## The Cost of Production Credit

## THE AGRICULTURAL EXPERIMENT STATION

NORTH CAROLINA STATE COLLEGE OF AGRICULTURE AND ENGINEERING

NORTH CAROLINA DEPARTMENT OF AGRICULTURE, COOPERATING
L. D. BAVER, DIRECTOR
STATE COLLEGE STATION
RALEIGH

## TABLE OF CONTENTS

P	AGE
INTRODUCTION	3
THE NATURE OF CREDIT	3
METHOD OF PROCEDURE IN THE COLLECTION AND ANALYSIS OF STATISTICAL DATA	4
Description of the Area Studied	
Sources of Data and Techniques Used	4
Statistical Tests	5
Computing the Value of Collateral	6
Methods Used in Calculating Costs of Loans	-
SOURCES OF FARM CREDIT AND COST OF LOANS	7
Sources	7
Factors Affecting Cost of Loans	9
Method of Payment Affects Cost of Loan	12
Cost of PCA Loans and Bank Loans	12
Cost of Merchant Credit	13
LENGTH OF TERM, SEASONAL VARIATIONS IN EXTENSIONS AND REPAYMENTS	15
Length of Term	15
Seasonal Variations in Extensions and Repayments	16
LOAN SECURITIES	18
Value of Security of PCA Loans	18
The Security for Bank Loans	
SUMMARY	21
APPENDIX	24
The General Formula	24
Special Cases	25