Agriculture by Susan Brady

A gesture from Washington

Block and FmHA promise to exert themselves for farmers. What this means in dollars remains to be seen.

At a Jan. 20 press conference, Agriculture Secretary Block, and Assistant Secretary for Rural Development Frank Naylor, Jr. announced that a special effort would be made "to keep farmers in business during these cloudy times," as Secretary Block put it.

The move is a response to political pressure from the farm belt and to the fact that it is becoming increasingly difficult to deny the crisis in agriculture. Statistics show that rural America hasn't been in such trouble since 1933. Renewals and extensions of agricultural loans are at an all-time high and loan repayments at an all-time low. Net farm income is expected to drop again next year for the third year in a row, and, for the first time since the Great Depression, farm land values—the underpinning for the entire farm credit bubble—have begun to decline.

The focus of the press conference was Assistant Secretary Naylor's announcement that the Farmers Home Administration (FmHA) had issued a new set of guidelines to its 46 state officers that would prevent many foreclosures. It is estimated that one fifth of FmHA's $23 billion loan portfolio is in trouble. FmHA is the farmers' "lender of last resort."

Block and Naylor were flanked by representatives of the American Bankers Association, the Independent Bankers, and the Farm Credit Administration, who joined the Secretary in insisting that while farmers were indeed under "severe" pressure, the difficulty is only temporary. In a private session before the news conference, Secretary Block had reportedly urged the financial representatives to avoid foreclosures if possible.

Since at least 1979, FmHA has stood in the way of chain-reaction bankruptcies in rural America. As the Volcker usury policy shut down commercial lending in the farm sector, FmHA's portion of operating loans increased from five percent to 15 percent.

The new FmHA guidelines issued by Administrator Charles Schuman, which Assistant Secretary Naylor advertised as preventing foreclosure on more than $100,000 of farmer debt, state that the FmHA will do "everything it can"—within sound lending practices—to assist borrowers in difficulty. Loan actions are to be considered on a case-by-case basis. FmHA will continue to work with borrowers who act in good faith, accept FmHA recommendations on running their operation, have a reasonable chance of success, and maintain property to secure their loans.

Preliminary investigation indicates that the new guidelines are little more than a sugar-coated restatement of the stringent October guidelines. Those guidelines, which have been described as a "declaration of war against farmers," sparked open protest by farm producers and their congressional representatives. In the new guidelines, instead of declaring that borrowers who have failed to remedy their delinquency during 1981 will be foreclosed upon, it is stated that farmers who have been notified of serious delinquency early in 1981, and failed to live up to their farm home plan during the year, will be "denied further FmHA assistance and their repayment schedule may be accelerated." Further, the requirement for the maintenance of property—and not just "repayment capability"—to secure the loans is retained.

Finally, there is no indication that the administration has moved to increase the FmHA's 1982 authorization, cut 70 percent under Stockman's budget axe. The new guidelines assert that since additional assistance for current borrowers together with new loan demand will outstrip the authorization, FmHA will attempt as much as possible to use its fund to supplement credit from other sources.

Keeping the farm sector solvent this year will require a real financial commitment from FmHA, if not from commercial bankers. American Agriculture Movement President Marvin Meek estimates that as many as one third of the nation's producers may be forced to resort to the FmHA this year. Producers began to draw the line on FmHA policy early in 1981 when it came to light that FmHA officials systematically failed to inform borrowers of their rights under certain circumstances to a moratorium on repayments. Later in the year, as FmHA county offices moved to enforce austerity, scores of producers in Kansas, Missouri, Texas, and other major farm states were threatened with foreclosure.