

Agriculture by Marcia Merry

USDA offers farmers . . . 'sympathy'

Losing your farm? What you need is "counseling," says the Department of Agriculture.

Things have only changed for the worse in recent weeks for the U.S. farm sector: More than 1,000 farms a week are going under. But in Washington, D.C., policymakers only know how to talk.

There is a new twist of the knife from the U.S. Department of Agriculture. They now stress "assistance," "dignity," and "sympathy." In a recent *Agriculture Information Bulletin* (No. 508, March 1987), titled "Assistance to Displaced Farmers," the USDA recommends that farmers get counseling as they lose their farms, and that they look for a "financial bridge" so they can eat while they look for non-farm jobs.

The rhetoric is deadly: "Many farmers, unable to cope with heavy debts, have had to give up farming in the past few years. More are expected to leave agriculture over the next few years. Evolving federal, state and local government programs, some described in this paper, are helping these farmers and their families salvage as much equity and dignity as they can and find other ways to make a living."

This is cynical, fantasy talk about what is really happening in our national farm sector—which is the world's largest food supplier. When it goes, we go.

In reality, farmers have been resorting to scrambling for any means to continue to operate. There has been no action taken to freeze debt, and shore up the national agriculture credit network (Farm Credit System, banks, Farmers Home Administration, and

others) in a way to restore farm operations.

Thousands of farmers have filed for the new "Chapter 12" bankruptcy status, supposedly designed by Congress (passed last year) to permit farmers to maintain operations and stretch out their debts over 30 years. Other farmers, who are already farming as serfs for the mortgage holder or trustee of their farm, are filing for Chapter 7, and angling to get some government crop price-deficiency payment that will keep them in operating cash to continue farming. Some farmers have been forced by the crazy USDA system of deficiency and other payments, to resort to virtual charlatan procedures, merely to continue producing food.

But these measures—by government design, aren't working. On the Chapter 12 filing, there is a Catch 22. Congress, on the one hand, says, it wants to help with a Chapter 12 reorganization, but it makes no arrangements for a source of credit following a reorganization approval.

There are two possible sources of credit, neither one of which is working. On the one hand, the federal government, through the Farmers Home Administration, can authorize a farmer's loans, but the FmHA doesn't have any money. For example, in one southern state, there are applications approved for \$15 million in direct FHA farm loans. But there is only \$7 million available, and this will not be obtainable until the fourth quarter, after the planting year!

Furthermore, in the pipeline are requests for \$40 million from farmers to the FHA—and this does not include the estimated \$13 million needed in the Chapter 12 reorganization plans being worked up for bankruptcy proceedings approval, by the farmers who have filed since last November.

In terms of the other type of loan for the farmer, the local commercial bank loan, the Catch 22 scenario is that money is not available because the Federal Deposit Insurance Corp. is leaning on the banks not to make such loans. The FDIC will only approve such a loan if the bank shows acceptable liquidity levels—which farm banks are not now doing because of the general depression.

For those who do not live in a farm area, here's what this looks like:

Thousands of farmers are not going to produce any crop—whatever stage they are in in the fight to remain farming. No cash flow is going into the local community for supplies, services, and farm inputs. Debt of local suppliers who can still take it is increasing.

Even the USDA estimates that 17% of national corn acreage will not be planted. At least 10% of national soybean acreage will not be planted. This will be exceeded in many regions, for example, the state of Louisiana, where one observer said, "Acres and acres will not have a plough put in the field because the farmers cannot afford it."

In one small, northern Louisiana community, two drug stores have closed, not because people have stopped buying due to the drug store mark-up and sales rate on sundries, but because people have stopped buying the medicines and prescription drugs they need, because of their low earned income. In the same area, three furniture stores and two radio stations have gone out of business in the last 30 days.