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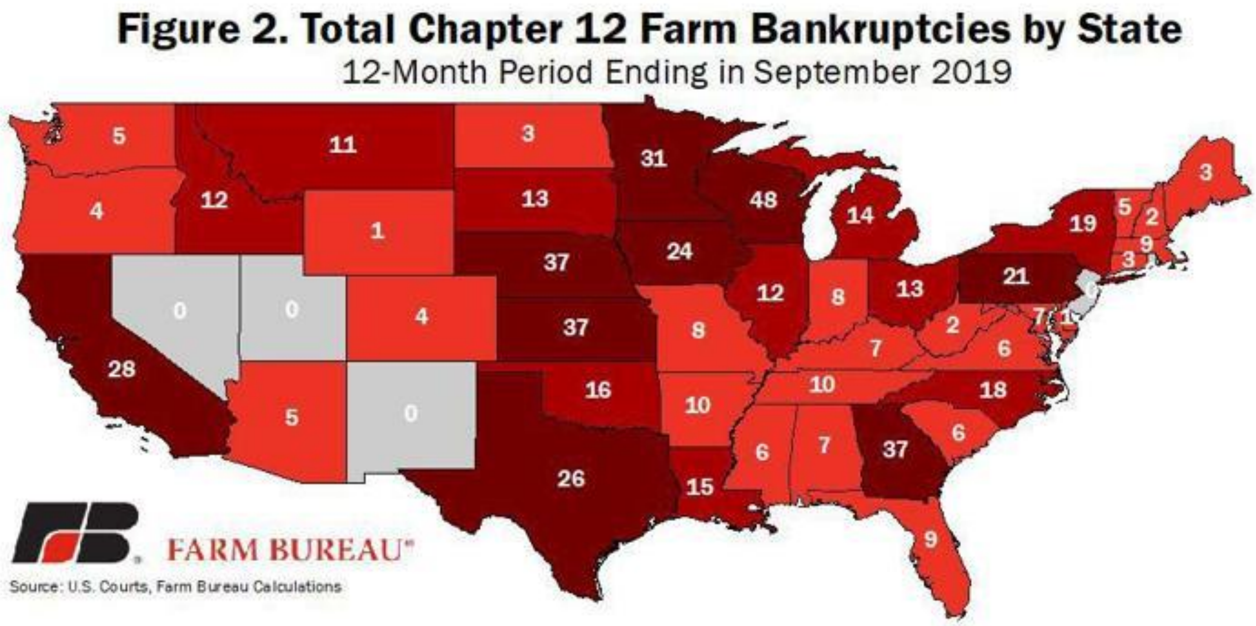
Farm bankruptcies increase nationwide, report says

Jenny Schlecht, Forum News Service | November 18, 2019



American Farm Bureau Federation released a report in late October 2019 showing increases in farm bankruptcies nationwide, with the largest number of bankruptcies coming in the Midwest. Provided, Farm Bureau

Farm bankruptcies continue to increase nationwide, with the largest number of such filings coming in the Midwest region, according to a report from the American Farm Bureau Federation.

The report, by Farm Bureau economist John Newton, details the number of bankruptcies per state in the 12-month period ending in September 2019, how those bankruptcy numbers compare to the year prior, and an overall discussion of farm income.

Farm income is at record-high levels, but that doesn't tell the whole story. According to the report, not only are bankruptcies up, but farm debt is projected to reach record-high levels and producers are taking longer to repay their loans.

The Farm Bureau report shows Wisconsin with 48 bankruptcies; Nebraska, Kansas and Georgia with 37; and Minnesota with 31. The Midwest region, made up of 13 states including Minnesota, North Dakota and South Dakota, had 255 bankruptcy filings, far more than any other region.

Those numbers aren't surprising to Megan Roberts, a Mankato, Minn.-based educator on the University of Minnesota Extension's Agricultural Business Management team. The region has a high number of dairy farms and row crop farms, both sectors stressed by current events. Dairy prices have been low for multiple years, and trade issues, including tariffs and lack of trade agreements, have hit corn and soybean growers particularly hard.

“Those particular agricultural commodities are really struggling from a financial perspective,” she says.

But Roberts says it’s the prolonged downturn in the farm economy that makes things difficult. While there is no one reason for the increase in bankruptcy filings, poor prices over a number of years definitely play a part.

“It’s not just a one year downturn,” she says. “Bankruptcies happen and loan deficiencies happen when there are more prolonged issues.”

The Farm Bureau report makes the same points.

“Chapter 12 farm bankruptcies continue to increase as farmers and ranchers struggle with a prolonged downturn in the farm economy that’s been made worse by unfair retaliatory tariffs on U.S. agriculture as well as two consecutive years of adverse planting, growing and harvesting conditions,” the report says. “Over the prior 12 months, Chapter 12 bankruptcies totaled 580 filings and were up 24% from the previous 12 months.”

The report says bankruptcies still have not reached the level of the farm crisis of the 1980s, and some farmers are finding relief from trade assistance, farm bill programs, crop insurance and disaster aid. Those measures could bring the numbers down in the future, the report predicts.

“As a result, it could take some time for the financial relief to manifest in the farm bankruptcy trends,” it says.

Roberts says that just as there is no one answer to why there are so many farm bankruptcies in the Midwest, there is no one answer to what farmer can do to manage difficult financial situations. Roberts works mostly on farm transitions, which also are difficult in this environment. She advises people to look at their strengths and weaknesses, analyze their bottom line and look for ways to save money as well as ways to capitalize on upswings in the market.

“For example, the dairy industry does have relief in pricing right now,” she says. “Can a farmer capitalize on a price that is above break-even?”

To read the Farm Bureau report, visit https://www.fb.org/market-intel/farm-bankruptcies-rise-again