Judge stays foreclosure actions

The FmHA is administering the farm shutdown, as foreclosures grow to a record size during the "Reagan recovery."

On June 3, Federal Judge Bruce M. Van Sickle ordered the Farmers Home Administration to re-notify 78,000 U.S. farmers of the agency's intention to foreclose or force a settlement. This order augments a ruling of the judge in May, which halted foreclosure actions by the FmHA, charging that the agency has denied Fifth Amendment and due process to these farmers, who had originally been notified in 1985 of the intention of the FmHA to take "adverse" action against them. The judge's order halts immediate foreclosure of 13,000 farmers, and stays proceedings against another 65,000.

Earlier in the litigation, which began in 1983 when farmers filed a class action suit in North Dakota, Judge Van Sickle imposed a moratorium on foreclosures for two years.

Farms went out of operation at a rate of about 1,200 a week over the last year. Most of these are in the mid-size range of over $50,000 gross income a year, which comprises the core 400,000 farms, out of a national total of 2 million, that account for most of the nation's food supply and export potential.

The Farmers Home Administration holds approximately 15% of the national farm debt, and has served as the lender of last resort. Now, in thousands of cases, as the Van Sickle judgment shows, the FmHA is administering the farm shutdown. Van Sickle said, "Renotification [of bankruptcy or forced settlement] of these borrowers will burden FmHA's operation and budget, but this burden is outweighed by the benefit of providing . . . sound notice to this large pool of borrowers." The new order affects about 29% of the FmHA's 267,000 borrower-farmers.

The business of FmHA—to lend to farmers so they can stay in operation producing food—has ground to a halt in many states, because by springtime, the FmHA had already run out of loan funds supposed to last until the beginning of the next year.

The biggest agriculture lender of all, the Farm Credit System, is in the same position. The FCS holds about one-third of the national agricultural debt, or a total of $65 billion. Special proposals are pending before Congress for a massive bailout for the system, or else many of its district banks and lending agencies will be in bankruptcy by fall.

The combined inventory of foreclosed farmland from the FmHA and Farm Credit System has grown to a size exceeding that of the state of Rhode Island. The entities have begun selective sell-off to raise funds, and also to oblige certain special financial interests in the market with hot cash, for land deals.

In the face of this destabilization of the farm sector, Congress has only conducted hearings, but taken no emergency action. Certain measures are contemplated with the Farm Credit System, to avert a multibillion-dollar crash of the national debt structure. But the national security requirement to preserve farms, farmers, and food supplies, has not been addressed.

Worst of all, are the groups that advocate accommodating to the shutdown and poverty among farmers. The Harkin-Gephardt "Family Farm" bill asserts that farms will be most viable if national food output is drastically reduced and the public made to pay more for scarce food to guarantee a parity price to farmers. Another group sharing the same outlook, the Land Stewardship Foundation, promotes the concept that farms should consist of small holdings, producing only for local needs, and that farmers must reorient to "spiritual" values. Without a blush for the similarity to Hitler's *Blut und Boden*—blood and soil—doctrine, the "Land Stewardship" activists speak of the special relationship between the farmer and his land—even if he does not own it, but conserves it for future use.

This romanticism does not cover the fact that in Iowa, the heart of the farmbelt, for example, many farm towns are half ghost-towns, because there is no trade for the stores and services as farms go under. Iowa's secretary of agriculture reported in the first week in June that the state had "turned the corner." The "proof" was a study released by Iowa State University, based on a handful of responses to a questionnaire mailed to 5,000 farmers. Only 25% of those receiving it responded, and only 25% of those answered the questions and were analyzed. The results: Half of Iowa's farms are in a strong position; 24% are in "stable" financial condition; 15% are weak; 11% are in crisis.

Nationally, these bogus analyses are lulling policymakers and the public alike into believing the situation can be ignored. But the potential for food shortfalls, for example, milk rationing when schools open, and radical meat price rises, will soon enough present the truth to those who chose to ignore the consequences of farm failures.