

Bankruptcy Rules May Save Farms

NEWARK, Del. — A new section of the federal bankruptcy code that became effective Nov. 26 could help farm families with serious financial problems, according to University of Delaware extension agricultural economist Gerald F. Vaughn.

Chapter 12 was created especially for family farms, Vaughn says. It offers farmers a chance to lower their debts, reorganize their loan payments and stay on their farms.

But Vaughn isn't sure many farmers will take advantage of the new bill. "Farmers are understandably reluctant to file for bankruptcy," he says. "Bankruptcy filing is a legitimate business decision, but it can be very expensive and stressful for the entire farm family."

Chapter 12 was written by Chief Judge Thomas Moore and Judge A. Thomas Small of the U.S. Bankruptcy Court. They explained the section recently for attorneys attending an extension-sponsored conference in Raleigh, N.C., on advising farmers in financial distress.

Farmers who borrowed when land values were high but who are now caught with more debt than assets may reduce the amount of farm debt under the new provisions.

A farmer who borrowed \$1 million against high-valued land that is now worth \$600,000, for example, could have the loan reduced to \$600,000. In addition, the farmer could refinance at current interest rates, which are likely to be much lower than when the

original debt was incurred.

The farmer in Chapter 12 bankruptcy cannot be forced into liquidation as can happen when a farmer files under other chapters of the bankruptcy code.

Chapter 12 also redefines what constitutes "adequate protection of lenders' interests." Previously, farmers faced an immediate bill for "lost opportunity costs" when they filed under existing sections of the bankruptcy code. Lost opportunity costs is the amount of interest the lender could receive if the money had been invested elsewhere.

Under Chapter 12, lender interests are considered protected if assets are being properly maintained and, in some cases, if the lender is receiving fair market rent for their use—usually much less than required under other bankruptcy options, Vaughn says.

Only family operated farms with total debts under \$1.5 million are eligible to file for Chapter 12. Also, 80 percent or more of the total debt must be from the actual farming operation, and 50 percent of the previous year's income must have come from farming.

Chapter 12 won't be a solution for everyone, the University of Delaware extension economist says, but it seems to offer a better alternative than farmers have had under existing chapters of bankruptcy law.

Chapter 12 reorganization will leave the farmer 100 percent in debt. "Farmers who file under Chapter 12 won't be able to continue farming very long unless they're very good farm managers,

and become good financial managers," Vaughn says.

They must have enough income to pay off operating expenses as well as any debt remaining after reorganization. This often means having to cut the family's standard of living to the absolute minimum. And they must be lucky with such factors as weather and government policies, the specialist adds.

Farmers who have already filed for bankruptcy under another chapter of the law will not be allowed to switch to Chapter 12.

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Berks
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DHIA
Monthly
Report

October, 1986
Charles and Tim Kissling's herd topped the October Berks County DHIA with a herd average of 22,119 pound of milk and 831 pounds of fat on 68 cows. The following herds produced herd averages over 550 pounds of fat

Name	Brd	No. Cows	% In Milk	3 Fat Lbs	X Lbs
Charles & Tim Kissling	3	68.0	85.4	22,119	831
David L. Schrack	83	101.8	87.8	20,136	775
Forrest C. Stricker	83	58.1	84.8	21,824	767


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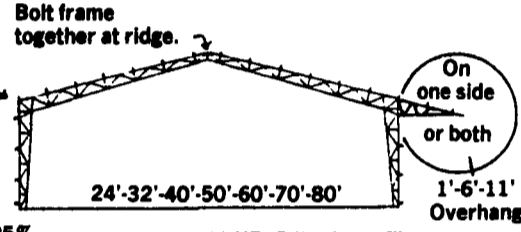
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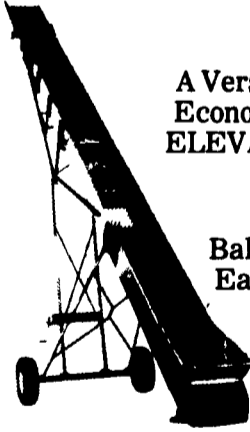
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**Protect Trees
Against Mice**

During late Fall, one numerous pest around our shrubbery, flower beds and fruit trees are meadow mice. These small, chunky, ground-dwelling rodents are locally called meadow voles or field mice. They're found wherever grass and woody plants grow.

As strict vegetarians, they're active all year round in extensive grassy and weedy areas. But, as green vegetation becomes scarce, they invade lawns, gardens and plant nurseries.

Several hundred mice may be present on any given acre of land making them extremely destructive pests to vegetation around the home. During late Fall, winter and early spring, they may gnaw the bark of young trees and shrubs. Trunk girdling at or near the ground surface is the most common form of tree injury caused by meadow mice. Since they burrow in snow, they may damage tree trunks as high as snow accumulates.

Sometimes girdling injury can be repaired by bridge grafting, but tree growth is usually set back severely. Meadow mice can even burrow into the soil and may cause damage to tree roots. This damage cannot be seen and cannot be repaired. Eventually, damaged trees become weak, unhealthy looking and die.