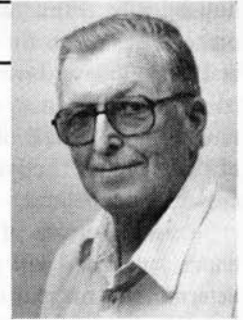

Interview: Chuck Bellman



Farm Credit System is saving the parasite and killing host

Chuck Bellman is a former farmer and chairman of the Democratic Party of South Dakota, who currently works as an advocate for farmers. He was interviewed by Suzanne Rose.

EIR: Could you tell us about the kind of farming you did and what you are doing now?

Bellman: In the past, we were involved in diversified farming, cattle, sheep, and hogs—mainly cattle—and also grain farming. This was in South Dakota.

EIR: Did something happen that interrupted your career?

Bellman: Yes, in 1980 and 1981 the Farm Credit Service [FCS]—at that time it was the PCA [Production Credit Administration]—and the Federal Land Bank decided to foreclose on me.

EIR: For what reason? Was this part of a pattern?

Bellman: At that time there didn't seem to be a big pattern of liquidation. Most farmers were being given a lot of credit. We couldn't imagine something like this happening in the early 1980s. So in order to save the farm, I filed for Chapter 11, the first one in the state of South Dakota.

EIR: What credit agency were you dealing with?

Bellman: I was dealing with several credit agencies: Aberdeen Production Credit Administration, Federal Land Bank, Farmers Home Administration [FmHA], Small Business Administration, and I also had some private contracts.

EIR: Were you successful in the bankruptcy filing?

Bellman: Yes, the bankruptcy filing was successful, and the bankruptcy lasted for about 10 or 11 years. And then, basically due to my health, I decided I was not going to continue to fight the system any more. So I converted to what's called a Chapter 7, after we made agreements, and liquidated.

EIR: I understand that after you filed for bankruptcy you saw that other farmers were in the same situation. You must have picked up on a general policy being implemented in that period. What year are we talking about?

Bellman: I filed for Chapter 11 in 1981 and I was the largest

loan in the Aberdeen PCA. The word was that if my Chapter 11 worked, there would be hundreds of Chapter 11s filed. So they really fought me from the time I got into Chapter 11 until I got out.

As I got into Chapter 11, I determined that there was value in doing so and that there were probably thousands of other farmers out there in similar trouble. So we organized a nonprofit corporation called "Famine," which set up a hot line across the United States, and from that hot line we received 14-15,000 telephone calls. As a result of my involvement in Chapter 11, the National Business Institute out of Eau Claire, Wisconsin decided that they wanted me to give seminars across the country. As a result of that, over the next six or eight years, I gave around 60-70 seminars on bankruptcy and how to stop foreclosure and how to save your farm.

EIR: Did the government intervene to prevent you from continuing this work?

Bellman: The PCA was quite violent in my case, and they tried everything they could to get me indicted. One day I was out working in the field and a four-by-four truck drove up with two men, the sheriff and deputy sheriff, and they served me with an indictment and told me that I probably knew what it was for. I said that I must be the last to know because I had no idea what he was talking about.

I was indicted originally on 28 counts for fraudulent sale of livestock—which proved to be false—and I was also indicted for selling grain on which the PCA had a lien. Eventually, I ended up in Rochester, Minnesota prison on grounds that I sold grain without the written permission of the PCA. But we showed in court that I did have letters from the PCA explaining the procedure whereby I could sell grain and turn the money in to them later. They also gave me a letter of implied consent, where they allowed me to do this over a period of time. Yet the jury did not seem to understand what the whole issue was, and if my attorney had done a better job I probably would not have gone to prison.

There was no intent on my part to conceal or to commit fraud, and I think the reason that I went to prison, which I was told by three or four people in prison later, was that I was a political prisoner, because we had contacted so many farmers across the country and were spreading the word on

how to save the farm and they wanted to use me as an example. In fact, the U.S. Attorney made a statement to the press that they wanted to use Bellman as an example.

EIR: You also had a background in Democratic Party politics. How long was this before this incident?

Bellman: Six to ten years before this series of events happened I was state chairman of the Democratic Party for more than two terms, and then I ran for Congress as a Democrat. When I was indicted, the Republicans were in power. The U.S. Attorney in South Dakota who prosecuted my case had been a former law partner of the judge presiding in my case. We still could not get him removed.

EIR: So you were active in the Democratic Party in the 1970s during the McGovern reforms?

Bellman: Yes.

EIR: Did you detect changes in the way the Democratic Party began to operate during this period?

Bellman: Yes. The McGovern people tended to try to control the Democratic Party, and I could see that in my own state, where my executive director, who was a full-time employee (I was then state chairman of the Democratic Party), was given the opportunity to work for the McGovern faction if he would do certain things that they wanted. As soon as I found this out I had a meeting with him and I fired him. So, yes, the McGovern people had quite an influence on the Democratic Party and the direction it was taking.

EIR: During this period, did the party seem to be breaking with its traditional farm, labor, and urban constituencies and reorienting toward the white collar, post-industrial society outlook?

Bellman: Yes, I think that's true. That is partially why I fired the executive director, because the philosophy of George McGovern and the old Democratic Party under which I was elected were not one and the same. And George McGovern, Senator McGovern at that time, didn't like this opposition that I was giving.

EIR: Since you were released from prison, what has been your activity with respect to the farm situation?

Bellman: Since my release from prison, I went back to the farm. But while I was in prison, I was diagnosed as having leukemia.

EIR: Do you attribute that to your imprisonment?

Bellman: Yes, I do. There are two possibilities. You can have leukemia most of your life and not know it. However, I had always tested clean for anything like that. While I was in Rochester, they took numerous X-rays of me. They goofed up two or three times and sent me back for more series of X-rays. I never had so many X-rays in so short a period of time.

Soon after that, I was diagnosed with leukemia. I was afraid to tell the prison officials how I felt because I knew the atrocities at Springfield, where the prisoners who are sent there aren't sent back the same way they went down there.

EIR: You were afraid to get treatment in the prison?

Bellman: I was afraid to get treatment because I knew that there was something wrong for the last month to six weeks, but I was afraid to tell anybody because I was afraid they would send me to Springfield.

EIR: Do you believe this was from the radiation or from stress?

Bellman: I think it was the stress and the radiation, a combination of both.

EIR: Have you been able to continue as an advocate for farmers since your release?

Bellman: Yes, I have. Since 1986, I've been on a chemical that has controlled my leukemia—up until May 4, 1992, at which time I went into the hospital because I became very ill and was put on another drug called interferon. The drug was very difficult to take and caused great distress, but I was able to work for farmers during this period and after.

EIR: Has the situation in the farm sector worsened since the period you first became active?

Bellman: The situation in the farm sector has worsened. Originally when farm land values dropped, back in 1983-84, they dropped way down and the people going into bankruptcy could get their plans approved and they would have to pay for whatever the value of the property was. Since 1988, things have dramatically worsened. The value of property is higher and there is no way that farmers can pay off these loans at the current rate of interest. The increased equity that farmers built up due to the higher prices of land in the last few years is now diminished. So, I'm looking for another very serious farm crisis.

EIR: Do you deal mainly with farmers who are filing for bankruptcy?

Bellman: No, I work with all kinds of farmers. I've been in FmHA appeals. Some farmers never file bankruptcy. Since 1988, the only farmers I have worked with in bankruptcy [proceedings] is as a last resort, because the attitude with the judges and the system has changed the bankruptcy court since I first filed.

EIR: What is your observation about farm credit and farm-credit lending policies?

Bellman: The Farm Credit System has been in deep trouble since the 1980s. The major effort has not been to save farmers, but to save the system. It's saving the parasite even if you lose the host. And, what's happened is that the FCS no

longer looks at farm lending, but how they can shore up their own financial statement. And the FCS has feathered its own nest the last several years by making farmers pay higher interest rates than they should.

EIR: How have these practices of lending by the Farm Credit System hurt farmers? Is it carrying out its mandate?

Bellman: No, it is definitely not carrying out its mandate. The Farm Credit System borrows the money, say at 5.5%, and today they are lending it out at an average of 8.5%, plus or minus. This is a 3% spread which is the widest spread in history. The Farm Credit System only needs 1.75% or 2% to operate. The balance of this spread is going into speculation and derivatives, and loans to Russia and Russian banks. The Russian banks can loan out to the importers, which are Cargill, Bunge, ConAgra, those people. Plus, Cargill may be setting up financing operations in Russia for farmers. We don't know that, but it's a possibility.

It's been the policy of the Production Credit Association and the Federal Land Bank, now called the Farm Credit System, to liquidate farmers for its own benefit. The way it does that is to look at the bottom line, and if it's better to sell them out than to reamortize notes or restructure the loans, it will sell them out: for example, a farmer in Nebraska, where we calculated that the Farm Credit System received \$600-900,000 more by liquidation than refinancing. This farmer tried to refinance three times to cure the default. The reason the FCS makes this money is because the default interest rates it charges for handling loans are unusually high. I think that in this case, the Farm Credit System was charging \$30,000 a year to monitor this loan, which is quite high, and that was charged against this family's account. The farmer also ends up paying for all the attorney fees and all costs. Generally speaking, this is a very high figure, which is ballooned up there by possibly fraudulent and false practices of accounting by the Farm Credit System.

The pattern I found is that even though Congress may have had hearings on guaranteed loans, the truth has never really gotten out, because the people who testified were the bankers and the FmHA. Basically, because the farmer isn't involved in monitoring the contract between the bank and the FmHA, the only way you find out what's going on is to review all the records. What's happened is that the banker gives a guaranteed loan to a farmer for, say, \$100,000, and it's secured by a certain collateral. Then the bank gives an additional loan for, say, \$50,000, and the bank pays off the \$50,000 loan, which is a junior loan, with the collateral of the guaranteed loan, which is applied to the junior loan. This is, of course, illegal under the contracts. And then the FmHA ends up paying off the guaranteed loan.

EIR: Could you say something about the way the bankruptcy courts operate in Nebraska where you've had some experience? Do they operate to protect the farmer?

Bellman: The bankruptcy courts originally, like when I got involved in 1981, gave the debtor a fair chance to reorganize. But since Chapter 12 came out, and about the year 1988, the courts have turned into creditor courts where the creditor has most of the benefit. The reason for this is that the courts go by case law, and the case law may have nothing to do with the actual case itself. So a lot of these farmers are being put out of business by wrongful case law because the judge says, "Do you have case law to prove that you're right?" and if you don't have it, he listens to the other side. Now the other side, meaning the creditor, has all the money and funds, and so the creditor can appeal these cases where the farmer runs out of money. So the creditor keeps appealing and appealing and, finally, the case law is formed in favor of the creditor. And so our courts have become, not debtor courts, as they are supposed to be under federal law, but creditor courts.

EIR: So the farmer has no protection if the judicial system has been corrupted by the lending agencies?

Bellman: The farmer has virtually no protection today in the bankruptcy court unless he pays off everything that he owes—pays the creditor's attorney and the whole ball of wax—which he can't afford to do to begin with. So it's totally impossible for a farmer or a debtor today to get into bankruptcy and get any sympathy from the courts.

EIR: How do you think these policies are going to affect the food supply?

Bellman: In the short-run, everybody is still out there kicking around trying to produce food. In the long-run, it's going to eliminate thousands and thousands of productive farmers who know how to farm, and down the road someplace we may get into a situation like Russia, where they have collective farms, and you find guys sitting behind each fence post not wanting to work, whereas in our system the farmers are loyal little serfs to the country and they go out and work from morning to night to produce food. And in the future this may not be true. We may find eight-hour-a-day farm workers instead of 14-hour-a-day farm workers.

EIR: Do you see a change in farm ownership?

Bellman: The change in farm ownership is generally headed toward larger farms, the consolidation of the liquidated farmer with the neighbor's farm, or when the real estate is sold. Today, there's a lot of speculation out there where the people with the 2.5 or 3% CDs [certificates of deposit] figure that their money is better off in a piece of farm ground than in a bank. So we're seeing that the new speculators are also being treated better than the old-line borrowers. A good example of that is the rancher from Julesberg, Colorado who had to pay 10.5-12% interest, while another person from town got a loan from the Production Credit Association, in this case for 6.5%. The spread in the interest rates between the new investor and the old farmer is rather dramatic.