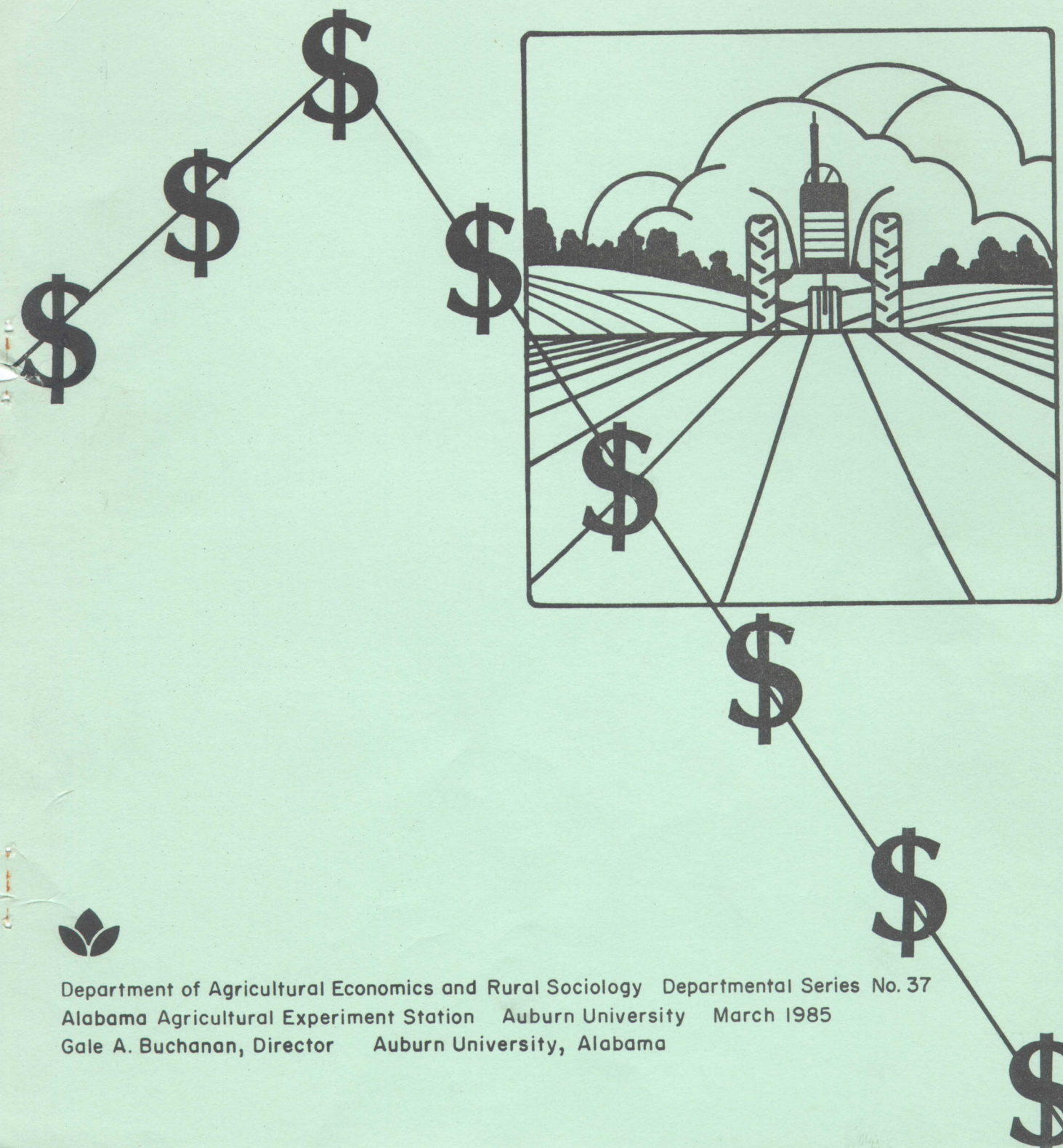
The Financial Status of Alabama Agriculture, 1984



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Gale A. Buchanan, Director Auburn University, Alabama

THE FINANCIAL STATUS OF ALABAMA AGRICULTURE, 1984

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INTRODUCTION

Financial characteristics of our nation's agricultural sector have undergone significant changes in recent years. The early 1970's witnessed a period in which prices for farm products were relatively high and many farmers saw the opportunity to invest in and expand their operations. In spite of a slight downturn in 1976 and 1977, the desire for growth continued throughout the decade.

Market and financial conditions that have persisted since the close of the 1970's have created financial stress which is placing many farmers in very uncomfortable positions. Farm product prices are relatively lower and many purchased input prices have continued to rise. Interest costs, in particular, have taken progressively larger portions of the farmers' dollars. The cost-price squeeze facing the agricultural industry and the relatively heavy debt burdens of many farmers are making it difficult for some to remain in business.

Media attention given to the financial condition of farmers has made most of the public aware of the serious situation that exists. These reports have often pointed to instances where long-standing family farms are in financial jeopardy.

National data are available which indicate the total asset, debt, net worth, profit, and cash flow positions for agriculture. Publications are also available which give these aggregate measures for states, and in some cases, for areas as small as a county. The research results given in this report are from a project designed to determine the financial condition of Alabama farmers.

PROCEDURE

Data were collected using a mail survey instrument which was sent to a stratified random sample of 1500 Alabama farmers, Appendix A. The questionnaire was designed to determine the basic financial condition of farmers through a series of questions related to gross sales, cash expenses, acres operated, value of assets, and levels of debt. Specific questions were asked to determine the portion of farmers who are not current in their payments for existing debt and who were denied loans during the past year. Respondents were also asked to indicate their beliefs relative to primary causes of the financial problems farmers are experiencing today.

A second questionnaire was sent to a selected sample of lenders so that data might be obtained which would represent the supply side of the agricultural finance market. Questionnaires were sent to all Production Credit and Federal Land Bank Associations in Alabama. Copies were also sent to all bankers who registered for the most recent commercial credit conference sponsored by the Alabama Bankers Association. The state office of the Farmers Home Administration was asked to respond to the current situation as faced by their organization. Data from this survey were used to validate the farmer survey. Results are not presented in this report because confidential data for individual lenders could be disclosed.

Survey questionnaires were mailed during the first week of November, 1984. Responses, were received almost immediately and continued until mid-January, 1985. The number responding from the farmer survey (553) was reduced to 251 for analysis after all those who were retired or who did not have income from farming during recent years were deleted from the sample.

Information given on the 251 usable surveys returned by farmers provided

the basis for the following discussion. Data are presented in summary form so that no individual respondent might be identified. Summaries are given by agricultural production area, 1984 gross sales, acres operated, age of the respondent, and whether or not the respondent purchased land within the past 10 years. The summaries by acres operated have only 247 observations since 4 of the respondents rented all their land out. Table 1 and Figure 1 present the counties included in the agricultural production areas used in the summaries.

Data given in Table 2 compare the summary characteristics of the respondents with data given in the 1982 Census of Agriculture which describe the total agricultural population of the State. For agricultural production areas, the portion of respondents is less than the State total for the Limestone Valley and Sand Mountain areas. The number of farmers who responded from the Wiregrass is significantly higher than the State average. For all other areas, the portion of respondents is very close to the percentage reported by the Census.

When classified by gross sales, respondents are weighted somewhat more heavily at the higher income levels. Similar conditions exist when classified by acres operated. The age of operator classifications indicate the respondent group is clustered more heavily in the older age categories.

Even though the respondents do not exactly mirror the State agricultural population, enough similarities exist to be comfortable with an analysis of the data. Any inferences drawn from the analyses could certainly be related directly to the total population.

Table 1. Counties Included in Each Alabama Agricultural Production Area

Limestone Valley	Upper Coastal Plain	Piedmont
Calhoun	Jefferson	Chambers
Cherokee	Autauga	Clay
Colbert	Bibb	Cleburne
Etowah	Chilton	Coosa
Jackson	Elmore	Lee
Lauderdale	Fayette	Randolph
Lawrence	Franklin	Tallapoosa
Limestone	Lamar	
Madison	Macon	**Lower Coastal Plain**
Morgan	Marion	
St. Clair	Pickens	Butler
Shelby	Russell	Choctaw
Talladega	Tuscaloosa	Clarke
	Walker	Conecuh
Sand Mountain	Winston	Escambia
		Monroe
	Black Belt	Washington
Blount	Montgomery	
Cullman	Bullock	
DeKalb	Dallas	**Wiregrass**
Marshall	Greene	
	Hale	Barbour
Gulf Coast	Lowndes	Coffee
	Marengo	Covington
Mobile	Perry	Crenshaw
Baldwin	Sumter	Dale
		Geneva
		Henry
		Houston
		Pike

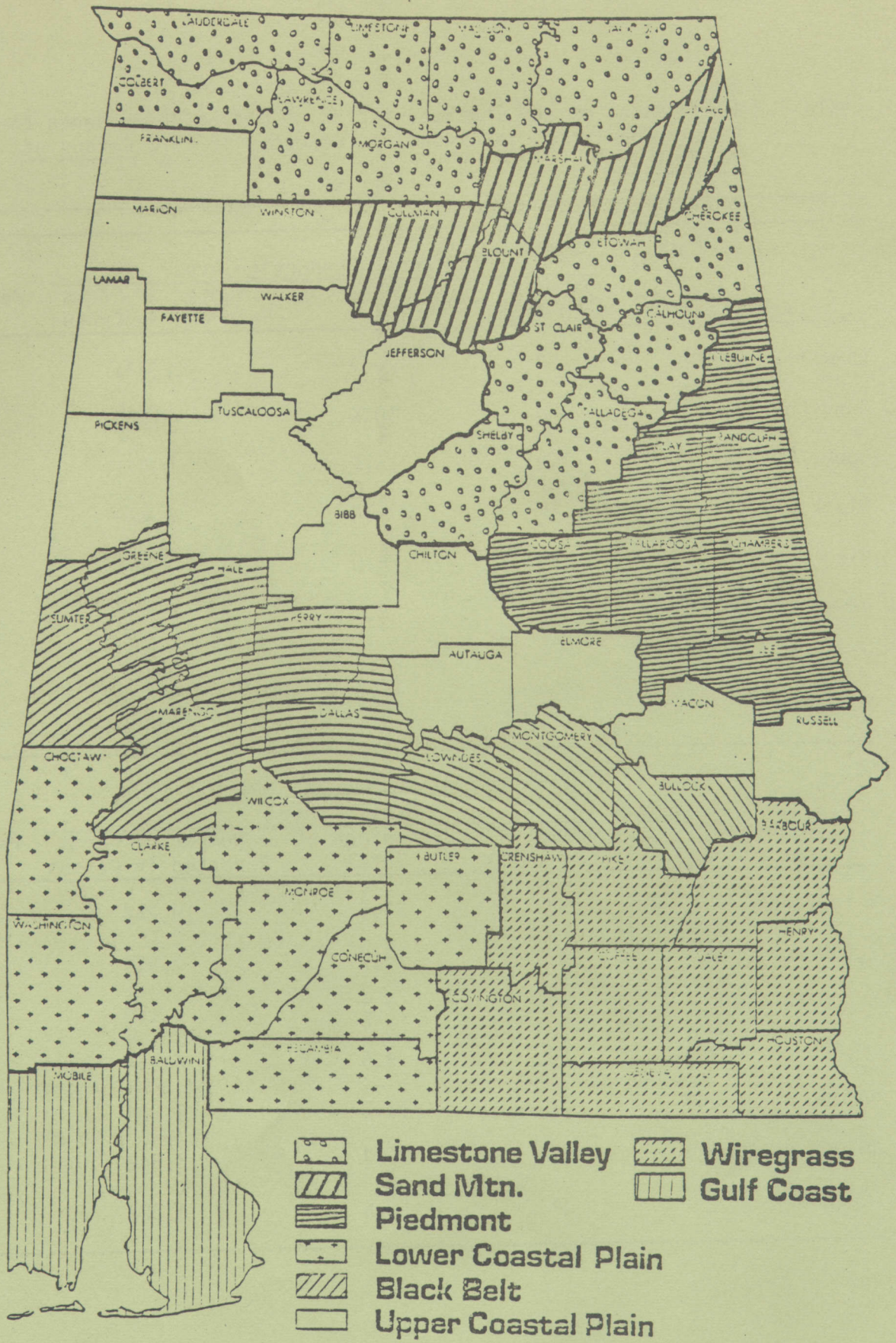

Figure 1. Alabama Agricultural Production Areas.

Table 2. Comparisons of the Characteristics of Farmer Respondents to Total Farmer Population in Alabama as Reported in 1982 Census of Agriculture.

Area	Agricultural Production Area			
	Number of Respondents	Percentage of Total	Number of Farms Reported in Census	Percentage of Total
Limestone Valley	52	20.7	12,371	25.5
Sand Mountain	26	10.4	7,533	15.5
Upper Coastal Plain	40	15.9	8,371	17.3
Black Belt	24	9.6	4,488	9.3
Piedmont	15	6.0	3,847	6.3
Lower Coastal Plain	20	8.0	3,856	8.0
Wiregrass	61	24.3	6,780	14.0
Gulf Coast	13	5.6	2,002	4.1

1984 Gross Sales	Gross Sales			
	Number of Respondents	Percentage of Total	Number of Farms Reported in Census	Percentage of Total
1 to 2,499	54	21.5	19,246	39.7
2,500 to 4,999	37	14.7	7,916	16.3
5,000 to 9,999	32	12.7	6,100	12.6
10,000 to 19,999	24	9.6	4,154	8.6
20,000 to 39,999	33	13.1	2,934	6.1
40,000 to 99,999	37	14.7	3,542	7.3
100,000 +	34	13.5	4,526	9.3

Table 2. (Continued)

Acres Operated	Acres Operated			
	Number of Respondents	Percentage of Total	Number of Farms Reported in Census	Percentage of Total
1 to 49	30	12.0	17,175	35.4
50 to 99	53	21.5	10,158	20.9
100 to 139	27	10.8	4,907	10.1
140 to 259	46	18.7	7,081	14.6
260 to 499	35	14.3	4,602	9.5
500 to 999	36	14.7	2,786	5.7
1,000 +	20	8.0	1,827	3.8

Age	Age of Operator			
	Number of Respondents	Percentage of Total	Number of Farms Reported in Census	Percentage of Total
20 to 40	47	18.7	15,525	32.1
41 to 50	49	19.5	11,408	23.6
51 to 60	58	23.1	11,826	24.6
60 +	97	38.6	9,609	19.9

RESEARCH RESULTS

General Characteristics

Tables 3 through 7 contain data which describe the general financial, size, age and location characteristics of the respondents. Table 3 classifies the data by agricultural production area. The Wiregrass Area in southeast Alabama had the most respondents, 61, while the smallest number, 13, came from the two-county Gulf Coast Area.

Average 1984 gross sales for the State, as reported by the respondents, was $47,047. The lowest average value was reported by the 15 farmers in the Piedmont Area, $13,622, while the 24 Black Belt producers indicated average annual sales of $73,402. The same two groups reported the extreme values for cash operating expenses in 1984.

Average total debt for those farmers who responded to the survey was $74,246. Again, Piedmont farmers indicated the lowest value, $26,667, while the $213,844 average debt load carried by those in the Black Belt was the greatest burden indicated. Average value of assets exceeded a quarter of a million dollars, $260,486. Piedmont farmers possessed the lowest valued assets, $157,500. Mobile and Baldwin County (Gulf Coast) farmers had slightly higher asset values, $538,153, than their counterparts in the Black Belt, $504,837.

The debt to asset ratio reflects the portion of a farm's value that is necessary to cover existing debt. The 28.5 percent State average is significantly higher than the value of 21.7 percent for all U. S. farmers that was reported in the December, 1984 Federal Reserve System Agricultural Finance Databook. This value is also higher than the 19.1 percent ratio given in 1983 by the USDA for Alabama.

Table 3. Selected Characteristics of Survey Respondents Classified by Agricultural Production Area, 1984

Production Area	Number Responding	Selected Characteristics					
		Average Gross Sales 1984	Average Cash Oper. Expense	Average Total Debt	Average Value of Assets	Debt to Asset Ratio	Average Acres Operated
		.....Dollars.....				.....Percent	Acres
Limestone Valley	52	52,852	45,468	58,630	240,812	24.3	369
Sand Mountain	26	27,311	11,338	44,120	225,590	19.6	176
Upper Coastal Plain	40	33,239	24,237	53,047	180,950	29.3	314
Black Belt	24	73,402	67,466	213,844	504,837	42.4	744
Piedmont	15	13,622	9,777	26,667	157,500	16.9	192
Lower Coastal Plain	20	47,889	40,042	54,384	209,433	26.0	280
Wiregrass	61	57,942	50,994	62,602	231,035	27.1	346
Gulf Coast	13	43,271	40,280	144,578	538,153	26.9	231
State	251	47,047	39,161	74,246	260,486	28.5	346

The final category of information presented in Table 3 relates to farm size. For the 251 farmers who responded, the average farm size was 346 acres. The smallest farms were in the Sand Mountain Area and the largest were in the Black Belt.

Data presented in Table 4 illustrate changes in selected characteristics as gross sales increase. As would be expected, cash operating expenses, total debt, total assets, and acres operated all increased with sales. The debt to asset ratio reveals some variability among classifications, but generally moved upward with sales. The extraordinarily high values for those farmers in the $100,000+ sales category emphasizes the severity of the farm financial problem since these larger farmers produce a majority of the products available for sale.

Similar relationships are presented in Table 5 where the data are categorized by acres operated. The data generally move upward as farm size increases. The only variation comes from a decline in the total debt and total asset values and the debt to asset ratio for the 140 to 259-acre category.

Data given in Table 6 are grouped according to the age of the respondent. A majority of those who responded tended to be in the older age groups. According to 1982 Census of Agriculture statistics, respondents were slightly older than the average farm population in Alabama. Census data indicated that the average age of Alabama farmers in 1982 was 51.8 years. The average for those who responded to the survey was 55+ years.

The 20 to 40-year age group reported the highest average gross sales, operating expenses, and total debt, while the 41 to 50-age group exhibited the maximum value for assets. Farm size declined with increases in age, as did the debt to asset ratio. The relatively high debt to asset ratios of

Table 4. Selected Characteristics of Survey Respondents Classified by 1984 Gross Sales

1984 Gross Sales, Dollars	Number Responding	Selected Characteristics					
		Average Gross Sales 1984	Average Cash Oper. Expense	Average Total Debt	Average Value of Assets	Debt to Asset Ratio	Average Acres Operated
		Dollars				Percent	Acres
1 to 2,499	54	1,172	3,067	10,671	99,987	10.7	114
2,500 to 4,999	37	3,433	2,458	7,056	108,338	6.5	128
5,000 to 9,999	32	7,168	4,773	51,024	230,091	22.2	211
10,000 to 19,999	24	13,972	12,354	30,396	212,008	14.3	325
20,000 to 39,999	33	28,399	23,846	48,396	278,583	17.4	349
40,000 to 99,999	37	62,797	50,886	104,186	378,389	27.5	423
100,000 +	34	229,206	189,795	293,655	592,921	49.1	1,005
State	251	47,047	39,162	74,246	260,486	28.5	346

Table 5. Selected Characteristics of Survey Respondents Classified by Acres Operated, 1984

Acres Operated	Number Responding	Selected Characteristics					
		Average Gross Sales 1984	Average Cash Oper. Expenses	Average Total Debt	Average Value of Assets	Debt to Asset Ratio	Average Acres Operated
		.....Dollars.....				Percent	Acres
1 to 49	30	5,911	3,983	10,774	78,649	13.7	29
50 to 99	53	8,940	6,782	17,777	118,835	15.0	74
100 to 139	27	12,807	8,888	46,990	207,563	22.6	113
140 to 259	46	25,339	18,240	36,313	184,603	19.7	199
260 to 499	35	55,683	49,047	70,476	300,354	23.1	374
500 to 999	36	92,132	72,959	146,086	415,300	35.2	696
1000 +	20	218,400	195,870	335,277	844,802	39.7	1,585
State	247	47,047	39,162	74,246	260,486	28.5	346

Table 6. Selected Characteristics of Survey Respondents Classified by Age of Respondent

Age Years	Number Responding	Selected Characteristics					
		Average Gross Sales 1984	Average Cash Oper. Expenses	Average Total Debt	Average Value of Assets	Debt to Asset Ratio	Average Acres Operated
		.....Dollars.....				Percent	Acres
20 to 40	47	75,489	61,215	120,009	274,414	43.7	480
41 to 50	49	37,126	32,439	94,923	317,651	29.9	405
51 to 60	58	46,910	35,903	67,129	303,518	22.1	336
60 +	97	38,358	33,821	45,883	199,129	23.0	457
State	251	47,047	39,161	74,246	260,486	28.5	346

the youngest age category emphasize the finanacial burden and pressure faced by our younger farmers.

Table 7 presents general characteristics of respondents classified by whether or not they purchased land in recent years. The first section of the table shows that 36 respondents purchased additional farm land during the last 3 years. Those who purchased land had significantly higher values for all variables presented in the table. A major difference exists between the two debt to asset ratios with those who purchased land having a ratio almost 10 points higher.

The second section of the table refers to land purchases during the period of 4 to 6 years ago. A total of 34 respondents purchased land during this period. Again, all values for those who made the purchases are higher. An even wider differential exists for the 2 debt to asset ratios.

Data for those respondents who purchased land 7 to 10 years ago reveal a somewhat different situation. Sales, expense, and total debt values for both purchasers and non purchasers are nearly the same. The higher asset values for the 50 respondents who purchased land 7 to 10 years ago give that group as lower debt to asset ratio. These individuals bought land before land prices escalated to the high levels of recent years.

The last section of Table 7 displays summary characteristics of respondents who purchased land at any time during the last 10 years. Those 97 individuals who purchased land during the period again showed higher values for all variables.

Production Alternatives

Information presented in tables 8 to 12 illustrates the types of production activities found on the respondents' farms. It is obvious, from the data, that there is much diversification; however, as anyone who is

Table 7. Selected Characteristic of Survey Respondents Classified by Whether They Purchased Additional Farm Land During Specified Periods

Response to Land Purchase	Number Responding	Selected Characteristics					
		Average Gross Sales 1984	Average Cash Oper. Expenses	Average Total Debt	Average Value of Assets	Debt to Asset Ratio	Average Acres Operated
		..... Dollars				Percent	Acres
Land Purchased During Last 3 Years							
Yes	36	108,176	85,879	135,675	375,387	36.1	585
No	215	36,811	31,339	63,960	241,246	26.4	306
Land Purchased 4 to 6 Years Ago							
Yes	34	95,341	82,067	166,792	390,044	42.8	477
No	217	39,480	32,439	59,746	240,186	24.9	325
Land Purchased 7 to 10 Years Ago							
Yes	50	48,274	42,215	69,758	312,888	21.7	354
No	210	46,741	38,402	75,363	247,450	30.5	344
Land Purchased During Last 10 Years							
Yes	97	73,384	60,901	116,389	347,373	33.5	452
No	154	30,457	25,469	47,702	205,758	23.2	279
State	251	47,047	39,162	74,246	260,486	28.5	346

familar with Alabama agriculture knows, some areas of the State are normally associated with certain crops. The data presented in Table 8 tend to verify this contention. The Limestone Valley concentrates on soybeans, cotton, and beef. Soybeans are also dominant on Sand Mountain, the Lower Coastal Plain, and the Gulf Coast. Beef operations dominate the Black Belt and are also prevalent in the Piedmont Region. The Wiregrass Area is know for peanuts and beef. Other crops, such as corn and potatoes, are found in the Gulf Coast Area.

Data given in Table 9 present the production alternatives by the level of gross sales on the farm. The lower income producers tend to be diversified, but place greatest emphasis on beef. Higher income producers tend to place greater emphasis on soybeans and cotton. All dairy producers who responded fell in the higher income classifications.

In Table 10, the production alternatives data are categorized by acres operated. The smallest producers, like the lowest income producers in the previous table, have diversified production interests with emphasis on beef cattle. Soybeans appear to be the dominant crop for all size groupings, receiving most favor from the larger size classes of farmers. As in the income classification, dairy operations are present only on the larger farms.

When the production alternatives data are classified by age of respondent, several interesting observations may be made, Table 11. First, younger operators show a greater preference for soybeans, while older producers show more interest in cotton. These attitudes are not too surprising since soybeans are a relatively new cash crop when compared to cotton. Also, it is relatively more expensive to get into cotton production.

Information presented in Table 12 is categorized by whether land was

Table 8. Portion of Survey Respondents Indicating Income From Selected Production Alternatives Classified by Production Area and for the State, 1984

Production Area	Number Responding	Production Alternatives								
		Soybeans	Cotton	Peanuts	Other Crops	Beef	Pork	Dairy	Poultry	Other
		Percentages								
Limestone Valley	52	67.3	25.0	1.9	15.4	44.2	9.6	3.8	1.9	21.2
Sand Mountain	26	57.7	7.7	0.0	19.2	30.8	0.0	0.0	15.4	30.8
Upper Coastal Plain	40	20.0	7.5	0.0	25.0	27.5	17.5	2.5	2.5	37.5
Black Belt	24	25.0	8.3	8.3	41.7	75.0	12.5	12.5	0.0	25.0
Piedmont	15	6.7	0.0	0.0	6.7	73.3	6.7	0.0	13.3	26.7
Lower Coastal Plain	20	55.0	5.0	20.0	30.0	60.0	10.0	5.0	5.0	40.0
Wiregrass	61	31.1	1.6	68.9	26.2	59.0	21.3	3.3	1.6	31.1
Gulf Coast	13	61.5	0.0	0.0	69.2	46.1	0.0	0.0	0.0	38.5
State	251	41.0	8.8	19.5	25.9	56.2	12.4	3.6	4.0	30.3

Table 9. Portion of Survey Respondents Indicating Income From Selected Production Alternatives Classified by 1984 Gross Sales

1984 Gross Sales, Dollars	Number Responding	Production Alternatives								
		Soybeans	Cotton	Peanuts	Other Crops	Beef	Pork	Dairy	Poultry	Other
		.....Percentages.....								
1 to 2,499	54	18.5	1.9	11.1	9.3	51.8	11.1	0.0	1.9	25.9
2,500 to 4,999	37	29.7	2.2	5.4	37.0	75.7	5.4	0.0	0.0	24.3
5,000 to 9,999	32	40.6	3.1	25.0	6.2	65.6	15.6	0.0	0.0	31.3
10,000 to 19,999	24	62.5	4.2	12.5	33.3	50.0	12.5	0.0	0.0	32.5
20,000 to 39,999	33	48.5	9.1	36.4	48.5	60.6	15.2	0.0	9.1	33.3
40,000 to 99,999	37	51.4	16.2	24.3	32.4	40.5	13.5	2.7	10.8	43.2
100,000 +	34	55.9	25.5	25.5	35.3	50.0	14.7	23.5	5.9	20.6
State	251	41.0	8.8	19.5	25.9	56.2	12.4	3.6	4.0	30.3

Table 10. Portion of Survey Respondents Indicating Income From Selected Production Alternatives Classified by Acres Operated, 1984

Acres Operated	Number Responding	Production Alternatives								
		Soybeans	Cotton	Peanuts	Other Crops	Beef	Pork	Dairy	Poultry	Other
		Percentages								
1 to 49	30	33.3	6.7	16.7	6.7	33.3	10.0	0.0	6.7	30.0
50 to 99	53	30.2	1.9	17.0	30.2	56.4	13.2	0.0	3.8	24.6
100 to 139	27	25.9	3.7	14.8	7.4	63.0	3.7	0.0	7.4	33.3
140 to 259	46	39.1	8.7	21.8	30.4	43.5	15.2	2.2	2.2	34.8
260 to 499	35	37.1	5.7	31.4	37.1	65.7	14.3	8.6	5.7	31.4
500 to 999	36	63.9	13.9	11.1	27.8	75.0	13.9	8.3	2.8	33.3
1000+	20	75.0	35.0	30.0	40.0	55.0	10.0	10.0	0.0	30.0
State	247	41.0	8.8	19.5	25.9	56.2	12.4	3.6	4.0	30.3

Table 11. Portion of Survey Respondents Indicating Income From Selected Production Alternatives Classified by Age of Respondent, 1984

Age Years	Number Responding	Production Alternatives								
		Soybeans	Cotton	Peanuts	Other Crops	Beef	Pork	Dairy	Poultry	Other
		Percentages								
20 to 40	47	51.1	8.5	27.6	42.6	57.4	14.9	6.4	6.4	42.6
41 to 50	49	40.8	2.0	24.5	24.5	57.1	10.2	2.0	2.0	22.4
51 to 60	58	44.8	10.4	15.5	29.3	53.4	10.3	1.7	8.6	36.2
60 +	97	34.0	11.3	15.5	16.5	56.7	13.4	4.1	1.0	24.7
State	251	41.0	8.8	19.5	25.9	56.2	12.4	3.6	4.0	30.3

purchased during specified periods of time. For land purchasers during the last 3 years, those who reported income from soybeans, other crops, beef, and pork appeared to have somewhat more interest in expanding the size of their operations through land purchase. For the 4 to 6-year period respondents receiving income from soybean, other crops, pork, and dairy tended to dominate. Seven to 10 years ago, peanut, other crop, and pork farmers were most likely to have purchased additional land. For the total of a 10-year period, soybean, peanut, other crop, pork, and dairy farmers all enlarged by tne purchase of more land.

Loan Delinquency

Tables 13 to 17 display data which represent the portion of respondents who are not current in either principal or interest payments on real estate mortgage, equipment, or operating loans. The responses in Table 13 are classified by agricultural production area. Respondents from all areas reported some level of delinquency and when the group was viewed in total, 23.1 percent were delinquent in at least one loan category.

Piedmont Area producers appeared to have the greatest problem with regard to real estate debt. They were followed by farmers in the Black Belt and Sand Mountain areas. Sand Mountain farmers appeared to be having the greatest problem with intermediate term (machinery, equipment, and breeding stock) debt, with 26.9 percent delinquent in both principal and interest. Black Belt, Gulf Coast, Sand Mountain, and Piedmont farmers apparently are having the greatest problems handling operating debt. On an overall basis, Limestone Valley farmers appear to be in the best financial condition.

Data presented in Table 14 classify loan delinquency values by 1984 gross sales. The general trend in all debt categories is that the rate of delinquency increases with sales. This trend is somewhat surprising since

Table 12. Portion of Survey Respondents Indicating Income From Selected Production Alternatives Classified by Wether They Purchased Additional Farm Land During Specified Periods

Response to Land Purchase	Number Responding	Production Alternatives								
		Soybeans	Cotton	Peanuts	Other Crops	Beef	Pork	Dairy	Poultry	Other
		.....Percentages.....								
		Land Purchased During Last 3 Years								
Yes	36	52.8	8.4	19.4	39.1	61.1	16.7	5.6	5.6	36.1
No	215	39.1	8.8	19.5	23.7	55.4	11.7	3.3	3.7	29.3
		Land Purchased 4 to 6 Years Ago								
Yes	34	55.9	5.9	20.6	29.4	52.9	26.5	20.6	0.0	32.4
No	217	38.7	9.2	19.4	25.3	56.7	10.1	0.9	4.6	30.0
		Land Purchased 7 to 10 Years Ago								
Yes	50	40.0	10.0	28.0	26.0	50.0	16.0	4.0	4.0	32.0
No	201	41.3	8.5	17.4	15.9	57.7	11.4	3.5	4.0	29.9
		Land Purchased During Last 10 Years								
Yes	97	46.4	9.3	22.7	32.0	55.7	18.6	8.2	4.1	33.0
No	154	37.7	8.4	17.5	22.1	56.5	8.4	0.6	3.9	28.6
State	251	41.0	8.8	19.5	25.9	56.2	12.4	3.6	4.0	30.3

Table 13. Portion of Survey Respondents Who Indicated They Were Not Current in Principal or Interest Payments for Specified Types of Loans Classified by Agricultural Production Area, 1984

Production Area	Number Responding	Type of Loan					
		Real Estate		Machinery, Equipment, Breeding Livestock		Operating	
		Principal	Interest	Principal	Interest	Principal	Interest
		.....Percentages.....					
Limestone Valley	52	11.5	1.9	13.5	3.8	7.6	1.9
Sand Mountain	26	26.9	23.1	26.9	26.9	26.9	23.1
Upper Coastal Plain	40	12.5	15.0	15.0	10.0	17.5	10.0
Black Belt	24	29.2	29.2	20.8	20.8	33.3	29.2
Piedmont	15	40.0	33.3	6.7	6.7	26.7	26.7
Lower Coastal Plain	20	10.0	5.0	15.0	10.0	15.0	10.0
Wiregrass	61	18.0	11.5	16.4	11.5	18.0	14.8
Gulf Coast	13	15.4	15.4	23.1	15.4	30.8	30.8
State	251	15.9	11.9	16.7	12.0	17.5	13.1

Table 14. Portion of Survey Respondents Who Indicated They Were Not Current in Principal or Interest Payments for Specified Types of Loans Classified by 1984 Gross Sales

1984 Gross Sales, Dollars	Number Responding	Type of Loan					
		Real Estate		Machinery, Equipment, Breeding Stock		Operating	
		Principal	Interest	Principal	Interest	Principal	Interest
		.....Percentages.....					
1 to 2,499	54	11.1	9.3	11.1	9.3	11.1	7.4
2,500 to 4,999	37	10.8	10.8	16.2	16.2	16.2	13.5
5,000 to 9,999	32	6.3	6.3	9.4	6.3	9.4	6.3
10,000 to 19,999	24	16.7	16.7	20.8	16.7	16.7	16.7
20,000 to 39,999	33	24.2	15.2	9.1	6.1	15.2	12.1
40,000 to 99,999	37	21.6	13.5	32.4	21.6	35.1	24.3
100,000 +	34	23.5	14.7	20.6	8.8	20.6	14.7
State	251	15.9	11.9	16.7	12.0	17.5	13.1

larger operations are usually thought of as being the most efficient and, therefore, the most likely to be profitable. Perhaps these data reveal that some of the larger farm operations are over capitalized and cannot handle the large debt load created by their investments.

Similar conclusions may be drawn from the data given in Table 15. As the number of acres increases, so does the portion of respondents who indicate they are not current with their debt obligations.

The age classifications given in Table 16 show very little variation. The younger age groups, however, show somewhat higher delinquency levels.

The data given in Table 17 are somewhat surprising in that they do not show the respondents who purchased land during recent years to be consistently more delinquent in principal and interest payments. A smaller portion of those who purchased land during the last 3 years are not current in their real estate debt obligation. The individuals who purchased land during this period, however, were having greater problems in staying current with their intermediate and short term obligations. For all other periods of land purchase, there was not a great difference in deliquency rates between purchasers and nonpurchasers.

Loan Refusals

Data given in tables 18 to 22 reveal the portions of respondents who indicated that they had been turned down for a loan during the past year. For the total of all respondents, 11.2 percent were turned down by at least one lender. The production area classifications in Table 18 reveal that Black Belt respondents had the highest rate of refusals. In the previous set of tables, Piedmont Area producers had the highest rate of delinquency for real estate loans. The fact that those producers are only reporting turn-downs from the Farmers Home Administration could be indicative of their

Table 15. Portion of Survey Respondents Who Indicated They Were Not Current in Principal or Interest Payments For Specified Types of Loans Classified by Acres Operated, 1984

Acres Operated	Number Responding	Type of Loans					
		Real Estate		Machinery, Equipment, Breeding Stock		Operating	
		Principal	Interest	Principal	Interest	Principal	Interest
		Percentages					
1 to 49	30	10.0	13.3	13.3	13.3	16.7	13.3
50 to 99	53	15.1	11.3	13.2	9.4	11.3	7.5
100 to 139	27	3.7	3.7	11.1	7.4	7.4	3.7
140 to 259	46	13.0	8.7	15.2	10.9	15.2	13.0
260 to 499	35	17.1	8.6	14.3	8.6	20.0	14.3
500 to 999	36	25.0	16.7	22.2	13.9	25.0	16.7
1000+	20	35.0	30.0	40.0	30.0	40.0	35.0
State	247	15.9	11.9	16.7	12.0	17.5	13.1

Table 16. Portion of Survey Respondents Who Indicated They Were Not Current in Principal or Interest Payments for Specified Types of Loans Classified by Age of Respondent, 1984

Age Years	Number Responding	Type of Loan					
		Real Estate		Machinery, Equipment, Breeding Stock		Operating	
		Principal	Interest	Principal	Interest	Principal	Interest
		Percentages					
20 to 40	47	14.9	14.9	21.3	19.0	21.3	17.0
41 to 50	49	16.3	10.2	24.5	10.2	18.4	8.2
51 to 60	58	17.2	12.1	15.5	13.8	17.2	13.8
60+	97	15.5	11.3	11.3	23.7	15.5	13.4
State	251	15.9	11.9	16.7	12.0	17.5	13.1

Table 17. Portion of Survey Respondents Who Indicated They Were Not Current In Principal or Interest Payments for Specified Types of Loans Classified by Whether They Purchased Additional Land During Specified Periods

Response to Land Purchase	Number Responding	Type of Loan: Real Estate		Machinery, Equipment Breeding Stock		Operating	
		Principal	Interest	Principal	Interest	Principal	Interest
		Percentages					
				Land Purchased During Last 3 Years			
Yes	36	11.1		2.8	22.2	13.9	27.8	16.7
No	215	16.7		13.5	15.8	11.6	15.8	12.6
				Land Purchased 4 to 6 Years Ago			
Yes	34	17.6		11.8	5.9	2.9	8.8	8.8
No	217	15.7		12.0	18.4	13.4	18.9	13.8
				Land Purchased 7 to 10 Years Ago			
Yes	50	14.0		12.0	14.0	10.0	16.0	10.0
No	201	16.4		11.9	17.4	12.4	17.9	13.9
				Land Purchased During Last 10 Years			
Yes	97	16.5		10.3	16.5	10.3	19.6	12.4
No	154	15.6		13.0	16.9	13.0	16.2	13.6
State	251	15.9		11.9	16.7	12.0	17.5	13.1

Table 18. Portion of Survey Respondents Who Were Turned Down For a Loan During the Past Twelve Months by Specified Lenders Classified by Agricultural Production Area, 1984

Production Area	Number Responding	Type of Lender					
		Bank	Production Credit Assoc.	Federal Land Bank	Insurance Company	Farmers Home Administration	Other
		Percentages					
Limestone Valley	52	5.8	3.8	0.0	0.0	5.8	1.9
Sand Mountain	26	0.0	0.0	0.0	0.0	0.0	0.0
Upper Coastal Plain	40	7.5	0.0	5.0	0.0	5.0	0.0
Black Belt	24	12.5	16.7	12.5	4.2	16.7	0.0
Piedmont	15	0.0	0.0	0.0	0.0	13.3	0.0
Lower Coastal Plain	20	0.0	0.0	0.0	0.0	0.0	0.0
Wiregrass	61	9.8	6.6	1.6	3.3	6.6	1.6
Gulf Coast	13	7.7	15.4	0.0	0.0	15.4	0.0
State	251	6.4	4.8	2.4	1.2	6.8	0.8

level of financial problem. Possibly, they were not turned down by other lenders because they did not approach these other sources of credit.

The rate of loan refusal appears to be somewhat higher for larger operators, Table 19 and Table 20. When viewed in terms of both gross sales and acres operated, greater portions of respondents were turned down as size increased. Also, the category of operators operating the smallest units appeared to have met slight resistance in receiving loans.

When classified by age, those individuals in the oldest category were turned down most consistently by all lenders, Table 21. Commercial banks, Production Credit Associations, and the Farmers Home Administration turned down individuals in all age groups.

Data given in Table 22 indicate that, in general, those who purchased land during the past 10 years were turned down more often for additional loans. This fact is likely related to the higher debt to asset ratios reported in Table 7.

Cause of Financial Difficulties

Respondents were asked to identify and rank the top three causes of the financial difficulties that they and other farmers are facing. Table 23 lists 7 major factors that were mentioned by respondents. The order is based on the number of times each factor was mentioned. A count is also given of the number of times each factor was cited as the primary problem.

Low product prices were given most often as a cause of farmers' financial difficulties. It was listed by 199 (79.3 percent) of the respondents and ranked as the primary factor by 85 (33.9 percent). High interest rates and the high cost of inputs were also listed by over half of those who responded as the major problems that have contributed to the farmers' financial difficulties.

Table 19. Portion of Survey Respondents Who Were Turned Down for a Loan During the Past Twelve Months by Specified Lenders Classified by 1984 Gross Sales

1984 Gross Sales, Dollars	Number Responding	Type of Lenders					
		Bank	Production Credit Assoc.	Federal Land Bank	Insurance Company	Farmers Home Administration	Other
		Percentages					
1 to 2,499	54	1.9	1.9	1.9	0.0	1.9	0.0
2,500 to 4,999	37	2.7	2.7	0.0	2.7	5.4	2.7
5,000 to 9,999	32	0.0	0.0	0.0	0.0	0.0	0.0
10,000 to 19,999	24	0.0	0.0	0.0	0.0	4.2	0.0
20,000 to 39,999	33	9.1	3.0	3.0	0.0	12.1	0.0
40,000 to 99,999	37	10.8	10.8	2.7	0.0	13.5	2.7
100,000 +	34	20.6	14.7	8.8	5.9	11.7	0.0
State	251	6.4	4.8	2.4	1.2	6.8	0.8

Table 20. Portion of Survey Respondents Who Were Turned Down For a Loan During the Past Twelve Months by Specified Lenders Classified by Acres Operated, 1984

Acres Operated	Number Responding	Type of Lender					
		Bank	Production Credit Assoc.	Federal Land Bank	Insurance Company	Farmers Home Administration	Other
		Percentages					
1 to 49	30	0.0	0.0	0.0	0.0	0.0	0.0
50 to 99	53	7.5	7.5	1.9	1.9	7.5	3.8
100 to 139	27	3.7	0.0	3.7	0.0	11.1	0.0
140 to 259	46	4.3	2.2	0.0	0.0	2.2	0.0
260 to 499	35	8.6	5.7	0.0	0.0	8.6	0.0
500 to 999	36	8.3	8.3	5.6	2.8	8.3	0.0
1000+	20	15.0	10.0	10.0	5.0	15.0	0.0
State	247	6.4	4.8	2.4	1.2	6.8	0.8

Table 21. Portion of Survey Respondents Who Were Turned Down for a Loan During the Past Twelve Months by Specified Lenders Classified by Age of Respondent, 1984

Age Years	Number Responding	Type of Lenders					
		Bank	Production Credit Assoc.	Federal Land Bank	Insurance Company	Farmers Home Administration	Other
		Percentages					
20 to 40	47	6.4	8.5	2.1	2.1	4.2	0.0
41 to 50	49	10.2	4.1	2.0	0.0	6.1	2.0
51 to 60	58	5.2	1.7	0.0	1.7	6.9	1.7
60+	97	5.2	5.2	4.1	1.0	8.2	0.0
State	251	6.4	4.8	2.4	1.2	6.8	0.8

Table 22. Portion of Survey Respondents Who Were Turned Down For a Loan During The Past Twelve Months by Specified Lenders Classified by Whether They Purchased Additional Land During Specified Periods

Response to Land Purchase	Number Responding	Type of Lenders					
		Bank	Production Credit Assoc.	Federal Land Bank	Insurance Company	Farmers Home Administration	Other
		.....Percentages.....					
		Land Purchased During Last 3 Years					
Yes	36	5.6	8.3	2.8	0.0	2.8	0.0
No	215	6.5	4.2	2.3	1.4	7.5	0.9
		Land Purchased 4 to 6 Years Ago					
Yes	34	11.8	5.9	5.9	2.9	8.8	0.0
No	217	5.5	4.6	1.8	0.9	6.5	0.9
		Land Purchased 7 to 10 Years Ago					
Yes	50	6.0	2.0	0.0	2.0	8.0	2.0
No	201	6.5	5.5	3.0	1.0	6.5	0.5
		Land Purchased During Last 10 Years					
Yes	97	9.3	6.2	3.1	2.1	8.2	1.0
No	154	4.5	3.9	1.9	0.6	5.8	0.6
State	251	6.4	4.8	2.4	1.2	6.8	0.8

Table 23. Primary Causes of Financial Difficulties Facing Farmers

Causal Factor	Number of Times Reported As Important Factor	Number of Times Reported As # 1 Factor
Product Prices	199	85
Interest Rates	142	19
Cost of Inputs	138	23
Weather	114	22
Over Leveraged	82	10
Management	69	10
Land Prices	27	1

Expect to Leave Farming

Respondents were asked to indicate if they expected to leave farming during the next 5 years. Data given in tables 24 through 28 reflect an alarmingly large number of farmers who expect to exit farming in the near future. The highest portion was in the Limestone Valley, Table 24. This is somewhat surprising since earlier data indicated that these farmers had the lowest rates of delinquency. Lower Coastal Plain respondents gave the lowest expected exit rate at 30.0 percent.

Those producers in the gross sales ranges between $5,000 and $40,000 appear to have the strongest desire to leave farming, Table 25. Also, those in the highest sales category, $100,000+, exhibit a strong tendency toward giving up.

When categorized by acres operated, those who farm between 140 and 499 acres display the greatest probability of leaving farming during the next 5 years, Table 26. There is very little difference among the other size groups.

Hopefully, the majority of those who are planning to leave agriculture during the next 5 years would come from the oldest age group. Data in Table 27 indicate that slightly over half of the 60+ age group do plan to leave, but this still leaves a significant number of those planning to leave to come from the younger producers. The seriousness of the problem is emphasized when it is noted that 27.7 percent of the youngest group indicated they planned to leave farming.

When categorized by purchase of land in recent years, results were not surprising, Table 28. In all cases, those who had purchased indicated a greater willingness to remain in agriculture.

Retirement and financial problems were the major reasons given for the

Table 24. Portion of Survey Respondents Who Indicated They Would Leave Farming in the Next Five Years Classified by Agricultural Production Area, 1984

Production Area	Number Responding	Percentage Who Expect to Leave
Limestone Valley	52	44.2
Sand Mountain	26	38.5
Upper Coastal Plain	40	32.5
Black Belt	24	41.7
Piedmont	15	33.3
Lower Coastal Plain	20	30.0
Wiregrass	61	39.3
Gulf Coast	13	38.5
State	251	38.3

Table 25. Portion of Survey Respondents Who Indicated They Would Leave Farming in the Next Five Years Classified by 1984 Gross Sales

1984 Gross Sales, Dollars	Number Reporting	Percentage Who Expect to Leave
1 to 2,499	54	37.0
2,500 to 4,999	37	29.7
5,000 to 9,999	32	46.9
10,000 to 19,999	24	37.5
20,000 to 39,999	33	48.5
40,000 to 99,999	37	35.1
100,000 +	34	35.3
State	251	38.3

Table 26. Portion of Survey Respondents Who Indicated They Would Leave Farming in the Next Five Years Classified by Acres Operated

Acres Operated	Number Reporting	Percentage Who Expect to Leave
1 to 49	30	36.7
50 to 99	53	37.7
100 to 139	27	37.0
140 to 259	46	41.3
260 to 499	35	45.7
500 to 999	36	36.1
1000 +	20	35.0
State	247	38.3

Table 27. Portion of Survey Respondents Who Indicated They Would Leave Farming in the Next Five Years Classified by Age of Respondent

Age, Years	Number Responding	Percentage Who Expect to Leave
20 to 40	47	27.7
41 to 50	49	32.7
51 to 60	58	29.3
60 +	97	51.5
State	251	38.3

Table 28. Portion of Survey Respondents Who Indicated They Would Leave Farming in the Next Five Years Classified by Whether They Purchased Additional Land During Specified Periods

Response to Land Purchase	Number Responding	Percentage Who Expect to Leave
	Land Purchased During Last 3 Years	
Yes	36	36.1
No	215	38.6
	Land Purchased 4 to 6 Years Ago	
Yes	34	35.3
No	217	38.7
	Land Purchased 7 to 10 Years Ago	
Yes	50	34.0
No	201	39.3
	Land Purchased During Last 10 Years	
Yes	97	36.1
No	154	39.6
State	251	38.3

desired exit from farming, Table 29. An examination of the "other" factors given by 25 of the respondents revealed that most were related to financial and profit-oriented problems.

SUMMARY

The financial situation faced by Alabama farmers, in general, is indeed serious. Of course, as with any industry, examples can be found where large profits are being made. The data presented in this report illustrate clearly, however, that the Alabama agricultural economy is not strong. The debt to asset ratio has grown significantly from its typical 15 to 17 percent level to 28.5 percent.

A large number, 38.3 percent, of the farmers who responded to the survey reported that they would likely leave farming in the next 5 years. They indicated that low product prices, coupled with high interest rates and high input costs, were the major factors causing their financial problems.

Declining asset values in agriculture are serving to further erode the solvency of agricultural producers. This loss of wealth has caused lenders to look more closely at agricultural loans and show increased concern for profitability and repayment ability. The price and cost structure in agriculture of recent years has made the probability of profits very low for many farmers, thus affecting the farmers' ability to retire existing debt or secure additional fundings for necessary operations.

Table 29. Primary Reasons for Leaving Farming

Reason for Leaving	Number of Times Reported as Important Factor	Percentage of Total Who Will Leave
Retirement	44	45.8
Financial Problems	42	43.8
Health	21	21.9
Other	25	26.0

APPENDIX A

QUESTIONNAIRE USED FOR DATA COLLECTION

1984 ALABAMA FARM FINANCE SURVEY

1. In what county is most of your farming operation located? _____

2. Your current age? (Check one)

20-25	26-30	31-35	36-40	45-50	51-60	Over 60
☐	☐	☐	☐	☐	☐	☐

3. Is farming a primary source of income? A. Yes____ B. No____, If no, go to question 5.

4. How many years has farming been your primary source of income? (Check one)

Under 5	5-10	Over 10	Years
☐	☐	☐	

5. What percent of your 1983 gross farm sales from each of these sources?

Soybeans.....____%
Cotton.....____%
Peanuts.....____%
Other Crops.....____%
Beef.....____%
Pork.....____%
Dairy.....____%
Poultry.....____%
Other_____.....____%
(Specify)
TOTAL 100%

6. What was the value of gross sales from your farming operation in 1982 and 1983 (including government payments but excluding sales of capital items).....1982.....$____
1983.....$____
Estimated 1984.....$____

7. How much did you spend for cash operating expenses in.....1982.....$____
(exclude purchases of capital items) 1983.....$____
Estimated 1984.....$____

8. 1983 TOTAL NON-FARM INCOME.....Wife.....$____
Husband.....$____

9. How many acres do you:

A. Own.....____acres
B. Rent From Others.....____acres
C. Rent to Others.....____acres
Total Land You Operate (Item A + B - C).....____acres

10. How many acres of land did you purchase:

During the last three years?.....____acres
4 - 6 years ago?.....____acres
7 - 10 years ago?.....____acres

11. What is the current market value of assets that you own?

Real estate (land and buildings).....$____
Machinery.....$____
Livestock.....$____
Stored crops, feed, seed, and supplies.....$____
Financial assets (i.e. checking accounts, stocks, bonds)....$____
Other_____.....$____
(specify)

12. How much outstanding debt do you currently have in each category?

	Amount	Annual Rate of Interest
Farm real estate debt	$_____	_____%
Farm machinery, equipment, and breeding stock	$_____	_____%
Farm operating loans	$_____	_____%
Other_____ (specify)	$_____	_____%

13. Are your debt payments current?

		Yes	No
A. Real Estate Debt	principal	_____	_____
	interest	_____	_____
B. Machinery, equipment, and breeding stock	principal	_____	_____
	interest	_____	_____
C. Operating loans	principal	_____	_____
	interest	_____	_____

14. What do you feel are the primary causes of the financial difficulties farmers find themselves in? (Rank the top 3 in order by using 1, 2, 3)

_____ weather
_____ prices for farm products
_____ interest rates
_____ cost of inputs
_____ land prices
_____ management
_____ over leveraged (too much debt)
_____ other_____ (specify)

15. Have you been turned down for a loan during the past 12 months by any of the following lenders?

	YES	NO	DID NOT APPLY FOR LOAN
Local Bank	_____	_____	_____
Production Credit Assoc.	_____	_____	_____
Federal Land Bank	_____	_____	_____
Insurance Company	_____	_____	_____
Farmers Home Admin.	_____	_____	_____
Other_____ (specify)	_____	_____	_____

16. Are you currently a FmHA borrower?_____ YES _____ NO

If yes, type of loans:

_____emergency

_____operating

_____farm ownership

17. Do you believe you will leave farming in the next 5 years?_____ YES _____ NO

If Yes, what do you anticipate will be the reason you will leave farming? (check one)

Retirement_____
Health_____
Financial Problems_____
Other_____ (specify)_____

Comments:_____

_____