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Agriculture by Susan Brady

A drive to reopen the Farm Act

The agricultural emergency in the United States is forcing Congress to consider new credit measures.

The past few weeks have seen a drive by farm organizations, farm credit agencies, and both Democrats and Republicans in Congress to force the Reagan administration to provide relief to America's near-bankrupt farmers (see Congressional Closeup).

A moratorium on farm foreclosures has

crats, as part of the renewal of legislation governing the Farmers Home Administration (FmHA). But even loyal supporters of Reagan's budget-slashing policy are worried. Senate Majority Leader Baker and Kansas's Robert Dole, an administration point-man for the farm sector, are rumored to be preparing their own version of an emergency farm bill.

There presently exists "a farm price and income situation comparable to that existing during the depths of the Great Depression," stated Rep. Kiki de la Garza, chairman of the House Agriculture Committee. During the depression years of 1929-32, farm income dropped 70 percent. By comparison, from 1979-81, farm income dropped by 39 percent, followed by another drop of 25 percent in 1982 to date. As a result, foreclosures are mounting rapidly.

To date, President Reagan has refused to release $600 million in emergency credit allocated for the FmHA's emergency-loan program.

One of the main avenues of relief now being explored is a reopening of the Farm Act. It took over one year beyond due-date to clear Congress. Its proposed modification now, only four months after passage, indicates the seriousness of the situation.

In particular, farm groups have been demanding revision of the act's aid and price-support sections. The pressure on Congress was increased by fact-finding hearings staged by the National Farmers Union throughout the farm-belt over the past two months.

Sen. John Melcher (D-Mont.), a leading opponent of the Federal Reserve Board, has proposed an "Emergency Agricultural Act of 1982," which would revise the "no good" Farm Act by setting a floor price under wheat and corn ensuring farmers a price equaling 70 percent of costs of production.

"Farmers and ranchers are going broke," Melcher told the Senate March 29. "There is no way that the farmers and ranchers can continue to produce with prices below the cost of production." His bill would also mandate the release of the FmHA's impounded $600 million in loan-money. "It makes no sense whatever that the Department of Agriculture is not acting aggressively to implement this vital program at a time when farmers and ranchers are going broke."

In the House, a group of farm-state Democrats led by Charles Stenholm and Kent Hance, both of Texas, have formed a "farm crisis group" to rewrite the current farm law. Meanwhile, Reps. English (D-S.D.) and Daschle (D-Okla.) have introduced amendments specifying debt moratoria for hard-hit farmers to the FmHA credit bill to be marked up by mid-May. The bill, to run from 1983 to 1985, sets the agency's lending ceiling. Their amendments would enable farmers to defer payments on principal and interest during a period of severe economic stress like the present one.

Other amendments have been introduced to continue programs of business and industry loans to create new jobs in rural areas.

The amendments are a challenge to current FmHA policy. Despite official denials, reports from a variety of sources indicate that the agency is pursuing a plan to force foreclosure of up to 30 percent of delinquent farm borrowers in many states, by "cleaning up" the agency's "over-extended" loan portfolios.

According to Congressional sources, everyone is getting worried over the rate of U.S. farm failures, and there is especially widespread support for the proposed revisions in the Farmers Home Administration legislation.

Farmers have been selling food at well below cost of production—about 50 percent of parity (costs of production plus a fair profit). They have financed the losses by borrowing up to as much as 65 percent of net income, a ratio that is predicted to rise to 70 percent this year. At Paul Volcker's usuriously high interest rates, this means that they not only cannot plow funds back into capitalization of their operations, they cannot even afford to maintain operations.

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