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PRE AND POST RECESSION INPUT ALLOCATION DECISIONS OF FARM CREDIT SYSTEM LENDING UNITS

Abstract:

This article estimates and analyzes the technical efficiencies and input allocation decisions of lending associations and their own banks under the U.S. Farm Credit System (FCS) during the period 2005-2011. The sample time period allows for the analysis of the operating decisions of FCS lending units under pre- and post-economic recession conditions. Results indicate that even while FCS lending units were plagued with higher funding costs during the recession, their input allocation decisions revealed fund sourcing strategies that leaned towards using more of the cheaper inputs. Moreover, smaller lending associations were found to have maintained relatively higher levels of technical efficiency.

Keywords:

Farm Credit System, allocative efficiency, input allocation, technical efficiency, financial inputs, deposits

JEL Classification: G20, E39, Q14