

FARM CREDIT ACT OF 1972: How It Affects Fishing Industry

Fred L. Olson

The Farm Credit Act of 1971 was one of the most important pieces of legislation for the U.S. commercial fishing industry to pass the first session of the 92nd Congress. Before, fishermen building a new boat, replacing an engine, or buying new gear had to depend for financial help on credit from their own savings, relatives or individuals, the builder or retailer, loan companies, insurance companies, commercial banks, or the National Marine Fisheries Service (NMFS). Now, producers or harvesters of aquatic products can also go directly to their local Production Credit Association for financing--and fishery cooperatives can go directly to the district Bank for Cooperatives serving their area.

Many questions have been raised because the Farm Credit Act of 1971 and the Farm Credit System are so new to the fishing industry. The following are answers to most of the questions that have been raised by the U.S. fishing industry.

- Q. How does the Farm Credit Act of 1971 affect the fishing industry?
- A. For the first time, it opens up services of, and membership in, the Farm Credit System to all qualified producers or harvesters of aquatic products and their cooperatives. Before this Act, only fish farmers, such as trout farmers, catfish farmers, and clam and oyster producers with ownership or leases of beds could borrow from the Farm Credit System. Cooperatives of these members can borrow from the Banks for Cooperatives.
- Q. Is this Farm Credit System a Government Agency?
- A. No. It is a nationwide, Federally chartered cooperative banking system owned and controlled by its borrowers. It is

supervised and examined by the Farm Credit Administration, an independent Agency in the Executive Branch of the Federal Government.

- Q. Who owns the Farm Credit System?
- A. The farmers and farmer cooperatives who borrow from it are its sole owners. Each borrower is required to purchase some stock in the Farm Credit System or participate in a stock purchase plan to help capitalize its Banks and Associations.
- Q. Is there Federal funding involved in the Federal Credit System?
- A. It was started with Federal capital but, with several changes in the law, all of the Federal capital was paid back to the Federal Government by December 31, 1968. Since then, no Federal funds have been involved. In fact, the Farm Credit Banks are assessed to finance the operations of the Farm Credit Administration. Thus, the System is fully self-supporting.
- Q. Where does the Farm Credit System obtain the money it loans to eligible farmers, ranchers, cooperatives, and fishermen?
- A. It sells bonds, notes, and debentures in the New York money markets to obtain funds to loan to fishermen, farmers, and ranchers. It also lends money from the stock and equities that the borrowers have invested in the Banks and Associations of the System. It borrows some funds for re-lending from commercial banks and other financial institutions.
- Q. What are the interest rates paid for these loans?

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- A. The interest rate varies with the Farm Credit district, the length of the loan, and other factors. These interest rates depend on the cost of borrowing money from the New York money markets and operating costs, including reserve requirements.
- Q. Is there a Federal guarantee on these loans, notes, and debentures?
- A. There is no Federal guarantee of Farm Credit debentures, bonds, or loans either as to principal or interest. These obligations are collateralized by the notes and mortgages of borrowers.
- Q. To Whom do I apply?
- A. Production Credit Associations are local organizations that lend money directly to fishermen, farmers, and ranchers.
- Q. How important have these Production Credit Associations become in the agricultural financial picture?
- A. The local Production Credit Associations loaned over \$9 billion to farmers and ranchers during the year ended December 31, 1971.
- Q. What are the terms when borrowing from the Farm Credit System?
- A. Loans are made by the local Production Credit Associations for very short terms up to as long as 7 years maturity.
- Q. How much can an individual borrow from a local Production Credit Association?
- A. Loans are made on an individual basis in amounts to meet the needs of borrowers--depending on their ability to use the credit constructively, their integrity and financial condition, the collateral offered as security, their productive capacity, and their debt-repayment ability.
- Q. Can a fisherman only borrow money on his vessel?
- A. No. A qualified fisherman can borrow money to finance his general business operations, which might include a pier, building, or a freezer, or a truck, and operating costs, including family living requirements.
- Q. How much red tape is involved in obtaining a loan?
- A. Complete financial and other operating information similar to that required by any commercial bank or financial institution is needed. A fisherman would need to indicate the purpose of the loan and present a balance statement showing his assets, debts, and net worth; some recent costs and earnings statements similar to income tax returns; an expected business volume and net cash flow projection to demonstrate how and when he would pay back the loan, and information regarding collateral security offered for the loan.
- Q. Can a fisherman borrow money for buying, building, or remodeling his home?
- A. Yes, if the home is located in a "rural area." In this case, he could apply for such credit from the local Federal Land Bank Association.
- Q. Can the fishery cooperatives also borrow from the Production Credit Association?
- A. No. The fishery cooperatives would apply directly to the district Banks for Cooperatives, which are located at the same address as the Federal Intermediate Credit Bank.
- Q. When was the Farm Credit System started?
- A. It was started during World War I when the Federal Land Banks were established. It was capitalized initially as a result of the Federal Farm Loan Act of 1916. In 1923, the Federal Intermediate Credit Banks were started. The Banks for Cooperatives and Production Credit Associations were started with the Farm Credit Act of 1933.

Q. How can I contact my local Production Credit Association?

A. First, try the yellow pages of your local telephone directory. If you are unsuccessful, write to the President of a Federal Intermediate Credit Bank in your area. The names and addresses are listed below for the entire United States.

States: Maine, Vermont, New Hampshire, New York, Massachusetts, Connecticut, Rhode Island, New Jersey.

Address: Federal Intermediate Credit Bank
of Springfield
Box 141
Springfield, Massachusetts 01101

States: Pennsylvania, Maryland, Virginia, West Virginia, Washington, D.C., Delaware, Puerto Rico.

Address: Federal Intermediate Credit Bank
of Baltimore
Box 1555
Baltimore, Maryland 21203

States: North Carolina, South Carolina, Georgia, Florida.

Address: Federal Intermediate Credit Bank
of Columbia
Box 1060
Columbia, South Carolina 29202

States: Indiana, Ohio, Kentucky, Tennessee.

Address: Federal Intermediate Credit Bank
of Louisville
P. O. Box 1380
Louisville, Kentucky 40201

States: Iowa, Nebraska, South Dakota, Wyoming.

Address: Federal Intermediate Credit Bank
of Omaha
206 South 19th Street
Omaha, Nebraska 68102

States: Colorado, Kansas, New Mexico, Oklahoma.

Address: Federal Intermediate Credit Bank
of Wichita
Box 2035
Wichita, Kansas 67201

States: Texas

Address: Federal Intermediate Credit Bank
of Houston
Box 2626
Houston, Texas 77001

States: Arizona, California, Nevada, Utah, Hawaii.

Address: Federal Intermediate Credit Bank
of Berkeley
Box 771
Berkeley, California 94701

States: Idaho, Oregon, Washington, Alaska, Montana.

Address: Federal Intermediate Credit Bank
of Spokane
West 705 First Avenue
Spokane, Washington, 99204.

