Brockett's Ag Advice

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The Debt Trap

Our indebtedness as farmers links us with billions of people throughout the world for whom debt has become synonymous with despair. It also links us with most of the people of this country in ways that most of them have never considered. How many banks in the country have failed because of the "Farm Problem"? How many small businesses have gone under because of the "Farm Problem"? How many people in Mifflin County alone have lost their job security because of the "Farm Problem"? I'm sure that somewhere some social or demographic chartist has fairly precise answers to all three of those questions. But even those answers probably do not tell the whole story.

In a study made a number of years ago, a research team found that farm income had a greater effect on a rural community than any other type of income. The reason was the large number of support businesses and services for farming that exist in a rural area. When the farm economy lags, there are fewer dollars pumped into that area. Businesses, labor, and services directly affiliated with farming are the first to be affected. When farmers reach the "debt crisis" position, these support businesses and services begin to retrench (lay off labor and reduce community activity).

When a substantial number of farmers reach the "debt disaster" position, these businesses and services begin to compete with each other for a piece of an ever smaller' pie. Eventually the weaker or more vulnerable or more local businesses or services begin to fail. That results in fewer jobs, less tax base for the area, an erosion of population, and a higher cost for those remaining.

Some people would say "Why a higher cost for those remaining?" As Sherlock Holmes would say, "It's elementary my dear Watson". There are certain costs that must be met as long as there are any people in the area. Costs such as roads, schools, power, and law enforcement will be present regardless of the number of people who live in an area. It is true that these costs do go down as the area loses people and businesses, but they do not go down in proportion to the reduction in people or businesses.

The farm debt crisis that becomes a farm debt disaster becomes like a cancer. It spreads and attacks previously healthy segments of the economy. If one farmer can not pay his or her bills, the lender and other farmers must pay them. If additional farmers are then pushed over the brink, the lender, the support business or service, and other farmers' will wind up paying their bills. The cancer of the debt crisis begins to claim more and more victims.

Some lenders and supply or service dealers try to recoup by becoming more "competitive" and selling items at reduced prices. Others add service charges or late payment interest (up to as much as two percent per month) to take up the slack. Others try to enlarge their territory to increase or at least maintain business volume. A few try to protect themselves by placing liens on assets or increasing the amount of assets upon which they have a lien (such as requiring a co-signer for a loan). The lender or business then has the co-signers property as well as the borrowers property to use if the loan is not paid. These steps may or may not help the business survive.

One of the most difficult decisions for any business to make is when and how to cut the loss. In other words, when does the business tell a buyer "no more credit"? The buyer may go elsewhere and never pay the money owed to the business. Or, when does the farmer sell a non-profitable item such as a piece of non-productive land or some seldom used machinery? The farmer may want that land for recreational purposes. Or, when does a bank decide it no longer has the equity in a farm it had when the original loan was made? The bank may need that equity on the books to stay out of the bank examiners reaches. Of course all of this helps spread the cancer of "debt disaster".

Delaware to Host bee conference

NEWARK, Del. — More than 700 members of the Eastern Agricultural Society (EAS) are preparing to gather for their annual conference, Wednesday, August 6 to Saturday, August 9, at the University of Delaware's Clayton Hall/Christiana Towers complex on the university's north campus in Newark, Del. The 3½ day event will include talks on bee management, swarm biology and orientation behaviors, queen control in bee colonies, apiotherapy, pollination beekeeping in China, bee mites, bee photography, and the effects of acid rain on honeybees. In addition, several workshops on hive products are scheduled. There will also be a trade show.

The conference will coincide with two day-long beekeeping short courses, one on bee management (August 5), the other on honey (August 6). The Tuesday course will include hands-on experience using gentle University of Delaware bees. The Wednesday course will cover efficient ways to produce and comb honey and profitably market these and other bee products.

Registration for the short courses is separate from that for the conference and costs $30 a course or $55 for both courses. For further short course details, contact Dr. Larry Connor, Beekeeping Education Service, P.O. Box 817, Chesire, CT 06410.

Conference registration is $17 for the entire 3½ days, or $7.50 per day. Deadline for advance registration, including room reservations for those wishing to stay on campus, is July 26. A $10 late fee will be charged after that date. For further information, contact Dr. Dewey M. Caron, Department of Entomolgy, University of Delaware, Newark, DE 19717-1303 (302-451-2526).