

Agriculture by Christopher White

Farm debt packages worse than useless

Electoral time-buying measures won't do a thing to stop the food shortages about to hit.

Farmers didn't take any comfort from the debt reorganization plans announced this past week by both President Reagan and the grain cartel's favorite, Democratic candidate Walter Mondale.

Apart from the shameless politicking involved in the announcement of the packages, as both President and contender struggled to put their proposals out first, neither package addresses any of the underlying conditions propelling the nation into a rapidly emerging food crisis.

We have warned of a nationwide foreclosure wave to hit the farm sector, and in particular, the independent producer in the \$40,000-\$100,000 bracket this fall. What we warned about is happening. But on this question, as we shall show again, the President listens to the same gang of criminals who make policy for the Mondale candidacy. And therefore, over perhaps the month from Sept. 15 to Oct. 15, the independent food producer in the United States is going to be put into a crisis from which he may not recover.

Apart from certain demagogic features of the Mondale plan announced on Thursday, Sept. 13 in Iowa, and blacked out of the national press until almost a week later, the two packages are identical in their principal features, if not the detailed modalities. Mondale's demagoguery encompassed a 180-day moratorium on farm foreclosures, a meaningless gesture given that the crisis is upon us now.

Otherwise, both put together for-

mulas designed to permit liquidity-strapped farm-sector banks to write off minute portions of farm-sector debt, while simultaneously seeming to ease up on FHA debt collection practices. The third feature both packages share is to form "sensitivity groups" among farm lenders and farmers to "discuss" farmers' "problems."

Concretely, the President's package would urge bankers to write off 10% of farm debt, while providing federal guarantees on the other 90%. The princely sum of \$150 million is available as of now for this bank bailout. Farm debt is officially recognized to be over \$215 billion, nearly as much as Ibero-America's debt. Secondly, the President would permit the FHA to forgive interest payments on one-quarter of loans in danger of default, up to a pathetic limit of \$100,000, for five years.

The Mondale package involves a combination of interest rate reductions, and so-called debt stretch-outs, which would come to approximately the same cost level as the Reagan plan.

Both packages were endorsed by members of the Iowa congressional delegation, such as Senator Jepson, who have taken a national lead to push a farm debt reorganization plan prepared by Iowa State University Professor Neal Harl. It is Harl who is imputed to be the author of key features of both plans. No stranger to what is called agricultural economics, the professor, whose plan was endorsed by Mondale at the Iowa State fair in August, has joined Democratic na-

tional chairman Charlie Manatt to buy up foreclosed farm land in Iowa dirt cheap.

What then will the effects of the plans be? Since it is the one that was pushed by the President that will go into effect, it is that one that has to be considered. Here, we would have to say that someone panicked at the realization that a farm credit collapse is on, and decided to put together a political package, to try to hold things together until after the election. What will be held together? The farm banks, maybe, but not the farmer.

The package is designed to permit the foreclosure wave in the farm sector to proceed, while minimizing the attendant consequences among the nation's rural banks. The federal government is trying to put a floor under those banks to prevent their collapse before the November elections. But the measures won't help those bankers either. They have extended loans to farmers, with land as surety, which have in the past kept food production going. For the last three years, farm land values have gone into a free-fall collapse, back to below the levels that prevailed prior to the price rise in the 1970s. The fall has wiped out assets for farmers and bankers alike.

The question that is not answered by these kinds of political time-buying measures, designed to keep up appearances in this great Potemkin village our country is becoming, is one which more city folks should be thinking about right now. How on earth is next year's food production going to be financed? Winter wheat has to be planted right about now, before the frosts begin to hit. That's a problem that can't be solved by electoral time-buying measures. And if it isn't solved, this year's shortages in dairy and citrus products will pale before the debacle that will be upon us.