

# NORTHWESTERN Banker Newsletter

Vol. 3 No. 84

Des Moines, Iowa

December 9, 1974

## Cattle Financing — The Worst Behind Us?

By JAY L. DOTY  
Vice President  
Division "A"

Over the past eighteen months, cattle financing has lost much of the attraction it once had. The cattle industry has been buffeted by numerous problems and much uncertainty. These problems have included skyrocketing production costs, government interference, and unhappy consumers. With this scenario, you would think things could only get better. However, the prospects for the next year or two are clouded with uncertainties.

Still smarting from recent losses, cattle feeders have reacted by reducing the number of cattle and calves on feed. In October, this was 24 per cent below a year ago. Extremely high costs of grain and weak slaughter cattle prices are the primary reason for this large decrease. The cost per pound of gain in the feedyards will remain high for at least another year because of this year's disappointing feedgrain, soybean, and forage yields. Grass fattening to much heavier weights has been the natural outgrowth.

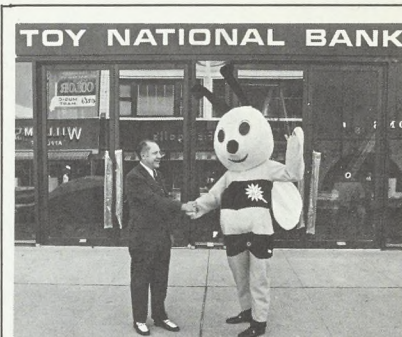
The cow-calf inventory has increased significantly in recent years, making stockmen especially vulnerable to drought this coming

year. Market prices are weak and are likely to remain so as cow herd culling and forced marketings take place. Total slaughter of cows, steers, and heifers is actually ahead of last year even though fed cattle are in shorter supply. As this trend continues, the cow-calf inventory will begin to decline. This has some major implications for beef supplies in the future.

Demand for leaner, cheaper beef has heightened during the current economic downturn. Some supermarkets have responded with house-brand beef which does not carry the USDA Choice grade. Another development has been the move to change the grading standards for Choice to include meat with less marbling. These moves will provide some cost savings for cattlemen.

### Grain To Grass

Now, expanding our time frame to include the next several years, we anticipate that around the world more grain will be needed to feed people and less for livestock. This doesn't mean that the beef industry won't be profitable, but simply that the basis of production will change from grain to grass. Feedlots will be used for finishing cattle, not growing them as well. It has been projected by some that a decrease of as much as 30 per cent will take



**PICTURE OF THE WEEK**—Les Olson, pres., Toy Nat'l. Bank, Sioux City, Ia., welcomes a new mascot to the staff: "T. N. Bee." Mr. Bee will be assistant in the public relations dept. coordinating personal customer contact and friendliness. The 7-foot bee was designed and created by the Toy Nat'l. and its advertising agency, Fairall and Company. It was used in many of the festivities during the grand opening of the new banking facilities at 4th and Nebraska Streets.

place in feedgrain and protein supplement usage.

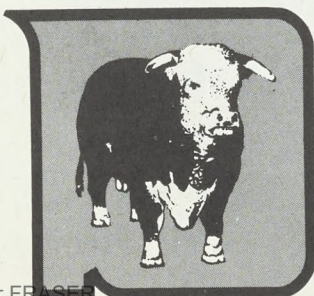
How then does this outlook affect our cattle feeding customers? We've been reminded once again over the past year that a highly leveraged cattle loan isn't always self-liquidating. When leverage of three or four to one was permitted, collateral values simply were not sufficient. Leverage of two to one has generally provided sufficient

(Please turn to back page)

1883-1974

Whatever your financial requirement...  
You're in Drovers Country!

91st ANNIVERSARY



# The Drovers National Bank of Chicago

47th & Ashland Ave. • Chicago, Illinois 60609 • Phone (312) 927-7000

• Member Federal Deposit Insurance Corp. • Member Federal Reserve System  
• Member Chicago Clearing House Association





Greg Schamberg

We're in our new home at Seventh and Walnut.  
Stop in and visit us soon.

## IOWA-DES MOINES NATIONAL BANK



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

### ABA To Hold Seminar on Gold

A seminar on gold, to be held January 8-10 at New York City's Americana Hotel, will answer bankers' questions about how the banking industry will be affected by the deregulation of gold, A. Robert Abboud, chairman of the ABA's commercial lending division, recently announced.

### Fed Amends Reg. Q

The Board of Governors of the Federal Reserve System has amended its Regulation Q to permit governmental units to hold savings deposits at member commercial banks. The action was taken in conjunction with new legislation providing deposit insurance for public time and savings deposits up to \$100,000.

Additionally, the Board created a new category of time deposit, under Regulation Q, for governmental bodies. The ceiling rates for public deposits at member banks, effective tomorrow, will be:

- Passbook savings deposits 5%
- Other Time Deposits Under \$100,000 7.5%

The rate ceiling on time deposits of governmental bodies (as distinct from passbook savings) will be

maintained at the highest permissible rate that can be paid on time deposits under \$100,000 by Federally insured commercial banks, mutual savings bank or savings and loan associations. This rate is currently 7.5%.

Savings and loan associations previously had authority to accept savings deposits from public bodies. Extension of this authority to member commercial banks will permit public bodies a wider choice of deposit alternatives for public funds. The Board also amended its definition of a savings deposit in Regulation D to conform to the action under Regulation Q.

Similar actions are being taken by the Federal Deposit Insurance Corporation and the Federal Home Loan Bank for institutions under their jurisdiction.

### Iowa News

**BRITT:** Terry Cooper has joined the First State Bank. He was formerly with the Farmers State Bank in Kanawha.

**ELDORA:** The Board of Governors of the Federal Reserve System has announced its approval of the application by Second Bancorporation, Eldora, to acquire Second National Bank here. Second Bancorporation, a registered bank holding company, will acquire 100% of the voting shares (less directors' qualifying shares) of the bank.

**GRISWOLD:** Mike Bonham has joined the Griswold State Bank as an officer trainee.

**WEST BEND:** Howard F. Garton,



Christy Armstrong



Leo Kane



Bob Scott

*'WE HAVE WHAT YOU WANT  
in a correspondent bank'*

## American Trust and Savings Bank

9TH AND MAIN, DUBUQUE, IOWA  
MEMBER FDIC - FRS

assistant vice president of the Iowa State Bank, West Bend, has been elected president of the Palo Alto County Bankers Association at its annual meeting held at the Emmetsburg Country Club. William J. Degnan, president of the Palo Alto County State Bank, Emmetsburg, was elected secretary.


**WHEATLAND:** Gary McClintock, vice president and trust officer of the First Trust and Savings Bank, has resigned his position to enter into law practice with the law firm of Greif, Klotzbach and Haeger of Independence.

### Nebraska News

**GENEVA:** Dennis A. Devine has been named president and cashier of the Fillmore County Bank. He formerly was with the Community Bank of Beloit, Wisc., and the First National Bank in Sioux City, Ia.

**HOLDREDGE:** Eldon Hoelting has been elected a director of the First National Bank. He has been with the bank since 1970 and is serving as vice president in charge of agricultural loans.

**LINCOLN:** The headquarters of the Nebraska Bankers Association, Inc., is scheduled to open for business Monday, December 16, at 312 Sharp Building, 13th & N Streets. The phone number of the new office will be 402-474-1555. The



**Valley National Bank**  
A BANKS OF IOWA BANK  
Member FRS • Member FDIC  
Des Moines, Iowa 50304 515/288-9711

**JOHN RODGERS WELCH**  
Correspondent Banking Officer

## Banking for a brighter future.



For straight talk on correspondent banking talk with Homer Jensen at CCB. We do your kind of banking.



Des Moines' second largest independent bank. Main Bank East Fifth and Locust 50309 515/244-5111

# CALL ON THE "PERFORMANCE TEAM"

where common transactions are handled uncommonly well.



FIRST NATIONAL LINCOLN

13th & M Street • Lincoln, Nebraska 68501 • Member, F.D.I.C.

existing headquarters at 420 Farnam Building in Omaha will be vacated December 12 and all equipment and records of the NBA will be transferred to Lincoln, as announced earlier this year. The new association executive vice president, effective January 1, 1975, is Robert Harris. He will take over the duties of William H. Osterberg, who resigned earlier this year in order to join I. Wesley Jones in forming the Jones-Osterberg insurance specialists partnership. Their offices will be at 414 Farnam Building, Omaha.

OMAHA: Bruce Lauritzen and Associates has sold controlling interest in the First Westroads Bank to J. D. Schiermeyer, president of the National Bank of Commerce, Lincoln. Mr. Schiermeyer was elected a director and chairman of the board. Robert A. Anderson was elected a director, executive vice president and cashier of the bank. Mr. Anderson formerly was assistant vice president, mortgage loan division, National Bank of Commerce, Lincoln. No other personnel changes are anticipated.

## Minnesota News

MINNEAPOLIS: C. Bernard Jacobs, chairman and chief executive officer of National City Bank, has announced that the bank recently added new capital of \$4,000,000. The addition raises the bank's total capital to about \$20,987,000. It was generated through the sale of 250,000 shares of common stock at \$16 per share to National City Bancorporation, which owns ap-

proximately 87% of the bank's stock.

STORDEN: Bennett Lohre has been promoted to assistant cashier at the First State Bank. Mr. Lohre joined the bank in March of 1973.

## Illinois News

MELROSE PARK: Tom Roth, former vice president of LaSalle National Bank, has been named executive vice president and chief executive officer at Melrose Park National Bank.

NAPERVILLE: Robert Walcott, former president of University National Bank of Chicago, is now president of Suburban Bank here.

## South Dakota News

PIERRE: The South Dakota State Banking Commission will hold a public hearing on Tuesday, Dec. 17, at 10 a.m. in Room 464, State Capitol Building. The Commission will consider the application of the Fairview State Bank to move its main office to Canton and retain a branch bank at the present main office in Fairview.

## North Dakota News

Registration has begun for the NDBA Caribbean Cruise, March 24-31. The chartered jet will leave Bismarck at 9 a.m., Monday, March 24, and will visit San Juan, St. Thomas, Martinique, St. Vincent, La Guaira and Curacao.

## Wyoming News

GREYBULL: Verne E. Sorheim,

formerly a national bank examiner, has joined the staff of the First National Bank as loan officer in charge of consumer lending activities, according to Bert Harris, bank president.

ROCK SPRINGS: Walter N. Cole has been elected assistant vice president and mortgage loan officer of the First Security Bank. He joined the bank in 1950.

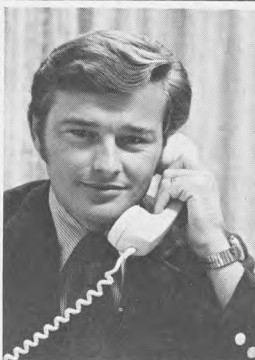
## Colorado News

DENVER: Robert R. Leary has been named vice president of the consumer banking group of The First National Bank. He formerly was head of the consumer planning division. Other promotions announced include: R. Edgar Johnson, assistant vice president, corporate development; James C. Lewien, loan officer, commercial

## POSITION AVAILABLE

A person experienced in installment loan lending with some knowledge in commercial loans to operate with a \$5MM secured loan limit. Background in operations including teller work and knowledge of proof and bookkeeping department. Ability to communicate with customers and more important with fellow workers. Must be able to adapt to existing bank systems and willingness to assist in any phase of banking necessary for smooth operation of a \$30MM bank. Wrie Box RPK, c/o NORTHWESTERN BANKER, 306 15th Street, Des Moines, Iowa 50309.

A good correspondent bank relationship is still built by good people. Yours and ours.



Mark Christen  
Assistant Cashier

Call me  
toll free . . .  
800-332-5991

Merchants  
National Bank   
Cedar Rapids, Iowa 52401 A BANKS OF IOWA BANK



Call  
Jay Bordewick  
for

Personal Attention  
to All Your  
Correspondent Needs

U S NATIONAL  
BANK OMAHA

An Affiliate of Northwest Bancorporation

CALL 402 536-2000  
AREA CODE





# on the move



**united missouri bank  
of kansas city, n. a.**

loans, and Raymond DeMoro, assistant international operations officer, commercial loans.

**DENVER:** The Colorado Bankers Association will hold a Minimum Risk Banking Security School December 12-13 at Stapleton Plaza, 333 Quebec. Topics to be discussed include personnel training and hiring, bomb threats and emergency procedures, kidnap extortion, security equipment, facial identification, cash control and security, and preparing the foundation for police and FBI investigations.

## CATTLE FINANCING..... (Continued from page one)

equity to preserve a bank's senior position.

In this shake-out period when over-capacity exists in the cattle feeding industry, management is extremely important. In the past, simply being a good operator was the key to success. Today, with shorter feeding periods and more rapid inventory turnover, sharper marketing skills are essential. Feeders who have not developed the sophistication needed to hedge cattle and grain either on the futures' market or through forward contracting have a significantly higher risk profile. Customers who insist on dollar-averaging their

cattle sales and purchases must consider how much longer they can operate at a loss and still remain in business. As lenders, we should discourage equity guarantees to outside investors. These arrangements have been harmful for a number of commercial feeders. We should also look closely at the newly implemented government guaranteed loan program. For some, it may be the financing vehicle to use even if yields are

lower and government red tape is involved.

Now more than ever, caution must be exercised when financing cattlemen. Consequently, the benchmarks we use for evaluating cattle loans, and the prices we charge must be more reflective of current conditions. Despite the problems and uncertainties, the cattle industry is expected to remain a vital and profitable segment of American agriculture.

## WANT ADS

**Rates 35 cents per word per insertion. Minimum: 12 words  
NORTHWESTERN BANKER  
306 15th St., Des Moines, Iowa**

### POSITION AVAILABLE

Eastern Iowa bank has opening for farm loan officer. Prefer agri-banking experience. Write Box DJI, c/o NORTHWESTERN BANKER, 306 15th Street, Des Moines, Iowa 50309.

**BE YOUR AREA'S LEADING AG BANK.** Doane's Farming For Profit can fill a gap in your marketing program. Send this exclusive ag newsletter to the best farmers in your area. For a free 6-month sample subscription, write: D. R. Gorr, DOANE, Dept. 702, 8900 Manchester Road, St. Louis, Mo. 63144.

### POSITION AVAILABLE

Insurance man to operate and manage bank insurance agency in northwest Iowa. Write Box KCC, c/o NORTHWESTERN BANKER, 306 15th Street, Des Moines, Iowa 50309.

### FOR SALE

Bell and Howell Microfilm Recorder and Endorser—1972—Model Director-I, Series 505A. Excellent condition. Write Box 428, North Platte, Nebr., or call (308) 532-3800.

### BANKERS WANTED

#### TRUST:

K.C.--Versatile new dept. head	\$18,000
K.C.--Personal Trust & tax, w/o degree	\$15,000
K.C.--Trainee, new dept.	Open
Central Mo.--Holding co.	\$18,000
Ind.--Fiduciary tax	\$14,000
No. Dak.--2nd man	\$18,000
K.C. area--Business develop., w/o degree	\$18,000
Mo.--Trust operations, w/o degree	\$12,000

#### LOANS:

K.C.--Sr. com'l. loan	\$22,000
St. Louis--Instal. loan (direct)	\$10,000
Nebr.--Instal. loan, 2nd man	\$14,000
Ks.--Agric-com'l	\$14,000

#### PLATFORM—LOAN & OPERATIONS:

Ill.--Need 2 people	\$14,000
Ks.--Agri-loan important	\$14,000
Ks.--Insurance helpful	\$16,000

#### MISCELLANEOUS:

K.C.--Jr. marketing	\$12,000
Mich.--Branch manager	\$12,000
Northeast Mo.--Bonds, investments	\$20,000
President--Ks., new charter	\$18,000
President--Northwest Mo.	\$20,000
K.C.--Loan collector	\$ 7,000

"It takes a banker to know one"

### TOM HAGAN & ASSOCIATES

Box 12346, N.K.C., Mo. 64116  
(816) 474-6874

**When you need a little help call us on our toll free wats number 800-362-1615**



EDDIE A. WOLF    WILLIAM B. GREAVES    RUSSELL G. PLAGER    GREGORY S. WOLFE    GERALD B. MURPHY

## Correspondent Bank Department

**"C" Central National Bank & Trust Company**  
DES MOINES (515) 243-8181 MEMBER FDIC  
LOCUST AT SIXTH/FIFTH & GRAND/35TH & INGERSOLL/WEST DES MOINES