

Why was it difficult for American farmers to get out of debt during the late 19th century?

It was difficult for farmers to get out of debt because they were often in debt because they could not get a good price for their crops. But if they grew more crops to pay there debt this didn't work because there would be so much crops that the price would go down because others were also growing crops and they also had to buy tractors and seeds and other things. This put them in debt. Also, the farmers did not have a choice about going into debt because they had to borrow money to grow there crop. If the crop didn't grow, the farmers would still have to pay it and so it was very hard to get out of debt. And also there was no credit for farmers except at stores.

Farmers started out with little capital (cash) and very limited access to credit. To secure their loans, they often had to put up their crops for the next harvest as collateral (crop lien system). They also had to buy seeds, livestock, and equipment on credit. Usually, the local merchant was the only source of credit. Since there was no competition, he charged high interest rates and the farmers had to pay them. Therefore, they were deep in debt even before the first harvest. If it was a poor harvest because of drought, flood, or some other natural disaster out of their control, they might not be able to pay back all of their loans. If it was a good harvest, the market price for their crops declined since other area farmers also had good harvests and the large supply drove down prices. When bringing their crops to market, they were often cheated by the operators of the grain elevators and charged high rates by the railroads to ship their crops. They had no choice but to pay these rates. As a result, their profits got eaten away and they usually did not break even. Debt only increased when they had to take further loans to plant the next season's crop. To escape this cycle, they sometimes planted even more staple crops, but since many other farmers did the same thing, this only drove down prices and the cycle of debt continued, making it nearly impossible for farmers to get out of debt.

It was difficult for farmers to get out of debt because they had to plant a lot of crops and so the price of their crops went down and this made them in debt. They had to take loans and sometimes the loans made them pay large interest rates which also put them in debt. If they couldn't pay back the loan, they were in more debt especially if it didn't rain and because of the railroads.

1. Which of these short answers should get the highest grade?

2. Why is one answer stronger than the other?