

Historical developments in agricultural finance and the genesis of America's farm credit system 🛒

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Purpose

The purpose of this paper is to provide a review of major historical developments in agricultural finance, with particular emphasis on agricultural credit. It reviews the development of Raiffeisen and related banks that emerged in Germany and Europe throughout the nineteenth century and how the cooperative banking system made its way into the banking system of the USA in the early twentieth century. The paper emphasizes the role of the state in the developing of agricultural credit, especially with respect to farm mortgages, securitization, and bond structures.

Design/methodology/approach

This paper presents a historical synthesis of historical literature on agricultural credit.

Findings

This paper shows the direct linkage between the developments in Raiffeisen credit cooperatives and the Farm Credit System (FCS) and details the emergence of the land banks, farm credit banks, agricultural bonds and the role of joint-stock banks in agricultural credit policy.

Originality/value

In total, 2016 marks the 100th anniversary of the passing of the 1916 Federal Farm Loan Act which set in motion the US's first Government Sponsored Enterprise and catalyzed the formation of the FCS as it operates today to provide credit to farmers and rural communities on a cooperative basis. Although there are a few wonderful books written on certain aspects of the FCS the story of how the FCS was initiated and the many struggles it faced up to the 1933 Act has not been told often enough. This paper tells the story of the evolution of agricultural credit that ultimately led to the formation of the FCS.

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