

# News Digest

## U.S. ag lender facing crisis

WASHINGTON (AP) — The Farm Credit System, the nation's largest farm lender, is facing its most severe crisis since the Depression and could be forced to begin liquidation within two years unless the federal government comes to the rescue, the system's top regulatory official said Thursday.

Donald E. Wilkinson, governor of the Farm Credit Administration, said increased losses in the system's mortgage lending arm will result this year in the first operating loss since the 1930s for the 37-bank, \$74 billion system.

Wilkinson said at a news conference he will begin exploring with Congress and the Reagan administration ways the government can help the system survive a severe crunch expected to hit within 18 to 24 months.

"If we are unsuccessful... we will begin to face the necessity of possible liquidation of portions of the Farm Credit System" including some of its regional banks, Wilkinson said. "This, I think, would be a very unfortunate situation."

While many are unaware of the extent to which the system is tied to America's financial network, Wilkinson said, many institutions — including banks and insurance companies — are major holders of Farm Credit securities.

He declined to specify the size of the federal bailout needed, but said it will be "multibillions of dollars." Members of Congress familiar with farm lending have put the potential cost to taxpayers at \$5 billion to \$20 billion.

The Farm Credit System, founded early in this century to make credit more easily available to agriculture, is cooperatively owned by its farmer-borrowers and raises money through bond sales. Since it paid off the last federal seed money in the 1960s, the system has used no government funds.

The loose confederation of 31 regional banks and their local branches is regulated by the Farm Credit Administration, an independent federal regulatory body.

### Emergency rule

While it is exploring possible avenues for a federal bailout, Wilkinson said, the system will operate under an emergency rule that enables money to be shifted between various banks in the system to meet operating losses that have been concentrated in areas hardest hit by a farm depression.

Bonds sold to provide farm loan money are backed by the entire system. Although it has in place a loss-sharing arrangement, that process has been too cumbersome to help in many cases, he said. Eleven production credit associa-

tions, the local conduits for short-term operating loans, have been forced into liquidation during the past two years.

The system's board of directors approved the expedited loss-sharing procedure on Wednesday. It will, in effect, override the objections local farm credit banks may have to shifting system funds and is likely to anger some local credit officials who have guarded their administrative powers and object to centralizing the system.

But Wilkinson said the move was necessary to allow quick response to problems and to demonstrate that the system is doing everything it can internally before going to the federal government for help.

Among possible long-term remedies for the system's ills are increased regulatory authority for the Farm Credit Administration, government guarantees for Farm Credit bonds and loans, creations of an institution to take over bad farm debt, a direct infusion of federal cash and a so-called buydown of interest rates, Wilkinson said.

He said while he expects rural members of Congress to embrace such solutions, to get the urban majority and the Reagan administration to go along will require "the ultimate of negotiation."

He said the system's current problems, as well as those of other farm lenders, stem from a rapid retrenchment from the expansionary period of the late 1970s, when farm exports were booming, commodity prices were high and farmers were encouraged to borrow

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even at high interest rates because inflation was expected to continue.

"Farmers themselves signed notes, and they have and I think must accept some blame. Their lenders who cooperated with them in providing that credit did not have the foresight to know when the inflationary cycle would turn to such a downturn, and they too must accept some responsibility."

Members of Congress and other federal officials reacted with relief to the surprise announcement.

"Finally!" said Rep. Ed Jones, D-Tenn., chairman of the House Agriculture credit subcommittee, after getting

word of the switch on Wednesday.

"We're going to have to do a bailout, just like Chrysler and New York City," added Jones, who had scheduled hearings on the issue for next week.

Farm Credit Administration spokesman Roger Stromberg said the system still is expected to be able to manage its problems for the immediate future. But he said worsening farm financial projections indicate that an infusion of cash will be necessary in 18 to 24 months.

Wilkinson had been insisting the banks could handle their losses through fund transfers, increased interest rates and economy moves. This week he shifted positions, saying further deterioration in the farm sector makes potential loan losses more than the system can absorb.

"He recognizes that it's got to be faced at some point," said Rep. Cooper Evans, R-Iowa, who has advanced a long list of legislation to bolster the system's finances. Evans said Wilkinson's public admission of the system's problems would make it easier to get remedial legislation through Congress.

Agriculture Secretary John R. Block at a news conference Wednesday declined to say what kind of bailout the administration might support or when its recommendations would be ready.

### Survival important

Survival of the system is important," he said, "but I want farmers to survive too. And farmers cannot survive with 16 percent interest. They need to have competitive interest rates."

Some Midwestern Farm Credit banks have been charging higher interest rates to help offset loan losses.

In Lincoln, U.S. Sen. J. James Exon said reports that Farm Credit System losses are more than the system can absorb may be a measure of good news in disguise.

"I hope Donald Wilkinson's comments will blast a sense of urgency and reason into the White House thinking, or lack thereof," Exon said in a news release Thursday. "President Reagan had best wake up to the fact that he can't ignore this mess any longer and that the day of reckoning is upon us."

"I have been ringing the alarm bell of pending economic disaster in rural America for more than a year," Exon said. "My warnings, and those of my colleagues, have been largely ignored by President Reagan, who expressed his opinion when he vetoed the emergency farm credit legislation I fought for earlier this year."

## In Brief

### S. Africa rioting reaches white area

JOHANNESBURG, South Africa — Rioting spilled into a white area of South Africa for the first time in 19 months of violence Thursday as residents fired guns at an estimated 100 mixed-race youths who attacked homes reserved for whites with gasoline bombs, police said.

"The white backlash has started already," warned the leader of the hardline white Conservative Party, Andries Treurnicht, who urged the government to act more firmly and use live bullets to control the unrest.

Residents of the suburb, Windsor Park, drove the youths off by firing pistols and shotguns. Two of the youths were injured. Although black townships have seen 19 months of riots against the country's apartheid race laws and some 680 people have died, this was the first time violence reached a white area.

### Deficit, red ink lead U.S. concerns

WASHINGTON — Americans are preoccupied with issues that hit them where they live and work — federal deficits and foreign trade competition — and aren't shy about saying so to their representatives in Washington.

More than 40 members of Congress surveyed by Reuters as they returned from a month back home taking the pulse of their constituents, said they found a public worried about government red ink that they will have to pay for sooner or later.

Another big worry was the loss of jobs to cheap foreign labor if President Reagan continues to refuse relief for domestic industries suffering from low-priced imports. The congressmen found the people care little about events overseas, from violence in South Africa to the November summit between Reagan and Soviet leader Mikhail Gorbachev. Most are preoccupied with issues of concern to their own communities.

### Students 'doomed to fail'

NEW YORK — Corporate leaders charged Thursday that an alarming number of young people leave school lacking the discipline, work habits, command of English and other skills needed for job success. Their 107-page report, "Investing in Our Children: Business and The Public Schools," represents the first clear statement of what the business world expects from public schools.

It said schools are failing to stress what it called the "invisible curriculum" of teamwork, honesty, reliability and "learning how to learn" — traits the business world considers as important to success in college and career as "reading, writing and arithmetic."

"Young people who have not learned discipline and mastered basic skills and especially mastery of English are doomed to failure and unemployability in later life," said Owen B. Butler, chairman of Procter & Gamble Co. and head of the 60-member panel that produced the report, sponsored by the Council for Economic Development.

### U.S. experts fear new Soviet weapon

WASHINGTON — A Soviet warning that it could deploy a space-based anti-satellite weapon if the United States goes ahead with an ASAT test may indicate Moscow is preparing a new extra-terrestrial killer, U.S. analysts said Thursday.

The official Soviet news agency Tass reported Wednesday that if the United States tested ASAT weapons as scheduled this month "the Soviet Union will consider itself free of its unilateral commitment not to place anti-satellite weapons in space."

Analysts focused on the statements specific reference to the placing of weapons in space and said that it implied Moscow was thinking of a weapon other than its old plan for a ground-based ASAT system.

"I'm positive they're not referring to the old, antiquated, totally inefficient system they have shown us before," said former Rear Adm. Eugene Carroll of the Center for Defense Information. "My estimation is that what they will announce they are doing will be horrifying."

### New cancer research under way

LONDON — British doctors said Thursday they have killed previously incurable cancer cells in experiments with mice and have now begun clinical trials on human beings.

Robert Baldwin, a pioneer in cancer research, said his team at the University of Nottingham had treated bone and colon (intestinal) cancer in the laboratory.

The new technique involves injecting patients with bio-engineered anti-bodies armed with toxins that kill tumor cells without damaging healthy tissues.

### Revised AIDS guideline announced

ATLANTA — In revised guidelines aimed at eliminating the AIDS virus from the blood supply, federal health officials recommended Thursday that any man who has had sex with another man even once in the last eight years refrain from donating blood.

The national Centers for Disease Control has for years considered homosexual or bisexual men with multiple sexual partners to be at increased risk for acquired immune deficiency syndrome. But the latest recommendation from the Food and Drug Administration, published by the Atlanta-based CDC, applies even to men "who may have had only a single contact, and who do not consider themselves homosexual or bisexual."

### Australian opposition chief ousted

CANBERRA, Australia — Australian politics took a new direction Thursday when John Howard, a firm believer in free enterprise, unexpectedly replaced Andrew Peacock as opposition leader at a stormy party meeting. Peacock, 46, nicknamed the "Sunlamp Kid" because of his perennial tan and youthful looks, quit as head of the Liberal Party after losing the biggest gamble of his political career.

Howard, 46, a Sydney lawyer, said he would present Australians with a clear choice when he leads the Liberal-National Party coalition into the next election against the Labor government of former trade union leader Bob Hawke. Howard wants smaller government, less powerful trade unions, the sale of public enterprises, tax reform and a free hand for business to prosper without official interference.

From News Wires

## Newsmakers

A roundup of the day's happenings

**Lebanese President** Amin Gemayel went to Bonn West Germany, on Thursday for talks expected to focus on political issues and economic aid.

**Soviet dissident** Andrei Sakharov, 64, and his wife, Yelena Bonner, allegedly have disappeared from their home in exile in Gorky, and have not been seen for more than three weeks, a fellow dissident says. Sakharov was banished to Gorky in 1980 because of his activities in a human rights organization.

**Israeli foreign minister** Yitzhak Shamir left for a five-day trip to Japan aimed at increasing economic cooperation and to present Israel's view on the Middle East. Shamir is the first Israeli minister to make an official visit to Japan. Bilateral trade between the two countries totals nearly \$400 million a year, with Israel exporting mostly diamonds and chemicals and Japan exporting mainly cars.

**AT&T is offering** for testing a million-bit memory chip that can quadruple memory capacities and "shrink desktop computers to briefcase size." The chip should be ready for full production early next year.

**Refrigerated salads** with a shelf life of up to one month will be available from Campbell Soup Co. in Philadelphia and the Southwest later this month. Nine salad varieties will be packed in plastic containers and sold for \$1.19 and \$2.59.

**President Reagan**, less than two months after major cancer surgery, now begins a grueling eight-week, cross-country campaign to rouse support for reform of the tax code he calls a disgrace and dumb economics.

**Six people were killed**, eight wounded and 577 arrested in nationwide protests against Chile's military

rulers, in demonstrations labeled by Chile's pro-government newspapers as "an orgy of violence and looting." The demonstrations coincide with the 15th anniversary of the election of leftist President Salvador Allende, killed in the coup that brought President Augusto Pinochet to power.

**U.N. Secretary General** Javier Perez de Cuellar of Peru says the United Nations has made a "good start" in its first 40 years and governments now must decide whether to cooperate in building on its strengths or end up with a "rambling, contentious slum." The General Assembly's 40th anniversary session opens Sept. 17.

**Challenger Garry Kasparov** continued to carry the fight against world chess champion Anatoly Karpov by adjourning the second game of their title rematch with what judges deem is a "definite advantage."

**United Press International**, deadlocked with its union over the issue of staff salary concessions, says it will ask a bankruptcy court judge next Monday to void its union contract. The wire news service, which listed \$45 million in liabilities and \$20 million in assets in its April bankruptcy filing, is trying to find a buyer or investor to restore its financial health. UPI seeks union agreement on scaling back salary increases and reducing pension, and other benefits.

**In Peking, people** pulled apart a 200-year-old female corpse uncovered by workmen and carried off jewelry, jade ornaments and bronze mirrors dating back to the Manchu Dynasty. The work crew foreman tried to get his men to return Buddhist prayer beads, but they replied: "What sort of reward will we get? If there's no reward, we won't give up one bead."

From News Wires