Farm financing crisis deepens

But neither the news media nor the Department of Agriculture want to tell you about it.

As the spring planting season comes to an end in the United States, the "Big Lie" commmentaries have come forward from the USDA, the Eastern Establishment press, and the food cartel front-groups, that all's well on the "back 40." The *Washington Post* of May 13 carried the front-page headline, "Somehow Crop is Getting in the Ground . . . Farmers' Survival Rate Defies Dire Predictions." You are supposed to believe that somehow those plucky, resourceful American farmers have done it again, and that your food supply will be on the table—for at least this year. The *Post* tells Congress, "Many farmers are finding financing to keep going for another year." The truth is otherwise.

Even reports from the U.S. Department of Agriculture—notoriously unreliable for its statistics—indicate that at least 5% of the nation's farmers did not get financing for this year's operations. The USDA calculates that this means "only" 120,000 out of its base figure of 2.4 million farms didn't get crop financing. However, the USDA fails to report to the President or the public that these 120,000 farms comprise about 20% of the most productive mid-size segment of independent U.S. family farms, and represent possibly 10% of the nation's annual food output. The 2.4 million figure is very inflated at the base, counting over a million small operations that keep going because of off-farm income and coolie labor practices. The nation's food supply, and food security for the West, cannot depend on this decrepit mode of production.

One reading on the spring farm financing crisis is the number of lawsuits and other appeal actions against the farm financing agencies. Scores of suits have been filed this spring in states across the farmbelt against the two farm credit agencies historically relied on as lenders of last resort—the Farm Credit System (Production Credit Associations, and Federal Land Banks) and the Farmers Home Administration (FmHA). The first holds about 37% of the nation's $212 billion farm debt; the FmHA holds about 15%.

The Farm Credit lending units have dropped their borrower numbers, often through foreclosures, and curbed new lending to the point that the system's outstanding loans dropped from a record $81 billion in fall 1984, to $78 billion at present. Farm lawsuits filed in federal court in Portland, Ore., and in state courts in Idaho, Arkansas, Illinois, Iowa, Minnesota, and elsewhere, charge that the lending group is illegally foreclosing.

A class action lawsuit was filed in Bismarck, N.D. in March against the FmHA, charging the agency with underhanded tactics to evade a standing court order against improper foreclosures. The FmHA, meanwhile, is filing criminal proceedings against farmers, charging them with "conversion"—liquidating livestock or other collateral commodities or assets in order get operating cash to maintain the farm or farm family. The FmHA is suing in cases of amounts less than $2,500.

Officials of the FmHA and the Farm Credit System defend their practices by saying that their agencies are "under stress." Over the last year, 11 of the Production Credit Associations have gone into liquidation reorganization, out of their total of 37 banks in 12 districts. This has never happened in the 50-year history of the system.

The implications of this for the world and U.S. food supply are clear. Look at the farm financing collapse on the state level:

Iowa. In some regions of this top farm state, fully one-fourth of the farms did not get operating loans. In some cases, the FmHA did not even schedule loan appointments until midsummer—after planting time—because the agency claimed lack of staff in the face of the huge financing demand. Commercial banks here and in other states have tried to support regional farms by "going the extra mile," and exercising forebearance, but in Iowa, seven farm banks have gone under this year alone.

Nebraska. According to Bill Kerrey, agriculture adviser to the governor, his brother Bob Kerrey, "The USDA's 5% masks the real problem. Five% is 3,000 farms in Nebraska, and to lose that many small businesses is a significant loss. I consider anything above 1% in farm and ranch turnover to be too high."

The 120,000 family farms that have not been financed, and are now going bankrupt, are concentrated in Nebraska, Iowa, and other core farmbelt states, after the past few years of bankruptcy of more marginal farms in other regions. A Misssissippi State University agriculture economist reports that, "in Mississippi and the mid-South, more than one-third to one-half of our farmers are essentially broke."