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FARM CREDIT ADMINISTRATION

COSTS OF THE FARM CREDIT ADMINISTRATION

INCOME AND EXPENSE DATA FOR FARM CREDIT INSTITUTIONS

MONEY COSTS AND FINANCING OPERATIONS

FOR CONFERENCE OF FARM CREDIT BOARD DIRECTORS
ASHEVILLE, N. C. OCTOBER 8-11, 1951

FOREWORD

This booklet contains data on the cost of the Farm Credit Administration, income and expenses of Farm Credit institutions, and money costs for selected periods. The committee of Farm Credit directors at its meeting in Washington, D. C., August 6-8, 1951, requested that this information be assembled for use at the Directors' Conference to be held in October at Asheville, N. C., and asked that, if possible, it be submitted to the directors prior to the September board meetings.

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PART I

Costs of the Farm Credit Administration for the fiscal year 1951, including comparisons with costs for other selected years

FARM CREDIT ADMINISTRATION

Costs for the fiscal year 1951, including comparisons with costs for other selected years.

In 1950 a comprehensive report on the functions and costs of the Farm Credit Administration, which includes employees in Washington, employees in the district offices of the registrars, reviewing appraisers and resident examiners, and the field examiners, was prepared for use by the committee of Farm Credit directors. This report has not been revised this year as there have been no changes in the organization or major functions of the Farm Credit Administration and only minor refinements in the costing procedures. However, the statements A through D, which were included at the end of last year's report showing estimated cost data for the fiscal year 1950, have been revised to show actual cost data for the fiscal year 1951. Also, new statement E has been prepared reflecting the average number of employees (man years) and certain cost data for each fiscal year 1940 through 1951, and statement F which shows the allocation to Farm Credit institutions of actual supervisory and service costs and examination costs for each fiscal year 1944 through 1950. These statements are attached, as is statement G, which was prepared for the budget hearings and which compares the average number of employees (man years) and salary costs of the Farm Credit Administration and the Farm Credit institutions, and the volume of business of the institutions, in 1940 with estimates for 1952.

Statement A reflects the actual costs (final settlement costs net of reimbursements from other agencies) of the Farm Credit Administration for the fiscal year 1951 by objects of expense. Salaries of $2,338,229 accounted for about 85 percent of the total costs of $2,729,252, travel expenses 9 percent, and all other costs 6 percent.

Statement B compares the average number of employees (man years), actual salary and travel costs of the various divisions of the Farm Credit Administration, and total actual costs for 1951 with comparable data for 1940. The man years and costs applicable to the functions in 1940 which were not performed by the Farm Credit Administration in 1951 have been excluded from the 1940 data in making these comparisons. During these 12 years both personnel and costs were reduced substantially, with all divisions showing reductions in personnel, some as high as 80 percent. The functions performed in 1951 required 447 employees and cost $2,729,252, whereas the same functions in 1940 required 1,308 employees and cost $4,018,500 - a reduction of 65 percent in personnel and 32 percent in costs over the 12-year period. Costs did not decrease in proportion to personnel strength, primarily for two reasons; (1) with the reduction in personnel the proportion of employees in the higher grade jobs increased due to the nature of the supervisory and examination activities, and (2) the salaries of employees retained were increased by statutory pay raises and within grade increases required by law.

Statement C shows the allocation to Farm Credit institutions and to appropriations from U. S. Treasury of administrative expense funds of the Farm Credit Administration authorized by Congress, total actual costs, and savings for the fiscal year 1951. Section 601 of the Department of Agriculture Organic Act of 1944 directs the Farm Credit Administration to estimate and apportion equitably its expenses for the ensuing fiscal year to the institutions comprising the Farm Credit system, to assess in advance the amounts so apportioned, and at the end of the year to allocate its actual expenses equitably and make necessary adjustments for the differences between the advance assessments and the allocations of actual expenses. In 1951 expenses were $175,748 less than funds authorized, of which $121,309 will be distributed to Farm Credit institutions and $54,439 to appropriations from the U. S. Treasury. These savings were due primarily to not filling all of the positions in the budget approved by Congress. The additional assessments to certain institutions shown in column 3 of the statement represent examination costs not covered by advance assessments; these institutions either do not participate, or do not participate directly in other supervisory and service costs.

Statement D shows the allocation to Farm Credit institutions and to appropriations from U. S. Treasury of actual examination costs and all other costs (costs of supervising and furnishing facilities and services to Farm Credit institutions and providing research and technical assistance to farmer cooperatives) for the fiscal year 1951. The allocation of examination costs was estimated by the Chief Examiner and will be revised to reflect the actual distribution based on examiners' time reports for 1951 when such reports are available. The distribution of other costs was made on predetermined overall percentages established by a comprehensive analysis of the activities and costs of the Farm Credit Administration. Of the total costs, 80.74 percent was allocated to Farm Credit institutions and 19.26 percent to appropriations from the U. S. Treasury. This compares with 82.38 percent assessed to institutions and 17.62 percent paid by appropriated funds in 1950. The only other appreciable change from 1950 to 1951 in the percentage distribution was the drop from 7.99 to 5.75 in the percent of other costs allocated to the Federal Farm Mortgage Corporation. This was due to the decrease in the activities performed for that institution. Examination costs applicable to the district offices of the Federal Farm Mortgage Corporation are included in the assessments to the Federal land banks and are recovered by the banks through their contracts with the Corporation.

Statement E shows the average number of employees (man years), average salary, and salaries and other costs of the Farm Credit Administration for each fiscal year 1940 through 1951. The man-years and cost figures represent actual obligations shown in the budget submissions including reimbursements from agencies other than Farm Credit institutions, adjusted for comparability with 1951, rather than final settlement costs net of reimbursements from other agencies as shown in statements A through D. The general trend in man-years and costs during the 12-year period was downward; man-years decreased

each year and salaries and total costs decreased in all except 3 years (1947,1949, and 1950). Average salary costs increased each year beginning in 1942, with the total increase for the 12 years being over 100 percent. A discussion of the decreases in man-years and costs and the resulting increases in average salaries was given in connection with statement B.

Statement F shows the allocation to Farm Credit institutions of actual supervisory and service costs and examination costs (final settlement costs) for each fiscal year 1944 through 1950. The allocated amounts in this statement are comparable with those in statement D for the fiscal year 1951 but the percentages are not. The percentages in statement F are based on total assessable costs, whereas those in statement D are based on total costs including the amount allocated to appropriated funds. The total amount of costs allocated to institutions supervised during this 7-year period varied from a high of $2,531,200 in 1944 to a low of $2,079,404 in 1948. Total costs allocated in 1950 were $2,208,578; this compares with $2,203,691 for 1951 shown in statement D.

Statement G compares the average number of employees (man years) and salary costs of the Farm Credit Administration and the Farm Credit institutions, and the volume of business of the institutions, in 1940 with estimates for 1952. The man-years and costs applicable to Farm Credit Administration functions in 1940 which will not be performed in 1952 have been excluded from the 1940 data in making these comparisons. The estimated number of employees in the Farm Credit Administration and the Farm Credit institutions for the fiscal year 1952 is approximately 62 percent less than the number of employees in 1940 for comparable functions, and the total cost of personal services about 26.5 percent less. On the other hand, the combined volume of business handled by all of the institutions has increased substantially.

FARM CREDIT ADMINISTRATION

Statement A - Actual Costs a/ by Object Classification

Fiscal Year 1951

Object	Amount
Salaries	$2,338,229
Travel	246,976
Transportation of things	2,656
Communication services	17,035
Rents and utility services	10,724
Printing and reproduction	72,432
Other contractual services	22,680
Supplies and materials	15,805
Equipment	2,288
Refunds, awards, and indemnities	100
Taxes and assessments	327
Total costs	2,729,252

Statement B - Comparison of Actual Man-Years and Costs a/

Fiscal Years 1940 and 1951

Division or Office	1940 b/		1951	
	Man-years	Cost	Man-years	Cost
Salaries and Travel:				
Governor's Office	18	$ 85,900	16	$ 113,433
Land Bank Division c/	146	596,200	60	443,169
Intermediate Credit Division	11	57,200	6	48,961
Production Credit Division	26	127,500	16	108,949
Cooperative Division	20	84,800	9	69,550
Cooperative Research and Service Division	85	305,000	61	345,444
Examination Division c/	196	777,600	100	652,882
Finance and Accounts Division c/	324	739,900	92	445,903
Administrative Division	366	661,000	56	196,484
Personnel Division	49	121,800	10	52,245
Economic and Credit Analysis Division	37	106,700	11	56,743
Information and Extension Division	30	94,700	10	51,442
Total Salaries and Travel	1,308	3,758,300	447	2,585,205
General Administrative Costs (all other)		260,200		144,047
Total Costs		4,018,500		2,729,252

a/ Final settlement basis.
b/ Adjusted for comparability with 1951.
c/ Includes field employees:

	1940		1951	
Land Bank Division	41	$210,000	34	$257,763
Examination Division	139	612,500	84	567,184
Finance and Accounts Division	84	194,400	30	155,440
Total	264	1,016,900	148	980,387

U. S. Department of Agriculture - Farm Credit Administration - Finance and Accounts Division.

September 26, 1951

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Statement C - Authorized Funds, Actual Costs a/, and Savings

By Source of Funds

Fiscal Year 1951

Source of Funds	Authorized Funds	Actual Costs	Savings, or Additional Assessments (-)
Assessments from Farm Credit Institutions:			
Federal land banks	$1,320,100	$1,210,790	$109,310
Federal Farm Mortgage Corporation	131,500	120,391	11,109
Federal intermediate credit banks	269,900	267,555	2,345
District banks for cooperatives	193,400	187,476	5,924
Central Bank for Cooperatives	45,000	42,313	2,687
Production credit corporations	246,900	228,244	18,656
Production credit associations	107,900	132,622	-24,722
General agents' offices	10,300	12,000	-1,700
Joint stock land banks	-	500	-500
Audit of District Institutions' Retirement Funds	-	1,800	-1,800
Total assessments	2,325,000	2,203,691	121,309
Appropriations from U. S. Treasury	580,000	525,561	54,439
Total	2,905,000	2,729,252	175,748

a/ Final settlement basis.

U. S. Department of Agriculture -
Farm Credit Administration - Finance and Accounts Division. August 1, 1951

FARM CREDIT ADMINISTRATION

Statement D - Actual Costs a/ by Activity and Source of Funds

Fiscal Year 1951

Activity Source of Funds	Actual Costs					
	Examination		All Other		Total	
	Percent	Amount b/	Percent c/	Amount	Percent	Amount
Supervision and Examination of and Facilities and Services to Farm Credit Banks and Corporations						
Assessments from Farm Credit Institutions:						
Federal land banks	56.14	$366,538	40.66	$844,252	44.36	$1,210,790
Federal Farm Mortgage Corporation	0.15	d/ 1,000	5.75	119,391	4.41	120,391
Federal intermediate credit banks	10.64	69,469	9.54	198,086	9.80	267,555
District banks for cooperatives	6.77	44,207	6.90	143,269	6.87	187,476
Central Bank for Cooperatives	0.60	3,900	1.85	38,413	1.55	42,313
Production credit corporations	2.90	18,946	10.08	209,298	8.36	228,244
Production credit associations	20.31	132,622	-	-	4.86	132,622
General agents' offices	1.84	12,000	-	-	0.44	12,000
Joint stock land banks	0.08	500	-	-	0.02	500
Audit of District Institutions' Retirement Funds	0.28	1,800	-	-	0.07	1,800
Total assessments for this activity	99.71	650,982	74.78	1,552,709	80.74	2,203,691
Research and Technical Assistance, including Facilities and Services to Farmers' Cooperatives						
Appropriations from U. S. Treasury for this activity	0.29	1,900	25.22	523,661	19.26	525,561
Total costs	100.00	652,882	100.00	2,076,370	100.00	2,729,252

a/ Final settlement basis.
b/ Chief Examiner's distribution of actual costs; the percentages shown were computed from this distribution.
c/ Approved predetermined percentages.
d/ This is the cost of examination of FFMC central office accounts. The cost of examination of the FFMC district office accounts are distributed to the FLB's and are recovered by the banks under their contracts with the FFMC.

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Statement E - Administrative Costs a/

Fiscal Years, 1940-1951

Fiscal year	Average number of employees (man-years)	Average salary	Costs		
			Salaries	Other	Total
1940	1,308	$2,582	$3,376,259	$642,249	$4,018,508
1941	1,271	2,546	3,236,282	629,390	3,865,672
1942	1,162	2,625	3,050,301	554,345	3,604,646
1943	1,002	2,878	2,883,265	519,740	3,403,005
1944	806	3,324	2,679,762	397,996	3,077,758
1945	739	3,461	2,556,053	361,169	2,917,222
1946	694	3,556	2,467,640	389,443	2,857,083
1947	655	4,090	2,681,076	383,434	3,064,510
1948	536	4,374	2,344,490	357,449	2,701,939
1949	492	4,830	2,377,164	344,895	2,722,059
1950	468	5,082	2,378,544	413,839	2,792,383
1951	447	5,243	2,343,521	393,272	2,736,793

a/ Obligation basis including reimbursements from agencies other than Farm Credit institutions; adjusted for comparability with 1951.

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FARM CREDIT ADMINISTRATION

Statement F - Distribution of Supervision and Service Costs and Examination Costs a/, Applicable to Farm Credit Institutions

Fiscal Years 1944-1950

Fiscal year	Detail	Distribution by institutions, showing percent of total																	
		FLBs		FFMC		FICBs		DBCs		CBC		PCCs		PCAs		OTHER b/		TOTAL	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1944	Supervision	$747,216	38.0	$620,618	31.5	$197,509	10.0	$117,039	6.0	$55,644	2.8	$229,589	11.7	-		-		$1,967,615	100.0
	Examination	393,137	69.8	19,677	3.5	36,813	6.5	15,060	2.7	1,201	0.2	6,872	1.2	$70,638	12.5	$20,187	3.6	563,585	100.0
	Total	1,140,353	45.1	640,295	25.3	234,322	9.3	132,099	5.2	56,845	2.2	236,461	9.3	70,638	2.8	20,187	0.8	2,531,200	100.0
1945	Supervision	702,293	38.8	538,745	29.7	197,738	10.9	100,941	5.6	52,588	2.9	218,649	12.1	-		-		1,810,954	100.0
	Examination	382,722	66.9	35,281	6.2	39,023	6.8	20,986	3.7	1,010	0.2	7,408	1.3	72,514	12.7	12,893	2.2	571,837	100.0
	Total	1,085,015	45.5	574,026	24.1	236,761	9.9	121,927	5.1	53,598	2.2	226,057	9.5	72,514	3.1	12,893	0.6	2,382,791	100.0
1946	Supervision	624,895	36.7	496,549	29.2	222,168	13.0	99,233	5.8	42,880	2.5	218,634	12.8	-		-		1,704,359	100.0
	Examination	328,920	63.9	24,840	4.8	44,566	8.7	20,432	4.0	1,277	0.2	7,385	1.4	75,154	14.6	12,173	2.4	514,747	100.0
	Total	953,815	42.9	521,389	23.5	266,734	12.0	119,665	5.4	44,157	2.0	226,019	10.2	75,154	3.4	12,173	0.6	2,219,106	100.0
1947	Supervision	665,781	38.4	476,762	27.5	226,533	13.1	105,018	6.0	41,084	2.4	219,351	12.6	-		-		1,734,529	100.0
	Examination	378,316	63.2	20,364	3.4	50,613	8.5	26,846	4.5	1,649	0.3	12,155	2.0	96,920	16.2	11,339	1.9	598,202	100.0
	Total	1,044,097	44.8	497,126	21.3	277,146	11.9	131,864	5.6	42,733	1.8	231,506	9.9	96,920	4.2	11,339	0.5	2,332,731	100.0
1948	Supervision	722,727	46.6	271,994	17.6	204,756	13.2	105,025	6.8	38,230	2.5	206,886	13.3	-		-		1,549,618	100.0
	Examination	322,317	60.8	18,740	3.6	43,018	8.1	29,688	5.6	2,829	0.5	13,992	2.7	88,585	16.7	10,617	2.0	529,786	100.0
	Total	1,045,044	50.2	290,734	14.0	247,774	11.9	134,713	6.5	41,059	2.0	220,878	10.6	88,585	4.3	10,617	0.5	2,079,404	100.0
1949	Supervision	811,137	51.6	161,522	10.3	192,372	12.2	137,944	8.8	55,908	3.5	213,967	13.6	-				1,572,850	100.0
	Examination	326,007	57.9	8,204	1.5	52,395	9.3	38,292	6.8	3,521	0.6	16,055	2.9	105,857	18.8	12,370	2.2	562,701	100.0
	Total	1,137,144	53.2	169,726	7.9	244,767	11.4	176,236	8.3	59,429	2.8	230,022	10.8	105,857	5.0	12,370	0.6	2,135,551	100.0
1950	Supervision	833,962	51.7	166,044	10.3	197,632	12.3	141,730	8.8	51,746	3.2	220,076	13.7	-		-		1,611,190	100.0
	Examination	338,504	56.6	248	-	60,741	10.2	41,393	6.9	2,274	0.4	15,853	2.7	124,312	20.8	14,063	2.4	597,388	100.0
	Total	1,172,466	53.1	166,292	7.5	258,373	11.7	183,123	8.3	54,020	2.5	235,929	10.7	124,312	5.6	14,063	0.6	2,208,578	100.0

a/ Final settlement basis.
b/ Includes Joint Stock Land Banks, General Agents, Fiscal Agent, and audit of NFLA-PCA Retirement plans (1950).

U. S. Department of Agriculture - Farm Credit Administration - Finance and Accounts Division.

August 1, 1951

Statement G - Selected comparative data
Fiscal years 1940 - 1952

	Fiscal year 1940 Actual	Fiscal Year 1952 Estimated*	1952 increase or decrease (-) from 1940	
			Units	Per-cent
PERSONAL SERVICES				
Man-years (average number of employees):				
Farm Credit Administration	a/1,308	469	-839	-64.2
Federal land banks	4,614	1,324*	-3,290	-71.3
Federal intermediate credit banks	431	287	-144	-33.4
Production credit corps.	294	176	-118	-40.1
Banks for cooperatives	220	230*	10	4.5
General agents	432	267*	-165	-38.2
Total	7,299	2,753	-4,546	-62.3
Cost (personal services only):				
Farm Credit Administration	a/$3,376,259	$2,487,800	-$888,459	-26.3
Federal land banks	9,246,408	5,587,809*	-3,658,599	-39.6
Federal intermediate credit banks	1,073,975	1,150,000	76,025	7.1
Production credit corps.	881,575	963,843	82,268	9.3
Banks for cooperatives	649,699	1,114,366*	464,667	71.5
General agents	838,769	513,936*	-324,833	-38.7
Total	$16,066,685	$11,817,754	-$4,248,931	-26.5
VOLUME OF BUSINESS				
Federal land banks (including Land Bank Commissioner loans):				
Number of loans closed	32,801	43,538*	10,737	32.7
Amount of loans closed	$86,071,478	$199,436,058*	$113,364,580	131.7
Number of loans outstanding	1,050,014	367,946*	-682,068	-64.9
Amount of loans outstanding	$2,549,258,218	$980,197,640*	-$1,569,060,578	-61.5
Federal intermediate credit banks:				
Amount of loans closed	$471,921,279	$1,702,409,000	$1,230,487,721	260.7
Amount of loans outstanding	$237,338,443	$680,028,290	$442,689,847	186.5
Production credit corporations:				
Production credit associations:				
Number of members	290,578	500,000	209,422	72.1
Farmers' investment in capital stock	$16,680,100	$79,000,000	$62,319,900	373.6
Number of loans closed	229,566	320,000	90,434	39.4
Amount of loans closed	$328,342,002	$1,140,000,000	$811,657,998	247.2
Number of loans outstanding	217,128	275,000	57,872	26.[illegible]
Amount of loans outstanding	$199,802,560	$620,000,000	$420,197,440	210.3
Banks for cooperatives:				
Amount of credit extended	$92,868,454	$372,629,298*	$279,760,844	301.2
Number of loans outstanding	1,689	1,754*	65	3.8
Amount of credit outstanding	$63,333,429	$244,605,580*	$181,272,151	286.2

a/ Adjusted for comparability with 1952.
* Actual 1950 data for FLB's and BC's; 1951 data for GA's.

U. S. Department of Agriculture -
Farm Credit Administration - Finance and Accounts Division July 6, 1951

FARM CREDIT INSTITUTIONS

Operating Expenses for Years Ended December 31, 1940 and June 30, 1944 and 1948 through 1951

The following table reflects for the years indicated (1) total operating expenses of each system of Farm Credit institutions, (2) Farm Credit Administration examination costs and supervisory and service costs included in the total operating expenses of all institutions, and (3) the percent that Farm Credit Administration costs were of the institutions' total operating expenses.

Institution	Year ended December 31, 1940	Year ended June 30				
		1944	1948	1949	1950	1951
PCA's a/	$6,757,632	$8,141,533	$10,105,002	$11,533,161	$12,654,333	$13,799,951
PCC's	1,362,934	1,613,080	1,763,456	1,525,940	1,582,269	1,585,551
FICB's	1,490,764	1,565,536	1,521,968	1,526,592	1,612,208	1,704,301
BC's	1,036,678	1,257,297	1,702,820	1,696,590	1,759,169	1,829,077
FLB System b/	12,317,100	11,568,314	16,040,546	15,675,535	15,821,745	16,777,728
FFMC c/	9,864,126	7,777,563	2,372,089	1,871,106	1,603,731	1,250,828
Total	$32,829,234	$31,923,323	d/ $33,505,881	$33,828,924	$35,033,455	$36,947,436
FCA costs included in total expenses e/	$1,440,151	$2,526,777	$2,183,148	$2,011,447	$2,205,963	$2,226,321
FCA costs as percent of total expenses	4.39%	7.92%	6.52%	5.95%	6.30%	6.03%

a/ Amounts exclude taxes paid by PCA's in 1949, 1950, and 1951

b/ Amounts represent expenses of the FLB's and NFLA's incurred on their own behalf.

c/ Amounts include expenses of the FLB's and NFLA's incurred on behalf of the FFMC.

d/ This amount includes accrued annual leave applicable to prior years set up in 1948 by the PCC's, FICB's, BC's, and FLB's totaling $1 795,000.

e/ In 1940 represents FCA examination costs of all institutions and supervisory costs of the FFMC; in other years represents both types of FCA expenses for all institutions, except the PCA's which do not pay supervisory costs. These amounts will not agree with those shown in tables in Part I reflecting FCA assessable costs as generally these amounts represent assessments for the current year's expenses plus or minus adjustments of the assessments for the prior year's expenses, whereas the amounts in the other tables represent the final adjusted costs for particular years.

The general trend of operating expenses has been upward. The total expenses of individual systems, with the exception of the PCC's and FFMC (the latter has been in the process of liquidating its loans since July 1, 1947), and the total expenses of all institutions were greater in 1951 than in any of the other years shown. (Discussions of expenses of individual systems are included in connection with subsequent tables for those systems.)

The Farm Credit Administration examination costs and supervisory and service costs included in the total operating expenses of the institutions showed a downward trend from 1944 through 1949 and an upward trend in 1950 and 1951. While such costs in 1951 were greater than in any other year shown except 1944, the percent that they were of total operating expenses of the institutions was less in 1951 than in any year except 1949.

PRODUCTION CREDIT ASSOCIATIONS

Comments applicable to the selected income and expense items and ratios shown in the following table for the calendar years 1940, 1944, and 1948 through 1950.

Income from loan operations - Represents interest on loans and loan service fees, less patronage refunds. Systemwide, income from loan operations in 1950 was over 2 1/2 times greater than in 1940 and about 5 percent greater than in 1949. These increases reflect both the increased volume of business handled by the PCA's (as shown in the next to the last column in the table) and increased interest rates. The per annum rate of income from loan operations based on the average balance of loans outstanding increased from 5.56 percent in 1940 to slightly over 6 percent in 1949 and 1950.

Cost of borrowed funds - Represents interest paid to the Federal intermediate credit banks. Systemwide, the cost of borrowed funds in 1950 was almost 3 1/2 times greater than in 1940 and slightly greater (3 percent) than in 1949. The increase from 1940 to 1950 reflects increases both in borrowed funds and in interest rates paid while between 1949 and 1950 it reflects only a larger volume of borrowings. The higher money costs in 1950 and 1949 absorbed entirely the increase in the per annum rate of income from loan operations between 1940 and those years.

Operating expenses - Represents all operating expenses of the associations including fees for abstract, filing, etc., but excluding taxes (primarily Federal and State income taxes), which for the system amounted to $163,796 in 1948, $237,796 in 1949, and $473,427 in 1950.

While total operating expenses for all PCA's amounted to $13,141,886 in 1950 and $12,121,955 in 1949 as compared with $6,757,632 in 1940, they absorbed only 2.76 and 2.66 percentage points, respectively, of the per annum rate of return on loans of slightly over 6 percent, whereas in 1940 expenses absorbed 3.71 percentage points of 5.56 percent.

Net gain from loan operations - Represents income from loan operations, less cost of borrowed funds and operating expenses. Systemwide, net gain from loan operations in 1950 amounted to $6,358,416 compared with $6,266,726 in 1949 and $773,531 in 1940. The per annum rate of net gain based on the average volume of loans outstanding was 1.34 percent in 1950, 1.38 percent in 1949, and 0.42 percent in 1940.

Net earnings before provision for losses - Represents net gain from loan operations, interest earned on investments and a small amount of miscellaneous income, less taxes.

Final net earnings - The difference between this item and the preceding item represents the amount of actual loan losses incurred plus provisions for future losses. Systemwide, the amount of final net earnings of $7,261,106 in 1950 was 87 percent greater than in 1940, but slightly less than in 1949. The increase in the system's final net earnings between 1940 and 1950 was due entirely to a larger net gain from loan operations. Based on the average amount of loans outstanding the per annum rate of final net earnings was 1.53 percent in 1950 and 1.61 percent in 1949 compared with 2.13 percent in 1940.

The rates of return on paid-in capital and total net worth in 1950 were 8.52 percent and 4.96 percent, respectively, compared with 8.42 percent and 5.18 percent in 1949 and 4.29 percent and 3.62 percent in 1940.

Per annum rate of PCC operating expenses - This rate was determined by relating the corporations' operating expenses for the respective calendar years to the average balance of PCA loans outstanding. While the corporations' expenses increased from $1,362,934 in 1940 to $1,562,686 in 1949 and $1,570,270 in 1950, the per annum rate based on the average balance of PCA loans outstanding decreased from 0.75 percent in 1940 to 0.34 percent in 1949 and 0.33 percent in 1950. Included in the corporations expenses since July 1, 1942, are Washington office supervisory costs which have aggregated over $200,000 a year.

The combined per annum rate of operating expenses of the PCA's and the PCC's was 3.09 percent in 1950 and 3.00 percent in 1949 compared with 4.46 percent in 1940.

PRODUCTION CREDIT ASSOCIATIONS

Selected income and expense items and ratios
Calendar years 1940, 1944 and 1948 through 1950

District and year	Income from loan operations a/		Cost of borrowed funds		Operating expenses b/		Net gain from loan operations		Net earnings before provisions for losses		Final net earnings				Dividends paid to stock-holders	Patronage refunds paid to borrowers	Memoranda	
	Amount	Per annum rate c/	Amount	Per annum rate c/	Amount	Per annum rate c/	Amount	Per annum rate c/	Amount	Per annum rate c/	Amount	Per annum rate c/	Rate of return on Total paid-in capital	Rate of return on Total net worth			Average balance of PCA loans outstanding	Per annum rate of PCC operating expenses c/ d/
System																		
1940	$10,142,155	5.56	$2,610,992	1.43	$6,757,632	3.71	$773,531	0.42	$4,084,147	2.24	$3,884,421	2.13	4.29	3.62	$86,178	-	$182,394,000	0.75
1944	12,335,021	5.24	3,444,375	1.46	8,101,255	3.44	789,391	0.34	3,560,762	1.51	3,404,977	1.45	3.69	2.78	215,755	-	235,623,000	0.67
1948	22,716,193	5.64	7,068,164	1.75	10,746,362	2.67	4,901,647	1.22	7,395,580	1.84	6,949,101	1.73	8.44	5.37	304,784	$128,581	402,580,000	0.44
1949	27,475,930	6.04	9,087,249	2.00	12,121,955	2.66	6,266,726	1.38	8,775,839	1.93	7,323,614	1.61	8.42	5.18	310,882	116,959	455,151,000	0.34
1950	28,862,231	6.07	9,361,929	1.97	13,141,866	2.76	6,358,416	1.34	8,731,461	1.84	7,261,106	1.53	8.52	4.96	394,038	142,318	475,789,000	0.33
Springfield																		
1940	587,568	4.88	171,432	1.42	362,759	3.01	53,377	0.45	277,219	2.30	240,306	2.00	3.84	3.41	-	-	12,043,000	0.98
1944	847,894	4.73	258,347	1.44	521,814	2.91	67,733	0.38	229,638	1.28	254,505	1.42	4.45	3.42	10,788	-	17,934,000	0.80
1948	1,652,921	5.07	559,686	1.72	722,380	2.21	370,855	1.14	515,646	1.58	491,443	1.51	8.65	5.72	5,373	-	32,612,000	0.47
1949	1,832,589	5.45	635,698	1.89	807,309	2.40	389,582	1.16	535,874	1.59	463,720	1.38	7.58	4.88	11,546	-	33,619,000	0.37
1950	1,935,300	5.58	658,147	1.90	877,525	2.53	399,628	1.15	535,153	1.54	435,057	1.26	7.69	4.58	15,221	-	34,664,000	0.37
Baltimore																		
1940	552,390	5.82	140,970	1.49	394,333	4.15	17,087	0.18	238,390	2.51	204,301	2.15	3.27	2.86	-	-	9,486,000	1.28
1944	746,997	5.38	219,814	1.58	467,704	3.37	59,479	0.43	238,777	1.72	221,226	1.59	3.70	2.88	-	-	13,890,000	0.99
1948	1,417,971	5.52	447,542	1.74	595,660	2.32	374,769	1.46	513,703	2.00	501,276	1.95	10.44	6.48	23,280	-	25,695,000	0.48
1949	1,704,444	5.86	577,009	1.98	683,544	2.35	443,891	1.53	585,278	2.01	507,740	1.75	10.32	6.06	28,602	-	29,088,000	0.41
1950	1,826,281	5.88	614,797	1.98	710,840	2.29	500,644	1.61	648,827	2.09	589,879	1.90	12.03	6.65	29,544	-	31,066,000	0.38
Columbia																		
1940	957,688	6.50	212,862	1.44	814,676	5.53	-69,850	-0.47	336,253	2.28	284,839	1.93	2.62	2.31	-	-	14,729,000	0.89
1944	1,306,531	5.89	333,803	1.50	893,399	4.03	79,329	0.36	431,405	1.94	459,921	2.07	3.92	3.14	-	-	22,189,000	0.74
1948	2,541,306	6.55	754,729	1.94	1,220,942	3.15	565,635	1.46	914,112	2.36	803,353	2.07	7.61	5.03	-	-	38,793,000	0.46
1949	3,191,972	7.14	1,024,107	2.29	1,349,397	3.02	818,468	1.83	1,137,849	2.55	1,070,611	2.40	10.97	6.66	-	-	44,661,000	0.35
1950	3,290,445	7.25	938,191	2.07	1,492,284	3.29	859,970	1.89	1,172,576	2.58	1,063,359	2.34	10.46	6.05	2,923	-	45,399,000	0.34
Louisville																		
1940	1,200,351	5.60	304,599	1.42	859,552	4.01	36,200	0.17	310,737	1.45	266,137	1.24	3.28	2.84	-	-	21,431,000	0.60
1944	1,395,062	5.26	389,088	1.47	1,032,349	3.89	-26,375	-0.10	245,253	0.92	216,402	0.82	2.10	1.75	8,447	-	26,533,000	0.56
1948	2,640,268	5.53	762,728	1.60	1,359,688	2.85	517,852	1.08	788,118	1.65	735,128	1.54	7.99	5.78	7,212	-	47,733,000	0.36
1949	3,235,793	5.94	1,068,317	1.96	1,563,757	2.87	603,719	1.11	900,596	1.65	848,321	1.56	8.60	5.96	7,137	-	54,421,000	0.28
1950	3,522,838	5.97	1,179,934	2.00	1,723,387	2.92	619,517	1.05	919,627	1.56	833,430	1.41	8.91	5.74	14,492	9,295	59,007,000	0.26
New Orleans																		
1940	758,319	6.54	164,127	1.42	481,265	4.15	112,927	0.97	371,957	3.21	238,796	2.06	3.55	2.90	-	-	11,596,000	0.74
1944	1,087,973	5.76	273,794	1.45	640,432	3.39	173,747	0.92	381,261	2.02	337,117	1.79	4.88	3.53	10,048	-	18,864,000	0.56
1948	1,874,298	6.28	538,458	1.80	888,501	2.98	447,339	1.50	601,932	2.02	645,478	2.16	10.97	6.44	15,022	-	29,861,000	0.45
1949	2,200,965	6.54	678,026	2.02	946,754	2.81	576,185	1.71	740,021	2.20	373,901	1.11	5.57	3.25	4,257	-	33,644,000	0.56
1950	2,211,865	6.64	646,714	1.94	988,291	2.97	576,860	1.73	740,646	2.22	671,613	2.02	10.15	5.68	46,377	37,270	33,325,000	0.37
St. Louis																		
1940	1,123,333	5.76	281,150	1.44	769,847	3.95	72,336	0.37	347,308	1.78	350,693	1.80	4.54	3.91	-	-	19,485,000	0.66
1944	1,300,002	5.34	348,063	1.43	952,542	3.91	-403	-	251,954	1.03	242,397	1.00	2.45	1.97	-	-	24,350,000	0.61
1948	2,425,015	5.86	728,588	1.76	1,168,065	2.82	528,362	1.28	815,824	1.97	830,088	2.01	8.47	6.05	-	-	41,380,000	0.42
1949	2,958,558	6.23	924,020	1.95	1,359,312	2.86	675,226	1.42	945,974	1.99	732,270	1.54	6.99	4.78	3,550	-	47,457,000	0.33
1950	3,128,829	6.26	967,715	1.94	1,440,796	2.88	720,318	1.44	979,793	1.96	857,169	1.72	8.75	5.64	13,812	-	49,962,000	0.31

Selected income and expense items and ratios - continued
Calendar years 1940, 1944 and 1948 through 1950

District and year	Income from loans operations a/: Amount	Income from loans operations a/: Per annum rate c/	Cost of borrowed funds: Amount	Cost of borrowed funds: Per annum rate c/	Operating expenses b/: Amount	Operating expenses b/: Per annum rate c/	Net gain from loan operations: Amount	Net gain from loan operations: Per annum rate c/	Net earnings before provisions for losses: Amount	Net earnings before provisions for losses: Per annum rate c/	Final net earnings: Amount	Final net earnings: Per annum rate c/	Final net earnings: Rate of return on Total paid-in capital	Final net earnings: Rate of return on Total net worth	Dividends paid to stockholders	Patronage refunds paid to borrowers	Memoranda: Average balance of PCA loans outstanding	Memoranda: Per annum rate of PCC operating expenses c/ d/
St. Paul																		
1940	$626,294	5.61	$208,959	1.42	$659,869	4.34	-$22,524	-0.15	$264,310	1.79	$283,982	1.96	3.68	3.17	-	-	$14,741,000	0.89
1944	305,744	5.07	221,207	1.39	604,914	3.80	-19,777	-0.12	175,551	1.11	163,802	1.05	2.30	1.80	-	-	15,680,000	0.86
1948	1,492,843	5.56	417,916	1.63	845,426	3.15	209,501	0.78	385,710	1.44	372,709	1.39	6.20	4.22	$6,365	-	26,872,000	0.57
1949	1,970,723	6.13	626,617	1.95	991,182	3.10	346,924	1.08	523,953	1.63	510,063	1.59	7.93	5.25	14,555	-	32,144,000	0.41
1950	2,150,651	6.17	686,063	1.97	1,072,004	3.07	392,584	1.13	559,565	1.61	518,253	1.49	9.11	5.47	22,341	-	34,852,000	0.37
Omaha																		
1940	672,046	5.06	188,535	1.42	428,066	3.22	55,645	0.42	314,754	2.37	334,233	2.52	4.76	3.95	24,662	-	13,280,000	0.82
1944	828,936	4.75	253,036	1.45	523,235	3.00	52,665	0.30	251,853	1.44	229,504	1.32	3.50	2.53	46,711	-	17,450,000	0.69
1948	1,218,327	4.64	421,770	1.61	590,735	2.25	205,822	0.78	369,400	1.41	365,853	1.39	6.87	4.24	66,446	$72,211	26,269,000	0.49
1949	1,606,256	5.29	586,777	1.93	652,484	2.15	366,995	1.21	544,263	1.79	468,507	1.54	8.56	5.11	79,675	46,051	30,392,000	0.40
1950	1,868,532	5.31	674,021	1.91	783,942	2.23	410,569	1.17	556,164	1.58	430,472	1.22	7.95	4.53	80,968	51,409	35,191,000	0.34
Wichita																		
1940	797,357	5.35	212,718	1.43	480,516	3.22	104,123	0.70	369,441	2.48	352,099	2.36	4.92	3.96	9,027	-	14,894,000	0.74
1944	829,126	5.14	234,710	1.46	548,366	3.40	46,050	0.28	271,467	1.68	261,203	1.62	3.89	2.68	-	-	16,117,000	0.82
1948	1,672,807	5.31	548,612	1.74	708,016	2.25	416,179	1.32	632,398	2.01	594,026	1.89	10.16	5.85	48,224	19,871	31,475,000	0.44
1949	2,071,184	5.57	730,203	1.96	802,232	2.16	538,659	1.45	765,129	2.06	727,688	1.96	11.52	6.46	44,288	-	37,177,000	0.32
1950	2,106,773	5.60	724,970	1.93	882,035	2.34	492,768	1.33	712,821	1.89	622,143	1.65	10.15	5.34	29,230	-	37,647,000	0.32
Houston																		
1940	821,947	5.36	214,320	1.40	515,840	3.36	91,787	0.60	347,026	2.27	372,065	2.43	5.36	4.49	-	-	15,343,000	0.60
1944	1,346,362	5.23	375,945	1.46	858,591	3.34	111,826	0.43	375,678	1.46	350,734	1.36	4.14	3.18	13,085	-	25,731,000	0.48
1948	2,594,353	6.15	759,180	1.80	1,201,374	2.85	633,909	1.50	859,095	2.04	737,566	1.75	7.49	5.94	15,762	8,236	42,153,000	0.33
1949	3,147,082	6.63	955,578	2.02	1,338,090	2.82	850,414	1.79	1,064,914	2.25	764,061	1.61	8.61	5.37	16,797	10,282	47,423,000	0.25
1950	3,079,050	6.56	941,006	1.99	1,465,938	3.10	692,586	1.47	866,724	1.83	395,436	0.84	4.12	2.53	18,964	11,191	47,245,000	0.26
Berkeley																		
1940	798,471	5.27	215,165	1.42	470,639	3.11	112,257	0.74	397,649	2.63	466,618	3.08	6.11	5.07	31,709	-	15,138,000	0.77
1944	927,927	4.99	268,266	1.44	510,163	2.69	159,558	0.86	375,215	2.31	342,477	1.34	5.51	4.53	40,550	-	18,603,000	0.64
1948	1,587,994	5.25	491,640	1.86	686,565	2.60	209,589	0.79	401,840	1.52	335,144	1.27	6.15	3.41	50,607	28,263	26,411,000	0.58
1949	1,515,370	5.32	537,460	1.96	768,518	2.70	183,252	0.66	370,471	1.30	294,790	1.04	5.29	2.88	63,560	60,546	28,479,000	0.44
1950	1,513,921	5.43	547,562	1.96	777,510	2.79	188,849	0.68	376,368	1.35	364,302	1.31	6.70	3.53	64,669	33,155	27,871,000	0.45
Spokane																		
1940	1,046,391	5.17	295,965	1.46	540,270	2.67	210,156	1.04	500,203	2.51	484,432	2.40	6.08	4.74	20,780	-	20,220,000	0.44
1944	912,467	5.04	268,362	1.48	558,546	3.09	85,559	0.47	334,708	1.85	325,884	1.80	5.09	3.24	86,036	-	18,102,000	0.61
1948	1,798,080	5.40	617,315	1.85	758,630	2.28	422,135	1.27	597,802	1.79	531,031	1.61	8.90	4.95	64,451	-	33,326,000	0.40
1949	2,043,594	5.58	723,107	1.97	855,276	2.33	461,611	1.23	661,517	1.81	561,942	1.53	8.75	4.78	37,005	-	36,646,000	0.32
1950	2,207,766	5.58	782,809	1.98	928,254	2.35	496,723	1.25	665,197	1.68	479,995	1.21	7.41	3.89	55,457	-	39,580,000	0.30

a/ After patronage refunds.
b/ Excludes taxes, which for the system totaled $163,796 in 1948; $237,796 in 1949 and $473,427 in 1950.
c/ Based upon the average balance of PCA loans outstanding.
d/ PCC expenses for 1940 do not include Washington office supervisory costs which since the corporations began paying these costs effective July 1, 1942, have aggregated systemwide over $200,000 a year.

U. S. Department of Agriculture - Farm Credit Administration - Finance and Accounts Division.

PRODUCTION CREDIT CORPORATIONS

Comments applicable to the selected income and expense items shown in the following table for the calender year 1940 and the fiscal years ended June 30, 1944 and 1948 through 1951.

Operating income - Represents primarily interest on securities, but also includes dividends on class A stock of PCA's and miscellaneous income. Systemwide, and for each corporation, operating income in 1951 and 1950 was substantially less than in prior years. The decreases resulted from sales of securities in 1949 which were made to obtain funds to retire U. S. Government capital.

Operating expenses - Represents all operating expenses including examination costs and, except in 1940, Washington office supervisory costs. The corporations began paying the latter costs, which aggregate more than $200,000 a year, effective July 1 1942. Included in 1948 expenses is a nonrecurring charge of $219,000 representing the cost of establishing as a liability on the records of the corporations the value of accrued annual leave of the corporations' employees applicable to 1947 and prior years.

Systemwide, the corporations' expenses of $1,585,551 in 1951 were 16 percent higher than in 1940 and slightly higher than in 1950. The difference between expenses in 1940 and later years is accounted for almost entirely by Washington office supervisory costs, which were not included in 1940 expenses.

Net gain from operations - Represents the difference between the corporations' operating income and operating expenses. The smaller amounts of operating income in 1951 and 1950 resulting from reductions in securities, as explained above, were not sufficient to pay operating expenses, thereby causing the corporations to show net operating losses in those years of $486,749 and $563,042, respectively.

Final net earnings - The difference between this item and net gain from operations represents almost entirely profit or loss on security transactions. The substantial net earnings shown for 1940 resulted from the sale at substantial premiums of large holdings of Consolidated Federal Farm Loan Bonds callable in 1944. The proceeds of such sales were reinvested in long-term U. S. Treasury bonds. The net earnings in 1948 include a net of $464,000 resulting from the reinstatement of premiums applicable to the remaining noncallable life of securities owned, which had previously been charged off. Systemwide, the corporations showed final net losses in 1951 of $600,622, and in 1950 of $339,291.

PRODUCTION CREDIT CORPORATIONS

Selected income and expense items
1940, 1944 and 1948 through 1951 a/

Corporation and year	Operating income	Operating expenses	Net gain from operations	Final net earnings
System				
1940 b/	$1,600,642	$1,362,934	$237,708	$1,833,544
1944	1,467,769	1,613,080	-145,311	668,317
1948	1,773,089	1,763,456	9,633	634,052
1949	1,585,314	1,525,940	59,374	379,633
1950	1,019,227	1,582,269	-563,042	-359,291
1951	1,098,802	1,585,551	-486,749	-600,622
Springfield				
1940 b/	135,024	118,316	16,708	189,122
1944	140,251	139,055	1,196	56,882
1948	151,752	159,562	-7,810	59,585
1949	138,157	125,158	12,999	29,048
1950	85,748	127,884	-42,136	-42,136
1951	91,815	132,862	-41,047	-111,598
Baltimore				
1940 b/	138,449	121,128	17,321	180,577
1944	115,054	139,871	-24,817	42,813
1948	151,947	120,032	31,915	100,868
1949	138,331	114,006	24,325	55,262
1950	87,367	120,022	-32,655	-32,863
1951	90,225	119,567	-29,342	-76,957
Columbia				
1940 b/	138,484	131,151	7,333	181,801
1944	114,028	165,049	-51,021	40,465
1948	163,651	173,570	-9,919	44,076
1949	151,451	151,721	-270	19,447
1950	88,759	158,289	-69,530	-67,601
1951	91,978	157,716	-65,738	-70,969
Louisville				
1940 b/	135,779	128,473	7,306	123,013
1944	111,804	154,335	-42,531	-24,844
1948	162,080	163,134	-1,054	29,247
1949	142,478	151,827	-9,349	2,912
1950	91,120	154,872	-63,752	-50,648
1951	100,199	158,847	-58,648	-140,025
New Orleans				
1940 b/	109,618	85,818	23,800	139,680
1944	111,666	112,544	-878	42,695
1948	132,005	131,293	712	41,703
1949	117,130	116,885	245	7,599
1950	70,022	123,297	-53,275	-36,393
1951	78,451	123,474	-45,023	-53,415
St. Louis				
1940 b/	165,644	129,206	36,438	113,713
1944	122,501	152,144	-29,643	7,947
1948	160,604	175,175	-14,571	22,912
1949	151,753	148,175	3,578	18,754
1950	101,587	155,928	-54,341	-36,832
1951	110,428	157,526	-47,098	-49,718

PRODUCTION CREDIT CORPORATIONS

Selected income and expense items - continued
1940, 1944 and 1948 through 1951 a/

Corporation and year	Operating income	Operating expenses	Net gain from operations	Final net earnings
St. Paul				
1940 b/	$175,849	$130,106	$45,743	$181,099
1944	140,603	135,563	5,040	47,858
1948	151,984	159,427	-7,443	56,437
1949	132,779	127,754	5,025	45,315
1950	102,062	129,563	-27,501	65,894
1951	103,439	132,279	-28,840	-8,913
Omaha				
1940 b/	109,892	108,974	918	131,179
1944	116,114	125,207	-9,093	44,039
1948	141,855	121,302	20,553	87,316
1949	120,125	116,772	3,353	27,370
1950	80,448	121,679	-41,231	-41,231
1951	85,935	118,673	-32,738	-32,205
Wichita				
1940 b/	129,951	110,934	19,017	170,694
1944	101,478	133,977	-32,499	20,056
1948	138,250	134,492	3,758	63,600
1949	118,036	118,852	-816	27,942
1950	74,578	121,141	-46,563	-47,657
1951	82,871	124,280	-41,409	-71,530
Houston				
1940 b/	111,397	92,040	19,357	120,569
1944	100,086	127,125	-27,039	46,541
1948	142,201	137,275	4,926	46,262
1949	128,131	115,501	12,630	65,046
1950	80,840	123,090	-42,250	-42,250
1951	82,690	119,733	-37,043	-28,995
Berkeley				
1940 b/	119,196	116,949	2,247	109,936
1944	139,535	119,891	19,644	150,405
1948	139,686	154,742	-15,056	48,667
1949	128,519	126,804	1,715	41,641
1950	81,967	127,154	-45,187	657
1951	96,965	126,085	-29,120	-27,458
Spokane				
1940 b/	131,359	89,839	41,520	192,161
1944	154,649	108,319	46,330	193,460
1948	137,074	133,452	3,622	53,379
1949	118,424	112,485	5,939	39,297
1950	74,729	119,350	-44,621	-8,231
1951	83,806	114,509	-30,703	71,161

a/ Calendar year 1940 and fiscal years ended June 30, 1944 and 1948 through 1951.
b/ 1940 data do not include Washington office supervisory costs which, since the corporations began paying these costs effective July 1, 1942, have aggregated systemwide over $200,000 a year.

U. S. Department of Agriculture -
Farm Credit Administration - Finance and Accounts Division.

PRODUCTION CREDIT SYSTEM

Comments applicable to the data in the following table which show PCA and PCC operating expenses for the calendar years 1940, 1944 and 1948 through 1950 related to (1) the number of PCA loans made and (2) the average number of PCA loans outstanding.

Operating expenses - The operating expenses shown in this table are the same as those in the two preceding tables showing selected income and expense data for the PCA's and the PCC's except that (1) PCC expenses are on a calendar year basis for comparability with PCA expenses and (2) PCC expenses for 1948, in order to afford comparability with expenses for other years, exclude a nonrecurring charge of $219,000 representing the cost of establishing as a liability on the records of the corporations the value of accrued annual leave of the corporations' employees applicable to 1947 and prior years.

Operating expenses per PCA loans made - Systemwide, PCA and PCC expenses per each PCA loan made in 1950 amounted to $45.62 and $5.45, respectively, or a total of $51.07. These unit costs compare with $42.17, $5.44, and $47.61 in 1949 and $29.26, $5.90, and $35.16 in 1940. The increases in PCA unit costs resulted from PCA expenses increasing at a faster rate than the number of PCA loans made. The $13,141,886 of expenses in 1950 were almost double the expenses in 1940, whereas the 288,068 loans made were only 24.7 percent greater than the number made in 1940. On the other hand, PCC expenses increased at a slower rate than PCA loans made (the $1,570,270 of expenses in 1950 being only 15.2 percent greater than expenses in 1940), thereby causing a small decrease in PCC unit costs between 1940 and 1950. PCC expenses and unit costs for 1940 do not reflect Washington office supervisory costs which, since the corporations began paying these costs effective July 1, 1942, have aggregated systemwide over $200,000 a year.

Operating expenses per average number of PCA loans outstanding - Since the major volume of PCA business is for terms less than one year, the average number of PCA loans outstanding for any year is less than the number of loans made for that year. As a result, PCA and PCC operating expenses per the average number of PCA loans outstanding are greater than per PCA loans made.

Systemwide, PCA and PCC operating expenses per the average number of PCA loans outstanding in 1950 amounted to $58.95 and $7.04, respectively, or a total of $65.99. These units costs compare with $54.89, $7.08, and $61.97 in 1949 and $34.69, $7.00, and $41.69 in 1940. As mentioned in the previous paragraph, PCC unit costs for 1940 do not reflect Washington office supervisory costs as the corporations did not begin paying these costs until July 1, 1942

PRODUCTION CREDIT SYSTEM

Operating expenses of the PCA's and PCC's related to (1) the number of PCA loans made and (2) the average number of PCA loans outstanding
Calendar years 1940, 1944 and 1948 through 1950

District and year	Operating expenses			Operating expenses per PCA loans made				Operating expenses per average number of PCA loans outstanding			
	PCA a/	PCC b/	Total	Number of PCA loans made	PCA	PCC	Total	Average number of PCA loans outstanding	PCA	PCC	Total
System											
1940 c/	$6,757,632	$1,362,934	$8,120,566	230,940	$29.26	$5.90	$35.16	194,794	$34.69	$7.00	$41.69
1944	8,101,255	1,584,300	9,685,555	218,345	37.10	7.26	44.36	174,036	46.55	9.10	55.65
1948	10,746,382	1,556,186	12,302,568	274,397	39.16	5.67	44.83	200,255	53.66	7.77	61.43
1949	12,121,955	1,562,686	13,684,641	287,443	42.17	5.44	47.61	220,836	54.89	7.08	61.97
1950	13,141,886	1,570,270	14,712,156	288,068	45.62	5.45	51.07	222,928	58.95	7.04	65.99
Springfield											
1940 c/	362,759	118,316	481,075	13,088	27.72	9.04	36.76	11,152	32.53	10.61	43.14
1944	521,814	142,867	664,681	15,345	34.01	9.31	43.32	12,632	41.31	11.31	52.62
1948	722,380	130,767	853,147	18,651	38.73	7.01	45.74	15,337	47.10	8.53	55.63
1949	807,309	126,004	933,313	19,311	41.81	6.52	48.33	16,086	50.19	7.83	58.02
1950	877,525	129,220	1,006,745	19,475	45.06	6.64	51.70	16,508	53.16	7.83	60.99
Baltimore											
1940 c/	394,333	121,128	515,461	13,217	29.84	9.16	39.00	10,931	36.07	11.08	47.15
1944	467,704	137,227	604,931	12,000	38.98	11.44	50.42	10,916	42.85	12.57	55.42
1948	595,660	109,757	705,417	16,677	35.72	6.58	42.30	13,499	44.13	8.13	52.26
1949	683,544	120,107	803,651	17,671	38.68	6.80	45.48	15,254	44.81	7.87	52.68
1950	710,840	117,454	828,294	17,560	40.48	6.69	47.17	15,733	45.18	7.47	52.65
Columbia											
1940 c/	814,676	131,151	945,827	43,991	18.52	2.98	21.50	31,197	26.11	4.20	30.31
1944	893,399	163,509	1,056,908	37,799	23.64	4.33	27.97	26,185	34.12	6.24	40.36
1948	1,220,942	150,312	1,371,254	51,197	23.85	2.94	26.79	33,862	36.06	4.44	40.50
1949	1,349,397	156,566	1,505,963	54,040	24.97	2.90	27.87	38,181	35.34	4.10	39.44
1950	1,492,284	155,178	1,647,462	51,683	28.87	3.00	31.87	36,883	40.46	4.21	44.67
Louisville											
1940 c/	859,552	128,473	988,025	34,814	24.69	3.69	28.38	33,171	25.91	3.87	29.78
1944	1,032,349	147,847	1,180,196	29,838	34.60	4.95	39.55	26,835	38.47	5.51	43.98
1948	1,359,688	151,832	1,511,520	38,580	35.24	3.94	39.18	30,593	44.44	4.96	49.40
1949	1,563,757	151,453	1,715,210	42,104	37.14	3.60	40.74	34,438	45.41	4.40	49.81
1950	1,723,387	155,883	1,879,270	44,299	38.90	3.52	42.42	36,965	46.62	4.22	50.84
New Orleans											
1940 c/	481,265	85,818	567,083	22,755	21.15	3.77	24.92	19,237	25.02	4.46	29.48
1944	640,432	104,866	745,298	27,967	22.90	3.75	26.65	20,947	30.57	5.01	35.58
1948	888,501	118,505	1,007,006	31,880	27.87	3.72	31.59	23,384	38.00	5.07	43.07
1949	946,754	120,555	1,067,309	33,783	28.02	3.57	31.59	25,840	36.64	4.67	41.31
1950	988,291	124,741	1,113,032	31,426	31.45	3.97	35.42	23,727	41.65	5.26	46.91
St. Louis											
1940 c/	769,847	129,206	899,053	29,616	25.99	4.36	30.35	23,757	32.41	5.44	37.85
1944	952,342	147,844	1,100,186	26,173	36.39	5.65	42.04	19,886	47.89	7.43	55.32
1948	1,168,065	154,440	1,322,505	31,664	36.89	4.88	41.77	21,708	53.81	7.11	60.92
1949	1,359,312	157,009	1,516,321	33,422	40.67	4.70	45.37	23,901	56.87	6.57	63.44
1950	1,440,796	152,779	1,593,575	32.295	44.61	4.73	49.34	23,820	60.49	6.41	66.90

Operating expenses of the PCA's and PCC's related to (1) the number of PCA loans made and (2) the average number of PCA loans outstanding
Calendar years 1940, 1944 and 1948 through 1950 - continued

District and year	Operating expenses: PCA a/	Operating expenses: PCC b/	Operating expenses: Total	Operating expenses per PCA loans made: Number of PCA loans made	Operating expenses per PCA loans made: PCA	Operating expenses per PCA loans made: PCC	Operating expenses per PCA loans made: Total	Operating expenses per average number of PCA loans outstanding: Average number of PCA loans outstanding	Operating expenses per average number of PCA loans outstanding: PCA	Operating expenses per average number of PCA loans outstanding: PCC	Operating expenses per average number of PCA loans outstanding: Total
St. Paul											
1940 c/	$639,869	$130,106	$769,975	25,624	$24.97	$5.08	$30.05	25,132	$25.46	$5.18	$30.64
1944	604,314	136,191	740,505	18,727	32.27	7.27	39.54	16,251	37.19	8.38	45.57
1948	845,426	134,682	980,108	22,233	38.03	6.06	44.09	17,396	48.60	7.74	56.34
1949	997,182	131,448	1,128,630	24,235	41.15	5.42	46.57	19,633	50.79	6.70	57.49
1950	1,072,004	128,861	1,200,865	24,156	44.38	5.33	49.71	20,629	51.97	6.25	58.22
Omaha											
1940 c/	428,066	108,974	537,040	9,273	46.16	11.75	57.91	8,009	53.45	13.61	67.06
1944	523,235	120,801	644,036	9,005	58.10	13.41	71.51	7,723	67.75	15.64	83.39
1948	590,735	115,762	706,497	9,115	64.81	12.70	77.51	7,030	84.03	16.47	100.50
1949	652,484	120,146	772,630	9,953	65.56	12.07	77.63	7,843	83.19	15.32	98.51
1950	783,942	118,779	902,721	10,942	71.65	10.86	82.51	8,647	90.66	13.74	104.40
Wichita											
1940 c/	480,516	110,934	591,450	10,863	44.23	10.21	54.44	9,494	50.61	11.68	62.29
1944	548,366	131,563	679,929	9,969	55.01	13.20	68.21	8,002	68.53	16.44	84.97
1948	708,016	118,868	826,884	12,813	55.26	9.28	64.54	8,755	80.87	13.58	94.45
1949	802,232	119,666	921,898	12,938	62.01	9.25	71.26	9,750	82.28	12.27	94.55
1950	882,035	122,240	1,004,275	13,635	64.69	8.97	73.66	10,109	87.25	12.09	99.34
Houston											
1940 c/	515,840	92,040	607,880	12,393	41.62	7.43	49.05	9,841	52.42	9.35	61.77
1944	858,591	122,389	980,980	16,941	50.68	7.22	57.90	14,057	61.08	8.71	69.79
1948	1,201,374	121,450	1,322,824	22,589	52.95	5.35	58.30	15,515	77.43	7.83	85.26
1949	1,338,090	118,270	1,456,360	19,607	68.25	6.03	74.28	15,599	85.78	7.58	93.36
1950	1,465,038	123,529	1,588,567	21,867	67.00	5.65	72.65	14,809	98.93	8.34	107.27
Berkeley											
1940 c/	470,639	116,949	587,588	7,014	67.10	16.67	83.77	5,878	80.07	19.90	99.97
1944	500,163	119,073	619,236	6,359	78.65	18.73	97.38	4,845	103.23	24.58	127.81
1948	686,965	134,567	821,532	7,609	90.28	17.69	107.97	5,450	126.05	24.69	150.74
1949	768,618	125,474	894,092	7,971	96.43	15.74	112.17	5,817	132.13	21.57	153.70
1950	777,510	124,678	902,188	8,170	95.17	15.26	110.43	5,929	131.14	21.03	152.17
Spokane											
1940 c/	540,270	89,839	630,109	8,292	65.16	10.83	75.99	6,995	77.24	12.84	90.08
1944	558,546	110,123	663,669	8,222	67.93	13.39	81.32	5,757	97.02	19.13	116.15
1948	758,630	115,244	873,874	11,289	67.20	10.21	77.41	7,726	98.19	14.92	113.11
1949	853,276	115,988	969,264	12,408	68.77	9.35	78.12	8,494	100.46	13.66	114.12
1950	928,234	116,928	1,045,162	12,560	73.90	9.31	83.21	9,169	101.24	12.75	113.99

a/ Excludes taxes in the years 1948 through 1950.
b/ 1948 amounts exclude charges for accrued annual leave applicable to 1947 and prior years.
c/ PCC expenses for 1940 do not include Washington office supervisory costs which, since the corporations began paying these costs effective July 1, 1942, have aggregated systemwide over $200,000 a year.

U. S. Department of Agriculture - Farm Credit Administration - Finance and Accounts Division.

Comments applicable to the selected income and expense items and ratios shown in the following table for the calendar year 1940 and the fiscal years ended June 30, 1944 and 1948 through 1951.

Income from loan operations - Represents all interest income from loan operations. In 1940, 1944, 1948, and 1949 compensation to the banks for cooperatives for servicing loans rediscounted with the FICB's has been treated as a reduction of income and deducted from this item; since 1949 the credit banks have not paid such compensation. Eliminations have been made in the system total for interest income on inter-bank loans.

Systemwide, income from loan operations of $12,740,014 in 1951 was almost 4 times greater than in 1940 and 14 percent greater than in 1950. These increases reflect increases in the average loan volume from $225 million in 1940 to $551 million in 1950 and $625 million in 1951, and an increase in the average interest rate (per annum rate based on the average daily balance of loans, discounts, and notes receivable outstanding) from 1.47 percent in 1940 to 2.03 percent in 1950 and 1951.

Cost of borrowed funds - Consists of all costs relating to FICB debentures (interest, commissions, and fiscal agent and debenture expense) and other interest costs, such as interest on borrowings from commercial banks and from other FICB's. Eliminations have been made in the system total for interest costs on inter-bank borrowings.

Systemwide, the cost of borrowed funds of $9,954,201 in 1951 was about 10 times greater than in 1940 and 22 percent greater than in 1950. These increases reflect both an increase in the amount of borrowed funds required to finance the increased loan volume and increases in the cost of debentures from 0.45 percent in 1940 to 1.53 percent in 1950 and 1.67 percent in 1951 (rate determined by relating interest and commission costs to the average daily balance of debentures outstanding). In 1951 and 1950 money costs absorbed 1.59 and 1.48 percentage points, respectively, of the per annum rate of return on loans of 2.03 percent, whereas in 1940 they absorbed only 0.42 percentage points of 1.47 percent.

Operating expenses - Represents all operating expenses including examination costs and, except in 1940, Washington office supervisory costs. The FICB's began paying the latter costs, which aggregate almost $200,000 a year, effective July 1, 1942. Included in the 1948 expenses is a nonrecurring charge of $181,000 representing the cost of establishing as a liability on the records of the banks the value of accrued annual leave of the banks' employees applicable to 1947 and prior years.

Systemwide, operating expenses of $1,704,301 in 1951 were only 14 percent greater than in 1940 and 6 percent greater than in 1950 despite the substantial increases in the volume of business handled. In 1951 and 1950

operating expenses absorbed only 0.27 and 0.29 percentage points, respectively, of the per annum rate of return on loans of 2.03 percent, whereas in 1940 they absorbed 0.66 percentage points of 1.47 percent.

Net gain from loan operations - Represents income from loan operations less cost of borrowed funds and operating expenses. The small amount of net gain for the system in 1948 was due in part to the nonrecurring item of expense mentioned in the preceding paragraph. All banks except St. Louis, Houston, and Berkeley operated at a loss for that year, whereas if it had not been for this unusual charge only 3 banks (Louisville, New Orleans, and Omaha) would have shown losses.

Systemwide, the amount of net gain from loan operations of $1,081,512 in 1951 was 23 percent greater than in 1940 but 25 percent less than in 1950. The per annum rate of net gain based on the volume of business, however, was only 0.17 percent in 1951 compared with 0.39 percent in 1940 and 0.26 percent in 1950.

Final net earnings - Represents net gain from loan operations plus net income from investments and security transactions, adjusted for charge-offs, recoveries, and adjustments of allowances for losses. The latter three items have been nominal in amounts. The substantial amount of final net earnings in 1940 reflects slightly over $3 million profit on sales of securities; these sales were necessary to provide funds to return $40 million of paid-in capital funds to the U. S. Treasury. Included in final net earnings for 1948 is $490,532 representing the reinstatement of security premiums previously written off.

Systemwide, the amount of final net earnings of $2,216,324 in 1951 was 55 percent less than in 1940 and 21 percent less than in 1950. Based on the volume of business handled the per annum rate of final net earnings in 1951 was 0.35 percent compared with 2.21 percent in 1940 and 0.51 percent in 1950.

The rates of return on paid-in capital and total net worth in 1951 were 3.68 percent and 2.21 percent, respectively, compared with 5.62 percent and 4.52 percent in 1940, and 4.64 percent and 2.86 percent in 1950. Approximately 13.5 percent of final net earnings before transfers to reserve for contingencies in 1951 was paid to the U. S. Government as franchise taxes compared with 11 percent in 1940 and 14 percent in 1950.

Selected income and expense items and ratios
1940, 1944 and 1948 through 1951 a/

Bank and year	Income from loan operations: Amount	Income from loan operations: Per annum rate b/	Cost of borrowed funds: Amount	Cost of borrowed funds: Per annum rate b/	Cost of borrowed funds: Rate of cost of debentures outstanding c/	Operating expenses: Amount d/	Operating expenses: Per annum rate b/	Net gain from loan operations: Amount	Net gain from loan operations: Per annum rate b/	Final net earnings: Amount	Final net earnings: Per annum rate b/	Final net earnings: Rate of return on paid in capital	Final net earnings: Rate of return on total net worth	Franchise taxes paid U. S. Government	Memorandum: Average daily balance of loans, discounts and notes receivable outstanding
System															
1940	$3,324,864	1.47	$954,150	0.42	0.45	$1,490,764	0.66	$879,950	0.39	$4,966,738	2.21	5.62	4.52	$547,934	$225,143,628
1944	4,638,243	1.42	2,806,657	0.86	0.93	1,565,536	0.48	266,050	0.08	1,203,045	0.37	2.01	1.34	231,011	325,520,026
1948	6,940,985	1.60	5,397,199	1.24	1.33	1,521,968	0.35	21,818	0.01	1,512,723	0.35	2.52	1.60	178,181	434,065,655
1949	10,616,809	1.94	8,688,606	1.59	1.66	1,526,592	0.28	401,611	0.07	1,637,663	0.30	2.71	1.71	260,666	545,424,779
1950	11,188,172	2.03	8,142,007	1.48	1.53	1,612,208	0.29	1,433,957	0.26	2,804,641	0.51	4.64	2.86	393,660	551,137,750
1951	12,740,014	2.03	9,954,201	1.59	1.67	1,704,301	0.27	1,081,512	0.17	2,216,324	0.35	3.68	2.21	299,525	625,394,589
Springfield															
1940	192,176	1.49	53,614	0.41	0.44	111,639	0.87	26,923	0.21	199,020	1.54	3.78	2.83	7,255	12,920,962
1944	283,583	1.46	159,918	0.82	0.92	113,371	0.59	10,294	0.05	94,319	0.49	1.89	1.29	23,580	19,342,920
1948	547,206	1.56	430,911	1.23	1.30	121,675	0.35	-5,380	-0.02	128,640	0.37	2.57	1.67	19,660	35,123,399
1949	713,724	1.93	587,281	1.59	1.66	114,941	0.31	11,502	0.03	120,364	0.33	2.41	1.55	17,591	36,987,675
1950	721,135	2.00	522,411	1.45	1.53	127,215	0.35	71,509	0.20	190,486	0.53	3.81	2.41	35,121	35,963,676
1951	749,503	2.00	573,417	1.53	1.64	131,979	0.35	44,107	0.12	134,801	0.36	2.70	1.67	21,200	37,425,412
Baltimore															
1940	172,823	1.53	48,799	0.43	0.45	111,653	0.99	12,371	0.11	264,199	2.34	4.77	3.87	16,050	11,301,086
1944	263,056	1.49	146,601	0.83	0.93	129,955	0.74	-13,500	-0.08	81,096	0.46	1.62	1.18	20,274	17,599,043
1948	480,119	1.68	360,168	1.26	1.33	129,669	0.45	-9,718	-0.03	148,031	0.52	2.96	2.04	18,258	28,543,744
1949	701,353	2.06	558,126	1.64	1.66	124,194	0.36	19,033	0.06	133,578	0.39	2.67	1.81	20,894	34,044,836
1950	736,335	2.13	512,179	1.48	1.51	135,945	0.39	88,211	0.26	220,030	0.64	4.40	2.92	42,507	34,531,926
1951	805,386	2.12	609,683	1.60	1.66	147,438	0.39	48,265	0.13	143,932	0.38	2.88	1.87	23,483	37,970,830
Columbia															
1940	221,959	1.49	56,687	0.38	0.43	114,658	0.77	50,614	0.34	418,946	2.81	4.75	4.48	42,236	14,916,719
1944	375,472	1.41	248,532	0.93	0.93	132,273	0.50	-5,333	-0.02	74,614	0.28	1.49	1.23	6,154	26,575,356
1948	725,154	1.66	598,936	1.37	1.35	137,263	0.31	-11,045	-0.02	106,465	0.24	2.11	1.66	1,616	43,538,091
1949	976,230	2.08	807,200	1.72	1.64	142,075	0.30	26,955	0.06	131,825	0.28	2.64	1.89	15,456	46,957,083
1950	1,041,777	2.16	753,435	1.56	1.51	150,477	0.31	137,865	0.29	256,595	0.53	4.70	3.60	19,149	48,369,229
1951	1,080,241	2.12	864,679	1.70	1.67	152,638	0.30	62,924	0.12	142,731	0.28	2.79	2.04	12,376	50,848,339
Louisville															
1940	337,917	1.48	111,037	0.49	0.46	117,103	0.51	109,777	0.48	378,148	1.66	6.83	5.05	34,537	22,809,535
1944	460,854	1.45	280,949	0.88	0.94	127,312	0.40	52,593	0.17	119,968	0.38	2.40	1.58	17,492	31,671,955
1948	662,674	1.50	554,879	1.26	1.33	129,114	0.29	-21,319	-0.0	98,507	0.22	1.97	1.21	5,877	44,046,988
1949	1,029,995	1.83	897,072	1.59	1.67	133,836	0.24	-913	e/	80,831	0.14	1.62	0.99	7,708	56,312,195
1950	1,186,454	2.00	861,777	1.45	1.52	140,620	0.24	184,057	0.31	291,782	0.49	5.84	3.49	22,945	59,306,425
1951	1,412,607	2.02	1,103,473	1.58	1.65	149,583	0.21	159,551	0.23	239,138	0.34	4.78	2.77	22,285	69,758,463
New Orleans															
1940	217,469	1.44	52,783	0.35	0.37	107,097	0.71	57,589	0.38	143,336	0.95	2.43	2.11	4,584	15,143,107
1944	394,799	1.40	260,812	0.92	0.92	124,660	0.44	9,327	0.04	88,340	0.31	1.77	1.37	8,585	28,198,654
1948	572,182	1.69	462,324	1.37	1.32	123,845	0.36	-13,987	-0.04	114,672	0.34	2.29	1.69	16,168	33,769,414
1949	848,159	2.00	709,015	1.67	1.65	133,561	0.32	5,583	0.01	107,555	0.25	2.15	1.56	14,389	42,512,437
1950	867,475	2.12	656,980	1.61	1.52	136,309	0.33	74,186	0.18	198,467	0.49	3.97	2.82	37,117	40,859,717
1951	949,771	2.11	760,419	1.69	1.65	143,165	0.32	46,187	0.10	192,917	0.43	3.86	2.68	35,729	45,107,166
St. Louis															
1940	337,319	1.49	104,512	0.46	0.45	121,763	0.54	111,044	0.49	305,590	1.35	5.73	4.40	5,148	22,629,607
1944	518,495	1.40	338,729	0.92	0.93	134,877	0.36	44,889	0.12	104,793	0.28	2.10	1.44	13,698	36,987,727
1948	710,635	1.59	562,324	1.26	1.33	132,761	0.30	15,550	0.03	129,074	0.29	2.58	1.68	13,519	44,699,690
1949	1,127,837	1.89	987,320	1.66	1.68	138,414	0.23	2,103	c/	98,224	0.16	1.96	1.27	12,056	59,617,872
1950	1,149,603	2.00	863,701	1.50	1.53	147,325	0.26	138,577	0.24	247,618	0.43	4.95	3.12	30,654	57,451,077
1951	1,363,840	2.03	1,088,573	1.62	1.66	160,060	0.24	115,207	0.17	196,348	0.29	3.89	2.40	30,337	67,319,778

FEDERAL INTERMEDIATE CREDIT BANKS

Selected income and expense items and ratios
1940, 1944 and 1948 through 1951 a/ - continued

Bank and year	Income from loan operations		Cost of borrowed funds			Operating expenses		Net gain from loan operations		Final net earnings				Franchise taxes paid U. S. Government	Memorandum
	Amount	Per annum rate b/	Amount	Per annum rate b/	Rate of cost of debentures outstanding c/	Amount d/	Per annum rate b/	Amount	Per annum rate b/	Amount	Per annum rate b/	Rate of return on paid in capital	Rate of return on total net worth		Average daily balance of loans, discounts and notes receivable outstanding
St. Paul															
1940	$282,019	1.49	$85,186	0.45	0.48	$143,186	0.76	$53,647	0.28	$670,372	3.54	7.76	5.74	$137,593	$18,941,516
1944	306,634	1.43	163,028	0.76	0.92	138,366	0.65	5,240	0.02	77,439	0.36	1.55	0.89	19,360	21,347,872
1948	440,410	1.53	325,885	1.13	1.32	118,039	0.41	-3,512	-0.01	135,347	0.47	2.71	1.48	21,336	28,720,683
1949	735,635	1.91	574,629	1.49	1.65	129,595	0.34	31,407	0.08	129,978	0.34	2.60	1.41	19,994	38,534,733
1950	833,775	2.00	590,508	1.42	1.54	133,373	0.32	109,894	0.26	222,320	0.53	4.45	2.37	43,080	41,657,015
1951	937,291	2.02	698,176	1.50	1.65	147,708	0.32	91,407	0.20	182,750	0.39	3.66	1.91	33,188	46,384,145
Omaha															
1940	225,767	1.53	60,755	0.41	0.47	118,813	0.81	46,201	0.31	397,490	2.70	5.17	3.77	49,372	14,745,228
1944	312,282	1.45	172,647	0.80	0.93	131,269	0.61	8,366	0.04	90,762	0.42	1.82	1.08	22,690	21,513,849
1948	384,306	1.50	293,033	1.14	1.35	119,627	0.47	-28,354	-0.11	100,740	0.39	2.01	1.14	12,685	25,560,364
1949	637,653	1.88	512,951	1.51	1.63	115,176	0.34	9,526	0.03	119,904	0.35	2.40	1.34	29,976	33,914,083
1950	739,779	2.00	512,158	1.39	1.52	126,462	0.34	101,159	0.27	211,298	0.57	4.23	2.33	46,575	37,000,655
1951	947,491	2.00	734,256	1.55	1.68	132,792	0.28	80,443	0.17	169,931	0.36	3.40	1.84	42,483	47,307,560
Wichita															
1940	268,212	1.49	69,525	0.39	0.43	117,602	0.65	81,085	0.45	476,497	2.65	5.55	4.44	56,624	17,958,705
1944	357,740	1.41	213,868	0.84	0.92	133,437	0.53	10,435	0.04	101,903	0.40	2.04	1.30	19,225	25,424,828
1948	480,830	1.56	366,184	1.19	1.32	120,806	0.39	-6,160	-0.02	120,055	0.39	2.40	1.46	11,264	30,883,790
1949	899,510	1.95	725,898	1.57	1.67	121,805	0.26	53,807	0.12	169,695	0.37	3.39	2.03	36,174	46,002,146
1950	906,449	2.04	668,984	1.51	1.54	129,837	0.29	107,628	0.24	221,293	0.50	4.42	2.60	30,324	44,297,697
1951	996,408	2.00	790,581	1.58	1.69	137,212	0.28	68,615	0.14	163,265	0.33	3.27	1.88	15,816	49,803,980
Houston															
1940	395,651	1.48	108,843	0.41	0.43	141,768	0.53	145,040	0.54	446,052	1.67	6.66	4.67	39,013	26,736,466
1944	618,644	1.43	370,739	0.86	0.93	139,080	0.32	108,825	0.25	186,866	0.43	3.74	2.13	34,216	43,351,022
1948	814,403	1.59	630,859	1.23	1.34	127,833	0.25	55,711	0.11	148,102	0.29	2.96	1.59	12,025	51,375,552
1949	1,204,786	1.96	941,668	1.53	1.66	123,751	0.20	139,367	0.23	243,143	0.40	4.86	2.56	23,286	61,336,446
1950	1,253,853	2.00	903,024	1.44	1.52	128,793	0.21	222,036	0.35	331,063	0.53	6.62	3.39	20,266	62,662,653
1951	1,482,088	2.03	1,157,359	1.59	1.69	133,343	0.18	191,386	0.26	301,436	0.41	6.03	2.99	12,859	72,744,388
Berkeley															
1940	334,423	1.41	95,509	0.40	0.42	140,468	0.59	98,446	0.42	730,611	3.08	6.54	6.14	90,153	23,752,858
1944	428,125	1.42	268,371	0.89	0.94	134,914	0.45	24,840	0.08	78,676	0.26	1.57	1.18	19,669	30,188,638
1948	643,688	1.75	456,002	1.24	1.29	134,222	0.37	53,464	0.14	157,020	0.43	3.14	2.26	14,255	36,658,218
1949	960,774	1.98	775,142	1.60	1.67	128,859	0.26	56,793	0.12	149,960	0.31	3.00	2.11	24,990	48,414,379
1950	951,093	2.00	708,841	1.49	1.74	134,700	0.28	107,552	0.23	210,800	0.44	4.22	2.91	27,700	47,518,291
1951	1,042,607	2.03	824,812	1.61	1.68	140,434	0.27	77,361	0.15	162,310	0.32	3.25	2.19	15,578	51,408,628
Spokane															
1940	339,691	1.45	107,464	0.46	0.49	145,014	0.62	87,213	0.37	536,477	2.30	5.84	4.84	65,369	23,287,839
1944	330,899	1.42	194,803	0.84	0.92	126,022	0.54	10,074	0.04	104,271	0.45	2.09	1.39	26,068	23,318,162
1948	507,383	1.63	383,701	1.23	1.34	127,114	0.41	-3,432	-0.01	126,070	0.40	2.52	1.60	31,518	31,145,722
1949	807,401	1.98	640,552	1.57	1.66	120,401	0.30	46,448	0.11	152,606	0.37	3.05	1.91	38,152	40,790,894
1950	833,651	2.01	621,799	1.50	1.55	121,152	0.29	90,700	0.22	202,888	0.49	4.06	2.50	38,222	41,519,389
1951	999,227	2.02	775,623	1.57	1.68	127,949	0.26	95,655	0.19	186,765	0.38	3.74	2.25	34,191	49,315,900

a/ Calendar year 1940 and fiscal years ended June 30, 1944 and 1948 through 1951.
b/ Based upon the average daily balance of loans, discounts and notes receivable outstanding (see memorandum column).
c/ Net debenture costs, excluding fiscal agent and debenture expense, related to the average daily balance of debentures outstanding.
d/ 1940 operating expenses do not include Washington office supervisory costs which, since the banks began paying these costs effective July 1, 1942 have aggregated for the system about $200,000 a year.
e/ Less than 0.005%.

U. S. Department of Agriculture - Farm Credit Administration - Finance and Accounts Division.

BANKS FOR COOPERATIVES

Comments applicable to selected income and expense items and ratios shown in the following table for the calendar year 1940 and fiscal years ended June 30, 1944 and 1948 through 1951.

Income from loan operations - Includes interest on loans and investments under CCC programs, interest on loans to other banks for cooperatives, interest on notes receivable, other interest, compensation for services under CCC programs, compensation income on participations sold, and appraisal and loan service fees, less compensation expense on participation loans. System amounts have been adjusted to eliminate interbank transactions.

Systemwide, income from loan operations has shown a steady upward trend and amounted to $9,817,925 in 1951 which was over 4 1/2 times greater than in 1940 and 12 percent higher than 1950. This trend reflects primarily a greater volume of business handled by the banks (see last column on table); however, higher interest rates also were a factor. The per annum rate of income from loan operations based upon the average balance of credit outstanding was 3.18 percent in 1951 compared with 2.67 percent in 1940 and 3.21 percent in 1950. In 1944 the per annum rate was only 1.78 percent which reflects a substantial investment by the banks in CCC paper on which the rate of interest varied from 3/4 of 1 percent to 1 percent.

Cost of borrowed funds - Includes interest expense on all borrowings and fiscal agent costs, less compensation for services to the Federal intermediate credit banks. System amounts have been adjusted to eliminate interest expense in connection with interbank borrowings.

Systemwide, the cost of borrowed funds amounted to $2,343,192 in 1951 compared with only $87,354 in 1940 and $1,757,716 in 1950. The increases were due primarily to the greater volume of borrowings required to finance the increased credit needs of the banks' borrowers. Higher interest rates have also been a factor. The per annum rate based upon the average balance of credit outstanding increased from 0.11 percent in 1940 to 0.76 percent in 1951.

Operating expenses - Represents all operating expenses including examination costs and, except in 1940, Washington office supervisory costs. The banks for cooperatives began paying the latter costs, which systemwide amounted to about $170,000 in 1944, $140,000 in 1948 and $190,000 in subsequent years, effective July 1, 1943. Included in the 1948 expenses is a nonrecurring charge of $209,000 representing the cost of establishing as a liability on the records of the banks the value of accrued annual leave of the banks' employees applicable to 1948 and prior years.

Systemwide, operating expenses of $1,829,077 in 1951 were 76 percent greater than in 1940, but only 4 percent greater than in 1950. On the other hand, the per annum rate of expenses based on the average balance of credit outstanding dropped from 1.34 percent in 1940 to 0.59 percent in 1951.

Net gain from loan operations - Represents income from loan operations, less cost of borrowed funds and operating expenses. Systemwide, this item has shown a year to year increase and amounted to $5,645,656 in 1951 which was about 6 times greater than in 1940 and 8 percent greater than in 1950. The per annum rate of net gain based on

the average balance of credit outstanding was 1.22 percent in 1940, declined to 0.85 percent in 1944, increased to 1.92 percent in 1950, and dropped to 1.83 percent in 1951.

Net earnings before provision for losses - Represents net gain from loan operations, income from investments and security transactions, and a small amount of other income. The large amount shown for this item in 1940 reflects a profit of over $2,000,000 on sales of securities which were necessary to finance the retirement of $60,000,000 of the banks' U. S. Government capital.

Net earnings before provision for losses, which averaged around $2,500,000 in 1940 (excluding the profit on sales of securities mentioned above) and 1944, amounted to $5,057,603 in 1948 and increased steadily to $6,510,567 in 1951. The per annum rate of return on the average balance of credit outstanding in 1951 was 2.11 percent compared with 2.38 percent in 1950, 2.18 percent in 1949 and 2.14 percent in 1948.

Final net earnings - The difference between this item and the preceding one is the amount of actual loan losses incurred plus or minus adjustments of valuation reserves. Systemwide, final net earnings of the banks were $6,792,953 in 1951 and $5,911,597 in 1950, which amounts were substantially more than final net earnings in 1949, 1948, 1944 and slightly more than in 1940. Based upon the average volume of credit outstanding, the per annum rate of final net earnings in 1951 was 2.20 percent compared with 2.17 percent in 1950, 1.01 percent in 1949, and 6.93 percent in 1940.

The rates of return on paid-in capital and total net worth in 1951 of 3.49 percent and 2.71 percent, and in 1950 of 3.06 percent and 2.44 percent, respectively, were substantially higher than comparable rates in 1949, 1948, and 1944. The 1940 rates shown in the table of 3.82 percent and 3.41 percent, respectively, reflect the sizable amount of profit on sales of securities in that year mentioned previously.

BANKS FOR COOPERATIVES

Selected income and expense items and ratios
1940, 1944 and 1948 through 1951 a/

Bank and year	Income from loan operations: Amount	Income from loan operations: Per annum rate b/	Cost of borrowed funds: Amount	Cost of borrowed funds: Per annum rate b/	Operating expenses: Amount d/	Operating expenses: Per annum rate b/	Net gain from loan operations: Amount	Net gain from loan operations: Per annum rate b/	Net earnings before provision for losses: Amount	Net earnings before provision for losses: Per annum rate b/	Final net earnings: Amount	Final net earnings: Per annum rate b/	Final net earnings: Rate of return on paid-in capital	Final net earnings: Rate of return on total net worth	Memorandum: Average balance of net credit outstanding
System															
1940	$2,069,326	2.67	$87,354	0.11	$1,036,678	1.34	$945,294	1.22	$4,476,223	5.79	$5,363,860	6.93	3.82	3.41	$77,364,961
1944	3,679,335	1.78	665,194	0.32	1,257,297	0.61	1,756,844	0.85	2,498,769	1.21	2,815,769	1.36	1.56	1.35	206,497,455
1948	6,488,995	2.74	1,019,228	0.43	1,702,820	0.72	3,766,947	1.59	5,057,603	2.14	3,348,139	1.41	1.76	1.44	236,703,908
1949	8,499,875	3.14	1,899,898	0.70	1,696,590	0.63	4,903,387	1.81	5,899,492	2.18	2,730,654	1.01	1.42	1.15	270,850,268
1950	8,756,321	3.21	1,757,716	0.64	1,759,169	0.65	5,239,436	1.92	6,482,539	2.38	5,911,597	2.17	3.06	2.44	272,932,431
1951	9,817,925	3.18	2,343,192	0.76	1,829,077	0.59	5,645,656	1.83	6,510,567	2.11	6,792,953	2.20	3.49	2.71	309,016,355
Springfield															
1940	124,297	3.02	1,329	0.04	75,906	1.84	47,062	1.14	211,748	5.14	209,781	5.09	2.84	2.66	4,121,007
1944	151,111	2.85	9,439	0.18	85,195	1.61	56,477	1.06	94,653	1.78	106,936	2.01	1.80	1.55	5,307,877
1948	516,445	4.55	55,193	0.48	114,509	1.01	346,743	3.06	387,435	3.42	278,720	2.46	3.98	3.23	11,343,538
1949	524,405	4.31	66,629	0.55	110,991	0.91	346,785	2.85	387,477	3.18	318,794	2.62	4.27	3.39	12,166,140
1950	514,446	4.32	59,713	0.50	116,646	0.98	338,087	2.84	390,805	3.28	427,625	3.59	4.76	3.78	11,912,042
1951	495,166	3.91	64,996	0.51	114,030	0.90	316,140	2.50	351,739	2.78	402,241	3.18	4.65	3.52	12,641,071
Baltimore															
1940	117,625	3.34	5,996	0.17	67,111	1.91	44,518	1.26	247,709	7.03	55,557	1.58	0.87	0.80	3,524,246
1944	100,433	2.85	3,056	0.09	72,386	2.05	24,991	0.71	66,326	1.88	92,973	2.63	1.97	1.64	3,528,900
1948	483,078	3.18	91,670	0.60	155,016	1.02	236,392	1.56	278,562	1.84	-411,229	-2.71	-5.85	-4.78	15,179,253
1949	578,006	3.43	116,491	0.69	157,558	0.94	303,957	1.80	346,127	2.06	-442,304	-2.63	-5.91	-5.29	16,827,054
1950	628,855	3.61	131,066	0.75	151,120	0.87	346,669	1.99	410,920	2.36	338,678	1.95	3.00	2.80	17,397,003
1951	661,049	3.75	145,670	0.83	159,358	0.90	356,021	2.02	388,375	2.20	343,078	1.95	3.02	2.74	17,626,229
Columbia															
1940	94,247	2.77	1,116	0.03	60,227	1.77	32,904	0.97	223,404	6.58	164,012	4.83	2.52	2.26	3,397,051
1944	208,285	2.05	43,153	0.42	87,249	0.86	77,883	0.77	130,389	1.28	152,021	1.50	1.61	1.41	10,160,183
1948	366,085	2.81	70,002	0.54	113,856	0.87	182,227	1.40	238,296	1.83	238,589	1.83	2.46	2.01	13,025,194
1949	426,002	3.14	69,711	0.51	109,778	0.81	246,513	1.82	302,581	2.23	-795,619	-5.86	-8.12	-6.75	13,574,743
1950	365,384	3.21	40,425	0.36	109,116	0.96	215,843	1.89	307,359	2.70	284,327	2.50	2.80	2.40	11,390,253
1951	412,025	3.23	93,589	0.73	124,633	0.98	193,803	1.52	250,766	1.96	301,055	2.36	2.94	2.47	12,767,633
Louisville															
1940	127,442	2.55	4,950	0.10	61,374	1.23	61,118	1.22	200,470	4.02	193,560	3.88	2.50	2.28	4,989,937
1944	184,049	2.40	13,583	0.18	85,019	1.11	85,447	1.11	135,905	1.77	138,072	1.80	1.65	1.42	7,683,584
1948	387,168	3.13	43,463	0.35	121,314	0.98	222,391	1.80	279,288	2.26	280,565	2.27	3.19	2.53	12,371,148
1949	535,965	3.43	111,989	0.71	136,396	0.87	287,580	1.85	344,477	2.21	321,328	2.06	3.53	2.75	15,602,048
1950	558,462	3.59	117,128	0.75	126,190	0.81	315,144	2.03	395,027	2.54	388,777	2.50	4.13	3.14	15,570,194
1951	616,923	3.63	128,750	0.76	142,235	0.84	345,938	2.03	403,239	2.37	425,310	2.50	4.45	3.29	16,990,676
New Orleans															
1940	165,349	3.39	10,553	0.22	83,931	1.72	70,865	1.45	167,865	3.44	128,317	2.63	1.62	1.55	4,873,448
1944	268,202	2.45	69,673	0.63	113,521	1.04	85,008	0.78	146,656	1.34	95,838	0.88	0.97	0.88	10,948,982
1948	308,442	3.04	50,064	0.49	129,483	1.28	128,895	1.27	190,997	1.89	137,216	1.35	1.37	1.18	10,129,535
1949	350,802	3.57	55,912	0.57	126,359	1.29	168,531	1.71	230,633	2.35	193,827	1.97	1.94	1.65	9,817,363
1950	313,065	4.06	10,486	0.13	134,859	1.75	167,720	2.18	251,780	3.27	242,423	3.14	2.41	2.01	7,709,774
1951	361,325	3.51	28,078	0.27	134,329	1.31	198,918	1.93	250,258	2.43	326,507	3.17	3.22	2.63	10,295,461
St. Louis															
1940	79,202	3.06	1,711	0.07	61,996	2.39	15,495	0.60	202,264	7.81	207,122	8.00	3.35	2.93	2,589,061
1944	204,583	2.21	38,601	0.42	76,273	0.82	89,709	0.97	120,500	1.30	138,302	1.50	2.25	1.84	9,249,249
1948	665,449	2.96	144,339	0.64	129,909	0.58	391,201	1.74	423,185	1.88	123,485	0.55	1.35	1.08	22,505,494
1949	901,190	3.52	240,377	0.94	134,049	0.52	526,764	2.06	558,755	2.18	258,955	1.01	2.63	2.10	25,595,984
1950	908,565	3.48	213,002	0.82	143,525	0.55	552,038	2.11	606,733	2.33	256,839	0.98	1.77	1.49	26,088,902
1951	1,001,304	3.36	267,040	0.90	153,372	0.51	580,892	1.95	613,774	2.06	811,916	2.72	5.52	4.56	29,833,727

BANKS FOR COOPERATIVES
Selected income and expense items and ratios
1940, 1944 and 1948 through 1951 a/ - continued

Bank and year	Income from loan operations: Amount	Income from loan operations: Per annum rate b/	Cost of borrowed funds: Amount	Cost of borrowed funds: Per annum rate b/	Operating expenses: Amount d/	Operating expenses: Per annum rate b/	Net gain from loan operations: Amount	Net gain from loan operations: Per annum rate b/	Net earnings before provision for losses: Amount	Net earnings before provision for losses: Per annum rate b/	Final net earnings: Amount	Final net earnings: Per annum rate b/	Final net earnings: Rate of return on paid-in capital	Final net earnings: Rate of return on total net worth	Memorandum: Average balance of net credit outstanding
St. Paul															
1940	$131,840	2.89	$871	0.02	$87,421	1.92	$43,548	0.95	$169,526	3.71	$131,901	2.89	1.62	1.51	$4,564,062
1944	266,394	2.10	14,276	0.11	105,906	0.84	146,212	1.15	201,122	1.59	298,607	2.36	2.53	2.25	12,665,763
1948	606,650	2.86	89,166	0.42	129,322	0.61	388,162	1.83	446,530	2.10	344,739	1.62	2.76	2.79	21,243,645
1949	816,452	3.11	217,143	0.83	127,635	0.49	471,674	1.79	530,042	2.02	544,502	2.07	4.17	3.39	26,304,758
1950	786,905	3.26	179,794	0.75	144,895	0.60	462,216	1.91	541,543	2.24	514,528	2.13	3.47	2.79	24,164,700
1951	865,858	3.16	225,411	0.82	148,189	0.54	492,258	1.80	540,275	1.97	496,571	1.81	3.34	2.62	27,379,846
Omaha															
1940	72,488	3.23	31	c/	74,039	3.30	-1,582	-0.07	141,516	6.31	101,490	4.53	1.51	1.48	2,242,372
1944	164,757	2.45	17,238	0.26	81,842	1.22	65,627	0.97	103,703	1.54	125,450	1.86	2.03	1.30	6,753,816
1948	199,163	2.64	26,622	0.35	114,741	1.52	57,800	0.77	96,263	1.28	101,840	1.35	1.62	1.32	7,530,419
1949	212,110	3.10	46,544	0.68	99,152	1.45	66,414	0.97	104,877	1.53	64,877	0.95	1.05	0.75	6,914,836
1950	225,467	3.12	42,074	0.58	104,987	1.45	78,406	1.09	139,930	1.94	118,642	1.64	1.86	1.52	7,226,219
1951	356,230	3.00	106,641	0.90	109,724	0.92	139,885	1.18	178,550	1.51	188,981	1.59	2.88	2.32	11,863,169
Wichita															
1940	150,361	2.82	6,827	0.13	68,316	1.28	75,218	1.41	213,273	4.00	156,158	2.93	2.16	2.00	5,334,949
1944	242,502	2.38	29,257	0.28	90,584	0.89	122,661	1.21	184,949	1.82	224,933	2.21	2.07	1.05	10,170,109
1948	402,504	3.54	27,530	0.24	119,374	1.05	255,600	2.25	324,311	2.86	344,230	3.04	2.99	2.43	11,342,725
1949	615,196	5.02	140,245	1.15	131,100	1.07	343,851	2.80	412,593	3.36	264,681	2.16	2.24	1.82	12,263,560
1950	703,610	5.34	117,990	0.90	155,624	1.18	429,996	3.26	530,816	4.03	385,787	2.93	3.17	2.53	13,187,445
1951	862,930	4.22	146,929	0.72	169,505	0.83	546,496	2.67	603,312	2.95	516,725	2.53	4.15	3.24	20,454,346
Houston															
1940	97,794	3.50	213	0.01	65,863	2.36	31,718	1.13	167,513	5.99	147,035	5.26	2.34	2.12	2,794,567
1944	228,096	2.13	15,631	0.15	98,503	0.92	113,962	1.06	170,246	1.59	179,241	1.67	1.71	1.53	10,731,271
1948	335,581	3.08	28,409	0.26	113,466	1.04	193,706	1.78	249,631	2.29	311,786	2.86	2.89	2.40	10,905,765
1949	412,709	3.55	55,769	0.48	103,794	0.89	253,146	2.18	309,072	2.66	251,330	2.16	2.35	1.90	11,625,841
1950	423,318	3.43	40,303	0.33	105,059	0.85	277,956	2.25	333,882	2.71	415,371	3.37	3.99	3.07	12,328,959
1951	517,191	3.31	77,351	0.50	112,684	0.72	327,156	2.09	383,082	2.45	276,400	1.77	2.53	1.95	15,617,239
Berkeley															
1940	313,621	2.76	24,047	0.21	119,265	1.05	170,309	1.50	406,411	3.57	342,383	3.01	2.43	2.24	11,369,531
1944	236,030	2.05	46,526	0.40	116,191	1.01	73,313	0.64	157,846	1.37	242,846	2.11	2.01	1.69	11,532,040
1948	558,181	2.87	128,656	0.66	146,109	0.75	283,416	1.46	359,193	1.85	94,716	0.49	0.89	0.69	19,444,844
1949	675,963	3.07	181,247	0.82	143,868	0.66	350,848	1.59	426,624	1.94	300,579	1.37	2.74	2.13	21,985,461
1950	692,001	3.07	178,255	0.79	142,818	0.63	370,928	1.65	458,406	2.03	461,254	2.04	3.52	2.77	22,569,781
1951	671,031	3.01	164,997	0.74	159,645	0.72	346,389	1.55	412,677	1.85	564,085	2.53	4.32	3.30	22,305,791
Spokane															
1940	202,457	3.27	7,549	0.12	84,064	1.36	110,844	1.79	282,502	4.56	294,232	4.75	2.89	2.66	6,190,037
1944	204,883	2.77	14,111	0.19	100,062	1.35	90,710	1.23	153,375	2.07	177,451	2.40	1.98	1.68	7,394,926
1948	381,961	2.89	52,420	0.39	123,965	0.94	205,576	1.56	267,511	2.03	237,111	1.80	2.55	2.00	13,195,712
1949	435,901	3.21	79,602	0.59	115,027	0.85	241,272	1.77	303,014	2.23	256,484	1.89	2.73	2.10	13,599,684
1950	478,273	3.26	106,618	0.73	119,216	0.81	252,439	1.72	336,177	2.29	357,099	2.43	3.53	2.70	14,675,847
1951	470,741	3.23	83,612	0.57	121,664	0.54	265,465	1.82	316,348	2.17	336,461	2.31	3.33	2.48	14,587,834
Central Bank															
1940	393,375	1.84	22,933	0.11	127,165	0.59	243,277	1.14	1,842,622	8.62	3,232,312	15.12	7.09	5.91	21,374,693
1944	1,266,914	1.26	397,504	0.40	144,566	0.14	724,844	0.72	833,099	0.83	843,099	0.84	1.12	0.96	100,390,755
1948	1,643,099	2.40	576,505	0.84	191,756	0.28	874,838	1.28	1,516,371	2.21	1,266,371	1.85	1.63	1.34	68,483,636
1949	2,483,288	2.93	986,353	1.16	200,883	0.24	1,296,052	1.53	1,643,220	1.94	1,193,220	1.41	1.55	1.26	84,652,756
1950	2,562,157	2.89	925,049	1.04	205,114	0.25	1,431,994	1.62	1,779,161	2.01	1,719,647	1.94	2.80	2.13	88,711,312
1951	3,054,882	3.16	1,338,878	1.39	179,709	0.18	1,536,295	1.59	1,818,172	1.88	1,803,623	1.87	2.91	2.17	96,653,333

a/ Calendar year 1940 and fiscal years ended June 30, 1944, and 1948 through 1951. b/ Based on average balance of credit outstanding net of participations sold. c/ Less than 0.005%.
d/ 1940 data do not include Washington office supervisory costs which, since the banks began paying these costs effective July 1, 1943, have ranged from about $140,000 to $190,000 a year.
U. S. Department of Agriculture - Farm Credit Administration - Finance and Accounts Division.

FEDERAL LAND BANK SYSTEM

(Federal Land Banks and National Farm Loan Associations)

Comments applicable to the selected income and expense items and ratios shown in the following table for the years ended June 30, 1948 through 1951.

The data in the table represent a consolidation of FLB and NFLA data with adjustments having been made to eliminate duplication of such items as compensation to NFLA's, loan closing fees, dividends, and capital stock.

Income from loan operations - Represents interest on mortgage loans, real estate sales paper and miscellaneous interest, plus loan fees received by the banks and associations from borrowers; loan closing fees paid by the banks to the associations are excluded.

Systemwide, income from loan operations of $39,482,509 in 1951 was about 5 percent greater than in 1950 and 1948 and 9 percent greater than in 1949 due to a larger volume of business handled by the system (see last column in the table) and increased interest rates charged by two banks on new loans. The per annum rate of return from loan operations based on the average balance of loans and real estate sales paper outstanding was 4.10 percent in 1951 and 1950 as compared with 4.08 percent in 1949 and 4.16 percent in 1948.

Cost of borrowed funds - Includes all costs in connection with CFFL bonds, interest expense on notes payable, and miscellaneous interest which represents principally interest costs on the future payment funds of borrowers.

Systemwide, the cost of borrowed funds of $12,722,795 in 1951 was about 3 percent greater than in 1950 and about 12 percent greater than in 1949 and 1948. The increase resulted from larger borrowings to handle the increased loan volume and a slight increase in money costs. The average interest rate on bonds outstanding (weighted average face rate on CFFL bonds outstanding at the end of the year) increased from 1.55 percent in 1948 and 1949 to 1.62 percent in 1950 and 1951. The cost of borrowed funds in 1951 absorbed 1.32 percentage points of the per annum rate of income from loan operations of 4.10 percent as compared with 1.25 percentage points of 4.16 percent in 1948.

Operating expenses - Represents net operating expenses of the FLB's and NFLA's (net of any recoveries from the FFMC and for surplus property disposal) including Washington office examination and supervisory costs paid by the banks. Eliminations have been made for compensation and loan closing fees paid by the banks to the associations. Included in the 1948 expenses is $1,146,000 representing the cost of establishing as a liability on the records of the banks the value of accrued annual leave of their employees applicable to 1948 and prior years.

Systemwide, total operating expenses, excluding the above-mentioned charge for accrued annual leave, increased each year from 1948 through 1951; the 1951 costs of $16,777,728 were about 6 percent greater than in 1950 and 1949 and almost 13 percent greater than in 1948. Operating expenses in 1951 absorbed 1.74 percentage points of the per annum rate of income from loan operations of 4.10 percent as compared with 1.64 percentage points (excluding charge for accrued annual leave) of 4.16 percent in 1948.

Net gain from loan operations - Represents income from loan operations, less cost of borrowed funds and operating expenses. Systemwide, the amount of net gain from loan operations amounted to $9,981,986 in 1951 and $9,608,823 in 1950 compared with $9,179,040 in 1949 and $10,305,046 in 1948. The per annum rates of net gain based on the average balance of loans and real estate sales paper outstanding were 1.04 percent in 1951 and 1950, 1.03 percent in 1949 and 1.14 percent in 1948.

Net earnings before provision for losses - The difference between this item and net gain from loan operations represents principally net income from investments of the FLB's and NFLA's and mineral income of the banks. For the system, net earnings before provision for losses aggregated around $14,000,000 a year except in 1949 when they totaled about $13,200,000. These amounts converted to per annum rates based on the average balance of loans and real estate sales paper outstanding ranged from 1.56 percent in 1948 to 1.48 percent in 1951.

Net earnings before provision for losses represented about a 25 percent rate of return on capital stock in 1948 (after eliminating capital stock duplication between the banks and associations) compared with 23 percent in subsequent years. The rate of return on the total net worth of the system ranged downward from 4.99 percent in 1948 to 4.49 percent in 1949 and 1950 to 4.29 percent in 1951.

Final net earnings - The difference between this item and the previous one represents provision or adjustment of provision for future loan losses by the banks. The final net earnings of the system amounted to $21,800,000 in 1951 and $18,100,000 in 1950 compared with about $14,000,000 in 1949 and 1948; the amounts in 1951, 1950, and 1949 were substantially greater than net earnings before provision for losses. These variations resulted from certain banks transferring substantial amounts back to earnings from their reserve for losses accounts after determining that such reserves were too high. These reserves had been built up by charges to earnings in previous years. The per annum rates of final net earnings based on the average balance of loans and real estate sales paper outstanding were 2.26 percent in 1951 and 1.97 percent in 1950 compared with 1.57 percent in 1949 and 1.55 percent in 1948.

Because of the reserve adjustments mentioned above, the rates of return of capital stock and total net worth in 1951 and 1950 were considerably higher than they were in 1949 and 1948, and in 1951, 1950, and 1949 they were higher than the rates of return on net earnings before provision for losses. The rates of return of final net earnings on capital stock and total net worth in 1951 were 35.44 percent and 6.59 percent, respectively, compared with 24.98 percent and 4.98 percent in 1948.

Dividends declared by NFLA's to borrowers - In 1951 the associations declared dividends of over $3,900,000 to their members. This amount was slightly more than was declared in each of the preceding three years.

FEDERAL LAND BANK SYSTEM

(Data for Federal Land Banks and National Farm Loan Associations have been consolidated)

Selected income and expense items and ratios

Years ended June 30, 1948 through 1951

Bank and year	Income from loan operations: Amount	Income from loan operations: Per annum rate a/	Cost of borrowed funds: Amount	Cost of borrowed funds: Per annum rate a/	Average interest rate on bonds outstanding	Operating expenses: Amount	Operating expenses: Per annum rate a/	Net gain from loan operations: Amount	Net gain from loan operations: Per annum rate a/	Net earnings before provision for losses: Amount	Net earnings before provision for losses: Per annum rate a/	Net earnings before provision for losses: Rate of return on Capital stock	Net earnings before provision for losses: Rate of return on Total net worth	Final net earnings: Amount	Final net earnings: Per annum rate a/	Final net earnings: Rate of return on Capital stock	Final net earnings: Rate of return on Total net worth	Dividends declared by NFLA's to borrowers	Memorandum: Average balance of mortgage loans and real estate sales paper outstanding
System																			
1948	$37,715,900	4.16	$11,370,298	1.25	1.55	$16,040,546	1.77	$10,305,046	1.14	$14,102,252	1.56	[illegible]	4.99	$14,0[illegible]	1.55	24.98	4.98	$3,487,261	$907,116,419
1949	36,264,590	4.08	11,410,015	1.28	1.55	15,675,535	1.77	9,179,040	1.03	13,176,472	1.48	23.15	4.49	13,952,012	1.57	24.57	4.77	3,876,806	888,104,611
1950	37,742,760	4.10	12,312,192	1.34	1.62	15,821,745	1.72	9,608,823	1.04	13,901,828	1.51	23.45	4.49	18,113,943	1.97	30.56	5.85	3,621,520	920,784,857
1951	39,482,509	4.10	12,722,795	1.32	1.62	16,777,728	1.74	9,981,986	1.04	14,210,244	1.43	23.10	4.29	21,795,493	2.26	[illegible]	[illegible]	3,961,406	965,658,219
Springfield																			
1948	2,403,577	4.24	788,861	1.39	1.65	1,085,918	1.92	528,798	0.93	617,[illegible]26	1.09	[illegible]	[illegible]	[illegible]55,684	0.98	[illegible]	4.[illegible]7	4[illegible],729	56,644,847
1949	2,356,280	4.20	788,995	1.41	1.65	1,038,239	1.85	529,046	0.94	646,188	1.15	18.12	5.09	571,714	1.02	16.03	4.50	67,393	56,049,668
1950	2,389,257	4.22	825,432	1.46	1.71	1,085,734	1.92	478,131	0.84	595,167	1.05	16.49	4.34	1,070,328	1.89	29.65	7.91	105,397	56,572,051
1951	2,423,752	4.28	830,096	1.47	1.71	1,137,362	2.01	456,294	0.80	589,093	1.04	16.14	4.16	560,192	0.99	15.35	3.95	123,000	56,630,938
Baltimore																			
1948	1,678,759	4.36	455,692	1.18	1.45	951,778	2.47	273,289	0.71	368,176	0.96	14.70	3.80	368,176	0.96	14.70	3.80	-	38,505,540
1949	1,645,003	4.26	475,976	1.23	1.45	867,616	2.25	301,411	0.78	389,693	1.01	15.19	3.85	364,807	0.95	14.22	3.61	-	38,573,963
1950	1,693,348	4.26	520,148	1.31	1.55	881,686	2.22	291,514	0.73	401,518	1.01	15.05	3.80	345,902	0.87	12.[illegible]7	3.28	-	39,749,391
1951	1,782,826	4.20	547,490	1.29	1.55	951,062	2.24	284,274	0.67	356,583	0.84	12.42	3.23	268,150	0.63	9.34	2.43	1,374	42,463,162
Columbia																			
1948	1,961,379	4.47	613,000	1.40	1.43	1,127,033	2.57	221,346	0.50	360,263	0.82	12.33	4.[illegible]5	292,77[illegible]	0.67	10.27	3.94	-	43,880,708
1949	2,054,156	4.37	677,489	1.44	1.43	1,111,068	2.36	265,599	0.57	409,120	0.87	13.58	5.05	502,989	1.07	16.69	6.21	-	47,005,829
1950	2,321,379	4.55	782,613	1.53	1.53	1,213,206	2.38	326,160	0.64	473,889	0.93	14.55	5.41	425,873	0.83	13.08	4.86	-	52,075,554
1951	2,483,107	4.54	829,948	1.52	1.53	1,288,399	2.35	364,760	0.67	559,709	1.02	16.29	5.97	443,959	0.81	12.92	4.73	-	54,661,413
Louisville																			
1948	2,357,738	4.07	520,557	0.90	1.75	1,364,107	2.35	473,074	0.82	630,342	1.09	15.6[illegible]	1.80	1,630,342	2.32	40.57	4.65	268,857	57,955,094
1949	2,290,297	4.02	514,790	0.90	1.75	1,550,052	2.72	225,455	0.40	382,756	0.67	9.45	1.09	278,125	0.49	6.86	0.79	249,599	56,987,512
1950	2,439,397	4.03	602,236	1.00	1.75	1,496,411	2.47	340,750	0.56	526,982	0.87	12.25	1.48	526,982	0.87	12.29	1.48	253,353	60,513,682
1951	2,608,877	4.02	649,276	1.00	1.75	1,588,803	2.45	370,798	0.57	557,099	0.86	12.52	1.55	460,432	0.71	10.35	1.28	251,454	64,785,853
New Orleans																			
1948	2,106,606	4.40	429,854	0.90	1.35	1,074,169	2.24	602,583	1.26	1,271,242	2.66	41.95	6.20	1,200,813	2.51	39.63	5.85	120,145	47,836,771
1949	2,044,546	4.20	444,391	0.91	1.35	1,256,718	2.58	343,437	0.71	949,873	1.95	30.02	4.44	863,619	1.77	27.29	4.03	112,265	48,663,267
1950	2,224,686	4.24	530,210	1.01	1.48	1,081,012	2.06	613,464	1.17	1,367,959	2.61	39.80	6.00	1,262,065	2.40	36.72	5.54	141,834	52,511,164
1951	2,335,000	4.17	581,698	1.04	1.48	1,198,046	2.14	555,256	0.99	1,158,222	2.07	32.56	4.37	3,752,325	6.71	105.49	14.17	168,897	55,890,428
St. Louis																			
1948	3,484,756	4.07	1,284,801	1.50	1.69	1,333,995	1.56	865,960	1.01	1,332,032	1.56	24.03	5.67	[illegible]79,868	1.15	17.67	4.17	327,706	85,643,181
1949	3,521,127	4.01	1,260,828	1.52	1.70	1,247,426	1.51	812,875	0.98	1,258,524	1.52	22.75	5.15	1,258,524	1.52	22.75	5.15	271,007	82,886,705
1950	3,444,086	4.01	1,360,528	1.58	1.74	1,276,157	1.49	807,401	0.94	1,251,015	1.46	21.83	4.89	1,251,015	1.46	21.83	4.89	284,231	85,847,338
1951	3,649,290	4.01	1,403,295	1.54	1.74	1,419,172	1.56	826,823	0.91	1,251,956	1.38	21.01	4.67	1,251,956	1.38	21.01	4.67	262,103	90,997,772

FEDERAL LAND BANK SYSTEM

(Data for Federal Land Banks and National Farm Loan Associations have been consolidated)
Selected income and expense items and ratios
Years ended June 30, 1948 through 1951 - continued

Bank and year	Income from loan operations		Cost of borrowed funds		Average interest rate on bonds outstanding	Operating expenses		Net gain from loan operations		Net earnings before provision for losses				Final net earnings				Dividends declared by NFLA's to borrowers	Memorandum
	Amount	Per annum rate a/	Amount	Per annum rate a/		Amount	Per annum rate a/	Amount	Per annum rate a/	Amount	Per annum rate a/	Rate of return on Capital stock	Rate of return on Total net worth	Amount	Per annum rate a/	Rate of return on Capital stock	Rate of return on Total net worth		Average balance of mortgage loans and real estate sales paper outstanding
St. Paul																			
1948	$5,201 626	4.17	$1,807,820	1.20	1.39	$1,759,927	1.41	$1,945,879	1.56	$2,409,744	1.98	34.55	9.77	$2,371,267	1.90	33.17	9.38	$358,578	$124,647,196
1949	4,727,863	4.03	1,473,073	1.26	1.39	1,844,545	1.57	1,410,247	1.20	2,015,258	1.72	28.46	7.55	1,816,901	1.55	25.66	6.81	340,923	117,242,596
1950	4,745,821	4.01	1,394,856	1.18	1.45	1,665,665	1.41	1,685,300	1.42	2,153,865	1.82	29.61	7.60	1,826,127	1.54	25.10	6.44	338,773	118,457,216
1951	4,894,156	4.03	1,401,627	1.15	1.45	1,818,170	1.50	1,674,359	1.38	2,188,463	1.80	29.21	7.29	1,823,307	1.50	24.34	6.07	361,535	121,532,728
Omaha																			
1948	6,939,041	4.03	2,434,428	1.42	1.65	2,175,825	1.26	2,328,788	1.35	2,765,653	1.60	26.50	5.65	2,699,155	1.56	25.92	5.51	1,277,094	172,063,749
1949	6,597,967	4.00	2,409,054	1.46	1.65	2,125,059	1.29	2,063,054	1.25	2,571,926	1.56	24.84	5.17	2,474,254	1.50	23.90	4.98	1,659,225	165,137,133
1950	6,755,456	4.00	2,562,350	1.52	1.72	2,489,070	1.47	1,704,056	1.01	2,237,448	1.32	20.88	4.39	2,104,937	1.24	19.65	4.13	1,264,700	169,331,051
1951	7,049,472	4.00	2,609,767	1.48	1.72	2,325,278	1.32	2,114,427	1.20	2,614,361	1.48	23.76	5.00	2,439,184	1.38	22.17	4.67	1,406,630	176,584,977
Wichita																			
1948	2,865,769	4.12	1,042,693	1.50	1.65	1,296,394	1.86	526,682	0.76	962,743	1.38	22.41	4.44	902 732	1.30	21.02	4.17	192,432	69,608,708
1949	2,756,827	4.08	1,013,256	1.50	1.66	1,371,218	2.03	372,353	0.55	902,847	1.34	20.86	4.04	797,866	1.18	18.44	3.57	186,170	67,507,675
1950	2,911,056	4.10	1,064,498	1.50	1.72	1,245,579	1.75	601,179	0.85	1,154,410	1.63	25.24	4.22	5,010,537	7.06	109.56	18.30	192,544	70,959,685
1951	3,083,269	4.09	1,084,754	1.44	1.72	1,375,501	1.82	623,014	0.83	1,128,480	1.50	23.52	3.96	1,072,821	1.42	22.36	3.77	204,927	75,407,282
Houston																			
1948	4,009,244	4.12	911,392	0.94	1.46	1,804,809	1.85	1,293,043	1.33	1,684,912	1.73	27.77	3.65	1,614, 21	1.66	26.61	3.50	567,508	97,227,224
1949	3,757,744	4.06	892,134	0.96	1.46	1,334,961	1.44	1,530,649	1.66	1,981,248	2.14	32.76	4.18	1,895,106	2.05	31.34	4.00	654,914	92,541,495
1950	3,792,962	4.07	985,883	1.06	1.54	1,380,872	1.48	1,426,205	1.53	1,999,767	2.15	32.95	4.12	1,890,962	2.03	31.16	3.89	735,931	93,185,995
1951	3,878,043	4.07	1,010,024	1.06	1.55	1,532,398	1.61	1,335,621	1.40	2,030,137	2.13	32.27	3.62	7,260,196	7.61	115.40	12.93	832,546	95,345,904
Berkeley																			
1948	2,604,127	4.07	798,567	1.25	1.58	1,006,866	1.57	798,694	1.25	987,217	1.55	24.61	4.95	934,121	1.31	20.96	4.19	180,512	63,940,599
1949	2,642,561	4.03	828,159	1.26	1.58	986,667	1.51	827,735	1.26	1,009,646	1.54	24.73	4.52	2,498,716	3.81	61.21	11.18	186,956	65,572,355
1950	2,749,407	4.03	932,081	1.37	1.66	1,024,046	1.50	793,280	1.16	1,025,636	1.50	24.27	4.42	868,197	1.27	20.55	3.74	143,457	68,156,178
1951	2,778,866	4.03	939,304	1.36	1.66	1,061,781	1.54	777,781	1.13	1,034,891	1.50	24.47	4.17	1,773,236	2.57	41.94	7.14	153,500	68,890,908
Spokane																			
1948	2,103,268	4.28	594,633	1.21	1.38	1,059,725	2.16	448,910	0.91	652,482	1.33	22.00	5.41	523,995	1.27	21.04	5.17	144,696	49,162,802
1949	2,072,219	4.15	633,070	1.27	1.39	941,968	1.89	497,181	0.99	659,393	1.32	21.06	5.18	659,393	1.32	21.06	5.18	147,954	49,936,413
1950	2,275,265	4.18	751,375	1.38	1.53	982,507	1.81	541,383	0.99	714,172	1.31	20.75	4.96	1,537,018	2.82	44.65	10.67	160,800	54,425,152
1951	2,515,851	4.16	835,516	1.38	1.53	1,081,756	1.79	598,579	0.99	741,450	1.23	19.64	4.87	689,735	1.14	18.27	4.53	195,440	60,466,854

a/ Based upon the average balance of mortgage loans and real estate sales paper outstanding.

FEDERAL LAND BANK SYSTEM

(Federal Land Banks and National Farm Loan Associations)

Comments applicable to the data in the following table which show FLB and NFLA operating expenses (including expense incurred for the FFMC in its regular operation but not that applicable to surplus property disposal) for the years ended December 31, 1940 and June 30, 1944 and 1948 through 1951, related to the average number of FLB and FFMC units serviced during those years and to the average amount (unpaid principal) of FLB and FFMC loans and sales paper outstanding.

Operating expenses - The operating expenses shown in this table differ from those shown in the preceding table as follows:

(1) Expenses incurred on behalf of the FFMC in its regular operation are included in this table.

(2) The charge for accrued annual leave of the banks' employees applicable to 1948 and prior years (system total $1,146,000) is excluded from 1948 FLB expenses to afford comparability with other years.

(3) Lump sum payments for past service credits of employees under association retirement plans are excluded from NFLA expenses for the years in which the payments were made.

The FLB expenses in this table exclude compensation and loan closing fees to NFLA's in all years and supplemental allowances in 1940 and 1944 in order to avoid overstating the system's expenses (these items were eliminated from the system's total in the preceding table). The FLB expense in 1940 does not include Washington office supervisory costs as the banks did not begin paying these costs until July 1, 1943.

Systemwide, FLB operating expenses of $9,270,000 in 1951 were about 5.1 percent greater than in 1950 but 38.5 percent less than in 1940, while NFLA expenses of $8,640,800 were 7.2 percent and 42.2 percent greater, respectively, than in 1950 and 1940. Total expenses of $17,910,800 in 1951 were 6.1 percent more than in 1950 but 15.3 percent less than in 1940.

Average number and cost of units serviced - The average number of FLB and FFMC units serviced (mortgage loans, purchase money mortgages, real estate sales contracts and notes receivable, and real estate owned, with joint FLB-FFMC loans counted as one unit) during each of the years shown in the table reflected a decrease from the number for the prior period shown, with the total number of units dropping from 897,001 in 1940 to 344,766 in 1951. The decreases in units were at a faster rate than were decreases in FLB expenses, thereby resulting in FLB costs per unit serviced increasing from $16.79 in 1940 to $25.20 in 1950 to $26.89 in 1951. The decreases in units combined with the increases in NFLA expenses resulted in NFLA costs per unit serviced increasing from $6.82 in 1940 to $23.31 in 1950 to $25.06 in 1951. The combined FLB and NFLA costs per unit serviced increased from $23.57 in 1940 to $48.25 in 1950 to $51.95 in 1951.

<u>Average amount and costs per $100 of loans and sales paper outstanding</u> - The average amount (unpaid principal) of FLB and FFMC loans and sales paper outstanding during each of the years shown in the table reflected a decrease from the amount for the prior period shown until 1950 when the trend started upward; the average amount in 1951 was $1,009,608,700 compared with $969,154,000 in 1949 and $2,660,118,500 in 1940. The FLB costs per $100 average balance of units serviced ranged from $.90 to $.92 during the years 1948 through 1951; these costs were about 50 percent greater than they were in 1940 and 1944. The NFLA cost per $100 average balance of units serviced ranged from $.72 to $.86 during 1948 through 1951 and were more than double such costs in 1940 and 1944. The combined FLB and NFLA cost per $100 average balance of units serviced increased from $.79 in 1940 to $1.72 in 1950 to $1.78 in 1951.

FEDERAL LAND BANK SYSTEM

(Federal Land Banks and National Farm Loan Associations)

Operating expense: Average number and cost of units serviced; and average amount and cost per $100 of loans and sales paper outstanding
Years ended December 31, 1940, and June 30, 1944 and 1948 through 1951

District and year	Operating expense a/			Average number and cost of units serviced				Average amount, and cost per $100, of loans and sales paper outstanding				Memorandum
	FLB	NFLA	Total	Number b/	Cost per unit serviced			Amount c/	Cost per $100 balance			Compensation and loan closing fees to NFLA's excluded from FLB operating expense d/
					FLB	NFLA	Total		FLB	NFLA	Total	
System												
1940	$15,061,600	$6,077,900	$21,139,500	897,001	$16.79	g/$6.82	$23.57	$2,660,118,500	$0.57	g/$0.23	$0.79	$6,650,500
1944	11,845,000	6,677,800	18,522,800	693,766	17.07	g/ 9.69	26.70	1,875,427,800	0.63	g/ 0.36	0.99	6,872,000
1948	9,200,200	7,265,800	16,466,000	388,397	23.69	g/18.91	42.40	1,018,265,700	0.90	g/ 0.72	1.61	7,178,600
1949	8,775,100	7,731,900	16,507,000	357,622	24.54	g/21.87	46.16	969,154,000	0.91	g/ 0.81	1.70	7,035,900
1950	8,819,400	8,063,700	16,883,100	349,936	25.20	g/23.31	48.25	981,691,100	0.90	g/ 0.83	1.72	7,241,400
1951	9,270,000	8,640,800	17,910,800	344,766	26.89	25.06	51.95	1,009,608,700	0.92	0.86	1.78	7,462,100
Springfield												
1940	1,172,600	80,800	1,253,400	38,416	30.52	2.10	32.62	108,913,600	1.08	0.07	1.15	124,100
1944	900,300	107,300	1,007,600	35,188	25.59	3.05	28.64	90,005,600	1.00	0.12	1.12	72,500
1948	780,800	415,600	1,196,400	24,472	31.91	16.98	48.89	66,245,100	1.18	0.63	1.81	418,900
1949	740,100	448,100	1,188,200	22,958	32.24	19.52	51.76	63,262,000	1.17	0.71	1.88	456,700
1950	740,200	470,500	1,210,700	22,543	32.84	20.87	53.71	62,137,800	1.19	0.76	1.95	497,300
1951	740,600	503,300	1,243,900	22,368	33.11	22.50	55.61	60,977,900	1.21	0.83	2.04	521,100
Baltimore:												
States												
1940	894,300	215,500	1,109,800	36,588	24.44	5.89	30.33	85,040,200	1.05	0.25	1.30	177,700
1944	733,500	298,100	1,031,600	27,701	26.48	10.76	37.24	58,638,200	1.25	0.51	1.76	307,700
1948	535,200	308,900	844,100	15,284	35.02	20.21	55.23	32,613,100	1.64	0.95	2.59	329,500
1949	447,000	337,800	784,800	14,198	31.48	23.79	55.27	30,743,100	1.45	1.10	2.55	341,800
1950	431,300	355,300	786,600	13,663	31.57	26.00	57.57	30,587,400	1.41	1.16	2.57	367,300
1951 e/	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Puerto Rico												
1940	173,000	-	173,000	5,187	33.35	-	33.35	12,558,700	1.38	-	1.38	-
1944	174,800	-	174,800	4,664	37.48	-	37.48	11,252,600	1.55	-	1.55	-
1948	170,600	-	170,600	4,112	41.49	-	41.49	12,144,200	1.40	-	1.40	-
1949	176,900	-	176,900	4,030	43.90	-	43.90	12,553,600	1.41	-	1.41	-
1950	181,000	-	181,000	4,000	45.25	-	45.25	12,839,600	1.41	-	1.41	31,000
1951 e/	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Total												
1940	1,067,300	215,500	1,282,800	41,775	xx	xx	30.71	97,598,900	xx	xx	1.31	177,700
1944	908,300	298,100	1,206,400	32,365	xx	xx	37.27	69,890,800	xx	xx	1.73	307,700
1948	705,800	308,900	1,014,700	19,396	xx	xx	52.31	44,807,300	xx	xx	2.26	329,500
1949	623,900	337,800	961,700	18,228	xx	xx	52.76	43,296,700	xx	xx	2.22	341,800
1950	612,300	355,300	967,600	17,663	xx	xx	54.78	43,427,000	xx	xx	2.23	398,300
1951 e/	603,400	419,700	1,023,100	17,216	35.05	24.38	59.43	45,284,000	1.33	0.93	2.26	442,500
Columbia												
1940	1,110,500	397,300	1,507,800	71,372	15.56	5.57	21.13	119,778,100	0.93	0.33	1.26	436,300
1944	949,700	472,600	1,422,300	56,041	16.95	8.43	25.38	85,020,300	1.12	0.56	1.68	474,500
1948	785,100	482,400	1,267,500	32,690	24.02	14.76	38.78	54,744,700	1.43	0.88	2.31	488,700
1949	748,500	558,700	1,307,200	30,947	24.19	18.05	42.24	54,570,400	1.37	1.02	2.39	538,600
1950	787,400	f/ 564,500	1,351,900	31,084	25.33	18.16	43.49	56,616,600	1.39	1.00	2.39	488,800
1951	792,800	607,400	1,400,200	31,199	25.41	19.47	44.88	58,771,500	1.35	1.03	2.38	502,200
Louisville												
1940	1,159,500	598,900	1,758,400	97,293	11.92	6.16	18.08	250,305,000	0.46	0.24	0.70	750,500
1944	915,200	559,800	1,475,000	67,692	13.52	8.27	21.79	148,190,700	0.62	0.38	1.00	639,800
1948	686,100	713,600	1,399,700	32,892	20.86	21.70	42.56	63,963,600	1.07	1.12	2.19	687,700
1949	710,400	f/ 755,400	1,465,800	29,824	23.82	25.33	49.15	61,082,000	1.16	1.24	2.40	723,200
1950	744,700	843,200	1,587,900	28,675	25.97	29.41	55.38	63,423,600	1.17	1.33	2.50	780,100
1951	779,000	878,400	1,657,400	27,854	27.97	31.54	59.51	66,865,900	1.17	1.31	2.48	802,200
New Orleans												
1940	922,000	420,000	1,342,100	77,039	11.97	5.45	17.42	108,556,500	0.85	0.39	1.24	439,700
1944	723,000	424,700	1,147,700	58,524	12.35	7.26	19.61	76,831,600	0.94	0.55	1.49	433,300
1948	709,000	458,400	1,167,400	34,237	20.71	13.39	34.10	53,114,300	1.33	0.86	2.19	277,800
1949	650,000	f/ 514,400	1,164,400	32,369	20.08	15.89	35.97	52,426,600	1.24	0.98	2.22	261,400
1950	629,300	551,400	1,180,700	32,595	19.30	16.92	36.22	55,229,300	1.14	1.00	2.14	263,700
1951	672,600	599,000	1,271,600	33,099	20.32	18.10	38.42	57,889,700	1.16	1.03	2.19	256,200

FEDERAL LAND BANK SYSTEM

(Federal Land Banks and National Farm Loan Associations)

Operating expense: Average number and cost of units serviced; and average amount and cost per $100 of loans and sales paper outstanding

Years ended December 31, 1940, and June 30, 1944 and 1948 through 1951 - continued

District and year	Operating expense a/			Average number and cost of units serviced				Average amount, and cost per $100, of loans and sales paper outstanding				Memorandum Compensation and loan closing fees to NFLA's excluded from FLB operating expense d/
				Number b/	Cost per unit serviced			Amount c/	Cost per $100 balance			
	FLB	NFLA	Total		FLB	NFLA	Total		FLB	NFLA	Total	
St. Louis												
1940	$1,097,900	$499,900	$1,597,800	74,901	$14.66	$6.67	$21.33	$260,470,500	0.42	0.19	0.61	$482,100
1944	861,700	564,700	1,426,400	56,343	15.29	10.02	25.31	174,796,100	0.49	0.32	0.81	563,900
1948	638,500	f/640,000	1,278,500	31,762	20.10	20.15	40.25	93,005,900	0.69	0.69	1.38	694,100
1949	681,700	677,700	1,359,400	29,323	23.25	23.11	46.36	88,188,400	0.77	0.77	1.54	533,000
1950	675,500	693,300	1,368,800	28,818	23.44	24.06	47.50	89,876,900	0.75	0.77	1.52	495,500
1951	756,700	739,300	1,496,000	28,676	26.39	25.78	52.17	94,033,200	0.80	0.79	1.59	503,700
St. Paul												
1940	2,225,900	947,700	3,173,600	138,744	16.04	6.83	22.87	432,846,000	0.51	0.22	0.73	1,049,500
1944	1,710,500	1,060,000	2,770,500	107,944	15.85	9.82	25.67	305,596,800	0.56	0.35	0.91	1,099,000
1948	1,046,500	870,300	1,916,800	56,351	18.57	15.44	34.01	144,490,800	0.72	0.60	1.32	970,500
1949	931,300	f/905,000	1,836,300	50,633	18.39	17.87	36.26	132,256,900	0.70	0.68	1.38	1,046,900
1950	942,600	934,900	1,877,500	48,914	19.27	19.11	38.38	130,044,000	0.72	0.72	1.44	1,245,900
1951	997,400	1,010,500	2,007,900	47,902	20.82	21.10	41.92	130,679,700	0.76	0.77	1.53	1,339,000
Omaha												
1940	1,780,600	944,500	2,725,100	100,309	17.75	9.42	27.17	488,610,800	0.36	0.19	0.55	1,111,000
1944	1,451,800	1,075,900	2,527,700	81,659	17.78	13.18	30.96	366,854,800	0.40	0.29	0.69	1,182,400
1948	1,140,100	1,050,900	2,191,000	48,702	23.41	21.58	44.99	182,749,800	0.62	0.58	1.20	1,109,900
1949	1,092,100	1,137,900	2,230,000	44,099	24.76	25.80	50.56	172,633,300	0.63	0.66	1.29	1,140,600
1950	1,103,300	f/1,167,900	2,271,200	43,246	25.51	27.01	52.52	174,570,400	0.63	0.67	1.30	1,204,600
1951	1,182,800	1,217,200	2,400,000	42,723	27.69	28.49	56.18	180,517,400	0.66	0.67	1.33	1,198,500
Wichita												
1940	1,413,100	638,800	2,051,900	78,166	18.08	8.17	26.25	227,073,400	0.62	0.28	0.90	471,000
1944	1,143,000	578,100	1,721,100	60,897	18.77	9.49	28.26	155,205,300	0.74	0.37	1.11	566,200
1948	784,900	597,400	1,382,300	30,318	25.89	19.70	45.59	78,630,000	1.00	0.76	1.76	623,600
1949	753,300	f/618,800	1,372,100	27,262	27.63	22.70	50.33	73,787,000	1.02	0.84	1.86	641,300
1950	723,900	655,500	1,379,400	26,563	27.25	24.68	51.93	75,521,500	0.96	0.87	1.83	516,500
1951	760,300	713,500	1,473,800	26,122	29.11	27.31	56.42	78,600,200	0.97	0.91	1.88	521,700
Houston												
1940	1,029,500	590,400	1,619,900	85,291	12.07	6.92	18.99	244,551,800	0.42	0.24	0.66	736,000
1944	904,700	819,900	1,724,600	70,274	12.87	11.67	24.54	183,567,300	0.49	0.45	0.94	746,100
1948	665,900	f/844,300	1,510,200	42,117	15.81	20.05	35.86	106,113,700	0.63	0.80	1.43	762,700
1949	608,400	857,400	1,465,800	38,524	15.79	22.26	38.05	99,078,900	0.61	0.87	1.48	502,800
1950	595,500	888,100	1,483,600	36,672	16.24	24.22	40.46	98,136,300	0.61	0.90	1.51	493,000
1951	658,500	970,800	1,629,300	34,879	18.88	27.83	46.71	99,003,100	0.67	0.98	1.65	491,200
Berkeley												
1940	1,049,500	366,600	1,416,100	40,149	26.14	9.13	35.27	172,601,500	0.61	0.21	0.82	484,600
1944	748,000	368,000	1,116,000	29,974	24.95	12.28	37.23	119,932,200	0.62	0.31	0.93	429,700
1948	649,100	423,900	1,073,000	15,828	41.01	26.78	67.79	73,844,600	0.88	0.57	1.45	362,500
1949	683,700	435,300	1,119,000	15,250	44.83	28.54	73.37	73,022,300	0.93	0.60	1.53	356,300
1950	694,000	446,400	1,140,400	15,137	45.85	29.49	75.34	73,981,500	0.94	0.60	1.54	366,300
1951	713,500	444,200	1,157,700	14,739	48.41	30.14	78.55	73,277,000	0.97	0.61	1.58	365,900
Spokane												
1940	1,033,200	377,500	1,410,700	53,546	19.30	7.05	26.35	148,812,400	0.69	0.25	0.94	388,000
1944	628,800	348,700	977,500	36,865	17.06	9.46	26.52	99,536,300	0.63	0.35	0.98	356,900
1948	608,400	460,100	1,068,500	19,632	30.99	23.44	54.43	56,555,900	1.08	0.81	1.89	452,700
1949	551,700	485,400	1,037,100	18,205	30.30	26.66	56.96	55,549,500	0.99	0.87	1.86	493,300
1950	570,700	492,700	1,063,400	18,026	31.66	27.33	58.99	58,726,200	0.97	0.84	1.81	491,400
1951	612,400	537,500	1,149,900	17,989	34.04	29.88	63.92	63,709,100	0.96	0.84	1.80	517,900

a/ Includes expense incurred for their own account and for the FFMC but not that applicable to the disposal of surplus real property. FLB expense excludes compensation and loan closing fees to NFLA's in all years and supplemental allowances in 1940 and 1944 (see memorandum column). FLB expense in 1940 does not include Washington office supervisory costs which, since the banks began paying these costs effective July 1, 1943, have ranged systemwide from $723,000 to over $800,000. FLB expense in 1948 excludes charges for accrued annual leave applicable to 1948 and prior years, which totaled $1,146,000 for the 12 land banks.

b/ Represents the average number of FLB and LBC mortgage loans, purchase money mortgages, real estate sales contracts and notes receivable outstanding and real estate owned during the year, with joint FLB-LBC loans counted as one unit.

c/ Represents average of the unpaid principal balances of FLB and LBC mortgage loans and real estate sales paper outstanding during the year.

d/ Since July 1, 1947, six banks (Columbia, New Orleans, St. Louis, Wichita, Houston, and Berkeley) have adopted compensation plans which provide that only part of association operating expenses be met from FLB compensation and the balance from dividends and other income.

e/ The delegation of servicing authority to the NFLA of San Juan during 1951 resulted in the curtailment of the operations of the Baltimore bank's branch office in Puerto Rico; consequently, no segregation of costs between the States and Puerto Rico was made.

f/ Excludes contributions for past service under employee retirement plans. g/ The number of units and dollar volume used in determining these rates exclude data for Puerto Rico.

U. S. Department of Agriculture - Farm Credit Administration - Finance and Accounts Division.

FEDERAL FARM MORTGAGE CORPORATION

Comments applicable to selected income and expense items and ratios shown in the following table for the calendar year 1940 and the fiscal years ended June 30, 1944 and 1948 through 1951.

Comparisons of the Corporation data for the years 1948 through 1951 with 1940 and 1944 are not too valid since the Corporation has been in the process of liquidating its loans since July 1, 1947.

Income from loan operations - Includes interest on mortgage loans and real estate sales paper, miscellaneous interest, and loan fees. Income from loan operations in 1951 amounted to $2,298,555.

Income from investments - Represents income from all investments including CFFL bonds and notes receivable of Federal land banks. The Corporation has had no income from this source since 1949.

Cost of borrowed funds - Includes all costs relating to Federal Farm Mortgage Corporation bonds plus other interest expense. All of the amount shown for 1951 and practically all for 1950 and 1949 represent other interest expense, primarily interest on future payment funds of borrowers.

Operating expenses - Represents all operating expenses including Washington office examination and supervisory costs. Operating expenses in 1951 amounted to $1,250,828.

Net earnings before provision for losses - Represents income from loan operations and from investments less cost of borrowed funds and operating expenses, plus mineral income and, in 1944, profit on sales of securities.

Final net earnings - The difference between this item and the preceding one represents losses and provision for losses in 1940 and adjustment of provision for losses in the other years. Final net earnings in 1951 were $2,654,224 and represented a return of 6.12% on total net worth.

Dividends paid to U. S. Treasury - The Corporation paid dividends to the U. S. Government totaling $99,000,000 through June 30, 1951.

FEDERAL FARM MORTGAGE CORPORATION

Selected income and expense items and ratios
1940, 1944 and 1948 through 1951 a/

Year	Income from loan operations		Income from investments		Cost of borrowed funds		Operating expenses		Net earnings before provision for losses			Final net earnings			Dividends paid to U.S. Treasury	Memorandum
	Amount	Per annum rate b/	Amount	Per annum rate b/	Amount	Per annum rate b/	Amount	Per annum rate b/	Amount	Per annum rate b/	Rate of return on total net worth	Amount	Per annum rate b/	Rate of return on total net worth		Average balance of mortgage loans and real estate sales paper outstanding
1940	$35,780,353	5.26	$29,388,122	4.32	$37,892,783	5.57	$9,864,126	1.45	$17,411,297	2.56	7.88	$3,154,260	0.46	1.43	-	$680,350,594
1944	21,664,140	5.03	17,126,255	3.98	24,661,403	5.73	7,777,563	1.81	8,212,364	1.91	7.23	42,129,559	9.79	37.08	-	430,337,592
1948	5,697,546	5.13	205,685	0.19	130,276	0.12	2,372,089	2.13	3,474,446	3.13	3.01	17,535,369	15.78	15.17	-	111,149,302
1949	4,038,104	4.98	-	-	53,641	0.07	1,871,106	2.31	2,222,324	2.74	2.71	7,688,605	9.49	9.37	$68,000,000	81,049,387
1950	3,039,944	4.99	-	-	37,453	0.06	1,603,731	2.63	1,537,333	2.52	2.77	3,368,038	5.53	6.08	17,000,000	60,906,214
1951	2,298,555	5.00	-	-	26,753	0.06	1,250,828	2.72	1,157,073	2.52	2.67	2,654,224	5.78	6.12	14,000,000	45,950,494

a/ Calendar year 1940 and fiscal years ended June 30, 1944 and 1948 through 1951.
b/ Based upon the average balance of mortgage loans and real estate sales paper outstanding.

U. S. Department of Agriculture - Farm Credit Administration - Finance and Accounts Division.

PART III

Money costs and financing operations - Federal land banks, Federal intermediate credit banks and banks for cooperatives

Money Costs and Financing Operations of the Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives

There have been two major movements in the general level of interest rates over the past 15 years, and these trends have been directly reflected in the cost of borrowed money to Farm Credit institutions. In the mid-1930's interest rates started a decline which culminated in the historically low levels prevailing during the war years. Following the war, rates were permitted by the monetary authorities to respond gradually to strong upward pressures continuing to this time with only one temporary reaction, which occurred in 1949. The increase in rates was accelerated in March 1951 by the action of the Federal Reserve Open Market Committee in relaxing its support of the Government bond market. The attached table, "Trends in Interest Rates, 1944-51," indicates the extent to which rates have increased since the war.

As to the outlook for future trends in interest rates, Dr. Marcus Nadler, economist and Professor of Finance at New York University, told the Subcommittee of the Bond Committee of the Federal Land Banks at a meeting on July 9, 1951, that he expected the money market to continue tight throughout this year and until the early part of next year, but that subsequently the supply of funds for investment should be greater and the demand for loans less, resulting in an easier market and lower rates. A summary of Dr. Nadler's address to the Subcommittee is attached.

Competition with other borrowers in the open market for the available supply of funds of course largely determines the interest rates of Federal land bank bonds, Federal intermediate credit bank debentures, and Central Bank for Cooperatives debentures. Farm Credit securities are regarded as prime quality investments, and, as such, are in direct competition only with other Federal agency obligations and the very best corporate issues, e.g., equipment trust certificates. To a lesser degree, they compete with high-grade municipal bonds, after allowance for the tax exemption feature of the latter as applicable to different investors. In this connection, a new demand on the market is being made by the issuance of bonds of local public housing authorities as provided for by the Federal Housing Act of 1949. Attached is a memorandum describing the recent initial offering of $171,000,000 of the housing bonds. A similar amount of these tax-exempt bonds is expected to be offered later this year, and another $550,000,000 in 1952. An aggregate of $7,000,000,000 is estimated to be issued within the next 6 or 7 years. It is generally conceded that these obligations will eventually exercise an important influence in the bond market. Whether they will affect the market for Farm Credit securities remains to be seen.

Financing experience of Federal land banks

The average cost of money to the Federal land banks is now less than half what it was before the war. As of August 1, 1951, there were $714,842,000 consolidated bonds outstanding with an average face rate of 1.62 percent, while bonds outstanding on December 31, 1942, totaled over $1 1/2 billion and carried an average face rate of 3.48 percent. The latter represented consolidated bonds issued from 1933 through 1936 to refund individually issued bonds and to provide funds for loans; they were callable in 10 years, and their rates of from 3 to 4 percent were in line with contemporary Treasury and investment-quality corporate issues.

Because of the general decline in interest rates in the ensuing 10 years, it was possible for the banks to refund the above-mentioned bonds at substantially lower cost as they became callable. A large proportion was retired with cash accumulated from assets liquidation. During 1945 and 1946 the banks issued $721,000,000 of consolidated bonds at rates ranging from 1 1/4 to 2 1/4 percent and with terms from 3-5 to 8-10 years. In 1949 the banks issued $215,000,000 of 1 3/4 percent bonds callable in 6 years and maturing in 8 years.

The banks are now completing plans for an issue of approximately $75,000,000 bonds to be dated November 1, 1951, which will be sold to retire borrowings from commercial banks and to provide new money for lending operations. The rate and term of these bonds have not yet been determined, but based on present market conditions it appears that the banks will have to pay a considerably higher rate for money than they did in 1945, 1946, and 1949. It is expected that more favorable rates will prevail next year when the banks will be required to refund approximately $200,000,000 of 1 1/4 percent bonds due May 1, 1952.

Commercial bank borrowings have constituted an important secondary source of funds to the land banks. During the war years the banks borrowed on their joint and several promissory notes a total of several hundred million dollars on six occasions from groups of commercial banks. At that time such borrowings were preferable to selling bonds in the market because the banks were accumulating surplus funds rather rapidly from mortgage loan liquidation, and these funds could be readily applied on the borrowings through prepayment privileges. These borrowings enabled the banks to call several outstanding issues of bonds and to repay Government capital.

More recently, certain of the land banks have been borrowing individually from commercial banks to obtain funds for new loans, pending a bond sale.

Financing experience of Federal intermediate credit banks

The Federal intermediate credit banks had $253,920,000 debentures outstanding on January 2, 1942, at an average cost, including commissions, of 0.57 percent per annum. Debentures outstanding as of September 4, 1951, amounted to $788,455,000, and their average cost, including commissions, of 2.16 percent represented a high since 1933. The $790,235,000 debentures outstanding on August 1, 1951, represented an all-time high since the banks' organization. The following tabulation of the amount and average cost of debentures issued beginning with 1942 will serve to illustrate the increase in the cost of money to the banks and in their volume of business since that time:

	Debentures issued	
Year	Amount	Average cost
1942	$472,885,000	0.84%
1943	455,285,000	0.91
1944	393,980,000	0.97
1945	370,025,000	0.98
1946	443,790,000	1.03
1947	528,240,000	1.21
(Jan. - June) 1948	428,565,000	1.62
Fiscal year 1949	735,400,000	1.67
Fiscal year 1950	727,055,000	1.44
Fiscal year 1951	903,610,000	1.92

Rates on credit bank debentures are sensitive not only to movements in the general level of interest rates but also to transient changes in the supply of and demand for short-term money. Trends in debenture rates follow rather closely trends in rates on short-term Treasury securities, bankers' acceptances, commercial paper, and other Federal agency obligations. One important factor contributing to higher debenture rates has been the tremendous increase in recent years in the supply of short-term Federal agency obligations in the market. In January 1942 there were $415,000,000 of such securities outstanding, of which $254,000,000 were Federal intermediate credit bank debentures. In September 1951 short-term Federal agency obligations outstanding totaled nearly $1,300,000,000, comprising $788,000,000 credit bank debentures and over $500,000,000 Federal home loan bank notes. Commercial banks and other institutional investors ordinarily allot a certain proportion of their portfolios to be held in Federal agency securities, which limits the amount of such securities that the market will readily absorb. It has thus been necessary to offer debentures, as well as other agency obligations, at more attractive yields, in relation to comparable Treasury securities, than formerly. The current interest spread between 9-month debentures and 9-month Treasuries is about 0.60 percent, as against 0.20 percent a year ago and 0.10 percent in 1945. The attached table affords a comparison of rates on 9-month debentures with other interest rates on selected dates beginning in 1944.

Whenever a credit bank needs funds between debenture sale dates, the Washington office attempts to utilize through an interbank loan any excess funds which may be available in the system. Otherwise, the bank with approval of the Farm Credit Administration may borrow from a commercial bank. Such interbank and commercial bank borrowings are ordinarily for periods of less than one month, being repaid from proceeds of the next following debenture sale.

Financing experience of banks for cooperatives

Until recently the banks for cooperatives did not obtain any of their lending funds directly from the investing public. Their sources of funds included the capital subscribed by the Government and by borrowers, accumulated earnings, borrowings from one another, discounts with or borrowings from the Federal intermediate credit banks, and borrowings from commercial banks. The Central Bank for Cooperatives was given authority to issue debentures by the Farm Credit Act of 1933, under which the banks for cooperatives were organized, but had not exercised that power before last year. The district banks do not have power to issue securities.

The first issue of Central Bank debentures was dated February 1, 1950, and consisted of $30,000,000 of 1 5/8 percent debentures due February 1, 1953. The Bank has just completed plans for its second public offering, comprising $40,000,000 of 2 1/2 percent debentures to be dated and delivered October 1, 1951, due February 1, 1954.

It is contemplated that henceforth a sufficient part of the Central Bank's outstanding credit will be financed by debentures to enable borrowings from other sources to be completely retired after each lending season.

The Central Bank participates in many loans made by the district banks. The district banks also participate from time to time in credit extended by the Central Bank and by other district banks, and the several banks make loans to one another for short periods. Thus, flexibility is achieved in the use of the resources of the 13-bank system.

The banks for cooperatives borrow from the Federal intermediate credit banks from time to time, mostly on promissory notes, but frequently by rediscounting. The Central Bank borrows from the credit bank at Baltimore, and the other credit banks participate with the Baltimore bank in such loans.

Borrowings from commercial banks are obtained by the banks for cooperatives to finance peak loan volume. The Central Bank borrows from commercial banks in the money centers of New York, Chicago, and San Francisco, while the district banks borrow mostly from their local depositaries.

Proceedure followed in offering securities

Offerings of securities by Farm Credit institutions are made through their Fiscal Agent in New York City, who organizes for the purpose extensive selling groups of recognized dealers in securities, accepts subscriptions, and makes allotments. The dealers serve as distributors of the bonds and debentures to investors. Each dealer is paid a commission at a specified rate on the securities allotted to him. The number of dealers participating ranges from about 350 in the case of the regular monthly credit bank debenture sales to approximately 800 in the most recent land bank bond offering.

The rate, term, and price of the bonds and debentures are determined by the institutions, subject to the approval of the Farm Credit Administration, after consultation with the Fiscal Agent, representative dealers and bankers, and officials of the Treasury Department.

The Washington office assists the institutions in planning security offerings and arranges for the handling of many details such as preparation of prospectuses, printing of the securities, and the disposition of the proceeds in accordance with the wishes of the banks.

The securities are delivered and payment recieved by the Federal Reserve banks (credit bank and Central Bank debentures are delivered only at the Federal Reserve Bank of New York), which also service the securities while they are outstanding and act as redemption agents.

September 7, 1951

Trends in Interest Rates, 1944-51
(Percent per annum)

Item	1/1/44	4/25/46	1/12/48	8/13/48	8/21/50	2/8/51	9/4/51
Federal Reserve discount rate 1/	2/ 1	1	1 1/4	1 1/2	1 3/4	1 3/4	1 3/4
Treasury 91-day bills 3/	0.375	0.376	0.976	1.066	1.247	1.391	1.646
Treasury 1-year certificates 4/	7/8	7/8	1 1/8	1 1/4	1 1/4	1.55 (est.)	1 7/8 (est.)
90-day bankers' acceptances 5/	7/16	7/16	1 1/16	1 3/16	1 5/16	1 1/2	1 5/8
4- to 6-month prime commercial paper	11/16	3/4	1 1/4	1 1/2	1 1/2	1 7/8 - 2	2 1/8 - 2 1/4
Bank loans to prime commercial borrowers	1 1/2	1 1/2	1 3/4	2	2 1/4	2 1/2	2 1/2
FICB 9-month debentures 6/	0.90	0.90	1.55	1.65	1.40	1.85	2.25
Treasury 2 1/2% bonds, 12/15/67-72 7/	XX	2.25	2.47	2.47	2.42	2.44	2.56 (to maturity)

1/ Applicable to advances to member banks secured by Government obligations (or FICB debentures maturing within 6 months) and to discounts of and advances secured by eligible paper.
2/ 1/2% on advances secured by Government obligations callable or maturing within 1 year.
3/ Average yield of accepted bids.
4/ Face rate of new issues.
5/ Dealers' ask rate.
6/ Offering basis rate.
7/ Market yield to call date.

Note: Dates shown are those on which the discount rate at the Federal Reserve Bank of New York was changed, except for 1/1/44, 2/8/51, and 9/4/51, which were selected arbitrarily.

U. S. Department of Agriculture - Farm Credit Administration - Finance and Accounts Division September 5, 1951

EXCERPT FROM MINUTES OF MEETING OF THE SUBCOMMITTEE OF THE BOND COMMITTEE OF THE FEDERAL LAND BANKS HELD IN FISCAL AGENT'S OFFICE, NEW YORK CITY, JULY 9 AND 10, 1951

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Dr. Marcus I. Nadler, Professor of Finance at New York University, joined the group at 11:00 a.m. and was introduced by Mr. Newcomb, who explained the purpose of the meeting and asked Dr. Nadler for his views on the present and prospective bond market situation.

Dr. Nadler stated that during the past few months we have witnessed a readjustment in the money market, accompanied by an increase in both short-term and long-term rates, brought about primarily by two forces:

1. A great demand for funds caused by the tremendous capital expenditures of corporations and by the changed open-market policy of the Federal Reserve System. Capital expenditures by corporations this year have been at the rate of $25 billion annually, and there has also been a great demand for funds by insurance companies, savings banks, and other institutional investors. However, more important than the demand for capital was the change in Federal Reserve open-market operations which occurred about March 1 of this year, when the Open Market Committee stopped supporting Government securities at fixed prices and instituted a more flexible policy. A decline of 4 to 5 points in Government bond prices followed, which made it costly for institutional investors to convert their security holdings into cash, and at the same time harder for banks to get Federal Reserve credit.

2. A reduction of the supply of funds at the disposal of insurance companies. The large life and casualty companies have made substantial commitments beyond the current banking field, and will need to sell securities to obtain funds to lend to industry and on mortgages. Since they find they usually have to sell at a loss, and furthermore often cannot sell because the Federal is not buying, they are not eager to buy securities or make new commitments.

Dr. Nadler said that the greatest portion of the readjustment in the Government bond market had already taken place. The money market will continue tight throughout this year and until the early part of next year partly because of a good demand for loans. Good crops and high prices mean farmers will have to borrow more for production purposes. However, by March or June of next year commitments by insurance companies will have been met, residential construction will be going down, and possibly also the international situation will have improved. Toward the end of this year the supply of durable consumers' goods should decline, and a continued high income level would result in increased savings next year. He also expected a decrease in inventory loans. He said that consequently

his view was that the longer the financing could be postponed the better: that it would be easier to sell bonds next year than at present, and a lower rate would be possible next year. Dr. Nadler suggested that the land banks consider selling short-term bonds, e.g., 1-3 years, this year to refinance their commercial bank borrowings and provide such new money as needed, with the view of refunding them in a year or so at a lower rate.

He also indicated that a 2-4 or 3-5 year bond could likely be refunded advantageously, since the rearmament program as planned would reach its peak in 1952 and would go down after 1953 and 1954. He expressed the view that once the rearmament program is over, interest rates will be as easy as in 1949-50, if not easier.

Commissioner Isleib said that the information he received from the land banks had led him to believe that insurance companies had not slackened their efforts to get mortgage loans. Dr. Nadler replied that the general trend had changed since March, especially in the large insurance companies. He added that mortgages selling at a premium of 1 to 2 points last January and February could be bought now at a discount, but agreed that some companies could be still taking farm mortgages, although over-committed in another field such as apartment buildings and housing developments.

The Commissioner then pointed out that the banks have about $200,000,000 of bonds which mature in May 1952 and will have to be refunded. Dr. Nadler said that the land banks should have no difficulty in this refunding, since insurance companies and smaller banks will be back in the market then. Under these circumstances, he said, an issue of $75,000,000 3-5 year bonds this fall would be good and should sell very well, adding that 1954-56 or 1953-55 should be advantageous maturities to be refunded.

In response to an inquiry, Dr. Nadler said that he saw no difference between October 1 and November 1 as issue dates for an offering this year, indicating that the market then would be about the same as at present in all probability.

He reiterated that the banks would find their principal market in suburban areas and among commercial banks which live primarily on consumer credit. Dr. Nadler suggested that rates of 2 1/2 percent on 2-4 year, and 2 3/4 percent on 3-5 year bonds would be quite attractive.

Mr. Colvin asked Dr. Nadler whether he saw anything in the picture which would cause an unusual demand for farm mortgage loans in the next few years. Dr. Nadler replied in the negative, stating that farmers are generally in a strong financial position and will likely borrow principally for production purposes.

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UNITED STATES DEPARTMENT OF AGRICULTURE
FARM CREDIT ADMINISTRATION
WASHINGTON 25, D. C.

DEPUTY DIRECTOR'S MEMORANDUM
FINANCE AND ACCOUNTS DIVISION

August 7, 1951

Subject: Housing authority bonds

On July 19, over $171,000,000 bonds of 58 local public housing authorities were offered to the public by two groups of investment houses and bankers who had been awarded the bonds at competitive bidding. A combination of investment bankers headed by Blyth & Co., Inc., Phelps, Fenn & Co., and Lehman Brothers got 42 issues for a total of $155,739,000, while a banker-dealer group led by Chemical Bank & Trust Co. won 16 issues totaling $15,580,000.

The bonds of all 58 issues were made as nearly uniform as variations in local laws permitted and mature in annual installments over a period of 40 years. They are considered practically identical in investment quality, but it is recognized that a preference may be demonstrated by investors for the bonds of certain authorities both for psychological reasons and because of special local tax advantages. All the bonds are exempt as to interest from Federal income taxes.

The annual principal and interest installments are to be met primarily by each local authority from revenue derived from its housing projects. However, the Public Housing Administration has contracted with each local housing agency to make annual contributions sufficient to cover any deficiency of local revenues in this regard, and the faith of the United States is pledged to the performance by the Public Housing Administration of such contracts. Consequently the bonds are considered as virtually Government guaranteed obligations, although they are not so described.

The bonds were offered to the public at yields ranging from 1.05% per annum for 1-year maturities to 2.25% per annum for maturities of 1987 and beyond. For comparison with fully taxable bonds such as Treasury, Federal land bank, and corporate issues, a "taxable equivalent yield" is given below for a selected few maturities of the housing bonds:

Year due	Offering yield	Approximate taxable equivalent yield*
1953	1.10%	2.08%
1956	1.25	2.36
1959	1.40	2.64
1967	1.70	3.21
1973	1.85	3.49
1978	2.05	3.87
1987	2.25	4.25

* Based on application of present normal tax of 25% and 22% surtax.

According to reports, the offering was generally well received, with the longest maturities being somewhat less in demand than the shorter bonds.

This initial offering of bonds under the Federal Housing Act of 1949 is the forerunner of additional issues which it is estimated may aggregate as much as $7 billion within the next 6 or 7 years.

(Signed) W. T. McKeown