How Financial Institutions Can Help Foster Range Development[1]

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When we consider range management and range development, we are talking about something of vital interest to banks, production credit associations, life insurance companies and the Federal Land Bank.

What benefits the range man, directly and indirectly, over a period of years, not only gives purchasing power and debt-paying possibilities to the operator, but benefits all long-term lending agencies. The operator, to meet land payments and pay taxes and interest, must take advantage of every opportunity to improve the income of his particular ranch. Thus, when we consider things that are helpful to the physical property itself and its present and future carrying capacity, we are talking of increased dollars in the hands of that operator, which will enable him to keep his current debt position favorable. The long-term lender has even a greater and more vital interest in the work that your organization is doing.

To me, ranching or farming is not an occupation of glamour. Rather, it is a serious business—a difficult way to earn a living. Many people's conception of rural life is gained from listening to HOME ON THE RANGE and/or THAT'S WHY I WISH AGAIN I WAS IN MICHIGAN DOWN ON THE FARM. Much false glamour and false publicity has been given to rural and ranch life. Many of our consumers and well-meaning city dwellers have the idea that a ranch consists of a lot of cattle that take care of themselves, a few well-trained saddle horses and a covey of Cadillacs. Our magazines have publicized some of our bigger outfits with a generous amount of extravagant statements, and have failed to spotlight the real problems that day to day confront the producer of livestock, the farmer and the dairyman. The range man of today, in my judgment, is taking a more realistic view of conditions as they exist. He knows the abuses of past generations—he recognizes that our land area in this country has reached stationary political definition. He also knows that our population will continue to grow by leaps and bounds. Thus, the only way to maintain a proper balance between an all-important meat supply and the constantly increasing number of mouths to feed is to better utilize the land we have.

Whether we call it range management or soil conservation or any other name, good, sound American horse sense is needed in the handling of our ranges today for the protection of those who will come tomorrow. I have no intention of reviewing with you the varied ways and means employed to improve range conditions and accomplish your work, but I think you would have an interest in a banker's point of view on how important your accomplishments are to banks loaning money to ranch operators Beyond this, I would like to point out the important part a bank plays in helping that operator to be more useful to your association.

Banks have a proper and selfish interest in seeing each customer improve his physical holdings and thus automatically improve his production record. Unit cost today is just as important in agriculture as in the manufacture of shoes, refrigerators or automobiles. Very few ranch properties increase their overhead to any great extent by increasing the number of livestock 10 or 15 per cent, and that last 15 per cent delivered to market very often means the difference between a profitable operating unit and a break-even or a loss.

True, banks maintain a proper margin of safety—so do all lending agencies. Few, if any, of the long-term credit agencies will loan more than 40 to 60 per cent of the normal value of any ranch property. But no reputable lending agency ever makes a loan with the idea of coming in to the property via the foreclosure route. If our lending agencies are to grow and prosper, necessity demands that their customers prosper. Since this is the case, wide-awake bankers today have more than usual interest in seeing that their borrower utilizes every resource of his ranch in a practical way. They are ever mindful of his not over-grazing—they know the fallacy of using the last blade of grass. They know full well the historic record of drought and grasshoppers and other catastrophies that have always plagued the American livestock producer.

As recently as this past season, we have had a glaring example in our southwest country. The cost of moving cattle from Texas, New Mexico or Arizona to Montana, the Dakotas or elsewhere is a mighty damaging thing to that balance sheet the following fall. Someone said that you can't make a tourist out of a cow and I would like to add just one word, "profitably." This past season was no indictment against the good operator in that area. Any section of the country that has no moisture for years just cannot maintain live stock, range management or no

[1] *Paper presented at the Seventh Annual Meeting of the American Society of Range Management, Omaha, Nebraska, January 26–29, 1954.*

range management. My only cure for dry weather is to pray and then trust in God that He will cure the situation in due course.

The banker of today is not that stern individual with one glass eye who is interested only in demanding the last pound of flesh. The American banker of 1954 is a businessman with vision and a sincere interest in the future of the nation. He is sensitive to the human element involved. He is anxious to contribute what he can to the success of the farm and ranch family. He is pleased at their progress, and he weeps with their woes. There may have been a time when such was not the case, but, in my experience of the past three decades, I am convinced that right along with your organization, the American banker has also progressed in wisdom, in knowledge of his own business and in the matter of the welfare of America, which is so closely co-mingled with agricultural prosperity that the two, in reality, are inseparable.

These are some of the reasons why, not only the banker, but all financing institutions have an interest in your organization and the fine work it is doing. Of course, it's a selfish interest, but any nation that continues to operate on the free enterprise basis must have incentive, and that incentive should not be influenced by anything other than sound business methods, honest practices and mutual helpfulness.

Beyond this, the American banker feels that he can make a definite contribution not only to the work you are doing but to the breeder, the producer and the feeder of all types of livestock. I am of the opinion that we are not far from the day when short-term loans on breeding herds of cattle and sheep will be lengthened to three- or five-year loans. Such loans could and should be set up on a realistic liquidating program. Replacement livestock should be given consideration in order to maintain proper ages in the herd. Adequate budgets are a necessity if the borrower is to succeed. We have long since learned that you cannot starve a profit into an animal, and, thus, an adequate budget is a *must*. Proper provision should be made for a reasonable expenditure for upkeep and improvements and, above all, for a proper distribution of water so that the entire acreage of the ranch may be utilized to the best advantage.

Moreover, taxes must be recognized for what they are. There will be little or no reduction in America's tax structure during your lifetime or mine.

Careful consideration must be given the matter of amortizing permanent land debts. To pull $10,000 or $15,000 per year in land payment, plus interest, plus taxes, out of an outfit of 500 or 600 cattle means disaster for the operator. Capital improvements must be based upon percentage of net income after operating expense and income taxes are paid.

The replacement of automobiles, trucks, tractors and all manner of farm machinery is something that must be watched very carefully by the range cattle or sheep man, or, here again, he will find himself with an excessive capital investment in this type of equipment far beyond the productive capacity of his outfit.

Truthfully, these are the causes for most of today's ills among livestock producers, the one exception being the area devastated by drought, and, even there, excesses have been practiced in all of these departments. When a poor old cow or a ewe carries high operating costs, land payment, interest, and personal and real property tax, then add to that Uncle Sam's toll in income tax, and the greatest care must be exercised even in good times or the borrower finds himself loading one obligation on another until his current loan becomes oppressive to his creditor.

All of these things have to be visualized and a plan developed whereby both the borrower and the lender take a realistic look at the possible net income and costs. A frank discussion of this problem will usually disclose a practical solution. I have done business with a great many individual livestock men throughout the Middle-West and West, and I have yet to find an operator who, willingly and knowingly, would pursue a course that would lead him into bankruptcy. Many of them have followed such a course, where, with practical guidance, many headaches and heartaches could have been avoided.

A logical and practical term-loan agreement between the lender and the borrower, spelling out certain lines of demarkation, would accomplish two things. It would enable the borrower himself to take a more realistic view of the situation, and it would enable the banker to have a real knowledge of the borrower's problems, needs, requirements and possibilities of success. In such a plan we may be a little ahead of our time, but term-loans are not uncommon to American bankers, and the fact that it has never been done in agriculture or in livestock operations is no sound reason for saying it will not work.

Moreover, such a plan would help to stabilize the entire industry. In times when prices decline, forced liquidation only adds fuel to the fire. Forced sales, hardships and foreclosure immediately disrupt the program that one had in mind. It forces distress livestock onto a market already declining. It causes delinquency on long-term debt. It destroys the confidence of the lending agency and the soundness of ranch real estate credits. Thus, as I see the situation, such a plan would be advantageous to all concerned. It even reaches so far as to have a very direct benefit to the American housewife and the consuming public. It affects labor and industry and our general economy.

The history of our country basically indicates that without a well-balanced purchasing power between the factory worker, labor and agriculture, we have an upset, an uneven and a declining economy. A prosperous agriculture in America is the balance wheel between depression on one hand, full employment and prosperity on the other.

I urge you to continue your good work. An abundant food supply is still our greatest weapon of defense. An underfed nation is an unhappy nation.