

Helms says farm debt help 'just beginning'

MIAMI BEACH, FL — Legislation signed by President Reagan a month ago to strengthen the Farm Credit System is "just the beginning" of a process designed to help farmers with debt problems, Chairman Jesse Helms (R-NC) of the Senate Agriculture Committee said.

"Now comes the tough part—the real challenge—the challenge to elevate again the effectiveness of the Farm Credit System as the largest single source of credit to American agriculture," Helms told the third annual meeting of The Farm Credit Council, the Washington-based trade association that represents the system.

The legislation Helms referred to—the Farm Credit Amendments Act of 1985—reconstitutes the Farm Credit Administration as a more powerful, arm's-length regulator of the system; creates a mechanism for the system to move capital from district to district and serve as a funnel to deliver funds to a needy district; and authorizes federal financial assistance if necessary.

Helms was one of five top government officials who described to the system's directors and bank officials some of the heavy responsibilities they face in seeing that the legislation is implemented as Congress intended.

Also speaking were Sen. Ed Zorinsky (D-NE), the Senate committee's senior Democrat; Rep. Edward Madigan (R-IL), senior Republican member of the House Agriculture Committee; Under Secretary of Agriculture Frank W. Naylor Jr.; and Assistant Secretary of the Treasury Charles O. Sethness.

Helms said the legislation will help farmers by reducing pressure

that had been forcing up farm loan interest rates, by increasing the confidence of investors who supply capital to the system, by stabilizing land prices, and by allowing the system's lending associations to restructure many troubled loans "to minimize foreclosures and liquidations."

The success of the legislation, Helms added, "will be largely measured by the ability of the system to provide reasonable forbearance to its borrowers who have a realistic chance to continue or resume profitable operations."

The fact that the system is "owned and operated by its borrowers—not by the government—needs to be emphasized over and over again," he said.

Part of the challenge, Zorinsky said, is for the Production Credit Associations and Federal Land Banks in the system to become more competitive by reducing farm loan interest rates "1.5 to 2 percent." He said that, if the system can demonstrate to the secretary of the treasury that it is using its own resources wisely to offset losses, "the administration will open the window (for financial assistance) that much sooner."

But all of the speakers agreed with Madigan's observation that it may be more difficult to obtain appropriations from Congress for federal assistance than it was to pass the legislation late last year.

"It's going to be very difficult," Madigan said. "You are going to have to justify every dollar" because pressures to cut federal spending will be very strong for the next two years and "Congress will be cutting the heart out of other programs."

Zorinsky and Naylor also urged the system to communicate fully with its member-owners. They

said this was needed to dispel any impressions of ill feeling in the country toward the system and to build confidence among the borrowers with the system.

Sethness expressed the administration's hope for "an enhanced view of the system as a business entity that fits into the larger financial picture."

The assurance of adequate capital should "lessen the pressure on the system to earn its way out of its losses" and make it unnecessary for any "impetuous or tumultuous foreclosures," he said, urging "an orderly workout over time instead of an effort to find an immediate solution."

The new role for FCA, the federal regulatory agency, will mean "greater independence for the system but greater responsibility," Naylor said. "It will mean a higher standard for you than what was perceived in the past."

FCA's role, he said, will be to "judge the safety and soundness of the institutions of the system" to protect borrowers and investors.

Sethness added that FCA's job, which has been compared to the roles of the Federal Deposit Insurance Corporation and the Comptroller of the Currency with



respect to commercial bank regulation, as "establishing guideposts and standards and getting out of the way of day-to-day management."

The system's banks and associations, he said, in turn must supply capital to agriculture at a reasonable price by using "the least-cost, most efficient, hard-nosed approach."

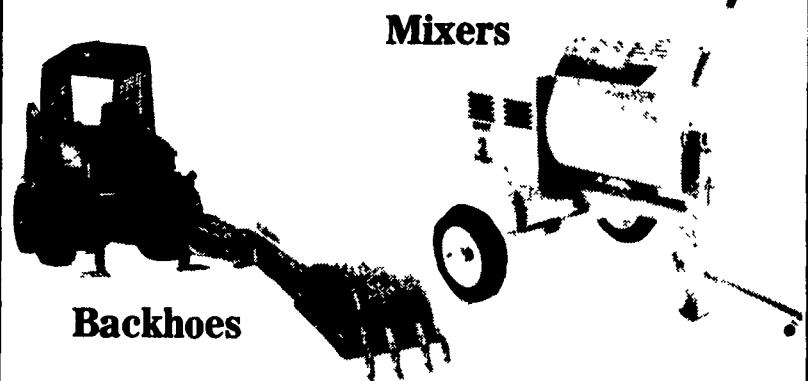
Echoing Sethness, Madigan urged "compassionate but very sound management" for the system.

The one-day meeting was opened by a report from Ray Moss Tucker, chairman of the board of directors of The Farm Credit Council, and by Council President Delmar K. Banner.

During the afternoon session, a panel discussion—led by Douglas D. Sims, president of the Farm Credit Banks of St. Louis—centered on the implications of the legislation to the system. Participating were Gene Swackhamer, president of the Baltimore Farm Credit Banks; Grant Lucas, board member from the Sacramento Farm Credit District; and Mac Asbill Jr., senior partner with a Washington-based law firm of Sutherland, Asbill and Brennan.

Final act for the delegate session was adoption of resolutions to guide the Council in its governmental and legislative affairs for 1986.

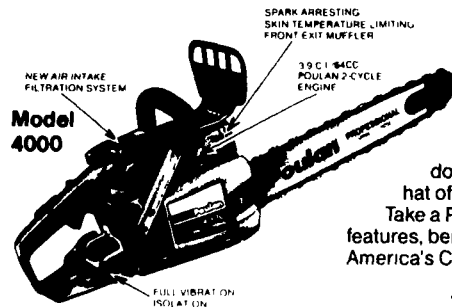
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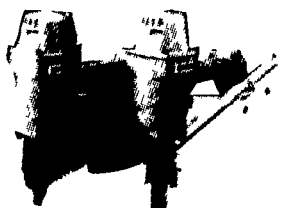
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