

# NORTHWESTERN Banker Newsletter

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## Transition in Agriculture

By ALAN J. TUBBS, Pres.  
1st Central State Bank, DeWitt, Ia.

*Editor's Note: The ABA study "Transition in Agriculture: Perspective on Agriculture and Finance" is available through August at a discount. The Research Report and the Key Findings sections are reduced to \$80 for both; the planning guide is \$100, and the entire set is \$150 (originally \$195). Orders may be placed with Joyce Slater at the ABA, (202) 663-5108.*

AMERICA'S farmers are giving up hand-wringing and are beginning to face squarely the dramatic changes that are revamping their lives. America's agricultural banks are going through these changes right beside their farm customers.

The entire agricultural community, from farmers to bankers to food processors, is realizing it's in the middle of a major transition. Business will never be the same again. The upward business cycle has stopped.

Not too long ago, we enjoyed a sustained period of increasing production, rising land values, and growth in the agricultural service sector. Now we're faced with a massive change in the level of production, a contraction in the absolute number of farms—and farming com-

munities—and a decline in the number and worth of agricultural banks.

These are the disquieting conclusions of ABA's "Transition in Agriculture: A Strategic Assessment of Agriculture and Banking." The report, authored by Hopkin and Associates, is not association policy. Rather, it's a straightforward examination of the status and the future of America's farms and farm banks. For those who are not prepared, it gives good reason to be fearful of both today and tomorrow.

American agriculture is returning to the trends that prevailed the last 150 years, where food prices declined as agriculture became more efficient, both in this country and overseas. The report emphasizes that the 1970s, when world food prices shot up, were an aberration.

The supply of food is now greater than the demand, to such an extent that traditional food importers like Europe and India now export. Rather than looking to a return to the 1970s, U.S. agriculture must face continued oversupply.

Another change affecting segments of agriculture is the growing consumer preference for "health-conscious" foods. As consumption of lower-fat meats and poultry increases, coupled with more fruits and vegetables and less high-calorie oils, high-cholesterol eggs, and high-carbohydrate foods, farmers will

need to readjust quickly to find ways to make their production marketable.

In some cases this is going to lead to farm integration, where the producing farmer or rancher couples his business with the processor, on down the line to the actual marketer. In the case of poultry, this is already happening. There are certain other sectors, such as fruit growing, where processing and selling cooperatives have high levels of integration.

While it's not popular to talk about the decline of the full-time family-run farm, many farmers know too well the reality of the situation. Agricultural production is moving from the hands of full-time to part-time farmers and to giant corporations that can take advantage of economies of scale.

This does not mean that every full-time family farm will vanish. The "Transition" report notes that moderate-sized, low-debt farms will find four keys to help them remain in business: state-of-the-art technology, sensible investment strategies, astute marketing and business practices, and conservative financial management strategies. Without these, the moderate-sized farm will likely turn into a part-time farm or be absorbed into a larger enterprise.

This will have a significant effect on rural communities and rural banking. Local communities are already painfully aware that every farm that closes means another "no-

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Richard Pederson

sale" for the local feed store, hardware store or grocery store. As more and more farms close, it will lead to changes in the traditional county seat or cross-roads emporium. Some banks and smaller service establishments will disappear from smaller towns, replaced by larger, centralized business districts. There will not necessarily be a centralized business district in every county.

A state official from Nebraska who works on employment training programs understands the plight of the rural community. At a recent U.S. Department of Agriculture meeting, she said that she could not be sure jobs would ever be found for displaced farmers. When every county in Nebraska but one is a

farming county, there are not many options for non-farm work. USDA adds that neither agricultural nor rural manufacturing, nor housing, will grow fast enough to take up the slack.

For bankers, this not-so-subtle change in the rural economy is not going to be easy. Part of the "Transition in Agriculture" study is a strategic planning guide. The guide is specifically designed to help banks cope with the changing agricultural situation and develop courses of action for an uncertain future.

The guide takes the study's findings and develops plans the banks can use to implement changes in internal bank cultures, which are often resistant to change. Assessments for future-based actions in changing economic circumstances are also part of the guide. Agricultural credit delivery systems, consolidation, competition, and marketing form

the basis for a workable package.

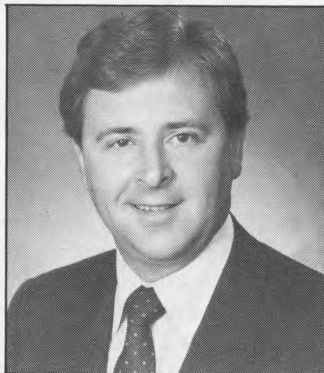
The goal, of course, is to provide a program for all banks to stay in business. While that is not likely with a prognosis of a declining number of ag banks coupled with a declining number of farms, the forward-thinking banker is not going to wring his hands, either. The future may not be easy, but as the business cycle turns static, planning helps banks face the changes—and survive. □

**Iowa News**

The Iowa Bankers Association is offering an Advanced Financial Statements Seminar August 18-19 at the Airport Hilton Inn in Des Moines. This seminar is a continuation of the three-day "Analyzing Financial Statements" seminar, but the latter is not a pre-requisite. Registration begins at 8:00 a.m., Aug. 18. The program begins at 8:30 and runs until 5:00 both days. Continental breakfast will be offered each day at 8:00. Registration is \$250 before Aug. 4 and \$270 after, and includes manuals, breakfasts and lunch. Enrollment is limited to 40, so register soon. Contact the IBA to register.

\* \* \*

The Agricultural Law Center at Drake University is sponsoring the 1987 Iowa Legislation and Agriculture Update at a number of locations



**Jerry Trudo**

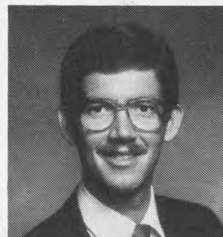
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in June and July. The seminar will be conducted by Prof. Neil D. Hamilton of Drake. Registration fee is \$35, and registration may be made by calling Prof. Hamilton at (515) 271-2947. Dates and locations are: June 23—Best Western Holiday, Clear Lake; June 24—Hilton Hotel, Sioux City; June 25—Recreation Center, Carroll; June 29—Regency Inn, Marshalltown; June 30—Civic Center Holiday Inn, Waterloo; July 1—Ironman Inn, Iowa City; July 2—The Lodge at Okoboji; July 7—Berning's Motor Inn, Creston; July 8—Drake University Olmsted Center, Des Moines; July 9—Days Inn, Ottumwa; July 10—Holiday Inn, Council Bluffs. All seminars are at 9:00 a.m.

\* \* \*

The Iowa Independent Bankers is sponsoring a Bank Lending Update and Review which will be held on June 23 at the Sheraton Inn in Cedar Rapids and on June 25 at the Hotel Savery in Des Moines. It will run from 1:00 to 5:00 p.m. Registration is \$75 for the first registrant and \$50 for each additional. To register, contact the IIB office.

**READLYN:** Burton C. Stumme, president of the Readlyn Savings Bank, has retired after over 52 years with the bank. New president and cashier is Virgil J. Matthias, who has been with the bank since 1966.

**SOMERS:** At Somers Savings Bank, David H. Linder has been elected to the board and promoted to vice president. He joined the bank in 1986 and manages the bank's office at Callender. Kevin Black, who has been with the bank since 1983, was

also promoted to vice president. He works in lending and operations at the Somers office.

### Minnesota News

**ST. PAUL:** Stephen J. Jarvis has been named vice president of Metro-Bank St. Paul. He previously served for six years at First National Bank of Anoka, most recently as assistant vice president.

### Wisconsin News

Group One of the Wisconsin Bankers Association will hold its Annual Golf Outing on July 16 at the Eau Claire Country Club. Tee-offs begin at 7:30 a.m., lunch will be served from 10:00 until 2:30 and dinner will be at 6:00. Fees are \$55 pre-registration or \$60 at the door, which includes cart and meals. Lunch and dinner only are \$21 in advance and \$24 at the door, while dinner only is \$14 and \$17. Register by July 9 with Philip Betzel of First National Bank of River Falls. To reserve a tee-off time, contact Jim Julsrud at (715) 832-7708.

**APPLETON:** Roger S. Core has been named executive vice president of Valley Trust Company in Appleton. He will be general manager for eight northern offices as well as manager for the Appleton office and a director of Valley Trust Company. He has been with Valley since 1978.

**JANESVILLE:** Peter C. Jacobs has been named executive vice president of Valley Trust Company in Janesville. He will be regional manager for

four southern trust offices as well as continuing as manager for the Janesville office and a director of Valley Trust. He has been with Valley for nine years, most recently as a senior vice president/office manager in Janesville.

### South Dakota News

A workshop entitled "Financial Compliance: Bank Secrecy Act and Bank Protection Act" will be held on June 25 at The Crossroads in Huron. Registration is at 8:30, and the program runs from 9:00 until 4:00 with a noon lunch. Fee is \$85 in advance and \$95 on-site. Register through the SDBA office.

### Colorado News

**DENVER:** David R. Witte, formerly senior vice president and treasurer of IntraWest Financial Corporation, has joined Colorado National Bankshares. He will be responsible for the company's facilities, tax and risk management functions, and has been elected a vice president.

**DENVER:** At Central Bank of Denver, Randall F. Komisarek has been promoted to vice president and general counsel, and Philip J. Randell has been promoted to vice president in correspondent banking.

**DENVER:** Barry Gatz, David Eikner, Bryon Bateman and Coleen Merritt have been promoted to vice presidents at Colorado National Bank of Denver. Mr. Gatz will be manager of business development. Mr. Eikner will manage personal

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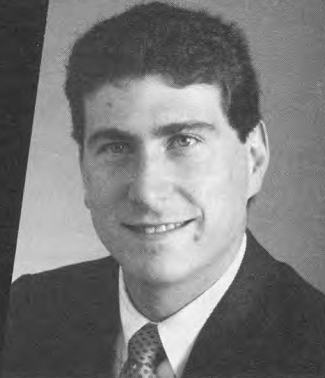
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lending. Mr. Bateman is responsible for the portfolio administration of the financial institutions division. Ms. Merritt is responsible for the bank's note operations, corporate client services and international divisions.

**NORTHGLENN:** United Bank of Northglenn has named Thomas W. Swanson chairman of its board. Mr. Swanson is executive vice president of United Banks of Colorado, Inc., and has been with United Banks for 22 years. Beverly A. Honey continues as president and CEO of the bank.

### POSITION AVAILABLE

\$63MM Bank near metro area seeks **AG/COMM'L LENDER**. Excellent career path opportunity. Send resume to File No. WIY c/o Northwestern Banker. (PA)

**PRES/CEO** \$24MM Independent Bank located in a very desirable area. Looking for self confident, analytical, community minded individual that can project a professional image. Send resume to File No. WJI c/o Northwestern Banker. (PA)

Additional experienced **AG LOAN OFFICER**, dairy background, degree, NE Iowa, county seat 4,000 population. \$47MM bank. Send resume to File No. WJM c/o Northwestern Banker. (PA)

**ACCOUNTING & CONTROL OFFICER** needed for a group of small banks in N.E. Nebraska. Salary negotiable. Send resume to Box 1276, Columbus, NE 68601. (PA)

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#### COMML LENDING MGR

Cities bank with growing metro portfolio seeks experienced lender (3+ years) who can make deals. Will have full power to get the job done and super team to manage. \$45K.

#### RETAIL MGR

Ready to take charge? Metro area bank needs consumer oriented lender who has comm'l exposure. Will supervise 6 and should have 5 years prior banking. \$32K.

#### CASHIER

Colorado bank has opening for rural banker who has 3 years operations in \$25mm+ bank. Prepare monthly financials, corporate reports, manage bookkeeping and teller functions. \$28K.

#### SR VP

Think its time you ran the show? If you are a lender who has been in \$100m+ bank for 7+ years this is your next stop! \$200m+ institution seeks #2 person who has supervisory, large comm'l and real estate lending knowledge. \$65K.

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**CEO** - suburban de novo bank. Experience as CEO or COO required. Strong commercial loan and business development skills desired. Open

**LOAN REVIEW** - large urban bank affiliated with major midwestern holding company. Degree and 2-3 yrs. loan review/workout experience desired. \$30K

**TRUST OFFICER** - medium size community bank with growing trust dept. JD preferred but not mandatory. \$27K

**COMML LOAN** - \$100MM community bank. Supervise commercial lending function. Future advancement possible. \$45K

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