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Dept

COMPETENCIES IN FARM CREDIT NEEDED BY FARMERS

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by

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Purpose of the Study

The purposes of the study were: (1) to determine the competencies in farm credit needed by farmers and the degree of each competency needed for successful use of farm credit; (2) to determine the factors which have relationship to competencies needed and possessed; (3) to determine sources of training for these competencies; and (4) to provide information needed in planning an educational program that will enable farmers to use farm credit efficiently.

Method of Procedure

Sixteen farm credit specialists served as a panel to select the competencies that were included in this study. Of the competencies which were selected, 26 were classified as understandings and 17 as abilities. They are listed on Table 1.

A questionnaire was developed which included directions for evaluating each competency with respect to the degree to which it is needed in order to enable the respondent to use farm credit successfully and the degree to which each is presently possessed. The questionnaire was submitted to a random sample of 177 members of the Central Iowa Farm Business Association and a random sample of 305 farmers from the 14 counties served by the Association. Usable questionnaires were received from 117 association members and from 94 farmers in the random sample of other farmers. The degree of competency needed and the degree presently possessed by respondents were indicated for each of the understandings and abilities by check marks on a scale of 1 through 5. A check in column 1 meant no competence needed or possessed and in column 5 meant very much competence needed or possessed. The responses were analyzed by the use of mean scores.

Findings

Mean scores for degree of competency needed and possessed in each of the 26 understandings and the 17 abilities are presented in Table 1. In all cases respondents indicated that they possessed a lower degree of competence than was needed for successful use of farm credit. The difference between overall mean scores for competence needed and possessed was .6 for the association members and .5 for the random sample farmers.

Table 1. Degree that farm credit competencies were needed and possessed by Central Iowa Farm Bureau Association (CIFBA) members and by farmers in the random sample.

Rank[a]	Competencies-- Understandings needed (26 items)	Overall rank[b] (43 items)	Needed[c]	Possessed[c]	Needed[c]	Possessed[c]
			CIFBA N=117		Random sample N=94	
1	Importance of a good credit rating	1	4.6	4.3	4.4	4.2
2.5	Net farm income	6	4.3	3.7	4.1	3.7
2.5	Your repayment capacity	6	4.3	3.8	4.0	3.6
4.5	Importance of adequate operating reserves	13	4.2	3.4	4.0	3.5
4.5	Priority of claims on income	13	4.2	3.4	3.8	3.2
8	Capital and its relationship to other farming resources	22	4.1	3.3	4.0	3.3
8	Your own attitude towards "being in debt"	22	4.1	3.6	4.0	3.8
8	Risk and uncertainty of using credit	22	4.1	3.6	4.0	3.6
8	Methods of charging interest	22	4.1	3.8	4.0	3.6
8	Ratio of assets to liabilities	22	4.1	3.4	3.8	3.2
8	Relation of net cash income to liabilities	22	4.1	3.4	3.8	3.2
12.5	Procedures used in obtaining farm loans	28	4.0	3.5	3.9	3.5
12.5	Repayment terms and options	28	4.0	3.4	3.9	3.2
15.5	Need for consolidation of all loans	32.5	3.9	3.6	3.6	3.4
15.5	Loan security requirements	32.5	3.9	3.6	3.9	3.4
15.5	Legal terms used in notes, mortgages, etc.	32.5	3.9	3.0	3.6	2.9
15.5	Ratio of gross incomes to liabilities	32.5	3.9	3.2	3.6	3.2
15.5	A cash flow statement	32.5	3.9	3.0	3.5	2.6
20	Family living expenses	37	3.8	3.3	3.7	3.5
20	Purchase contracts for land, implements, etc.	37	3.8	3.1	3.7	3.2
20	Sales contracts for soybeans, beef, etc.	37	3.8	2.7	3.4	2.8
20	Rental and leasing arrangements	37	3.8	3.2	3.6	3.2
23	Relationship between farm and home credit	40	3.6	3.2	3.3	3.1
24	Credit life insurance	41	3.3	2.9	3.2	2.7
25.5	Availability of government emergency loans	42.5	3.1	2.3	3.0	2.4
25.5	Crop insurance as a means to reduce risk	42.5	3.1	2.9	3.2	2.9

Overall mean score for understandings

[a] Rank of understandings needed by association members (CIFBA)
[b] Overall rank of understandings and abilities needed by association members (CIFBA)
[c] 5 = very much, 4 = much, 3 = some, 2 = little, 1 = no.

3

Table 1. (continued)

Rank[a]	Competencies-- Abilities needed (17 items)	Overall rank[b] (43 items)	Needed[c] CIFBA N=117	Possessed[c]	Needed[c] Random sample N=94	Possessed[c]
1.5	Keep complete and accurate farm records	2.5	4.5	3.9	4.2	3.6
1.5	Analyze and interpret farm records and results	2.5	4.5	3.5	4.2	3.4
3	Distinquish between actual needs and mere desires	4	4.4	3.5	4.2	3.7
4.5	Compute management returns	6	4.3	3.3	4.0	3.2
4.5	Gain confidence of lenders	6	4.3	3.7	4.1	3.6
9	Determine own credit strengths and weaknesses	13	4.2	3.4	4.0	3.4
9	Compute true interest rate	13	4.2	3.8	4.0	3.5
9	Budget anticipated costs and returns	13	4.2	3.3	3.9	3.3
9	Prepare and interpret a new worth statement	13	4.2	3.5	4.0	3.4
9	Prepare an income (profit and loss) statement from current years operations	13	4.2	3.3	3.9	3.3
9	Plan repayment schedules to fit expected income	13	4.2	3.5	4.0	3.6
9	Effectively communicate with credit representatives	13	4.2	3.6	4.1	3.4
9	Determine total "least cost" credit sources for financing your farm business	13	4.2	3.5	3.9	3.3
14.5	Plan credit needs on an annual basis	22	4.1	3.3	3.9	3.2
14.5	Relate present credit plans to long term plans	22	4.1	3.2	3.9	3.2
16.5	Differenciate between short, intermediate and long term credit	28	4.0	3.6	3.8	3.5
16.5	Evaluate available credit sources	28	4.0	3.3	4.0	3.1
	Overall mean score for abilities		4.2	3.5	4.0	3.4
	Total overall mean scores for understandings and abilities		4.0	3.4	3.8	3.3

[a] Rank of abilities needed by association members (CIFBA)
[b] Overall rank of understandings and abilities needed by association members (CIFBA)
[c] 5 = very much, 4 = much, 3 = some, 2 = little, 1 = no.

4