

Student Gallery

BY JOLIE ROWLAND

The Forecast of Farm Reorganization Amid Rising Chapter 12 Filings

Family farm bankruptcies are climbing again after seeing a steady decline from 2020-23, when filings hit their lowest since the addition of chapter 12 to the Bankruptcy Code in 2005.¹ Data from 2024 and early 2025 suggest that we are returning to pre-pandemic uncertainty.² Nationwide, family farms that survived COVID-era chaos are now facing a different storm: record debt and higher interest costs meeting softer commodity prices and a margin squeeze.

The cushion provided by COVID-19 pandemic-related factors, including extra funding and low interest rates, is quickly eroding. This article reviews the latest chapter 12 filing data, explores the economic and legal forces behind the uptick, and evaluates whether recent and ongoing government relief is likely to slow the trend.



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Recent Trends Reveal a Renewed Upswing in Filings

Farm bankruptcies surged in the late 2010s, reaching 599 chapter 12 filings in 2019.³ By 2023, chapter 12 filings had fallen to their lowest level, hitting a total of 139 filings nationwide.⁴ There was an increase of roughly 55 percent over the prior year in 2024 (216 total filings), ending the downward trend in filings.⁵ Early 2025 numbers are even more concerning: With 181 cases being reported in the first six months of the year,⁶ bankruptcy practitioners and agricultural lenders have certainly taken notice.

Although the filing figures are modest compared to filings under other bankruptcy chapters,

their impact on rural communities is disproportionately large. Each chapter 12 case potentially involves a multi-generation family business, dozens of employees and a key anchor borrower on which local lenders and suppliers depend. Regional data suggests that the economic and institutional effects of chapter 12 filings are not evenly distributed across the nation. For example, Arkansas has shown a surge from four filings in 2023 to 25 filings in 2025, while Arkansas's neighbors Mississippi and Louisiana are showing more stable trends.⁷

Variations in state-level filing rates are likely caused by differences in local production systems and crop mix.⁸ The inter-state disparities in chapter 12 activity suggest that the drivers of rising filings may vary depending on each state's economic profile.

Why Filings Are Rising Again

Recent filings are not driven by any single factor. Instead, there are multiple trends working together to erode the cushion given to producers during the COVID-19 pandemic and recovery years. Farms are carrying more debt than ever before. The Economic Research Service of the U.S. Department of Agriculture (USDA) has forecast that 2025 farm-sector debt will reach \$591.8 billion.⁹ In 2019, when chapter 12 filings were at their highest, farm-sector debt was \$402.6 billion.¹⁰ Both real estate and non-real estate farm debt, such as operating loans and machinery, are growing.¹¹

In 2024, farm-sector debt was \$563.5 billion, and commercial banks held \$191 billion, followed by the Farm Credit System holding \$158.6 billion.¹² A practitioner who feels they are far removed from the agriculture sector should be reminded that commercial banks are holding nearly 34 percent of the total farm-sector debt, and rural banks that are part of the Farm Credit

1 "Business and Nonbusiness Cases Filed, by Chapter of the Bankruptcy Code, Table F-2, for Reporting Periods Spanning from 2005 to 2025," Admin. Office of the U.S. Courts, uscourts.gov/data-table-report-names/bankruptcy-filings (unless otherwise specified, all links in this article were last visited on Nov. 18, 2025).

2 "Business and Nonbusiness Cases Filed, by Chapter of the Bankruptcy Code, Table F-2, for Reporting Periods Spanning from 2024 to 2025," Admin. Office of the U.S. Courts, uscourts.gov/data-table-report-names/bankruptcy-filings.

3 Samantha Ayoub, "2024 Farm Bankruptcies Highlight Worsening Farm Credit," Am. Farm Bureau Fed'n (Feb. 20, 2025), fb.org/market-intel/2024-farm-bankruptcies-highlight-worsening-farm-credit.

4 Samantha Ayoub, "Farm Bankruptcies Down ... For Now," Am. Farm Bureau Fed'n (Aug. 7, 2024), fb.org/market-intel/farm-bankruptcies-down-for-now.

5 "2024 Farm Bankruptcies," *supra* n.3.

6 "Table F-2 Quarterly: U.S. Bankruptcy Courts — Business and Nonbusiness Cases Commenced, by Chapter of the Bankruptcy Code, During the Three-Month Period Ending June 30, 2025 (Data Current as of June 30, 2025)," Admin. Office of the U.S. Courts, uscourts.gov/data-table-report-names/bankruptcy-filings; "Table F-2 Quarterly: U.S. Bankruptcy Courts — Business and Nonbusiness Cases Commenced, by Chapter of the Bankruptcy Code, During the Three-Month Period Ending March 31, 2025 (Data Current as of March 31, 2025)," Admin. Office of the U.S. Courts, uscourts.gov/data-table-report-names/bankruptcy-filings.

7 Ryan Loy, Erica Barnes Fields & Ronald Rainey, "Tracking Chapter 12 Bankruptcies in the South: 2015-2025 Trends and Identifying On-Farm Stress," *S. Ag Today* 5 (Sept. 8, 2025), sat-wp.afpc.tamu.edu/?p=42565.

8 *Id.*

9 Econ. Research Serv., "Farm Sector Income and Finances: Assets, Debt and Wealth," U.S. Dep't of Agric. (Sept. 3, 2025).

10 Econ. Research Serv., "U.S. Farm Sector Financial Indicators, 2018-2025F," U.S. Dep't of Agric. (Sept. 3, 2025).

11 *Id.*

12 *Id.*

System hold another 28 percent, meaning that no one dealing in the bankruptcy industry is far removed from farm-related debt.

While farm-sector debt has increased, interest costs associated with agricultural borrowing are not far behind. Farm-sector non-real estate interest expenses in 2025 are projected to be around \$11.7 billion, while farm-sector real estate interest expenses are projected to be \$21.3 billion, for a total of \$33 billion projected to be expended as interest expense.¹³ In comparison, the actual reported numbers for 2021 farm-sector non-real estate interest expenses were around \$6.3 billion, with farm-sector real estate interest expenses around \$13.2 billion, for a total of \$19.5 billion being expended as interest expenses in 2021.¹⁴

It is not hard to imagine someone who took advantage of cheap financing options for farm equipment and other farm inputs during 2020-23 now finding themselves overleveraged after refinancing those short-term notes with interest rates that have significantly spiked. Higher servicing costs can quickly turn thin margins into negative cash flow. For practitioners, this means that there are earlier and more frequent conversations about forbearance, restructuring outside of bankruptcy, and, increasingly, chapter 12 as the only viable tool when lenders are unwilling or unable to extend terms further.

Farmers had an unusually good year in 2022 thanks to high prices and strong exports, but income has since declined. The USDA predicts that income will have improved in 2025, though starting from a much lower 2024 baseline. The trends differ depending on the type of farming: crop income (especially for corn, soybeans and wheat) is expected to go down, while income from livestock and animal products is expected to go up.¹⁵ A lot of producers are getting hit from both sides. They are earning less because crop prices have gone down and exports are shaky, yet their major expenses — fuel, fertilizer, land rent and labor — have not decreased and are still well above pre-2020 levels.¹⁶

For farms that are in good financial shape, this combination of reduced revenues and elevated operating costs generally means that they are working with a tighter but still manageable operating budget. However, for farms that are highly leveraged or have expanded during the low-interest-rate period, these same revenue and cost pressures can quickly produce negative margins and rapid working-capital erosion — conditions that often precede chapter 12 filings.

The Legal Landscape: Chapter 12's Evolving Reach

Chapter 12's expanded availability also should be recognized as a factor in the recent increase in filings. The Family Farmer Relief Act of 2019 raised the aggregate debt limit for family farmers from roughly \$4.4 million to \$10 million,¹⁷ and the limit was adjusted for inflation on April 1, 2025, to \$12,562,250.¹⁸

¹³ Econ. Research Serv., "Farm Income and Wealth Statistics: Production Expenses," U.S. Dept't of Agric. (Sept. 3, 2025).

¹⁴ *Id.*

¹⁵ "Farm Sector Income and Finances," *supra* n.9.

¹⁶ *Id.*

With the larger limit, operations that are more capital-intensive with substantial land and equipment values can now qualify for chapter 12 rather than being forced into a more complex and expensive chapter 11. The result is that more farms are eligible for the streamlined plan process, trustee involvement and more flexible cramdown rules of chapter 12. For lenders, this means that larger secured claims may be found in chapter 12 cases, as borrowers with higher debt loads now qualify.

Subchapter V of chapter 11 offers an alternative reorganization path for small business debtors, including some farming operations that do not meet the eligibility criteria of chapter 12, even though subchapter V imposes a lower aggregate debt limit. Chapter 12 eligibility is restricted to "family farmers" whose debt and income are predominantly tied to farming operations, whereas subchapter V is available to small business debtors whose financial distress arises from a broader mix of business activities. As a result, diversified agricultural enterprises (*e.g.*, those with farming operations combined with processing, distribution or agritourism) might fail chapter 12's farming-income and farming-debt tests while still qualifying as small business debtors under subchapter V.

From a forecasting standpoint, the availability of subchapter V means that some farm financial stress will surface outside of chapter 12, especially for diversified operations that do not satisfy chapter 12's narrow statutory definition of a "family farm." Even so, the rising number of chapter 12 filings is a valuable indicator of stress among more traditional family-farming operations.

Government Relief: Past Cushion, Limited Future Brake

One cause for the low number of filings from 2020-23 was the cushion provided to farms in the form of an unprecedented wave of government support and unusually strong commodity prices. Along with access to low-interest Paycheck Protection Program loans and Economic Injury Disaster Loans, the USDA established the Coronavirus Food Assistance Program, which provided a \$19 billion relief package to the agriculture industry.¹⁹

During COVID-19, farmers saw higher profits because stimulus spending and supply problems pushed up crop and livestock prices. As a result, farm cash receipts and net income went up.²⁰ COVID-19 relief programs acted as a shock absorber and allowed many operations that might have otherwise tipped into insolvency to pay down operating lines, shore up working capital and delay tough decisions.

¹⁷ Mary-Tipton Thalheimer & R. Seth Hampton, "Recent Amendment to Chapter 12 Bankruptcy Debt Limits Under the Family Farmer Relief Act of 2019," Quattlebaum, Grooms & Tull PLLC (October 2019), qgtlaw.com/recent-amendment-to-chapter-12-bankruptcy-debt-limits-under-the-family-farmer-relief-act-of-2019.

¹⁸ 11 U.S.C. § 101(18)(A).

¹⁹ Matthew Oresman, Alexis Wansac & Warren Kessler, "USDA Outlines \$19 Billion in COVID-19 Relief," Pillsbury Law (April 22, 2020), pillsburylaw.com/en/news-and-insights/usda-cfap-covid-19-relief.html.

²⁰ "U.S. Farm Sector Financial Indicators, 2018-2025F," *supra* n.10.

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Most of these extraordinary relief packages have now ended. What remains are the baseline supports:²¹ Price Loss Coverage (PLC),²² Agricultural Risk Coverage (ARC)²³ and standing disaster aid appropriations.²⁴ The ARC, PLC and disaster aid programs help stabilize income, but they are not designed to fully offset persistent margin squeeze from high debt and interest costs. The Big Beautiful Bill Act “strengthens the farm safety net and offers longer-term certainty for farmers and ranchers navigating rising input costs, volatile markets and weather uncertainty.”²⁵ While the Big Beautiful Bill Act extends key commodity support programs through the 2031 crop year and secures better risk-management and tax provisions, it is not a complete substitute for a new farm bill or more *ad hoc* emergency farm relief.²⁶ Ongoing programs might moderate the pace of chapter 12 filings, but they are unlikely to restore the unusually low levels seen in 2020-23 unless interest rates fall sharply or commodity prices surge again.

Is the Filing Increase a Blip or a New Baseline?

The recent rise in chapter 12 filings is partly a return to more typical levels after several years of unusually low activity. Pandemic profitability was exceptional due to high prices, strong exports and large transfer payments that produced unusually strong balance sheets, so some rise in filings should be expected. The USDA forecasts previously mentioned show many operations continuing to service their debt, just with slimmer margins. Filings are still far below the peak filings of 2019 and remain historically modest. While a return to the pre-COVID-19-era norms helps explain why filings are rising again, they do not rule out the possibility that elevated chapter 12 activity could persist or even increase in the coming years.

Farm debt has never been higher in real terms, and projections show continued growth. Global trade disputes, input-price swings and climate-related shocks mean that

margin volatility is here to stay. Aging producers without clear successors may increasingly use chapter 12 to implement orderly transitions, including sales, partial liquidations or restructured operations that allow a smaller successor operation to survive. The expanded eligibility due to the higher debt cap means more sizeable operations can file for chapter 12, which will increase the pool of filers. Taken together, these factors suggest that chapter 12 filings are unlikely to return to their ultra-low 2023 level in the near term.

Practical Takeaways

The pattern of renewed and potentially sustained chapter 12 filing activity driven by high debt levels, persistent margin pressure and expanded eligibility calls for action, whether you are a bankruptcy lawyer, agricultural lender or other professional. First, practitioners should dust off their chapter 12 practice guides to refresh themselves on unique eligibility rules, plan requirements, trustee roles and treatment of secured debt. Subchapter V was enacted in the same years that chapter 12 cases went quiet, so practitioners will probably need to understand the interaction between the two for the first time in their practice. Second, all parties should consider how early intervention and chapter 12 planning can preserve options that are unavailable once collateral has been foreclosed or sold. Third, be sure to watch the policy horizon for future changes to farm-bill programs, disaster relief, crop insurance or credit-support mechanisms that could either dampen or exacerbate financial stress.

Conclusion

The recent uptick in chapter 12 filings is not yet a crisis, but it is more than a statistical blip. The combination of record leverage, rising interest costs, mixed income forecasts and lingering structural pressures suggests that farm financial stress is moving away from the unusually favorable conditions of 2021-23 and toward a more challenging “new normal.”

For bankruptcy practitioners, the message is clear: chapter 12 is likely to play a more prominent role in the next several years. While government programs and above-average projected incomes might prevent a return to 1980s-style distress, they are unlikely to fully offset the headwinds facing many producers.

Now is the time to refresh chapter 12 proficiency, build relationships with agricultural lenders and advisors, and prepare to guide family farms through what increasingly looks like a longer-term period of elevated financial pressure and reorganization activity. It might also be a good moment for firms to bring new attorneys into chapter 12-related work, as rising chapter 12 activity will require a deeper bench of practitioners ready to support family farms through the challenges ahead. **abi**

21 “Baseline supports” refers to the standing, mandatory federal farm programs authorized by the 2014 U.S. Farm Bill and reauthorized under the 2018 Farm Bill. See Farm Service Agency, fsa.usda.gov/tools/informational/fact-sheets/agriculture-risk-coverage-arc-price-loss-coverage-plc-2018-2024.

22 PLC is a program administered by the Farm Service Agency (FSA) and offers payments to agricultural producers when the effective price for a commodity falls below its effective reference price. See “Agriculture Risk Coverage and Price Loss Coverage,” Farm Serv. Agency, fsa.usda.gov/resources/programs/arc-plc.

23 ARC is a program administered by the FSA and offers payments when the actual revenue for a farm is less than a guarantee set based on historical data and market conditions. See *id.*

24 On top of the ARC and PLC, there are a variety of USDA programs to help farmers that have been hit by natural disaster events, such as an emergency loan program that helps recover from production losses caused by drought, flooding and other natural disasters. In addition, the Noninsured Disaster Assistance Program pays for loss or low yields of non-insurable crops caused by natural disasters. For a full list of standing disaster aid programs, see “Disaster Assistance Programs,” Farm Serv. Agency, fsa.usda.gov/resources/programs/disaster-assistance-programs.

25 Daniel Munch, Samantha Ayoub, & Faith Parum, “One Big Beautiful Bill Act: Final Agricultural Provisions,” Am. Farm Bureau Fed’n (July 17, 2025), fb.org/market-intel/one-big-beautiful-bill-act-final-agricultural-provisions.

26 *Id.*