

## Agriculture by Susan B. Cohen

### Congress spotlights farm crisis

*The USDA's actions have already belied its pledge to rescue American food producers from bankruptcy.*

**T**hese farm-loan policies will turn our nation from being the world's breadbasket into being the world's breadline," Rep. Bob Traxler, Democrat of Michigan, charged in committee hearings Feb. 9 and 10, "as farmer after farmer is forced out of production by the inability to get help from the Farmers Home Administration (FmHA)—the supposed lender of last resort that now wants to act like it was Citibank."

Traxler joined other Congressmen, farm leaders, and spokesmen for rural banks in targeting the cut-throat austerity policies of the FmHA. The hearings, which began Feb. 2 with testimony from Agriculture Undersecretary Frank Naylor, the man in charge of the FmHA, and continued through Feb. 9 with an appearance by FmHA Administrator Charles Shuman, were convened by Tennessee Democrat Ed Jones' House Agriculture Committee subcommittee on Conservation and Credit.

The hearings took place as charges of FmHA duplicity escalated. On Feb. 2 the American Agriculture Movement issued a press release questioning the integrity of Agriculture Secretary Block and Undersecretary Naylor's assurances at an earlier press conference that USDA and FmHA would do everything possible to help keep farmers in business. AAM questioned whether, behind the kind words and promises, FmHA was

still pursuing the pre-planned elimination of more than 24,000 borrowers, and circulated a copy of an August FmHA internal directive outlining the plan. Administrator Shuman told the AAM that the memo was a forgery.

On Feb. 9, as his boss Mr. Shuman was appearing before the Jones subcommittee without prepared testimony "to answer questions," a spokesman for the FmHA then told this writer that the unfortunate memo had simply been an effort to try to get county administrators into conferences with delinquent borrowers "right away" to see what could be done to get their accounts into shape. The same individual acknowledged that the government-wide crackdown on "collections" during the summer—the dragnet on student loans, etc. that David Stockman ordered—was the backdrop for the memo.

But the seriousness of the situation is shown by the hasty establishment in January, at the request of FmHA and USDA, of a Task Force on FmHA by the American Bankers Association. The task force is charged with figuring out how to carry out the administration's plan to virtually shut down FmHA and leave its borrowers to the mercy of the private sector "free market." The Task Force completed its meetings Feb. 9, a spokesman for the ABA's Agricultural Division reported, and hopes to make a set of recommendations to the USDA by

early March on "how private lenders might assume more of the agricultural debt."

FmHA has already decided to subordinate its liens on FmHA borrowers' collateral to private banks who agree to refinance the producer. As ABA spokesman Stephen Brush emphasized to this writer, producers' "credit-worthiness" is the main problem. Not only are many producers caught with a negative cash-flow—i.e., no ability to make debt payments—but in many cases their equity has already been entirely bled away in a scramble to restructure debt and cover short-term operating loans.

Circumspect as to specifics, Mr. Brush indicated that the kind of things the banks can be expected to rely on to keep farmers in business include debt restructuring, closer monitoring of day-to-day farm operations, and scaling back a producer's operation wherever possible. Any kind of capital expansion, he was careful to note, would not be entertained.

But, as testimony from a spokesman for the MFA Incorporated farmer cooperative from Missouri confirmed—and the near-bankruptcy of International Harvester has already indicated—most producers slashed capital spending in 1981 for the second year in a row. Farmers can only postpone making those equipment purchases and replacements for a short time without beginning to destroy the nation's food-production plant.

As the chairman of the Agriculture Committee of the Independent Bankers Association of America warned Congressmen at the subcommittee hearings this week, "We have about exhausted the ways of buying time.