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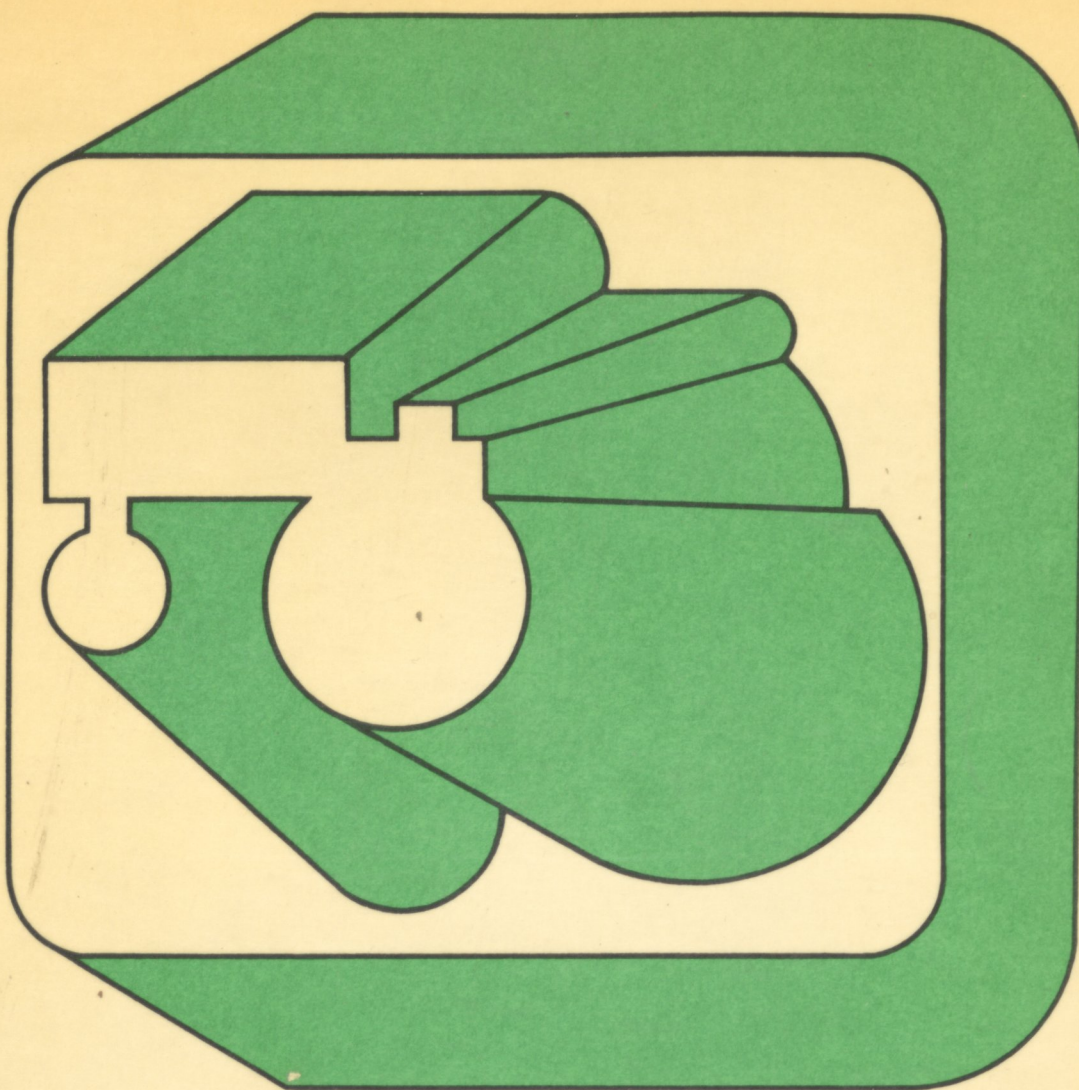
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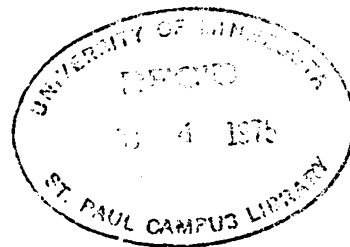
**Proceedings
of the
21st National
Agricultural and
Rural Affairs
Conference**

**Denver, Colorado
Nov. 12-15, 1972
Denver Hilton**

**THE AMERICAN
BANKERS
ASSOCIATION**

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PROGRAM

① 21st NATIONAL AGRICULTURAL AND RURAL AFFAIRS CONFERENCE

② Proceedings
"New Dimensions in Agricultural Banking"

Denver Hilton, Denver, Colorado
November 12-15, 1972

Sunday, November 12, 1972

3-8 P.M.

Hotel Convention Lobby

REGISTRATION AND EXHIBITS

6-8 P.M.

Reception - Grand Ballroom

Buffet, Cocktails, and Music

Monday, November 13, 1972

8:45-9:00 A.M.

SPECIAL OPENING PRESENTATION

Grand Ballroom

ROBERT L. WALTON, Presiding
Chairman, Agricultural, Banker Administrative Committee
President, Farmers & Merchants State Bank
Bushnell, Illinois

OPENING REMARKS

WELCOME

THE HONORABLE JOHN A LOVE, Governor, The State of Colorado

Monday, November 13, 1972

THE AGRICULTURAL AND COMMUNITY
BANKER DIVISION--ITS NEW DIMENSIONS

THOMAS R. SMITH, Division Chairman, President, The First National
Bank, Perry, Iowa

KEYNOTE ADDRESS

EUGENE H. ADAMS, President, The American Bankers Association, President,
The First National Bank, Denver, Colorado

STAND-UP BREAK AND ANNOUNCEMENTS

OUTLOOK PRESENTATIONS--

General Economic

DR. SHELDON W. STAHL, Research Officer and Economist, Federal Reserve
Bank, Kansas City, Missouri

Cattle

W.D. FARR, President, Farr Farms Company, Greeley, Colorado

Feed Grains

TED RICE, Vice President, Market Research, Continental Grain
Company, New York, New York

Hogs

HAROLD J. HEINOLD, President, Heinold Hog Markets, Inc., Kouts,
Indiana

Vegetable Oils and Proteins

JAMES R. SPICOLA, Vice President, Cargill, Incorporated, Minneapolis,
Minnesota

Environmental Issues Facing Agriculture

DAVID D. DOMINICK, Deputy Assistant Administrator for Categorical
Programs, Environmental Protection Agency, Washington, D.C.

12:00 noon-2:00 P.M.

Grand Ballroom

GENERAL SESSION

BANK-GOVERNMENT AGENCY JOINT LOAN PROGRAMS

E.A. JAENKE, Governor, Farm Credit Administration, Washington, D.C.

JAMES V. SMITH, Administrator, Farmers Home Administration, Washington,
D.C.

Monday, November 13, 1972

JACK EACHON, JR., Associate Administrator for Financial Assistance,
Small Business Administration, Washington, D.C.

The Bank-Government Agency Joint Loan Program panel members will be available in Assembly Area 3 during the following Workshop Session Period to answer questions.

3:00-5:00 P.M.--WORKSHOP SESSIONS--Concurrent

FINANCING BROOD COW OPERATIONS

Century Room

- Raleigh J. Solomon, Moderator;
Vice President and Farm Department
Manager, Citizens National Bank,
Macomb, Illinois
- W.D. Willer, Vice President,
Decorah State Bank, Decorah, Iowa

CONFINEMENT FEEDING OF HOGS AND CATTLE IN THE UPPER MIDWEST

Denver Room

- Howard H. Beerman, Moderator;
Vice President, Central National
Bank, Chicago, Illinois

Confinement Production of Swine

- William R. Rothenberger
Frankfort, Indiana

Enclosed Controlled Environment Cattle Feeding

- James E. Willrett
Malta, Illinois

Partial Confinement Cattle Feeding

- Jerry Jorgenson, D.V.M.
Cedar Falls, Iowa

LEGAL ASPECTS OF AGRICULTURAL LENDING

Colorado Room

- Dale Schroeder, Moderator;
Vice President, Liberty National
Bank and Trust Co., Oklahoma City,
Oklahoma
- Harvey B. Stephens, Brown, Hay &
Stephens, Springfield, Illinois

Monday, November 13, 1972

WORKSHOP SESSIONS, continued

LEGAL ASPECTS OF AGRICULTURAL
LENDING, continued

Colorado Room

- Gordon S. Thatcher,
Rigby and Thatcher,
Rexburg, Idaho

HEDGING--ITS PLACE IN
AGRICULTURAL FINANCE

Gold Room

- Frank H. Rolf, Moderator;
Vice President, Agricultural Affairs,
First National Bank
Decatur, Illinois
- H.C. Hitch
Guymon Farms
Guymon, Oklahoma
- Kenneth W. Lloyd
Vice President
Walston and Company
Denver, Colorado

"NUTS AND BOLTS" OF FARM
LENDING

Silver Room

- The Honorable Oliver A. Hansen,
Moderator;
Iowa Superintendent of Banking
and President, Liberty Trust and
Savings Bank
Durant, Iowa
- Orville Frye, Vice President
Tuscola National Bank
Tuscola, Illinois
- David R. Johnson, Senior Vice
President, Omaha National Bank,
Omaha, Nebraska

THE COMMUNITY BANKER--
HIS MANY DIMENSIONS

Spruce Room

- Steve M. Meikle, Moderator;
President, Valley Bank,
Rexburg, Idaho

Monday, November 13, 1972

WORKSHOP SESSIONS, continued

THE COMMUNITY BANKER--
HIS MANY DIMENSIONS, continued

Spruce Room

- Marvin R. Campbell, President
Citizens State Bank,
Brainerd, Minnesota
- E.A. Morse, President
The Citizens Bank
Abilene, Kansas

6:30 P.M.

Grand Ballroom

BANQUET

ROBERT L. WALTON, Presiding

"HOW TO AVOID MENTAL CROP
FAILURES"

LARRY RONSON, Senior Vice President, First Hawaiian Bank,
Honolulu, Hawaii

Entertainment

"Sing-Out Colorado"

Tuesday, November 14, 1972

7:30-8:45 A.M.

EARLY MORNING TECHNICAL SESSIONS--Concurrent
(Continental Breakfast Provided)

Each of these informal sessions will be conducted by an expert in the specific topic area and an A.B.A. Agricultural Banker Administrative Committee Member who will act as Moderator.

THE FUTURE OF EXOTIC BEEF
CATTLE BREEDING

Denver Room

- Ted Haddan, Moderator
- Dr. Thomas C. Cartwright, Professor,
Animal Breeding, Texas A&M University
College Station, Texas

Tuesday, November 14, 1972

EARLY MORNING TECHNICAL SESSIONS--Concurrent, Continued

FARM LOAN COLLECTIONS

Gold Room

- Warren R. Langfitt, Moderator
- Benton O'Neal, Senior Vice President
The First National Bank
St. Joseph, Missouri

PUBLIC RELATIONS AND BUSINESS
DEVELOPMENT THROUGH YOUR
AGRICULTURAL DEPARTMENT

Silver Room

- Rex E. Reeves, Moderator
- Richard J. Stinson, Manager,
Farm Department,
Farmers and Merchants State Bank
Bushnell, Illinois

SHOULD THE FARMER LEASE OR
BUY?

Century Room

- Rex G. Plowman, Moderator
- Dr. John A. Hopkin
Stiles Professor of Agricultural
Finance, Texas A&M University
College Station, Texas

9:15 A.M.

Grand Ballroom

GENERAL SESSION

DERL I. DERR, Director, Presiding
Agricultural & Community Banker
Division, A.B.A.

COMPUTERIZED FARM AND
FINANCIAL PLANNING

RICHARD K. SCHUMANN, President, The Greeley National Bank, Greeley,
Colorado

ESTATE PLANNING FOR FARMERS

ALAN N. POLASKY, Moderator; Professor of Law, The University of Michigan
Law School, Ann Arbor, Michigan

Tuesday, November 14, 1972

GENERAL SESSION--continued

ESTATE PLANNING FOR FARMERS,
continued

WILLIAM P. CANTWELL, Dawson, Nagel, Sherman and Howard, Denver,
Colorado

JAMES M. CONNER, Second Vice President, Northern Trust Company,
President and General Manager, Nortrust, Inc., Chicago, Illinois

12:30 P.M.

Grand Ballroom

LUNCHEON

THOMAS R. SMITH, Presiding

ADDRESS

THE HONORABLE WILLIAM R. POAGE, United States Congress; Chairman
House Committee on Agriculture, Washington, D.C.

3:00-5:00 P.M.

CONCURRENT WORKSHOP SESSIONS--Repeated

FINANCING BROOD COW OPERATIONS	Century Room
CONFINEMENT FEEDING OF HOGS AND CATTLE IN THE UPPER MIDWEST	Denver Room
LEGAL ASPECTS OF AGRICULTURAL LENDING	Colorado Room
HEDGING--ITS PLACE IN AGRICULTURAL FINANCE	Gold Room
"NUTS AND BOLTS" OF FARM LENDING	Silver Room
THE COMMUNITY BANKER--HIS MANY DIMENSIONS	Spruce Room

Wednesday, November 15, 1972

7:30-8:45 A.M.

EARLY MORNING TECHNICAL SESSIONS--Repeated
(Continental Breakfast Provided)

THE FUTURE OF EXOTIC BEEF CATTLE BREEDING	Denver Room
FARM LOAN COLLECTIONS	Gold Room
PUBLIC RELATIONS AND BUSINESS DEVELOPMENT THROUGH YOUR AGRICULTURAL DEPARTMENT	Silver Room
SHOULD THE FARMER LEASE OR BUY?	Century Room

9:15 A.M.

Grand Ballroom

GENERAL SESSION

ROBERT L. WALTON, Presiding

AGRICULTURAL BANKER ADMINISTRATIVE
COMMITTEE REPORTS

JOHN W. CATTLE, SR., Chairman, Government Relations Committee

HAROLD A. MC CUTCHAN, Chairman, Education Committee

G. RICHARD CRAWLEY, Chairman, Communications Committee

RURAL AMERICA'S MONEY TEAM

DALE C. TINTSMAN, President, First Mid America Corporation,
Lincoln, Nebraska

AGRICULTURE 1985

DR. LAWRENCE L. BOGER, Dean, College of Agriculture and
Natural Resources, Michigan State University, East Lansing, Michigan

AGRICULTURE 2000

MERRILL J. OSTER, President, Communications Consultants, Inc.,
Cedar Falls, Iowa

Wednesday, November 15, 1972

GENERAL SESSION--Continued

A brief description of this afternoon's Feedlot tour
will be given by:

FRANCIS M. PETERSEN, Vice President, United Bank of Denver
Denver, Colorado

THE CONFERENCE IN PERSPECTIVE

THOMAS R. SMITH, Chairman, Agricultural and Community
Banker Division

ADJOURNMENT

1:00-5:00 P.M.

FEEDLOT TOUR

The Agricultural and Community Banker Division -
It's New Dimensions

Presented by Thomas R. Smith, President, The First National Bank, Perry, Iowa, and Chairman, The American Bankers Association's Agricultural and Community Banker Division at the 21st National Agricultural and Rural Affairs Conference, Denver Hilton Hotel, Denver, Colorado, November 13, 1972.

Slide 1 This is the Twenty-first National Agricultural and Rural Affairs Conference - the largest attended such Conference sponsored by your division in its history. It pains me a bit, as an Iowa banker, to see Colorado supercede Iowa as the host state for the largest registration for this Convention. I guess that spells change, but I don't mind saying it hurts my Iowa pride just a little. Anyway, congratulations to you in setting this new record.

Slide 2 I want to talk to you this morning about the Agricultural Division of the ABA in its updated form - the Agricultural & Community Banker Division - and how it fits into the efforts of the American Bankers Association to serve the American banking industry.

Slide 3 You were exposed at last year's Conference to the current structure showing the ABA hierarchy from the general convention through the 150 member Governing Council through the 24 member Board of Directors and the Executive Committee.

The Banking Professions group is a part of the functional organization of the American Bankers Association; the front line, if you will, of banker participation.

Slide 4 If offers opportunity to bankers like you and me to fulfill that challenge of former President Theodore Roosevelt who said, "Every man owes some of his time to the up-building of the profession to which he belongs.

Slide 5 The Commercial Banking Division is one of four operating entities of the Banking Professions group. Number one on the Commercial Banking Division team is the Agricultural & Community Banker Division. That's us!

Slide 6 Our stated purpose is to represent the specific, specialized, professional area of agriculture and the specific, specialized, professional area of community banking and develop policies and programs reflecting those interests in the areas of:

1. Legislative and Regulatory
2. Communications
3. Education
4. Conference and workshops
5. Research and planning

Slide 7 The Agricultural and Community Banker Division now consists of two administrative committee's

the 21 member Agricultural Banker Administrative Committee and

Slide 8 the 16 member Community Banker Administrative Committee.

Slide 9 Look with me, if you will please,

Slide 10 at the Agricultural Banker Administrative Committee structure.

The Administrative section of this group consists of the Chairman of the Agricultural Banker Committee and the chairman and vice-chairman of each of the three sub-committee's. They are appointed by the President of the American Bankers Association subject to approval of the Board of Directors. All other members of the committee were appointed by myself, as Chairman, with the approval, of course, of the Chairman of the Agricultural Banker Administrative Committee. The Agricultural Banker side of this Division will concentrate specifically on agricultural problems and opportunities. Through this concentration, I firmly believe its effectiveness can be increased.

Slide 11 It will consist of four sub-committee's - first and foremost the Government Relations Sub-committee.

Slide 12 The Communications Sub-committee

Slide 13 The Education Sub-committee

Slide 14 and the National Agricultural & Rural Affairs Conference Planning Task Force.

Slide 15

The Community Banker Administrative Committee consists of the same type of structure. Again, the Administrative Committee consisting of the chairman of the Community Banker Administrative Committee and the chairman and vice-chairman of each of the three sub-committee's. They again were appointed by the President of the American Bankers Association. I, as the division chairman, appoint all additional members of the committee with, of course, the chairman of the Community Banker Administrative Committees approval. They are members of the Government Relations Committee, the Communications Committee, and the Education Committee.

My personal dream and hope is that the Community Banker Administrative Committee can become as effective a spokesman for and of the Community Banker and as viable a part of American banking as has the Agricultural Division over these years of great leadership.

Slide 16

In making appointments it is the desire of the Association that geographic areas be properly represented as you see from the map here showing the Agricultural members as the brown dots and the Community Bankers represented by the white dots.

Also, bank size, national and state charters, interest and ability are factors considered in making appointments.

Take my word for it, a diligent effort is made by staff members and your elected officers of this Association to see that proper representation is effected.

Slide 17

The chairman of the three basic committee's of all divisions of the Banking Profession's group and, in this case, the Agricultural & Community Banker Division, Government Relations, Education, and Communications, serve as members of the various Councils of the Association:

Slide 18

Government Relations Council

Slide 19

Communications Council and

Slide 20

the Education Council

Let's look for a moment at how these various council's are operative within our division.

Slide 21 The Government Relations Council, chaired by John Cattle of Seward, Nebraska, on the Agricultural side and Steve Meikle of Rexburg, Idaho, on the Community Banker side, are, along with their committee members, intensely involved in legislative and regulatory matters.

Slide 22 ABA staff members are continually monitoring congressional activities and regulatory activities. Our stated policy is that the committee should "take a position on all federal legislative and regulatory matters that directly affect the competitive position of agricultural and community banks.

Within days after the introduction of any bill or the knowledge that it will be introduced, or of any alert received from any of the membership, the members of this Government Relations Committee are to receive a summary of the situation. They decide whether or not a position should be established by the division.

Slide 23 If they decide that a position should be established, their membership in concert grind out such a position. That position is then taken to the full committee for review and comment and subsequent revision, if this becomes necessary. On a number of occasions a panel of representative bankers who are not members of the committee are brought in to help assemble the industry position.

Slide 24 Once the position is established, it is made public to the membership of the American Bankers Association and, of course, where applicable, testimony is made before the regulatory body or the Congressional Committee considering the legislation. For example, when the Rural Development legislation was pending before Congress, this procedure was followed - a position was ground out - it was exposed to many of you here for review and comment and, finally, testimony was made before the appropriate House and Senate Committee's. All of you, I'm sure, took the opportunity to talk to your Congressman about the legislation and it resulted in favorable action in the opinion of this committee - one of the real coup's of the Government Relations Council's efforts last year.

- Slide 25 Periodically, regulatory matters affecting the industry come to our attention and we call on the agencies involved in expressing our opinion and seeking a clarification of matters involved.
- Slide 26 Such an example is the conversations with the Federal Reserve in seeking a change in Regulation Z as it applies to agricultural credit. Obviously, our efforts are not always successful. You will receive a questionnaire during this Conference about forward selling that, hopefully, will help us in some discussions with the Comptroller's office in the future.
- Slide 27 The Communications Committee, chaired on the Agricultural side by Richard Crawley from Lamesa, Texas, and on the Community Banker side by Marvin Campbell, Brainerd, Minnesota, concerns itself with
- Slide 28 state association relationships,
- Slide 29 with liaison with the National Farm Organization, and from time to time with press releases or other brochures such as:
- Slide 30 the "Facts About the High Cost of Food" brochure which is a reprint from the Banking Magazine and which has received broad distribution to the public by many of you.
- Slide 31 The Education Committee, under the chairmanship of Harold McCutchen of Mt. Vernon, Indiana, on the Agricultural side, and Herman Lerdal of Mitchell, South Dakota, on the Community Banker side, historically has been involved in
- Slide 32 researching and publishing the Agricultural Credit Survey with which you are familiar.
- Slide 33 They published those livestock credit bulletins you received earlier this year. They are in the format of an insert in the Ag-Credit Handbook.
- Slide 34 They did the work on the AIB Agricultural Finance Textbook.
- Slide 35 The National Agricultural & Rural Affairs Conference Committee is a task force that plans this conference. You will experience here during the next three days the results of the efforts of the first such committee under

the chairmanship this past year of Bob Walton. I think your interest and the attendance here testifies to their innovation, diligence and expertise. This committee next year will be chaired by Warren Langfitt of Mesa, Arizona. Their first meeting will be on Wednesday evening following this conference to start the planning for next year.

Slide 36

I want to personally compliment the diligent efforts of all of these members who give of themselves. Their work might be compared to that well known quote which says "some men look at things as they should be and say why not". With success in the past and with progress in prospect, I commend to you the effort of this division of the American Bankers Association as it represents your segment of this industry.

Alexander Pope said "Blessed is he who expects nothing for he shall never be disappointed."

We expect you to expect something. Those of you who have previously participated in this Conference know it as the best. Your inputs keep making it better. If you have any input

Slide 37

SPEAK UP!

PURPOSE AND ORGANIZATIONAL STRUCTURE
AGRICULTURAL AND COMMUNITY BANKER DIVISION
1972-1973

Purpose

The Division, one of 14 within the Banking Professions Group of The American Bankers Association, is responsible for developing policies and programs reflecting the interest of the nation's agricultural bankers and community bankers. The Division's programs shall embrace the specialized needs of these two professional areas insofar as providing direction and determining legislative and regulatory positions of the Association, development of needs and criteria to be served by the Communications and Education Groups of the Association and to conduct activities such as conferences and workshops aimed at satisfying the need to communicate with each other through this device of formal meetings and to conduct necessary research and planning programs.

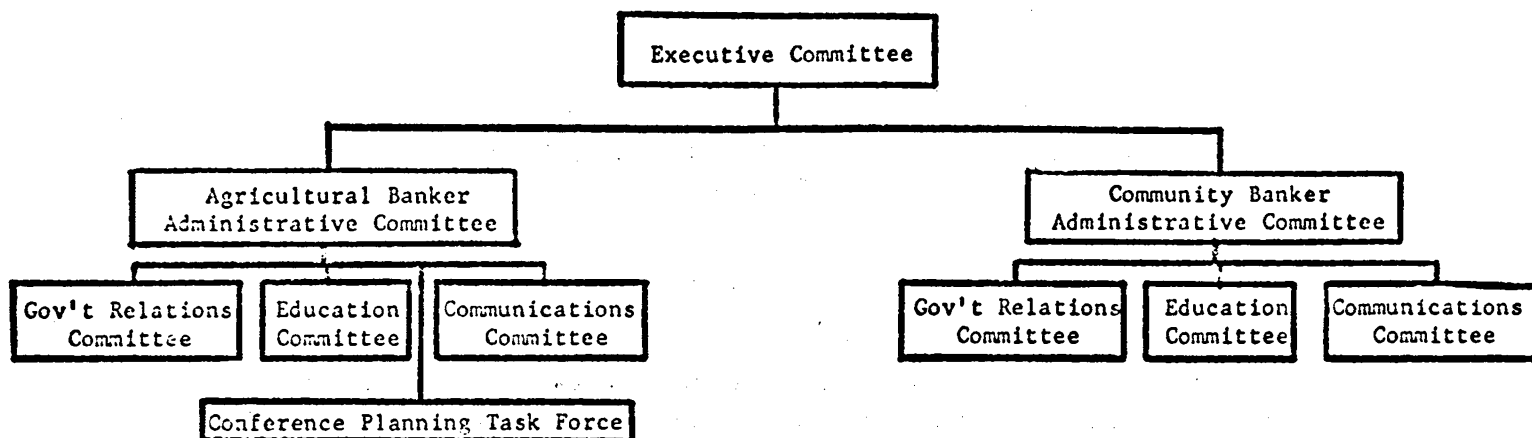
Structure

A 15 member Executive Committee appointed by the ABA President will be responsible for the Division's policies and programs. Except for the Chairman, each Executive Committee Member will serve in an official capacity (either Chairman or Vice Chairman) on one of the Division's two Administrative Committees which will be responsible for initiating and implementing policies and programs for the respective professional areas.

The Division Chairman will appoint 18 bankers (9 to each Administrative Committee) to be members of the Administrative Committees. These members will be given Committee assignments. Each Administrative Committee will have three Standing Committees--Government Relations, Education, and Communications. A special Task Force appointed by the Chairman of the Agricultural Banker Administrative Committee will be responsible for planning the 22nd National Agricultural and Rural Affairs Conference. Other committees, sub-committees, and Task Force Groups will be established as needed.

The organizational chart and explanation is shown on page 2.

Organizational Chart



Explanation

Executive Committee:

Fifteen (15) bankers appointed by ABA President

Division Chairman	1
Administrative Committee Chairmen	2
(also designated as Division Vice Chairmen)	
- Chairman - Agricultural Banker Administrative Committee	
- Chairman - Community Banker Administrative Committee	
Committee Chairmen	6
- 3 Agricultural Banker	
- 3 Community Banker	
Committee Vice Chairmen	6
- 3 Agricultural Banker	
- 3 Community Banker	
Executive Committee - Total	<u>15</u>

Additional Administrative Committee Appointees

Eighteen (18) Bankers appointed by the Division Chairman	18
- 9 Agricultural Banker	
- 9 Community Banker	

Combined Executive Committee and Administrative Committees - Total 33

"Financing Rural Rehabilitation and Agricultural Loan Demands in the '70's", presented at the 21st National Agricultural and Rural Affairs Conference at the Denver Hilton Hotel, Denver, Colorado, November 13 by Eugene H. Adams, President, The First National Bank, Denver, Colorado, and President, The American Bankers Association, Washington, D. C.

As a native of Denver, I want to welcome you to the Mile High City and offer to you all of its hospitalities. Don't miss Larimer Square, and be sure to see the great progress being made in our urban renewal area of lower downtown. I also want to point out, as a possible cause-and-effect reaction, that the registration here at this meeting in Denver is the largest ever in the 21-year history of the Agricultural Credit Conferences.

I want to talk to you today a little about the Rural Development Act, now public law 92-419, and the general problems that I see in the area of agricultural credit and rural rehabilitation. Before doing so, however, I want to make it clear that I have never been a country banker. I probably couldn't tell an eight-gang harrow from a corn drill, and I remember fertilizer as something that used to have a more colorful -- and a much shorter-- name.

Rural Development is an effort to cultivate a whole new system of life support in the vast areas of this country outside of the large cities. It can be, and should be, a means not only to halt, but hopefully to reverse, the migration to the city from the farm that has marked the American pattern of living for most of this century. As a basic doctrine, Rural Development embodies the belief that man ought not be forced to choose between employment and geography. The heart of Rural Development is denial of the too-long held thesis that man has been forced to move to the job-- usually in the city. The time has come for the job to move to the man, not simply for the man himself, but also for our country itself.

Our evolution from an Agricultural society to an urban one is well known even to school children. It has been the inevitable result of America's industrial and commercial genius, and our ability to outproduce any nation on earth in almost any product, including magnificent farm equipment that replaces men formerly employed on

farms and forcing those men to go to the city seeking other employment. So successful has farm mechanization become that agriculture has ceased to be a way of life for millions of our citizens, and has become a huge new industry in which money and management techniques are the keys to success.

Our indifference to these unhappy byproducts of our industrial growth should now be a target for our society and all of its commercial entities, perhaps especially our banking industry.

However, there is no point in just yearning for the simplicity of the old ways. Our people cannot return to the farms that no longer need them. Therefore, we must bend our efforts toward expanding business opportunities--new businesses, relocation of present business, establishment of new industries in rural areas where sufficient people are available as work forces or can be induced to move from the cities for a quicker, cleaner, more satisfactory way of life.

That is what Rural Development is all about, but if it is to match its promise, it must be fueled with adequate credit. Even the most imaginative proposals for revitalizing rural America will remain only rhetoric if necessary credit is withheld or is simply unavailable. That's why banking is the key factor in the whole process. Credit is our business and we must be prepared to provide it in sufficient amounts and at the right places. If we fail, the government will have to step in and do the total job. This, obviously, we don't want-(nor does the ADMI Administration in Washington.)

In this area of lending, let me point out, with a few statistics what the lack of lending power situation really seem to be in rural America. For this purpose I shall use figures mainly from the ninth and tenth Federal Reserve Districts, many of them derived from an Agricultural Loan Survey done by two Kansas City Fed staff economists as of June 30, 1966 (entitled Financing Modern Agriculture-Banking's Problems and Challenges) and from a tabulation of agricultural loans held by banks and the Farm Credit Administration at the end of 1965 and the end of 1970.

About 30 percent of all agricultural loans originated by banks and the FCA are in the 9th and 10th districts. The states in these two districts also contain all

but four of the unit banking states in the nation and, therefore, represent the area where the majority of farm loan participations are held - 58 per cent of the national total.

The Fed's report showed that total farm debt in this country increased from \$10.8 billion in 1950 to \$49 billion at the end of 1967, or about $4\frac{1}{2}$ times. On a per farm basis, due to the declining number of them, the increase in debt was about nine times. Incidentally, do you know that between 1940 and 1970 the number of farms in America had decreased 54 per cent?

The report goes on to state: "During this period, the relative importance of the different sources of credit have changed. The Farm Credit Administration increased its proportion of total credit outstanding. Life Insurance Companies maintained the same relative position, while banks, the Farmers Home Administration, and others declined in importance."

Some other vital statistics turned up by the Fed in its study of the period 1956 to 1966 were as follows:

- 1) The average bank debt per farm borrower increased 166 per cent.
- 2) The number of farm borrowers with debt of \$100,000 or more increased 451 per cent.
- 3) Participation loans increased a gigantic 600 per cent. The number of participating banks jumped from 800 to 2500.
- 4) The rate of increase for both farm loans and the size of individual loan requests exceeds the rate of growth of bank deposits. The banks' relative share of credit extended has been decreasing; and
- 5) Of the total number of banks in the United States -- about 13,750 -- approximately 3000 of them, in 1966 could not make legal limit loans as large as \$20,000 to any borrower unless secured by livestock, where somewhat larger limits are possible, but not to any significant extent in dollars.

The Federal Reserve's conclusions on its study were these:

"The sevenfold increase in dollar amount of participation loans over the preceding decade (1966-1956) can be viewed as an attempt by banks to adjust to, and to keep pace with, the increasing financial requirements of agriculture.

"The question still remains, however, as to whether the financial needs of tomorrow's sophisticated agricultural borrowers can be met adequately without developing

other techniques for solving loan limit problems and for pulling outside funds into many agricultural areas."

Bear in mind that these comments of the Fed speak only to agricultural loans, not to rural development itself--a quite different source of generation of loan demands.

Now let me give you a few more illustrations of the problem of the size of the banks in the tenth Federal Reserve District, based on participation loans on June 30, 1966. Of a total of \$242 million of such participated loans, \$180 million of them were originated by banks having capital and surplus of under \$1 million, and the average amount of these loans was \$67,000.

To illustrate further the problem with this \$67,000 figure, at the end of 1971 there were 2,034 banks in the tenth district. Eleven hundred and twenty-six of them -- 55 per cent -- could not legally loan over \$50,000 to a single borrower, and 1,548 of them, or 76 per cent, could not loan over \$100,000. The percentage of banks with this \$100,000 limitation varies in the tenth district states, from a low of 47 per cent in New Mexico, to a high of 82 per cent of the banks in the state of Nebraska.

This lack of lending power, in my opinion, calls for some real consideration by the bankers of these states as to the adequacy of their banking structure to handle the reasonable and ever increasing needs of their major borrowers, to say nothing of the credit requirements for rural rehabilitation.

At the outset of this address, I mentioned the recently enacted Rural Development Act. The Law, as I'm sure you know, authorizes the Farmers Home Administration to guarantee loans made by private lenders for small business enterprises, rural industrial assistance, essential community facilities, farm ownership, farm operation and housing. Bankers and other lenders have been in close touch with the FHA concerning regulations which will implement this new law. The regulations have not yet been issued.

I should also tell you that the Rural Development Act supplanted a huge bureaucratic concept conjured up by those people and Congressmen who doubt the ability of private enterprise to do the job in the rural areas. This concept, which was scrapped by Congress, would have set up a vast new credit system to be run by the

Federal Government. And would have.

Included ten regional banks and up to 500 local offices, all designed to do the job we should do ourselves and now, hopefully, can do under the new act.

So--as community bankers, we have been given the opportunity and the responsibility to finance the rebirth of Rural America. It is an opportunity and a responsibility we must accept, with enthusiasm, imagination, and leadership.

I agree with Earl Butz, the Secretary of Agriculture, in a statement he made at the ABA Convention in Dallas. He said:

"The banking industry has a decision to make. It is this: Will you move aggressively into Rural America? Will you provide leadership for financing rural development, and will you make wise executive decisions, or will you renege on your opportunity and let the Government step in and play the dominate role"

The choice is ours. Either we help Rural America revitalize itself and establish a new economic base, or I believe we will see Uncle Sam step in and do it for us.

I have great confidence in the ability of our industry to get the job done. We must, however, closely examine our lending powers and ways to enlarge them materially, through new capital relationships, and by serious consideration of multi-bank holding companies in three of the six states in the tenth district, and by 13 other states in the nation, where they are now prohibited by law. These companies are an efficient and potent way of combining the aggregate lending power of a group of individual banks. I commend them to you.

REMARKS BY W. D. FARR

President, Farr Farms Company, Greeley, Col.
as part of the "Outlook Presentations," before
the 21st National Agricultural and Rural Affairs
Conference of the American Bankers Association,
Denver Hilton Hotel, Denver, Col., Monday
morning, November 13, 1972.

The cattle industry is in the strongest position ever known. Current prices of feeder, stocker, and breeding animals are at all time highs. Last July, fed cattle reached their all time highs. Sometime in 1973 finished cattle will probably make new record highs.

The entire cattle industry has changed dramatically in the past twenty years and especially during the past five years. Beef has become the number one food choice of the American public. The uniform quality plus the stable weekly supply of fed beef has made this possible. USDA Choice Beef is a standard commodity traded in every major U. S. city on a daily basis. Finished cattle do not move from the feedlot to the slaughter plant unless there is demand. This direct marketing method keeps supply and demand in balance.

Whenever any commodity sells at new high levels, there are many questions raised as to why and whether the new values will continue. In the next few minutes, I will try to answer these questions.

First and probably most basic is the world's food supply. The standard of living is increasing in every country of the world. As people have more money for food, the first demand is for more meat in the diet. Human population is increasing, world tensions are

lessening, foreign trade with all nations is developing. These are the basic facts that have put pressure on world food supply and particularly world beef supply.

There is no surplus of beef in the world. This statement is proven by the fact that last June, President Nixon removed all meat import restrictions for the balance of 1972. Beef prices, especially for imported quality, has been much higher than ever known. Prices should have attracted large quantities of beef from foreign countries. The indications are that about 35,000,000 pounds more beef will be received than the quotas allowed. Our domestic weekly beef production runs between 350 million and 400 million pounds.

Obviously the additional 35,000,000 pounds of imports are only ten percent of one week's domestic production. It is very significant that in seven months all of the meat importing countries of the world have only been able to furnish the United States with 35 million pounds of extra beef.

Our United States cattle inventory and supply is a debatable issue. The cow herd is supposedly growing at a yearly rate of two to three percent. Calf crops are increasing by one to two million each year. More cattle are constantly being fed. The October cattle on feed report shows 1,100,000 more cattle in U. S. feedlots than last year which was a record number at that time. These statements would lead you to believe that there will soon be a surplus of beef and cattle.

Again, we must analyze the facts. Cattle slaughter for the first nine months of 1972 shows an increase of 361,000 cattle. However,

calf slaughter for the same period shows a reduction of 306,000 head. When cattle and calves are combined, the net slaughter increase is only 55,000 head. This is the phenomenon that most observers overlook. Our total cattle and calf slaughter has been almost level for four years, beef production per capita has increased because the calves have been placed in feedlots and grown to mature animals rather than being slaughtered as veal calves. This transition from calf slaughter to fed slaughter has been changing at a rate of about one million head per year. Finally, we are approaching the bottom of the barrel because total calf slaughter in 1972 will be less than two and one half million head.

The significant part of the October first cattle on feed report is the fact that placements into feedlots during the third quarter were down two percent from 1971. This was a very favorable price period. Feed supplies have been ample. Why weren't more cattle placed on feed during the third quarter? In my judgment the answer is because the feeder cattle were not available.

Bankers are interested in the total cattle industry. The January first 1973 cattle on feed report will be very significant. The yearly cattle inventory will also be analyzed very carefully. These reports are likely to show that all surplus cattle have been consumed. The consist of the cattle on feed report will show how dependent we are on the yearly calf crop. The October report which I mentioned previously already shows a seventeen percent increase in cattle weighing less than 500 pounds. I firmly believe that the January first report will show a strong tendency to light cattle.

If these predictions are true, then the only way that beef production can be increased is to increase the beef cow herd. Studies have been made that predict a potential of doubling our beef cattle population. Most of the increase in beef cows will have to come in the Midwest and Southeastern States. The studies suggest that many historic cattle feeding states should shift to cow-calf producing states. They also predict more shift of cattle feeding to the Western States.

The beef cattle industry has several segments. First is the purebred herd. Then the commercial herd, next the feeder, on to the packer, and finally to the chain store. There is not much question, that for the next many years, the cow-calf producer will be the most favored segment of the beef cattle industry.

REMARKS BY HAROLD J. HEINOLD

President, Heinold Hog Markets, Inc., Kouts, Ind., as part of the "Outlook Presentations, " before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton, Denver, Colo., Monday morning, November 13, 1972.

The theory of projecting the hog outlook has not changed. The price cycle has been good in the immediate past, but looks bad for a future period because the price cycle always goes up and down.

Most economists can give us the hog cycle as it has been for years. It's just that a few additional factors must be put into the computers to adjust to our present world. The real question becomes the timing . . is the downward turn in January, is it April, August, or next December? What are some of the new factors that must be considered?

Demand - There are more people, without question, and pork also enjoys a much better image. Pork has less fat and more red meat. Also, the public pays less attention when someone writes a magazine article and states "don't eat pork," or that "pork is harmful," or "it makes your spleen blue," or if the writer is just writing something to get on the news. We hear that it causes cancer or too high a level of chlorestrol. But there is now some question as to the effects chlorestrol has on the heart. People are becoming unaffected by writers, such as the Naders, who are seeking publicity and falsely alarming the consumer. (Me, too.)

Supply - Hogs are being raised by larger producers than in the past, therefore, there are financially stronger hog farmers who do not jump in and out of the business so quickly.

Farrowing - Hogs are being produced on a monthly farrowing basis, with only a few farmers producing one litter per year. Thus, we have less extra build-up in October, November, and December marketing than we have had in the past.

Investor - Some investor capital is being used primarily for tax purposes in hog production, but to date this is a small factor.

Large Operations - We are finding a few large feeding operations, almost to the point of commercial feeding lots in the West, but it is very small nationally. The Midwest still has about 77% of the hog production, of which 50% is in four states -- Iowa, Illinois, Indiana and Missouri. These larger feeding operations will have very little effect unless it is done on a farrowing basis. Some of you can tell me about 1,000 and 2,000 sow operations, and some even larger, but in comparison with annual production of 100 million hogs, it is still peanuts in volume.

Marketing - I feel our hog marketing today is the most efficient we have ever had and daily bargaining of 80% or more of the hogs, still determines the market. By that, I mean, it is not comparable to milk and eggs with 90%, or better, delivered to daily, established channels and the remaining 10% is surplus or shortage, causing a radical move in the market.

Build-up - There is good demand for both boars and gilts. More gilts are presently being held back, causing some build-up. The building of more new hog farrowing units and the selling of more hog equipment is another sign of build-up.

What we, as bankers, need to do is guide and educate our farmers, in regard to the price cycle of increasing production and timing of the hogs coming to market.

All right, now predict the market for the next six months to a year . . . I will!! My prediction is that the market will go up and down.

Seriously, we look for a good hog market in November, December, January, and February . . . meaning, \$27. to \$28. lows and highs of \$30. to \$32. In March and April, hog prices are normally lower, but we expect a good hog market with \$25. to \$26. lows and highs of \$28. or better for this period. In May, June and July there will be some seasonal recovery, but probably not as much as normal. Some hog producers, who jumped into the market will not be afraid and sell off sows and gilts for a one shot deal. Some of these will come to market and have some extra tonnage. We look for May, June, and July prices to be \$25. to \$28, but beware of the August through December market period, because of the increasing production. But, the producer who raises his own will still make good money.

The short term, or six month outlook is good, but for the long term, tighten your belt.

What about Hedging? - We think it is a marketing tool bankers should understand with their hog producers. It is only to be used as a tool in marketing, not when the pencil tells you it is profitable. What I am telling you is this . . . it is usually best to hedge hogs only on a down cycle, not on an up cycle, the top of the cycle, or the bottom of the cycle.

As an example, the hog market will be good enough in the November-February period. Take the risk! Don't hedge! Your risk of a bad market in Dec. 72 and early 73 is very little, but August through December, 1973 is a much greater risk and my advice to you is. . . hedge your hogs!

Perhaps this may not sound like good business practice for Heinold Commodities, which does more hedging for hog customers than any other commodity house, but I was asked to say what I think . . . and I have done so.

REMARKS BY JAMES R. SPICOLA

Vice President, Cargill, Incorporated, Minneapolis, Minn. as part of the "Outlook Presentations," before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday morning, November 13, 1972.

I was asked early this summer to present at this meeting the outlook for oilseeds - proteins and oils. Had we prepared a summary of the forecasted situation at that time I can assure you it would have had little relevance to the situation that exists today.

Just a few short months ago no one could foresee the developments that were to take place - that Russia was to experience its worst growing season in this century; that they would elect to cover their shortfall in world markets rather than restricting domestic consumption; that they would not only purchase large quantities of wheat and feed grains but would begin a program of substantial protein imports in the form of soybeans, necessary to accelerate the development of its poultry and livestock industries.

Nor could we foresee that China would become a customer of U.S. agriculture so soon after President Nixon's historic visit.

We could likewise not foresee a number of other events that have proved critical to the world protein and oil balance: a drastic change in the fishing situation in Peru which has all but eliminated that important source of protein for the past few months and may well restrict supplies for some time to come; adverse weather conditions

in India and Senegal which have drastically reduced their peanut crop prospects.

All of these important events have had major effects on the supply-demand balance and the price structure of grains, oilseeds and their products.

The U.S. economy, U.S. agriculture and most particularly the U.S. grain and soybean farmers have benefited tremendously from these events. There have been few times in recent history when we have seen the total agricultural complex as healthy, vigorous and prosperous as it is today.

As I've pointed out, developing a forecast for even a short period ahead these days is a hazardous, if not foolhardy undertaking.

U.S. agriculture, not many years ago, was more or less "self-contained". It produced primarily for the home market. Conditions outside the U.S. had little affect on the structure of our farm economy.

The situation today is obviously quite different. Now four of each seven acres produces for the export market and the ratio is likely to grow.

Prices received by farmers are and will be affected in a major way by droughts in Russia - poor fishing in Peru - increases in meat and poultry production in Hungary, etc.

Today's situation clearly points out the extent of that impact on the oilseed sector, particularly on the soybean protein area, soybeans being the major world protein source and the U.S. the major soybean producer.

The outlook for oilseeds, principally soybeans, this year is extremely bullish.

In spite of a 10% increase in soybean production this year, farmers are currently receiving \$3.25-\$3.40 per bushel as compared to \$2.50-\$2.60 three years ago. The bullish situation is principally generated by protein demand. Soybean meal prices are currently 30% above levels of a year ago.

Early this year it appeared world supplies of vegetable oils would be in a major surplus situation, prices would be very depressed and have a dampening effect on oilseed prices. Palm oil production was to be up in Malaysia, supplies of coconut oil from the Philippines are increasing, our own cottonseed oil production is up 30%, and of course soybean oil supplies are larger. It now appears, however, that with the substantial reduction in both fish oil from Peru and peanut oil supplies from India and Africa that the normal yearly increase in world demand will put the total supply-demand situation in reasonably close balance. While current oil prices are below last year's levels, they should not be unduly depressive on oilseed prices.

The factors which have provided the attractive economic framework for the soybean farmer are basic. The long term trends are:

1. Continued rapid growth in protein demand as people throughout the world improve their diets by substantially increasing meats and poultry consumption. This trend began in the U.S. in the forties, in Western Europe in the late fifties, in Japan in the middle sixties and is now just really beginning in Eastern Europe.

2. Rapid improvement in the technology of livestock and poultry production which requires use of high quality protein in the feeding ration.
3. Ability of the U.S. the past 25 years to shift land from production of crops in surplus to soybean production. This coupled with the ability of the U.S. farmer to produce this protein and oil crop more efficiently than their competitors elsewhere in the world. Soybean acreage in the U.S. has increased from less than 11 million in 1947 to over 46 million acres this year.

Short term factors which have created the current extremely bullish situation are:

1. The dramatic reduction of fish meal supplies in Peru. Production has dropped from about 2 million tons last year to 1.2 million tons this year, and at this moment it is uncertain when production will resume and at what level.
2. The initial purchase by Russia of one million tons of soybeans.
3. Failure of the U.S. to expand soybean production at a rate equal to long-term demand growth. U.S. production has been below consumption each of the past 3 years - reserve stocks have been exhausted and consumption restricted, markets lost because of inadequate supplies.

One might observe that the current situation is ideal - extremely high prices for soybeans means prosperity for the producer. However, there are some serious clouds on the horizon.

1. There are two sides to the farm equation: Farmers are major consumers of protein. Hog, turkey and poultry producers depend on soybean meal to efficiently convert grain to meat. Current excessively high prices for protein meals are or will have serious adverse affects on the profitability of the meat producer. For example, the feed cost, expressed in cents per pound of liveweight hogs, to produce a pound of pork is up 2¢ over last year. In other words, if the breakeven price for the hog producer last year was 18¢ per pound liveweight, it will most likely be about 20¢ per pound this year. Other areas of livestock production - turkeys, poultry and eggs - are being affected comparably.

The protein supply-demand balance is critical so that, while prices are extremely high, it is not likely that they will decline in the months ahead.

2. Excessively high prices encourage competition; competition in the form of increased production outside the United States. Increases such as we are currently witnessing in Brazil where soybean production in the past 3 years has tripled. Competition in the form of synthetic protein substitutes. We have witnessed the commission of two major so-called petroleum protein production units in recent months.

This competition, once created, is all but impossible to dislodge.

The U.S. oilseed, soybean-producer, is currently at a critical crossroad. The outlook, the opportunity, for long-term growth and prosperity is indeed bright.

The long-term growth trends in demand are built on a solid foundation.

Productive acreage is available - acreage currently being paid to keep out of production that can be put to profitable use - while the cost to the taxpayer is reduced.

Farm income can be increased as farmers receive fair prices for their soybean crop while providing protein to our livestock industry at reasonable levels.

What is necessary is for the present farm program to be geared to encourage our producers to expand production in sufficient volume to meet demand. To fail to respond this year will encourage continued rapid expansion abroad and will restrict the horizons of our farm economy for years to come.

The outlook is optimistic. Let us hope we will respond to it aggressively.

REMARKS BY E. A. JAENKE

Governor, Farm Credit Administration, Washington, D. C., as a Panel Member of the General Session "Bank - Government Agency Joint Loan Programs" before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972.

Three units of the Farm Credit System may have direct working relationships with banks and other financing institutions under authorities contained in the Farm Credit Act of 1971, Public Law 92-181, and in accordance with regulations published in the Federal Register, Volume 37, Number 110, Part II, June 7, 1972. These units are the Federal Intermediate Credit Banks, Production Credit Associations, and Banks for Cooperatives.

The Federal Intermediate Credit Banks have direct loan and discount relationships with banks, while Production Credit Associations and Banks for Cooperatives may participate with banks in loans.

Though all of the authorities permitting these relationships are not new, their inclusion in a new and comprehensive Farm Credit law demonstrates a strong concern by the System for assuring all possible channels of financing are open to agricultural producers and their cooperatives. Giving a discussion of these relationships a prominent place on your program together with those of the Farmers Home Administration and Small Business Administration, shows that you share that concern. You have all seen the projections of agricultural credit needs in the years ahead and realize that the question won't be who will finance agriculture, but how can we all work together to make sure adequate,

dependable financing will be available. The programs I am about to describe are a part of the answer.

Direct Loan and Discount Programs

The Federal Intermediate Credit Banks make no loans to individuals. Their responsibility is to provide a continuing, dependable source of production financing to eligible farmers and ranchers in their respective districts primarily by providing loan funds to Production Credit Associations. In addition, they attempt to fulfill this responsibility by helping assure that other institutions financing agricultural producers have adequate loan funds with which to perform their functions.

The Federal Intermediate Credit Banks accomplish this in two ways. The first is by discounting for or purchasing from banks and other financing institutions, with their endorsement or guaranty, notes and other financial obligations which have been made for agricultural purposes.

However, before doing business with any other financing institution, the Federal Intermediate Credit Banks require the execution of a general discount, loan, and pledge agreement.

To gain approval to discount paper with an FICB, a bank must show that it needs to serve the volume of agricultural loans at least equal to the volume of the preceding three years. The need cannot be the result of the bank having been denied or restricted other discount privileges or loan funds usually available to it.

In its application, a bank must also establish that it has a capital structure adequate to support an economically feasible lending operation, an actual or potential loan volume large enough to permit reasonable efficiency, and an institutional capability, including

staff experience and expertise, to extend and administer the anticipated volume on a sound basis.

The FICBs cannot purchase notes or other obligations from a bank if the amount when added to the bank's other liabilities, exclusive of deposits, exceeds that permitted by the laws governing the bank or ten times its paid-in and unimpaired capital and surplus, whichever is lower.

Approval of an application is also based on the percentage of the bank's total loan portfolio in agricultural loans or the degree of its effort to serve agricultural producers, its peak loan-to-deposit ratio, the availability of participation loans with Production Credit Associations, and its need for access to the discount privilege on a continuing basis.

In order to retain the discount relationships with the FICB, a bank must remain in compliance with the criteria under which the relationship was initially approved. It must also maintain reasonable credit quality in its total loan portfolio as well as that credit submitted for discount with the bank. The institution shall not significantly reduce its agricultural lending activity as a portion of its total credit activity, and any substantial increase in the volume of loans tendered to the FICB for discount shall be accepted subject to a showing that the increase is a result of the institution's increase in volume of agricultural loans rather than a reduction in its ratio of agricultural loans to non-agricultural loans or any restriction on its access to other sources of lendable funds.

The regulations governing the discount relationship are consciously designed to prevent access and use by the in-and-outers and to encourage involvement by those banks that are attempting to serve agricultural producers on a continuing basis.

Approval criteria are somewhat flexible and may vary slightly among the various Farm Credit districts. They are, however, predicted primarily on the job a given bank is doing for agricultural producers.

The second way in which the Federal Intermediate Credit Banks fulfill their obligation to provide loan funds to banks and other financing institutions is by making direct loans and advances. Commercial banks, in effect, establish lines of credit with the Federal Intermediate Credit Bank serving their area.

Direct loans and advances to banks may be made on the security of the following classes of collateral.

1. Notes or other obligations of bona fide farmers and ranchers.
2. Bonds and other direct obligations of the United States.
3. Federal Farm Loan Bonds and consolidated debentures of Banks for Cooperatives.
4. Soil and water conservation bonds and farm ownership loans made under programs administered by the Farmers Home Administration, the payment of which is guaranteed by the United States.

In making loans or advances to any other financing institution on the security of collateral other than that just described, the Federal Intermediate Credit Bank will assure itself that the proceeds of

such loans and advances will be used to enable the institution to make or carry loans to farmers and ranchers for agricultural purposes.

Approval criteria for direct loans and advances to banks are essentially the same as for the discount privilege with the emphasis being on service to agricultural producers on a continuing basis.

Loan Participations

Production Credit Associations and Banks for Cooperatives may enter into loan participation programs with commercial banks to enable joint financing of eligible individuals and entities meeting the lending standards of the Banks or Associations. Policies governing such programs are prescribed by the boards of directors of the respective Farm Credit Banks involved and approved by the Farm Credit Administration.

The program requires that loan participation agreements define the provisions for disbursement and repayment of loan funds; sharing, division, or assignment of collateral; the loan service plan; collection procedures; authorizations and conditions for action in the event of default by the borrower; sharing loss; conditions for the termination of the agreement; and any other applicable items.

In lieu of executing separate notes and other legal documents, the participating bank may purchase certificates evidencing an equivalent participation interest in such loans.

Participation agreements by Production Credit Associations are further subject to the following conditions.

1. The Production Credit Association reserves the right to decline participation in any loan offered.

2. Provisions restricting the PCA from providing full financing for the borrower are avoided. The agreement may, however, restrict either party from soliciting full financing.
3. To assure that participation agreements do not result in a bank shifting its lending away from agriculture, the participating bank must meet one of the following requirements.
 - a. Retain at least 50 percent of each participated loan.
 - b. Retain at least 10 percent of each participated loan provided the bank does not materially reduce its ratio of agricultural loans to total loans from the ratio maintained during the preceding three years.
 - c. Retain the maximum amount of the participated loan permitted by the regulations to which the bank is subject.

A district Bank for Cooperatives must first offer a participation in loans which exceed its lending limit to the Central Bank for Cooperatives. With the concurrence of the Central Bank, a district Bank must then offer participations to other district Banks before offering them to commercial banks.

Loans in excess of the lending limits of the Banks for Cooperatives on a consolidated basis may be made only when such excess amounts are sold as participations to commercial banks or other financing institutions.

The form of each participation agreement between a Bank for Cooperatives and a commercial bank is subject to prior approval by the

Farm Credit Administration. However, the names, of participants, amounts, and dates are not subject to approval.

The major thrust of the discount, direct loan, and participation programs is obviously directed toward providing an adequate source of dependable credit for agricultural producers and their cooperatives on a continuing basis. In some respects, certain aspects of these programs are tighter than they were before. The intent of the regulations and, we think, the intent of the Congress in granting us these authorities is to discourage relationships with in-and-outers and leave the doors wide open to permit good working relationships with those banks that have an honest desire to serve agriculture.

REMARKS BY JAMES V. SMITH

Administrator, Farmers Home Administration,
Washington, D. C., as a Panel Member of the
General Session "Bank - Government Agency
Joint Loan Programs," before the 21st National
Agricultural and Rural Affairs Conference of
the American Bankers Association, Denver Hilton
Hotel, Denver Col., Monday afternoon, November
13, 1972.

The Rural Development Act of 1972 is landmark legislation with
a tremendous potential for rural America.

It is designed to fully develop the resources of rural areas
and rural communities, provide incentives and assistance for broad
economic expansion, and improve the quality of living and environmental
climate for all rural people.

The program and its objectives have almost universal support.
President Nixon has advocated a rural development program almost from
the moment he took office four years ago. Congress enacted it over-
whelmingly.

It has both urban and rural support because, if it succeeds,
it will mean a major step in relieving the population pressures on our
cities, offer business and industry new areas in which to locate and
operate profitably and efficiently, provide expanding job opportunities
that can reverse the outmigration of rural people to the cities, and
generally improve the social infrastructure of rural America so that
living there will be even more attractive. It has the support of
private citizens and their organizations, and of government at all levels.

There may be those who say that the goals we seek are too ambitious -- too visionary. They point to other national programs in the past that offered great promises and not much else. I refer to some of the so-called "Great Society" programs like the War on Poverty and some of the old farm programs that never did help the farmers who most needed help.

I think this program can succeed.

It will succeed because the Rural Development Act of 1972 possesses one major difference that separates it from most Federal programs. It makes the private sector a full working partner. Local citizens determine what their community's future shall be. You, bankers and investors, play a leading role in expediting the program.

And you have richly earned this opportunity, on the basis of past performance.

The President recognizes this fact -- so does Congress -- and, I might add, so do I from first-hand personal experience.

I would like to briefly recount your performance record as I have observed it from my post in the Farmers Home Administration the last four years.

At the beginning of the Nixon Administration when I came in, nearly half of all the funds we loaned to farmers and rural people had to come from Congressional appropriations -- posing a severe burden on an already over-burdened Federal budget. Our loan volume then was only \$1.4 billion.

But even at that loan level, we were facing a severe crisis. Our programs are funded by selling borrower's notes to investors, backed

by the full faith and credit of the government. These insured notes were being rolled back to us faster than we could sell new paper.

In the meantime, Congress had enacted a new rural housing bill that created unprecedented demands on the Farmers Home Administration for massive amounts of loan funds. In addition, rural communities were clamoring for more funds for water and sewer systems.

With the cooperation of the banking and investment industry we solved that problem.

Today, nearly 100 percent of all our loan funds come from private investors. Our total loan volume for all our programs has increased from \$1.4 billion in 1968 to \$3.4 billion in this fiscal year. Our housing program has soared from a \$468 million level in 1968 to more than \$2.1 billion this year.

Rural low- and moderate-income families are getting decent, modern housing at the rate of 125,000 units a year -- thanks to you.

But you have cooperated in many other ways also.

Two years ago the distinguished Governor of the Farm Credit Administration and I worked out an historic Agreement of Understanding regarding farm real estate and farm operating loans that has since spread to include all rural banks who are interested in participating. The results have been most encouraging. By making simultaneous loans with people like you, Farmers Home Administration has been able to "stretch" its limited supplementary farm loan resourced by nearly 50 percent, thus assisting many more small family farmers.

The banking and investment sector is providing a great service by cooperating with the Farmers Home Administration in making short term "interim" loans on many of our housing and community facility

projects. This is profitable business for you and it creates savings for the Federal government since we do not have to provide great outlays of credit while community facilities are being constructed and before repayments start coming in. At the present level of lending in our rural housing and community facilities programs, this "interim" financing from you could result in substantial savings of tax dollars.

It is this record of performance -- this cooperative effort and sense of responsibility to the needs of rural America that prompted this Administration and the Congress to give you new opportunities for participation and leadership in the building of a better rural America.

I should like, at this point, to give you a brief overview of the Act itself before getting into the specifics of the various loan programs which directly involve the banking and investment sector.

First of all, this is strictly a voluntary program. The Act merely makes this credit and technical service available to individual rural people -- whether they be farmers, businessmen, or whole communities. It is up to the individual borrower to decide whether loan assistance is needed, and what type. Then it is up to you and to us in the Farmers Home Administration to decide whether the borrower is eligible for the loan and has sufficient repayment ability -- or at least the prospects of being a reasonable good risk.

As for communities themselves, community development is whatever a community wants it to be. Some communities will choose to remain as they are. Others obviously lack the potential for growth. Still others will make dramatic improvements.

One of the most significant features of this program is that most of the decision-making will take place at the local level between either yourself as the local banker and the prospective borrower or between the borrower and our local supervisor. Often it will be a three-way proposition.

In practically all the loan programs under this Act, we are giving first priority to making "guaranteed" loans. This is where you come in. Only when you, as an individual lender feel you cannot make a guaranteed loan to a borrower will we consider making an insured loan.

I think the terms "guaranteed" and "insured" loans should be clearly understood as we interpret them under this Act.

Under the guaranteed loan route you will make a loan to the borrower and we shall "guarantee" you up to 90 percent of any loss.

Under our insured loan program, we make a loan to the borrower from our revolving fund and then in turn sell our paper to outside investors, just as we have been doing for a number of years.

Now let us review the various loan programs:

Rural Enterprise Loans (real estate) can be used to help establish small business enterprises by eligible citizens living in rural areas and towns up to 50,000 population. Ceiling on these loans is \$100,000 and repayment is scheduled up to 40 years. These loans can be either guaranteed or insured.

Rural Enterprise Operating Loans will finance the operation of a small business in rural areas and towns up to 50,000. Loan limit is \$50,000 and repayment is up to 7 years. Loans can either be insured or guaranteed. Both the above loan programs are available to farmers also.

Loans to Rural Youth to enable them to operate enterprises in connection with their participation in 4-H, Future Farmers of America and similar organizations. The borrower (youth) can sign for and assume personal liability or a co-signer may assume personal liability in addition. Repayment is up to 7 years and loan can be either insured or guaranteed.

Essential Community Facilities provides for loans to public bodies and nonprofit associations in places up to 10,000 population, for essential community facilities such as fire halls and equipment, community centers, ambulance services, industrial parks, etc. Repayment is up to 40 years and loans can be either insured or guaranteed.

Rural Industrialization Assistance Loans can be made to public, private or cooperative organizations for profit or nonprofit, or to individuals for the purpose of improving, developing, or financing business, industry and employment to improve the economic and environmental climate of towns up to 50,000 population. No loan limit has been specified but will be administratively determined. Repayment is up to 40 years and loans can be either insured or guaranteed.

Guaranteed Loans for Above-moderate Income Housing to individuals in rural areas and towns up to 10,000. Interest rate will be determined by HUD under the National Housing Act.

These are the principal loan programs under the Act which you, as bankers, are primarily interested in.

However, you should be aware of the grant programs provided by this Act because if and when some of this grant money comes to your area, it will, in all likelihood, generate increased demands for loans.

-- grants to public bodies or planning agencies to prepare

comprehensive plans for rural development in places up to 10,000 population.

-- grants for pollution abatement control for farmers and industry, not to exceed 50 percent of the project cost.

-- grants to help communities attract business and industry, up to 100 percent of costs of project.

Since the passage of this Act, we in the Farmers Home Administration have met with many representatives of the banking and investment sector. We shall continue to do so.

We have a dual purpose in doing this. Much of the success of this program will depend on the degree of understanding and cooperation we get from you. Therefore, it is necessary that you have a thorough understanding of the new loan authorities.

Second, but probably even more important, we need your counsel and your assistance in establishing workable and prudent policies that both of us can live with, as we achieve the objectives of this Act.

The response and cooperation we have received thus far has been absolutely wonderful and meetings like this are immensely helpful to us.

We are making good progress in drafting instructions and guidelines to be sent to our field offices and we are making an intensive effort to keep procedures simple and understandable, and to reduce paperwork to a minimum. We are determined that this program will reach the people who need it and not be bogged down in a mass of bureaucratic red tape.

In the area of guaranteed loans, which is where the "action" is as far as you are concerned, you can be most helpful in helping us set up uniform guidelines and procedure policies that will be acceptable for all bankers and investors, large or small. We need to resolve questions of foreclosures, interest rates, risk acceptability, refinancing of debts, loans for expansion and many other problems that will arise as this program begins operation.

These policies must be resolved not only to protect your and the government's interests, but in the borrower's interest, as well. We welcome all constructive suggestions and recommendations.

While the Rural Development Act of 1972 is certainly not the do-all, end-all answer to all of rural America's problems, it does provide an unprecedented and exciting opportunity for both the public and private sector to work in close partnership to create the kind of rural America that provides an ever-expanding economy and a quality of life that will attract all the business and all the people who want to locate and live there.

This, really, as President Nixon said, is a program that not only can change the face of rural America but can benefit all America for generations to come. Change will come because we in government will be the catalyst to help you in the private sector accomplish the purposes of rural development. Tomorrow will be the better for our cooperation.

Thank you.

REMARKS BY JACK EACHON, JR.

Associate Administrator for Financial Assistance,
Small Business Administration, Washington, D. C.,
as a Panel Member of the General Session "Bank-
Government Agency Joint Loan Programs," before
the 21st National Agricultural and Rural Affairs
Conference of the American Bankers Association,
Denver Hilton Hotel, Denver, Col., Monday afternoon,
November 13, 1972.

Having been a banker for many years, I fully understand and appreciate your interest in our agency's loan programs and the progress we are making. You may be assured that we are exerting every effort to be totally responsive to the needs of the small business community, including agribusinesses, and simultaneously remaining aware of the needs of the banking community.

Benjamin Franklin once said, "I have but one lamp by which my feet are guided and that is the lamp of experience. I know of no way of judging the future but by the past."

To be sure that you understand our efforts, it is appropriate that you have the benefit of some historical perspective.

Our agency came into being in 1953 under a direct mandate from Congress to support and promote small businesses. Our current philosophy is to actively and energetically carry out these instructions to the fullest extent possible. A good example of SBA's increasingly dynamic role is shown by the rate of Federal financial assistance to small businesses; business loans of all types in FY 1972 totalled \$1.6 billion compared to only \$693 million in FY 1969. At the same time, the growth of SBA's portfolio during this Administration has been spectacular. SBA's portfolio of outstanding

business loans increased from \$1.7 billion at the end of FY 1969 to \$2.8 billion at the end of FY 1972, and SBA's total financial assistance portfolio increased from \$1.3 billion on January 1, 1969, to \$3.8 billion on June 30, 1972. Because of the size of the small business community's external credit requirements, estimated to be at least 16 billion dollars a year, we know that a major portion of these funds must be provided by the private sector. In other words, both small businesses and this Agency need the help of the banking community to provide the necessary credit. Toward this end, it is encouraging to note that the private sector's participation in SBA loanmaking has increased dramatically in the past several years. Investment by banks in the Agency's business loans programs now amounts to 86 percent of total funds disbursed, compared to 50 percent in FY 1968. In fact, two out of every three commercial banks have SBA guaranteed loans in their portfolio.

In 1961, for every dollar SBA put into the business loan program, the nation's banks put up 25 cents or a ratio of 4 to 1. In FY 1970 this ratio had reversed itself. That is, to one to four. For every \$1.00 from SBA, banks were putting up \$4, and currently, for every SBA dollar, \$13 are leveraged from the private sector for America's small businessmen. This represents at 5,100 percent increase in private sector participation in ten years. This benefits not only the small business community and the banking community, but you as individual taxpayers, who otherwise would finance a higher proportion of the small businessman's credit needs.

This bank participation has been gained because we, in an effort to make certain that every eligible small business has the opportunity to secure advantageous credit terms and rates, have extended every effort to

solicit the participation of the Nation's banks in helping to provide the necessary credit. To accomplish this, we have taken a hard look at ourselves and fashioned the Agency to be more businesslike with a minimum of Government red tape.

For example, we have reduced forms--note forms from eleven to one, guaranty agreements from six to two, applications from seven to one, internal processing forms from forty-two to eighteen. We have reduced time lags and have simplified loan programs. We have also instituted a fluctuating interest rate on SBA guaranteed loans. This policy works two ways: First, it permits banks to obtain a higher rate of interest when interest rates go up; and secondly it permits the small business borrower to gain the benefit of a lower interest rate when rates go down. If agreed on by the borrower and the bank at the time the loan is approved, these fluctuations are permitted twice a year. This dramatic increase was accomplished with no increase in the number of employees from the previous year and more than 200 fewer employees than in 1969.

In the event of default and absence of fraud, SBA will purchase its guaranty within fifteen days of receipt of demand. Most importantly, it is the intent of the Agency under normal circumstances to approve or decline an application within fifteen working days of its receipt. In many cases, fully completed applications have been approved within three days. Our recent procedural changes have resulted in a 22 percent reduction in the time required to process loan applications. All of this modernization has been, or is being, accomplished to provide a working vehicle for the benefit of the small business community. To fully implement these programs and bring these benefits to your community, it is vital that you,

the banking leader, know the programs that will serve your customer's needs expeditiously, economically, and efficiently.

In addition, the guaranteed portion of SBA loans have many banking uses. For instance, they can be used as collateral for Treasury tax and loan accounts; they are eligible collateral for advances by Federal Reserve Banks; they are eligible as collateral security for uninvested trust fund accounts; they can be sold with an obligation to repurchase and not be included in computing the bank's total borrowing limitation; consideration is given to the balances in computing liquidity and loan to deposit ratios; some states and municipalities accept them as collateral to public funds deposits; loans can be made in excess of statutory limitations; and the guaranteed portions can be sold to investors. This last step has the additional benefits of providing increased earnings because of the servicing fee to the bank, reinvestment of proceeds of the portion sold, and float on repayments. This secondary market participation has been a source of profit to many banks, and has resulted in the sale of over \$93 million of SBA guaranteed loans.

As a matter of great interest, in Fiscal 1972 the Agency made and guaranteed 19,881 -- 7(a) business loans for a total of over \$1.3 billion. These dollars were provided primarily by banks under our guarantee program. In addition to this impressive total, SBA made economic opportunity loans totalling \$91.6 million and local development company loans of over \$81 million. Loans of all categories to minorities totalled over \$258 million. Though figures for FY 1972 are not yet available, SBA business loans in FY 1971 created or maintained over 258,000 jobs. And again, to underscore the importance of the banking community, of the total SBA loans of close to

\$1.6 billion in FY 1972, over \$1.3 billion came from private sector participation. This year, Fiscal 1973, we are looking forward to joining the banks in the largest volume of loans to small businesses that this Agency has ever experienced; we anticipate guaranteeing two billion dollars in business loans.

Along this line, with our expanding ability to reach more small business, we are constantly pursuing new avenues of approach. A recent example of this is our change of policy relating to agribusinesses. While in the past we have made loans or provided guarantees of bank loans to certain types of agribusiness, such as processors or packagers of agricultural products, in June of this year our list of eligibles was greatly expanded. In fact, at this point we will make a loan to any agribusiness except in 3 categories: those who grow price-supported crops, those who are engaged in cattle, poultry, or fish production, and generally those who can obtain assistance from the Farmers Home Administration or a Production Credit Association. We are very mindful of the fact that FHA, in the case of family-size farms, and agencies of the Farm Credit Administration are the Federal Government's chief lenders to farmers and related enterprises. However, because there have been so many so-called grey areas in the past, where applicants have not been able to get a loan either from one of those agencies, or the SBA, we have broadened the policy to close as many of the gaps as possible. We solicit the support of the banking community, particularly those in the more rural areas of the country, in these efforts to be of help to small agribusinesses.

A further example of this change is our new revolving line of credit which began as a plan for small construction contractors.

Historically, the small construction contractor has had difficulty in being considered a responsible bidder because of lack of credit. If he had sufficient financial backing or a sound financial condition that showed a liquid cash position, he had no difficulty in getting the contract at a reasonable bid and performing on this contract. However, if he was in a position similar to the vast majority of the small contractors, that is, technically competent and qualified to perform but short of liquid assets, he encountered difficulty in getting the contract. Or, if he was fortunate enough to get the contract, he still lacked adequate financing or cash funds to perform or complete the contract before receiving payment for his work, or to bid on and commence a second contract.

In January of 1971, we started the revolving line of credit program. To assist small construction contractors in the San Francisco area, SBA guaranteed up to 90 percent of each line of credit that was eligible for approval.

The SBA guaranty will be provided only under the blanket line of credit guaranty program to a bank. The lender is permitted to use its own form of note. SBA may guarantee up to \$350,000 or 90 percent of the line of credit, whichever is less. However, if it is an application under the economic opportunity loan program, the limit would be \$50,000 or 90 percent of the line of credit, whichever is less. The amount of the line of credit cannot exceed a reasonable estimate of the contractor's current cash requirements needed to finance the work that he has the capacity to perform, and can reasonably be expected to generate under firm contracts.

Funds advanced by the lender under this program may not be used to repay existing obligations or to purchase fixed assets, but shall be

used solely for labor and material on specific contracts. Proceeds of the specific contracts are to be assigned to assure repayment. As additional contracts are assigned, additional advances may be made, provided the total outstanding balance at any one time does not exceed the amount of the line of credit, and provided all contracts on which advances are made shall be completed within the term of the line of credit or agreed upon extensions necessary for contract completion.

This is the first SBA program that utilizes the private sector procedures and forms after the initial agreement has been executed. It is also the first SBA line of credit program. The program has since been expanded to include manufacturing and service industries as well as construction contractors.

We are expanding this program on a pilot basis in selected cities to cover certain financings where no specifically assignable contract is available, such as in the financing of receivables and inventories and for use as working capital.

Although most bankers are familiar with our regular business loan programs, not all know about those programs which directly aid community development.

One of these is the lease guarantee program. Through participating insurance carriers and under certain circumstances, on a direct basis, the SBA will guarantee that a qualifying small business will pay its rent over the term of a lease. The purpose of this program is to enable the small business to qualify as a "prime" tenant under circumstances that would prevent his occupancy without such a rating.

Another of these is the surety bond guarantee program, whereby the SBA agrees to guarantee a participating surety company against up to 90 percent of any losses it might incur by virtue of having issued bid, payment or performance bonds to a small contractor. This program encompasses contractors in the construction, supply, or service industries, and our assistance is available to them for public or private jobs. Whereas small contractors previously encountered great difficulty in obtaining bonds, primarily due to their size, this program has offset much of that problem. It has enabled several thousand small contractors to get a crack at a piece of the contracting action during our first year of nationwide activity.

In cooperation with companies that initiate such small business development in their area, SBA can provide loans up to \$350,000--to provide operating facilities for a term not to exceed twenty-five years plus construction time. The loans must be so secured as reasonably to assure repayment and the development company must usually inject the first 20 percent of the cost of the project. SBA, with private sector participation, made over \$81 million worth of loans in this program in FY 1972 and the program is expected to continue to expand.

Coupled with our regular business loan programs, these additional tools for the community can go a long way in revival, rejuvenation, growth, and stability.

I am sure you realize what this can mean to your community. The Chamber of Commerce tells us that one hundred new factory workers mean --

3 new retail establishments
65 more non-manufacturing jobs
91 more school children
97 more autos
100 more households
359 more people
\$229,000 more bank deposits
\$331,000 more retail sales
\$710,000 more personal income

All in all, we believe that in cooperation with you--the private sector lenders--our Agency can provide the means for you to improve your community through a healthy small business environment. President Nixon put this very well when he said, "Small business is a quiet kind of success that doesn't make big news on the financial page, but makes life more rewarding for millions of Americans."

REMARKS BY RALEIGH J. SOLOMON

Vice President and Farm Department Manager,
Citizens National Bank, Macomb, Ill., as a
Panel Member of the Workshop Session "Financing
Brood Cow Operations," before the 21st National
Agricultural and Rural Affairs Conference of the
American Bankers Association, Denver Hilton
Hotel, Denver, Col., Monday afternoon, November 13,
1972.

The experts tell us the so-called "beef boom" is upon us. Most of us have financed cows for a number of years, but seldom have we been involved in cow/calf loans at "two for \$1,000.00". I expect there are some of us here today who have the feeling that they would just as soon not have this opportunity, which brings about the question of, "How sound are such investments?", both for our customer and for our bank. It's been said before many times, that given enough time and the right conditions, even "bad" loans look good. Now I know none of us are interested in making "bad" loans . . . they get bad soon enough after they're made. Right now, in spite of the high prices being paid for cows, I believe they can be financed on a safe and sound basis. Many food economists are forecasting, not only a U. S. boom, but a world-wide farm boom. Others are not so optimistic, but most agree that the so-called beef boom will continue for several years into the future, at the very least. It's generally agreed that our (USA) beef consumption will continue to rise for the next 10 or 15 years. The same appears to be true for many foreign countries that are enjoying full speed economic recovery. Big paychecks make beefeaters. It doesn't look like even with a maxi-effort we can over-increase the supply enough to soften the demand for beef.

Assuming the above is true, let's discuss cow and cow/calf loans.

Who can we make them to?

How much can we safely lend on them?

What should the terms be? . . . and;

What should we expect of our borrowers?

The question might arise about here as to what a Cornbelt banker is doing talking about cow loans. Traditionally cows have belonged to the West. Well, there was a time when that was true, but not today. It's my thinking that cows belong any place you want to put them, if you've got the man, the land, the desire, and, here's where we come in, the money.

As a measuring stick, and I'll stand corrected from you Westerners, the land investment out here per cow and calf must range from \$1,000.00 to \$1,200.00 per cow. I'll admit that involves more acres than it does in the Midwest, as records there indicate that land investment per cow is less than \$650.00. If we can believe this, and I do, it proves to me that we can handle cows on high-priced land. The value of wasted forage alone, corn stalks and bean pummage that is plowed under by Cornbelt farmers, will go a long way towards keeping a sizable cow herd. You know when we think about cow herds we think about big numbers. Surprisingly, however, recent figures indicate that 92% of the cow herds in the U. S. are under 50 cows in size. A cow loan of this size can be attractive to any of us here.

The next point is, "How much can we lend on cow operations, and how can the loans be programmed?". Records in Illinois show that cow/calf operations over the period 1967 through 1971 showed more profit

consistently than any other livestock enterprise. The returns-over-feed costs ranged from \$43.00 in 1967 to \$87.00 in 1971, an average of \$64.00. The average return in 1971 per 100# feed to beef cow herds was \$180.00. The range of these returns from 1962 through 1971 was \$107.00 to \$180.00. Non-feed costs averaged about \$91.00. This to me represents a pretty good return on invested capital. For example: look at a 90% calf crop, at an average feed and vet cost of \$50.00, using one acre of \$300.00 land per cow. The per-calf costs would be about \$110.00 per head with a break-even at 500# of \$22.00 cwt. It doesn't take much arithmetic to see today's \$45.00 to \$50.00 calves make lots of profit. If we increase the land price to \$600.00, the feed costs only go up \$15.00. Think too, while we're on this, what a 600# weaning weight would do for the profits, another 100# @ 45¢ to 50¢. Iowa Beef Improvements Association members recently reported such 205 day weaning weights by combining genetics, nutrition and health programs.

"How much can we lend on a cow herd, and what can we reasonably expect for repayment?" This question seems much more pertinent now than it did back when we were buying cows for \$175.00 to \$200.00 . . . today with good pairs costing \$500.00, and wet cows costing \$300.00 to \$350.00. I've always felt like our bank can get along with a 20% down payment or other equities that are equivalent, preferably other cows. I think we can then expect the loan to be repaid from production on a four or five year basis. Such loans can be handled in two ways. Since this is a term loan, we can make it as such and generally secure it with a programmed reduction from calf sales, or the loan can be made on an unsecured basis, maturing annually, with a definite understanding regarding reduction

requirements and renewal eligibilities. We consider such loans just as sound as the secured loans where the financial status of the borrower has strength. Sometimes the calves are not marketed as feeders off the farm but are fed out on "home grounds". When this is done, you can make a feeder loan for the calves and "pay yourself" so the income is available for the required reduction on the cow loan. We know it's only natural that there will be some attrition in the herd from culling, etc. To maintain a herd, as a rule of thumb, the borrower will be saving one calf for each six mature cows in the herd. From the standpoint of getting the most for our money, we prefer that the customer buys cows of ages 5 to 9 in the Cornbelt. I'm sure in the West, where you have different grazing conditions, you Western bankers would prefer younger animals. We prefer performance-tested bulls and think they're a good buy.

The third item I mentioned earlier is, "What should we expect from the borrower?". I'd say the most important factor here is management. A good manager will consistently come up with 90 to 95% calf crops, have good pasture and forage management, low-cost wintering rations, and high-weight weaned calves. The returns per cow with top-quality management can be increased as much as \$35.00 to \$40.00 per cow. Of course, that's where our loan repayment comes from.

To conclude this cow business, here are some things you might want to take home with you:

An 90% calf crop adds \$11.00 per head costs to each calf as compared to a 100% calf crop.

An 80% calf crop adds \$20.50 per head to the cost of each calf.
... costs per calf at weaning weight 500# shouldn't exceed \$110.00 to \$120.00.

Each 50# increase in weaning weight over 400# decreases your break-even price per calf \$2.00 to \$2.50 per cwt.

A pound of nitrogen produces a pound more beef.

A dollar spent on fertilizer will produce \$3.00 worth of grass.

A clean pasture nearly triples bluegrass production.

Improved pasture plans will maintain a 100 cow herd on 160 to 170 fewer acres than ordinary pasture.

Corn stalks and bean stubble and set-aside acres are important in cow programs and can extend grazing periods as much as 100 days.

An ideal situation is to have the old cow self-harvest up to 80% of her own feed needs, thus cutting storage and labor costs to a minimum.

I'm not at all sure I've even touched on the things you hoped to hear today, but if I haven't, now's a good time to get to it. You ask the questions and I'll try to answer them. At any rate, I've enjoyed being with you and having the opportunity to talk about Financing Brood Cow Herds.

REMARKS BY W. D. WILLER

Vice President, Decorah State Bank, Decorah, Iowa, as a Member of the Workshop Session "Financing Brood Cow Operations," before the 21st National Agricultural & Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972.

First, I would like to tell you from what part of Iowa I'm from. I am with a bank whose size is 22 million. Our bank is a state bank. Decorah is located in northeast Iowa in a livestock community. Our terrain is rolling and the winters are cold. Our area is not in a grain surplus part of the state.

Cow-Calf Operations---Yes, we have some, not as many as southern Iowa where more grass land is available, but our particular area is expanding in this enterprise more and more as has the whole state. Iowa has increased in cow number by 30% in the past 3 years. One big reason for this was the repeal of the cow tax in 1969. Up to that time the average tax was \$5.00 per head. This was no small tax a cattleman had to pay. Other factors have affected the growth of cow numbers also, such as competition for the supply and cost of feeder cattle. Also affecting the cow growth is the surplus feed grains we have in our state, plus the utilization of roughage left by grain such as corn stalks, oat stubble, and another factor important to our farmers, better and more efficient use of labor. In other words, full employment of the farmer year around, not just corn, beans, and Florida in the winter.

Our Iowa Bankers Association's livestock committee, under the direction of our general ag committee chairman, has the past 3 years had

cow-calf and feeder cattle days, which has brought together many bankers over the state to a field day seeing cattle operations. The state was divided into fourths and meetings held for bankers on the farm. Reason--- to help educate our Iowa bankers to problems and benefits of the Iowa cattlemen as customers. With the changes taking place, the committee felt it was time to alert bankers of the potential and also the pitfalls in financing Iowa cattlemen. This was done with the help of our Iowa state extension people and the Iowa Beef Producers Association furnishing us, not only facts and figures, but man power to put on these field days. Result---it has helped, I believe, not only to show our farmer feeders and cow-calf operators the banking industry's interest in this area, but it has also helped to show bankers the potential of expanding the cow-calf industry of Iowa---an industry that is vital from many respects.

Can Iowa expand the cow number? Yes, I firmly believe this.

Iowa ranks 7th in cow numbers with 1,842,000. Texas, of course, is first with 5,725,000; Ohio 2nd with 2,258,000, etc.

3rd - Missouri
4th - Nebraska
5th - Kansas
6th - South Dakota

How about cattle feeding? Iowa feeds about $4\frac{1}{2}$ million head so you can see Iowa needs feeder cattle. I'm not saying we can raise all of them, but certainly with the competition for feeder cattle in all areas of the midwest, west and southwest, Iowa cattlemen have found it increasingly difficult to find feeder cattle.

Other factors have come to light as our committee has looked into cow-calf potential in Iowa. Number of feed lots - 39,005 as of January 1, 1972.

CAPACITY	NO. OF LOTS
0 - 1,000	38,835
1,000 - 2,000	90
2,000 - 4,000	55
4,000 - 8,000	20
8,000 - 16,000	5
Total	<u>39,005</u>

This is an area our Beef Producers Association is stressing---expansion in size of our present feedlots; more sophistication in feeding operations. As this transpires, and I'm sure it will, it creates more demand for feeders, thus more demand for cow herds. Another factor--the packing industry in Iowa is crying for more cattle to kill. At present, this industry indicates they are running at 75% capacity and have to buy and ship cattle from other areas to keep at an efficient level for killing. This, of course, shows potential for more cattle.

Feed supply---Iowa, as I've mentioned before, has a surplus of feed. This factor alone is one that has helped or has been a determining factor in expanding cattle operations in other areas of the country. As feed supply increased so did the cattle industry.

We have in Iowa, field after field of corn stalks which is available roughage for a herd of beef cows. True, in Iowa we have weather problems in parts of the state so cows cannot be out all winter, therefore, hay is necessary at a certain time of the year. With the knowledge we have and changes being made, it seems to me we can conquer the problems of utilizing corn stalks, hay and pasture for roughage feed at a reasonable cost.

Now a few points in regard to actual cow herds. As we look at possible expansions, we don't feel Iowa can expand fast enough to flood the cattle markets. Reasons:

Profitability of the enterprise---certainly it is not a gravy train. Cow costs vary all over the place, but realistically we can say that actual out of the pocket costs can be as low as \$35.00. All costs considered, which I feel should be considered, will run up to \$130.00 to \$140.00 per cow per year.

As we look at our potential in this field of financing cow herds we have to, as in all cases, analyze our borrower. Is he capable of expanding present herd size from his past record? If starting up, is he a good husbandry man who will be able to get a 90% calf crop or better? Use present information and practices to improve weight for age of calf by performance testing. Use superior bulls to help give the best genetic crosses possible. We can't loan money to Tom, Dick and Myrtle down the road just because we feel an increase in numbers is possible. The management factor in cow herds, I think, is of the greatest importance because the margin of net profit is not that great in the first place, so good management is necessary to even show a profit. Besides management, we have to consider our customer's debt, his ability of repayment with additional debt load, either with an expansion project being considered or starting from scratch.

At our bank meetings and in our own shop we look at cow loans as a 5 year loan now. In our shop we write our notes for 1 year at a time with some type of repayment stated on the face of the note. If unusual circumstances warrant it, the payment may be waived, but if payments are made the balance of the note can be renewed. The customer understands this, so we have no problems. Let's take, for example, a man on \$600.00 per acre land. If he is under employed, the beans, corn and Florida

example, and he is anticipating a son coming in with him, he wants him employed because he doesn't want him to start on the beans, corn and Florida route: or, for another reason, he is industrious and wants to make sure of available feed which is going to waste. We know, with our technology available today, that it is possible to raise a 500 pound calf per acre in parts of Iowa. If this is true a---

500 # calf @ 40¢	= \$ 200.00
150 bu. corn @ \$1.10	= 165.00

Profit above this is \$35.00 per acre.

In summary, I would like to say this. I strongly feel that Iowa can expand its cow herds, both on high priced land and on the rolling land areas of southern and northern Iowa. It will be good for our state to do this for economic reasons. The packing industry needs more cattle. Allied industries to the cattle industry help employ people. Feed supply is available both from roughage and grain supplies, and as we look at potential larger and larger operations we can also look for larger feed lots.

With the cooperation of our Iowa extension department and the Iowa Beef Producers, I feel as a banker that we have a challenge to expand cow-calf operations in Iowa. This challenge, of course, has to be met with prudence in selecting the customers with whom we want to expand or start in the cow business.

REMARKS BY HOWARD H. BEERMAN

Vice President, Central National Bank, Chicago, Ill., as Moderator of the Workshop Session "Confinement Feeding of Hogs and Cattle in the Upper Midwest," before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972.

One of the most dramatic changes in all of agriculture has been the feed lot. We have come from the 100 head of cattle behind the barn to 5,000 and 50,000 head feed lots in a short time. As a result, agriculture bankers have had to make some rapid adjustments also.

It was easy to make farm production loans in the days when the farmer furnished all his own labor and feed, and supplied the major inputs himself. Today, with borrowed capital making up a much larger percentage of the farmers' total resources, it's a new ballgame.

A decade ago, we were dealing primarily with a farmer-feeder himself. Today, we work through the custom operator who is managing someone else's resources. This, again, means a different approach to lending.

A decade ago, there was an abundance of cattle feeding throughout the upper Midwestern States. But that has changed. The concentration of cattle is now in the Western, Southwestern and High Plains States.

This geographic change has caused all bankers in the upper Midwestern States to ask some very basic questions. The primary questions were:

1. Why were the cattle moving out of the area?
2. Should we attempt to continue to feed cattle in the upper Midwest?
3. How can we feed cattle in the upper Midwest?
4. What are the capital requirements and the return on investment?
5. What is the impact on the community economics and the environment?

Our panel here today will attempt to answer some of these questions while discussing their individual enterprises. Following their discussions, you will have a chance to ask questions of them. While listening to the individuals speak, you may wish to make note of your questions so that you may ask them later.

Sometimes the bovine species takes all the glory and receives most of the publicity, while the common old hog continues to be the "mortgage lifter." Our first panelist will discuss his hog production facilities. He is an operator of 550 acres of good Indiana land. He produces 550 acres of corn, feeds 400 head of cattle per year, and produces 3,500 hogs annually. In this discussion he will center on his confinement hog system where he maintains sows in confinement, farrows in confinement, and finishes the hogs in confinement. This progressive farmer maintains very complete records on his operations, and especially interesting is his analysis by enterprise on a computer

through Purdue University. The speaker is also director of the Clinton County Bank and Trust Company in Frankfort, Indiana. He is president of the Advisory Committee of the Top Farmers of America Organization, and, in addition, he serves on the Hazardous Materials Advisory Committee in Washington D. C. We are pleased now to present to you Mr. William R. Rothenberger of Frankfort, Indiana.

Our next panelist is a farmer from Illinois who grows corn and soybeans and who feeds cattle in a totally enclosed and controlled environment. We sometimes refer to this type of facility as the "high cost" or the "warm" confinement building where the cattle do not see daylight from the time they enter the building until the time they are sold for slaughter. Quite often we bankers think that this type of facility is too expensive to be feasible. This panelist, however, has been in business for several years and has recently constructed the second totally confined building on his location. I have asked this panelist to discuss with us some of his cost figures and his return on investment figures so that we may compare them with other styles of cattle feeding. This gentleman is a past president of the Association of Confined Feeders. Now we are pleased to introduce to you Mr. James E. Willrett of Malta, Illinois.

Our third panelist keeps busy in Iowa as a veterinarian by trade, operating the Brookside Veterinary Center, as well as managing a ranch in northern Iowa for calf production. He is also involved in the confinement production of swine. Today he will discuss a new enterprise, which is cattle feeding in "cold" confinement. This is perhaps more commonly known as an "open front" building. Corn Country

Beef, Inc. is a community venture with eighteen shareholders from the surrounding community near Dike, Iowa. It was organized in March 1971 as a commercial cattle feed lot for contract feeding. The facility maintains a present capacity of 4,000 cattle. However, the goal is for 5,000. Harvestore Silos provide storage for 60,000 bushels of high-moisture corn. The company also contracts with neighboring farmers for silage. I have asked our speaker to spend a very limited amount of time on the community venture aspect of this enterprise. However, you community bankers may wish to ask him some questions following his presentation. We are now pleased to introduce Dr. Jerry Jorgensen, President, Corn Country Beef, Inc., and a partner in Brookside Veterinary Center, Cedar Falls, Iowa.

REMARKS BY WILLIAM R. ROTHENBERGER

Frankfort, Ind., as a Panel Member of the Workshop Session "Confinement Feeding of Hogs & Cattle in the Upper Midwest," before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972

Rothenberger Farms in central Indiana consists of 580 acres operated by two brothers, Wm. and Erland Rothenberger. Continuous corn is grown on 525 acres with the balance in small sow pastures, roads, and wasteland. Soils have been heavily fertilized with levels of phosphorus and potassium in the high range. Yields in 1971 averaged 149.8 bushels per acre.

Approximately 65 to 70 acres of corn are ensiled as whole-plant silage and an additional 100 to 120 acres shelled and stored as rolled, high-moisture corn for the cattle operation. The remainder of the corn is shelled, dried and stored for the hog enterprise.

The cattle operation entails feeding out 400 steer calves weighing 450# at purchase in the fall and feeding silage, high-moisture corn, and supplement to a final weight of 1050 to 1075# and selling in July and August. Facilities consist of paved lots with open front shelter. Feeding is accomplished with silo unloaders, conveyors, and divided bunk. Cost of this facility amounted to \$90 per head capacity in 1959.

The hog operation is in the third phase of systems of production starting with a pasture system, then confinement finishing on solid concrete, and finally to complete confinement on slatted floors, with climate control, and automatic feeding. The following buildings and their costs are involved:

Farrow House	Built	1958	Remodeled	1966	\$ 5,500	\$230/stall
(24 stall)						
Finish House	"	1954	"	1965	8,000	3.20 Sq.ft.
(350 head)						
Finish House	"	1956	"	1965	13,200	3.60 "
(500 head)						
Farrow House	"	1966			10,900	302/stall
(36 stall)						
Nursery	"	1968			12,100	4.50 Sq.ft.
(60 litters)						
Sow Gestation	"	1970			31,700	132/head
(240 sows)						
Finish House	"	1971			21,700	5.00 Sq.ft.
(600 head)						
Total Initial Cost					<u>\$103,100</u>	

With production capacity of 3,500 to 4,000 head per year, this required an initial investment of \$28 per head annual production. These costs included all equipment such as fans, heaters, gates, waterers, and feeding tanks and systems. Annual use costs of the facilities amounted to 15% of total costs of production in 1971. Feed costs amounted to 65% and all other costs 35%.

We chose these higher capital facilities for the following reasons:

1. Labor saving. On the pasture system we required 2 hours of labor per finished hog, 1.6 hours for the solid floor system, and 1.0 hour for the slatted floor.
2. Saving of other inputs:
 - (a) Confinement production saves land. Pasture land can be used for corn production. Furthermore, flat land is muddy certain times of the year.
 - (b) Bedding is eliminated. This item is a cash expense under our cropping system.

3. Increased volume. If production is profitable, there are more units of output on which to make a profit.
4. Pollution control. With relatively large production units, at least 90 days of storage is required with incorporation of waste directly into the soil.

From past experience and a planning horizon of 5 to 7 years we contemplate the following returns to investment and management:

Land or corn production	4 to 5% plus 0 to 8% inflation
Feeder cattle	10 to 11%
Hogs	15 to 16%

Credit needs for each of these enterprises would entail \$200,000 to 250,000 for land, \$125,000 for doubling cattle, and \$125,000 for doubling hog production. We would not be able to afford the luxury of eight years to accomplish this expansion in hogs, but would require two years at most.

As a director of a local bank, traditional credit requirements cannot apply to this potential producer. High-investment confinement systems raise new business-management and financing problems. Therefore, assessment of managerial capacity becomes the most important credit analysis factor. He must make multiple usage of his facilities. He must be a good mechanic and builder. He must commit himself to a cash-flow for a loan whose life approximates the life of the buildings. He must be something of a medical technician. He must have the ability to adhere to a tight schedule. And he must have been very successful in his present system of production.

As a producer, we require short-term operational credit needs, terms for one year for cattle purchases, intermediate credit of 3 to 10

years for larger tractors, combines, grain handling systems, and certain hog buildings and equipment, and long term loans for land. We would like to have one credit source with several options of borrowing and repayment. Hopefully, these arrangements can be available at our local bank.

REMARKS BY JAMES E. WILLRETT

Malta, Ill. as a Member of the Workshop Session
"Confinement Feeding of Hogs and Cattle in the Upper
Midwest," before the 21st National Agricultural &
Rural Affairs Conference of the American Bankers
Association, Denver Hilton Hotel, Denver, Col.,
Monday afternoon, November 13, 1972.

Before I begin let me clarify my remarks on the controlled environment part of my topic. My remarks and experiences are with a slatted floor beef building, completely enclosed. The exchange of air is controlled in the colder months to maintain a 50^o temperature. We have little or no control in the summer of temperature and only an indirect control of humidity in the winter.

It was back in 1964 when we first heard of feeding beef in a controlled environment in the United States. This has been done for many years in Europe but on a much smaller scale. The first man to try this in the U. S. was Wesley Anderson from Cokato, Minnesota. This "crazy" idea was ridiculed by many, from neighbors to college professors. The trend during 1965 and 1966 was to build a completely enclosed building, well insulated and ventilated to control the temperature during the colder months. This also proved very effective in controlling the fly problem. Since 1968 there have been some buildings constructed that are completely enclosed but the trend now seems toward the building with one side open but still with the slatted floor. There are possibly several reasons for this trend: (1) More capital required for a closed building and high interest rates on money. (2) Less management required. (3) Not enough research to compare the economics of the two types of buildings. (4) Less

risk in case of a power failure, although a stand-by unit does greatly reduce this risk.

In 1965 we visited three slatted floor beef confinement buildings in the midwest that were in operation. From these we drew up plans for our own building, which was completed in January of 1966.

This barn is 60' wide, 202' long and 12' from the floor to the eave. This is a Behlen all steel building with a straight sidewalls and a curved roof. The sidewalls being a light blue in color add beauty to the farmstead and eliminate the need for painting and maintenance. On one end of the barn is a feed room running crosswise to the barn. On the opposite side of the feed room four 20' x 60' Harvestores were constructed. One structure was to be used for high moisture shelled corn, the others for roughage. After two years of experience with this operation and the results of a test I ran to compare this new way of feeding beef versus cattle fed in an old barn and concrete lot, I knew I wanted to expand my confined feeding and phase out the outside lots. In 1968 I built the second building which is very similar to the first, 60' wide but 226' long. This building has a corner that is used for a storage area of about 25' square. With the two buildings in operation we now have room to keep about 1200 head of cattle on feed on slats. Also, with the additional cattle we needed more feed storage, so the feed room was extended and an experimental 20' x 60' white Harvestore was added along with two 25' x 65' Harvestores.

To maintain the controlled environment, we have eight 36" exhaust fans in the sidewalls of building #1 and nine 36" exhaust fans in building #2. With these we can get a complete change of air in about a minute and

a half. These fans are on thermostats, so they shut off independently as the temperature drops inside, to maintain a 50° temperature in colder weather. The ventilation system of a controlled environment, total confinement building is the most important part of the entire system. All incoming or fresh air comes into a duct at the eave. During the colder weather this air is regulated through a slot in the duct that can be opened or closed with a winch. It is believed best now, to bring fresh air in on the "warm side" of the building during the coldest weather and exhaust it on the cold side which would be the west or north depending which way the building runs. With the fans on thermostats we sometimes have only 2 or 3 operating when the temperature drops to 0° or colder. With the cattle continuing to give off moisture or humidity in their breathing, you can see we get a real high humidity level in the air. During this time we have the cold air coming into the building mixing with this warm moist air, thus creating a fog condition. This is one of the times when we can have a health problem, namely pneumonia. We have learned that by introducing heat we can alleviate this condition. We now have four 160,000 BTU gas heaters in building #1 and five 160,000 BTU heaters in building #2 on time clocks that we set for operating at different outside temperatures. It is known that by raising the temperature of the air 20°, it doubles the moisture carrying capacity. Therefore, with the heaters we eliminate the fog, keeping the air clearer, dryer and healthier.

Also used in extremely warm or cold temperatures are the ten 24" recirculating fans mounted on the catwalks of each building. There are five fans on each side of the walk blowing at about 45° angle to the

catwalk over the back of the cattle. During colder weather they help mix the air from the heaters and during the summer they have a cooling effect on the cattle. It has been proven that by moving or blowing air over the backs of cattle increases gains.

Probably in a time of the greatest advantage in confinement feeding there also occurs a time of the greatest stress on cattle - the summer. I believe there is a larger advantage to confinement feeding in summer than any other time. Inside there is the same as no flies. Animals can spread out and lay down when it is hot. Outside they are crowding and milling, trying to get away from the flies. Also occurring at this time of year are periods of high temperature and high humidity in our area. It has been known that any time the combination of air temperature and relative humidity add up to 150 you must watch animals closely. In the midwest this occurs quite often and many times for a week at a time. At this time it is the most important not to over-crowd the cattle. If they are crowded to 20 square feet of area or less, they need to be looked over at least twice a day. An animal caught coming down with summer pneumonia can be treated and be back to normal in about 24 hours. If it isn't caught early, death can occur, or after treatment the animal won't gain well the remainder of the feeding period.

One of the basic requirements for a controlled environment operation is stand-by power. This can be a tractor driven power-take-off unit or an automatic unit. With a PTO unit it is very important that someone be on or near the premise at all times. It is not known how long animals could survive if emergency power were not available in time of power failure. The ideal or recommended unit would naturally be the automatic

stand-by generator. This can and should be set to start and stop automatically when the power fails and also when restored. Normally the unit can be in operation in 10 - 15 seconds after power failure. If one has a unit for operating the ventilation system only, you can get by with a smaller unit if it is in operation before the fans coast to a stop. If the fans are stopped it requires a larger unit or more power to start them. So as to assure the unit is always in operational condition it can be put on an exerciser whereby it will run two or more times during a week's time for any desired length of time. I would also recommend a small battery charger be built into the unit which is usually listed as optional equipment. In our operation I would estimate we have a power outage about five times a year; sometimes for only 15 minutes, sometimes for three hours or longer.

When cattle enter the confinement building they are weighed and they are weighed again when they are sold. Therefore, we can figure our daily gains. Also, all feed is weighed before being fed. This is facilitated by mounting a box with a chain drag in the floor, on an electronic scales, above the mixer. After all the feed which may include haylage, oatlage or corn silage, cracked shell corn, protein supplement, and presently a donut factory waste or by-product material, is accumulated in this box for one lot of cattle which usually numbers from 130 - 150 head, it is dumped into the mixer. While molasses is being blended with this feed and is being conveyed to the cattle, the next batch of feed is being readied and weighed into the box. By using this method we have a continuous flow of feed. Therefore, it takes one man about one hour and thirty minutes, twice a day, to feed about 1200 head of cattle. All feed fed is

recorded and tabulated when the cattle are sold. Since 1966 we have come up with some interesting figures. Some of our results have been:

<u>Year</u>	<u>Cattle Weights</u>		<u>Av.Dly.Gn.</u>	<u>Feed Conv.</u> (Air Dry)	<u>Feed Costs</u>
	<u>Start</u>	<u>Finish</u>			
1966	600	1000	2.43	813	16.20
1967	700	1100	2.26	905	19.57
1968	626	997	2.49	759	14.80
1969	770	1090	2.4	811	16.00
1970	700	1036	2.54	772	16.20
1971	627	1028	2.51	778	18.00

The basis for figuring our feed costs have been \$1.12 a bushel on corn; \$30 a ton on roughage on an air dry basis or the same as \$10 a ton on a wet basis such as corn silage at 65% moisture. Other ingredients have been at cost.

From the results of tests run by universities, myself and others, it appears that you can expect .2 lb. increase in daily gains in a controlled environment building. Somewhere near a 10% better feed conversion and a more desirable carcass for the packer are also big advantages.

One area that can't be overlooked, although it has an indirect effect on feeding in controlled environment, is the subject of pollution. Pollution laws are in effect. I know of two lots in Illinois that were closed because of air and water pollution. You cannot ignore the pollution problem. With the rainfall and the population that the midwest has, I believe feeding cattle on slatted floors is the answer to the problems we face today.

To some people the manure accumulated from the livestock is a nuisance to be gotten rid of the fastest and easiest way, or piled up with

no benefits realized. For the farmer-feeder the manure can be an asset to the farm. In a program of feeding animals from 500-1000 lbs. utilizing some roughage in the ration, an animal will excrete about 2000 gallons of waste yearly. In my program I have been applying 4000 gal. of liquid manure per acre annually. Some corn receives 100 lbs. of a 9-23-30 starter fertilizer. All corn receives 120 units of Nitrogen, broadcast before planting. All crops are tissue tested for minor as well as major nutrients. This year I had two fields that averaged 166 bu. per acre with commercial fertilizer costs of \$10 per acre. Two other fields averaged just over 150 bu. per acre with commercial fertilizer cost of \$13.60. All nutrients tested adequate in the tissue tests on these fields this year. In 1971 I harvested 172 bu. on one of the above mentioned fields with commercial fertilizer costs of \$13.60. Another field yielded 166 bu. with costs of \$10.00 per acre.

If we would subtract the value of this manure from our cost of gain we would lower our cost of gain about 1.5 cents per pound.

No matter how or where you feed cattle you get quite a quantity of manure. The farmer-feeder is in a position to receive the benefits from this manure. I believe this manure is worth hauling!

REMARKS BY JERRY JORGENSEN, D.V.M.

Brookside Veterinary Enterprises, Cedar Falls, Iowa, as a Panel Member of the Workshop Session "Confinement Feeding of Hogs and Cattle in the Upper Midwest," before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972.

The idea for open front cold barn confinement finishing of cattle was not originated by our group at Dike, Iowa in Grundy County. The idea of developing a community feed lot around this concept probably was an original idea--at least it was unique in our state. This presentation is intended to deal with the operational aspects of this type of cattle feeding. However, I feel you would be interested in a brief resume of how it got started.

Grundy County has, in our opinion, some of the most fertile land in the country. This has led to a trend toward grain farming. We had noted a gradual decline in our livestock enterprise. Cattle and hog numbers were declining and our dairy and poultry operations were mostly gone. This created a serious over supply of feed grain (mostly corn), depressed markets, especially at harvest time and, in general, an unhealthy farm business economy. The average age of our farmers was in the 50's. Our livestock feeding facilities were obsolete. Something had to be done to stimulate cattle feeding in our area. Some of us were not quite ready to admit that the South West area of the United States should feed all the cattle. A group of interested feeders and ag-business people met to discuss this problem.

Our local banker at Dike, Iowa organized this early group. Many meetings were held; and to make a long story short, Corn Country Beef, Inc. was incorporated in March, 1971 as a commercial feedyard specializing in confinement finishing of cattle.

Cold barn confinement had been tried in Iowa, but the data was inconclusive as to its feasibility. Our group decided to try it on a rather small scale. Eighteen original stockholders raised \$100,000, borrowed \$170,000 additional on an SBA guaranteed loan and embarked on our experiment. It should be noted that our area is blessed with a lot of rain, snow, cold, mud and humidity. Lousy weather for cattle outside, at least.

Our original lot had capacity for 1,200 head in confinement and 800 head in outside conventional lots. The combinations gave us a chance to compare performance of this traditional outside facility with an open front confinement facility.

GENERAL CONCLUSIONS

One year's operation has convinced us that we have a feasible idea. Inside confinement is practical for the last 100-150 days of the feeding period. Lighter weight cattle, in our opinion, should be grown outside or in a semi-confinement facility, which I will show in a moment with a slide.

We charge 13¢ per day per head for cattle fed in confinement. We charge 8¢ per day per head for cattle fed outside. The 5¢ differential will more than amortize the additional cost of the facility, even if labor requirement was equal. Improved performance during the last 100 days of the feeding period will justify an additional 5¢ per head per

day cost. \$17.50 per year will amortize \$75.00 additional capital cost in less than 10 years.

Our conclusions have caused us to expand our lot with an additional confinement barn with capacity for 800 head, A semi-confinement barn with a capacity of 500 head and some additional outside lots.

MAJOR PROBLEMS

1. Tradition-bound people--you need possibility thinkers to do this type of thing.
2. Financing--Long-term capital financing is a serious problem for this and other agricultural ventures. I need not tell your people this, but let's face it, traditional agricultural financing will not meet the needs of today's agriculture any better than farming with a horse.

P. M. A.	+	O. P. M.	=	C. C. B.
(Positive Mental Attitude)		(Other Peoples Money)		(Corn Ctry. Beef)

Slides and overhead

	<u>CONVENTIONAL OPEN LOT</u>	<u>OPEN FRONT CONFINEMENT</u>
ORIGINAL COST OF CONST.	\$25/Hd. Capacity	\$100/Hd. Capacity
FINANCING	Less Difficult	More Difficult!!
ECOLOGICAL RAMIFICATIONS	Run-off control devices can and will become very costly. Many lots will be closed.	No problem--Very readily approved by Iowa Water Pollution Control Agency if land is available for disposal.
COST OF MANURE DISPOSAL	Less if value of manure is not considered.	More unless value of manure is considered. \$2.00/ton min. fert. value.
MANAGEMENT REQUIREMENT	Less critical Checking Health	More critical Rules must be observed. (Examples)
LABOR REQUIREMENT	More	Less - One man can handle 1-1/2 - 2 times as many cattle from day to day. (Example)
NUTRITIONAL REQUIREMENTS	Less Critical	More Critical - Finish on less grain mineral requirements.
PERFORMANCE <u>NOV.-JUNE</u>	<u>CONVENTIONAL OPEN LOT</u>	<u>OPEN FRONT CONFINEMENT</u>
RATE OF GAIN	2#-2.5#/day	2.8#-3.2#/day
DRESSING %	61%-62.5%	62.5%-64%

PERFORMANCE
NOV.-JUNE
(CON'T.)

CONVENTIONAL OPEN LOT

OPEN FRONT CONFINEMENT

COST OF GAIN, INCLUDING
YARDAGE & ALL CHARGES

26¢-35¢/lb.

22¢-28¢/lb.

FEED CONV.

Higher

Generally 2-3¢ reduction
over outside lot.
Lower

HEALTH PROBLEMS

Similar--Certain
problems worse.
Digestive upsets
Founder

Similar--Certain
problems worse; Example,
feet problems.

EFFICIENCY AS RELATED
TO TIME IN LOT

Cattle finish slower
Require more corn

Cattle finish faster
On less concentrates

JUNE-NOVEMBER

ABOVE ITEMS SHOW LITTLE DIFFERENCE

REMARKS BY DALE SCHROEDER

Vice President, Liberty National Bank and Trust Co., Oklahoma City, Okla., as Moderator of the Workshop Session "Legal Aspects of Agricultural Lending," before the 21st National Agricultural & Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972.

Gentlemen, the opening remarks of your moderator, Mr. Stephens and Mr. Thatcher will purposely be very brief with the intent of allowing maximum time for your specific questions.

My remarks will not answer any questions; but, will hopefully stimulate your thinking in the question area. Answers to your questions will be provided by Mr. Stephens and Mr. Thatcher. With that in mind, let me pose a few questions, some of which may be very basic to you:

1. Are cattle in a custom feedlot considered farm products or inventory under the Uniform Commercial Code? And, would you therefore file your financing statement in the county where the owner resides, county the feedlot is in, or central file?
2. Does your filed UCC1 on crops provide you protection after the crop is harvested and delivered to a commercial elevator either for storage or for sale? Is it necessary to include the wording "Products of Crops" on your UCC1?
3. Assume you have an agri business customer that buys products from farmers (such as a grain elevator) and you are loaning money with these products or inventory as collateral. Does your customer have any responsibility to check the records

for prior liens on the purchased products? If he does not check the records, could it potentially affect your collateral position?

4. Do we have any recent court rulings (in these days of "consumerism") that affect the methods or steps you should take in foreclosure or repossession of farm products serving as collateral?
5. From a legal viewpoint, what should you the lender be especially concerned about when warehousemen and warehouse receipts are involved concerning your collateral?

The answers to these questions may seem apparent to many of you. There may be, however, some recent court rulings that "cloud" previous conceptions of the Code as it relates to agricultural lending. The two outstanding attorneys on our panel this afternoon will briefly discuss some of these recent court rulings and then take your specific questions.

REMARKS BY FRANK H. ROLF

Vice President, Agricultural Affairs, First National Bank, Decatur, Ill., as Moderator of the Workshop Session "Hedging--Its Place in Agricultural Finance," before the 21st National Agricultural & Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972.

As technically described, to hedge is to assume a position in the futures market equal and opposite to an existing cash position.

During this workshop, we, as lenders, will discuss this technic from the standpoint of what it is, what it might be, and what it is not.

We will discuss what attitude the lender should have toward hedging and how that attitude will be helpful to both lender and borrower. We will call your attention to some hazards and pitfalls of hedging and discuss possible alternatives which may be used to accomplish some of the same objectives as hedging.

Hedging is a tool. A tool that might well be used by agricultural producers in the production and marketing of their product whether it be grain or livestock.

Hedging can be used as a means of forward pricing both grain and livestock. This forward pricing is a means of reducing risk. Lenders are interested in reducing risk. Funds advanced against the production of grain or livestock, the price of which can or has been determined, is less hazardous than lending against a commodity of unknown value. This method of forwarding pricing might be an opportunity to fix the price of

the product several months in advance and thereby lock in the profit needed to repay the loan. A study of the relationship between the cash price and the futures market price, referred to as the basis, will enable the producer to determine within a few cents the price he will receive for his commodity. This price will remain regardless of the movement in the price levels.

This predetermined price might well be the additional security needed for the lender to advance the maximum amount of funds into the borrowers operation.

The technic of hedging is an opportunity for livestock producers to determine the purchase price of feed well in advance of delivery time. The purchase of a soybean meal futures contract will establish, again, within a relatively narrow margin, the price at which the producer can obtain delivery of the meal at some time in the future.

If the producer has predetermined the selling price of his product and has predetermined the purchase price of his feed, I believe you, as lenders, will be in a much better position to judge the safety of the loan and I am sure you would be willing to advance a larger percent of the operating cost.

The technic of hedging might be an opportunity to take advantage of the basis change and obtain an income from the storage of grain. This technic of hedging is a means of insulating one's business from price level speculation while retaining the opportunity to speculate in the basis. The basis movement, however, is much more predictable and is much less erratic than the market movement. This takes hedging out of the realm of risk shifting and puts it in the business of profit making.

This technic is used by most country grain elevator operators and is available to the producer who has on-farm storage.

Hedging is not a cure-all marketing program. Hedging is not a means or method of eliminating the necessity of making market timing decisions. Hedging does not eliminate the need to be a student of the market. In fact, it has been my experience that the successful hedger will be constantly aware of market conditions.

As an example of timing decisions, I call your attention to the fact that the grain producer has from 12 to 14 months over which he may decide to place a hedge. This extends from well before planting time through production, marketing, and storage. Similarly, he must decide at what point to lift the hedge by selling the cash commodity and repurchasing the futures contract.

The timing decisions required are much easier to make for the feeder pig operation, the feeder cattle operation or the country grain elevator. The futures contract would, generally speaking, be sold at the time of the purchase of feeder pigs, cattle or grain. The technic of hedging or forward pricing does not necessarily guarantee a profit. The forward price which is locked in may well lock in a loss and then the operation may not generate a profit even though the hedge has been successful.

The lender does not have to be an expert in hedging. He should, however, have a conversational knowledge of hedging and be well enough informed to be able to determine whether or not the borrower is an expert in hedging.

Generally speaking, the lender's attitude will be one of suggesting. It is possible that the lender will want to insist a hedge be placed, but for the most part the matter of timing should be left to the borrower.

A lender who is loaning to a hedged operation should keep in mind the possibility that the futures contract price may work against the hedger. If a substantial price increase occurs, it may be necessary for the borrower to advance additional margin money. The lender in most cases will be called upon to supply these funds. The lender should be committed to this prior to embarking on a hedging operation, otherwise the borrower might be forced into a premature and unprofitable sale.

The possibility of a loss in the futures contract is oftentimes unattractive to farmer hedgers. This, frankly, is the main problem I have faced in using the technic of hedging in professional farm management. It is difficult to explain a loss in the futures contract which is readily apparent on the ledger sheet because a gain on the cash side of the hedge does not generally appear as a specific offsetting income item.

The producer who hedges should be aware of this possible futures contract loss. Many are tempted to stay with the futures contract after having sold the cash commodity, hoping for a price decline. To the extent there is a delay between the selling of the cash commodity and the repurchasing of the futures contract, the operator is speculating in the futures market. This, of course, is contrary to the purpose of hedging and, in my opinion, should be guarded against.

As I have indicated, there are alternatives which will provide some of the advantages of hedging. It is possible to forward price

cash grain. All elevators, at least in our area, will agree to a price for some future delivery time. This method of forward pricing is much less flexible than the technic of hedging in that the producer is called upon to deliver the commodity in a particular amount, of a particular grade, to a particular place, at a particular time. Hedging provides the producer with a broader choice of time and place for delivery of his cash grain. The forward pricing of the cash product eliminates the need, however, for a margin deposit and eliminates the possibility of a loss on the futures contract.

Many producers adopt a price averaging technic of selling at various times. This is particularly true of confinement hog operations where hogs are marketed on a weekly or bi-monthly basis.

Recently a seed dealer in our area has established a policy wherein he will buy cash grain from the farmer based on the March or July futures option. He buys in 1000 bushel quantities with delivery at the producer's local elevator.

Certain feed companies in our area also provide a hedging service for their livestock producers.

As I indicated earlier, hedging is a marketing tool. The use of that tool by the producer and the encouragement of its use will depend on what a producer and lender want to accomplish in their marketing program.

REMARKS BY H. C. HITCH

Guymon Farms, Guymon, Okla., as a Panel Member of the Workshop Session "Hedging -- Its Place in Agricultural Finance," before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972.

Mr. Chairman and Members of the Conference:

It certainly is a pleasure for me to be asked to appear on this panel and exchange ideas concerning the problems of modern agricultural finance. In developing thoughts and ideas, it became apparent that for all the experience I have in hedging operations in relation to fed cattle, I have no firm convictions as to what any single person or company should do as a matter of policy in regard to hedging the cattle they place on feed.

Naturally you as bankers must develop your own ideas from these conferences as to what you will require of your borrowers and what advice you may give your borrowers. The first recommendation that I have, and it is through several years of observation coupled with a college study or two, is that it does not pay to hedge every group of cattle placed on feed throughout the year. Taking the advantage of the last several years' experience, it would have paid to have hedged all the cattle placed on feed in the spring and sold in the fall; that would have been profitable in about three of the last four years. This is a relatively new change in the seasonal price action of fat cattle brought on by the increasing number of cattle wintered on winter pasture in the south and southeast, or on wheat pasture in the Plains states and placed in the large custom feedlots in the spring, which is directly opposite to the situation that

existed some years ago - when most of the cattle were placed on feed in the fall of the year in the corn belt and came out in the spring, and there were relatively few numbers of cattle on feed for summer and fall, at which time the price then rose in the fall.

From this you see that a new set of conditions are emerging, and past history is not a precise method of forecasting what the future will bring in regard to seasonal prices. Each person must examine his own method of feeding in his own location and measure this against the risks he is financially able to take and emotionally able to absorb. So many people start out to hedge a group of cattle placed on feed and become so carried away with the whole process that they become speculators and indulge in buying and selling on the board, thus forgetting and departing from their original objective of protecting a locked in profit for a given number of cattle placed on feed at a given date. There are always, or nearly always, one or two times during the year when you can lock in a very acceptable profit in your cattle growing and cattle finishing operations. Most of the time the hedges you are able to place merely guarantee you a profit so small as to be negligible.

As you well know, market traders and cattle feeders are knowledgeable and those opportunities that develop that will guarantee you a profit do not remain long in the market place. One empirical observation that I believe should be given a strong spot in your set of rules concerning hedging is: Buy when the future's market price is below projected cost of production. That is, I guess, known as a TEXAS HEDGE - where you always own the cash cattle and you buy on the board, rather than sell against the cash, but every time those conditions have developed, the future's prices have come up to the cost of production or very nearly so.

You might not always make money buying when cattle are below the cost of production but I believe you will certainly lose less than if you were feeding them below the cost of production.

The live cattle future's market was started in November of 1964. It is still a relatively young market and will require a few more years to reach the maturity that any market should have. The early years were characterized by very thin markets, very volatile price movements and the erratic price movements of futures that seemed to hold very little or no relation to cash prices. I find that my big problem in deciding when to hedge or not to hedge tends to be based on rational decisions. I quote J. M. Keynes, who said: "There is nothing so disastrous as a rational investment policy in an irrational world."

I believe that sums up the difficulty in making any firm suggestions as to the advisability of hedging live cattle or live hogs, or any other commodity, for that matter.

Hedging is a financial management tool that can and should be used by an informed, emotionally stable individual when the facts apparent would indicate an average profit or better against the possibility of a greater than average loss.

REMARKS BY THE HONORABLE OLIVER A. HANSEN

Iowa Superintendent of Banking and President, Liberty Trust and Savings Bank, Durant, Iowa, as Moderator of the Workshop Session "Nuts and Bolts of Farm Lending," before the 21st National Agricultural & Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972.

The subject assigned -- "The Nuts and Bolts of Agricultural Lending" -- reminds me of a typical farmer box of nuts and bolts. They are of all sizes and in various conditions as anyone who has clerked a farm sale well knows. Most of the nuts and bolts are in good condition and are capable of doing the job for which they were designed. Some are rusty and could be discarded. Some are not straight and therefore useless. Some just simply don't match up with anything else in the box. Could it be that the box of "nuts and bolts" depicts what we as lenders find among potential and existing borrowers?

It is to be expected that the bulk of the nuts and bolts in the box are good and will work as intended. If that weren't the case, they would never have been put into the box to begin with. Likewise, the bulk of the farm operators will be successful because they are on the farm due to their desire to farm and they usually have a farm background. The degree of their success will vary with their ambitions and personal goals in life and manner of achieving those goals. Some will be moderate borrowers who have the ability to handle larger debt loads but perhaps don't want to assume that responsibility. Some will have to borrow a lot of money and can do so to their advantage. Others will carry debt loads to the proper degree of capacity to the comfort of both himself and the lender.

From that degree downward is where we start to experience our problems. I'm referring to the "mismatches" -- where things don't quite mesh when the nut and bolt is assembled. In some instances, we have borrowers with limited ability who want to operate on a big scale. We have lenders of various sources of agricultural funds who insist upon making funds available to such operators. Too much money to an incapable operator is a serious error on the part of the lender just as is the failure to lend sufficient funds to the capable operator an improper judgment decision, for it might hold a good man back and impede his progress.

How does one arrive at the proper decision to handle the many customers of the average agricultural bank? First of all, we must recognize that every individual borrower is different. This is to be expected as hardly any two bankers I know operate in the very same manner. What you can and might expect of one person you should not necessarily expect nor demand of the next customer that walks in the door. But, since this is a regulated industry and certain standards are expected, we must have certain information on which to base our decisions. This is particularly true when we get into larger lines of credit where we need participation with other lenders. We know, without quoting all sorts of figures, that credit demands are increasing for agriculture both in total dollars for the industry and dollar needs per farming unit. As the loan demands increase so does the lender's exposure to potential losses. We cannot expect this to simply "go away." It is something we must live with and keep abreast of. As bankers, we must adjust to the changes.

On this panel today is Orville D. Frye, Vice President and Director of the Tuscola National Bank of Tuscola, Illinois. His pedigree reads well to agricultural bankers for he was with the PCA at Tuscola for five

years, has been active in Illinois Bankers Association agricultural affairs and has served on the faculty of the Illinois Bankers Association Ag Lending School. He will present his views from the rural banker standpoint.

Also with us is David R. Johnson, Senior Vice President of the Omaha National Bank. Besides being an ag graduate from the University of Nebraska, he has attended numerous banking schools and seminars. Before entering the army, he worked in the cattle buying department of Armour & Co. As head of the correspondent banking division of Omaha National serving an eleven state area, he has had the experience of meeting with bankers over a wide area concerning money needs in agriculture.

We will hear from both of these gentlemen concerning their thoughts of what should be done now and will be required in the future. After their presentations, we will open the meeting to questions and comments in what we trust will be a very free and open discussion. I'll try and do what I can to present the supervisory side of the picture. Remember -- the subject is "The Nuts and Bolts of Agricultural Lending." Fastened too tightly and improperly, you can't get the nut off if you need to make adjustments or repairs. Fastened too loosely, the bolt won't hold and the whole unit might fall apart. Like nuts and bolts, agricultural credit must be adjusted to the situation and tightened or loosened to the correct degree.

REMARKS BY ORVILLE D. FRYE

Vice President, Tuscola National Bank, Tuscola, Ill., as a Member of the Workshop Session "Nuts and Bolts of Farm Lending," before the 21st National Agricultural & Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972.

The problems faced by banks in financing Farm Borrowers are very difficult and complex today. To meet these problems, lending specialists will need proper working tools--tools such as budgets--cash flows--partial budgets--P & L statements and records--all of those representing the "Blue Prints" of the Farming Unit, then assembled into a sophisticated "Credit File" diagraming the "Game Plan" of any profit-oriented farm unit.

The value of these documents just mentioned (cash flows, P & L's, records) depend primarily on the borrowers' ability to prepare and use them, using reasonable and realistic figures. It also enables the loan officer to secure, understand, and use them in credit analysis and supervision. This may be a place where the banks will want to use an Agricultural Finance Consultant to assist him.

The modern farmer must possess many skills in assembling his "Game Plan" or--if you please--his bucket of "Nuts & Bolts." Agriculture has three basic components:

1. Production
2. Marketing
3. Financing

None are perhaps so crucial as financial skills. And--we as Ag Bankers cannot expect only the farmer or rancher to Revolutionize. Financial

skills must exist in the Ag Banker. Mr. Modern Farmer is looking for the skillful banker, and expects to find him--with such tools at his side:

Cash Flows
Partial Budgets
EDP program or Record System
A Credit File System
Ability to Analyze Loans
Loan Agreements
Line of Credit Financing

Now--let me say a word or two about each of these:

Cash Flows. They have been used effectively by well-managed business firms for years. The cash flow will aid both the farmer and banker in setting up and preserving his credit needs. With the Cash Flow you are able to service his complete credit program, and see the objectives and goals set forth. You must have a very thorough working knowledge of them, not only how to work one, but read it.

Partial Budgets. These tie in with loan analysis and decision making. This document, coupled with the Cash Flow is the only way you can make sound, constructive decisions, and advise of the uncertainties in agriculture. Know the difference in Necessities, Needs and Wants.

EDP or Record Program. Encourage and require the farmer to bring in completed statements prepared by himself, his accountant, or a CPA who understands farming or ranching. Bankers should assume some responsibility for encouraging accounting firms in their trade areas to become proficient in the Farm and Ranch accounting field. An increasing number are using one of the EDP services (Rec Chek) available through banks. It is our duty to make it a part of our business to ask customers for their records. We will not get this information until we ask for it.

Loan Agreements. These are becoming a necessity in cases of partnerships and larger lines of credit. A definite understanding and agreement can be documented with this instrument relating to security, repayment and loan terms.

Line of Credit Financing. This is merely a simplified system of lending money when you have the prerequisites as the Cash Flow and Loan Agreement. Many of you may call it "On Call" money or Master Note. This type of financing should only be used on better, proven customers. The advantages far out-weigh the disadvantages. It is convenient both to the Customer and to the Bank. It is exempt from Regulation Z, meets competition, and helps to obtain cash flows. This disadvantage is that you lose customer contact. The mechanics are very simple: The cash flow determines the amount for the loan agreement and note. A phone call or deposit request is all you need to activate. Word of caution--it is only a one-way disbursement, repayment to note does not increase line of credit, and consult with your own legal counsel before using.

The Credit File. The day of the 3-ring notebook is long gone. A complete file will document any loan. Information compiled should have a direct bearing on success of the loan. Credit extended on incomplete files leads directly to a problem loan. If a loan is not performing, the only way you can document it to the examiners is with the Credit File. The profit-conscious farmer will be well aware of your credit files, and eager to supply information. Tools, however, are useful only when they are used. Likewise, their usefulness depends on the skill of the user.

Pinch-penny economics does not fit today's kind of agriculture. Both borrowing habits and horse barns have been remodeled into something

more useful. It is getting so a farmer cannot get along without good credit anymore than he can without baling wire...

Grit & Character Count

I believe in the old story that there is more in the Man--than in the Land. Credit files, Loan Agreements, Security and Cash Flows are all extremely important, but Character, Morals and Ability must top the list.

At the very least, Agriculture at the close of the 70's is likely to bear little resemblance to agriculture at the start of the 70's. Big changes during the decades will be followed by even bigger changes during the decade ahead.

To be sure, there will still be agriculture a decade from now. But--what kind of agriculture? And--where will the money come from?

As a Country Banker, where will you and I fit into the picture--if at all!

Banks seem sure to play a major role, whether they finance farming directly or indirectly. The question may be--which bank? Country Banks will naturally have first chance if they have the nuts & bolts. If not--Mr. Farmer or Rancher will turn elsewhere. The Big City Banks? Maybe--there are other competitors you know.

REMARKS BY STEVE M. MEIKLE

President, Valley Bank, Rexburg, Idaho, as Moderator of the Workshop Session "The Community Banker -- His Many Dimensions," before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972.

My father started in the bank of which I am presently president in 1917 when its total assets were \$400,000. It was one of fourteen banks in eastern Idaho which survived the Bank Holiday in the 1930's while 67 others found it necessary to close their doors, never to open again. By 1960 it had grown to approximately \$12,000,000.00 and had three offices. That year my father passed away leaving our family owning approximately 41% of the stock. It was at this time that four remaining, quite well-to-do, successful, strong-minded directors decided to run the bank, each in his own way. After four years of watching little or no growth and the bank becoming ultra-conservative and the president becoming completely frustrated, our family decided that somehow we must acquire the controlling stock. In 1966 we successfully completed the necessary purchase, and my brother and I took over the management of the bank, which has now reached total resources of \$45,000,000, and we have added two new branch offices, all located within the trade area of sixty miles from each other.

The area in which we operate is the southeastern part of Idaho, which is predominantly agricultural with the second major income being from tourism. Rexburg has a rapidly growing junior college which has in excess of 5,200 students and, of course, contributes a strong economic base

to this one community. I would evaluate the quality of our environment as among the best any place in the United States with plenty of good clean, pure water, clean air and fair treatment by Mother Nature.

We have a rapidly expanding economy. This makes a fertile field for the community banker to expand his many dimensions. His attitude toward his community, his customers, and his bank will serve to expand his empire or defeat its purpose. It has been said, "A penny will hide the biggest star in the universe, if you hold it close enough to your eyes." A banker who plans for his bank to be an institution primarily concerned with accumulating deposits and making loans has a future comparable to that of the Model T Ford in 1925. The real future belongs to the banker who sees his institution as one providing a complete range of financial services. We need to provide ALL the needed financial services in our communities at a fair price and earn a reasonable profit for our stockholders.

Smaller banks have both competitive advantages and disadvantages. Like a football coach, I would like to place emphasis on those areas in which we have competitive advantage and at the same time try to minimize the relative disadvantages. The fact that I am the president of an existing small bank does not mean I have any special rights or privileges except to take advantage of my experience and skills to run the bank in the most efficient manner possible. No one owes me a living. The only justification for the continued existence of my bank is that it fills an economic need; that it provides ALL the needed financial services to my customers in the areas in which we serve. I cannot be a protectionist by philosophy for my own bank and at the same time be a free enterprise thinker for all other business institutions. A smart man once said, "Ideas are funny things.

They won't work unless you do." Another man said, "It is generally true to say that human personality is functioning at a higher potential when it seeks to serve another than when it seeks to serve itself."

For a moment let us review a few of the competitive advantages a small banker has and see what can be done with them. In the case of personnel a study has been made which indicates a direct relationship between the size of the bank and employee turnover. It is a well known fact that turnover costs money, both in the direct and indirect costs of recruiting and training, as well as the instability image which it creates with our customers. Small banks are noted for better morale among employees. A close relationship not only enhances the opportunities to develop a real team situation but also can and should result in a high degree of employee efficiency and in public good will. A small bank has less problems with supervision. This helps to develop character and responsibility which creates confidence in the bank with its customers. In the small bank it is not difficult to find a person who can say "yes" or "no" and make it stick. This is not true in a larger organization.

I feel that flexibility is a great advantage, the smaller the size the greater the flexibility. The small bank can create change or adjust to change more quickly than a large one. All of us know that the heavier the object, the greater the job of either getting it started or changing its direction. A sixteen foot boat in motion will take sixteen feet to change course while a battleship may take many thousands of feet. Flexibility is an inheritant advantage of our smaller size and one that we must constantly be alert to utilize.

Responsiveness - this characteristic, together with flexibility, allows the bank to react and adjust more readily and with a greater effectiveness. In today's environment this responsiveness is a must. The ultimate authority from which comes the right to operate a bank is the society or the community in which we operate. If we are to relate to our community we must be prepared to support those activities that will contribute to the solution of all problems.

I would like to emphasize that personalized service provides me as president and my staff with the opportunity to really get to know our customers and our community. In the community bank more customers will be on a first name basis with policy level officers than is possible in the larger institutions.

Because of location many small community banks are in a situation in which they have many other characteristics of a monopoly or quasi-monopoly. Because of this, they get fat and lazy instead of using that position to sharpen their competitive skills, to strengthen their competitive advantages and thereby forestall competition. Skills that are unused tend to be lost just as muscles atrophy when not used. A quasi-monopoly position that you innovate makes mistakes and learns to utilize skills so that you are ready when the time comes. It has been said, "The reason why a dollar won't do as much for people as it used to, is that people won't do as much for the dollar."

Leaving the competitive advantages which I feel we as community bankers have, I would like to relate a few of the things we have tried to do to provide as nearly as possible all of the financial services which our customers might need. First of all we have tried to assess the natural

resources which our area has in abundance. We have tried to seek out those people who have demonstrated success in their various lines of business and try to encourage them to further develop these natural resources. This means, of course, getting into bed with these people and taking a certain amount of risk. That risk is something that the local manager of a branch of a large organization is not able to take because his superiors located in a community completely remote from the area being served have the final decision. This means, "If you want a place in the sun, you have to expect some blisters." Or, it may mean, "You can't plow a field by merely turning it over in your mind."

One of the abundant resources we sure many of you cannot imagine what resource snow would have other than water. It means recreation. We also have the mountains, another resource. Put snow on a mountain and you have skiers, you have snowmobilers. It took eight or nine years to help put the situation together, but we have what is going to be known, someday I feel confident, as an outstanding ski resort. To help provide overnight housing, which would help contribute to pulling skiers in from distant places, required a rather large sum of money, considerably more than our small bank was able to provide. After considerable research we were able to come up with an individual lease program which would qualify under the SBA guaranteed loan program for a sizable loan. Since our bank was not prepared to enter into long term financing for this large sum of money, we went out and found a secondary market for the guaranteed portion.

To further help our area expand its economy through using the natural resources, we were instrumental in helping one of our successful

individuals obtain the distributor franchise for nine western states for one of the largest snowmobile manufacturers in the world. Through proper financing arrangements we have helped him to obtain an enviable position, that of in excess of fifteen million dollars in sales annually. We, of course, have gone to our big brother correspondent banks for help in the overline and have, for several years, provided lines of credit for this warehousing of snowmobiles approaching two million dollars. We constantly have from three and a half million in loans, which we service, sold to our correspondent banks.

Another resource we have had for many years but have been exporting out of the area, are the feed grains and forage. We at the present time, in a concentrated effort, are helping develop cattle feeding programs and to expand as fast as possible a growing dairy industry. This has a secondary effect in that the local cheese and butter creameries are finding it necessary to expand to meet this increased production.

Too, we have another resource, that of many heavily forested mountains, which for certain disease reasons must be harvested in the forthcoming decade or the quality of the timber will decrease rapidly. We have helped to expand the local saw mill which now saws over twenty-five million board feet annually. We are presently engaged in the development of a large pre-cut home factory which will completely cut and package homes for construction. Nearly all of these industries are able to use the reservoir of labor which our junior college provides on a part time or radical time schedule.

Of course, the largest single agricultural product which we develop in our area is the Idaho Russet potato. This vast industry has

expanded almost ten times in the last twenty years. The technology of raising, storing and marketing this product has forced many community bankers to become agri-businessmen. This is a very expensive crop to raise and to realize the full profits available from it must be handled under the most scientific conditions possible. It is a highly perishable crop and susceptible, considerably more so than some crops, to the whims of Mother Nature. We are presently working with a group of more progressive farmers who are interested in developing programmer technology for use in supplying information for irrigation, for fertilization and even into marketing.

At the present time our bank provides computer services to a large number of farmers who have taken advantage of our bookkeeping rec-chek service. Some of our larger corporate farmers, having fairly large numbers of employees, are using computer payroll services. It only takes forty persons on a payroll to save the customer money. We also have available an ever expanding program for the CPA to provide to their corporate and business customers balance sheets and profit and loss statements on a weekly basis when necessary. Several customers are taking advantage of a computer service giving them complete accounting on accounts receivable and inventory control.

We have in our bank the only full-fledged travel bureau in the immediate area. Last January our billings for travel service reached \$20,000 in one month.

These are a few of the things we have been attempting to develop in our community. I strongly feel that the days of the so-called "small town bank" serving only farmers and a few businesses relating to farming

is a thing of the past. If we as community bankers are to continue to "make competition" instead of "meet competition" then we must diversify our services and provide those things which our communities and our customers are entitled to from Full Service community banks.

Thank you.

REMARKS BY MARVIN R. CAMPBELL

President, Citizens State Bank, Brainerd, Minn., as a Panel Member of the Workshop Session "The Community Banker -- His Many Dimensions," before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Monday afternoon, November 13, 1972.

I am Marvin R. Campbell. I was born on a grain and potato farm in the Red River Valley of North Dakota. Those days, as many of you will recall, were mightily lean for many, especially for the farmer whose way of life would certainly have been identified as "sub standard" by present day supervisory agencies.

My banking career began in 1940 in a small 3 million dollar bank which was wholly dependent on agriculture in a community of 5,000 low income citizens.

Banking was simple then -- one of the reasons I qualified for the \$60.00 per month job. Interest rates were uniformly standard, pre-printed on a simple loan document. Returns paid to the savings depositor were less than 1%. Accumulating savings was difficult since farmers, for the most part, were satisfied if adequate funds could be found to continue their tedious recovery from the "big depression" which in conjunction with drought, grasshoppers and other forces of nature challenged the tenacity of our dedicated farmers and the small businesses they supported.

Regulations and governmental supervision were of little concern to our conservately operated banks. Despite the limited scope of

community involvement, banks managed to develop meager profits to support their limited growth. Although the Federal Land Bank was rendering valuable assistance in salvaging farmers in a new long term real estate lending program, we little realized or dreamed of the new agencies which in another decade would, if properly utilized, contribute significantly to the developing of meaningful service institutions and viable community bankers. But many of us rather enjoyed the slow, steady, unsophisticated pace and the uncluttered climate in which we found a degree of satisfaction and a feeling of importance. After all, we were the leaders in the community whether we or the customer appreciated this fact although aggressiveness and imagination surely were not part of our stock and trade!

The war intervened in the pursuit of my simple banking career, and drastic economic changes began to take place in the farm sector of our entire national economy. Farmers, with little effort, suddenly found themselves enjoying increased income. The wide-awake operator moved ahead with enthusiasm and improved expertise resulting in much improved income.

This prosperity posed a problem for some of us. Truly, we in many instances were not adequately prepared to keep up with our better farmers - let alone supply him with all his financial needs. As a result, the welfare of the small communities was in many instances overlooked and neglected by the "Community Banker". The small improperly managed farm units could not keep pace and here began the out-migration from the rural areas posing social and economic problems for the community -- large and small.

New government programs to further assist the farmers were instituted -- programs which, to be effective, involved the Community Banker. These developments too often irked us and sometimes taxed our abilities. We didn't enjoy "big government" intervention and all the "Paperwork", not to mention new competitive factors. In all too many instances we failed to coordinate and utilize these newly created programs which, if properly managed, would have contributed to a more viable community.

In 1955, following the war, I assumed the management of a 4 million dollar bank in Crookston, Minnesota, again well situated in an excellent farm area of the Valley. SBA, the Farm Home Administration, Federal Housing Administration, PCA, ASCS facilities, Veterans Loans, Urban Renewal Programs, HUD -- even new competitive institutions all became a part of the lending and servicing field -- tools to be utilized and maximized by the banker. Banking was fast becoming more complex -- challenging, and under certain circumstances, burdensome -- but we were coming of age. Opportunity for real service to the farmer and community was now a reality. Banking in the small community was fast becoming "full service". It was invigorating, challenging, and hard work.

Utilizing the many new "tools" available made it possible to multiply our growth to 15 million dollars in a few years. Agriculture flourished despite the cost-price squeeze and our community developed new dimensions.

For the past 18 months I have experienced a new challenge -- still that of a Community Banker in a resort area of Minnesota. Our bank of 26 million has little agricultural identity, but our responsibility

in developing a true image of the Community Banker is even more meaningful. It is hoped in the discussions that ensue today and tomorrow that we can share with you a few suggestions and experiences and that you will eagerly participate so that we can better serve our industry in implementing new ABA programs in an effort to assist all of us in our very important role as Community Bankers.

REMARKS BY E.A. MORSE

President, The Citizens Bank, Abilene, Kansas, as a Panel Member of the Workshop Session "The Community Banker -- His Many Dimensions," before the 21st National Agricultural & Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Colo., Monday afternoon, November 13, 1972.

It may help, before my brief remarks, to have me identify myself. I am President of a \$12,000,000.00 bank in Abilene, Kansas. It is one of three banks in a town of 8,000. We also have two Savings & Loan branches, a Trust Company, a finance company branch, and a Credit Union. Abilene is in a diversified agricultural area, with cattle, wheat, and feed grains as the principal products. In addition to some agri-business type industries, we have a couple of manufacturing businesses and the home office of Duckwall Stores which operates over one hundred variety stores in Kansas, Colorado, New Mexico, and Texas. The Eisenhower Center is a major tourist attraction located on I-70 between Kansas City and Denver.

We have the usual problems--trying to increase our capital structure to accommodate our large borrowers and trying to generate enough total loans to justify paying 5½% on time deposits. Kansas is a unit banking state, and we must use our correspondents to help with some larger loans. It has worked fairly well.

Like most of you, Abilene bankers are involved in our community and are concerned with community development, whether it be in further expansion of our agricultural economy, or in attracting or developing other

industry. We are busy attending meetings with our Chambers of Commerce, committees, churches, civic groups, etc. In spite of our efforts, I think all of us can benefit by sharing ideas.

It is most fitting to have a panel discussion on the subject of the community banker at the Agricultural Conference. Although we are primarily interested in agriculture and agricultural financing, Tom Smith has challenged us -- through his talk at the ABA, and again here in Denver -- to take a look at how the changing agricultural situation is changing our communities, and to take a look at the importance of our community banks as an influence in solving our urban and rural problems. When we look we can also see what opportunities the community banker has to provide leadership for desirable community changes -- changes which may provide for sound economic and social development. All of us in this room are interested in community development, rural development, industrial development. Some have been successful in helping their communities achieve such development. Others, I am sure, need encouragement or a "prod" to keep aware of our opportunity and responsibility to help such development take place. It is a cinch someone has to do it.

If our banks are to be a factor in making such development happen, we should also make an effort to make our banks "tick" internally. We have already discussed agricultural loan techniques at the conference. What else is important for the community bank if it is to operate profitably, so that it can be an influence in the community?

1. Operations?
2. Marketing?

3. Management?
4. Personnel?
5. Education?
6. Audits and controls?
7. Investments?

I don't have time to go into all of these subjects, but I want to make a point. The ABA, through its new structure, has provided a new Community Banker Committee, as part of the Agricultural and Community Banker Division, its main objective to be responsive to the needs of the community banker. A survey was prepared for distribution to community banks under \$50,000,000 in size. 3682 of these banks responded. The ABA now has meaningful statistics on the composition of the community banker -- his size, his characteristics, and some idea of his needs.

This survey will be invaluable in an attempt to be responsive to the many small banks in the country who are faced with the problems we have been discussing -- whether they be in broad areas of community development or in the details of an internal audit program. The survey shows many things. I will name a few:

Agriculture is the leading industry of the small banks, but is declining as major source of loan income. A significant shift to installment and mortgage financing is taking place. Major concerns include governmental red tape and supervision; need for economic development; need to attract, train and retain personnel. The findings and problems are diverse and vary by size of bank and location.

One overwhelming fact strikes me. 63% of the 12,598 banks surveyed are under \$10,000,000 in size. These banks are obviously not staffed to give the general and specific problems the full attention they deserve. Larger banks have specialists to keep abreast of solutions.

This is a real opportunity for the ABA and an opportunity for discussion here. My hope is that we can discuss some of the problems here and maybe come up with some suggestions of ways the ABA can help the community banker. With the program already underway, and with your help, the ABA can be responsive to the community banker, and help him meet some of the many challenges of today. The men on the Community Banker committee have been busy identifying needs of the community bankers. Solutions are more difficult. We would appreciate your suggestions.

REMARKS BY RICHARD J. STINSON

Manager, Farm Department, Farmers and Merchants State Bank, Bushnell, Ill., as a Participating Speaker in the Early Morning Technical Sessions, before the 21st National Agricultural & Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Colo., Tuesday morning, November 14, 1972.

Our American Institute on Banking Book, "Public Relations and your Bank" defines public relations as "not just saying or doing something," it means "being something"! Being a good place to do whatever needs doing! To me what we strive for is to get our people to like doing business with us. The modern concept-"A Good Image". Good Public Relations results when you plan with the people in mind. Public opinion is important! I feel that business develops as a result of good public relations and the farm department of a bank in an agricultural community, has an ideal opportunity to do the job in this area.

Why the Farm Department and how do I think it should be used to accomplish this.

First of all - some qualifications of the "Man" in that Department. He must be professionally trained in agriculture! He must know Farming and I mean technical agriculture, as well as practical application. He must know their wit and ways, likes and dislikes. He must be conversant with them and knowledgeable of all their problems as well as sensitive to their love of independence. He must be a good listener and alert to offer good, solid advice when asked, also alert to avoid a tender

trap of controversy. He must, at the same time, be definite, positive in his expression of the economic or technical areas that he knows from experience, to be proven practices. Above all, he must have a knowledge of what the farmer is trying to do and an appreciation of his effort to accomplish his goals. This type of professionally trained man develops through contact and experience in dealing with the farmer.

He must be a banker. Knowledge of what his bank policy is - "its pulse" on issues affecting its customers; its attitude towards the farming community and good working knowledge of all phases of the commercial bank are a "must" for the man meeting people in the field. A representative of a bank is expected to know banking and questions asked, will test any good banker.

He must be active and healthy! He must be a "not afraid to get his feet dirty" kind of individual. On farms conditions are not always the best. It's part of the game and goes with the job. Such a person - so trained - and with these qualifications is in an excellent position to work in Public Relations and Business Development because he creates the best of situations - he is - being something!

How should the department operate to accomplish its objectives? A few guide lines are offered here and some description of their meaning. It's important to outline what you consider to be your trade area - then set out to give that area your full concentration. Once this is done, get out in the country!

Call on everyone of your customers. "Kick a clod" and visit him on his own ground! See what he has, how he does it, what his plans are and get to know his problems. Evaluate what you see! Make a report of the

REMARKS BY RICHARD J. STINSON

visit and present it to all the people in the bank that are going to be working with the family. Your observations should become an important part of the credit file, if your appraisal is technically correct. Don't guess; assess, honestly and economically. You will find you are welcome on the farm and will be invited back.

Call on all - Non-customers; admit you know they bank with a competitor but let them know you're interested in them because they are a part of your trade area. They'll be flattered - will tell you why they don't do business with you (often very revealing) and they will probably contact you again when they have a problem. You can sort out those you don't want as well as those you do. We have several in our bank that came in from just such contacts. No doubt others have, that I cannot trace directly but are the result of such meetings.

Select and call on non-customers that you specifically want to have do business with you! After considerable experience in this area (two of us from our bank spend an afternoon each week doing this) we have concluded that the direct approach is the best. We simply tell him that we have selected him because he's the kind of farmer we want in our bank and invite him to bank with us. This man is probably pretty solid where he is and is reluctant to change but - the seed is planted! If he's in our trade area we think we'll get him eventually.

In all these situations - it's important to stress the place of the bank in the community. A full service bank serves its community but it

must have the backing of the people in its trade area to do so. We can really be a full service bank if 95% of the farmers in our trade area bank with us! We have 130 stockholders and half of these are farmer customers. Our competition has a tough time working in our area.

Work with Agricultural youth groups. They have always been an important segment of potential business and they are even more important today. They are very mobile but attune to good Public Relations. They like an adult approach.

Sponsor public meetings. Bring in the experts. Carefully select the issues, and plan carefully. Some may not be the most popular; but try again. I've had several. For example: future marketing of livestock, future marketing of grains, corn blight, its causes and effects, and now pollution. I try to keep these meetings on a broad level that covers a major concern. The area extension service sponsors many meetings that are excellent and I attend many of them, but we do not compete with extensions, rather we cooperate! Our speakers are often from extensions as well as industry.

Show up at farmer activities. Even the local "hang out" on a rainy morning can be a good place to work! Sales, (I don't clerk them) contests, demonstrations, etc.; anyplace where a group of farmers gather to put their ideas together is the place to be. There's a lot of ribbing, but the end result is a "plus"!

Participate in tours and educational meetings. I never miss an agronomy day at the University and take a carload down. Common interest

areas are an ideal time to get better acquainted and develop desirable interactions. Last year I cooperated with Western Illinois University Ag. department by sponsoring an on-the-job training program in Farm Department Function and Farm Management. A Senior Ag. Economics major from Western spent six weeks with me in our bank as a part of his training for his degree. I was happy to have him and will participate again this year, if asked. We have an excellent rapport with the University.

Be active in State and National Bank associations. We attend both regularly. This is my 13th in 13 years. These are areas my department is working in and I feel are important. Some areas that have potential and I think should be experimented with are:

Newsletters - or a monthly report to customers on agriculture. Most of us are not skillful news writers but in our community, I think we can do the job well enough to make it work. It would keep the local farm department in the eyes of our community. Professionally written reports are O.K., (Doanes) but I think there is merit to a locally prepared item.

Newsletters - to our town customers. Technical Ag. men have a good working knowledge of problems that confront home owners as well as farmers. Lawns, shrubs, gardens, fertilizers, insects, weeds and pests that concern home owners in town are right up the farm departments alley. Some of these people own farms or have friends that do. Potentially, a good source of new business.

Lastly, farm management by the farm department is widely accepted as an important tool for business development. The Farm Manager is ideally qualified to do this kind of work. As a trained observer he fits the bill:

I think, with these ideas in mind to serve as a nucleus, a bank should be able to establish a department that will grow into a very valuable part of the bank. With proper adaption, should result in improved Public Relations and develop more Business for your bank.

Some questions that will arise when establishing a new department are:

1. Should he be a loan officer? Top management in my bank thinks not - their feeling being that I can operate more effectively if my judgment is not swayed by a heavy line. I'll be glad to elaborate more on this if you desire.

2. How important are the suggestions made by the farm man after his farm visit? Certainly good management affects the farmers ability to repay! There must be a "meeting of minds" and the farm department's opinion must be given serious consideration if the man is to function effectively!

3. How does the farm man's position fit with the rest of the bank officers? It's very hard to put a dollar figure on your value! Just how much good does he do? He'll be out of the bank 50% of the time. They may resent your - so called - freedom!

4. What will the customers think you're doing? You'll be accused of counting collateral! You'll have to educate your customers to your function as well as your fellow employees. This is an interesting area of controversy.

REMARKS BY DR. JOHN A. HOPKIN

Stiles Professor of Agricultural Finance, Texas A & M University, College Station, Texas, as a Participating Speaker in the Early Morning Technical Sessions, before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Tuesday morning, November 14, 1972.

A combination of trends makes a discussion of alternatives for machinery control a very relevant topic in 1972.

1. Investment in farm machinery is increasing rapidly, in total, per farm, and as a percent of total farm investment.
2. Many of these machines are becoming increasingly costly, and more specialized in use.
3. Farm businesses have lost substantial liquidity since 1950 and the trend still appears to be downward. A number of reasons account for this trend.
 - (a) The rising cash cost of farm family living.
 - (b) Declining profit margins per unit of product sold.
 - (c) Consolidation of farms into fewer units.
 - (d) Financing terms on the purchase of depreciable assets.

There is little doubt that farmers need access to the services of modern farm machinery. Whether they need the biggest or the ultra-modern model is a question to be answered after careful capital budgeting of costs and returns in individual cases. For purposes of this discussion we will assume he has already determined that he needs the services of a particular set of machinery. The question we want to resolve is whether

he should purchase it, lease it, or custom hire the job done. We will assume, for the sake of simplicity, that each of these alternatives performs equally well. Therefore, we can make our decision strictly on the basis of costs.

The following alternatives are available:

1. The machinery dealer is offering a 10 percent discount off the \$25,000 list price if the machine is purchased.

2. The dealer will finance the purchase with a 25% down payment and a 3-year loan at 11 percent interest on the remaining balance.

3. The local bank will finance the purchase with a 25% down payment, with 3 equal annual installments, and interest at 8.5% on the outstanding balance.

4. The machine can be acquired on a financial lease from the dealer with annual lease payments of \$3,800 per year for 8 years and \$500 per year thereafter until the machine is worn out.

5. The machine can be acquired on a short-term operating lease for \$140 per day for 30 days per year. Operating and labor costs are estimated at \$9 per acre for all of the above alternatives.

6. He can custom hire this machine service for \$20 per acre.

Eliminating Inferior Alternatives

The process of choosing among these six financing alternatives appears to be rather complex. However, it is likely that one or more of the alternatives can be easily eliminated from consideration. For example, the high interest cost of the dealer financing (#2) makes it an obviously inferior choice to the lower-cost bank financing (#3), assuming no differences in the liquidity values of credit for these lenders. Notice,

also, that the operating lease (#5) and custom hiring (#6) are annual contracts with constant patterns of cash flow over several years. Consequently, one of these alternatives can be eliminated by a comparison of after-tax, annual cash flows.

Assume that the manager is in the 25 percent tax bracket. His after-tax cost of custom operating the 600 acres would be \$12,000 $(1-.25) =$ \$9,000. For the operating lease, he estimates that the machinery would need to be rented for a total of 30 days each year. The cost for renting would be:

	<u>Before-tax costs</u>	<u>After-tax costs</u>
Rent: 30 days	\$4,200	\$3,150
Labor and operating costs*	<u>5,400</u>	<u>4,050</u>
Total annual cost	\$9,600	\$7,200

On the basis of total annual costs, this manager would benefit by renting the machine rather than custom hiring. Of course, he needs to consider the quality of the services too. If the custom operation is less risky or produces a higher quality product than the rental arrangement, he might change his decision.

Company Alternatives

We are now left with four methods of controlling the machinery services: an operating lease, a financial lease, a cash purchase, and a debt purchase. Let's look at the cash flow associated with each of these methods. Because the economic life of the machine is 10 years, we will use a 10-year planning horizon.

*We assume here that all labor costs are actually paid and therefore tax deductible.

The computational procedures can often be simplified by eliminating all cash flow elements that are of similar magnitude and timing for each alternative. In this case, machinery operating costs, property taxes, and labor, as well as performance, are the same for each of the four alternatives under consideration. Hence, these cash flow items can be ignored in this comparison. One exception occurs in the case of the operating lease. This option saves an estimated \$1,150 in repairs annually, due to the elimination of annual overhaul costs.

The relevant cash flow stream for the operating lease consists of the annual rental payment(\$4,200) less the annual credit of \$1,150 to account for the savings in repair costs. This savings would be experienced at the end of each of the first 9 years. The cash outflow over the entire period is shown in Column (a), Table 1.

The computational procedures are a bit more complex for the other alternatives since the annual cash flows vary from year to year. For example, with the cash-purchase option the purchase price of \$22,500 is an immediate cash outflow (Column (a), Table 2). Since there is no borrowing, there will be no interest cost. With the credit purchase, the 25% down payment of \$5,625 occurs immediately, with a corresponding amount as an installment payment on the principal plus interest at 8.5 percent on the local balance at the beginning of each of the next 3 years (Columns (a) and (b), Table 3). The cash flow of the financial lease is comprised of the annual lease payments (Column (a), Table 4).

The "tax credit" for each alternative is determined by multiplying the relevant tax rate (25% in this case) by the tax deductible expenses for each alternative. Because these expenses reduce income, they

also reduce the cash outflow for income taxes. Since each alternative has a different set of deductible expenses, tax considerations cannot be ignored. For the operating lease, the annual lease payment is the only deductible expense. Hence, the annual tax credit is 25 percent of the payment the preceding year and is shown in Column (b), Table 1, with the after-tax cash flows shown in Column (c).

For the cash purchase, the only unique deductible expense is for depreciation, shown in Column (b), Table 1. It is based on straight-line depreciation plus the extra 20 percent depreciation allowable the first year. In addition, IRS currently permits a 7% investment tax credit for purchase. Whether this investment tax credit is passed along to the farmer in the financial leasing option would depend on the circumstances. It is one of the matters over which the lessee and lessor negotiate. I have assumed this credit is passed on to the financial lessee as a credit at the end of the first year. It is not passed on in the case of the operating lease.

The tax credits and after-tax cash flows are shown for the cash purchase, credit purchase and financial lease options in Tables 2, 3, and 4, respectively. For a more convenient comparison, they are shown for all four alternatives in Table 5. If our decision is based on total net after tax cash flows, clearly the cash purchase is preferred, followed by credit purchase, financial lease and operating lease in that order.

However, let's look at the differences in the time pattern of these cash flows. As bankers, you are readily aware that a dollar available 10 years from now has much less value than a dollar available now. An important function of the money market is to determine the relative

Table 1. Cash flow associated with operating lease

Year	Contractual lease payment	Tax credit	Net cash outflow from operating lease
	(a)	(b)	(c)
0	4200	-	4200
1	3050	1050	2000
2	3050	763	2287
3	3050	763	2287
4	3050	763	2287
5	3050	763	2287
6	3050	763	2287
7	3050	763	2287
8	3050	763	2287
9	3050	763	2287
10	-	763	-763
Totals	31650	7917	23400

Table 2. Cash flow associated with cash purchase

Year	Purchase 10% below list price	Depreciation	Tax credit	Investment credit	Net cash outflow from cash purchase
	(a)	(b)	(c)	(d)	(e)
0	22500				22500
1		6300	1575	1575	-3150
2		1800	450		-450
3		1800	450		-450
4		1800	450		-450
5		1800	450		-450
6		1800	450		-450
7		1800	450		-450
8		1800	450		-450
9		1800	450		-450
10		1800	450		-450
Totals	22500	22500	5625	1575	15300

Table 3. Cash flow associated with credit purchase

Year	Purchase loan payment	Interest at 8.5%	Depreciation	Tax credit	Investment credit	Net cash outflow from credit purchase
	(a)	(b)	(c)	(d)	(e)	(f)
0	5625		1575			5625
1	5625	1434	450	1934	1575	3550
2	5625	956	450	689		5892
3	5625	478	450	570		5533
4			450	450		-450
5			450	450		-450
6			450	450		-450
7			450	450		-450
8			450	450		-450
9			450	450		-450
10			450	450		-450
Totals	22500	2868	5625	6343	1575	17450

Table 4. Cash flow associated with financial lease

Year	Contractual lease payments	Investment credit passed to lessee	Tax credit	Net cash outflow from financial leasing
	(a)	(b)	(c)	(d)
0	3800			3800
1	3800	1365	609	1826
2	3800		950	2850
3	3800		950	2850
4	3800		950	2850
5	3800		950	2850
6	3800		950	2850
7	3800		950	2850
8	500		950	-450
9	500		125	375
10			125	-125
Totals	31400	1365	7509	22526

values of dollars at different times. Thus, cash flows with different time patterns are placed on a comparable basis by means of discounting to present values.

The choice of a discount rate or cost of capital will materially affect the comparison. In Table 6, for example, the alternatives are compared using a discount rate of 5 percent. The discount figures in Column (a) were obtained from a table of discount factors available at most banks. It is the reciprocal of the compound interest factor.

At 5 percent, the cash purchase is still preferred. At a discount rate of 15 percent, however, the situation is completely reversed, with the operating lease ranking first and the cash purchase in last place (see Table 7). Figure 1 demonstrates how these preferences shift over a broad range of discount rates.

The choice of whether to lease or buy, and which lease or purchase option is preferred depends very strongly on the farmer's "opportunity cost of capital." The farmer who has little debt, with surplus cash in savings accounts earning 5 percent, should clearly use the cash purchase. However, if he has investment opportunities that will earn him about 7.0 percent or more, he would be better off to use the credit purchase option, freeing the cash for other uses.

The financial lease becomes preferable for rates between about 11.5 and 14 percent, with the operating lease becoming most profitable for discount rates above 14 percent.

I contend that many alert and aggressive farmers can find investment opportunities on their farm that will return 10 to 15 percent or more. If they presently are not exploiting these opportunities because

Table 5. After-tax cash flows for four alternatives in machinery control

Year	Net cash outflow from operating lease	Net cash outflow from cash purchase	Net cash outflow from credit purchase	Net cash outflow from financial leasing
	(a)	(b)	(c)	(d)
0	4200	22500	5625	3800
1	2000	-3150	3550	1826
2	2287	-450	5892	2850
3	2287	-450	5533	2850
4	2287	-450	-450	2850
5	2287	-450	-450	2850
6	2287	-450	-450	2850
7	2287	-450	-450	2850
8	2287	-450	-450	-450
9	2287	-450	-450	375
10	-763	-450	-450	-125
Totals	23400	15300	17450	22526

Table 6. The present value of cash flows for four alternatives in machinery control, assuming a 5 percent opportunity cost of capital

Year	Discount factor	Cash purchase	Credit purchase	Financial lease	Operating lease
	(a)	(b)	(c)	(d)	(e)
0	1.00	22500	5625	3800	4200
1	.95	-2993	3373	1735	1900
2	.91	-409	5362	2594	2081
3	.86	-387	4758	2451	1967
4	.82	-369	-369	2337	1875
5	.78	-351	-351	2223	1784
6	.75	-337	-338	2138	1715
7	.71	-320	-320	2024	1624
8	.68	-306	-306	-340	1555
9	.64	-288	-288	240	1464
10	.61	-275	-275	-76	-465
Totals		16465	16871	19126	19700

they can't get access to funds, leasing and/or custom hiring offer a possible solution. When the 7% investment tax credit is not in operation the leasing and custom hire options become attractive at lower discount rates.

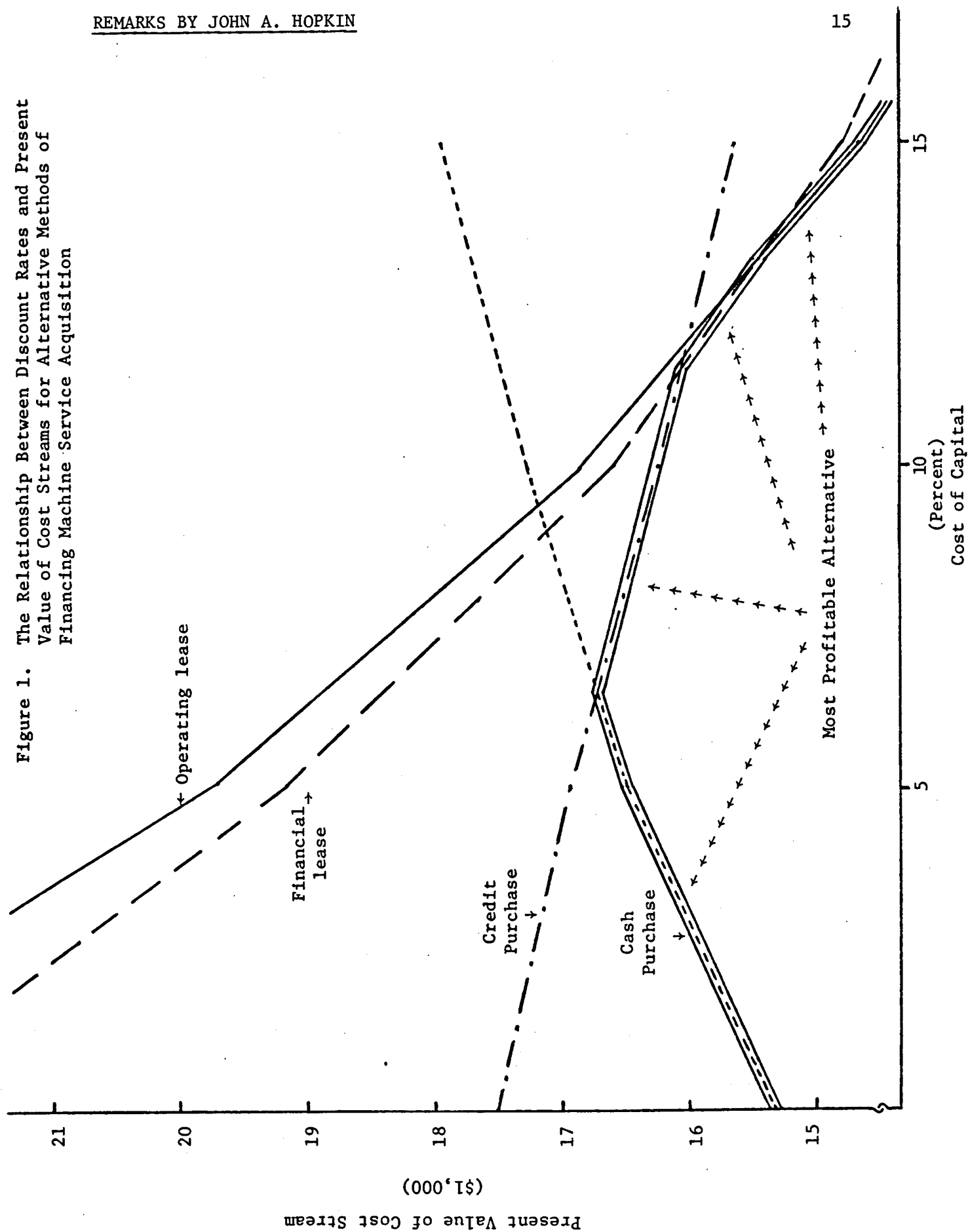
Summary

The large capital investments in new technology and in expanding production capacity are creating a severe strain on the traditional channels of capital formation in agriculture--namely, retained earnings, depreciation reserves, and borrowing. The nonownership control methods of leasing and custom hiring may provide managers with cash flow advantages by (1) eliminating high down payments; (2) reducing cash payments during early years of asset use; and (3) reducing income taxes during those early years. Of course, these advantages depend on the terms of the lease or custom contract. If cash flow advantages exist, they are especially valuable to individuals with profitable alternative uses of funds. Custom hiring and operating leases also provide a hedge against the risk of asset obsolescence.

Table 7. The relationship between discount rates and present value of cost streams for four alternatives of machine control

Discount rate	Cash purchase	Credit purchase	Financial lease	Operating lease
0%	<u>15300</u>	17450	22526	23733
5%	<u>16465</u>	16871	19126	19700
10%	<u>17280</u>	<u>16254</u>	16594	16791
15%	17887	15611	14704	<u>14691</u>
20%			13188	<u>13065</u>

Figure 1. The Relationship Between Discount Rates and Present Value of Cost Streams for Alternative Methods of Financing Machine Service Acquisition



COMPUTERIZED FARM AND FINANCIAL PLANNING

Address by Richard K. Schumann, President, The Greeley National Bank, Greeley, Col., before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton, Denver, Col., Tuesday morning, November 14, 1972.

To the title of my remarks this afternoon, I would like to add, "Comments on the State of the Art." And indeed an art it is.

Each time I have the opportunity to speak to a group of agricultural bankers such as are present here, I am always hopeful that I will be able to present to the group some sort of dynamic speech that will send them all away with the feeling that something extraordinary has been added to their knowledge and that they can return to their own banks with renewed enthusiasm for their jobs and the thought that they can relate to each of their farm or feeder customers a plan that will instantly revolutionize the banker-farmer relationship.

If you have ideas like that, relax, nothing like that will be forthcoming. The most I can hope to do is to continue my eight year old crusade to encourage you to continue to press your agricultural customers for better records in order that you might more intelligently approach his financial problems and that he, through better knowledge of his own operations, become a better farmer, a more precise feeder, and, through planning, better control his own destiny.

During the last 20 years, significant advances in technology and specialization have boosted resource productivity and markedly increased the capital requirements in agriculture with little or no

improvement in profit margins. Some farmers had available the necessary financial resources to adopt new methods and, if they did so wisely, generally expanded into larger, more efficient units. Unfortunately, many small, inefficient and part-time farmers could not make these adjustments because they lacked an adequate resource base. They could hardly generate enough income for living expenses, let alone make investments in costly technological improvements. Hence, this inability to adopt cost-saving practices, together with inexorable pressures from the price-cost squeeze, has forced many farm families to leave agriculture. The trend seems destined to continue.

The financial requirements in agriculture have risen as a result of the need to purchase ever increasing long-term capital improvements to adopt the new technology. For example, the value of farm production assets at the beginning of 1971 was an estimated \$255 billion -- nearly \$100 billion more than it was in 1960, despite a decline of more than ¹ one-fourth in the number of farms. Thus, the value of production assets on a per farm basis showed a 130 per cent gain during this period. Few commercial farmers are able to meet the initial capital outlays for new improvements wholly out of retained earnings -- meaning that a majority of progressive operators depend on borrowed funds to finance their farm businesses.

I don't know how your farm customers are. They may be different from ours. Maybe their eyes don't light up like a Christmas tree when a bright, friendly equipment salesman shows them the latest _____ horsepower

¹Balance Sheet of the Farming Sector, 1971, United States Department of Agriculture, December 1971, p. 26.

tractor complete with hydraulic drive, fingertip controls, eight track stereo, air conditioning, foam seats and a high drive equipped for road racing. Most of you have a good idea that there's no way to make the arithmetic work on such a purchase but how do you tell him and make him believe it? Worse, other than through judgment based on experience, how do you know it isn't the right purchase yourself? The only way I know to do the job factually is reverting to our old friend, the computer, for those planning functions that afford the arithmetic that must ultimately be balanced with the creativity, knowledge, insight and individual commitment of our customers.

In the planning process, the farmer is faced with the problem of allocating a bundle of scarce resources among a number of competitive alternatives in such a way as to achieve various goals and objectives. Although a few of the goals may be conflicting, presumably the farm operator will attempt to maximize profits over the length of his planning horizon. Investment decisions are some of the most important and difficult ones to make because of their long-run effects on production possibilities and capital commitments.

Traditionally, our farm customer's financial position has been evaluated on the basis of an annual financial statement and, occasionally, we have an outstanding record keeper that actually affords us with an income and expense statement that balances with the difference in net worths displayed on the year to year financial statement. Most of the time (or maybe your situation is different) we're merely comparing net worths and, if it has increased, it has been a good year, and, if it has

decreased, we try to find excuses for the decline other than the usual comment in our loan meetings, "Bad management."

In years past, you have become sharply aware of the agricultural record keeping capabilities of the electronic computer through inputs that are largely based on records initiated by checks and deposits. These services are certainly far better than no records and they are being provided by a variety of organizations such as Farm Bureau, Cooperative Extension Service, Federal Land Bank System, other livestock associations, commercial banks, and commercial computer service organizations. Most are mail-in services that require the farmer to fill out forms or submit cancelled checks and receipts. In return the farmer receives reports that contain records of the performance of his total farm.

I think that, at this time, you should also be made aware of a gigantic program originally known as Management Accounting Program - 72, but now better recognized as Agricultural Management Information System (AMIS), or Total Enterprise Accounting for Management (TEAM). If you have some knowledge of data processing you'll have to be impressed with the fact that this program has been in programming and testing for approximately six years, its "source deck" comprised some 30 boxes of punched cards; its "object deck", 4 boxes of punched cards.

This program, now running smoothly, is capable of accurately handling cost accounting for 99 different enterprises in 999 locations for 999 tax class descriptions of transactions.

It was originated six years ago as a cooperative project by ten banks and industries with a vital interest in agriculture. As IBM itself was a member of the group, it was devised to run on an IBM 360/30 and, of course, is compatible with the new IBM 370 series.

In spite of its gigantic size, it operates efficiently enough to produce thirty summary reports for a farm operator consisting of any combination of the following:

Accuracy Checklist Report	Balance Sheet Report
Profit and Loss Report	Employee Report
Production Enterprise Report	Checkbook Report
New Codes and Accounts Report	Transaction Reference Report
Cash Summary Report	Changes in Net Worth by Month Report
Production Data Analysis Report	Machine Usage Report
Labor Usage Report	Water Usage Report
Enterprise Budget Reports	Enterprise Analysis Reports
Year End Reports	Capital Assets on File Report
Full Firm Analysis Report	Tax Summary Worksheet Reports
Tax Supplement Reports	Tax Trial Balance Reports
Capital Gains Report	Resale Inventory Report
Depreciation Reports	Cash Summary Budget Report
Accounts Payable Report	Aged Accounts Receivable Report
Flexible Codes Assigned Report	Pre-Close Out Reports

with costs running from 20¢ to 35¢ for each transaction. This interprets to a cost of \$10 to \$25 for the larger family farm to about \$150 per month for the very large, multi-location operator. It has actually been on the market for almost three years, sometimes backed by vigorous marketing efforts, and I think its adoption by the agricultural industry has been typical. Of America's approximately 3 million farms, my latest check shows that about 200 are using the almost infinite capabilities of this program.

What's the matter? As best I can tell it is a combination of the information produced and the cost. The information produced is almost overwhelming and we still can't convince a farm operator with an investment of a quarter of a million dollars of capital in his enterprise that it's all right if he spends \$180 a year on accurate cost accounting.

But before we start pointing a finger at agriculture about cost accounting maybe we'd better satisfactorily answer the question about the status of accurate cost accounting in our own banks. How's yours? Ours is terrible.

Incidentally, the TEAM program produced a startling fact: The same accounting principles that make accurate cost accounting to the agricultural industry by enterprise apply equally well to the enterprises (departments) in a commercial or industrial enterprise or our own banks.

I predict a fantastic future for the program.

I recognize that you probably get weary with the massive amount of knowledge that is needed to stay abreast of developments in the agribusiness world but I need to remind you of a substantially more advanced computer application, linear programming, that is readily applicable to something equally valuable with recognition and review of past performance. I speak of forward planning.

In its application it considers the resources available (land, labor, capital, and equipment) and the acceptable crop and feeding enterprises. It then determines the mixture of crops and/or livestock that should bring the most profit.

Numbers of agricultural colleges around the United States have one or more agricultural economists that are expending substantial sums of time and money in the development of such programs. These programs can actually mathematically determine the answer about the size of tractor our farm customer should buy. It will also answer questions such as: buying or custom hiring machinery, best depreciation methods to use, when to market livestock, profitability of adding extra livestock or acreage, maximum prices to be paid for feeder stock, and methods of evaluating capital expenditures.

I understand that current feeder cattle prices were fed into a linear program at our local agricultural college's computer and it blew every fuse within a three block area.

More seriously, in the use of computers in planning in the livestock area, in our own shop we are currently in the testing stage of a program we have devised to plan, within reasonable limits, the date of marketing of feeder cattle through evaluating the nutritional ingredients of the feed ration and balancing these with factors such as weather and physical condition of our outdoor feedlots. Now all we need is a program to accurately predict the price of fat cattle on a given day and we'll have it made.

In a recent visit with Dave Brueck at Colorado State University, Dave made mention of the obvious fact that mere agricultural production is not the solution to our agricultural problems. Is it not true that in 1950 a farmer fed himself and 16 other people; in 1960, himself and 26 others and in 1970, himself and 47 more? At the same time, between 1950

and 1970 his average net farming income increased from \$2,421 to \$5,563. If we apply a 20 year inflationary factor to those figures, his purchasing power increased very little, if at all.

Why do I tell you these things? To summarize:

We have a nation of very efficient farm producers that are not financially successful. It would appear that our farm customer is going to have to complement his retention of earnings as capital with substantially more leverage through borrowing from you, his banker That puts you, his banker in an ever stronger position to assist him through your guidance in his financial management.....That financial management consists of a cycle of planning, control or management, and evaluation. . . . That with the complexities of current agri-business technology, your greatest friend is the computer.

When you get home, why don't you look up your closest friend and shake its hand?

RURAL AMERICA'S MONEY TEAM

Address by Dale C. Tinstman, President, First Mid America, Corporation, Lincoln, Nebraska, before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver, Colo., Wednesday morning, November 15, 1972.

Agriculture, one of the nation's largest industries and certainly the most important industry for humanity, is in a dramatically opportune position. The rewards will not come easily. I submit to you that we here today, representing rural America's money team, have not done a complete job during the past two decades. By money team, I am talking about the commercial banker, the investment banker, lending institutions, and venture capitalists.

You, as primary commercial bank lenders, are entitled to know something more of our credentials before any more challenging statements are made.

First Mid America, the organization I represent, is a member of the New York Stock Exchange and is extremely active in the investment banking field in the Great Plains area. One of our predecessor companies actually had a Farm Management Department which had been in existence since World War I. The current management of FMA is dedicated to serving rural America and the agricultural industry both in the raising of equity capital and borrowed money. One of your previous distinguished speakers, Norbert Tiemann (former Governor of Nebraska), joined First Mid America in February 1971, primarily because of his interest in the financing of

agriculture and agriculturally-oriented businesses. I will make further reference to Nobby and his activities.

Through the years we have had our successes and failures in financing of agriculture. Even now, we are liquidating one corporate farming venture. It was not successful. However, it is our opinion its lack of success was due to management--something we will also talk about later.

Existing investor and credit facilities, both public and private, can be credited with only a commendable job in providing financing for our mammoth capital-hungry food and fiber producing machine. We must provide new and innovative methods for financing during the decade of the 70s and the 80s.

I suggest there are few experts in raising equity capital for farming operations. The reason--some 85% of the equity capital during the last half-century has come from retained earnings. This is good business, but it needed supplementing. It is our position that retained earnings will be insufficient during the 70s because of the immense capital requirement caused primarily by the move from a labor-intensive industry to a capital-intensive industry.

Now--in discussing capital and money for agricultural business, we must first examine and broaden our thinking to include the social, environmental, and ecological problems besetting rural America. These cannot be ignored, because the ideal financing for agriculture will be the development of more capital in the rural areas. We must stress complete solutions to the total of rural America's problems.

Those in the audience not from Middle America must excuse me for confining the majority of my remarks to Middle America, often referred to

as "The Bread Basket of the United States," and certainly if not that, a major supplier of important protein foods. For those not from this area, I think most of the remarks would be applicable with slight change. Recently, I was quoted on an economic panel as stating,

"Nebraska is in the right place at the right time--We had just better be ready to handle this opportunity economically, culturally, and environmentally."

This I sincerely believe, and is basically true for all of the United States rural America areas. We must be ready with planning and facilities. It can be financed if we cooperatively put our minds to the task of finding new and innovative methods.

Norbert Tiemann, a Vice President of our Investment Banking Staff and the President of the coalition for Rural America, has recently given certain testimony on this subject, and I have plagiarized from him some of the ideas I will present in the next two or three minutes.

Industrial Development -- The greatest migration of people from one area to another in the history of the world has occurred since World War II in the United States. President Nixon has called for not only stemming the tide, but reversing it. People will locate where there is economic opportunity. This means a concerted effort to provide incentives for industry that is expanding, and encourages it to locate in rural areas. One major tool to accomplish this is a tax credit differential. Presently, there is a 7% investment credit. An increase to 10% would be a powerful and attractive incentive to industry to locate in our countryside. Implementation of the plan is simple. It is attractive to both urban and rural interests, most certainly to industry, and it should be doubly attractive to government. Several problems are solved utilizing this approach:

(1) Movement of industry to the rural areas is accelerated.

(2) Job opportunity is created in a labor surplus-employment deficient area -- this ties nicely with agriculture's move from a labor-intensive to a capital-intensive intensive industry.

(3) People living in that area will stay and not be tempted to move to an urban area.

(4) The industry will generally locate in the community that is sufficiently large to accommodate it. This means that people living in very small towns within commuting distance will stay in that smaller populated area rather than move. A 100-mile roundtrip commute in rural America consumes less time than a 25-mile trip in our urban areas.

(5) It is conceivable that individuals moving to rural America will be attracted to these small towns that are within commuting distance of a factory. This means that the very small communities, that could be best described as "corporate rest homes," would retain younger people, have a broadened tax base and economic growth and viability.

These are only some of the many major advantages of the tax incentive approach.

Planning -- The importance of planning for industrial development in rural communities is a factor too often overlooked. If, in fact, agriculture is to stay as a viable profitable business and industry is going to settle in our countryside, then the recipients must be ready for it. This means that rural communities must create industrial parks, invest in shell buildings, and provide the necessary utilities and streets even though an industrial prospect is not in hand. Above all, these clean communities must be selective as to which industry they choose as their neighbor. Followers can be avoided and minimal pollution can be controlled with good planning and strict pollution regulation enforcement.

Federal and State funds and planning assistance should be made readily available for the American countryside.

Recently, a staff member of the U.S. Senate Agricultural Committee, commenting on the Rural Development Act, said,

"I predict that within three to five years no federal money will be going into any state without planning divisions."

Transportation -- The lifeline of any area is the transportation system. In rural United States, the railroads have been consolidating depots, abandoning branch lines and withdrawing service. The airlines too often engage in a deliberate "fly over," and air fares to rural travellers are discriminating. Highway systems are neglected because the cost of maintenance or construction seems prohibitive to too many state officials.

I suggest that if tariff regulations put railroads at a disadvantage, then change them.

If management is siphoning off railroad profits to subsidize other activities of conglomerate railroad companies, then pass legislation to force them to fulfill their function as a quasi-public utility.

Work rules ought to be split between branch lines and the main lines since there is no resemblance between them. As an example, in some rural areas members of the train crew exceed the number of cars in the train.

Freight rates should be adjusted to give the rural areas a chance to compete with the urban areas. Especially during grain harvest season.

Third level air carriers should receive a larger subsidy and the entire connecting system should be completely studied.

The Role of Land Grant Universities and Rural Development --

Despite a series of Federal rural development programs starting in the late 1950s, the land grant universities have never been effectively enlisted in these efforts. They have never been provided with adequate resources with which to do research or conduct educational programs on development problems. Given sufficient financial support, the universities have a large contribution to make to rural development. For example -- the University of Nebraska Agricultural Department has in less than two years developed a very successful "Livestock Development" Program. There was no money available to support additional people that were needed, so the President of the University of Nebraska solicited and received industry support. I submit that this is an innovative and much needed approach.

The business of the University is education and research, knowledge, skills, and personal growth of people. The Universities are ready and willing to enlarge their contribution to the task of rural development.

In order to enable land grant universities to make a larger contribution to rural development, University of Nebraska President Varner has proposed that Congress authorize and fund the establishment of a system of Institutes for Rural Development in these universities and charge these institutes with the responsibility of marshalling the resources of the entire institution in an effort to bring to reality the concept of rural development. Such institutes would capitalize on the experiment station-extension service tradition, applying their approaches to rural development and utilizing the staff capabilities of the entire university.

The Rural Development Bill -- In response to these needs and opportunities, Title V of the rural development bill, recently enacted into law, represents an important step. It provides for funding on a pilot basis for three years for coordinated rural development research and rural development extension programs in each state, as well as for a small farm extension, research and development program. This legislation represents a very important first step.

We would suggest the following points that need to be considered with respect to the rural development bill:

- (1) Three years is a short time in which to recruit qualified staff for a new program of this kind.
- (2) It is a short time in which to organize specific activities and bring them into full operation.
- (3) It is a short time in which to achieve measurable impacts.

The problems of rural development are complex and difficult, and require a long-term commitment of personnel and resources. We should be thinking in terms of a ten or fifteen year commitment of research and educational efforts, and in financially larger terms than those indicated in the bill.

Federal and State Government must provide the necessary impetus and funds to accomplish these important tasks.

We in our industry frequently ask -- "With all the technological development and possible automation, why does it take so long to change the mind of one of America's greatest industries?"

We saw the pork industry change long before the beef industry, as a matter of fact, boxed beef as a processed item has arrived within the last two years. This is a recent quotation from an economist talking about

the leader in boxed beef:

"Had IBP's method of processing and distributing beef been used on all beef consumed in the United States during August, consumers would have paid 4 to 5 cents less per pound for their beef than they actually paid."

The beef industry will be more efficient in the future. For the first time in history, the farmer, the livestock raiser, the feedlot operator, the packer-processor, the distributor and the retailer realize that they are all in this business together. Each now knows that he will benefit from a more efficient industry. We, Rural America's Money Team, can assist in these much needed changes by having an open mind, by having the courage to put money into new methods and by just plain using our heads in place of the blindfolded attitude. "That's the way we have always invested or loaned money" is a cliché that can no longer be tolerated.

In the investment banking business we often refer to "Triple M", and we do not mean Minnesota Mining and Manufacturing. We mean "Market, Management and Money."

Markets -- I think it goes without saying that the market for agricultural products is there. It is our opinion that profitable markets will remain. The world needs our grain. The world wants our meat. The livestock raiser will get more, while the housewife will retain the greatest bargain she buys -- meat.

The next key ingredient is management -- and here is where we run into the intangibles. First we must ask, can the individual who is running an operation handle a larger operation? It seems to me it is a foregone conclusion that this is going to happen. We have seen the

family farm get larger, and this, of course, is to the disgruntlement of many. However, we must acknowledge "the greatest fear of change is change itself" -- the die is cast. It does take fewer people to provide the same amount of grain or meat, and this change will go further. In no way can I advise as to what is or is not good agricultural management, but it is something that we must be continuously appraising if we are showing the way to obtain money.

We, the Money Team, must be ever alert to educating agribusiness, to be willing to pay the going rate of interest, and further we must emphasize the necessity for an adequate return on invested equity capital. Viewing many farm and farm-oriented businesses, we find that many times an original investment is ignored because of the family owning the land for generations. It is of utmost importance that we emphasize proper and adequate accounting procedures so that the return on invested capital can be measured. In total, it is imperative that all levels of food production be profitable. This includes the grower, the feeder, the processor and the distributor. I would repeat -- we in the money business should be ever alert to emphasize the importance that money is a commodity and must return a fair profit.

I ask you as financial people, how many of you or your clients are familiar with commodity futures? Time does not permit discussion of the futures markets, but it may be the answer to the risk that some of you lenders take. You can learn about this subject in a few short hours. Your client's side is not speculation -- it is hedging.

How many of your clients are knowledgeable in obtaining or willing to take outside equity?

How many are knowledgeable as to forms of legal organization other than proprietorship?

How many are at all knowledgeable about any vertical integration?

These are some of the things that we must be constantly working on with our agricultural clients. Let's open our eyes and our minds.

Outside equity capital -- most participants in agricultural policy seem to agree that the matter of outside equity capital going into agriculture has become an important policy issue. However, serious disagreement exists on the kind of action needed. Some spokesmen appear to be trying to block the movement of outside equity capital into agriculture. Traditional agriculture used little outside equity capital.

We must be willing to at least talk about:

1. non-farm investors,
2. limited partnerships,
3. cattle feeding funds,
4. leased cow herds,
5. leasing or other forms of financing irrigation,
6. stock offerings in corporate form,

and other innovative forms of money use. We as investment bankers are ready to find the plan which will supply the equity money.

Ladies and Gentlemen, we are talking about one of America's biggest industries. Cash receipts from farm market reached \$51.6 billion last year, of which \$29.7 billion was from the marketing of livestock products, and the remainder of \$21.9 billion from crop marketings.

In contrast to that, total cash receipts with the same products in 1950 were only \$28.5 billion. Only about 10% of that increase can be attributed to higher prices received by the farmers for their products -- is there any wonder we have to look at automation and technological progress.

To summarize, I would like to use an excerpt from a recent publication of the U.S. Department of Agriculture. John A. Hopkin stated with clarity the real issue confronting all of agriculture and rural America's money team:

"The economic forces encouraging conglomerate growth include profit stabilization through diversification, economies of size, and other phenomena leading toward firm growth, market power, and financial synergism. Several segments of agriculture lend themselves well to the application of these forces. As a consequence, agriculture is experiencing a continued and accelerated transition toward larger scale producing units and toward a coordinated food production-market-service system. These policy issues raised by the trends in agriculture are discussed: (1) outside equity capital, (2) forms of legal organization for the farm business, (3) appropriate current objectives with respect to farm size, (4) fair play in taxation, (5) competition and constraints on economic power, and (6) rural development and the welfare of rural people."

Commercial bankers, investment bankers, universities and the government must operate as a unit if we are to provide the psychological assistance for change, management help and money for America's most important industry.

In closing, I make the plea that the political and business community be responsible for a prosperous agricultural industry with programs that are meaningful and lasting. The vital need is to work more closely as diverse approaches to our needs and problems become visible.

Rural interests have sometimes been fragmented, and the special interests of one group have been advanced at the expense of the whole. We must avoid piecemeal expediency that sacrifices the longer range comprehensive objective which offers lasting solutions to the total needs of our countryside. We in our industry believe that substantial amounts of equity capital can be available without what is commonly referred to as "selling the farm."

Thank you for the opportunity of being with you today.

THE TECHNICAL DRIVE TO '85

Address by Dr. Lawrence L. Boger, Dean, College of Agriculture and National Resources, Michigan State University, East Lansing, Mich. Before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel, Denver, Col., Wednesday morning, November 15, 1972.

Some time ago, a colleague of mine at Michigan State University sent to me the book he edited: Agrarianism in American Literature.¹

The title was intriguing and so was the first chapter which began,

"To the mind of the European during the age of discovery, America suggested a virgin land, an unspoiled and undefiled garden of Eden, a new Arcadia"----An Arcadia "overladen with fragrant flowers fruits and succulant grapes and blessed with soil.--"the most plentiful, sweete, fruitfull and wholesome of all the worlde."

The first paragraph closes with this statement:

"Little wonder that the highest John Donne could reach metaphorically in describing the voluptuous of his mistress' body was to exclaim 'My America: My New-found-land'."

It's no surprise that the second paragraph begins: "A myth was also generated-----"

While it is true that these early images of America were largely myth, man's drive and desire for more and better food and clothing and for a more pleasant living environment were not myth then no more than they are myth now, and no more than they will be myth in the future.

¹M. Thomas Inge, Editor, The Odyessey Press, New York, 1969.

This drive and desire has built an economy based upon the most advanced technology in the world.

We are reminded daily of its wonders--computers identify us and bill us; astronauts fly to the moon; aircraft as large as hotels transport people, mail and freight; people live with transplanted organs and implanted mechanical devices.

Within agriculture, equally dramatic discoveries drive the most productive food and fiber system in the world.

And most of them are recent. Our modern revolution in American agriculture began in the mid-1930's with most of the achievements since 1950.

Twenty years ago, yields of corn, wheat, oats and rye, barley, beans, tomatoes, potatoes, cucumbers and onions were less than half of today's.

In the same span, milk production per cow has almost doubled and eggs per laying hen have gone up 50 percent.

The efficiency of feed conversion for broilers has doubled.

The farm labor force in the U.S.A. was 7 million in 1950; today it is 4.6 million.

Twenty years ago the first mechanical harvesters appeared for potatoes, onions, and sugarbeets.

Today these crops are almost completely mechanically harvested.

So are cherries, cucumbers, blueberries, and grapes.

In 1952 confinement housing for dairy cows was just beginning; cases for laying hens were yet to come; there were no slatted floors for hogs, and fully automated milking was as remote as a trip to the moon.

These technological achievements in agriculture in our nation are now being emulated throughout the world.

Research and education, both private and public, underpins it all.

And what has it meant?

Well, it has meant, more, much more, to people here and the world over than many realize.

Claude Gifford, speaking of the contributions of the Land-Grant complex, interpreted some of its achievements this way:²

"You have taken the squeeze out of oranges, the peel off of potatoes, the worms out of apples, the soup out of the kettle, the bread out of the oven, and have emancipated women from a sentence of daybreak to dark in the kitchen.

"You have taken the farmer from the dust behind the mule and put him on a seat in an airconditioned cab; you have taken the cracks out of his hands from husking wet corn.

"You have taken the hoe out of the woman's hands, the chicken feathers out of her hair from working in the hen house, and you have taken the cow's foot out of her bucket.

"You have liberated 95 percent of the people from scratching the soil for a grubby living in the sun and the dreary heat, and you have put them in airconditioned offices, in libraries, in laboratories to win a parade of Nobel prizes, behind musical instruments, in porcelain tubs, in front of classrooms to make the best educated Nation in the world, at electric touch typewriters for the easiest work that women do in any country, at lathes, in swivel chairs, in pulpits, in model's clothes, in doctors' gowns to conquer polio and tuberculosis, on the beach, in second homes on the mountains, in air-conditioned automobiles, in airplanes to span continents, in space ships to explore the moon, and you have set them down before television sets for hours on end

²Excerpts from a speech by Claude W. Gifford, Director of Information, U. S. Department of Agriculture, before the Ninth Annual Industry--Economist Dinner of the American Agricultural Economics Association, Gainesville, Florida, August 21, 1972.

to witness the never-ending parade of the splendor that is ours and which you have made possible through breaking the leg irons of scarcity that historically have chained a major part of a Nation's people to a small plot of unyielding ground since the beginning of time.

"By freeing people from being tied to the soil to produce food, you have released a productive capacity that provides 5.7 percent of the world's population with 45 percent of the world's motor vehicles, 42 percent of the radios, 34 percent of the television sets, and 34 percent of the consumption of world's consumption of energy.

"You have made food so plentiful that very few people need to go to bed hungry for lack of food.

"What other country can match this record of achievement made possible by the tremendous productivity of the agricultural complex?"

This is where we are today.

What about the future?

Are we approaching the limit of our ability to increase yields of crops and the production of livestock?

What will the production plant for agriculture look like by 1985?

To answer these questions we need to look inside of our research laboratories and at our experimental plots of crops and lots of livestock for the applied research today will become practice by 1985.

The fundamental research today supports the applied programs of the future.

To get a bit of perspective of what's going on in this country and elsewhere, I want you to meet one of the most enthusiastic research administrators I know, Dr. Sylvan H. Wittwer, Director of the Michigan Agricultural Experiment Station, who shared with me some of his observations in this interview----Dr. Wittwer.

A 15 minute automated slide tape presentation with Dr. Wittwer is inserted here.

Photographs and comments are based largely upon Dr. Wittwer's recent sabbatical trip to 22 states and several foreign countries observing agriculture and research installations.

Following are selected points taken from the tape:

*One of the most remarkable recent research achievements was the development of a vaccine for Marek's disease in poultry caused by an airborne cancer producing virus.

*Internationally we need to be concerned with the production of food crops.

Rice is the number one crop. The achievements with rice have led to similar improvements in other crops.

*New grain sorghum varieties are higher yielding and more important for the expanding livestock industry.

*Corn is the most important crop grown in the United States.

Improved hybrids are higher yielding and more disease-resistant.

The plant is being reengineered to better utilize light and nutrients.

*Plants which biologically fix nitrogen from the air, such as soybeans, are receiving increased attention.

*Sunflowers are moving into the United States as a commercial feed and oil producing crop.

*Minor crops such as carrots are being bred for higher yields and nutrients.

*Apples and some other tree fruits are being produced on dwarf root stocks to facilitate their care and the harvesting of the fruit.

*Water is being better utilized and conserved because of newly engineered irrigation systems.

*More crops are being produced under environmentally controlled conditions utilizing glass and plastic for cover.

*Agriculture is being called upon to utilize organic wastes from industry and municipalities.

Animal wastes are more efficiently utilized as new pollution abatement systems are developed.

*Labor saving technology has been developed for the harvesting of most fruit and vegetable crops.

Looking ahead to 1985 it seems clear that:

1. Crop yields can be significantly increased by genetically engineering plants to better utilize energy and nutrients.
2. Livestock production efficiency can continue to keep pace with increases in crop production efficiency.
3. Soils will be better managed to conserve water, reduce erosion and utilize nutrients from both organic wastes and inorganic sources.
4. Protein from both cereals and food legumes will be of higher quality and provide a higher proportion of human needs.
5. New Harvest machines and harvest-aid-chemicals for fruits and vegetables plus varieties tailor-made for mechanical harvesting will further reduce labor requirements and unit costs.
6. More acres will be irrigated and irrigation water will be carefully managed.
7. More field processing, especially for perishable crops will be conducted thereby utilizing water and disposing of wastes more efficiently.

8. Pollution abatement programs will be standard components of all production processes.
9. Biological pest control programs will reduce the need for chemical controls.
10. New sources of energy, such as nuclear, may encourage the development of more environmentally controlled production systems.
11. Remote sensing techniques tied in with computers will monitor crop plantings and conditions instantaneously and throughout the production season.

Yes, we've come a long way since the age of discovery (of America).

In fact, we've almost arrived at the mythical point described in the mind of the European at that time as a new Arcadia.

But it is not a natural Arcadia today created and sustained by Mother Nature.

It is a man-made Arcadia and it will be even more man-made by 1985.

We have the technical base to support a greatly expanded production plant.

We have the communication and education systems to implement the technology and to keep it current.

We have enough people today with the same kind of drive and ambition and restlessness that drew settlers here in the first place.

We have enough institutions with flexibility and adaptability to accommodate to the changes that will transpire.

The kinds of adjustments that we have gone through in the past have been neither painless nor costless.

It's a safe bet that they will be neither painless nor costless in the future.

New technology, when applied, usually requires more capital.

More capital investment is usually spread over more acres.

With no new land available, existing units must be consolidated.

Fewer people are needed for production.

But the cycle doesn't end here or with the adjustment of the institutions and businesses providing only inputs.

It extends to the processing and distribution industries, as well.

A few years ago in a presentation to this group, I stated that one of the critical issues facing all of us associated with Agriculture is: Who will control the resources of agriculture in the future?

This still remains as a basic question.

In August of this year the North Central Public Policy Education Committee published a monograph titled Who Will Control U. S. Agriculture.³

The issue is accurately and comprehensively presented, and I commend it to you for reading and study.

With what has been outlined here as the production potential for 1985, how bankers and other input suppliers respond and how marketing and distribution systems develop will determine who will be farming by that time and how healthy will be the agricultural system.

³Who Will Control U. S. Agriculture, North Central Regional Extension Publication 32, Special Publication 27, University of Illinois at Urbana--Champaign, College of Agriculture, Cooperative Extension Service.

FINANCIAL IMPLICATIONS OF AGRICULTURE 2000

Address by Merrill J. Oster, President, Communication Consultants, Inc., Cedar Falls, Iowa, before the 21st National Agricultural and Rural Affairs Conference of the American Bankers Association, Denver Hilton Hotel Denver, Col., Wednesday morning, November 15, 1972.

The really great men have made their opportunities...they didn't wait for the government to legislate profits or for luck to strike. That's true of farmers and it's true of bankers. Today I'm going to look a few years into the future to give you some base upon which to plan your approach to opportunity in profitable farm lending in the years ahead.

First, I want to point out to you that I have first hand experience in the business I'm talking about. I know the feeling of a cow kicking over the milk bucket just as you had the pail full. I know the feeling of straw dust sticking to a sweaty neck on a July day, and the feeling of thirst after three hours in the sun without a drink. I grew up on an Iowa farm. So, I also know the thrill of seeing a new born calf wobbling in the pasture and of the feeling of thankfulness and pride at the end of a good harvest.

There's a motto which my father brought home from a basketball game at the U. of Iowa which I believe has application to our discussion today. Over the door of the dressing room at the University of Iowa field-house is a saying "A little extra effort makes the difference between mediocrity and greatness." I'm sure you men are the kind who put forth the extra effort or you wouldn't be in the position of responsibility which you have in your respective banks today. But I submit to you today that there are

some very important battle lines being drawn in agriculture, and those who put forth that little extra creative effort will be the likely winners.

Those who go the extra mile to meet the needs of the professional farmer of tomorrow will be in the driver's seat among lenders.

Let me draw the battle lines for you.

1. At the farmer level, there's a silent battle for survival.

Regardless of other long range trends, there's little question that there will be fewer farms in the years ahead. According to some well-respected economists, only 300,000 efficient farming units will survive to the year 2000. That's battle number one. Bankers play a leading role in that battle.

2. Also at the farmer level, there's a tug of war going on for the very control of agriculture. In some areas of agriculture, such as the broiler and egg segments, major financial decisions have already been wrestled away from farmers and are now made in the board rooms of integrated food marketing firms. I'm going to take a look at the food producing farm of the year 2000, but the question I pose with you is: "Who will win the battle for financial control of agriculture--the farmer, or the food producing giant?" Again, bankers will play a major role in this battle.

3. Let me draw the battle lines for one other war. That's the battle you have as an agricultural lending officer to keep your share of the business. The question I raise in this area is: "Will community bankers be aggressive enough to compete, or will other financial institutions walk away with your market?" This battle could determine your economic survival as a banker.

These are some of the important issues I want you to think about as we consider the face of farming in the year 2000.

But before we look at the year 2000, let's take an analytical look at 1972. I think some of the trends that are already upon us will be a surprise to some of you.

For example, the 1969 census shows that the largest 550,000 farms grossing \$20,000 or more per farm already produce over 75% of the nation's farm products. Going one cut higher, the 222,000 farms grossing over \$40,000 produce 56% of the total farm output. And, just 50,000 farms grossing over \$100,000 already produce more than one-third of the nation's farm output.

Now, I want to get one common misconception cleared up about farming. On the surface agricultural statistics make it look like there is an alarming rate of decline in farming. But a closer look shows you that the number of professional farmers who earn a major portion of their income from the farm is on the increase! That's right. The number of farms grossing over \$100,000 increased 66% from 1964 to 1969. Those grossing 40,000 to 100,000 increased 54%, and the number of farms grossing 20,000 to 40,000 increased by 27%. So the number of professional farmers is on the increase. Make no doubt about it. It simply means that agriculture is a very healthy business, and that you now have more farmers to work with who have a gross income of over \$20,000 than you've ever had before.

The real increase is in the farms which gross over \$40,000, and that's about the size it takes in most enterprises to begin thinking about a full time farm.

It is a falacy to even count those "farmers" with less than \$20,000 income per year as farmers. They are a special group of part timers with

other income, or are partially retired farmers, or are families who have a home and a few acres in the country. If you strip away this group of under \$20,000 gross income farmers who produce about 10% of the farm output you get a much more accurate look at commercial agriculture.

So why worry about the concentration of agriculture when we're talking about fewer farmers under \$20,000, because you fellows probably don't make a very large share of your earnings from loans to farmers in that class. The challenge you have is to assist the men who want to grow, and become an active part of the growing demand for loans from farmers grossing \$40,000 and more.

These facts point up to you that as an agricultural lender you will have to grow in their ability to offer services which the bigger farmer needs in the years ahead.

The concentration of agriculture is dramatic in some areas such as beef production where 0.4% of the nation's feedlots, or 146 lots, produce 25% of the beef and 1% of the nation's feedlots produce half of the nation's beef. USDA data shows that these 2,200 feedlots with over 1,000 head one-time feeding capacity are growing at a much faster rate than the 180,000 lots under 1,000 head. Over 80% of the growth in the past decade has come from these larger lots.

Although the concentration is less dramatic in major field crops, it is interesting to note that about one-third of the nation's soybeans are produced on just 30,000 farms.

These facts point up to you that your market place is rapidly concentrating. It also means agricultural lenders will have to grow in their ability to offer services which the bigger farmer needs in the years ahead.

Title Slide

Let's get a closer look at this farmer of the year 2000 first, then see if we can sort out some of the challenges to you as lenders.

One of the fundamental changes coming on the farm is a basic division of responsibility...Today the farmer has to be "jack of all trades"--

Modern Office

But in the year 2000 the farmer will be one of several types. He may be the President of the Company, who sits in this information hub receiving timely market data from around the nation and around the world.

Livestock Tower

Or he may be the Livestock Production Manager of this totally confined system.

Irrigation

Or he may be the Crop Production Manager with a degree in agronomy.

Modern Farm Setting

What I am suggesting is that on the farm of the year 2000, several "farmers" will be working together, under one financial blanket. There will be a specialization of services performed by each member of this sophisticated management team.

World Map

One of the major pressures for this kind of change will be the orientation toward world wide marketing. Colorado beef is already becoming more common in Japan.

Japan Consumer

The Japanese also like tofu and soy sauce from Illinois soybeans.

German Consumer

The German likes Danish pastry made from Kansas wheat.

Foreign consumers already account for an \$8 billion market for American farmers and this market will grow in the decades ahead. The announcement of sales this year to Russia and Red China are graphic examples of the importance the international market already plays on farm profits.

Jet/Semi

Farmers will contract direct with Japanese and German firms for products grown and processed to specifications, some will be shipped in containers, perhaps semi-trailer trucks will be flown direct to overseas buyers.

Control Center

Let's take a look at the kinds of management tools this farmer of the year 2000 will be using. Computers and other electronic gadgets will be available to help the farm businessman of tomorrow make faster, more accurate planning decisions.

Signal From Building

Important management data streams in hourly from information centers at universities, at commercial companies, and perhaps from your bank.

TV Printout

His receivers also make printed copies. Important farm articles are stored on electronic tape in far-off information centers so this professional farmer can recall important data in an instant and receive it in a printout form.

Computer and type card

He has his own computer to calculate chemical formulas, least-cost feed rations and to help him make other short-term decisions.

For more complex problems, he electronically beams his questions to huge memory computers at an agricultural university or commercial source, and consults with the best farm management brains in the world in a matter of seconds.

Computer cards, eyes, ears

Unbelievable? We already have computers with eyes to scan reports. Ears to hear spoken messages. And some that even talk from pre-coded messages. But this is only the beginning.

Script type

Why will a farmer need such brain power?

Overhead farm

Because in the year two thousand his farm is much bigger, and vastly more complex.

Money bar graph

The farmer of two thousand invests less of his own capital and borrows more. He operates under what big business calls permanent debt, and keeps it at a fixed level.

Circle with type

Companies compete for his business by offering elaborate service packages--feed formulating, prescription fertilizing and engineering consulting. Banks offer linear programming and a host of computer services to help answer the farmer's financial questions.

Thermometer

Now let's take a look at some of the production ideas we will be using between now and the year 2000. A few years from now, chemical growth regulators will protect crops like citrus from temperatures twenty or thirty degrees below zero. These chemicals already are pumping new vigor into soybean yields by causing more blossoms to mature.

Type bands around seed

Many seeds will soon come coated with a mix of fertilizers and chemicals, so you don't have to apply each separately. The idea is used now with sugar beets.

Blue Tractor

By 1980, one hundred fifty horsepower diesels will be old hat. Some monsters will be double or triple that size and may run continuously.

Blue planter

Planters covering a width of 40 feet or more in one sweep across a field will whiz along at ten to twenty miles per hour. They'll be self-propelled or powered by a tractor designed especially for implement carrying. Large hoppers will carry several hours' supplies of fertilizer, chemicals and seed.

Lettuce harvester

Some highly sophisticated equipment will run without an operator by 1980. We already have a machine that travels along vegetable rows picking ripe produce by radio impulse.

Sheep, flask

Scientists also are on the verge of releasing hormones that allow a mother to produce twice as many lambs, or pigs or calves.

Steer photo, circle overlays

Another gadget today bounces high frequency sound waves through a steer's flesh. Echoes tell the exact shape and weight of every meat cut. Farmers are using it now to select their breeding stock.

Today, 2000 art

Truly, the impossible is nearly here. These ideas and thousands like them are the curtain-raisers for still more amazing wonders to come in the year two thousand. Let's take a look.

Man, cornfield

These squatty corn fields in the year two thousand will turn out whopping yields of five hundred bushels or more per acre. Plants shaped like pine trees will lap up extra sun's energy, and ears may be attached near the top for easier harvesting.

Wheat, cotton, forage photos

Hybridization--nature's supercharger--will turn out stiff strawed wheat, long fibered cotton, and forage with more blossoms. A farmer may plant high protein corn varieties for humans, high energy corn for cattle, and high oil corn for processing industries.

Sun, wheat field

He will grow a pair of crops in the time it takes to grow one today, thanks to short season hybrids. A corn hybrid on test right now matures in less than ten weeks, compared to the normal seventeen or eighteen weeks.

Grain heads crossed

Breeders will bombard crops with radioactive rays to come up with more desirable traits. And there will be some entirely new crops by crossing germ plasms from conventional crops.

Blue tractor in field

A farmer will prepare the soil and plant these potent crops with powerful new machines. Tractors of the year two thousand will run on

four-or six-wheel drive, or on pneumatic tracks. They will be powered by electric drive, fuel cells or efficient storage batteries. This model positions the driver up front in a mobile cab unit for maximum visibility. Or he can propel the cab to the rear, as shown on the tractor in the back-ground.

Implement close-up

With the flick of a switch the operator can see how implements are performing.

Cab interior

The cab includes all comforts of home--air conditioning, food warmer, coffee maker, refrigerator, and even a sink. Controls are within arm's length so the driver can perform his jobs quickly and easily.

Tape, brain, hand

But he may do some jobs without even lifting a finger. Cybernetics, the fantastic science that links the human nervous system to mechanical-electronical systems, will allow him to perform tasks just by thinking about them.

Computer tape

Many machines will run without any operator at all. They may follow a field pattern stored on computer memory tapes.

Hovercraft

Farmers may do some jobs from the air, with equipment like this combination helicopter-hovercraft. Engineers have already built one machine that lifts off the ground by low air pressure to spray cranberry vines on rough ground.

Plastic dome

One of the most astonishing sights on the farming horizon will be huge plastic or glass domes, sprawling over ten acres or more of high value crops. Light, water, and nutrient uptake will be precisely controlled and plants protected from all pests.

Dome interior

Photographic units in the dome will record minute plant growth, and a farmer will then dial the exact environment needed for maximum output.

Livestock tower

On the farm of 2000 many animals will live in completely controlled surroundings. Some farmers will use buildings like this high rise dairy structure. It could also house beef steers, sheep, hogs or chickens. The building's temperature, humidity, fresh air and light will be carefully regulated. Waste products may be flushed through disposal pipes to a treatment building where water is purified and recirculated to drinking units.

Tower, close-up

Feed and water storage may be located on the top floor, with daily rations delivered automatically to each animal.

Dairy cow, atoms

Genetic formulas will unveil superior livestock by the year two thousand. And a farmer will be able to call his shots precisely--perhaps to the point of pre-ordering the exact number of males and females from his breeding herd.

Cow herd, one mother

He'll also perform such miracles as transplanting fertile eggs from superior cows into common incubator cows, where the embryos grow to birth. A superior mother could then spend all her time producing fertilized eggs. Instead of ten calves in her lifetime, a top cow may mother one thousand calves.

General farm scene

These are some of the management concepts which will be common in the year 2000.

Lights up

Now, in view of this preview of Agriculture 2000, let's go back and look at our battle lines.

First, the tug of war to survive in agriculture.

Second, the battle between farmers and food processing firms to control agriculture.

Third, the battle for you as an agricultural lender to increase your share of the agricultural loan market.

1. Let's take a look at farm business survival. One of your responsibilities as an agricultural lender will be to analyze the ability of the men you are dealing with as to their long range potential to manage a larger agricultural firm. The aggressive lenders will give the farmer some financial counseling. One key area which has been badly neglected is that of farm business organization. Here's an area where bankers, in cooperation with trust officers who have some knowledge of estate planning, can offer farmers some help.

The sole proprietorship seemed to work just fine 20 years ago, but as the size of the family farm gets larger, there are other forms of organization which work better. I think today we are standing on the threshold of a whole new era of farm business organization. We will see the formation of family farm corporations, partnerships, limited partnerships and other types of joint ventures. These new organizations will be called on to do a better job of attracting and keeping top level management, and they will make it easier to pass the family farm from one generation to the next without the serious disruption of business.

Consider the typical family farm today. It was started by a couple in their twenties. Growth was slow in those early years because all they had to offer was labor and a little bit of management. Then during the middle years their management ability improved and at the same time their financial condition improved. They had a little money and were able to borrow a little more. Now at this point the family is growing up and they have lots of family labor. But then those later years come along, the family moves away and the tendency is cut back. Maybe the farmer invests heavily in mechanization to make up for the loss of sons going away to college. In the midwest it is typical for a man at this stage of his life to quit feeding cattle or hogs, or sell the milking herd and concentrate on crops. The result - the family farm produces an adequate income but it is far less than the farm could produce if a structure could be set up to take advantage of experience and financial ability of the accumulated years.

The challenge in the years ahead will be to develop businesses which will operate at the peak efficiency without the inefficiency during start-up and pre-retirement years.

An incorporated family farm can do just that. A farmer can bring in a son, or an outside partner, sell him some stock so he feels he is a part of the business. Now the two of them can team up--matching the enthusiasm of youth with experience and the business can operate at peak level of efficiency indefinitely.

You can gradually phase out of the management of the business yet can share in the earnings of a business you built up rather than renting your land out at \$40 per acre.

There are other advantages to incorporating the family farm:

1. The cost of transferring the farm one generation to another reduced. And it's a lot easier to split up share of stock than it is acres of land.
2. As an employee of the corporation certain items such as health and accident insurance are deductible expenses.
3. Then there's the limited liability aspect, also the possibility of spreading income and deferring tax payment.

The point I'm making is that to get a farm moving from where it is today, to where it should be tomorrow, there will have to be more than one manager involved financially. To attract and keep top management people, a slice of the ownership may be a good bet.

What I am suggesting is that you as an agricultural banker can play a very large role in determining the long range future of some of your larger agricultural firms. If you provide some of the services necessary to help a family make the transition to a larger farm with management continuity, you stand the best chance of keeping the line of credit.

2. The second battle line, that between the professional farmer and the food processing giant, will be an interesting one to watch in the years ahead. Personally, I'll put my money on the professional farmer. But the actual number of farm families who survive in the year 2000 will be determined by the quality of the battle farm families fight to maintain control of farming. It depends in part on the quality of services made available to the farm families.

The bigger farm of tomorrow will depend on competent consultants in several areas. There is no reason why these consultants can't provide the same expertise of a corporate farming venture. And, through partnerships, limited partnerships, corporations and other types of financial arrangements, aggressive farmers will be able to attract the equity capital they need for growth. We will no doubt see more stock sales as a means of getting capital. Because larger numbers of dollars will be on the line, managers of the year 2000 will lean more heavily on contracts signed well before the planting season to eliminate some of the price risk. Farmers will be more adept at other methods of forward pricing such as the futures market. These techniques will help the farmer take some of the wide variation out of the income pattern.

The returns on investment and labor in agriculture will be competitive with other businesses. They will be high enough that if farmers themselves don't take the opportunity, outside firms such as food processors will step in and provide the necessary capital.

But I know there is a nucleus of professional farmers who have a vision to expand. Given the opportunity, I think this new breed of man

will develop who can put all the pieces of a larger operation together and make it work like a food producing factory.

3. How about your own battle for survival? It's a sure thing that some agricultural lenders won't have the foresight to project themselves into this modern farm money market. There's no question that the community bank can play an important role in agriculture. But I've seen communities where the local bank has preferred not to bother with handling the larger farmer. He hasn't understood his business and as a result Production Credit Association or other lenders have filled the gap.

There will be an opportunity in your community to finance agriculture in the years ahead. But whether or not the big dollars are loaned by your bank will largely depend on how well you understand and meet the needs of this growing farm firm. If you are letting the big farming operations slip away today, chances are you're already headed for trouble.

I see some stark contrasts as I criss-cross the country talking with farmers and bankers. In some communities I see bankers actively seeking new agricultural business by putting together feedlots jointly owned by a group of farmers. Yet, in other areas I see bankers asleep at the switch. They're putting their money where it will earn a nice return where there is no risk. But that kind of philosophy will catch up with these short-sighted bankers sooner or later.

I'd like to touch one final area where banks can provide a service to the farmer of tomorrow. We can't lose sight of the fact that as farmers or lenders we have a responsibility to help build a better America. You must encourage your leading farmers to take an active role in their communities to help reinstate confidence in "the American dream."

In recent weeks I have been involved with a group of concerned taxpayers. You should have seen the look of surprise on the faces of board of supervisor members and school board members the first time our group began asking questions. The group is concerned that the tax dollar is not being spent as well as it might be. Farmers in our area are kicking and screaming about the fact that 20% of us pay as much property tax as the other 80% in town. We are carrying the weight of our public school systems and county government.

Some in the community say this noisy protest group should be shut up. But I remind them that that's what the Boston Tea party was all about. And that a concerned citizen with constructive suggestions is worth 10 times as much to our nation as an apathetic citizen who says "let George do it."

You will provide a service to your community by encouraging active participation of farmers in community decision making.

As a leader in your community you have a responsibility to channel thinking and inspire action in directing the course of this great nation.

In this day of radical thinking, the burden is on you to keep our country in the proper frame of mind. We must ask ourselves: Is old fashioned virtue out of date? Is it wrong to be thrifty, to try to do better, to expect to do an honest day's work for a day's pay? To live by the Ten Commandments? Is it square to be patriotic?

We have outlined some big challenges for the years ahead. But I think top farmers are positive thinkers and will look on each as an opportunity. Because, I'm convinced, that's what each is.

There will be other hurdles to overcome. But I think this is one of the most pressing problems if farmers of tomorrow are to survive profitably.

I think that we should take much the same attitude as the very colorful Senator Everett Dirksen of Illinois said when he was campaigning hard to win his first senate seat. At the close of a speech before a group of students one young student asked, "Mr. Dirksen, what do you plan to do if you lose?" Mr. Dirksen replied: "Son, I don't plan to lose."

We have discussed some of the battle lines of the future, and gentlemen, as bankers and professional farmers - we don't plan to lose.

THE AMERICAN BANKERS ASSOCIATION
21st NATIONAL AGRICULTURAL AND RURAL AFFAIRS CONFERENCE
Denver Hilton, Denver, Colorado
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Hakes, Clayton H., Vice President, Valley National Bank of Arizona, Mesa
Langfitt, Warren R., Vice President and Area Manager, Valley National

Bank of Arizona, Mesa, and wife

Patton, Robert W., President, Union Bank, Tucson

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Baggett, Carl E., President, Bank of Pea Ridge, and wife

Baker, Oscar, Vice President, First National Bank, Berryville, and wife

Reed, Fred E., Farm Loan Officer, First National Bank, Siloam Springs

Sulcer, Bert, Senior Vice President, Planters Bank & Trust Company,
Forrest City, and wife

Wilkins, Jim, Assistant Vice President, Mercantile Bank, Jonesboro

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Fresno

Harmon, Charles P., Vice President, Security Pacific National Bank,
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Kay, Curzon, Vice President, Bank of Alex Brown, Walnut Grove

Wilson, Robert H., Vice President, Bank of America N. T. & S. A.,
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Atkinson, David W., Trust Officer, United Bank of Denver

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and wife

Brown, Edwin L., Vice President and Cashier, First National Bank of
Windsor, and wife

Brown, Theodore D., Executive Vice President, The First National Bank
of Denver

Buxton, Charles, Assistant Vice President, Lawrence Systems, Inc.,
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Cantwell, William P., Bawson, Nagel, Sherman & Howard, Denver

Carsella, Walter E., Vice President, The Pueblo Bank & Trust Company,
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Blide, William E., Vice President, American State Bank, Mason City,
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Brown, William E., Executive Vice President, Tri County State Bank,
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Burrell, William W., Director, Bedford National Bank, Bedford

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Cartwright, L. W., Vice President, Central National Bank & Trust Co.,
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Belmond, and wife

Claussen, E. W., President, Farmers State Bank, Schleswig, and wife

Clawson, Robert D., Vice President, The State Bank, Fort Dodge, and
wife

Coffey, W. D., Agricultural Representative, National Bank & Trust,
Chariton, and wife

Creese, Willis, Assistant Vice President, The National Bank of Waterloo,
and wife

Davey, Robert L., Assistant Vice President, Peoples Trust & Savings
Bank, Indianola, and wife

Davis, Joseph W., Director, Citizens Savings Bank, Avoca, and wife

Davis, Lowell H., Cashier, State Bank of Lamoni

Derosse, Paul L., Vice President and Cashier, Security State Bank,
Casey

Dibble, James C., Farm Mortgage Manager, The Mutual Benefit Life
Insurance Co., Ames

Drake, Richard R., Vice President, Security State Bank, Radcliffe, and
wife

IOWA, continued

Ehm, Charles H., Vice President, Iowa State Savings Bank, Creston,
and wife
Ertzinger, Charles E., Vice President, The Citizens National Bank,
Boone, and wife
Ewing, G. G., Vice President, Mahaska State Bank, Oskaloosa, and
wife
Fabricius, M. G., President, Osage Farmers National Bank, Osage,
and wife
Fitz, Stanley D., Cashier, The First State Bank, Rockford
Fox, Donald D., Cashier, Wright County State Bank, Clarion, and
wife
Freeland, Malcolm, Publisher, NORTHWESTERN BANKER, Des Moines
Fritz, Charles R., Farm Representative, Farmers Savings Bank,
Grundy Center
Gates, Don, Vice President, Farmers Savings Bank, Traer, and wife
Godbersen, H. W., President, Ida County State Bank, Ida Grove, and
wife
Goodenow, John, Wall Lake Savings Bank, Wall Lake
Goos, Richard S., Vice President, First National Bank, Council
Bluffs, and wife
Gopperton, Robert C., Vice President, First State Bank, Britt,
and wife
Gronstal, Joe, President, Carroll County State Bank, Carroll,
and wife
Gronstal, Robert J., President, Treynor State Bank, Treynor, and
wife
Haas, Lester F., Vice President, Council Bluffs Savings Bank,
Council Bluffs, and wife
Hamann, Elmer, Director, Central Trust & Savings Bank, Eldridge,
and wife
Hansen, Oliver A., Iowa Superintendent of Banking, Liberty Trust
and Savings Bank, Durant
Harris, William, Director, Iowa Falls State Bank, Iowa Falls, and
wife
Harvey, Herman H., Executive Vice President, Citizens Savings Bank,
Avoca, and wife
Hass, Edward D., Executive Vice President, West Burlington Savings
Bank, West Burlington, and wife
Hay, R. Thomas, President, Security State Bank, Casey
Helvig, Neil E., Farm Manager, First National Bank, Sioux City
Henningsen, Donald M., Vice President, Jackson State Bank & Trust
Co., Maquoketa, and wife
Hess, John W., Assistant Vice President, Decorah State Bank,
Decorah, and wife
Hessing, Brock L., Corresponding Banking Officer, Iowa-Des Moines
National Bank, Des Moines, and wife
Higgins, S. J., Agricultural Representative, Citizens Savings Bank,
Sac City
Hill, David, Executive Vice President, Farmers State Bank, Jewell
Hitchman, C. E., President, Blencoe State Bank, Blencoe, and wife
Hitchman, Chuck, Agricultural Representative, Citizens State Bank,
Oakland, and wife

IOWA, continued

Hix, L. G., President, The First National Bank of Waverly
Hongslo, Jim, Assistant Cashier, Security National Bank, Sioux City,
and wife
Hoppenworth, Eldon J., President, Parkersburg State Bank, Parkersburg
Houg, Carl W., Cashier and Farm Representative, Union State Bank,
Monona, and wife
Howell, H. B., Professor of Economics, Iowa State University, Ames
Huber, Herbert D., Farm Representative, Wellman Savings Bank, Wellman,
and wife
Huizenga, Elmer, Vice President, Northwestern State Bank, Orange City,
and wife
Hunt, T. P., Executive Vice President, Security Savings Bank, Scranton,
and wife
Johnson, Wesley G., Vice President, NYTCO Services, Inc., Des Moines,
and wife
Jorgensen, Jerry, D.V.M., Cedar Falls
Kersey, Bernard H., Corresponding Banking Officer, Iowa-Des Moines
National Bank, Des Moines
Knoploh, Eugene, Farm Representative and Assistant Cashier, The First
National Bank of Sumner, and wife
Krogman, Jack, Assistant Cashier, Alton Savings Bank, Alton, and
wife
Kruger, Merlin F., Vice President, Waukon State Bank, Waukon, and
wife
Krumme, Richard, Associate Managing Editor, Successful Farming, Des
Moines
Kupka, M. M., President, First Community Bank & Trust, Traer
Laughery, Wayne, Vice President and Farm Representative, Guthrie
County State Bank, Guthrie Center
Lembke, Robert H., Farm Representative, Tipton State Bank, Tipton,
and wife
Lewis, Forest T., Executive Vice President, Plaza State Bank, Des
Moines, and wife
Little, Ernest R., Vice President, Security State Bank, Casey
Lowe, Ralph, Director, State Bank of Wapello
Lowenberg, Terry G., Vice President, Iowa State Bank & Trust Co.,
Fairfield
Lown, F. P., Agricultural Representative, Emmet County State Bank,
Estherville
Mallen, James E., President, Farmers State Bank, Kanawha, and wife
Mathiasen, Don, Executive Vice President, Shelby County State Bank,
Harlan, and wife
Mayne, Winfield G., Vice President and Cashier, Montgomery County
National Bank, Red Oak
McLaughlin, Robert J., Director, West Burlington Savings Bank, West
Burlington, and wife
McMullin, Richard, Vice President and Agricultural Representative,
The State Bank of Toledo, and wife
McNeil, W. P., President, State Bank of Wapello
Merriam, George, Senior Vice President, Dallas County State Bank, Adel
Moore, Merle, Vice President, Farmers Savings Bank, Irwin

IOWA, continued

O'Bryan, Richard W., Assistant Vice President, Harlan National Bank,
Harlan, and wife
Olson, Larry, President, Home State Bank, Royal, and wife
Olson, Roy, Director, Home State Bank, Royal, and wife
Ortmann, Cy A., Vice President, First National Bank in Le Mars
Oster, Merrill J., President, Communications Consultants, Inc.
Cedar Falls
Palulson, Duane M., Executive Vice President, Roland State Bank,
Roland
Penningroth, Gary, Farm Representative, The First National Bank,
West Union, and wife
Petersen, Dennis R., Assistant Cashier, The First National Bank of
Paullina
Petersen, Harald J., Vice President and Agricultural Representative,
Iowa Trust & Savings Bank, Estherville
Pettit, Charles E., Vice President, Norwalk-Cumming State Bank,
Norwalk, and wife
Pierson, Arlie A., Assistant Vice President and Farm Representative,
Le Mars Savings Bank, Le Mars
Plager, R. G., Correspondent Bank Officer, Central National Bank &
Trust Co., Des Moines, and wife
Poulson, B. L., Vice President, Toy National Bank, Sioux City
Pothoven, John, Farm Representative, Iowa Falls State Bank, Iowa
Falls, and wife
Rehmke, Robert T., Vice President, Burlington Bank and Trust Co.,
Burlington, and wife
Reibsam, R. D., Vice President, Corwith State Bank, Corwith
Retzlaff, Gerald G., Farm Department, Union Bank & Trust Co.,
Ottumwa, and wife
Riggs, Carl G., President, The Tingley State Savings Bank, Tingley
Roberts, Donald M., Vice President, The First National Bank in
Humboldt
Rukgaber, John R., Assistant Vice President and Farm Department,
Union Bank & Trust Co., Ottumwa,
and wife
Sabbann, Donald E., Vice President, Newton National Bank, Newton,
and wife
Sarazine, Charles, Vice President, State Bank of Schaller
Schlapkohl, Donald, Director, Liberty Trust & Savings Bank, Durant,
and wife
Schuett, Harold, Director, Liberty Trust & Savings Bank, Durant,
and wife
Schultz, Arnold, President, Grundy National Bank, Grundy Center,
and wife
Septer, Hugh J., Vice President and Farm Representative, Ida County
State Bank, Ida Grove, and wife
Seymour, Bruce L., Assistant Cashier, Brenton State Bank, Dallas
Center, and wife
Sherwood, Robert, Assistant Cashier, First Federal State Bank,
Des Moines
Shipman, Wesley, Director, State Bank of Wapello

IOWA, continued

Small, Bill, Farm Representative, State Bank of Wapello
Smith, Thomas R., President, The First National Bank of Perry, and wife
Stempel, Alfred P., Second Vice President, The Mutual Benefit Life Insurance Co., Ames
Stephens, Dave, Senior Vice President, Central Trust & Savings Bank, Eldridge, and wife
Stockdale, Vernon, Director, Farmers Savings Bank, Grundy Center
Stumme, Burton C., President and Cashier, Readlyn Savings Bank, Readlyn, and wife
Sunde, Carroll O., Vice President, Security Bank & Trust Co., Decorah, and wife
Te Paske, A. H., Vice President, First National Bank, Sioux Center, and wife
Tillmann, Le Roy, Director, State Bank of Wapello
Todd, Gary D., Vice President, Peoples National Bank of Columbus Junction
Underwood, Roger, Cashier, Guthrie County State Bank, Guthrie Center
Willer, W. D., Vice President, Decorah State Bank, Decorah, and wife
Wolf, Eddie A., Vice President, Central National Bank & Trust Co., Des Moines
Wollenhaupt, A. T., Executive Vice President, State Bank of Wapello
Wright, J. Joe, Vice President, Central State Bank, Muscatine
Young, William G., President, State Savings Bank, Bedford, and wife
Zeigler, David E., Farm Representative, Clarence Savings Bank, Clarence, and wife

KANSAS

Aldridge, Gary L., Agricultural Representative, The Fidelity State Bank, Garden City, and wife
Altman, Merle, Vice President, First National Bankette Agri-Corp & Bank Livestock Repr., Tribune
Altman, Wally, President, Home State Bank of Clearwater, and wife
Ames, Robert D., Assistant Vice President and Agricultural Representative, Humboldt National Bank, Humboldt, and wife
Andersen, LaVerne H., Vice President, Peoples National Bank, Liberal
Antenen, Vernie, Director, Bazine State Bank, Bazine, and wife
Asbury, John D., Assistant Vice President, First National Bank, Liberal
Ayres, J. R., President, The Citizens State Bank, Miltonvale, and wife
Barndollar, Pratt, Senior Vice President, First National Bank, Coffeyville, and wife
Bemis, Perry F., President, The First National Bank, Concordia
Berkley, Jerry J., Vice President, State Bank of Downs, and wife
Beutler, Boyd, Executive Vice President, First State Bank, Ness City
Bircher, David W., Farm Service Director, Guaranty State Bank & Trust Co., Beloit
Brenner, Leo J., Executive Vice President, Bazine State Bank, Bazine, and wife

KANSAS, continued

Brinton, R. D., Vice President and Cashier, First National Bank,
Liberal

Brownlee, Wm. O., Vice President and Cashier, The Miami County
National Bank of Paola, and wife

Buchele, Kenneth, Assistant Agricultural Representative, Citizens
National Bank & Trust Co., Emporia

Buchele, Robert, Chairman of the Board, Howard National Bank,
Howard

Buller, Irvin D., Vice President and Cashier, The Halstead Bank,
Halstead, and wife

Carswell, Gayle, Agricultural Representative, Citizens State Bank,
Ellsworth, and wife

Casement, William, Jr., President, Sedan State Bank, Sedan, and wife

Chestnut Sam I., Vice President, First National Bank, Quinter,
and wife

Claassen, R. Dwight, Agricultural Representative, Citizens State
Bank, Moundridge

Cordts, John N., Executive Vice President, First National Bank,
Overbrook, and wife

Custine, Richard J., Vice President, Union National Bank of Wichita

Daniels, L. R., Vice President, First National Bankette Agri-Corp.
& Bank Farm Repr., Tribune

Davault, Homer F., Senior Vice President, First National Bank in
Pratt, and wife

Davidson, Lloyd A., Assistant Vice President, Kendall State Bank,
Valley Falls, and wife

Delaney, Dick M., Vice President, Citizens State Bank and Trust
Company, Hiawatha

Dickerson, Max, Senior Vice President, Commercial National Bank,
Kansas City, and wife

Dunne, Jack D., Director, Thomas County National Bank, Colby

Eaton, Norman L., Agricultural Representative, First National
Bank, Scott City, and wife

Eisiminger, Eugene, Vice President, The Farmers State Bank,
Wathena

Ellis, Gerald A., Director, Kansas State Bank, Garnett, and wife

Engleman, Dale, Vice President, Security State Bank, Great Bend

Evans, Phil G., Jr., Vice President, Citizens National Bank,
Eureka, and wife

Farrell, E. W., Chairman of the Board, First National Bank,
Sterling, and wife

Fort, A. Earl, Grant County State Bank, Ulysses

French, Richard C., Assistant Vice President, The Central State
Bank, Hutchinson

Geist, Wayne D., Vice President, Home National Bank, Eureka,
and wife

Gideon, Clarence J., President, Silver Lake State Bank, Silver
Lake

Goering, Kenneth J., Cashier, Citizens State Bank, Moundridge

Gouvion, Ralph, President, Exchange State Bank, St. Paul, and
wife

KANSAS, continued

Green, William W., Senior Vice President, Citizens State Bank & Trust Co., Hiawatha

Griffiths, Bernard A., President, Commercial State Bank, Long Island

Haberer, Donald J., Assistant Vice President and Farm Representative, Russell State Bank, Russell, and wife

Hadley, Niles A., Cashier, First State Bank, Mullinville, and wife

Hall, Harold W., Jr., Executive Vice President, First National Bank, Dighton

Hamilton, Robert E., Cashier, Saline Valley Bank, Lincoln

Hanzlick, Jerry D., Assistant Vice President, The Farmers State Bank, Oakley, and wife

Harkins, Dale D., President, Thomas County National Bank, Colby, and wife

Harris, Loren, Vice President, National Bank of America, Salina

Haskins, David, Vice President, The Peoples State Bank, Ellinwood, and wife

Haymaker, Robert H., Vice President, First National Bank & Trust Company in Larned, and wife

Hedstrom, Lonnie, Farm Director, The Cloud County Bank, Concordia, and wife

Henry, Thad, Loan Officer, The Peoples Bank, Pratt

Herbin, A. J., Vice President, The Jamestown State Bank, Jamestown, and wife

Herrold, Gary D., Cashier, Valley State Bank, Syracuse, and wife

Holloran, Charles Guy, Cashier, Kansas State Bank, Garnett, and wife

Hook, Maynard C., Secretary-Director, Silver Lake State Bank, Silver Lake

Hubbell, Melvin, Agriculture Representative, First National Bank, Winfield, and wife

Hyde, Robert E., Executive Vice President, Sylvia State Bank, Sylvia

Ingle, Don, Agricultural Representative, Home State Bank of Clearwater, and wife

Johnson, Dean K., Agricultural Loan Officer, Hutchinson National Bank & Trust Co., Hutchinson

Kirkwood, Roger D., Secretary, Kansas Bankers Association, Topeka, and wife

Levering, Wilbur E., Vice President, Merchants National Bank of Topeka

Linn, R. D., Vice President, The Lyon County State Bank, Emporia

Luder, Stuart D., Vice President, First National Bank, Wellington

Lull, Murray, Assistant Vice President, Smith County State Bank & Trust Co., Smith Center, and wife

Maichel, George B., D. V. M., First National Bank, Overbrook, and wife

Makalous, Kenneth E., Executive Vice President, First National Bank, Beattie, and wife

KANSAS, continued

McCoy, Neal W., President, The First State Bank, Thayer
McReynolds, J. M., President, Farmers National Bank, Lincoln
McVicker, Earl D., Farm Representative, Bazine State Bank, Bazine
Mentzer, Bill, Allen County State Bank, Iola, and wife
Moore, W. D., President, First National Bank in Alma, and wife
Morley, Melvin W., President, First State Bank, Edna, and wife
Morse, Ernest A., President, The Citizens Bank, Abilene, and wife
Mortimer, Dan, Farm Representative, First National Bank, Wellington
Overmiller, John, Agricultural Representative, First National Bank,
Smith Center, and wife
Pershall, Ray, President, Allen County State Bank, Iola, and
wife
Peterson, Delbert, Senior Vice President, McPherson State Bank
& Trust Co., McPherson
Pinnick, Floyd V., President, Grant County State Bank, Ulysses,
and wife
Potter, Thomas M., Vice President, The Fourth National Bank &
Trust Co., Wichita
Ramskill, George E., President, First State Bank, Burlingame, and
wife
Ransom, W. G., Vice President and Farm Representative, Peoples
National Bank, Ottawa, and wife
Redfern, Morris, Farm Representative, First National Bank,
Anthony, and wife
Rethorst, Robert O., Vice President, Smith County State Bank &
Trust Co., Smith Center, and wife
Riesen, John H., Senior Vice President, First National Bank in
Wichita
Robbins, Raymond N., President, First National Bank, Parsons,
and wife
Robinson, Bayard T., Cashier, Murdock State Bank, Murdock
Rooney, Noel D., President, The Peoples State Bank, Minneola
Schilling, Dale R., Vice President and Agricultural Representative,
Goodland State Bank and Trust Co.,
Goodland
Schlepp, Dale, Vice President, The Citizens State Bank, St.
Francis, and wife
Schmidt, Larry E., Agricultural Representative, Home National Bank,
Arkansas City, and wife
Shore, Carl L., Vice President, The Peoples Bank, Pratt
Simpson, Wm. A., Jr., President, First National Bank, Tribune
Simpson, Wm. R., Executive Vice President, First National Bank,
Tribune
Smith, James K., President, First National Bank of Herington,
and wife
Spexarth, B. W., Chairman of the Board, State Bank of Colwich,
and wife
Stanley, Jim, Vice President, First National Bank in Wichita
Stein, Eldon, Director, Smith County State Bank & Trust Co.,
Smith Center, and wife
Stevens, Dick W., President, First National Bank of WaKeeney, and wife
Stout, Charles S., President, The Peoples State Bank, Sharon Springs

KANSAS, continued

Stout, Darlene R., Assistant Cashier, The Peoples State Bank,
Sharon Springs

Strube, John H., Assistant Vice President, Commercial National
Bank, Kansas City

Sturdevant, James W., President, The First National Bank of
Girard

Swarts, Ellis L., Vice President and Cashier, Citizens State Bank,
Osage City, and wife

Sweat, Ronald J., Vice President, Guaranty State Bank & Trust Co.,
Beloit

Thomas, Milton N., Vice President, The Fidelity State Bank, Garden
city, and wife

Thomas, Wilton B., Associate Professor, Kansas State University,
Manhattan, and wife

Thompson, H. R., Vice President, The Farmers & Merchants State
Bank, Claflin

Thompson, James C., Assistant Cashier, Farmers State Bank, Bogue,
and wife

Uehling, Ray F., Director, Bazine State Bank, Bazine, and wife

Ungerer, Donald, Agricultural Representative, Exchange Bank of
Schmidt and Koester, Marysville,
and wife

Walker, Harold B., Vice President, The Home National Bank,
Arkansas City, and wife

Walter, Gerald H., Assistant Vice President and Agricultural
Representative, Saline Valley Bank,
Lincoln

Warren, J. B., President, First National Bank, Nortonville, and wife

Wingfield, Owen R., Vice President - Cashier, The Peoples State Bank,
McDonald, and wife

Winter, Russell, President, The State Bank of Satanta

KENTUCKY

Brown, R. H., Senior Vice President, The Peoples Bank, Taylorsville

LOUISIANA

Hankins, T. E., Vice President and Agricultural Representative, Bank
of Dixie, Lake Providence

Hargroder, John D., Agribusiness Officer, First Guaranty Bank, Amite

Loftin, William G., Farm Representative, First National Bank of Delhi

Wilkerson, Wayne, Vice President, Rapides Bank & Trust Company,
Alexandria, and wife

MICHIGAN

Boger, Lawrence L., Dean, College of Agriculture & Natural Resources,
Michigan State University, East Lansing

Burdick, John M., Vice President, Community Bank, Bad Axe, and wife

Polasky, Alan N., Professor of Law, The University of Michigan Law
School, Ann Arbor

Stover, Don, Assistant Vice President, First National Bank of
Southwestern Michigan, Niles, and wife

MICHIGAN, continued

Titze, Stewart, Vice President, Commercial Bank, Adrian
Wynyarden, Roger, Cashier, Old State Bank of Fremont, Fremont,
and wife

MINNESOTA

Bartholomay, Thomas H., Assistant Vice President, First Bank System,
Minneapolis, and wife
Campbell, Marvin R., President, Citizens State Bank, Brainerd
Cregkendall, Charles H., Extension Farm Economist, Institute of
Agriculture, St. Paul
Cuykendall, Charles H., Extension Economist, University of Minnesota,
St. Paul
Erickson, J. L., Assistant Vice President, Marquette National Bank,
Minneapolis
Gunderson, Philip, President, Farmers State Bank, Madelia, and wife
Hanson, Robert D., Cashier, Farmers State Bank of Adams, and wife
Hawkins, Richard O., Extension Economist, University of Minnesota,
St. Paul
Howe, Robert E., Vice President and Cashier, Citizens State Bank,
Fulna, and wife
Johnson, Ronald V., Executive Vice President, First National Bank,
Jackson
Krekelberg, Dale, Vice President, State Bank of Worthington, and
wife
Laughlin, Thomas J., Vice President, The State Bank of Faribault,
and wife
Meyer, Howard W., Assistant Vice President, State Bank of Worthington,
Ray, F. Gordon, Instructor, Pipestone Area Vo-Tech Institute, AG
Banking Department, Pipestone
Sanborn, F. W., Vice President and Cashier, Security State Bank,
Pine Island, and wife
Seidel, Robert O., Assistant Cashier and Agricultural Representative,
First National Bank of Fairmont, and
wife
Spicola, James R., Vice President, Cargill, Incorporated, Minneapolis
Tobola, R. J., Director, First National Bank, Jackson
Zabel, William H., Vice President, Peoples State Bank, Plainview
Zimmerman, Earl, Agricultural Representative and Assistant Cashier,
Citizens Bank and Trust Co.,
Hutchinson, and wife

MISSISSIPPI

Garraway, Hugh P., Jr., Vice President, First Mississippi National
Bank, Hattiesburg, and wife
Smith, James M., Senior Vice President, The Security Bank, Corinth,
and wife

MISSOURI

Atchison, James A., Farm Representative, First State Bank,
Caruthersville
Bailey, Ned, Vice President, Kearney Trust Co., Kearney, and wife

MISSOURI, continued

Beggs, Stanley K., Director, Jackson Exchange Bank, Jackson, and wife
Benitz, Gordon O., President, First National Bank of Richmond, and wife
Brown, Tom, Extension Economist, University of Missouri-Columbia, Columbia
Carpenter, Miller, President, Bank of Rothville, and wife
Clark, Charles A., Vice President, First National Bank & Trust Company of Joplin
Cline, John R., President, Commerce Bank of Mexico, and wife
Cusick, John A., Vice President, Chillicothe State Bank, Chillicothe, and wife
Daniel, David G., President, Livestock Board of Trade, Inc., Kansas City
Duncan, Norvel W., Assistant Vice President and Director of Farm Loans, Kansas City Life Insurance Company, Kansas City, and wife
Evans, Shannon, Assistant Vice President, Columbia Union National Bank & Trust Company, Kansas City
Flentje, Winston, Agricultural Representative, Trenton Trust Co., Trenton
Foncannon, E. B., Senior Vice President, First National Bank, Kansas City
Fowler, John T., Vice President, First National Bank, Kansas City
Goetsch, Forest L., President, DOANE Agricultural Services, Inc., St. Louis
Graner, Richard, Agricultural Representative, Home Exchange Bank, Jamesport
Heid, Konrad L., Assistant Vice President, Commerce Bancshares, Inc., Kansas City, and wife
Henson, J. C., Vice President and Agricultural Representative, Bethany Trust Co., Bethany
Holmes, Phillip, Vice President, Farmers State Bank, Princeton
Jennings, Loyd, Cashier, Sturgeon State Bank, Sturgeon, and wife
Jessee, Mary, Commercial Banking Officer, Commerce Bank of Kansas City
Johnson, Rex, Assistant Vice President, Commerce Bank of Mexico, and wife
Jones, Gerald W., President, Callao Community Bank, Callao, and wife
Kerr, Joseph S., Vice President, Bank of Kennett
King, Elston Bob, President, First National Bank of Plattsburg
Lanpher, Harry, Agricultural Representative, Trenton Trust Company, Trenton, and wife
Lewis, E. B., Director, Sturgeon State Bank, Sturgeon, and wife
Louden, Ronald R., Vice President, American National Bank, St. Joseph
Meeker, Al, President, Commerce Bank, Kirksville, and wife
Meyer, Harry M., President, Jackson Exchange Bank, Jackson, and wife
Miller, Philip R., Assistant Vice President - Agriculture, First Stock Yards Bank, South St. Joseph

MISSOURI, continued

Musick, Leland, Board Member, Bethany Trust Co., Bethany
 Niederhauser, Don L., Assistant Vice President, Macon-Atlanta
 State Bank, Macon, and wife
 Nowland, Frank, Agricultural Consultant, Home Exchange Bank,
 Jamesport
 O'Neal, Benton, Senior Vice President, The First National Bank,
 St. Joseph
 Reese, Robert K., Chairman and President, The Livestock National
 Bank, Kansas City, and wife
 Rogers, Earl E., Vice President, Bank of Kirksville, and wife
 Richardson, Robert W., Board Member, Bethany Trust Co., Bethany
 Saunders, Gordon, President, First National, Stewartsville
 Schrier, John K., Executive Vice President, Citizens State Bank,
 Maryville, and wife
 Schutte, Robert W., Assistant Vice President and Agricultural
 Representative, Exchange Bank of
 Kahoka
 Selby, Robert S., Vice President, Commerce Bank of Kansas City,
 and wife
 Simmer, Len A., Assistant Vice President, Chillicothe State Bank,
 Chillicothe, and wife
 Stahl, Sheldon W., Research Officer and Economist, Federal Reserve
 Bank, Kansas City
 Stinson, Bob, Executive Vice President, The Peoples Bank of Mercer
 Summers, Max E., President, Maitland Farmers Bank, Maitland,
 Tracy, Harold C., Agricultural Representative, Trenton National
 Bank, Trenton
 VanSlyke, Earl, Assistant Vice President and Agricultural Representative,
 Butler State Bank, Butler, and wife
 Weiss, Norman H., Director, Jackson Exchange Bank, Jackson, and
 wife
 Whisler, Vernon, Vice President, The American National Bank,
 St. Joseph

MONTANA

Coombs, E. E., Vice President, Security Trust & Savings Bank,
 Billings, and wife
 Davis, John M., Vice President, The Great Falls National Bank,
 Great Falls, and wife
 Dean, Noble E., Agricultural Representative, Bank of Columbia
 Falls, and wife
 Deming, Roy K., Assistant Vice President, Conrad National Bank
 of Kalispell, and wife
 Mielke, Fred H., Vice President, Citizens Bank of Montana, Havre
 Schummer, Paul A., Assistant Cashier, Union Bank & Trust Co.,
 Helena
 Sethre, Gary A., Agricultural Loan Officer, First National Bank,
 Great Falls

NEBRASKA

Armstrong, R. K., President, Minden Exchange National Bank, Minden,
 and wife

NEBRASKA, continued

Athey, Charles, Vice President, First National Bank & Trust Co.,
Columbus, and wife

Baack, Wilbur H., Vice President, National Bank of Commerce Trust
& Savings, Lincoln, and wife

Bartels, Glenn G., Vice President, First State Bank, Gothenburg,
and wife

Beachly, Ramey E., Executive Vice President and Cashier, Otoe
County National Bank, Nebraska City,
and wife

Beavers, Valdean R., Vice President, First National Bank, Wahoo,
and wife

Bonham, Marion C., President, The First National Bank of York

Bordewick, Jay, Vice President, United States National Bank of
Omaha

Brown, Everette P., Assistant Vice President, United States National
Bank of Omaha

Bruning, Frank L., President, Bruning State Bank, Bruning, and
wife

Burke, Edward B., Chief Executive Officer, Farmers and Merchants
Bank, Imperial

Burkley, R. E., Chairman of the Board, First National Bank of
Fairbury

Cattle, John W., Jr., Executive Vice President, The Cattle National
Bank, Seward, and wife

Cattle, John W., Sr., President and Chairman of the Board, The
Cattle National Bank, Seward

Chilvers, Thomas C., Cashier, Cones State Bank, Pierce, and wife

Dahlgren, Robert, Executive Vice President, Bank of Bertrand, and
wife

Doehring, Arlo W., Vice President, Farmers State Bank, Superior

Fuhr, Joe, Vice President, First National Bank & Trust Company,
Fremont

Grasmick, John J., President, Gresham State Bank, Gresham, and
wife

Harris, A. W., Second Vice President, The Omaha National Bank,
Omaha

Hoing, Earl L., Assistant Vice President, Federal Land Bank of
Omaha

Huffman, M. B., President, Commercial Bank, Bassett

Iske, Robert D., President, Springfield State Bank, Springfield,
and wife

Jeffrey, Adon, President, First National Bank, Wayne, and wife

Johnson, David R., Senior Vice President, Omaha National Bank,
Omaha

Johnson, Laverne C., President, First National Bank, Ord and
sister, Evelyn Jackson

Johnson, Melvin E., Vice President and Cashier, First National Bank
of Oakdale

Kechely, D. Dean, Executive Vice President, The Wymore National
Bank, Wymore

Keller, George V., President, Lexington State Bank & Trust Co.,
Lexington, and wife

NEBRASKA, continued

Kiester, Robert W., Vice President, First National Bank of Lyons
King, Keith A., Vice President, Platte Valley State Bank & Trust
Company, Kearney, and wife
Lage, James P., Vice President, The Ravenna Bank, Ravenna
Lane, Larry, President, American National Bank, Kimball, and wife
Langemeier, Leon E., President, First National Bank of Lyons
Lee, Charles, Agricultural Representative, Scottsbluff National
Bank & Trust Co., Scottsbluff
Ley, David R., Assistant Cashier and Trust Officer, State National
Bank & Trust Co., Wayne
Liggett, George, Jr., Vice President, First National Bank, Utica
Limbo, Orville, Director, First National Bank of Oakdale
Lindekugel, Claude P., Vice President, The First National Bank &
Trust Co., North Platte, and wife
Loewenstein, Elbert, President, Stamford Bank, Stamford, and wife
Lutes, James D., President, Scribner Bank, Scribner, and wife
Matthaidess, Thomas L., Correspondent Bank Officer, The Omaha
National Bank, Omaha
McBride, James W., President, The First National Bank in Aurora
McClatchey, David C., Assistant Vice President, Farmers State
Bank, Eustis, and wife
McClure, A. E., Jr., Director, The Wymore National Bank, Wymore
McClurg, Cal, Assistant Vice President, DeLay First National
Bank and Trust Company, Norfolk,
and wife
McClymont, Warren, Executive Vice President, First State Bank,
Loomis
Meade, Ron D., Assistant Vice President, First National Bank,
Grand Island, and wife
Mietzner, Julius H., President, The State Bank of Hildreth, and
wife
Mulig, Vernon R., Vice President, First National Bank & Trust
Company, Beatrice, and wife
Nelson, Carlyle K., Assistant Cashier, Citizens State Bank,
Lincoln, and wife
Newton, H. Keith, Executive Vice President, The Albion National
Bank, Albion
Nielsen, Howard W., Vice President, United States National Bank
of Omaha
Nigh, John A., Assistant Correspondent Bank Officer, The Omaha
National Bank, Omaha
Nolte, Ramon, Executive Vice President and Cashier, Adams County
Bank, Kenesaw, and wife
Norman, Conway, Agricultural Inspection Officer, The Omaha National
Bank, Omaha, and wife
Norris, Allen, Vice President, Adams County Bank, Kenesaw, and
wife
Norton, Robert E., Executive Vice President, Filley Bank, Filley
Osterberg, William H., Executive Manager, Nebraska Bankers
Association, Inc., Omaha

NEBRASKA, continued

Owens, J. R., President, Nebraska State Bank, Weeping Water, and wife
 Paulson, Jack F., Vice President - Agriculture Department, Fremont National Bank, Fremont
 Paulson, John, Vice President, Nebraska State Bank, So. Sioux City
 Pisacka, Larry F., Assistant Vice President, Gering National Bank, Gering
 Powell, R. L., Agricultural Representative, Scottsbluff National Bank & Trust Company, Scottsbluff
 Rahmig, Henry J., Assistant Vice President, Gering National Bank, Gering
 Rainbolt, George, Executive Vice President, The First National Bank, McCook
 Rathman, Russell L., Cashier, Bank of Norfolk, and wife
 Reel, Robert F., Regional Manager, Federal Land Bank of Omaha
 Richards, Bill, President, First Security Bank, Holdrege, and wife
 Roh, Joe, Jr., Agricultural Officer, First National Bank, Tekamah, and wife
 Rossiter, James B., President, First National Bank, Walthill, and wife
 Schepler, Lloyd A., Assistant Cashier, Thayer County Bank, Hebron, and wife
 Schneider, Carl E., Vice Chairman of the Board, Geneva State Bank, Geneva, and wife
 Schomburg, David L., Vice President, Commercial National Bank & Trust Company, Grand Island, and wife
 Sexson, D. W., President, Farmers National Bank of Grant, and wife
 Stewart, K. L., President, Citizens State Bank, Polk, and wife
 Stuckey, Harold P., Assistant Vice President, National Bank of Commerce Trust & Savings, Lincoln, and wife
 Tintsman, Dale C., President, First Mid America Corporation, Lincoln
 Utter, Dennis R., Vice President, McCook National Bank, McCook, and wife
 Wells, Richard H., President, State Bank of Bartley, and wife
 Whiteaker, Joe, Vice President, The Sioux National Bank, Harrison, and wife

NEW JERSEY

Campbell, Wallace H., General Manager, REI, The Prudential Insurance Co., Newark

NEW MEXICO

Cosner, Craig L., Customer Relations Officer, The First National Bank in Tucumcari

NEW MEXICO, continued

Martin, Howard V., Executive Vice President, Clovis National Bank, Clovis
 Morper, Grant J., Vice President, Citizens Bank, Tucumcari, and wife
 Schiller, Robert, Director, Clovis National Bank, Clovis

NEW YORK

Charron, Ernest C., Associate Technical Director, Chase Manhattan Bank, New York
 Goldman, Roger O., Assistant Cashier, First National City Bank, New York
 Loiaconi, Anthony, Secretary, New York State Bankers Association, New York
 Meinhold, D. W., Investment Vice President - Farm & Ranch Mortgages, Metropolitan Life Insurance Company, New York
 Melton, James O., Second Vice President for Real Estate Investment, Mutual Life Insurance Company of New York
 Patchin, David W., Vice President, The National Bank & Trust Co. of Norwich
 Penn, Walter P., Vice President, The Equitable Life Assurance Society, New York
 Ranger, Robert W., Vice President, Oneida National Bank & Trust Co. of Central New York, West Winfield
 Rice, Ted, Vice President - Market Research, Continental Grain Company, New York
 Smith, Robert S., Professor, Cornell University, Ithaca
 Tobey, Jonathan S., Vice President, Chase Manhattan Bank, New York, and wife
 VanArsdale, Irving S., Vice President, The National Bank of Auburn

NORTH DAKOTA

Breitbach, John R., Executive Vice President, First National Bank of Oakes, and wife
 Gilbertson, LeRoy, Assistant Vice President, The Bank of North Dakota, Bismarck
 Lee, Darwin M., Agricultural Representative and Vice President, Peoples State Bank, Westhope
 Mangin, Gerald, President, First National Bank, Ellendale, and wife
 Nesvig, Leslie, Assistant Vice President, First National Bank & Trust Co., Fargo, and wife
 Wyman, Larry, Director, Peoples State Bank, Westhope
 Wyman, Ronald, Director, Peoples State Bank, Westhope

OHIO

Buckley, Don, Deputy Manager, Ohio Bankers Association, Columbus, and wife

OHIO, continued

Carter, David H., Assistant Vice President and Manager, First
Knox National Bank, Fredericktown

Conry, John R., Jr., Assistant Vice President, Huntington
Bancshares, Incorporated, Columbus,
and wife

Feller, Robert A., President, The First National Bank of Findlay

Flint, Richard C., Agriculture Representative, Willard United
Bank, Willard, and wife

Foltz, Donn, Assistant Loan Manager and Farm Representative, First
National Bank, Bowling Green, and
wife

Johnson, Thereon, Executive Vice President, The Farmers Bank &
Savings Company, Pomeroy, and wife

Pepple, Wayne L., Assistant Vice President, The First National
Bank of Findlay

Perry, Robert H., Director, The Bank of Leipsic Co., Leipsic,
and wife

Wells, Leo, Assistant Vice President, Miami Deposit Bank, Cedarville

OKLAHOMA

Bontrager, A. J., Director, First National Bank & Trust Co.,
Perry, and wife

Borelli, George, Director, Peoples National Bank, Kingfisher, and
wife

Borum, Fred R., Agricultural Representative, Cordell National Bank,
Cordell, and wife

Bradshaw, Ronald E., Vice President, First National Bank & Trust
Co., Oklahoma City, and wife

Burruss, Merrill, Jr., President, Peoples National Bank, Kingfisher,
and wife

Cannon, Herbert, Vice President, The First National Bank of Beaver,
and wife

Conley, R. A., Director, Peoples National Bank, Kingfisher

Cousatte, Arthur W., Assistant Vice President, Security Bank &
Trust Co., Miami, and wife

Deupree, Harry L., Jr., Assistant Vice President, The Liberty
National Bank & Trust Company,
Oklahoma City

Ellis, Alfred B., Vice President, First National Bank, Hobart

Gates, Rex E., Executive Vice President, Security State Bank,
Weatherford, and wife

Griffin, Howard M., Executive Vice President, The First State Bank,
Forgan, and wife

Hammons, J. Roy, Executive Vice President, American State Bank,
Thomas, and wife

Harris, Arlyn C., President, The Bank of Beaver City, Beaver, and
wife

Hill, Charles H., Jr., Vice President, The First National Bank &
Trust Co., Oklahoma City, and wife

Hitch, H. C., Guymon Farms, Guymon

Holmberg, C. A., Vice President and Cashier, First American Bank,
Erick, and wife

OKLAHOMA, continued

Huddelston, James D., Assistant Vice President, Security Bank & Trust Company of Lawton
Keller, Edward F., Executive Vice President, Security Bank & Trust Co., Blackwell, and wife
Martin, John W., President, The National Bank of McAlester, and wife
McGhee, Wayne, Farm Representative, American State Bank, Thomas, and wife
McSpadden, Bob, Vice President, First National Bank & Trust Co., Vinita
Meibergen, Joseph Lewis, Senior Vice President, The First National Bank & Trust Co., Enid
Murray, Harold L., Vice President, First National Bank & Trust Co., Chickasha, and wife
Neu, Raymond C., Vice President, The First National Bank of Guymon
Oliver, Ben D., Agricultural Representative, Security National Bank, Enid
Redman, William Leon, Vice President, The First National Bank & Trust Co., Enid
Schroeder, Dale, Vice President, Liberty National Bank & Trust Co., Oklahoma City
Schuber, Glenn B., President, The First National Bank, Dewey, and wife
Sewell, Joe C., Jr., Executive Vice President, First National Bank and Trust Co., Perry, and wife
Simco, Phil, Assistant Cashier, Dill State Bank, Dill City, and wife
Stidham, Donal S., Loan Officer, First National Bank, Tahlequah, and wife
Stoner, Charles L., President, Welsh State Bank, Welsh, and wife
Struck, Bill E., Vice President, First National Bank in Clinton, and wife
Vann, Enos, Vice President, First National Bank & Trust Co., Muskogee
Vieth, Herbert, Director, Peoples National Bank, Kingfisher, and wife
Walker, Larry A., Correspondent Banking Officer, Liberty National Bank & Trust Company, Oklahoma City
Wheeler, E. O., Director, Watonga State Bank, Watonga, and wife
Wrobbel, Dale, Director, Peoples National Bank, Kingfisher, and wife

OREGON

Bonfoey, R. D., Vice President, Citizens Bank of Oregon, Harrisburg
Hansen, LeRoy A., President, Community Bank of Creswell
Perry, Grant W., Senior Vice President, First National Bank of Oregon, Portland, and wife

PENNSYLVANIA

Carlson, Jerry, Managing Editor, Farm Journal, Inc., Philadelphia
Lewis, George M., Vice President, Commonwealth National Bank, Lititz, and wife

PENNSYLVANIA, continued

Walsten, Michael, Assistant Editor, Farm Journal, Inc.,
Philadelphia
Whipple, Paul B., Credit Manager, Pennfield Corp., Lancaster,
and wife

SOUTH DAKOTA

Anderson, Dale W., President, Northwest Agricultural Credit Company,
Sioux Falls
Anderson, E. H., Vice President, Farmers State Bank, Canton, and
wife
Anderson, Ed. L., Assistant Vice President and Agricultural
Representative, First National
Bank of the Black Hills, Hot Springs
Clarkson, Herb, Vice President, Bank of Belle Fourche, and wife
Clarkson, James, President, First State Bank, Buffalo, and wife
Deam, James I., President, American State Bank, Yankton
Deckert, Glade, Assistant Cashier, Mitchell National Bank,
Mitchell, and wife
Duba, Vern F. Assistant Vice President, Northwestern National
Bank, Chamberlain
Fineran, Roland J., Vice President, The Pierre National Bank,
Pierre, and wife
Garry, Thomas J., Vice President and Manager, Northwestern National
Bank, Dell Rapids, and wife
Goetz, Elmer J., Vice President and Manager, First National Bank
of Aberdeen, Redfield
Jacobson, Neal L., Vice President, Bryant State Bank, Bryant,
and wife
Jones, A. W., Vice President, First National Bank of the Black
Hills, Belle Fourche
Knodel, R. G., President, First State Bank of McLaughlin, and
wife
Raines, Donley, Vice President and Manager, First National
Bank of Aberdeen, Groton
Tengwall, Arlan, Vice President, First National Bank of Aberdeen,
Aberdeen
Wilson, Hurley, Vice President and Manager, The First National
Bank of the Black Hills, Hot Springs

TENNESSEE

Anderson, Tom, President, First State Bank, Covington, and wife
English, James C., Vice President, Northern Bank of Tennessee,
Clarksville, and wife
Fisher, James W., Vice President, First National Bank of Clarksville,
and wife
Hembree, John H., Vice President, Union Planters National Bank,
Memphis
Hunter, Joe, Vice President, First National Bank of Clarksville,
and wife
Maloney, Gates, President, Bank of Troy, and wife

TEXAS

Arnold, E. R., Jr., President, First National Bank, Gorman, and wife
 Barclay, H. L., Vice President, American National Bank of Beaumont, and wife
 Beasley, Don, Vice President, The First National Bank of Amarillo
 Benham, Gene, President, First State Bank, Morton, and wife
 Burnette, Ronald L., Assistant Cashier, The First National Bank of Waco
 Cartwright, Thomas C., Professor, Texas A & M University, College Station
 Christie, Ralph D., Assistant Vice President, First National Bank of Dumas
 Crawley, G. Richard, President and Trust Officer, The First National Bank of Lamesa
 Grist, John, Manager Chamber of Commerce, First National Bank of Dumas
 Hodges, Charles, Agricultural Assistant, The First State Bank of Dimmitt
 Holder, Jimmie R., Vice President, First National Bank at Lubbock, and wife
 Hopkin, John A., Stiles Professor of Agricultural Finance, Texas A & M University, College Station
 Kendrick, Ken W., Vice President, American National Bank, Amarillo
 McLeroy, Edd. C., Vice President, The First State Bank of Dimmitt
 Mitchell, J. M., President, First National Bank of Dumas
 Phillips, Eugene M., President, First National Bank, Panhandle, and wife
 Porter, Kenneth W., Vice President, First National Bank of Fort Worth
 Selman, John R., President, Citizens State Bank, Sealy
 Stansbury, Dale L., Agricultural Economist, Federal Reserve Bank of Dallas
 Stradley, John F., Assistant Vice President, The First National Bank of Amarillo
 Turner, Tommy, Vice President, Denton County National Bank, Denton, and wife
 Wallace, James E., Assistant Vice President, First National Bank in Dallas

UTAH

Anderson, L. R., Vice President and Manager, First Security Bank of Utah, N. A., Logan
 Hanson, Ray W., Vice President, First Security Bank of Utah, N. A., Spanish Fork, and wife
 Jensen, James T., Attorney, Carbon Emery Bank, Price, and wife
 Jensen, Therald N., President, Carbon Emery Bank, Price, and wife
 Plowman, Rex G., President and Chairman of the Board, Lewiston State Bank, Lewiston
 Thomas, Max, Senior Vice President, First Security Bank of Utah, N. A., Spanish Fork, and wife
 Varoz, G. Ross, Vice President, Walker Bank & Trust Co., Salt Lake City

VIRGINIA

Godsey, Roie M., Vice President, Virginia National Bank, Charlottesville
Nolen, James A., Assistant Vice President and Agricultural Services
Officer, Fidelity National Bank,
Lynchburg
Robertson, H. Frederick, Agricultural Officer, First & Merchants
National Bank, Richmond

WASHINGTON

Williams, Donald G., Assistant Vice President, Seattle First
National Bank, Yakima, and wife

WISCONSIN

Arneson, Carl F., Vice President and Cashier, Barneveld State
Bank, Barneveld, and wife
Gramling, Henry J., Farm Loan Representative, Commercial & Savings
Bank, Monroe
Herr, Ray W., Assistant Vice President and Agricultural Representative,
First National Bank & Trust Co.,
Beaver Dam
Jante, Don, Vice President and Branch Manager, First National Bank
& Trust Co., Burlington
Jensen, William C., Commercial Banking Officer, First Wisconsin
National Bank of Milwaukee
Kohlbeck, Marvin G., Vice President and Agricultural Representative,
Peoples State Bank, Pittsville
Kopp, Kenneth J., Vice President, Bank of Galesville, and wife
Mongold, James A., President, First National Bank & Trust Co.,
Burlington
Olson, Vern R., Agricultural Officer, Citizens Bank of Sheboygan
Rupnow, Eugene H., Farm Service Representative, Merchants &
Savings Bank, Janesville, and wife
Schultz, Harland W., Agricultural Representative, Peoples
Exchange Bank, Thorp, and wife
Van Ark, Richard, Farm Consultant, First National Bank & Trust
Co., Burlington
Weigle, R. N., Agriculture Economics, University of Wisconsin,
Madison
Wozniak, John C., Senior Vice President, The First National Bank
of Stevens Point
Wright, Ronald, Vice President and Farm Representative, Lancaster
State Bank, Lancaster

WYOMING

Bryans, Robert E., President, First National Bank of Casper
Crews, Jack, Vice President, Cheyenne National Bank, Cheyenne,
and wife
Curran, Lester S., Vice President, Cheyenne National Bank,
Cheyenne
Emerich, Carl F., Assistant Vice President, First National Bank
& Trust Co. of Wyoming, Cheyenne
Fuechsel, Robert, Director, American National Bank of Riverton,
and wife

WYOMING, continued

Gilpatrick, M. J., Jr., Director, The First National Bank of
Riverton
Hettinger, James L., Director, The First National Bank of Riverton
Maddux, W. V., Director, First National Bank of Riverton
Martin, Arch D., Jr., Director, First National Bank of Riverton
McMillan, Harry A., Director, The First National Bank of Riverton
Morfeld, Lowell A., Director, First National Bank of Riverton
Muller, John C., Agricultural Loan Officer, Bank of Commerce,
Sheridan
Pearson, H. E., President, Stockmans National Bank of Lusk, and
wife
Peck, Roy, Director, First National Bank of Riverton
Pfarr, DuWayne, Vice President, American National Bank, Riverton, and wife
Schamber, E. R., Director, The First National Bank of Riverton
Smith, Laoel B., Vice President, First National Bank of Laramie
Stack, Bernard D., Director, The First National Bank of Riverton
Vandervort, Robert, Vice President, First National Bank of Riverton
Watt, Harmon H., President and Director, First National Bank of
Riverton

CANADA

Drew, Jack, Manager - Agriculture Department, Royal Bank, Regina,
Saskatchewan
Gibb, I. D., Manager - Agriculture Department, Bank of Montreal,
Winnipeg, Manitoba
Gutheil, C. E., Manager - Agricultural Department, The Royal
Bank of Canada, Winnipeg, Manitoba
Thomson, Norm, Acting Chairman, Policy & Liaison Secretariat,
Department of Agriculture, Edmonton,
Alberta, and wife
Zilkey, Gary R., Agricultural Representative, Bank of Montreal,
Calgary, Alberta

PANAMA

Pulver, Wayne M., Pro-Manager, First National City Bank, Panama

SUPPLEMENTARY REGISTRATION

21st NATIONAL AGRICULTURAL AND RURAL AFFAIRS CONFERENCE
Denver Hilton Hotel, Denver, Colorado
November 12-15, 1972

ARKANSAS

Miller, Franklin, Director, Bank of Pea Ridge
White, James J., Helena National Bank, Helena

CALIFORNIA

Ryan, Don, Vice President, Nytee Services, Morgan

COLORADO

Berg, Richard L., Vice President, Colorado National Bank, Denver
Mercer, Ralph E., Executive Vice President, Greeley National Bank, Greeley
and wife
Mill, Eddie, Loan Officer, Farmers National Bank, Ault
Slack, J. Evan, Intermountain Midwest Farm Network, Aurora
Weigand, Richard I., Loan Officer, Colorado National Bank, Denver

ILLINOIS

Aderton, George P., President, Citizens State Bank of Mt. Morris
Coutts, W. A., Vice President, Nytco Services, Inc., Chicago
Hansen, Warren, Assistant Farm Department Manager, Citizens National Bank, Macomb
Summers, Robert L., Loan Officer, Illinois National Bank, Springfield, and wife
Wyatt, Kenneth, Manager-Farm Department, First National Bank, Ottawa

INDIANA

Blank, Ted J., Farm Loan Representative, Irwin Union Bank, Columbus

IOWA

Kirchner, Don, President, Peoples Trust & Savings Bank, Riverside
Leland, Judd W., Assistant Vice President, Waterloo Savings Bank, Waterloo and wife
Norland, Ed, Cashier, Iowa Trust & Savings, Emmetsburg
Peterson, R. W., Farm Representative, United Home Bank, Mason City
Rodibaugh, Earl G., Executive Vice President, First National Bank in Fairfield and wife
Schakel, Mark E., Vice President, Jasper County Savings Bank, Newton
Strother, Keith M., Vice President, Hardin County Savings Bank, Eldora

KANSAS

Martin, Ormal J., Director, Smith County State Bank & Trust Co., Smith Center
Robbins, Raymond N., President, First National Bank, Parsons

MINNESOTA

Hart, Vincent F., President, The Security State Bank of Wells
Morrison, Donald E., Vice President, First National Bank, Blooming Prairie
Peterson, Alvin C., President, State Bank of Chandler
Stroschein, Alden H., Executive Vice President, Ormsby State Bank, Ormsby
Thompson, Paul I., President, Peoples State Bank, Milan
Wakefield, Lowell G., President, Northwestern State Bank, Appleton

MISSOURI

Meisner, Joseph Charles, Agricultural Economics Department, Mumford Hall, Missouri
University, Columbia
Seymour, Blaine, Director, Exchange Bank, Fairfax

NEBRASKA

Caley, L. Clark, President, Bank of Clarks
Prince, Jim, Vice President, Kimball County Bank, Bushnell
Sibert, Frank J., Vice President, Northwestern National Bank, Omaha

NEW YORK

Higgins, James C. Jr., Accounting Officer, First National City Bank, New York

NORTH DAKOTA

Gannaway, J. D., Vice President, American State Bank, Williston and wife

OKLAHOMA

Ahrberg, Robert, First National Bank, Stillwater
Reid, George, First National Bank, Stillwater

PENNSYLVANIA

Dean, John L., Agricultural Representative, Hollidaysburg Trust Co., Martinsburg
Flanders, Robert C. Jr., Vice President & Agricultural Representative, Cumberland Co.
National Bank & Trust Company, New Oxford

TENNESSEE

Henry, Jim, President, The Oakland Deposit Bank, Oakland

TEXAS

Gordon, Clyde, Vice President, Citizens National Bank, Lubbock

UTAH

Grimshaw, Paul R., Associate Dean, College of Agriculture, Utah State University, Logan

WYOMING

Bower, Vernon E., President, First National Bank in Worland
Mundell, M. Clare, Wyoming Bankers Association, Laramie
Vanvig, Andrew, Professor & Head of Division, Division of Agricultural Economics,
University of Wyoming, Laramie

CANADA

Clark, J. H., Associate Professor, University of Guelph

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