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Stimulus Plans at Odds over Program to Offer Fixed-Rate Loans to Farmers

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By Aliya Sternstein

Unlike the House's version, the Senate's economic recovery plan includes money for fixed-rate farm loans that advocates say are needed to sustain the U.S. agriculture economy.

"Producers can get money for planting this year, but they can't get any long-term credit" for land purchases and equipment such as tractors, said Katy Ziegler, a National Farmers Union vice president. Bankers, she said, are only willing to offer variable-rate loans, "which is what got us into the mess with the housing market."

The Senate compromise bill (HR 1) would provide \$17.2 million for direct farm ownership loans and \$23.6 million for direct operating loans. The House-approved version of the bill does not contain any comparable spending. The Senate provisions would largely target beginning and family farmers who now must pay high premiums to lock in long-term, fixed-rate loans.

Chuck Hassebrook, executive director of the Center for Rural Affairs, which represents small communities and small farmers in the Midwest, said "extraordinary" premiums that farmers must pay to lock in loans reflect the "profound uncertainty about where the economy is going." He said the farm ownership loans, most of which would go to startup farmers, and operating loans, half of which would go to beginning farmers, are primarily fixed-rate products.

Agricultural bankers say they understand why farmers want to obtain fixed-rate financing but lenders need to guard their own viability. Michael J. Quade, president of First National Bank of Ekalaka in Montana, said almost every financial product in the institution's farm portfolio is variable-rate to withstand the volatile market. Interest rates are low now, but "if rates happen to climb back up, we're stuck at that rate."

Beyond stimulus spending, the farm lobby is urging lawmakers to hold field hearings on the agriculture economy and consider granting new authorities to the Agriculture Department.

"The stories I hear in every community are the same: The farm economy has quickly deteriorated into a desperate situation and the anxiety of sustaining production is high," National Farmers Union President Tom Buis wrote in a Feb. 4 letter to the House and Senate Agriculture panels.

Senate Agriculture Chairman Tom Harkin, D-Iowa, is not considering changes to the farm law (PL 110-246) right now but is paying close attention, according to

spokeswoman Kate Cyril. “We all know that agriculture is an industry that relies on credit, and he will certainly look at every avenue,” she said.

Rep. Frank D. Lucas of Oklahoma, ranking Republican on the House panel, agreed that “this is an unusual time with unusual circumstances.”

“Right now, we are assessing all aspects of the financial situation for our producers and trying to determine what course of action, if any, is necessary,” Lucas added.