

The Committee recognizes that farmers generally keep accurate accounts for tax and day-to-day management purposes. Many farmers go farther, preparing one-to-five year budgets and maintaining sophisticated records which show year-to-year results on an accrual basis. Their results often allow them to forecast the profitability of producing various combinations of commodities, thereby enabling them to compare their current situation with future possibilities and to make operating decisions accordingly. The Committee feels that more farmers should undertake such exercises to enable them to cope adequately in the increasingly complicated world of unstable commodity prices, interest rates, exchange rates and government programs.

- VII. The Committee recommends that the Government ensure that programs be implemented to provide farmers with direct and indirect assistance in developing the management information systems necessary to make well-informed decisions. The Committee considers that it is important for borrowers to maintain adequate records for use in a management information system compatible with farm operations. The Committee therefore recommends that federal lending agencies consider such records in determining farmers' access to federal government lending programs, whether direct or by guarantee.

D. Secondary Agricultural Mortgage Markets

A secondary market is a financial mechanism that enables lenders to sell loans originated by them to other institutions and thus spread their risk of borrower default. The original lender typically receives a fee for continuing to service the mortgage, with the loss in the event of borrower default limited to the portion of the mortgage still owned.

Secondary mortgage markets often involve a government-sponsored agency that sells bonds that have an implicit government guarantee; these bonds are sold on national capital markets, generally at relatively low rates. The proceeds of bond sales are used to purchase lender loans, with the pooling of large numbers of mortgages reducing risk and achieving certain economies of scale.

In the United States, a secondary market for farm real estate loans is a key component of Bill HR3030 cleared by the House of Representatives and the Senate on 19 December 1987; HR3030 provides for a \$1.5 billion federal line of credit for the secondary market, called "Farmer Mac". The legislation enables many private investors, including