

Agriculture by Marcia Merry

FmHA hires collection agency

The federal farm bank is going after 6,000 farm loan accounts, while Congress is paralytic.

On Sept. 3, the Farmers Home Administration announced that it had hired Capital Credit Corp., of Fairfield, New Jersey, to pursue collections on 6,000 farm loan accounts, and 500 rural home loan accounts. By that date, some farmers had already received demand letters, and leaders of national farm organizations have called on Congress to reverse the FmHA action. However, nothing but rhetoric—or worse—is expected from the last session of Congress this year, while farm credit, farm infrastructure, and national and Western food security are collapsing.

The FmHA holds about \$26 billion of the national agriculture debt total of \$200 billion. At least half of the FmHA loan accounts are delinquent, and so are a large percentage of the accounts of the other major categories of lenders—the Farm Credit System (with about \$74 billion of farm debt), and the commercial banks (holding another \$33 billion or so).

In 1985, over 20% of all the farmland that changed ownership, was on the market because of foreclosure.

Many of the accounts that the Capital Credit Corp. will be taking over are those of farmers who have already surrendered their machinery, property, crops, and any other goods pledged as collateral, but the FmHA wants full debt payment, despite the devaluation of collateral over the last few years of depression. The farm families involved, after being completely dispossessed, are merely trying to survive in some way, and cannot pay the FmHA demands.

The collection agency's first at-

tempts were a fiasco. By Aug. 28, many farmers had received a dunning letter, saying that full payment had to be made within 24 hours. The FmHA then said that this was merely a "mix up in the mailing dates" and that such a letter was to go out later, following letters that offered 10 days in which to pay.

Farmers have pointed out that many had, in good faith, already made agreements with the FmHA to work out their debt over five years. Cy Carpenter, president of the Denver-based National Farmers Union, said of the collections action, "FmHA officials who implemented this odious action have reverted to the behavior of the jackal which lives by attacking wounded prey and the hyena that satisfies itself by tearing apart the remains of those who have already been killed."

The same day as the FmHA announcement of the collections policy, officials from the Farm Credit System testified before a Senate Subcommittee on the need for financial aid from Congress to avert disaster. James Mullins, from the Farm Credit Bank of Omaha (one of 12 such regional FCS banks), said that if the Farm Credit System fails, and Congress gets wrapped up in political debate, "I cannot believe that any other institution would or could step in on any kind of timely basis and fill the void that would be left if the system fails. We know of the difficulty that many farmers have finding financing when the commercial bank they are with fails, I shudder to think of the havoc created for many borrowers if ever a Farm Credit Bank

were to fail."

The Farm Credit System last year lost \$2.5 billion and is expected to post at least a \$1.8 billion deficit this year. The rate of failure of commercial banks shows the same process of loss. As of Aug. 31, at least 46 farm banks had failed nationally since January.

In testimony to the Senate Judiciary Committee's Sept. 3 hearing, Deane Adams, a director of the Marshalltown Land Bank (part of the FCS), said that since May 1985, there has been an 87% drop in the number of loans made by his institution, and a 34% drop in outstanding loans, which, he said, shows farmers are in crisis.

Adams said, "I compare the crisis with the space shuttle crisis, but I think the ag crisis makes the space shuttle crisis look like a Sunday school picnic. When I was listening to testimony on the failure of the space capsule, I detected similar statements that I have heard during farm credit meetings. The engineers said the capsule should not go up, it would not work, and the administration said it would and that it had to go."

The Sept. 5 successful Delta rocket launch shows that solutions can be mobilized, but so far that does not apply to Washington's reaction to the agriculture crisis. What is required is federal emergency orders to stay farm foreclosures, reschedule debt, and preserve the components of the farm credit system by channeling low interest production and capital improvements credits through existing lending institutions.

Instead of this—or similar emergency programs—we got a new report on Sept. 5 from the Government Accounting Office, on how bad farming was in 1985. If you want to read it, ask for, "Farm Finance: Financial Condition of American Agriculture as of Dec. 31, 1985."