Farm Bureau-backed debt plan gets House OK

A two-tier farm debt restructuring plan advocated by the Farm Bureau has won U.S. House approval and now goes to the Senate.

Louisiana Farm Bureau officials are among persons pushing the debt restructuring plan as a way to rescue farmers from possible bankruptcy.

On another front, the officials also have supported efforts to get the federal government to release more funds for Farmers Home Administration loans to Louisiana farmers.

Under the two-tier plan, a farmer's debt could be divided, with one portion due quickly and another portion payable over a longer period of time. The method is said to be used in private banking, but has not been instituted in the farm credit system.

Farm Bureau officials say this is how the two-tier method could work for farmers:

A farmer and lender would analyze the farm operation's cash flow and profit potential and agree on the amount of debt that could be serviced within the operation's cash flow. This manageable debt would be "tier one." The rest of the debt would be placed in "tier two" and the farmer would pay 3 percent interest but no principal on this amount. As a portion of tier one debt is paid off each year, an equal amount of tier two debt would move to the tier one level, until the debt is paid.

It is not known exactly how many farmers in Louisiana or the nation could take advantage of the two-tier debt restructuring. However, a Farm Bureau official provided some numbers on farmers and the debt they are carrying.

About 650,000 farmers produce almost 90 percent of the U.S. agricultural output, according to the information. About a third hold two-thirds of the debt held by those farmers. Some 100,000 to 125,000 farmers face the greatest pressure and an equal number could face problems in the future under the present regulations financial institutions face, according to the Farm Bureau information.

Louisiana Farm Bureau officials gave credit to the state's congressional delegation for help in getting House approval of the two-tier structure for farmers.

The Farmers Home Administration is one source of operating loans — money borrowed to make the crop. Federal money for FmHA loans at this point is short of farmer demand, but Louisiana has gotten more money for the loans than originally expected.

Ed Courtney, head of farmer programs at the FmHA office in Alexandria, said loans totalling some $4 million are at the final approval stage, but there is as yet no money to fund them.

Still, Louisiana has received several millions of dollars for farm operating loans this year, and the FmHA has guaranteed more loans through private lenders, Courtney said.

The Louisiana Farm Bureau said it has lobbied in Washington for release of federal money for Louisiana loans.

Louisiana was originally allocated $55.4 million to fund FmHA loans, but later actions in Washington have added some $78 million to the allocation.

Besides making loans directly to farmers, the FmHA can guarantee 90 percent of a loan made by a private lender, such as a bank. Last year, the Louisiana office guaranteed 96 loans totalling $9.5 million, Courtney said. This year, the FmHA guaranteed 520 loans worth $53 million, he said.