agreements herein contained shall apply thereto. Any such advances as well as pre-existing indebtedness and all renewals and extensions of applicant's indebtedness to the association shall be secured by applicant's chattel mortgages, and such mortgages shall not only cover the property expressly described therein, but as well increases, accretions and additions thereto, wool and mohair of sheep and goats, and all other cattle, sheep, goats, hogs, horses, mules, and other livestock now owned, or that may be acquired hereafter by applicant, though not expressly described in said mortgage(s). 8. Applicant(s) is a citizen of the United States, except as otherwise stated.

Dated at _____ on _____ 19____

Application Taken by _____

Signature of Applicant

1. The man: How he rates as a credit risk, his record for promptness in paying or making satisfactory arrangements for his debts, his ability as a producer, and his ability to take care of money and to use it in strengthening his business.

2. The repayment capacity of his business: The amount of production he may reasonably be expected to get and what it will sell for. Can this reasonably be expected to leave him a profit for the year, after he repays money borrowed for operating and family expense? How much should he have left for reduction of capital debts or for capital investments? Is the repayment capacity of the farm or ranch enough to permit the PCA to advance any unforeseen additional credit that might reasonably be required during the year over and above the original amount requested? Unless it looks like he can come out in better condition at the end of the year than when he started, the association is not interested in the loan, regardless of how safe it may be. Instead of looking at the proposition at first from the standpoint of whether it is safe for the association, they look at it from the standpoint of whether it is sound for the farmer. If it is sound for him and he qualifies under No. 1 above, it is safe for the association.

3. The purposes of the loan: Whether the purposes are sound and will be beneficial to the applicant. Is he asking

for more than should be necessary? Will the items he wants to purchase add to the efficiency of his business? Are they needed and can he pay for them in a reasonable time out of profits? Will all purposes qualify as agricultural? Can he make money out of the use of the money requested?

4. His present financial condition and has he been making progress financially? If not, what is the trouble? How do the amounts of his debts compare with what he owns? Are the due dates on his debts such that they can be met out of profits as they accrue? Do his debts represent operating losses or were they created for sound, constructive purposes? The association will want to be in a position to include in its loan all his debts, other than his long-term real estate debts, if it starts with him, and will want him to come to them for all his short-term credit as long as they finance him.

5. The collateral he can put up, which usually consists of his livestock, farming equipment, and crops. If the first four factors add up favorably, the value of his collateral will be only secondary, it will usually be as much as is needed. The more weaknesses that appear in the first four factors, then the more important the collateral, and the less desirable the loan becomes.

TABLE II

OPERATIONS OF THE SULPHUR SPRINGS PRODUCTION CREDIT ASSOCIATION FROM
1936-1949

YEAR	NO. LOANS MADE	AMOUNT	LOSSES	NO. A & B STOCKHOLDERS	CAPITAL SURPLUS
1936	157	80,216.25	189.15	580	18,501.47
1937	503	338,909.30	237.00	671	26,681.97
1938	593	402,366.69	293.98	790	38,237.34
1939	677	459,000.00	47.08	794	46,139.99
1940	678	614,000.00	-0-	775	58,664.27
1941	839	874,000.00	-0-	986	72,639.34
1942	754	1,004,563.00	230.00	986	81,391.72
1943	717	887,155.79	Rec. 230.00	1,036	85,941.86
1944	650	1,018,232.55	-0-	1,082	100,746.05
1945	664	888,973.15	465.16	1,065	116,229.90
1946	708	1,112,286.22	67.30	1,055	143,485.80
1947	728	1,205,890.67	Rec. 9.43	1,103	170,267.66
1948	775	1,414,767.50	96.30	1,123	199,034.18
1949	575	<u>1,032,228.15</u>	<u>Rec. 20.00</u>	1,061	223,916.10
		\$ 11,332,589.27	\$1,366.54*		

* Net loss equals 12/1000 percent of the total amount loaned

CHAPTER VI

ACTUAL CASE STUDIES FROM DISTRICT 27

Purpose

The purpose of these studies is to show how the Production Credit Association has rendered services to farmers of the various counties in District 27.

The information in the cases was secured through the files of the Production Credit Association, personal contacts, and interviews with the farmers.

These cases were selected to give a general picture as to the size of the farms, the types of farming enterprises, the methods of farming, and the amounts of loans in District 27.

Rules of the Production Credit Association prevent giving any information where a person's name is used. In the following case studies, actual information will be given but the farmers' names will be designated by capital letters.

Case Studies

Farmer A lives on Route 2, Commerce, Texas, in Hunt County. The first loan was made in 1946 for \$635.00. Farmer A was 31 years of age, married and had a daughter 4 years old. The loan was made for what the Production Credit Association

Farmer A then had 20 cows and 8 hogs. The net worth had increased from \$2,692.46 in 1946, to \$7,855.00 in 1950.

Farmer B lives on Route 2, Royce City, in Hunt County. The first loan was made to Farmer B in 1946 for \$2,560.00. Farmer B is married and has five children. His net worth was \$5,204.00. The money was borrowed to use as a budget for making the 1946 crop, which consisted of 305 acres of cotton, 20 acres of corn, and 20 acres of oats, which were farmed with a tractor. Farmer B also had 7 beef cows. Two hundred and fifty acres of this land was owned by Farmer B, the remainder was rented.

In 1947 Farmer B borrowed \$5,780.00. About \$3,000.00 of this amount was used to purchase an additional tractor and equipment. The balance was used as a budget loan to plant 520 acres of cotton and 20 acres of corn. The net worth of Farmer B in 1947 was \$11,455.00.

In 1948 \$4,355.00 was borrowed as a budget loan on a net worth of \$13,450.00 to plant 365 acres of cotton, 10 acres of corn, and 20 acres of feed crops. Four cows were purchased later with part of the money.

In 1949 \$4,925.00 was borrowed as a budget loan on a net worth of \$15,480.00, to plant 300 acres of cotton, 15 acres of wheat, and 35 acres of oats. The net worth of Farmer B for

that year was \$12,750.00. The reduction was due to selling land that had previously been listed as assets.

Farmer B's net worth increased from \$5,204.00 to \$12,750.00 in 1949 on a total loan of \$17,620.00 from the Production Credit Association. Farmer B made the statement that the Production Credit Association was an ideal source of credit for the small farmer and that much of his success had been due to having money when it was needed most at a low rate of interest.

Farmer C lives on a 500 acre farm that is rented on Route 3, Greenville, Texas. In 1947 Farmer C was 25 years old and married, but did not have any children. The net worth of Farmer C was \$13,665.00 on which \$5,265.00 was borrowed. Three thousand dollars was used to purchase a tractor and equipment. The remainder was used to pay a banknote of \$265.00 and living expenses. That year 180 acres of cotton, 100 acres of corn, and 75 acres of clover were planted. Farmer C also owned 30 head of cattle. The entire amount of the loan was paid off in 1947.

In 1948 Farmer C sold a house and lot in town that had been listed on his net worth, which reduced the net worth to \$9,355.00. Two thousand two hundred and fifty dollars was borrowed as a budget loan to plant 150 acres of cotton, 100 acres of corn and 25 acres of hay. Only 22 head of cattle were owned by Farmer C in 1948.

In 1949 Farmer C's net worth was \$14,200.00 on which \$3,500.00 was borrowed as a budget loan to plant 200 acres of cotton, 50 acres of corn, 25 acres of clover, and 25 acres of wheat. In 1949 Farmer C purchased a second tractor and equipment. Twenty-eight head of cattle were owned by Farmer C that year. The loan was paid off in full when the cotton was harvested.

In 1950 a loan for \$4,000.00 as a budget loan was made on a net worth of \$14,980.00 to plant 168 acres of cotton, 100 acres of clover, 60 acres of corn, 20 acres of wheat, and 15 acres of vetch. At this time, 45 head of cattle were owned.

In 1951 \$8,880.00 was borrowed, \$5,000.00 of which was to be used to buy cattle and \$3,888.00 as a budget loan. The crop that year consisted of 250 acres of cotton, 30 acres of oats, 50 acres of corn, 15 acres of onions, and 20 acres of clover. Farmer C also purchased a third tractor and equipment. Farmer C is one of the outstanding farmers in that area, as was his father before him, who was also a member of the Production Credit Association. Farmer C has been selected to serve on the association's Loan Committee.

Farmer D was a high school graduate from Lamar county in 1942 with a net worth of \$385.00 on which \$150.00 was borrowed. Farmer D did not own or rent any land because his father's land

was used. With the parent's tractor and equipment, 18 acres of cotton, 3 acres of corn, 3 acres of row feed and 12 acres of hay were planted. Five head of cattle were owned by Farmer D. In 1942 Farmer D married and rented a 100 acre farm.

In 1944 Farmer D borrowed \$1,040.00 on a net worth of \$1,760.00. One thousand dollars of this loan was used to buy a half interest in a tractor and equipment. In 1944 Farmer D planted 40 acres of cotton, 20 acres of corn, 5 acres of oats and 7 acres of feed.

In 1945 Farmer D received a loan from another source, but returned to the Production Credit Association in 1946 to make a loan for \$465.00 on a net worth of \$2,037.00. In 1946 Farmer D had moved to a larger farm and planted 65 acres of cotton, 15 acres of corn, 5 acres of row feed, and 10 acres of oats. At that time, Farmer D owned 8 head of cattle and two hogs.

By 1947 the net worth of Farmer D had increased to \$2,732.00 on which \$500.00 was borrowed to make a crop. Since 1944 Farmer D had purchased complete interest in a tractor and equipment. That year, 70 acres of cotton, 20 acres of corn, and 10 acres of hay were planted. Six head of cattle were owned by Farmer D that year.

In 1948 Farmer D moved to a larger farm and borrowed \$400.00 as a budget loan to plant 105 acres of cotton, 22 acres of corn and 10 acres of hay. Farmer D's net worth in 1948 was \$2,920.00, including 11 head of cattle.

In 1949 Farmer D borrowed \$850.00 to plant 150 acres of cotton and 20 acres of corn. Net worth that year was \$3,562.00. Due to loss by insects and weather conditions, Farmer D was able to pay back only \$650.00 of the loan.

In 1950 \$1,000.00 was borrowed of which \$200.00 was a renewal from 1949. Farmer D was well pleased with the cooperation that had been received from the Production Credit Association. The loans in 1943 and 1945 had been from a private source but Farmer D stated that it would have been difficult to obtain another loan if he had failed to pay back all of the original face of the note from the private agency. Farmer D also stated that to a young man just starting in the farming business, the Production Credit Association could render much valuable aid and information on what to expect in the coming year. Farmer D said that as long as it was necessary to borrow money, the Production Credit Association was an ideal place for the farmer to trade. Much commendation was given to the association for the increase of his net worth from \$385.00 to \$3,562.00.

Farmer E, from Hopkins county, owned a farm in 1943 when he started converting from general cotton farming to dairy farming. At that time, Farmer E owned about 6 or 8 grade dairy cattle. Farmer E's brother had secured loans in 1941 and 1942 to buy dairy cattle and to use as a budget loan. During that period, Borden, Kraft, and the Texas Company were establishing companies at Sulphur Springs and Winnsboro and dairy farming was being encouraged.

Farmer E had 157 acres in the farm. Previously, 120 acres had been in cultivation. In 1943 and 1944 that amount was reduced to 40 acres, of which 25 were planted in cotton and 15 acres were planted in corn and row feed. About \$500.00 was borrowed from the Production Credit Association. Farmer E kept increasing the loan until in 1947 he built a grade A dairy barn. On the side of the barn is a large sign stating that Farmer E is a member of the Production Credit Association.

At the present time, Farmer E has a milking herd of 45 cows and has two sons of high school age who help him. Farmer E stated that the conversion would have been impossible without the aid of credit from the Production Credit Association. Farmer E hopes to establish the oldest boy in dairy farming next year with the aid of a loan from the Production Credit Association. However, Farmer E also stated that if the boy

would rather attend college, a loan from the Production Credit Association could be used for that purpose. Farmer E also stated that after a first loan is made from the Production Credit Association that it was a simple matter to obtain later loans. Farmer E praised the work rendered by the field agents of the Production Credit Association and was very enthusiastic about the association.

Farmer F, a dairy farmer in Hopkins county, is a veteran and has a degree from Texas A and M in Dairy Husbandry. Farmer F is 35 years old, married, and has two children. Farmer F obtained a loan from the Production Credit Association in 1946 for \$1,500.00 on a net worth of \$23,500.00. At that time Farmer F owned a 300 acre semi-improved dairy farm. The loan was made as a budget and improvement loan. In 1946 Farmer F was milking 45 cows. All of the concentrates were purchased but part of the roughage was raised on the farm.

In 1948 a loan of \$1,500.00 was obtained on a net worth of \$24,200.00 to install new milking equipment and to increase the shed space. A run way was also built from the feed barn to the milking parlor. The milking herd was increased to 65 head in 1948.

In 1949 a loan for \$2,000.00 was made to remodel the home of Farmer F. The net worth for that year was \$24,600.00.

Farmer F was of the opinion that in the future a good credit rating will be of value to the farmer. Farmer F considers the Production Credit Association an excellent source of credit and believes it capable of carrying the farmer for a number of years in case of crop losses or a fall in prices. Farmer F stated that the budget time loan reduced the interest cost considerably over the straight yearly interest rate of most private and commercial agencies.

Farmer G is a livestock farmer in Delta county. In 1935 the net worth of Farmer G was \$9,415.00 on which \$350.00 was borrowed. The loan was used to buy \$200.00 worth of feed and \$150.00 was used as living expenses. Farmer G owned 5 head of cattle valued at \$10.00 each, 2 mares valued at \$100.00, and 50 sheep valued at \$3.00 each. That year 18 acres of cotton, 10 acres of alfalfa, 12 acres of oats, and 18 acres of corn were planted. The loan was paid off at the end of the year.

In 1936 \$300.00 was borrowed to buy feed and as a budget loan.

In 1937 \$400.00 was borrowed as a budget loan. The net worth of Farmer G was \$10,450.00 in 1938. That year 8 horses, valued at \$665.00, 9 head of cattle, valued at \$230.00, and 50 head of sheep valued at \$225.00, were owned by Farmer G, and \$700.00 was borrowed to help pay for a new tractor and equipment.

In 1939 \$800.00 was borrowed and in 1940 \$1,175.00 was borrowed to be used to increase operations and to buy improved equipment.

In 1942 Farmer G borrowed \$1,400.00 to make a tractor exchange. That year Farmer G owned five mares valued at \$100.00 each and 10 cows valued at \$60.00 each. The total net worth was \$16,785.00. In 1943 a loan for \$1,500.00 was made as an expansion loan to purchase cattle and sheep. The entire amount of the loan was paid off at the end of the year.

In 1944 \$1,050.00 was borrowed as a budget loan and only \$40.00 plus the interest cost was paid on the loan. In 1945 \$1,150.00 was borrowed of which \$1,010.00 was a renewal of the loan of the year before. Farmer G was trying to keep the increase of livestock because of the rise in prices. The net worth of Farmer G in 1945 was \$16,440.00. The complete amount of the loan was paid in 1945 when steers from the previous years' crop were sold.

In 1946 \$2,650.00 was borrowed. This was used to purchase a new tractor and equipment, and also to dig a deep well.

In 1947 \$1,200.00 was borrowed as a budget loan, and in 1948 \$800.00 was also borrowed as a budget loan on a net worth of \$17,895.00.

In 1949 \$3,065.00 was borrowed to purchase additional farming equipment which included a hay baler, a rake, and a truck. Farmer G had 29 head of cattle valued at \$250.00 each that year, and a net worth of \$20,268.00.

In 1938 Farmer G bought 232 acres of land for \$3,800.00 on an installment plan. By 1942, the mortgage had been reduced to \$1,000.00. In 1945 Farmer G owed \$450.00 and in 1948 the payments were completed. Farmer G stated that the mortgage could not have been paid off so soon without the aid of the Production Credit Association.

Farmer H lives on Route 4, in Franklin county. Farmer H is classified as a general truck farmer. The crops grown include watermelons, cantaloupes, sweet potatoes, peas, green beans, bell peppers, and cane for syrup. Farmer H also has plans for developing a 500 tree commercial orchard in the future.

Farmer H obtained a loan from the Production Credit Association in 1945 for \$375.00 on a net worth of \$8,750.00. This was made as a budget loan. The farm was operated by horse power.

In 1946 Farmer H borrowed \$400.00 on a net worth of \$9,000.00 as a budget loan. The loan was repaid during the year as the various crops were harvested.

In 1947 \$1,500.00 was borrowed to purchase a Ford tractor and equipment. Only \$1,000.00 plus the interest on the loan was repaid in 1947.

In 1948 \$800.00 was borrowed of which \$500.00 was a renewal. The entire amount of the loan was repaid in 1948. The net worth of Farmer H in 1948 was \$10,795.00.

In 1949 a loan of \$500.00 was obtained as a budget loan on a net worth of \$10,650.00. This gave an increase of \$1,900.00 in net worth from 1945 to 1949.

As stated above, Farmer H plans to borrow enough money to plant an orchard in the future. The time required for returns on the investment make this loan some what difficult to obtain from any lending agency. However, Farmer H believes that the Production Credit Association will make the loan.

CHAPTER VII

SUMMARY AND CONCLUSIONS

Summary

1. From 1936 to 1949, 9,018 loans were made to farmers by the Production Credit Association of Sulphur Springs for a total of \$11,332,589.27.
2. The net worth of 16 farmers increased from \$122,841.46 to \$188,698.00.
3. The Production Credit Association was organized to make loans for the special needs of farmers and ranchers.
4. The Production Credit Association is in position to wait for loans to be repaid by the farmer or rancher whose production has been delayed or destroyed by the weather or insects.
5. The Production Credit Association is owned and operated by farmers and ranchers.
6. The Sulphur Springs Production Credit Association, along with four field offices, serves the farmers of six counties.
7. The Sulphur Springs Production Credit Association originated with nine members and in 1948 had 1,061 members.

8. Many members have found out that operating costs can be reduced by paying cash for what is purchased by using loans from the Production Credit Association.

9. By having to keep records which are required by the Production Credit Association, the farmers who make loans can readily see the advantage of record keeping.

10. Below is a summary of a number of questions asked of 24 farmers about their attitude toward the Production Credit Association.

<u>Questions</u>	<u>Yes</u>	<u>No</u>
a. Do you consider the P. C. A. a good source of credit?	24	
b. Do you mind the agents of the P. C. A. checking on your progress each year?	4	20
c. Do you feel that the P. C. A. will be able to extend loans in case of a number of off seasons?	24	
d. Do you think there is more red tape involved in making a loan with the P. C. A. than with other credit agencies?	3	21
e. Has the P. C. A. aided your farming program?	24	

Questions - Continued

	<u>Yes</u>	<u>No</u>
f. Do you consider the rate of interest charged by the P.C.A. high?		24
g. Do you think that the P.C.A. has forced other credit agencies to reduce their rate of interest and offer better services?	20	4
h. Do you try to get your fellow farmers and neighbors to make their loans from the Production Credit Association?	12	12
i. Do you think the Production Credit Association should develop some method of advertising to let more farmers know what they have to offer?	24	

Conclusions

Production credit associations are designed to help make farmers and ranchers more prosperous. However, while being directly beneficial only to the farmers and stockmen who use them, the associations have also assisted all farmers and stockmen through the influence they have had on other lenders and by causing these lenders not only to make loans at lower costs and on more suitable terms but to also strive to improve their credit services in other ways. The efficiency

of the Production Credit Association is borne out by the loss records. During the past 16 years of operation, the loss of the Sulphur Springs Production Credit Association has been only 12/1000 percent of the total amount loaned. The Production Credit Association of Sulphur Springs has played an important role in developing improved farming in District 27.

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