

Facing Farm Financial Stress: Assessing the Bankruptcy Option



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Farming and fishing have always been unpredictable ways to make a living, and the financial risk that comes with these businesses contribute to that unpredictability. Faced with increasing debt, bankruptcy may seem a viable option. But deciding whether to file for bankruptcy is not a decision to take lightly. Bankruptcy should come as a last resort because it can have lasting impacts on an agricultural operation and its family. If facing farm financial stress, take the following steps and make the following considerations before determining whether bankruptcy is the best option for you.

Build a Support Team

A support team can help you evaluate the situation from an unbiased perspective, identify problems, discuss alternatives, and develop a plan that may allow you to avoid bankruptcy. Your support team might include: your primary lender, input suppliers, accountant, financial planner, Extension Educator, attorney, family counselor or religious leader, or family members.

Evaluate your Situation

- Gather and organize all information about the farm's debts.
- Conduct financial analyses by enterprise.
- Develop a mission and short and long-term goals for your operation.
- Create a list of income sources.
- Understand who has legal responsibilities for the farm.
- Complete a SWOT analysis of your farm business.
- Ask yourself tough questions.
- Update your balance sheet.

Explore Alternatives to Bankruptcy

Consider alternatives to bankruptcy that might put you into a better financial situation and allow you to avoid the bankruptcy process. Be honest as you explore these alternatives and keep in mind that the options aren't exclusive, several may be possible or necessary.

- Consider creditor workouts
- Use mediation programs
- Develop partnerships
- Create additional income streams

- Ask yourself, is it time to retire from farming?

Determine if You're Eligible

The Bankruptcy Code includes six basic types of bankruptcies with specific eligibility requirements regarding debtors, debt thresholds, and other considerations.

Debtors must complete an approved briefing and budget analysis within the 180-days prior to filing. Additional eligibility requirements may apply if you have previously filed bankruptcy.

Strategies for coping with financial stress include:

Share your feelings

Reduce stress

Remember, this is a PROCESS



Consider the Emotional and Social Costs of Bankruptcy

Going through bankruptcy and operating a farm under a bankruptcy repayment plan can be an emotional drain on a farm family. Recognize that parts of the bankruptcy process may be emotional, uncomfortable, or frustrating.

Bankruptcy can also impact family relationships. Consider how the emotions of family members and possible tensions within the family might affect your relationships.

You may feel that your friends, local businesses, and members of your community perceive you differently or possibly disapprove of your situation. The potential of stigmatism and negativity from bankruptcy may change your social relationships.

Proceeding with Bankruptcy

The bankruptcy process involves various people and institutions over a years-long period. Explore the process before jumping in.

Filing for bankruptcy costs money. In addition to court and filing fees, bankruptcy involves attorney fees.

National mean attorney fee for **Chapter 7** cases **\$968**

National mean attorney fee for **Chapter 13** cases **\$2,564**

Agricultural bankruptcy is a specialized area of law and your farm's future depends upon it, so it is important to find a competent attorney. Ask for referrals, conduct background research, and schedule a consultation to "interview" the attorney to help you select someone you trust.

For more information on farm bankruptcy see our series, *Facing Farm Financial Stress: An Overview of the Bankruptcy Option* on nationalaglawcenter.org.