

# Stallman: Farmers To Feel Brunt Of Interest Rate Hike

PARK RIDGE, Ill. — The interest rate hike announced recently by the Federal Reserve

“represents another jolt to the nation’s farmers and ranchers,” who are already struggling due

to skyrocketing fuel prices and plunging commodity prices, according to the American Farm Bureau Federation.

Following yesterday’s rate hike, several banks announced increases in their prime rate to 9.5 percent.

“This will likely push many farmers’ operating loans to well above 10 percent, rates not seen by many farmers and ranchers since the early 1990s,” said AFBF President Bob Stallman.

“While the prime rate is the

most often quoted rate, many farmers borrow for operating and intermediate loans at rates of one-half to one percentage point higher than the prime rate, with some at one-and-a-half points above the prime,” said Stallman. “If interest rates for all operating and intermediate loans were to eventually increase by a full percentage point, that would add an additional \$800 million in interest expenses for farmers and ranchers.”

A producer wishing to borrow \$200,000 to buy land or to refinance existing land loans would pay an extra \$2,000 per year if long-term interest rates went up just one percentage point, he said.

Farmers and ranchers already face \$2.6 billion of additional expenses because of higher fuel costs compared to last year. America’s farmers and ranchers already face debt of around \$173 billion, with \$91 billion of real estate debt and \$82 billion of operating loans and intermediate debt.

“Our biggest concern is the longer term,” said Stallman. “The Federal Reserve gives every indication of planning to continue to increase interest rates for the indefinite future until the economy performs the way they believe it should. This will only squeeze capital-intensive businesses like agriculture all the more. All of agriculture will feel the effects as loans are renewed over the next year.”

“Most real estate debt is at fixed interest rates. Most existing real estate loans will not be affected by this rate increase. But farmers and ranchers making new loans or refinancing existing loans will feel a direct impact. The Federal Reserve’s decision may be targeted toward the general economy.”

“Unfortunately, the agriculture community gets caught in the crossfire, and at a time when it can least afford another economic hit.”

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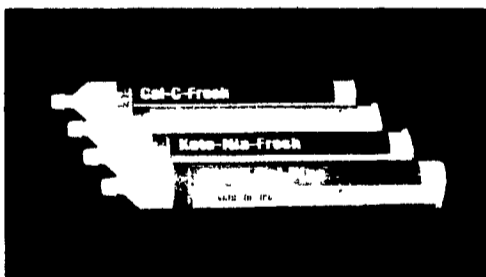
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