Can 'Aggie Mae' do the job?

Desperate rural bankers are sounding the alarm, but their new bailout scheme is going nowhere fast.

There's talk in Washington of a new entity around town: Aggie Mae. The idea is for a government-backed agricultural mortgage holding company, to mop up some of the farm debt, shore up some of the bankrupt rural banks, and keep a few farmers on the land.

Will Aggie Mae, or won't she? Probably not.

At the beginning of September, it was officially announced that the largest single farm debt holder—the 50-year-old cooperatively owned Farm Credit System, which accounts for $80 billion of the $215 billion national farm debt—was in big trouble. Donald Wilkinson, governor of the Farm Credit Administration, which supervises the FCS, said that "multibillions" would be needed to keep it afloat. Since then, the FCS has been holding discussions on a proposed remedy.

Then on Sept. 25, the Independent Bankers Association of America, half of whose members are banks from agricultural regions, asked to be let in on any kind of federal bailout.

The IBAA endorsed the creation of a new, federally financed corporate entity that would buy troubled or nonperforming farm loans from banks and the Farm Credit System. The bad loans would be "warehoused" in the new entity.

To capitalize this warehouse, some around Congress suggest that money should come from the commercial banks themselves and from the FCS, in addition to government money.

So far, however, there is a lot of talk and grandstanding on the farm crisis, but no concrete moves to ram through "Aggie Mae" enactment legislation, much less to lead a national drive to revitalize the farm sector and expand production for a hungry world. Even those who are whispering about Aggie Mae have accepted the grain cartels' line that there is too much food being produced anyway, and that more farmers are going to have to be closed out.

Earlier this year, Rep. Evan Cooper (R-) introduced a $5 billion bailout scheme for the FCS, but nothing ever came of it.

The administration is so far staunchly opposed to special assistance for the FCS or any other part of farm sector finance.

The House Agriculture Subcommittee on Credit (chaired by Ed Jones of Tennessee) will not resume hearings on the crisis until Oct. 9. Senator. Jesse Helms, chairman of the Senate Agriculture Committee, has not yet announced when hearings are to be held, though they are expected at around the same time.

But time is running out. With fall farm prices at disastrous lows and farm land values also way down—by 50% in some regions—thousands of farmers simply cannot pay debt service, or anything else, including their own living expenses. Conservative estimates are that 15% of all farmers will be thrown out of farming this year. At least 5% of U.S. farmers have gone under since last winter. The national and international food supply is in jeopardy.

Farm foreclosures and farm family "walk-aways" are proceeding, in certain parts of the country, in proportions catastrophic to the U.S. food and fiber supply. In Louisiana, for example, in just two parishes during the month of September, the FCS Federal Land Bank filed foreclosure papers against 200 farm properties.

This is the conscious policy of the International Monetary Fund and its backers in the U.S. Department of Agriculture. In February, a top IMF official said, "Let the rural farm banks and the savings and loans go under. Who needs them?"

The IMF's plan is to use the crisis to put millions of acres of farm land under control of the money-center international banks and family trusts. Aggie Mae could even serve as a foot-in-the-door for this, by taking much of the FCS debt that is backed by land through the FCS-linked Federal Land Banks—up to $60 billion worth—and using this land to back up other bank debt, or take direct ownership.

An even bigger land-grab scheme is called the Agriculture Conservation Corporation (AAC), the name used by Prof. Neil Harl of the University of Iowa, who functions as a mouthpiece for IMF views. Under Harl's scheme, the ACC would acquire about $20 billion worth of farm land (ostensibly to stabilize falling farm prices) and lease land back to the former farmer owner or take it out of production entirely in the name of "conservation." Potential ACC land acquisitions could amount to 12% of all the land devoted to wheat, corn, and soybeans in the United States.

Earlier this year, backers of the ACC felt that a Congress fixated on budget cuts would never fund such a radical, new federal agency with so much money. But this fall, as thousands of farmers go bankrupt, the proponents of the land-grab scheme have new hopes of getting the government to do their bidding, sooner or later.