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Bitter Harvest: Debt and the Bankrupting of the American Family Farm

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Minnesota dairy farmers Amanda and Derek Zigan are still paying for a bold bet they made when dairy prices were flying high. The couple built a new barn equipped with state-of-the-art milking equipment, hoping to reduce their dependence on hired help, lower their vet bills and keep their cows healthier and more productive. Back in 2014, a local paper dubbed them Todd County, Minnesota's first robotic farm.

Then the bottom fell out of the dairy market. The average price received by farmers for a hundred pounds of milk has fallen from about $25 in late 2014 to below $20 in early 2015 and has been hovering in the mid-teens. That move has left the Zigans struggling to make payments on their debt, which rose to $1.6 million after all the new capital investments.

"We didn't even have time to get our feet on the ground," said Amanda Zigan, 32. She and her husband, a third-generation farmer, only reluctantly opted to seek relief in court. They were finally pushed to file for Chapter 12 bankruptcy protection in September 2018 after she said they were unable to refinance a roughly $269,000 Farm Service Agency loan.

"Bankruptcy is not something you take pride in, so we bucked it for a long time," Zigan said.

"We are almost there," she said, noting that the Zigans are working with their lenders on the third revision of their reorganization plan, which could enable them to write down about $800,000 in debt. "It's been a gut-wrenching experience."

The Zigans are not alone. As prices for milk, soybeans and other slumping commodity items were further hammered last year by tariff disputes, the hopes for a recovery in the agriculture economy went unrealized.

In fact, bankruptcy filings have continued to tick up for the specialized Chapter 12 protection that's available only to family farmers. In 2018, there were 474 new Chapter 12 filings, up from 458 in 2017 and up materially from 317 in 2014, according to filings from PACER, the federal court system's online database. Already this year, the upward trend is continuing, with 110 filed through 22 March compared to 100 in the same period a year earlier.*

The mere existence of Chapter 12 marks farms as unique in the US economy. No other business sector – even producers of vital services like electricity or healthcare – enjoys the special status of its own chapter in the US Bankruptcy Code. Chapter 12 is a much more debtor-friendly tool than the Chapter 11 process that most businesses use to reorganize, or Chapter 13, for individuals.

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Top 10 States for Chapter 12 Bankruptcy Filings (2018)*		
State	Cases	%**
Wisconsin	47	10
Kansas	35	8
Minnesota	26	6
Texas	26	6
Georgia	24	5
New York	24	5
Nebraska	23	4.8
California	15	3.2
Indiana	15	3.2
Pennsylvania	14	3

Last year 17 Chapter 12 filings were made in Puerto Rico
*** Share out of 474 filings in 2018*

Source: Pacer, *Debtwire Investigations* calculations

* The picture is more nuanced when taking into consideration statistics reported by the US Courts. The US Courts publish quarterly point-in-time snapshots of filings, and as such can ultimately count a case twice if it's dismissed and then refiled, according to a spokesperson of the Administrative Office of the US Courts. Its reports show 2018 Chapter 12 filings ticking down 0.6%, to 498, from 501 in 2017 – but still materially up from that data set's 2014 level of 361.

** Some caveats to our data: We were unable to categorize 13% of the farms due to minimal information given in court documents. Second, many farms had more than one type of livestock/crop. In those cases, we counted all the types. Lastly, the presence of corn and soybeans may be slightly undercounted due to cases where they are grown as feed for livestock but not always listed in the filings.

But systematic data on what type of farmers are filing for Chapter 12 is scarce. *Debtwire Investigations* conducted an examination of all Chapter 12 filings logged on PACER in 2018, and interviewed dozens of farmers and their attorneys, to put together a picture of who sought bankruptcy protection over the course of the year.**

The findings show that cattle-related farms – encompassing dairy and/or beef – represented the biggest group to turn to Chapter 12 last year, comprising at least 41% of the total filings, based on a review of filings in which the farm type was listed. The cow groups were also drivers behind filing volumes in states with the most bankruptcies. For instance, dairies comprised at least 43% of all Chapter 12s filed in Wisconsin, which had the most filings of any state, and corn as well as cattle raised for beef each were indicated types in at least 23% of the bankruptcies filed in Kansas, which had the second highest number of filings by state.

Multiple years of low prices have been difficult for livestock operations as their capital-intensive nature makes them particularly sensitive to commodity price drops, said Steven Deller, professor of agricultural and applied economics at the University of Wisconsin-Madison. "With livestock it's 24/7. You can't say, 'I can't pay for the feed this week. You've got to feed the cows."

Then too, the distress in dairies and ranches can have a cascading effect. Bankruptcy lawyers and auctioneers say they are seeing more struggling dairy farmers fattening up milking cows to be sold for slaughter – swelling the cattle supply and driving down prices of all cows in auctions. Dairies were present in at least 16% of the total filings, beef cows 14%, and another 11% of farms raised cows for either dairy or beef, but the type could not be determined.

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Wisconsin Chapter 12 Cases by Products (2018)

Crop/Livestock Type	Total	%*
Dairy	20	43
Corn	7	15
Beef	6	13
Dairy or Beef (Un known)	4	9
Other Grains and Grasses	3	6
Other Livestock	3	6
Soybean	3	6
Produce/Fruit	2	4
Horse	1	2
Poultry	1	2
Wheat	1	2
Total Filings	**47**	

**Debtwire was unable to determine any type for 3, or 6% of all 2018 filings in the state. Because some farms produced more than one type of crop or livestock, the total number of types of operations that appeared is greater than the total number of filings. The percentages shown reflect the total number of appearances of each crop or livestock type as a proportion of all Wisconsin filings*

Source: Pacer, *Debtwire Investigations* calculations

US Chapter 12 Cases by Products (2018)

Crop/Livestock Type	Total	%*
Corn	75	16
Dairy	74	16
Soybeans	69	15
Beef Cows	68	14
Dairy or Beef (Un known)	51	11
Produce/ Fruit	46	10
Other Grains and Grasses	45	9
Wheat	38	8
Other**	37	8
Poultry	18	4
Other Livestock	17	4
Horses	15	3
Nuts	11	2
Other Beans	11	2
Pigs	8	2
Tobacco	8	2
Trees/Nurseries	7	1
Total Filings	**474**	

**Debtwire was unable to determine any type for 63, or 13% of all 2018 filings. Because some farms have more than one crop or kind of livestock, the total number of types that appeared is greater than the total number of filings. The percentages shown reflect the total number of appearances of each crop or livestock type as a proportion of all 2018 filings.*

** "Other" farm types include family fishing operations, beekeepers, and cotton operations

Source: Pacer, *Debtwire Investigations* calculations

"Farmers across the board are struggling, as it's not just the milk price that's depressed," said John Menn, a Wisconsin attorney who represents farmers in Chapter 12. Farmers are lucky if they can get $900 for a milking cow that might have brought $1,400 at auction a year ago and equipment prices are similarly dropping, he said. "Farmers are finding themselves squeezed on all sides – income isn't enough to service their debt, and liquidating is often unlikely to repay their secured debts."

The data also show that, aside from cows and cattle, the distress is spread across other sectors as well. Corn was the crop that appeared the most often, in at least 16% of the total filings, while soybeans were present in at least 15%. Produce and fruit farms appeared in at least 10% while grains, wheat and other grasses were cited in many cases as well. Also among the debtors: farmers that raise chickens, goats and grow peanuts and cotton.

Loans gone wrong

To be sure, farmers are now contending with historically high debt levels, as outstanding farm debt held by commercial banks rose 3.4% to $179.5 billion in 3Q18 from the year earlier, according to the Agricultural Finance Databook from the Federal Reserve Bank of Kansas City. And that figure is 50% higher than it was in 3Q08 ($119.9 billion) and more than double the level back at the beginning of 2004, when it amounted to $84.3 billion.

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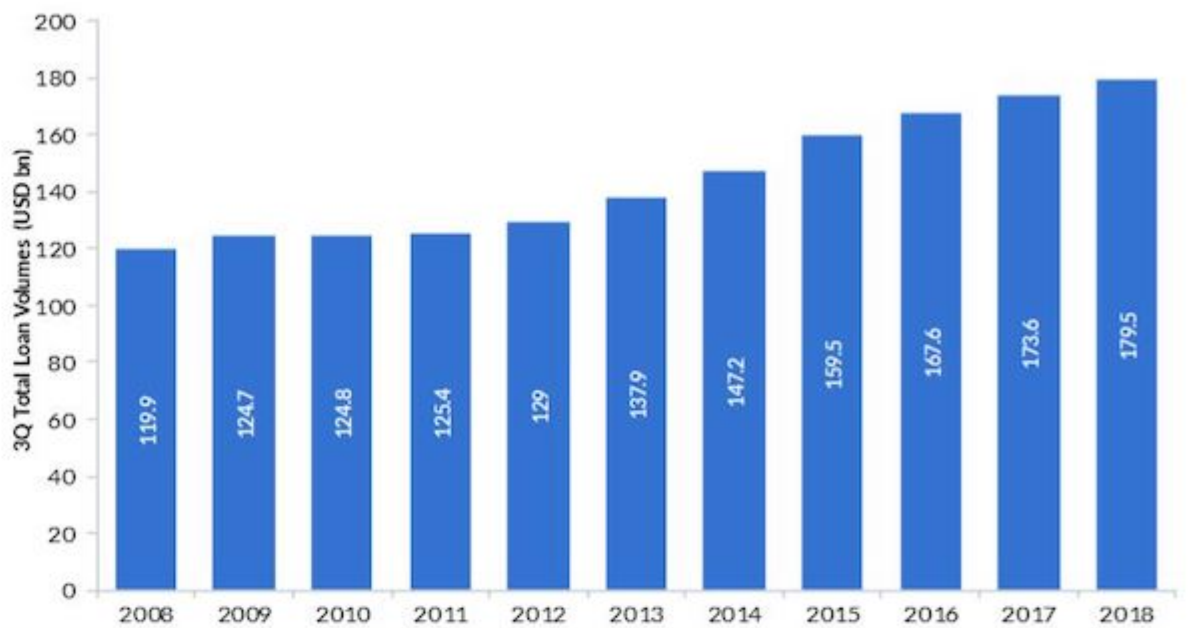
Farm Debt Outstanding at Commercial Banks



Source: Agricultural Finance Databook, Federal Reserve Bank of Kansas City

The total direct USDA Farm Service Agency loans outstanding to farmers also rose to $11.2 billion in January from $10.7 billion a year earlier, and from the $7 billion area from 2010 to 2014.

Delinquencies on direct Farm Service Agency loans – loans like the one the Zigans had – rose in January to 21%, from 17.9% in January of 2018, the highest for the month since 2010 when they touched 23%, according to the USDA. Delinquency rates typically track farm income, which has decreased nationwide over the last five years, according to a USDA spokesperson.

“This is impacting family farms, with some states and sectors experiencing more hardship than others,” the spokesperson said, adding that the USDA’s Farm Service Agency is proactively working to help keep farmers on the farm, offering restructuring, deferrals, write downs, buyouts and debt settlements.

Meanwhile, insured commercial bank real estate farm loan delinquencies ticked up to 2.06% in 3Q18 from 1.92% in 3Q17, but were still below historical averages, according to a 17 January Agricultural Finance Databook report from the Federal Reserve Bank of Kansas City.

Blame game: farming edition

The circumstances triggering the bankruptcies underscore the global, interconnected strains on the agricultural sector, which cut across a wide swath of markets, according to attorneys handling the cases. Midwestern soybean farmers sought protection as the tariffs slammed

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the Chinese market. In New York, struggling dairies have fattened up former milking cows to sell for meat, a move that's boosting the supply of beef cows and adding to the pressure on cattle farmers. In Georgia some farmers who are contracted to raise chickens for large poultry companies can't cover debt payments on investments in their coops if their contract gets canceled, one of the lawyers noted.

"There's no safe place to sit down, there's no good crop to put in the ground," said one Kentucky attorney who has represented farmers. Grim stories abound, with one Midwestern farmer who was having trouble getting enough help to take care of the cows admitting in court papers that during a bitter cold December, "at least 13 cows have died and a majority of the calves have died."

Hardship is also evident inside the farmhouse – where depression has a way of seeping in. Farm advocacy group Farm Aid has experienced a 30% uptick in calls to its farmer hotline each year over the past three years, said Joe Schroeder, the hotline's manager. The hotline fields calls from farmers on any topic – but most concerns are financial, he added.

"Even the best farmers and the biggest are not immune," said Schroeder.

Mental health concerns are widespread enough that responses have emerged from surprising sources: a cheese plant last year inserted a letter about suicide prevention alongside the checks they mailed out to farmers.

"Most of the farm community said 'this is great, you're paying meager prices, but [then saying] don't commit suicide,'" Wisconsin dairy farmer Bob Schuessler said, sarcastically.

"You've got to be optimistic or you're going to be depressed," said Paul Swanson, Schuessler's attorney, who represents clients filing for Chapters 11 and 12. Schuessler, who runs a 100-year old dairy farm in Wisconsin with about 500 cows, filed for Chapter 12 last year but strives to remain hopeful. "I'm optimistic or I wouldn't be out there busting my butt every day."

The Chapter 12 makeover debate

The increase in farm distress has reignited calls for changes to Chapter 12 to increase the number of eligible debtors. Only farmers with less than $4.2 million in debt can utilize the mechanism, so the chapter is failing to help those that have grown larger in order to stay competitive, said many attorneys, farmers and farm advocates.

But if bankruptcy is a zero-sum game, many agricultural lenders fear that a significant expansion in Chapter 12 eligibility will ultimately force banks to take more losses – which could in turn constrain credit.

That $4.2 million cap has emerged as the flashpoint for calls to modernize the chapter.

"The reality is that fewer and fewer farmers can take advantage of Chapter 12, which was intended to give farmers a fighting chance to reorganize and remain productive," said North Carolina-based lawyer David Mills. It doesn't take much for a modest family farming operation to exceed $4.2 million in debt. "The debt limit should not just be increased, it should be eliminated," he said.

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The issue has even drawn some bipartisan attention in Congress. Late last year, Senators Chuck Grassley (R-IA) and Amy Klobuchar (D-MN) introduced Senate Bill 3721 that would have changed the size of family farms eligible to file for Chapter 12 by raising the debt threshold more than two-fold, to $10 million.

The bill was introduced in early December – as legislators were laser focused on getting a Farm Bill approved before Congress adjourned for the year – but never made it out of the Judiciary Committee. It's expected to be reintroduced in the new Congress, although the timing is yet to be determined, according to a spokesperson for Senator Grassley's office.

Already, amid the rising Chapter 12 filings, lenders are increasingly wary about loaning money to farmers with weaker credit, said Mike Shane, vice president of ag banking at F&M Bank in Galesburg, Illinois. And if even larger farm borrowers are able to file Chapter 12 it could raise a bank's credit risk exposure and cause some banks to shy away from loaning to farmers on the margin of creditworthiness.

"For stronger farmers, it's not going to matter. But if the guy's tight already and looking for credit, they could have a hard time finding it," said Shane. "Why would we take it on? The bank may say we're not interested and if they do take it on the interest rate is going to be higher."

The Independent Community Bankers of America (ICBA), a trade organization for small independent banks, plans to oppose Senate Bill 3721 if it's reintroduced as expected, according to Mark Scanlan, senior vice president for agriculture and rural policy at ICBA.

"We don't like the effect Chapter 12 has in terms of forcing losses on the banking industry in the form of cramdowns," Scanlan said. A "cramdown" is the industry term for when the court forces creditors to accept losses or a change of loan terms as part of a bankruptcy plan. He said ICBA, whose member banks make about 80% of all commercial ag loans, could back off its opposition if the bill can mitigate the bank losses, for instance by providing tax breaks.

Scanlan asserts that, rather than expanding bankruptcy options, a better policy solution would be to make larger USDA guaranteed loans available to farms. Under the program, the USDA typically guarantees 90% of the principal amount of the loan and reimburses that

90% to the bank if the borrower defaults. The borrower pays a 1% origination fee plus an annual servicing fee, he said.

That way, banks can extend guaranteed loans to help farmers refinance or restructure troubled farm debt, potentially averting a bankruptcy. "We testified to Congress that if you want to prevent a financial crisis you should raise the loan limit on guaranteed loans," Scanlan said. "That would be a backstop to prevent farmers from having to go into bankruptcy."

ICBA had proposed adding a provision to the Farm Bill that would have raised the maximum USDA-guaranteed farm loan level to $2.5 million, from $1.4 million. Ultimately the bill raised the level to just $1.75 million, as opponents had argued that the borrowers tapping those larger loans were not small farmers and therefore didn't warrant the credit.

Not everyone likes the guaranteed loans solution. Jeff Pionek, a Wisconsin dairy farmer, was not interested in getting a USDA guaranteed loan because it had an upfront fee equal to 1% of the loan that he would have had to foot. "It's going to cost me money to guarantee a loan that only helps the bank if I default," Pionek said, noting that he also didn't think it would be right that taxpayers should be on the hook to back the loan should things go wrong.

Ghosts of the 1980s

Whether legislators heed calls for change in Chapter 12 and pass a new version of Senate Bill 3721 could hinge on how much longer and deeper the agricultural sector's distress runs.

The bankruptcy rate per 10,000 farms is estimated to have climbed slightly in 2018 to about 2.459 from 2.456 in 2017, the highest level since 2011 and the fourth straight year of rising rates based on their proportion to total farms, according to the American Farm Bureau.

But economists and investors point out that today's environment pales in comparison to what farmers experienced during the 1980s crisis. There were about 29.5 bankruptcies for every 10,000 farms at the peak of the farm crisis in 1987, said Robert Dinterman, a post-doctoral researcher in Ohio State University's Department of Agricultural, Environmental and Development Economics.

US farm debt relief has a long history. It's been marked by cyclical periods of extreme agricultural distress when politicians have stepped in between farmers and lenders. Even as far back as 1898, farmers were protected by law from creditors filing involuntary bankruptcies against them.

The origin of the chapter traces back to the Depression when President Franklin Roosevelt signed the Frazier-Lemke Farm Bankruptcy Act into law in 1934, which allowed bankrupt farmers to keep their farms for five years while collections were stayed. It came as farmers' anger over plummeting crop prices and rising foreclosures was boiling up nationwide. In one incident, farmers reportedly abducted a judge overseeing foreclosures, according to a 1985 report from the State Historical Society of Iowa. The revised Frazier-Lemke act expired in 1949.

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More action was spurred by the 1980s farm crisis, when farmers struggled under high interest debt and plummeting commodity prices as well as the effects of a grain embargo against the Soviet Union. Farmers protested conditions by driving their tractors on the Washington Mall in 1979 and in 1985 Willie Nelson and other musicians began raising money for them through Farm Aid concerts. President Reagan signed legislation creating the new but temporary Chapter 12 into law in 1986.

It wasn’t until 2005 that Chapter 12 became a permanent part of the Bankruptcy Code. It sailed through in part because it was tucked into sweeping bankruptcy reform legislation signed by President George W. Bush. Formally known as The Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCA), the package drew more contentious opposition to its non-farm reforms, such as those designed to reduce consumer abuse of bankruptcy protections.

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While Chapter 12 case law has evolved over the years, Congress passed a bipartisan measure in 2017 that now allows more debtor-friendly treatment of capital gains taxes incurred from sales of farm assets.

Specifically designed to make it easier to help family farmers get a fresh start and keep farming, the Chapter 12 reorganization is a stripped-down process compared to Chapters 13 and 11. Even the filing fee of $275 is a fraction of the $1,717 fee required in Chapter 11, used by corporations or businesses.

But it's not just about ease – attorneys say it's hard to overstate how generous the debtor-friendly chapter is to farmers. Joe Peiffer, an Iowa attorney who handles family farm cases regularly, said there is no reason for a Chapter 12-eligible debtor to file for Chapter 11. "I think it would be malpractice to file a Chapter 11 when you could file a Chapter 12," he added.

There are several key components that make it unique. The main distinction is that only the judge can approve a plan. Creditors can object but don't get to vote on it and their approval is not needed, unlike in Chapter 11 cases where creditors that won't get full repayment are entitled to a say.

As such, it's much more difficult for Chapter 12 creditors to take control of the debtor's assets, said Stephen Carpenter, deputy director of the Farmers' Legal Action Group in Minnesota.

In Chapter 12, "if [a debtor] can pay creditors something equal to what they would get if there was a complete liquidation, the court will approve the plan over the objection of a creditor. That's extremely helpful [to the debtor]" Carpenter said.

In other words, if a farmer owes a bank $150,000 for a mortgage, on real estate that's only worth $100,000, they can submit a plan to pay $100,000 and they only need to convince the judge of the plan's merits, Carpenter said. That's very valuable, he said, because without it a lot of banks could "just take the farm and rack up fees. In some states it is possible to seek what is known as a deficiency judgment after the foreclosure and hound people for the rest of their lives."

That leads to more cramdown plans in which the amount of secured debt that's owed can be reduced to equal the current value of the collateral, and other terms can be changed such as interest rate and the length of the repayment period – which can be extended by decades, said one lawyer.

"The Chapter 12 allows me to go in and take mortgage debt and restructure it over 25 years," in instances where pushing for the same outcome but over a five-year timeframe "is not workable," said Doug Antonik, an Illinois attorney.

It's perhaps not surprising then that lenders and banks are "not real favorably disposed to Chapter 12," according to Scanlan of the ICBA. The lenders can essentially get doubly hurt by a cramdown, first their loans get written down and then they do not participate in the asset appreciation over the course of the plan. "It puts the lender in a difficult situation," he said.

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Bankruptcy type	Filing fee	Eligibility	Timeline	Trustee fees	Plan considerations	Do creditors have a vote?	Cram down possible?	Tax considerations
Chapter 7 Typically used when a debtor is winding down operations and/or liquidating	$335	Any business or individual. There is no debt limit.	Typically three months from filing to discharge, unless the case is unusually complex.	-	-	-	No	Tax problem can arise depending upon the timing of a debtor's filing.
Chapter 11 Allows businesses/ partnerships to reorganize and get fresh start	$1,717	Any business or individual, but typically large businesses file. There is no debt limit.	Debtor has 120 days to file a reorganization or liquidation plan.	Paid by debtor quarterly based on disbursements.	Disclosure statement is required. Plan must meet feasibility requirements under Section 1129 of the US Bankruptcy Code.	Yes. Impaired creditors may vote on a plan. No holder of a claim or interest junior to a dissenting, unsecured creditor class may receive any recovery until the class is paid in full.	Yes	No tax relief on farming asset sales.
Chapter 12 Created in 1986 for farmers; made permanent in 2005	$275	Family farmer/or family entity with total debt under $4.15m or more than 50% of gross income from both the second and third prior tax years is from farming.	Reorganization plan must be filed within 90 days after filing; payments to unsecured creditors typically take place over three to five years but can be much longer.	Fees vary among circuits. Fees do not exceed 10% of payments up to $450,000 and 3% of payments over $450,000.	Disclosure statement is not required. Plan must meet feasibility requirements under Section 1225 of the US Bankruptcy Code.	No. Creditors can object to a plan but confirmation is up to the judge and creditors are not entitled to a vote.	Yes, secured debt can be written down to current value of collateral and interest rate changed; can pay secured debt after discharge. Interest rate and term of the loan can be modified.	Farmers may bypass taxes on gains realized through the sale of property that were primarily used in farming operations.
Chapter 13 Known as "wage-earners' bankruptcy"	Around $300, but varies among courts. Fees do not exceed 10% of payments.	People with unsecured debts under $394,725 and secured debts under $1.84m, with a regular source of income.	The plan must be filed within 14 days of the petition. The whole process typically takes three to five years.	Varies among courts.	Disclosure statement is not required. Plan must meet feasibility requirements under Section 1325 of the US Bankruptcy Code.	No.	Yes, though limited; you can write down secured debts. Can't extend repayment of secured debt past term of plan.	No tax relief on farming asset sales.

Table created with assistance of Joseph Peiffer of Ag & Business Legal Strategies and Peter Orville of Orville & McDonald Law.

But Chapter 12 has a poor track record in terms of keeping farms operating. While numbers tracking family farms are difficult to obtain, the overall number of farms has continued to drop precipitously. In 2017 the total number of farms in the US fell to an estimated 2.05m, down by 12,000 farms from 2016 and down about 101,000 since 2010, according to USDA data.

Consolidation into larger, more efficient farms is an inevitable outcome as it becomes harder for small entities to compete – a trend that even an expanded Chapter 12 can't stop, said Brent King, a managing director with the restructuring advisory firm GlassRatner in Kansas City.

Instead of being a safety net, Chapter 12 "is often the last gasp of struggling family farm," King said, "It's just so difficult to emerge [from bankruptcy] in a low cash flow environment."

Writing back in 2005 in the American Bankruptcy Law Journal when Chapter 12 was already 19 years old, Katie Porter, then an associate professor of law at the University of Iowa College of Law, warned that Chapter 12 had been relatively ineffective. "America's…experiment with specialized bankruptcy relief for farmers has not halted or reversed the decline of family farmers," wrote the author, who was among the wave of women elected to Congress last fall and is now Rep. Katie Porter (D-CA). There were broader economic problems plaguing rural areas that needed to be addressed, she said.

Back to the future

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For those that do use Chapter 12 to reorganize, it's important that the farmers have a plan that both pays their debts and enables them to survive, said Scott Marlow, senior policy specialist at the Rural Advancement Foundation International-USA. A new strategy that differentiates products from commodity prices is important.

"For all scales of farms, we see direct-to-consumer markets, higher value organic or grass-fed products or some kind of entrepreneurship as an important piece of the puzzle that can prevent them from getting into trouble in the first place," said Marlow.

Pionek, the Wisconsin dairy farmer who filed for reorganization last year, has such a vision. The third-generation farmer currently sells his milk to a producer of mozzarella and parmesan cheeses but is working to add a strain of cows to his herd that produce a milk known as A2, which is believed to be easier to digest. Ultimately, he hopes to explore selling his milk in glass bottles straight to consumers at a premium.

But for now, Pionek said he is getting busy gearing his farm back up after a judge approved his reorganization plan in January, removing the specter of a possible sale by the bank and allowing a writedown of his debt to about $1.3 million from $1.7 million.

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Looking ahead, reversing the increasing rate of Chapter 12 filings is largely dependent on an uptick in key commodity prices like milk, corn and soybeans, said Deller, the University of Wisconsin professor. He expects farm bankruptcy filings could actually tick up more this year, although not materially. “The canary in the coal mine is sick, but not dying,” he said.

The economic outlook for the agricultural sector is mixed but flashing yellow. The USDA’s latest Farm Income Forecast, released on March 6, is predicting a 10% rebound in net farm income in 2019, an important benchmark of farm health, but that would come after a multi-year slump and doesn’t make up for the estimated 16% decline in 2018 from the year earlier, some economists say. Farmers are expected to realize higher prices for milk, corn and wheat this year while soybean prices are expected to fall, according to the forecast.

“It’s pretty early at this stage to put much stock in that number,” said American Farm Bureau Chief Economist John Newton, referring to the 10% increase in farm income. Variables like weather, the trade outlook and acreage farmed are still unknowns at this point in the season. Restoring full access to the international markets impacted by the tariffs is also needed to improve the outlook, said Newton.

“Certainly, better prices would change the outlook considerably,” he said. “Things can get better.”

One risk factor weighing on the farms is that they’ve taken on more debt to get through the downturn, Deller said. Farm sector debt will continue to rise this year by 2% in inflation adjusted dollars to put it at the highest level since 1982, according to Carrie Litkowski, a senior economist with the USDA’s Economic Research Service, speaking during a March webinar.

Still, strong land values and lower interest rates clearly distinguish the current downturn from the crisis of the 1980s when there were mass farm bankruptcies, Newton said.

For Pionek, Schuessler and the Zigans, those factors have helped underpin the possibility of a path forward through Chapter 12. The day that Pionek’s reorganization plan was confirmed in court, he felt like he’d won the Super Bowl, he recalled, knowing that he, his wife and two children will keep the farm where his children have grown up.

“At that point you’ve got some power back,” he said. “It would have been heartbreaking to have lost.”