

Extending Chapter 12 Repayment Plans: Kansas Bankruptcy Court Resolves a Five-Year Limitation Dispute

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Overview

Agricultural operations are inherently subject to financial uncertainty. Drought, rising input costs, declining commodity prices, and livestock losses can quickly undermine even a carefully constructed farm debt repayment plan. For “family farmers” reorganizing under Chapter 12 of the Bankruptcy Code, the ability to adjust a confirmed plan when circumstances change can make the difference between retaining the farm and losing it to creditors.

A recent decision from the U.S. Bankruptcy Court for the District of Kansas addresses an important question: Can a farmer modify a confirmed Chapter 12 plan to extend payments on secured debt beyond five years after the first payment under the original plan was due?

In *In re Niermeier*,¹ the court concluded that the Bankruptcy Code permits such an extension. The decision provides useful guidance for farmers and ranchers facing financial setbacks, as well as for agricultural lenders evaluating the prospects for repayment.

Facts of the Case

The debtor filed for Chapter 12 bankruptcy in September 2019. His confirmed reorganization plan addressed a substantial secured claim held by First State Bank in Hoxie, Kansas. The bank's claim was secured by a mortgage on the debtor's residential and agricultural real estate and by security interests in crops, livestock, and other personal property. Under the confirmed plan, the debtor was to pay the bank approximately \$685,348, plus interest at 7%, in annual installments amortized over seven years. The first payment was due February 15, 2022, with the final payment scheduled for February 15, 2028. The debtor made the first three annual payments but failed to make the payment due in February 2025.

The missed payment was not simply a matter of failing to follow the plan. Drought conditions had created serious operational difficulties. In April 2023, the debtor experienced difficulty obtaining pasture for his cattle and exhausted other feed resources. Those circumstances forced him to liquidate his cow-calf herd with the sale proceeds applied toward the bank's secured claim. Through those proceeds and other payments, the remaining balance had fallen to approximately \$399,000. However, eliminating the cow-calf operation also eliminated an

¹ 679 B.R. 96 (Bankr. D. Kan. 2026).

important source of income. The debtor maintained that the original annual payment of approximately \$127,102 was no longer attainable from available cash flow.

In May 2025, he asked the bankruptcy court to modify his plan. He proposed paying the remaining balance, with interest at a proposed rate of 6.91%, in semiannual installments over ten years, beginning in August 2025.

The bank objected. Among its arguments, it claimed that 11 U.S.C. §1229(c) prohibited extending payments beyond five years after the first payment under the original plan was due. The court addressed that statutory question separately from the other issues raised by the proposed modification.

The Legal Issue - How Do Two Chapter 12 Code Provisions Fit Together?

The dispute required the court to interpret two provisions of the Bankruptcy Code. 11 U.S.C. §1229(c) generally limits the period during which payments may be made under a modified Chapter 12 plan. The provision states that payments under a modified plan may not continue beyond five years after the time the first payment under the original confirmed plan was due. Read in isolation, that language might appear to prevent a farmer from extending secured debt payments beyond the five-year period. However, § 1222(b)(9) permits a Chapter 12 plan to provide for payment of allowed secured claims over a period extending beyond the ordinary plan-payment period. 11 U.S.C. §1229(b)(1), in turn, makes the relevant plan-modification provisions applicable to modifications under 11 U.S.C §1229.

The debtor argued that these provisions must be read together. Otherwise, the right to modify a secured claim could be substantially restricted even when the original plan already contemplated payments extending beyond five years. The bank's interpretation, by contrast, would have imposed a five-year limit on the modified plan despite the Bankruptcy Code's specific provision allowing extended payments on secured claims.

The Court's Decision: Secured Claims Receive Different Treatment

The bankruptcy court agreed with the debtor's interpretation. It concluded that the specific provision permitting extended payments on secured claims operates as an exception to the general five-year limitation in 11 U.S.C. §1229(c). The court reasoned that this interpretation was consistent with the statutory structure and underlying policy of Chapter 12. Accordingly, the court ruled that § 1229(c) did not prohibit the proposed extension of payments on the bank's secured claim.

Note: The issue is not free from doubt. The court acknowledged that other bankruptcy courts have reached the opposite conclusion, reasoning that the five-year limitation in 11 U.S.C. §1229(c)



applies even to payments on secured claims.² In adopting the contrary interpretation, the Kansas court relied on the interaction between 11 U.S.C. §§1222(b)(9) and 1229(b)(1), as well as Chapter 12's underlying purpose of permitting family farmers to reorganize secured farm debt over an extended period. Consequently, practitioners should recognize that *Niermeier* represents one side of an existing judicial disagreement, rather than a universally accepted interpretation of the Bankruptcy Code.

Importantly, however, the ruling was limited. The parties had agreed to have the court decide the five-year statutory question separately from the other issues concerning the proposed modification. The court did not determine whether the proposed modification satisfied every other applicable requirement of 11 U.S.C. §1229. It also did not resolve the bank's separate request for relief from the automatic stay. Thus, the court's opinion should not be read as establishing that a farmer is automatically entitled to extend secured debt payments whenever a confirmed plan becomes difficult to perform.

Rather, the decision addresses a specific statutory obstacle: the five-year limitation does not, by itself, prohibit a modification extending payments on an allowed secured claim beyond that period.

Why the Decision Matters

The practical significance of *Niermeier* lies in the relationship between agricultural risk and debt repayment obligations. Farmers generally cannot control rainfall, drought, market prices, or many other factors that influence farm income. Yet debt payments typically remain due according to a fixed schedule regardless of what happens to production or prices. A reorganization plan that was feasible when confirmed can become unrealistic after a substantial change in circumstances.

Consider a farmer who confirms a Chapter 12 plan requiring annual payments on secured farm debt. The farmer subsequently experiences several years of drought, loses a significant portion of the livestock operation, and sells cattle to reduce the secured debt. Although the sale reduces the outstanding principal, the loss of the cattle operation also reduces the income available to make the remaining payments. The farmer may be in a better position with respect to the amount owed but a worse position with respect to the ability to pay it on schedule.

Niermeier illustrates why the distinction matters. A rigid interpretation of the five-year limitation could prevent a farmer from restructuring the remaining secured debt even when a longer repayment period offers a realistic opportunity to repay the creditor. A longer payment schedule does not eliminate the debt. Instead, it can spread

² See, e.g., *Matter of Schnakenberg*, 195 B.R. 435 (Bankr. D. Neb. 1996), and *In re Stone*, No. 14-31692, 2018 Bankr. LEXIS 380 (Bankr. S.D. Tex. Feb. 12, 2018).

the repayment obligation over a period more consistent with the farm's reduced cash flow and prospects for recovery.

For agricultural lenders, the decision also highlights an important consideration: A modification that preserves the debtor's ability to operate may provide a better repayment prospect than insisting on a schedule the farm cannot reasonably meet. Of course, the lender's collateral position, interest rate, the value of the secured property, and the debtor's projected cash flow remain important considerations.

Practical Take-Home Lessons for Farmers and Ranchers

The court's opinion provides several key points for farmers and ranchers.

- **Don't assume that a confirmed Chapter 12 plan can never be changed.** A confirmed plan is binding, but 11 U.S.C. §1229 provides a mechanism for modification. When a substantial change in farm income or operations makes the original payment schedule unworkable, a farmer should promptly consult bankruptcy counsel about whether modification is available. But don't assume that filing a modification request automatically suspends existing payment obligations or prevents a secured creditor from seeking relief from the automatic stay.
- **Don't wait until a missed payment becomes a larger problem.** In *Niermeier*, the debtor sought modification after missing a substantial annual payment. A missed payment can expose a farmer to creditor action, including a request for relief from the automatic stay. A farmer who anticipates a payment shortfall should evaluate available options before default whenever possible. Early communication with counsel and a careful review of projected cash flow may improve the prospects for a workable solution.
- **Document the financial effects of changing agricultural conditions.** A farmer seeking modification should be prepared to explain why the original plan is no longer feasible and how the proposed modification addresses the problem. Useful records may include crop and livestock production information, drought-related losses, feed and pasture costs, livestock liquidation proceeds, debt balances, current operating expenses, and realistic cash-flow projections. The objective is to demonstrate that the proposed payment schedule reflects the operation's actual financial circumstances rather than merely postponing an unavoidable default.
- **Remember that extending payments does not guarantee approval of a modified plan.** *Niermeier* resolves the five-year statutory issue, not every issue involved in modifying a Chapter 12 plan. Other statutory requirements remain applicable, and the court must consider the particular circumstances of the proposed modification. Farmers should not assume that every secured creditor can be required to



accept any proposed extension or that a longer repayment period automatically protects the farm from creditor remedies.

- **Agricultural lenders should evaluate the economics of the proposed modification.** A lender confronted with a modification request should examine the debtor's remaining assets, collateral values, projected farm income, proposed interest rate, and ability to meet the revised schedule. A longer repayment period may improve the likelihood of collection, but the appropriate outcome depends on the facts of the individual case.

Conclusion

Chapter 12 exists to give eligible family farmers a meaningful opportunity to reorganize their debts and continue operating. That purpose does not excuse a farmer from paying legitimate obligations, nor does it eliminate the rights of secured creditors. It does, however, support reading the Bankruptcy Code's provisions together rather than treating a general payment limitation as an absolute prohibition on extended payments of secured claims. In *Niermeier*, the Kansas bankruptcy court concluded that the five-year limitation in 11 U.S.C. §1229(c) does not, by itself, prevent a farmer from modifying a confirmed plan to extend payments on an allowed secured claim beyond that period.

For farmers and ranchers, the central lesson is practical: When changing agricultural conditions make a confirmed repayment schedule unrealistic, do not assume that the original schedule is the only available option. Prompt legal advice, accurate financial records, and a credible revised repayment proposal may be essential to preserving a viable reorganization.

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