

Agriculture by Marcia Merry

The farm bank disaster

More farm acreage is being taken out of production, as banks in farm states are closed down.

The latest reports of disaster rates of U.S. farm bank failures and farm foreclosures confirm with shocking clarity what this publication has repeatedly warned: There will be a 1985 crop and livestock decline serious enough to create a national food security threat.

Nearly 100 American banks failed in 1984, many in farm regions where farm loans are simply unpayable. In December 1984, farm banks failed in Wheaton, Illinois; Selden, Kansas; and Uehling, Nebraska. Several agricultural cooperatives (Production Credit Associations) went bankrupt in 1984, including in the top farm states of Nebraska and Washington.

This is a result of the cut-off of credit to the farm sector. George Irwin, the deputy governor and chief economist of the Farm Credit Administration, told *EIR* in September 1984: "There's too much credit . . . that's the problem." This credit cut-off is the deliberate policy of the international grain cartels and their flunkies in the U.S. Department of Agriculture (USDA).

The fall planting of winter wheat is at the lowest acreage level in six years, due to the numbers of farmers who could not plant as much as they wanted or who have gone under. According to the USDA, which notoriously overstates acres and crops, the winter wheat planting is 57.6 million acres, down 9% from last year. The USDA blames the reduction on bad weather, and on the sign-up for the government acreage diversion plan. However, in Nebraska, where the

weather was perfect, the wheat seeding is down 19% from last year. According to the Nebraska Crop and Livestock Reporting Service, the total of 2.6 million acres is the state's smallest seeding since 1971.

High interest rates, plummeting farm incomes, and the huge national farm debt of \$215 billion are ruining the independent family farm.

By May, when many crops are planted, thousands more farmers will be out of operation, and others will lack the money they need to plant. In January, the bank examiners will be going around the country, inspecting status of loans to farmers and the solvency of banks and related institutions. Many more banks will be declared bankrupt and shut down. Farm assets will be seized.

The situation in Nebraska—where 32% of the work force works in agriculture—shows the crisis most dramatically. Six banks and two Production Credit Associations failed in that state in 1984.

Take the farming community of Verdigre. In September 1984, the Federal Deposit Insurance Corporation (FDIC) declared the local bank insolvent.

After the FDIC closes a bank, a new buyer is generally then found for it. The new owner takes the "clean" performing loans and leaves the rest to the FDIC. In the case of 42 Verdigre indebted farm families, the FDIC "went for every cent." On Nov. 28, in the *Omaha World Herald*, Burns Baker, the FDIC official in charge of liquidation, confirmed that the FDIC was

"asking for 100% of the receipts of crops and livestock sales from those who had delinquent loans at the five banks that failed last year."

The FDIC regional bank director in Denver called this policy "doing our duty."

The FDIC froze 100% of the assets of farm families in debt to the banks. Now they have no money for food and are subsisting on handouts from a local church. After the state governor and congressmen demanded a remedy for this pauperization, the FDIC told farm bankers it will try to leave foreclosed families 40%—for grocery money. The governor has asked for food stamps for farmers.

The Farmers' Home Administration (FmHA—the federal government's "lender of last resort" that holds about 15% of the farm debt) has also been foreclosing, and periodically putting the property on the market. In response to adverse publicity and an October 1983 court order, the FmHA has issued new guidelines "regarding the account servicing and supervision of delinquent and problem case FmHA farm borrowers." The public has until Jan. 30 to respond to the provisions, which only provide for more "orderly farm foreclosures."

In practice, the FDIC and FmHA have been selectively putting land on the market, because land values have collapsed. The FmHA has had instructions to hold land until it can be sold without a loss. But everything else is going on the market, regardless of price. Though there is no written policy on the topic, farm bankers have been given orders to apply a "no loss clause" as they review their farm loans. Anyone who has had a series of losses—which means almost every farmer—will be told to liquidate. Fully 30% of the cow-calf producers in the state may be out of operation this spring.