

NORTHWESTERN Banker Newsletter

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November 15, 1982

Farm Bankers Give 1983 Outlook

DURING the American Bankers Association's National Ag Lending Conference in Chicago last week, four ag bankers took part in the "Ag Credit Outlook Seminar" presented at that meeting each year to the media representatives. Moderator this year was Dr. William Herr, head of the agribusiness economics department at Southern Illinois University, Carbondale.

The four ag bankers who gave brief comments first, then responded to questions, were: John E. Martin, vice president, Omaha National Bank, Omaha; Douglas L. Flory, executive vice president, Rockingham National Bank, Harrisonburg, Va.; Robert W. Ranger, senior vice president, Oneida National Bank and Trust Co., Utica, N.Y., and Dean K. Johnson, senior vice president, Hutchinson National Bank and Trust Co., Hutchinson, Kans.

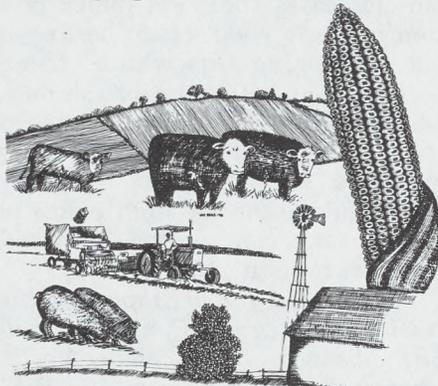
Results of the ABA annual mid-year 1982 Ag Credit Survey were presented by Dr. Herr and the eight-page summary was distributed to all attending the Ag Conference. Dr. Herr reviewed the results, noting that "This is the third year-to-year decline in net cash income, and the second for declining equities in the farm sector." He listed the following as the significant findings of the mid-1982 survey:

- Farm credit conditions showed further substantial deterioration.

Indexes of loan renewals, refinancings, delinquencies and losses were all at new highs. Repayment rates were at their lowest level.

- Further declines in credit conditions were expected by the ag bankers during the current year, which will end in mid-1983.

- A larger proportion of bank borrowers were discontinued in the past year than in the previous year, and a higher proportion of those discontinued



did not receive financing from other sources.

- Ample funds were available for making farm loans. The average loan-deposit ratio was 62%, or 5 points below the 1979 high of 67%. Only 11% of the bankers reported a shortage of loan funds.

- Interest rates declined modestly between mid-1981 and mid-1982, but 2/3 of the bankers expected further declines during the second half of 1982.

- Demand for credit was weak—especially for loans to finance machinery, equipment and real estate investment.

- Ag bank profitability about matches the 1981 level, although it has declined somewhat in the Corn Belt.

The complete survey is being mailed to all member banks. Brief highlights from remarks given by the two midwest panelists follow:

Mr. Martin: In 1982, cattle feeders averaged about \$50 for finishing steer yearlings and \$60 for finishing steer calves; they marketed about 5% more cattle, and overall profitability was positive. Ranchers suffered a loss that exceeded \$100 per head if all expenses are considered and are liquidating, with cow slaughter up about 10%, and 25% fewer heifers actually entering cow herds. Profitability in the hog industry was very positive, with profits of \$25 per head for farrow-to-finish operators and \$18 per head for feeder pig finishers.

For 1983, net returns for cattle feeders will be positive, but less than in 1982. Ranchers will continue to experience severe financial problems; there is little doubt calves will continue to be priced substantially below the cost of production. Hog enterprises will continue to be profitable. The rate of increase in production expenses has slowed significantly in 1982. A lower inflation rate in 1983 is expected. This is ex-

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pected to lead to stabilizing or liquidating of cattle and cow inventories, and expansion sometime during the year in the hog industry.

A record 1982 crop and record 1982/83 supplies will keep prices under pressure; however, some price strength from the harvest lows is anticipated, as many farmer/feeders utilize the livestock sector to market corn. Slaughter cattle prices are expected to average about \$65; feeder cattle should average in the mid-\$60s, and hog prices are expected to be in the upper \$50s.

Mr. Johnson: Corn and soybean yields have been average to above average and will be adequately stored. Wheat planting is completed under almost ideal conditions. We may have a storage problem for

1983 wheat crop with a lot of storage tied up for the three-year reserves for the 1982 wheat and milo.

Credit availability is more than adequate. The serious problem for the next several months will be with customers who continue to deteriorate; their cashflows have not worked, they're losing money and debt will be higher after '82 than projected. More farmers are depending on off-farm income. These problem credits or customers represent probably 10-15% of our ag paper in our notecases today. A major portion of these people may be forced out of farming this winter. If we decided to go with questionable ones another year we need to shore up those loans with what collateral is available.

The future for the high plains is bright if we can survive 1983 and make it through 1984-85.

Ed. Note: A further report on the National Ag Credit Conference will be published in the December Northwestern Banker. □

W.H. Rules on Interest, Dividends Set by IRS

The Internal Revenue Service last week announced these initial rules governing withholding of income tax on interest and dividends by banks and s&l's:

- Each account of a customer is handled separately; they will not be lumped together for withholding purposes. Each account is exempt for up to \$150 interest or dividends per account.

- A customer with less than \$600 tax liability in the preceding year (\$1,000 on a joint return) may file an exemption certificate with the institution.

- A customer 65 years or older with less than \$1,500 tax liability in the preceding year (\$2,500 on a joint return) may file an exemption certificate.

- Withholding must be done at the time the interest or dividend is

credited to the account.

- To reimburse the financial institutions, they may use the withholding money for 30 days. This applies to banks or s&l's with deposits of over \$1 billion for one year; two years for those with under \$1 billion deposits, and three years for deposits under \$100 million.

Iowa News

ALLISON: Russell Olson has been named president of the State Bank of Allison. He replaces Lyle Meyer, who resigned to purchase an interest in the Farmer's State Bank at Dows.

DES MOINES: Hawkeye Bancorporation has received approval from the Federal Reserve for the acquisition of First National Bank in Lenox, with assets of \$35 million. Terms of the acquisition, which is anticipated to be completed in early December, were not announced. First National, following completion of the acquisition, will become the 33rd member bank of Hawkeye Bancorporation.

LE MARS: Al Maser, president and chairman of the First National Bank, has announced the election of Randall Johnson as executive vice president and Ray Harman as senior vice president. Mr. Johnson joined the bank in 1979 and has been serving as a vice president at the bank along with Mr. Harman.

Nebraska News

LINCOLN: Dennis Stelzer has been appointed president and chief executive officer of the National Bank of Commerce Computer Services Corporation. Mr. Stelzer has been with NBC since 1971, serving as division head and vice president of operations since 1978. Larry Nelson has been named the new division head of operations for NBC. He has been with the bank since 1963.

OMAHA: Lawrence Ziska, Jr., has been named executive vice president of Douglas County Bank & Trust Co., reporting directly to the president, Dale Heimann. Mr. Ziska began his career with the bank in 1974.

Minnesota News

The Independent Bankers of Minnesota Fall Conference will be held this week, November 17-18 at the Holiday Inn Downtown, Minneapolis.

Registration will be open at 9:30



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| \$675,000 | GLENWOOD, IOWA General Obligation Construction Warrants Interest: 6-1 and 12-1 | 12-01-1983 | 6.50% | 12.04 |
| \$300,000 | HARLAN, IOWA Electric Revenue Pledge Orders Interest: 6-1 and 12-1 | 6-01-1984 | 7.00% | 12.96 |
| \$ 75,000 | IOWA GREAT LAKES SANITARY DISTRICT General Obligation Construction Warrants Interest: 6-1 and 12-1 | 12-01-1983 | 6.50% | 12.04 |

IN THE OPINION OF COUNSEL INTEREST ON THESE PLEDGE ORDERS IS EXEMPT FROM ALL PRESENT FEDERAL INCOME TAXATION AND ALL PROPERTY TAXATION IN THE STATE OF IOWA.

Pledge Orders are issued in accordance with the provisions of Chapter 384, Code of Iowa, 1981, as amended, to provide funds necessary for the construction of improvements to municipal utilities. In the opinion of counsel, Pledge Orders are subject to the first lien of outstanding debt, if any, and together with such outstanding debt are payable solely and only from the future net revenues of the respective municipal utilities.

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a.m. on the 17th with the official opening seminar at 10:45 a.m. The conference will wrap up on the 18th following the noon luncheon.

The keynote address will be given by Ken Guenther, executive director of the IBAA.

ALEXANDRIA: The stockholders of Alexandria Bank & Trust Company recently voted to change the name of the bank to First American Bank & Trust of Alexandria, effective November 1, 1982.

Illinois News

The Illinois Bankers Association will be conducting its bank directors seminars on two dates in December.

December 8 the seminar will be held at the Hamilton in Itasca, and December 9 the seminar will be at the Holiday Inn, Decatur.

South Dakota News

The South Dakota Bankers Association will be sponsoring its Bank Management Conference November 18-19 at the Howard Johnson in Sioux Falls. (The November NORTH-WESTERN BANKER incorrectly has the location listed as the Downtown Holiday Inn.)

The main focus of the conference will be on the ABA's *Community Bank Financial Performance Guide*, as well as ABA's *Micro-Computer Modeling to Improve Community Bank Financial Performance*. The program schedule follows:

P.M. Thursday, November 18

1:00 Personnel & Employee Management Relations & Productivity—John Schmitz, Human Resource Management, Madison, Wisc.

5:00 Adjournment.

6:00 Reception.

7:00 Banquet.

A.M. Friday, November 19

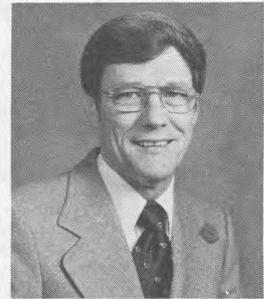
9:00 Asset & Liability Management—Alan R. Tubbs, presi-

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dent, First Central State Bank, DeWitt, Iowa.

11:00 Practical Approach to the Micro-Computer—John Thomson, president, Bank of Centerville, and Jack Lynass, assistant vice president, BankWest, N.A., Pierre.

P.M.

12:00 Luncheon.

1:00 Reconvene.

The Impact of Personal Computers on Community Banking—Dave Waldren, Financial Systems, Inc., Kearney, Nebr., will be demonstrating micro-computer programs for bank usage.

3:30 Adjournment.

North Dakota News

FARGO: J.D. Mund has been named vice president and manager of the commercial lending department at Dakota Bank & Trust Co. and Harold W. Simpson was named vice president and manager of the agriculture department, according to Raymond A. Lamb, president.

Wyoming News

CHEYENNE: Paul J. Jacques has been appointed president and chief executive officer of First Wyoming Bank, N.A., announced W. Robert

Reiman, chairman. He succeeds Robert T. Noel, who left the organization to join another banking system. Mr. Jacques most recently served as president and chief executive officer of First Wyoming Bank, N.A., Laramie. He entered the banking industry in 1967.

JACKSON: Glenn Deming, formerly executive vice president and chief executive officer of First Wyoming Bank, N.A., has been elected president of the bank. Mr. Deming, who came to Jackson last August from Casper, succeeds Mel Hutchings who resigned September 1 to pursue personal business interests.

Montana News

GREAT FALLS: John M. Seeburger has been appointed vice president/manager, commercial loan department, of First Interstate Bank. He joins the bank from First Bank Western Montana, Missoula, where he was an assistant vice president, commercial loans.

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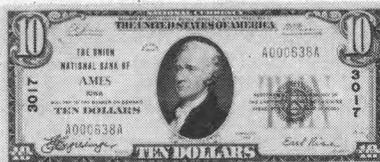
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Aggressive, sales oriented person with some agricultural lending experience to be **manager of branch office**. Responsibilities to include calling on prospective customers, supervision of branch staff and to be part of management team of a rural eastern Iowa community bank. Must be self-starter and interested in community activities. Salary determined by experience and education. Send resume to file RBE, c/o Northwestern Banker. (PA)

Aggressive NW Illinois bank has an immediate opening for an **AGRICULTURAL LENDER**. Must have experience in agricultural lending, farm management, and have an agricultural degree. Will have some exposure to commercial lending also. Excellent benefits. Salary commensurate to experience. EOE. Send resume to file RBF, c/o Northwestern Banker. (PA)

AG MAN - LOAN OFFICER—\$23 million bank in northwest Iowa. Would like experience. Write file RBJ, c/o Northwestern Banker. (PA)

DES MOINES BANK seeks operations and control officer. Applicant will immediately assume supervision of bookkeeping and teller functions responsible to Cashier. Candidate should have a minimum of 3 years experience. Technical and people skills important. Write file RBK, c/o Northwestern Banker. (PA)

Major correspondent bank seeks two persons for travel in upper midwest states; three-four years banking experience essential; credit background preferred. Also need one person with bond sales experience to work with correspondent banks. Write file RBL, c/o Northwestern Banker. (PA)

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Number Two Person for Nebraska community bank. Requires knowledge of operations/ag lending Salary to \$28,000

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Office Manager for major western Iowa bank Salary \$25,000

Operations person for \$35 million bank in major Iowa city . Salary to \$25,000

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Vice President, #3 man, Chief Lender, \$60mm bank, 10,000 population to \$35,000

Agricultural/Commercial Lender, \$40mm bank, under 10,000 population to \$27,000

Agriculture Lender, \$30mm bank, under 10,000 population to \$28,000

Commercial Dept. Head, Senior Vice President, \$250mm bank, 300,000 population to \$75,000

President, \$60mm bank, 45,000 population suburb to \$55,000

President, \$4mm bank, under 10,000 population Open

Commercial Lender, #2 Position, \$40mm bank, 45,000 population suburb Open

Commercial Lender, Vice President, Billion Dollar bank, over 300,000 population Open

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CORRESPONDENT OFFICER—affiliate of major mid-western holding company. Requires degree and "calling" experience. \$30,000

CASHIER—variety of duties including insurance and Ag-lending. \$20MM rural bank \$25,000

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AGRI-LOAN—head \$10MM department in medium size community bank. Degree desired. \$30,000

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