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# Journal of Agricultural Lending



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Dear Reader:

Many of you are fortunate enough to live in rural areas, so the Department of Homeland Security's terror threat color codes may not mean that much to you. But, think about this: If we had an economic threat status code for U.S. agriculture at the beginning of this year's planting season, what color would it be? I feel we are in Code Orange, which means we should all be more vigilant for signs of trouble. Without sounding overly pessimistic, consider the following:

- Farm debt keeps increasing. In 2002 we passed the \$200 billion mark, an all time record.
- Government payments continue to be vital to the cash flow of too many producers. In 2002 payments declined to less than \$15 billion, but disaster payments from the 2002 crop year will not be paid out until 2003, and USDA projects government payments this year to be in the neighborhood of \$17 billion *before* any disaster payments are made.
- The government seems to be suffering from "compassion fatigue" when it comes to agriculture. The willingness of the federal government to pump more cash into the farm economy is declining. Look at the debate that surrounded the last disaster assistance package.
- Federal budget deficits are projected to be whoppers for the conceivable future. Government's ability to continue funding ag assistance packages just is not going to be there.
- National interests are focused on other problems and agriculture is off the front page.
- What is going on with the ag real estate market? Do land prices make sense to you?
- Will it rain in 2003?

Code Orange or not? It is hard to say, but it is clear that there are plenty of challenges in front of us, and the ag credit industry should be prepared for some potentially difficult days ahead.

*John M. Blanchard*