

## Bergland interview

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earlier on this trip. We've heard there are going to be some changes in ASCS's current disaster policies.

I'm campaigning for big change. I don't like the current disaster programs.

Mostly they don't help people who really need it. I've been promoting a federally sponsored crop insurance system and it's about to become law. It has passed the Senate and will be approved by the House next Tuesday (September 16).

Effectively we will be in the insurance business next year. We will operate on the basis of sound insurance principles.

It will be offered on corn and soybeans in the spring and other crops as we gain experience and figures.

This is an all-county, all-crop insurance as a substitute for those half-baked disaster programs. I hold this out as the best of all possible options.

**Will this interfere with private business?**

We don't think so. We think, in fact, it will generate interest in the insurance world. Nobody else writes an all-risk crop insurance policy.

I've encouraged private industry to do so. No one is willing or able to take it on.

We will provide re-insurance for a small company that wants to get into the business, acting as an underwriter for private firms.

We will use private insurance agents to sell the policy. We will contract with insurance agents who want to represent farm organization membership, a bank, production credit group.

We will operate out of the ASCS system so we don't have to create a new agency. We also will use ASCS figures for premiums and yield data.

There is a lot of industry opposition to it. It has become controversial. But I've told the industry it's time to either fish or cut bait.

Another area where industry is raising questions is on the proposed amendments to the Farm Credit Act. It will help young farmers, provide a broader credit base. Do you agree with bankers who say it steps on their territory?

I generally think the amendments are sound.

You have touched on what I think is a major problem in the rural areas of the United States. Historically rural

banks have depended on their local depositors as their base for lending.

Recently country bank depositors have discovered the money market certificates. Savings accounts today are really fungible.

The question is what is going to happen in these rural banks when depositors are looking for other instruments which are going to pay a better yield? The deposit base of these rural banks is being undermined. It's not because of the government. It's because of the way money markets are functioning.

I'm under enormous pressure from farm leaders to use the Commodity Credit Corporation as the world's largest farm bank. People want me to raise the loan rates on these commodities, lower the interest rates, go into direct competition with the banks.

Likewise in Farmers Home Administration I'm always under pressure to generate a more favorable credit policy.

I'm resisting this and I'm under some political attack for it.

The problem is, getting back to the Farm Credit System, there is real doubt in the minds of scholars as to whether the traditional country bank is going to be able to maintain a credit base to satisfy that rural credit demand.

Frankly, I don't know whether it will or not.

But I do believe the Farm Credit System has been a financial savior to the rural communities. It provides about 40 percent of the rural credit, as I recall, and there are lots of big chunks of the country where insurance companies are not interested in big mortgages. Farm Credit was the only game in town.

Farm Credit System has tended to offer blanket coverage. They will go into a territory and take every opportunity.

We think the whole question of rural credit requirements has been satisfied by the Farm Credit System. Country banks can not tap, or usually do not use, the money markets. Farm Credit has been able to tap those markets and bring money back into the rural communities for production credit.

I support the Farm Credit Act concept. I tell the private banker we are going to have to determine what the proper federal role in this is.

I have a credit committee that is looking at this whole question carefully. CCC lending, Farm Credit, Farmers

Home lending, as well as private bank lending are considered.

I don't want to go into competition with commercial banks. But I do want to make sure rural communities have access to credit and the terms and conditions are reasonable.

Farmers Home Administration has come under fire for making loans of questionable value to farmers. It has taken obligations for industrial plants, shopping centers and the like. Does USDA defend this practice or will it be cut out?

We're defending it. First place, it's a part of the rural development program. We have developed hundreds of thousands of jobs in rural places through these FmHA loans for persons who otherwise would be forced to give up and move to the city.

You know, we have 1.5 million people who are living on farms too small to keep them busy. They have no choice. They either find a job or leave the farm.

So we are bringing jobs to the rural communities and it has been a success.

Now, we've made some loans that are questionable. We've made some loans on which we're going to lose some money.

But we are risk-takers. That's what it's all about. I'm not dissatisfied with the results.

Look at the accomplishments in the broadest context and compare that against the cost of not having those programs. We'd have another 400,000 people moving into Pennsylvania from the Black South looking for work and if they can't find it, what happens? There's costs to that, too.

The relatively small amount of money we are losing on some of these loans is a risk worth taking.

I'm campaigning for a restructuring of this whole rural development mission for next year. I don't think much of having FmHA, SBA, and HUD all making rural loans and being in competition with one another.

I'd like to see a rural development agency of some kind established in USDA or some other place if it makes sense. It would have authority for all rural facilities. It seems to me it would better serve if it were in one place.

What new programs can we look for in USDA in the near future?

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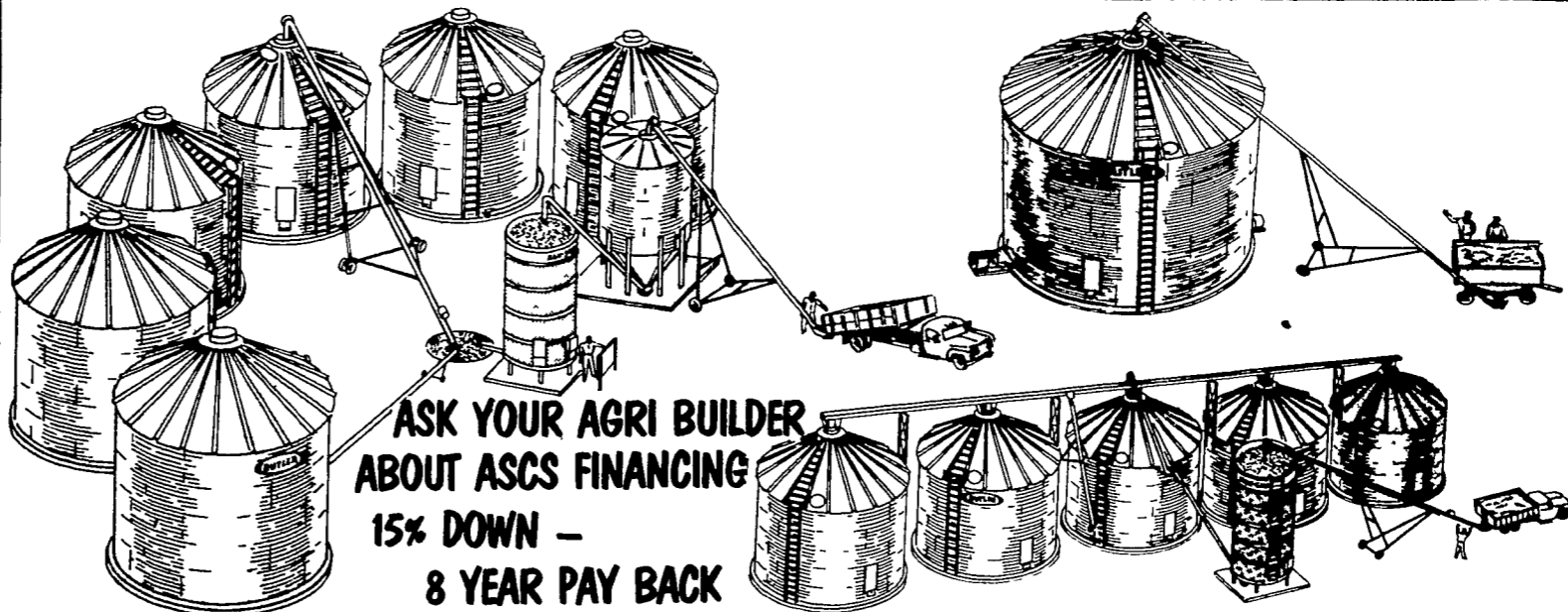
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