

# Borrowing Time



## ... And relieve us our debts \$ \$ \$

High interest rates

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Low crop prices

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Low land values

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Low machinery values

### ... hard work ... highest bidders

*"One dollar-dollar-half. Now two dollars-two-and-a-half. And now three-hundred-dollar..."*

Two hundred pairs of eyes watch intently as the fast-talking auctioneer fires bids into a microphone. His plaintive voice bounces off the bidders standing among flatbeds stacked with memories.

Away from the crowd, Boh and Lavina Range watch the proceedings with mixed emotions.

Brooding gray clouds match the farm couple's dismal mood as the auctioneer sells much of what they had worked a lifetime to accumulate. "It makes you feel kind of sad," Range said. "A fella has a lot of memories with this stuff."

Range waved a calloused hand at a 1929 cornpicker that belonged to his father. He said he remembered rushing fire extinguishers to the field when the picker caught on fire.

Range, 64, has lived in the same house on the 320-acre Plattsmouth farm all his life. His father started farming the ground in 1917. That family tie to the land won't be broken, he said.

"I'm staying 'til I die," he said. Before they retired earlier this year, the couple milked a 75-cow dairy herd for 42 years. Range said his family's herd was the largest milk producer in the Omaha area. He sold the herd 10 years ago when his son, Bruce, took a job for the state and moved away. Range couldn't do the work alone.

This year, Range said, he rented the farm to a local farmer because there was "nobody to take my place." That's why the couple decided to sell the machinery, tools and some household items.

"I feel like it's the only thing to do," Mrs. Range said. But she said the sight of her children at the auction block tugged at her heart.

The farm economy that Range started farming with his father. "There isn't any..."

But Range said he doesn't want to leave the farm in the hands of his blood. He still owns 18 cattle and a few horses. He wants to keep his foot in the door.

"I've been running cattle all my life and I love it," Range said.

Range wagged his head at an old two-seated buggy that long ago lost its paint. He said he had owned it for over 40 years. He had never taken it out for a ride, but Range said he hated to part with it.

His mood lightened some, watching the crowd follow the auctioneer like a herd of sheep, feeling the warm mid-day sun melt away the clouds. He said he was satisfied with the day's outcome. After all, he said, "money's scarce."

He surveyed the farmers wearing seed corn caps, young mothers, trailing toddlers and city slickers dressed in their best western duds. Each one seemed to be waiting impatiently for something to be sold.

*"One-fifty-any-one-fifty-five. One fifty once, one fifty twice, goin', goin', SOLD..."*

— Suzanne Teten



Suzanne Teten/The Sower

As interest rates climb and farm prices drop, farmers who depend on borrowed funds may be living on borrowed time.

By January 1983, Nebraska's farm debt was sixth highest in the nation. If divided equally among the state's farmers, each would owe \$177,200.

"This winter is going to be a very difficult time for a lot of people," said Doug Jose, UNL agriculture economics professor. "This fall, grain prices have dropped a little, and I think interest rates will remain high. And, I think the land value maybe hasn't reached bottom yet."

The Nebraska Department of Agriculture calculates farm debt by comparing farmers' debts to their assets. Nebraska's farm debt was 28 percent of farm assets in January 1983, according to the most recent statistics. Nebraska ranks second nationally behind South Dakota's 28.3 percent farm debt.

Many Nebraskans are keeping their heads above water. More than half are under 10 percent in farm debt.

But a growing number of the state's farmers are in deep trouble. U.S. government statistics show 19 percent are in moderate to severe financial stress — a farm debt of 41 percent or more.

Nearly 12,000 farmers in this state must ask themselves one question: why do we owe so much money?

High farm prices and land values enabled farmers to get loans and invest in irrigation systems, Jose said. But now, with prices in dropping land values, farmers to keep up with the payments, he said.

The biggest farm debt problem, according to Federal Land Bank Administrator Francke, has been a steady increase in farm loans over the past few years. Francke, FLBA's state director.

The total farm debt payment was 2.42 percent in 1983.

It's important to keep in mind that it's a record of over 70,000 loans."

That's still a pretty good record." Nebraskans may not be able to maintain that record, however. Francke said loan interest payments are taking an increasing share of farmers' production costs.

"Seven to 10 years ago, it was only about 8 percent of their costs," she said. "Now it's

up to nearly 22 percent."

Jose said farm loan interest rates, which stood at 13 percent in early October, may cause 10 percent of Nebraska farmers to lose their loans in the near future.

"That doesn't mean we're going to have 10 percent of our farmers sell out," he said.

*"Farmers are just buying the things they need... they buy repair tools, so they can keep their old machinery going."*

But some will. Farm sales are not uncommon in Nebraska these days. Government agencies don't keep track of farm sales, but statistics show the number of farms is decreasing.

State figures placed the number of Nebraska farms at 67,000 in 1975. By 1982, that figure had dropped to 63,000.

Farm size went up, from 715 to 756 acres. Big farmers are getting bigger — while small farmers are selling out. And selling out is still a last-resort move.

"When land comes up for sale, the market demand just isn't there," Jose said. "And when there's no demand for land, land values fall."

Land values plummeted in Nebraska during the past two years. Nebraska Department of Agriculture statistics show average farm land values dropped from \$626 per acre in 1982 to \$495 per acre in 1984.

Machinery values took the plunge as well. More farm sales glutted the market with used machinery, and demand is low.

Marion Frantz, owner of Frantz Farm Equipment, Inc., in Seward, said business slumped during the last three years.

"We've gotten stuck with heavier inventories," he said. "I think everybody in the business is hurting some."

Frantz said the used machinery glut has made it harder for farmers to buy equipment. Low demand and low machinery values mean low prices.

Dennis Haxton, manager of Wheeler's, Inc., in Lincoln

farm department sales have been lagging.

"I've seen a large difference," he said. "Farmers are just buying the things they need. They aren't buying the large dollar items. They buy repair tools, so they can keep their old machinery going."

Haxton speaks from experience. He said he farmed in Kansas for several years before going broke.

"The first three years, I was breaking even, but then my income didn't keep up with my debt," he said. "I had a big sale and got rid of everything."

Haxton is not alone. But don't toll the death knell for Nebraska's farmers — not just yet. Even the experts see reason to hope.

Jose said economists have projected some price improvement for next spring. And FBLA's Francke said the land value decline has lessened in the eastern corn belt, especially in Indiana, Ohio and Illinois.

"If the land value trends follow a western path, as they have in the past, land values will stabilize in Nebraska," she said. "Farmers will have more borrowing power."

Until then... Nebraska's farmers may have to settle for borrowed time.

— Jim Rasmussen

FARMLAND VALUE CHANGE (Percentage) April 1983 to April 1984



Nebraska declined the most: 12 percent