BUSINESS NEWS...

Baltimore Farm Credit Reports First Quarter Profits

BALTIMORE, Md. — The Farm Credit Banks of Baltimore, the major agricultural lender throughout the mid-Atlantic region, released its first quarter financial figures reflecting positive earnings despite the national agricultural turmoil.

First quarter earnings for 1986 show a nearly $8 million profit with $4.2 million of those profits applied to loss sharing assistance for other financially troubled districts in the nationwide Farm Credit System. Net earnings for the Banks were reduced to $3.4 million as a result of the loss sharing plan, as compared to first quarter 1985 net earnings of $10 million.

Delinquency rates showed a slight increase during the first quarter of 1986 as compared to a similar period in 1985. FLB farm loan delinquencies rose from 5.1 percent to 5.3 percent of the number of loans outstanding while PCA delinquencies increased from 3.6% to 4.3% of the number of borrowers.

Baltimore Banks' President Gene L. Swackhamer pointed to the strengths of the borrowers as well as those of the district that keep the region's farming community from being affected as severely as some of the agricultural communities in other areas of the nation.

"The American farmer and the Farm Credit System have not seen the end of the complicated problems facing agriculture during this era of adversity," Swackhamer said. "The Baltimore District has a relatively stable operating position with a record of quality borrowers, a strong capital base, and our lean and cost-effective management of financial services gives us the stabilizers necessary to see our way through these troubled times."

One of 12 nationwide districts of the Farm Credit System and only one of two districts showing a net operating profit in 1985, the Farm Credit Banks of Baltimore serve farmers and agricultural cooperatives in Delaware, Maryland, Pennsylvania, Virginia, and West Virginia as well as the Commonwealth of Puerto Rico.

Deutz-Allis Introduces Front-Mounted Hitch

MILWAUKEE, Wisc. — Deutz-Allis is the first North American farm machinery company to introduce a front three-point hitch and PTO — known as Twin-Power.

Twin-Power allows a tractor operator to complete more than one job per field pass because field equipment can be mounted on the front, as well as the rear of the tractor.

"Farmers now have the option of purchasing a Deutz-Allis 6200 series tractor with a dealer-installed front three-point hitch and PTO or adding the equipment later because each 6200 series tractor is engineered and built to accept Twin-Power," says Bob McIlrath, Deutz-Allis tractor product manager.

Used for many years in Europe, the numerous benefits of a front PTO and three-point hitch include reducing time, fuel and labor by reducing trips across the field; less soil compaction; and better visibility for field equipment.

A front three-point hitch and PTO can combine many field operations, and it's especially beneficial when making hay. European farmers have used a front-mounted mower combined with a rear side-offset mower to cut hay twice as fast, reducing weather fears further.

"With this set up, or a rake on the front and baler behind, tractors are essentially turned into self-propelled hay machines," says McIlrath.

There are many applications for Twin-Power. Innovative farmers can incorporate herbicide up front and run a cultivator behind the tractor, saving valuable field preparation time and fuel.

Other applications include tilling and planting, stalk cutting followed by chisel plowing, snowblowing and scraping — all with a single pass.

"Using a front PTO and 3-point hitch also better utilizes the tractor's horsepower," McIlrath says.

With a front three-point hitch and PTO farmers can complete more than one job in a single pass.

New Farm Credit Programs Offer Interest Rate Relief

Farm Credit News

The Farm Credit System

McLEAN, Va. — Farm Credit System institutions could offer lower interest rates to their borrowers if they would implement new interest rate programs, according to its federal regulator, the Farm Credit Administration (FCA).

The agency has approved a number of programs that enable Federal Land Banks (FLBs) and Production Credit Associations (PCAs) to provide interest rate relief for farmers without causing further financial damage to the institutions. Unfortunately, too few such programs are being used, the FCA says.

Specifically, the FCA is encouraging the immediate use of differential interest rates and match funded fixed rates.

Under differential interest rate programs, low risk, low service loans are charged a lower rate of interest. These programs are intended to reward borrowers whose loans are sound and less expensive to service. For example, in one FLB the rate for such customers is 1.5 percent lower than the base loan rate.

Match funded loans are tied to a particular bond issue, which system institutions sell to raise their loan funds. The banks recently issued a five-year bond priced at 7.55 percent. Even adding a two percent spread for operating expenses and loss reserves, the banks could have offered a five-year loan for 9.55 percent. One FLB, in fact, is offering an eight-year loan at 9.05 percent to selected customers. Another is offering a three-year fixed rate loan at 9.6 percent.

While being able to offer competitive interest rates is the primary purpose of these new programs, a recent agency survey showed that rates charged by the PCAs, the system's short- and intermediate-term lenders, are competitive in almost all areas of the country. The agency believes rates charged by the Banks for Cooperatives, which make loans of all types to farmer owned cooperatives, are also competitive in today's market. Due to their predominantly longer-term bond portfolios, FLBs, the system's long-term real estate lenders, are facing the most rate competition.

The FCA believes the system has the opportunity to develop well managed interest rate programs that can assist in bringing some interest rate relief to its borrowers. Combining these programs with tight management of its own cost of delivering credit services, the system can improve its competitive position without adding to its financial problems.

Case IH Announces Plant Consolidation Plan

RACINE, Wisc. — Case IH, citing excessive manufacturing space and continuing soft farm and construction machinery markets, recently announced tentative plans to close manufacturing plants in Terre Haute, Indiana; Bettendorf, Iowa; and Rock Island, Illinois, which employ about 1,500.

"Eliminating surplus manufacturing space is essential to the ability of Case IH to deliver a full line of agricultural and construction equipment products at competitive prices," explained Jerome K. Green, president of the Tenneco Inc. unit.

"The tentative decision to close these plants underscores our continued determination to lower costs and adapt to current market conditions," he added.

The tentative plan, if implemented, calls for closing the Terre Haute facility in the third quarter of 1987, the Bettendorf plant in the fourth quarter of 1987 and Rock Island in the first half of 1988. It would reduce Case IH North American manufacturing space by 25 per cent.

The company expects to move production from the affected facilities to other company operations in Burlington, Iowa; East Moline, Illinois; Racine and Wausau, Wisconsin; and Wichita, Kansas.

Though some employees would be transferred to new locations, it is too early to determine the exact number of jobs that would be retained, Green said. Nevertheless, the work force reduction at affected locations would be significant, he noted.

Closing the three plants would leave Case IH with nine agricultural and construction equipment manufacturing facilities in the United States and Canada.

Tentative relocations of production include:

• Terre Haute, 460 employees: Wheel loader production would be transferred to Wausau while large loader/backhoe operations would move to Burlington. Burlington's skid steer loader production would be transferred to Wichita. Terre Haute became part of Case in 1966.

• Bettendorf, 630 employees: Production of cabs for agricultural and construction equipment would go to East Moline. Crawler dozer and loader production would be moved to Wausau. The plant became part of Case in 1947.

• Rock Island, 450 employees Production of transmissions and other components would be moved to Racine. The Rock Island facility became part of Case in 1937.

Production of some components and finished goods will be scheduled to go to Case IH plants in Europe and Brazil.

Headquartered in Racine, Case IH is a worldwide manufacturer and marketer of agricultural and construction equipment.

Herschel Honors Lancaster Co. Dealer

INDIANOLA, Iowa — In conjunction with Herschel Corporation's Centennial, "Serving Agriculture for 100 Years, 1886-1986", the company has presented a plaque to Paul B. Zimmerman, Inc., of Lititz, in appreciation of its many years of association with that company.

Founded in Peoria, Illinois, the Herschel Company was a pioneer in the manufacture of cutting and repair parts for mowers, reapers and binders. The business grew rapidly and was soon recognized by leading implement manufacturers, distributors and dealers as a leader in the manufacture of cutting parts.

By the early 1900's the company had expanded its product line and offered a variety of agricultural replacement parts to dealers from Nebraska to the east coast. During this same period and through the 1950's, Herschel was also one of the largest manufacturers of lawn mowers in the United States.

In 1974, the company moved into modern office, manufacturing and warehousing facilities on 25 acres in Indianola, Iowa, and today has salesmen calling on implement dealers throughout the United States with representation in Canada and other foreign countries. Sales offices and warehouses are located in Minneapolis, Minnesota; Dallas, Texas; Indianapolis, Indiana; and Harrisburg, Pennsylvania.

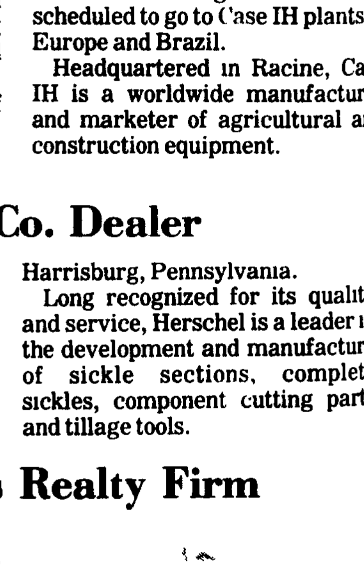
Long recognized for its quality and service, Herschel is a leader in the development and manufacture of sickle sections, complete sickles, component cutting parts and tillage tools.

Stein Joins Realty Firm

WILLOW STREET — John S. Garner, sales manager for CENTURY 21 Emory D. Wagner Co. Realtors in Willow Street, has announced the appointment of Richard B. Stein to the firm's marketing staff at 2421 Willow Street Pike.

Stein previously worked as sales manager of Carnation Country Store, Quarryville, working with the farm community in Lancaster County. He will be working mostly with farms and rural properties, and looks forward to continued association with his former clients and others in helping to fill their real estate needs.

Stein has completed several Century 21 training courses which enable realtors to better service home sellers and buyers. He resides with his wife, Ruth, and their four children.



Richard B. Stein