

UNITED STATES BANKRUPTCY COURT  
For the Southern District of Iowa

In the Matter of

ROYONA RANCH,

Debtor.

Case No. 87-1118-C

Chapter 12

ORDER

On February 29, 1988 the Farmers Home Administration (FmHA) reasserted its objection to confirmation of plan. Since the FmHA's objection apparently stems from its interpretation of the court's minute order of February 4, 1988 and because the court entered an order confirming the plan, the court will construe the FmHA's motion as a motion to reconsider.

Background

Under the original plan and first amended plan, the debtor proposed to amortize the FmHA's livestock claim over 15 years. In the event the property securing the claim was sold, proceeds would be applied to the debt or would be used to purchase additional livestock. Furthermore, the plan terms provided FmHA with replacement liens and maintenance of the livestock herd values over the payment period at a level equal to the balance on the FmHA's claim.

The FmHA objected to the debtor's first amended plan on

the ground that the 15 year term of repayment on its livestock claim did not afford it adequate protection. The court addressed the FmHA's objection at the confirmation hearing on February 4, 1988. The minute order from the hearing states that "[t]he debtors are to amend their plan to ensure that the FmHA's interest in certain cattle is protected over the payout period." On February 18, 1988 the debtor submitted a second amended plan in which it proposed to maintain a herd with a value equal to or greater than the unpaid portion or balance of FmHA's allowed secured claim. On February 25, 1988 the debtor submitted an order confirming plan. The court signed the order on that day. The order states that "[t]he Court also overruled FmHA's objection regarding the interest rate set forth in the plan and the term of repayment of the livestock claim."

#### DISCUSSION

In examining the FmHA's challenge to the debtor's proposed 15-year payout, the court turns to 11 U.S.C. section 1222(b)(9) which provides that a plan may "provide for payment of allowed secured claims consistent with section 1225(a)(5) of this title, over a period exceeding the period permitted under section 1222(c)." Section 1222(c) states that a plan shall not provide for payments beyond 3 years unless the court extends the plan for a longer period for cause. In In re Janssen Charolais Ranch, Inc., 73 B.R. 125, 127 (Bankr. D. Mont. 1987), the court

explained the limits placed upon payment of secured debt in the Chapter 12 context:

The only time limits on payment of secured debt are those which are implied by the present value language of 1225(a)(5), and the feasibility test of 1225(a)(6). Under 1225(a)(5), the rights of the nonconsenting secured creditor can be modified only if, among other things, the creditor retains its lien on the security and receives collateral with a present value not less than the amount of the second claim.

Typically, chattel liens should not exceed 5 to 7 years. In re Dunning, 77 B.R. 789 (Bankr. D. Mont. 1987); In re Martin, 78 B.R. 598 (Bankr. D. Mont. 1987). However, this court permits longer payouts for claims secured by livestock if debtors provide replacement liens and pledge to maintain the herd size at a level equal to or greater than the outstanding balance on the claim. Here the debtor's plan proposes to maintain a herd with a value equal to or greater than the balance of the claim. The FmHA argues that there is no assurance that the debtor will replace the livestock after sale or death and injury loss. This simply is not so. The debtor's plan requires the debtor to maintain the herd. Further, the FmHA contends there is no certainty that the debtor will have the ability, financially or otherwise to follow through with its promise to replace livestock. The court notes that at no time previously did the FmHA object to the plan on feasibility grounds. Other creditors no longer object to feasibility. The court has

examined the debtor's cash flows and finds the plan feasible.  
Therefore, the court rejects the FmHA's contention.

CONCLUSION AND ORDER

WHEREFORE, for the reasons set forth above, the debtor has provided the FmHA with sufficient protection of its claim over the 15-year payment period.

THEREFORE, the FmHA's motion for reconsideration is denied.

Signed and filed this 11th day of April, 1988.

LEE M. JACKWIG

CHIEF U.S. BANKRUPTCY JUDGE