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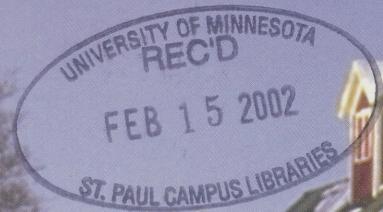
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Dear Reader,

Mona, my oldest dog, turned 13 in December. She and I still go walking in the morning before dawn, and she sort of shuffles along on her arthritic legs while I fumble along trying to see with my new glasses. We're both getting old.

All of us measure the passing of time in different ways, but mostly little things signal us. Mona was just a pup when I came to work at ABA, and now it seems I've become an old dog here. Something else I just saw further reminded me about how much time has passed since I was a pup. USDA's Economic Research Service (ERS) just released its first estimate on the balance sheet and income statement for U.S. agriculture for 2001 and 2002. What immediately got my attention is that ERS pegged total farm debt at \$192.8 billion on Dec. 31. While this is just the *preliminary estimate* for total farm debt, my experience has been that once ERS gets the final numbers from all the lenders, it adjusts the number up rather than down.

What's so special about \$192.8 billion? If the estimate is correct, this will be the first time since 1984 that U.S. farm debt has exceeded \$190 billion. For those of you too young to remember, immediately following 1984, U.S. agriculture began a nasty tailspin and went through a "painful restructuring." That's economist-speak for "it hit the fan hard."

Are lenders in the same position they were then? Most certainly not. USDA projected total farm assets on Dec. 31 were \$1.228 trillion. U.S. agriculture's debt-to-asset ratio on Dec. 31 is pegged at 16 percent, a modest level of leverage. But there is something about crossing the \$190 billion barrier that gives me pause – maybe it's just another signal of my old dogginess.

The USDA data can be found on the web at: http://www.ers.usda.gov/Briefing/FarmIncome/Data/Bs_t6.htm.

John



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