

# NORTHWESTERN Banker Newsletter

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Des Moines, Iowa

January 13, 1975

## Budget Deficit May Be \$25.3 Billion

The U. S. budget situation is deteriorating rapidly, it was stated recently in a report by the bond market research department of Salomon Brothers, international investment banking firm, New York.

Written by Henry Kaufman, general partner and member of the firm's executive committee, and Albert A. Gross, one of the firm's capital market analysts, the report to portfolio managers projected a Federal budget deficit of \$25.3 billion for the fiscal year ending next June 30, 1975. By contrast, the deficit for the year ended last June 30 was \$3.5 billion.

Noting that this projected deficit does not include a tax reduction nor new expenditures to stimulate the economy, Mr. Kaufman stated in releasing the report, "If this deficit materializes at \$25.3 billion, it will be a record for the postwar period, rivalling the previous peak deficit of \$25.2 billion in 1968 and exceeding those of \$23.0 billion in 1971 and \$23.2 billion in 1972."

The budgetary problem will be caused mainly by the weakening economy and could be aggravated by new expenditures to ease the pains of unemployment, Messrs. Kaufman and Gross stated. Revenue shortfalls will result primarily

from a slowdown in personal income and rapidly declining corporate profits.

Individual income tax payments are estimated at \$126 billion, or \$2 billion less than the last official estimates, while corporate tax



payments are projected at \$42 billion or \$43 billion, down \$2 billion or \$3 billion from the last Federal calculations. Federal expenditures are projected by the report at \$314 billion, or \$7 billion more than the latest Administration estimates.

Analyzing the Federal budget on a quarterly basis, the Salomon Brothers' report points out that much of the budgetary weakness will be in the next six months, with the deficit for the period totalling \$13 billion. This comprises a deficit of \$15 billion in the January-March period and a small surplus of only \$2 billion in the April-June period, when large surpluses have usually accumulated.

The January-June deficit of \$13 billion is expected to be financed, the report states, by a \$1 billion reduction in Treasury cash balances and the net issuance of \$12 billion in U. S. marketable securities. This will probably include larger weekly and monthly Treasury bill auctions and new coupon issues may be offered in nearly each month in the half year period.

Large Treasury cash borrowings present no real problem in typical recession periods, it was noted, because the needs of other credit demanders shrink appreciably.

But, the report pointed out, in this current recession, the borrowing needs of only a few sectors have moderated. The financing of oil consumption and the external financing needs of business have remained extraordinarily large.

"Under these conditions," the Salomon Brothers' analysis stated, "a huge Treasury budget deficit will complicate the problems of many in the private sector who are attempting to improve their liquidity. Thus, the combination of continued large private borrowings, escalating credit demands of the U. S. Treasury and economic contraction will further weaken the creditworthiness of many in the private sector."

The growing Federal deficit will  
(Turn to back page, please)

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## Iowa News

The Iowa Bankers Association is in the process of sponsoring eight additional Credit Insurance Schools. Following are the dates and locations of the last six meetings: January 15, Holiday Inn, Burlington; January 16, Holiday Inn, Ottumwa; January 22, Sheraton Motor Inn, Mason City; January 23, Holiday Inn, Fort Dodge; January 29, Hotel Fort Des Moines, Des Moines, and February 3, Ramada Inn, Marshalltown.

**DAVENPORT:** Robert L. McCrary, vice president and senior loan officer of the Northwest Bank & Trust Company, has been elected to serve as a member of the American Bankers Association's advisory board to the instalment lending division.

**DES MOINES:** Beverly Hewitt, executive assistant of the Iowa Bankers Association, recently had major surgery at Mercy Hospital and is recuperating at 324 Orchard

Circle in West Des Moines. It is anticipated that she will return to the IBA office in about one month.

**DUBUQUE:** William R. Jansen, president of Dubuque Bank and Trust Company, recently hosted a group of citizens and bank officers in opening day ceremonies at the bank's newest office in Sherrill. The office, managed by Scott Gill, conducted an open house for about 1,000 persons recently.

**FORT DODGE:** Robert M. Zeller, president of Mid-States Grain Company, has been appointed a director of The State Bank.

**MANCHESTER:** The eastern Iowa chapter of the Bank Administration Institute will meet at the Manchester Country Club on Wednesday, Jan. 15. Social hour begins at 5:30 p.m. with dinner at 6:30 followed by the program. R. E. Tool, president of the Farmers and Merchants Savings Bank and immediate past president of the Iowa Bankers Association, will speak on investments.

**SPICER:** The Green Lake State Bank recently held an open house to celebrate its 70th anniversary and the addition and remodeling of its building.

**WASHINGTON:** Milo M. Orris, vice president of the Washington State Bank, has been named a director, filling the vacancy created by the recent death of Lee A. Holland.

**WESLEY:** Robert N. Becker of

Wesley and W. B. MacDonald of Algona have been added to the board of Exchange State Bank.

**WEST LIBERTY:** Robert Helscher has been appointed assistant cashier and Mercedes Rockwell has been appointed assistant trust officer of the West Liberty State Bank.

**WINTERSET:** The Union State Bank recently celebrated its 40th anniversary.

## Nebraska News

**ELMWOOD:** About 800 people recently attended the open house of the new American Exchange Bank.

**FREMONT:** Sandy Reed has been appointed manager of First State Bank's new Parkview office.

**GOTHENBURG:** Earl Van Steenberg, president of the First State Bank, has retired after 25 years of service.

**GRAFTON:** Gary A. Kudlacek has been promoted from cashier to vice president and cashier of the Grafton State Bank. He also has been named a director.

**HOOPER:** Donald Shaffer was honored recently at a retirement party by the First National Bank. He joined the bank in 1952 and had been cashier for almost 23 years.

**LINCOLN:** West Gate Bank has received approval to establish a detached auxiliary teller facility at 2037 South 17th Street.

**LINCOLN:** Lincoln Bank South's application for permission to establish a detached auxiliary teller facility at 1645 South Street has been denied.

**LYMAN:** Ben Coon of Loveland, Colo., has purchased controlling stock in the Farmers State Bank from E. H. Karsten and Myron Karsten. Mr. Coon, who also is president of the Hereford State Bank of Hereford, Colo., said there would be no administrative changes. Carroll Couch is executive vice



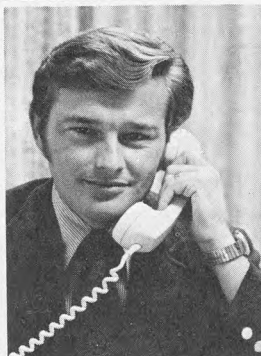
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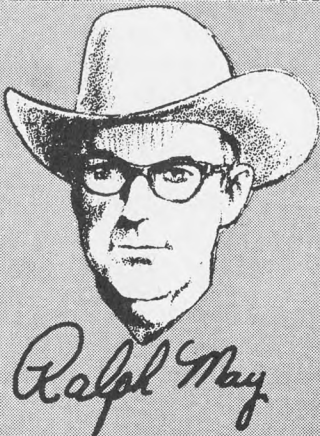
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**SEE OTHER SIDE FOR SAMPLE LETTER**

# Cattle Information, Inc.

January 1, 1975

Dear Subscriber:

## JANUARY - INVENTORY TIME

Among cattlemen, the most frequent question nowadays is -- HOW SOON can we stop the build up? 37 million slaughtered in '74 and 51 million new calves -- that's build up! It's like a snowball rolling downhill -- the further it goes the more speed and size it gets. To stop it -- we would need to kill about:

44 million head in 1975

47 million head in 1976

50 million head in 1977

That would stop the "biological momentum" -- with a national cattle herd 11 million larger on 1 - 1 - 78 than on 1 - 1 - 74. An increase in slaughter of 35 percent in 3 years! This doesn't shrink the snowball -- just stops it from growing bigger. The similar build up in world cattle numbers may add much to our excessive supply of beef during this crucial period of adjustment. U.S. trade policies will decide how much. The Aussies are considering storage on the South Pole (prices lowest in 30 years) -- after 40 years we may again CAN some of ours -- but it is still beef -- and available. BLEAK FOR PRODUCERS AND QUICKSAND FOR THE UNWARY FEEDER.

HOW FAST -- any major increase in slaughter will obviously come from non-fed, lighter animals. Since cost is SO MUCH greater than current values, slaughter levels could WELL EXCEED the above ARBITRARY projections. The SEVERITY OF THE LOSSES will both FORCE and ENCOURAGE rapid liquidation. Some have suggested a 7 to 8 year squeeze on cow-calf operators -- the weather will determine how fast or slow we move -- but move we will!

CATTLE ON FEED -- The January 1 feed-lot inventory will be reported soon -- it should show a larger number of cattle 700 lbs. and over -- and a much lower level of lighter cattle, especially under 500 lbs. The ABNORMAL movement of calves and yearlings in '74 has been discussed in each of our previous letters.

## BEEF SUPPLY AND PRICES - 1975

An ABOVE NORMAL supply of FED BEEF is expected during the 1st half of 1975 and BELOW NORMAL for most of the last half of the year. Also NON-FED BEEF supplies will set a modern record. As reported earlier, TOTAL BEEF TONNAGE in '75 is expected to be at least 10 to 15 percent greater than the record set in '74 -- with pork and poultry supplies somewhat less. Downward pressure on beef prices early in the year with POSSIBLE UPWARD PRESSURE on FED BEEF during the late summer and fall.

WARNING -- These views are not shared by many spokesmen for government, cattle associations, brokerage firms, economists, national newsletters, etc., who are predicting shorter supplies and an up market for the first ½ of 1975. These are the folks who erroneously predicted short supplies and a much stronger market in the 4th quarter of 1974. Our position is that we had about 2 million extra yearlings last fall -- they were sold -- feeders bought them -- they are on feed -- they will come back as fats during the next six months. Very similar to the excess movement of yearlings in the fall of '73 and the glut of fed beef during the spring of 1974. TAKE YOUR CHOICE.

## CALVES STILL AVAILABLE

During the next 4 months we can expect an unusually large number of green calves being offered for sale -- coming off of wheat pasture and from producers all over the country who TEMPORARILY resisted last fall's prices. Only a very small percent of these weaned calves and light yearlings will carry enough flesh to be desirable for slaughter.

## CAUTION - THIN ICE

Our grazing resources may become overloaded as our cattle count continues upward -- already much conversion of hay and grass land to grain crops. Our low feed reserves and excess cattle numbers makes the industry highly VULNERABLE to any kind of a feed shortage. Below normal grazing conditions could cause burdensome NON-FED slaughter next spring and summer. Anything less than a bumper feed grain crop could trigger the same thing next fall. Could be an epidemic of "hollow belly" disease. The margin of safety is exceedingly thin.

## WE TOLD YOU

Placements have been lower for 13 consecutive months -- yet we have set a record of beef production the past 12 months. Sure pays to watch the 90 percent not on feed.

## LEST WE FORGET

Our incomparable free enterprise system is capable of producing a surplus of almost any agricultural product -- WHEN THE PRICE IS RIGHT. With our resources, know how, and flexibility, we can soon produce too much corn or wheat or cattle or sugar beets -- peanuts, pork and poultry too. Nothing like incentive -- we've had it in cattle for five years -- now a vastly oversupplied market -- the wheat and corn folks will follow suit soon. The market place regulates supplies -- both over-production and under-production. It is still the best way -- TEMPORARY surpluses and shortages are better than PERMANENT ones. Beef will again be in short supply -- but not for quite awhile. --- dammit.

CATTLE INFORMATION, INC.

*Ralph May*

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**FIRST NATIONAL LINCOLN**

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president of the bank.

**POTTER:** Tours of the new, round Potter State Bank building were held recently.

**ROSELAND:** The Board of Governors of the Federal Reserve System has announced its approval of the applications of Roseland State Company to form a bank holding company through the acquisition of the Roseland State Bank and to acquire Roseland Insurance Agency.

**SCOTIA:** The State Bank of Scotia recently moved into its new facility. The all-brick building includes 3,214 square feet of floor space, three offices and a conference room. The bank will hold a formal open house January 25 from 10 a.m. to 5 p.m. Clarence H. Sixel is president and Gerald A. Johnson is cashier.

**YORK:** Laverne Peterson, vice president and agricultural representative of the First National Bank, has retired. Mark Romohr has joined the bank as an agricultural loan officer.

### Minnesota News

**ALTURA:** The Altura State Bank has increased its capital stock from \$50,000 to \$100,000 by stock dividend.

**NEW PRAGUE:** The First National Bank recently converted to a state banking institution and is now operating under the name of Fidelity State Bank of New Prague.

**PENNOCK:** State Bank of Pennock has increased its capital stock from \$100,000 to \$200,000 by sale of new stock.

**TWO HARBORS:** Funeral services were held recently for Edward J.

Nauha, 71, retired president of the First National Bank.

**WORTHINGTON:** Frank A. Osowski has joined the First National Bank as assistant vice president and cashier.

### Illinois News

**CHICAGO:** Carl J. Calandra, president of the Aetna State Bank, has announced the following promotions: John A. Michas, vice president and cashier; James Collins, vice president and treasurer; Helga Egler, William Fauber and Dominic Pantano, assistant vice presidents. In addition, three new officers were elected. They are James Porcaro and Alicia Staszak, assistant cashiers and Helen Weist, administrative assistant, trust.

**LEWISTOWN:** An application for a charter has been filed by The Lewistown National Bank to convert from a national bank into a state bank, The Lewistown Bank, under the provisions of the Illinois Banking Act.

**LOCKPORT:** The Bank of Lockport has announced the promotion of Sandra Pesavento to assistant cashier.

### Wyoming News

**LARAMIE:** John W. Easterbrook has been appointed instalment loan officer at The First National Bank.

**WHEATLAND:** Stock Growers'

### FOR SALE

Two Kodak Reliant 600 K Microfilers with precision feeders. Excellent condition and under Kodak maintenance agreement. Contact Joe Allen, Security National Bank, Sioux City, Iowa 51102, 712/277-6644.

Bank has announced the following promotions: Ben Ryff, assistant vice president; Jerry Gebhart and Maxine Sherwood, assistant cashiers.

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### North Dakota News

The following banks have received permission to increase their capital stock by stock dividend: First State Bank of Arthur, from \$50,000 to \$100,000; The First State Bank of Munich, from \$150,000 to \$200,000; The First State Bank of Park River, from \$125,000 to \$300,000; and The First Bank of Rolla, from \$200,000 to \$500,000.

FARGO: Union State Bank has announced the following promotions: Gary Arneson, vice president; Bruce Nathan, cashier, and Jean Sullivan and B. Kim Aschemeyer, assistant cashiers.

GACKLE: Funeral services were held recently for R. R. (Rudy) Bender, cashier of the First State Bank.

### Colorado News

BOULDER: National State Bank has announced the following promotions: Paul Troyer, to executive vice president; Gwen L. Rossell, operations officer, and John A. Costello, assistant commercial loan officer. Mr. Troyer formerly was senior vice president.

GREELEY: Burt G. Mariacher has

been named assistant trust officer at the First of Greeley.

STERLING: Colorado National Bankshares has announced the election of Bruce F. Gill as president of the First National Bank here. Mr. Gill succeeds Charles W. Kirk, president of the bank since 1971. Mr. Kirk said he will accept a position in the livestock loan department of the Colorado National Bank in Denver. Both banks are subsidiaries of Colorado National Bankshares.

BUDGET DEFICIT. . . . .  
(Continued from page 1)

fail to achieve its underlying objective of restimulating the economy, the report noted, because the deficit will unavoidably funnel funds into the purchase of staples such as fuel and food, thereby helping to support rather than reduce the prices of these commodities.—End

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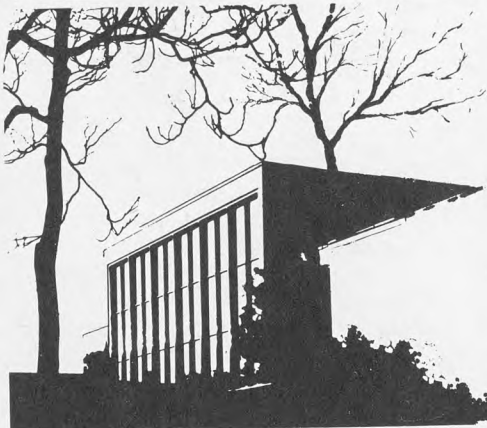
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