

# NORTHWESTERN Banker Newsletter

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August 13, 1973

## What's Ahead for Our Rural Economy

*Condensed from a talk delivered at the Mid-West Banking Institute, Morris, Minn., by Fred D. Sobering, specialist-in-charge, Extension Economics, Agricultural Extension Service, North Carolina State University, Raleigh, N.C.*

**T**HERE are some forces at work today, not present five or ten years ago, that will have a positive impact on the rural economy — forces that will help to promote future economic growth and development. Our challenge is to recognize and capitalize on these opportunities that are developing today.

The agricultural adjustment process is far from complete. There is still a substantial number of small farms in this country that will go out of business absorbed into larger, growing units. Extreme care must be exercised in merely extrapolating past trends. Many of these small farms, though their sales of agricultural products are low, are by no means subsistence farms. Many of these, particularly in more densely populated areas of the country, are part-time farmers where the operator and his family are making a good living from a combination of farm sales and off-farm employment.

The trend towards more vertical integration will continue because of the increasing pressures to coordinate the production, processing, marketing and distribution functions of the food and fiber industry.

Let's look at some of the factors that should help the rural economy to grow and prosper in the future. There is a growing national concern for rural development — a growing national recognition that there is a

pressing need for the revitalization of rural areas by providing a greater range of economic opportunities, social amenities and cultural advantages.

You are aware of the passage of the Rural Development Act of 1972. Legislation alone will not revitalize the rural economy. However, this and other legislation in my opinion is a signal that our society is willing to place a higher priority upon developing a sound balance between rural and urban America and that this balance is essential to the continuing prosperity and welfare of all people.

The continued adjustments that will take place in the agricultural production and marketing sector will release additional labor and further create unemployment or underemployment problems unless employment opportunities are created to minimize out-migration. Obviously, this conclusion is neither new nor startling.

Significant progress has been made in recent years to locate industry in areas that are highly rural in nature. In fact, the movement of manufacturing facilities into non-metropolitan areas is probably proceeding at a faster pace than most people are aware of. There is a general consensus that more effort will be placed on providing the opportunity and create the conditions that will lead towards more industrial development in rural areas.

Development of recreation facilities creates an additional potential for economic activity in many rural areas. The growing affluence of the American consumer and the increase in leisure time can be translated into growth potentials.

My contention that there is a long-term

increasing demand for U.S. food is not based on the belief that there has been a fundamental and irreversible deterioration in the world food situation. The growth in demand for farm commodities is the result of a number of factors including:

(a) Increased disposable income of U.S. consumers.

(b) Increased disposable income of consumers in both developed and underdeveloped nations.

(c) The need to up-grade diets, particularly protein diets, in many of the developed and underdeveloped nations.

(d) The devaluation of the American dollar which made our food commodities cheaper to foreign purchasers.

Some of you may have read or heard about the Flannigan report — a study to determine the implications of different policy alternatives on agricultural trade. This report concluded that if present agricultural trade policies are continued, relatively small increases in exports would occur by 1980. At the other extreme, if complete liberalization of trade should occur, U.S. exports would more than double by 1980. The impact of such liberalization would not be uniform to all agricultural commodities. The report concludes that the major effects of trade liberalization would be felt for grain and livestock producers. The U.S. agriculture has the greatest relative advantage in these two areas.

These projected increases in demand however will not necessarily solve agriculture's chronic over-supply problem. The technological revolution is still with us

(Turn to Page 4, please)

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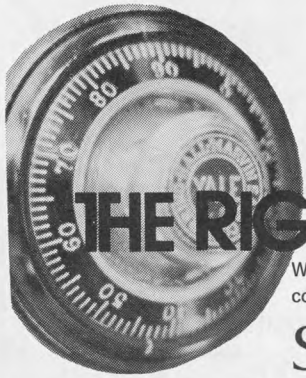
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### Prime Rate At 9%

The nation's banks moved generally toward a 9% prime, or minimum, interest rate on loans to large corporations.

Among the banking giants moving last week to a 9% prime from 8¾% were the nation's largest, Bank of America, San Francisco; First National City Bank, New York; First National Bank, Chicago; Security Pacific Bank, Los Angeles; Chase Manhattan Bank, New York; Manufacturers Hanover Trust Co., New York, and Continental Illinois National Bank & Trust Co., Chicago

The latest round of increases was initiated by Franklin National Bank, New York. Bankers generally said the new level was necessary because of high loan demands on banks, coupled with the banks' increasingly high cost of raising funds.

Most money-market specialists say the 9% prime — a record — may be surpassed before long.

### IOWA NEWS

**ARNOLDS PARK:** An application has been accepted on behalf of the Lakes National Bank to establish a bank office at the northwest corner of the intersection of Sanborn Avenue and Highway 71 North, Okoboji.

**BETTENDORF:** The Federal Reserve

## Northeast Iowa Banks

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southeast corner of West Seventh Street and Hamilton Boulevard.

**SPENCER:** James R. Bullard has been elected president of the City County National Bank here, effective August 13. The announcement was made by Douglas S. Grinde, president of Burlington Bank & Trust Company, Burlington, where Mr. Bullard has been serving as senior vice president and trust officer. Both banks are affiliated with Hawkeye Bancorporation. Full details are in the September *Northwestern Banker* magazine.

### NEBRASKA NEWS

**LINCOLN:** The First National Bank & Trust Company will host its 13th annual Conference for Correspondent Banks September 7 and 8 at the Cornhusker Hotel. It starts with a luncheon Friday, followed by business meetings, social hour and dinner. At the conclusion of the Saturday business session, guests will be served a buffet luncheon before going to the stadium to see the University of Nebraska play UCLA in the Cornhuskers opening game of the season.

**NORTH PLATTE:** Governor J. J. Exon asked for more information from a group of Lincoln County residents who said North Platte needs a full service bank on the city's north side. An application for a charter there was denied by the state banking department last year.

**OMAHA:** David R. Johnson, senior vice president of the Omaha National Bank, has been elected to the board of directors of the Central National Insurance Group of Omaha.

### MINNESOTA NEWS

**COKATO:** Gary Verzalik has joined the State Bank of Cokato as assistant cashier.

**FARIBAULT:** The Comptroller of the Currency has approved the charter relocation of the First National Bank of Kilkenny to Faribault. Renamed the Faribault National Bank, it has opened the doors of its temporary quarters, a converted mobile home, as plans to relocate in a permanent structure near the plaza shopping center are underway.

**MAPLEWOOD:** The application for a charter to establish a bank has been disap-

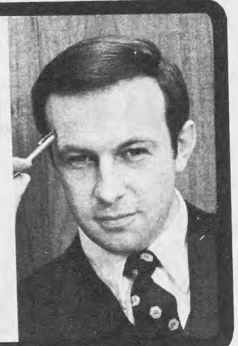
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**MINNEAPOLIS:** Leonard V. Dayton, investment banker and civic leader, died recently of a heart attack. Mr. Dayton, 51, had been associated with Smith, Barney & Co., an investment banking firm, for 2 years.

**SHAKOPEE:** F. A. Weiland has been named chairman of the board and chief executive officer and Vernon M. Lang, president of The First National Bank. The appointments were made by the board of directors at its regular monthly meeting on August 2.

**WORTHINGTON:** Mrs. Curtis Lohr has been promoted from assistant cashier to cashier at the State Bank of Worthington. She replaces Gary May who resigned.

**WYOMING:** Construction for a \$60,000 addition to First State Bank of Wyoming is under construction with a late fall completion planned according to Myles Giese, president.

## ILLINOIS NEWS

**ALSIP:** The FDIC has approved the application of the Alsip Bank to exercise limited trust powers.

**BLUE ISLAND:** The Comptroller of the Currency has approved an application by the First National Bank of Blue Island to establish a facility at 13001 South Gregory Street.

**HARVEY:** Donald P. Bailey was promoted to the position of assistant vice president of the First State Bank, according to John E. Jansen, president.

**OAK PARK:** Vincent L. deMoya, former group vice president of commercial banking for Northwestern National Bank of St. Paul, Minn., was elected president of the First Bank of Oak Park.



Bob Bueneke

*There are 101 ways we can serve  
your bank. Tomorrow  
there will be 102.*

## IOWA-DES MOINES NATIONAL BANK

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## COLORADO NEWS

**DENVER:** Colorado National Bank has announced the promotion of James F. Basey, John F. Coburn and Gary R. Cogburn to assistant vice presidents and Ralph A. Arnold to installment loan officer.

**GREENWOOD VILLAGE:** Greenwood Bank, a proposed new state bank, is planned for Syracuse Street and Berry Avenue, pending approval of a charter application by the state banking board. Seeking the charter for the new bank are McNeil S. Fiske and Thomas Hildt, Jr., Littleton; Robert H. Currier and Philip J. Zimmerman, Denver; and Keith Anderson, Englewood. The board scheduled a December 19 hearing on the application.

**STERLING:** A registered exchange offer by The First National Bancorporation Inc., for acquisition of The Security State Bank of Sterling, has been accepted by shareholders representing 98.9% of the outstanding shares of the latter, according to Bruce D. Alexander, First National Bancorporation president. The offer has been declared effective.

## SOUTH DAKOTA NEWS

**GETTYSBURG:** William T. Koch has become agricultural loan officer at the First Potter County Bank succeeding Dave Dunbar who became associated in a ranch operation.

**WINNER:** Russell Daughters, Merle Shelbourn, and Donald Schoppert were elected assistant cashiers at the Farmers State Bank.

## WYOMING NEWS

**CHEYENNE:** Jerry Housel, attorney and chairman of the board of First State Bank, Cody, recent affiliate of Wyoming Bancorporation, has been named a director on the board of Wybanco at its annual meeting.

**SHERIDAN:** An application for a state bank, Wyoming Security Bank, to be located in Sheridan, has been approved by Dwight Bonham, state examiner. The approval is pursuant to evidence of membership in the Federal Deposit Insurance Corp. Applicants for the bank are George B. Acker, Bruce Bridgford, Homer A. Scott, Sr., E. E. Lonabaugh and Elvern T. Neighbors.

## NORTH DAKOTA NEWS

**MINOT:** The American State Bank of Minot has changed its corporate name to American Bank and Trust Company by action of the board of directors. The new name was adopted following approval from the FDIC and the North Dakota Banking Board.

**UNDERWOOD:** David P. Kjelstrup has been elected cashier at the First Security Bank of Underwood. He succeeds Duane E. Schuh who continues as executive vice president.

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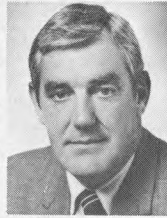
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# COULSON CANNON AND MUIR

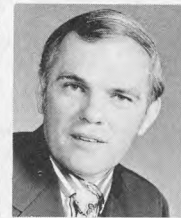
Three of our men  
on your side at



Fred Coulson



Tom Cannon



Dick Muir

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## RURAL ECONOMY . . . . . (Continued from Page 1)

today. Output increasing technology will continue to be adopted by farmers. Though it borders on heresy to talk about over-supply in agriculture today, in the face of possible short run food shortages, agriculture will likely have a continuing problem with overpopulation.

To this demand and supply uncertainty must be added the uncertainty of future farm policy. The Agricultural Act of 1970 expires at the end of 1973. This administration is obviously committed to a substantial reduction in government production controls and income supplement payments, with a move towards a more market oriented agriculture. Though this new era of agriculture holds promise for a potential increase in production it will undoubtedly increase the uncertainty within which agriculture will have to operate in the future.

The implications to you as bankers are fairly clear. In agriculture, you along with the producer will be faced with greater uncertainty as you help to make financing and credit decisions with your clientele. If society increasingly recognizes the need for rural development on a regional basis, you along

with other key leaders in your region will need to cooperate more closely to achieve the economic potential that exists. The road ahead may be bright, but it will certainly have its rough spots.

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