

Speech by  
Remarks of Honorable Bob Dole <sup>in</sup> on the floor of the House  
of Representatives, March 8, 1967.

(Notes for Representative Dole)

The Farm Credit System - @ <sup>fifty</sup> Successful years

Mr. Speaker, during this year of 1967 the Federal land banks are observing their fiftieth anniversary. This is a Golden Anniversary of deep significance to all the people of the United States and indeed, as I shall explain, to people in many parts of the world because it marks a half-century of economic independence for agriculture.

In reality, this is the fiftieth anniversary of the entire Farm Credit System, a unique mechanism designed to transform private investment into farm production. The twelve Federal land banks are the senior members of the Farm Credit System, which has enabled farmers and ranchers to utilize capital as a means of increasing both their actual output and their capacity to produce more food and fiber.

It was in Wichita, Kansas, that the first Federal land bank was chartered and it was in the First Congressional District of Kansas where the nationwide, long-term loan operations of the Federal land banks first went to work for American agriculture, with the chartering of the local land bank association in Larned, Kansas, on March 27, 1917.

To commemorate that event, an important national convocation of agricultural and financial leaders will highlight a day-long community celebration in Larned <sup>on</sup> ~~this coming Tuesday~~ Monday, March 27. It will be a day worthy of the nation's attention as the half-century results of sound farm financing are reviewed and as the prospect and challenges for American agriculture in the years ahead are considered.

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*Federal Farm Loan Act of 1916*

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Fifty years ago, United States agriculture was in a generally deplorable condition. Most farmers operated at bare subsistence levels and lacked the financial resources to take advantage of mechanical advances offered by the advent of the automobile and related motorized equipment which could replace horsepower, mulepower, and manpower on farms.

The great majority of farmers were considered by lenders to be poor financial risks because they were poor producers; and they were poor producers because as poor risks they could not find access to the capital they needed to improve their operations. Thus, at the very time when World War I pressures were mounting and demands for vast increases in food and fiber were foreseen, our agricultural economy was caught in a vicious circle of stagnation, marginal income, and lack of credit.

The enactment of the Federal Farm Loan Act of 1916 and the establishment of the twelve Federal land banks and their hundreds of local associations in 1917 broke that pattern. For the first time in history, farmers and ranchers were enabled to obtain long-term, low-cost, real estate financing on a nationwide basis. The way was paved for transforming agriculture into a dynamic business enterprise.

Loans to individual farmers were made and serviced--as they are today--through local organizations of member-borrowers, such as the Federal Land Bank Association of Iarned. This meant that in addition to obtaining his loan, the borrower also received cooperation and encouragement from his fellow farmers.

*Formula for Farmer Investment*  
While much of the initial capital for this system was subscribed by the Government, the formula for farmer investment in the associations and banks

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anticipated the retirement of the Government subscription. That formula, still effective today, provided that farmers not only put up adequate collateral but also invest in the system's capital stock, in an amount equal to 5 per cent of their loans. Dividends are paid on the stock and it is retired at par value when the loan has been repaid in full.

In this manner, the farmer or rancher borrowing from the land bank system has an immediate, vested interest in its successful operation. He has a voice in his association's policies and management; the associations in turn help direct the operations of their respective banks by electing members to the district Farm Credit Board of Directors. The entire system thus became intimately and integrally concerned with the task of moving American agriculture forward to ever greater levels of achievement.

In the time since the first farm loan was issued to a stockman in Iarned, Kansas, more than 2 million farmers and ranchers have been benefited by land bank loans totaling well in excess of \$12 billion. As of the present, some 390,000 long-term mortgages are held by member-borrowers; the amount of loans outstanding runs well over \$5 billion.

This is not Government money, Mr. Speaker, but private investment by individuals, insurance companies, commercial banks, foundations and similar purchasers of Federal land bank bonds. All Government funds, utilized originally as "seed money" when the system began, and later to provide emergency assistance to farmers during the depression of the 1930s, have long since been paid back to the U. S. Treasury. The final payments were made in 1947, the year when the land banks and associations became fully owned by those whom the system was designed to serve--the American farmers.