Federal agency requiring cash flow for Louisiana crop loans

By DICK WRIGHT
Advocate staff writer

"Cash flow" again will be a key phrase as offices of the Farmers Home Administration approve or refuse crop loans to Louisiana growers this year.

Also, more FmHA operating loans are expected to be made by banks with the FmHA's guarantee behind them, along with the usual "insured" loans financed directly by the FmHA.

While some lending began last year, the busiest borrowing season gets underway in January and February as farmers sell last year's crops, get the holidays behind them and turn to 1987's business, said Mack Perdue, chief of FmHA programs in the state FmHA offices in Alexandria.

The farmer seeking a loan will be asked to show he will have enough money coming in to cover expenses, other debt payments and the FmHA loan as it comes due.

"Farmers will have to show that the cash flow will cover all installment payments on the debt," Perdue said. "This won't be easy for some farmers.

"We're finding with the expenses and commodity prices, it is extremely difficult for some operators to generate enough income to cover these debts," he said.

The FmHA continues to have a high number of loans in some degree of delinquency in Louisiana - about 39 percent of loans owed by about a third of the farm borrowers. A borrower may be only a little behind on payments or all the way in foreclosure for his loan to be considered delinquent, Perdue said.

Going into 1987, a count showed the FmHA had 22,277 loans among Louisiana's 8,481 farm borrowers. About 2,090 borrowers, with 8,553 loans among them, are behind to some extent in their payments.

Perdue said a number of the 2,090 borrowers now listed as delinquent will pay up as the 1986 crop is sold.

In 1987 there is some good and bad news about the amount of money available for FmHA loans, Perdue said.

For insured loans in fiscal 1986, "we started with an initial allocation of $55 million for Louisiana. We actually lent $136 million, so Congress let us have more money," he said.

"In fiscal 1987, we are starting with an initial allocation of a little over $72 million, but significantly, the national office has told us not to expect these additional sources of money," Perdue said.

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"The good news is that they've started out this year with a guaranteed authority of $31 million but indicated to us if our needs call for it, they will give us additional authority as we need it," he said.

"Last year we actually guaranteed $66 million worth of loans. Now we project we will make $93 million," Perdue said.

Bankers like the guaranteed loan approach and the number of guaranteed farm loans has grown rapidly since 1985, he said.

With guaranteed loans, the borrower gets his loan from a bank, with the Farmers Home Administration guaranteeing it.