# U.S. farmers may lose 7% of assets, council says

WASHINGTON – The Farm Credit Council today revealed figures compiled by a group of university economists which indicate that under an optimistic scenario, as much as 7 percent, or $52.5 billion, of the agricultural assets in the country may have to be sold by U.S. farmers because of financial stress.

Even by liquidating this amount of farm assets, a Council representative said, over 2 percent of the nation's total farm debt, or almost $4.4 billion, may have to be written off.

According to the Council, in the next three years the number of farms on the market will be three to five times the norm.

As a measure to prevent a swamping of the farmland market, the Council suggested creation of an Agricultural Conservation Corporation (ACC). Such a limited-life, federally chartered corporation would be able to purchase farm assets of distressed farmers and their lenders.

These statements were contained in testimony the Council presented at a hearing on the 1985 Farm Bill before the Senate Agriculture Committee.

Speaking for the Council were Melvin Todd Jr., a farmer from Union, Neb., and a member of the board of directors of The Farm Credit Council, along with Gene Swackhamer, president of the Baltimore District Farm Credit Council and chief executive officer of the Farm Credit Banks of Baltimore.

Todd said that according to the recent projection of the deteriorating farm economy, if conditions worsen so that farm income declines, asset values fall to 65 percent of their current value and interest rates hover at 10 percent, then as much as 17 percent of all farm assets might have to be sold in order to make payment on the current farm debt.

Todd told the Senators that the Council, a federated trade association representing the nationwide network of Farm Credit banks and associations, was prompted to commission a study of certain economic conditions affecting agriculture as a result of similar results of a recent USDA study and a survey completed in January by Farm Journal magazine.

Todd said, "The Farm Journal survey found that close to 30 percent of the farm operators have debt-to-asset ratios greater than 40 percent. But of particular note, is that these financially stressed individuals owed close to two-thirds of the agricultural debt and held about one-quarter of all farm assets."

Todd said that because of the importance of the information released in both reports, The Farm Credit Council helped support a further analysis of the information by the Food and Agricultural Policy Research Institute, composed of economists from the University of Missouri and Iowa State University.

"We asked the institute economists to project what might happen to the financial condition of farmers between 1985 and 1986 under various rates of return and with various levels of asset values," Todd said.

He said the economists were asked what would be the impact on the economy as a whole if as much as 4 percent of the agricultural debt were written off.

The economists responded that a 4 percent loss on all farm debt would result in an estimated loss of $7.3 billion in personal income, $21.7 billion in lost output and a loss of more than 500,000 jobs nationwide.

Under the proposal, ACC capital would be owned by users of the corporation, including farmers, commercial banks, Farm Credit institutions, USDA, insurance companies, contract sellers and others.

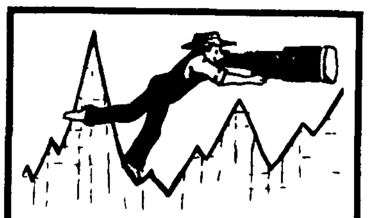
The corporation would be a willing buyer of farmland during the first five years of its life. Land would have to be sold in an orderly way prior to the end of the corporation's 10-year life.

In giving further details on the Agricultural Conservation Corporation proposal, Todd said, "The first and foremost beneficiaries of the plan would be farmers."

The farmer who sells assets to ACC would have first right to lease the property back, he would be protected against the sale of his property by the ACC for three years, and he also would have first refusal if the property were put up for sale. The ACC can provide an alternative to liquidation in many instances, Todd said.

"Most of all," Todd said, "farmers would avoid paying, through higher interest rates their lenders' costs of holding land in inventory."

Assuming that farm assets would stay at their present level for the life of ACC, the plan would cost an estimated $1.5 billion over 10 years. However, the Council proposal includes a recapture feature which would allow the government to recoup its costs should land values recover. If conditions improved so that farm assets, principally land, rose by 12 percent in the next 10 years, the program costs would about equal the returns.



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