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Cordell Farmer in No-Win Situation

THOSE who may not believe that farmers are in financial jams should consider the predicament of Art Wedel of Washita County.

He has been offered \$1,500 per acre for mineral lease on 100 acres of his farm, a nice round sum of \$150,000. That would be a much-needed supplement to the family income from wheat and cattle.

The trouble is that, if he accepts the offer, he will have to pay off a \$96,000 balance on his first mortgage real estate loan, plus \$99,000 on a second mortgage loan, plus whatever federal and state income taxes might amount to on the \$150,000 lease money.

Wedel has to make a decision. Should he take the \$150,000 or pass it up? Either way, he is up against a negative cash flow.

Wedel, 55, grew up in the Bessie community, attended high school in Cordell and lives two miles from Cordell. He and his wife have six children. Randy graduated with honors from Oklahoma State University a couple of years ago. A daughter is a student at OSU now.

The Wedels own 420 of the 580

acres they farm, mostly in wheat and pasture. Wedel trades in cattle and slaughters a few to be sold out of the freezer to individuals. They would like to improve their home and build a workshop on their farm, but these projects have been postponed until farming conditions get better.

Wedel says he owes several firms a total of approximately \$80,000 in accumulated accounts for seed, feed, fertilizer, other supplies and equipment but that he isn't delinquent on payments on his farm real estate loans.

Then how does it happen that he might be worse off with \$150,000 of mineral lease money than he is without it?

The Federal Land Bank of Wichita's first mortgage contains the customary subordination clause giving the lender first claim on income from the farm. Wedel says the FLB has demanded \$96,000 of the \$150,000 lease money to pay the balance on a 30-year loan.

Next in line with a similar claim for \$99,000 is the Farmers Home Administration, holder of the second

mortgage. This loan, also for 30 years, was made last year to help the Wedels clear accounts with a local bank.

Those two claims add up to \$195,000, leaving the Wedels with a minus \$45,000 cash account. Waiting on the sidelines to get tax cuts are the IRS and Oklahoma Tax Commission. Depending on how the wheat crop turns out, these could be substantial claims.

Wedel believes suppliers who have helped the family stay on the farm should be paid first. Apparently, FLB and FmHA don't agree.

If the two real estate loans are paid off, the Wedels might be able to borrow elsewhere and get money to pay taxes and bills, but interest rates almost certainly would be much higher.

What would you do if you were a farmer in this kind of situation? Would you take the money or turn it down?

The oil boom of Western Oklahoma has brought big lease checks to many farmers, but how many have faced similar dilemmas?