

## Refinancing may make sense, economist says

NEWARK, DE. — In recent years many farm loans, both for mortgages and short-term debts, were obtained under high interest rates. Some loans carry variable interest rates and adjust downward as well as upward.

What can farmers do about loans with a high fixed rate or a variable rate adjustment that doesn't seem to keep pace with downward trends? Consider refinancing, advises University of Delaware extension farm policy specialist Gerald F. Vaughn.

"When interest rates come down, as has happened recently," he says, "you can often obtain refinancing at more favorable terms." Refinancing may include a lower interest rate, a longer or shorter repayment period, or a more favorable repayment schedule.

"You may be able to refinance your existing farm mortgage," Vaughn says. "Even an interest rate two percentage points lower than the original can result in savings of thousands of dollars on a substantial mortgage—especially in the early years of amortization when interest payments are largest."

Farmers with land equity (unmortgaged debt-carrying capacity) can sometimes refinance burdensome short-term debts, using the real estate as security. This may reduce their

interest charges, since real estate loans often carry a lower rate of interest than short-term debts.

It may be possible to lighten the burden of short-term debts by spreading out payments over the longer period of a real estate loan, the specialist says. For example, spread repayment over 20 years instead of five. This also removes the risk of losing vital machinery or livestock which are presently securing the short-term debts, if a farmer is unable to make payments under the current financing arrangement.

"Refinancing short-term debts may make sense when continuing

current payments would cause negative cash flow on the farm or substantially reduce your family's level of living," Vaughn says. However, he cautions, if the farm operation cannot be readily strengthened and refinancing would merely complicate and delay the eventual decision to sell out, refinancing probably is unwise. "If your farm's rate of return is less than the refinancing interest rate, refinancing definitely doesn't make sense," the economist says.

Nor is refinancing of short-term debts advisable if a farmer's land equity is based on appreciated land values due to inflation rather than

earned income. When land values stabilize or fall in less inflationary times, a real estate loan can lose much of its security.

Farmers who don't want to reduce monthly payments, but would like to reduce the total interest charges on their loans, can also benefit from refinancing when interest rates fall, Vaughn says. "You can refinance in a way that holds monthly payments at current levels while shortening the number of years that interest must be paid. This will reduce total interest charges over the life of your loan."

When refinancing either farm mortgages or short-term debts, fees or other expenses will likely

be involved which must be paid at the time of refinancing. So if an existing loan is nearly paid off, refinancing may not be advisable since the potential savings might not justify the immediate expenses.

"If you're concerned about your debt load, contact your current lender to see if refinancing is possible at terms advantageous to you," advises Vaughn. "If refinancing is not available from this source, consider contacting other lenders, unless your relationship with your current lender is one you'd hate to give up."

## Beef production seminar slated in Rochester

ITHACA, NY. — Beef producers, dairy farmers, and crop growers throughout New York and neighboring states are being invited to a two-day conference on "beef cattle marketing and finishing" in Rochester, NY, Jan. 22-23, 1986.

To be held at the Marriot Hotel, the Rochester conference is sponsored jointly by Cornell Cooperative Extension, Cornell University, the New York State Department of Agriculture and Markets, and the New York State Beef Cattlemen's Association.

Danny G. Fox, one of the

organizers of the meeting, says the aim is to identify marketing and production systems necessary for profitable beef production in New York State. A beef specialist, Fox is an associate professor of animal science in the New York State College of Agriculture and Life Sciences at Cornell.

Recent research advances in the use of biosynthetic bovine growth hormone to boost cows' milk yields and other factors may lead to a reduction in dairying, Fox says. One of the objectives of this conference is to examine alternatives to dairying using the resources that reduced dairy operations will make available.

The conference will feature sessions on the potential for beef production in New York, experiences in finishing cattle, managing and financing cattle feeding, and risk management. Topics include switching from dairy to beef and development of a profitable cattle feeding enterprise; buying, selling, and feeding cattle under New York conditions; direct marketing of

feeder and finished cattle; contract feeding in the eastern corn belt and in the Northeast; and resources available and ingredients needed for profitable cattle feeding.

Setting the stage for the event will be Edward King, New York State Deputy Commissioner of Agriculture and Markets, who will speak about the importance of

agricultural development in New York at 1:15 p.m., Jan. 22.

For more information about the program and a trade show to be held in conjunction with the conference, contact James Hilson, Cayuga County Cooperative Extension Center, 248 Grant Ave., Auburn, NY 13021, or call (315) 255-1183.

## Cornell scientist heads soil conservation group

ITHACA, NY — Ray Bryant, a soil scientist at Cornell University, has been installed as president of the Empire State Chapter of the Soil Conservation Society of America, a scientific organization dedicated to the promotion of wise use of soil and water resources.

Bryant will serve as head of the New York State group for one year through October 31, 1986. Bryant's election was announced during the group's annual meeting held recently at Cornell.

A member of the Cornell faculty

since 1981, Bryant is an assistant professor of soil classification and survey in the New York State College of Agriculture and Life Sciences. Besides his teaching duties, Bryant conducts field studies to gain a better understanding of the processes of soil formation and landscape relations.

Bryant earned the B.S. (1973) and M.S. (1977) degrees from Texas Tech University, and the Ph.D. (1981) degree from Purdue University.

## Forage digestibility

CHICAGO, IL — A small improvement in digestibility of a forage grass is more profitable than an increase in yield, Kenneth P. Vogel, U.S. Department of Agriculture research geneticist, told the Agronomy Society of America.

A new switchgrass variety, Trailblazer, accounted for a 35 percent gain in beef production per acre when compared to Pathfinder, a commonly used switchgrass variety, Vogel said. That increase in gain is worth about \$45 per acre to beef producers at recent prices.

A 6 percent increase in digestibility brought the increased weight gains. "Just a slight change in digestibility can greatly improve animal performance," Vogel said. "And we proved that it's possible to breed switchgrass with good digestibility without decreasing forage yield."

In two years of grazing trials at Mead, Neb., yearlings on Trailblazer for 60 days had an average gain per acre of 306 lbs. compared to 227 lbs. for cattle grazing Pathfinder.


The new variety was developed by Vogel, and research geneticist Herman J. Gorz, Agricultural Research Service, and geneticist Francis A. Haskins, University of Nebraska.

The researchers also found sufficient genetic variability for improving quality traits, such as digestibility, in other forage grasses including indiangrass, sand bluestem, crested wheatgrass, and intermediate wheatgrass. "We believe that the

quality traits in all these grasses can be improved by breeding," Vogel said.

Trailblazer was released as a new variety in 1984, and certified seed should be available for commercial plantings by spring of 1986.

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