

## Agriculture by Marcia Merry

### Washington stalls as credit collapses

*But someone has given the rotten Mellon banking empire a sweetheart deal to collect rural home mortgages.*

**D**uring April, hearings and new proposals were entertained in Washington, D.C. about the crisis of the Farm Credit System, and the other farm debt agencies, with the outcome that nothing has been done. There is "much talk and study." However, the dispossession of farmers and disintegration of the farm sector proceeds.

Behind the congressional and other expressions of "official concern" for the crisis in the farm sector, wild things are happening. For example, as of May 1, Mellon Bank will start collecting all payments due on home mortgages across the country on behalf of the Farmers Home Administration! Someone, somewhere at the FmHA or U.S. Department of Agriculture has given the crumbling Mellon empire a little sweetheart deal.

The mortgage payments Mellon will be collecting are for rural homes (not farms, in the main), and have been coming in handily on their own to the FmHA collection center in St. Louis. The rationalization given by Vance Clarke, the director of the FmHA, to his staff, is that the Mellon "collection services" will save the FmHA \$1.3 million over three years!

Meantime, the FmHA, and the Farm Credit System and private banks and insurance companies, are busy selling off millions of acres of farmland they have acquired in recent months through mortgage foreclosures. Between 5 and 7 million acres—more than the territory of Connecticut and Rhode Island combined—are in the inventory for eventual sale.

Brochures are circulating in the farm belt states offering very low prices and low interest financing: "Buy North Dakota!" "Buy Minnesota!" or "We're Selling Opportunity in Iowa."

Of the total national farm debt of \$185 billion, at least \$100 billion has arisen in the post-1979 period of combined Volcker high interest rates, and the depression of farm prices by the big-name food cartel companies—Cargill, ADM, Continental, Bunge, Garnac/André, Louis Dreyfus, and the rest.

At least \$30 billion of the total farm debt is nonpayable. This is reflected in the high rate of farm bank failures and the losses of the Farm Credit System.

The Farm Credit System holds about \$65 billion of the total national farm debt. In 1985, the FCS lost \$2.5 billion, and lost \$1.9 billion last year.

Now the FCS is requesting a bailout, and various proposals are being entertained. The palliatives passed by Congress over the last two years have done nothing fundamental to remedy the situation of the disintegration of the farm sector. Many farmers are skirmishing, hoping that something will be done. In November last year, a new "Chapter 12" bankruptcy option was made available for farmers, with the stated objective of stretching out their obligations, and allowing for operating credit to be granted.

However, federal offices have obstructed the widespread use of this option, so it is not at all serving as a stop-gap measure. For example, in north-

ern Louisiana, of more than 150 farmers who have filed for Chapter 12, only 2 of those farmers have had their reorganization plans approved and have prospects for operating credit for the 1987 crop year.

The latest proposal filed in Congress is one by the General Accounting Office, for the Farm Credit System. On April 7, GAO representatives presented a report to the House Agriculture Subcommittee on Conservation, Credit and Rural Development, calling for making the FCS a government entity, like Ginnie Mae, the Government National Mortgage Administration.

The GAO plan calls for the creation of an 18-month board to take over running the FCS, like the control boards created in the past to deal with Chrysler, Lockheed, Penn Central, and other large corporations.

The FCS is a private, nominally farmer-owned national organization, which raises money to lend to farmers by selling securities. The FCS is congressionally mandated, and therefore has certain special borrowing advantages, but contrary to some public opinion, it is not federally backed.

In recent years, farmer investor-borrowers in the FCS have lobbied and complained about the "banker-overseers" who have used the system against the needs of regional farmers. Interest rates have been too high, and credit availability too low. FCS managers attempted also to "rob Peter to pay Paul"—to take funds from one of the 12 FCS districts, and use them in another. This congressionally approved action was halted by court suit.

On April 7, GAO Comptroller General Charles Bowsher warned the House committee about the failing condition of the giant FCS: "We believe it would be very risky to allow the system to fail. The risk in the capital markets is too great to run."