

Faith And Farming

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steward of the soil and everything else and you could make money like this, you were their prime customer. You went out. They encouraged you. If you were fairly debt free, they encouraged you to load up with debt, right. They loaned you the money. They called you one of their better customers. The people that didn't load up quite as much in debt were not the progressive kind of thinkers and farmers. It makes no difference, you in the room, whether you load it up with debt or whether you didn't. That is not a crime in and of itself. Those looked like good decisions during those days. So I'm not speaking to whether you should or whether you shouldn't have. I'm speaking to what was really occurring.

If you went to your banker, he never asked you for a cash flow. Most bankers couldn't even spell cash flow. Up until about several years ago when they got in trouble...and I use to talk to the bankers. You know in business they knew what cash flow was all about. We had to flow our cash and if we didn't liquidate our debt every year at Hesston Corporation, they wondered why. I'll bet most of you farmers never had a banker ask why you weren't liquidating your debt during that period of time if you were a good farmer. Most farmers were good. They really said well if you make the interest payment, we'll roll it over. Why don't you go out and buy more land. You're a good farmer. You're a blue chip kind of customer. So we were feeding on that thing. Land was going up. You'd take your statement to the banker at the end of the year and suddenly your net worth was worth much more than

it was the year before. My goodness, what a deal.

Who could ever make money this fast? You're grandfather didn't and your father didn't. All at once this thing was taking off. Man we were geniuses. We all were. But there were some things happening during that period of time that were not healthy.

Labor costs were rising rapidly in our factory and every factory across this country. As a result of that, your price of equipment was rising rapidly. But it didn't make any difference because you'd take your equipment, run it two years, trade it in and it was worth more than when you bought it two years ago in a lot of cases. My goodness, what a way to make money. You can really increase your balance sheet that way. It looked good to the banker. You went right ahead and did it. Hesston Corporation went to New York and geared up and borrowed \$35 million in 20 minutes. Not quite that quick. But it was almost that quick. We told them the story about our stackhand and how good it was. We went out and built those buildings getting ready for all you farmers who were going to buy all this equipment. Sure enough you did. Stackhand business went from 50 units to 5,000, 6,000 units in a couple years' time. Now it's back to 60 units again. So we were all caught in it. Again it wouldn't matter whether you were smart or dumb. It wasn't a matter of what happened. The people that were fortunate enough not to get caught in the thing may look smarter today but they were during that time maybe just taking a little less risk. It was a matter of risk taking. And the risks looked good to all of us. Capital goods were going up.

Fertilizer was going up. You remember the embargo in '73 and what happened to fertilizer, what happened to fuel, what happened to labor. The value of the dollar went down because nobody believed in our dollar anymore. What did that do to farm exports. Well it's fantastic. You put together loaning people money that couldn't pay it back, the LBC countries. Along with the cheap dollar and a thrust and all at once you got a world export market that was fantastic. So everything was going right. Inflation was rampant. Dollar was cheap. Land prices were going up. It looked good. We had a "feed the world" philosophy. I remember the chairman of our company making a speech that we could never build enough equipment as long as he lived in order to get ready to feed the world. He believed it. And so did a lot of other people. So we were encourage to feed the world. Exports were going up like this and everything else. We also had a philosophy "buy now" because it's going to cost you more tomorrow. So we put all those things together.

Then what happened. We had 19 1/2 percent prime. But the real cost of money was cheap. The cheapest in our history. When the prime was 14 and inflation was 17 and land prices were going up 15, 20 percent a year, your real cost of money was less than 0. One of the few times in history. The fact that interest was high, sure it hurt a little but didn't hurt a lot because everything else was going. Then we decided we needed to lick inflation. By the way we needed to lick inflation, and we're not done licking inflation yet in terms of national deficit.

We took a war on inflation. Everybody put Reagan in office. Felt good about it. What was his campaign, lower the deficit, get rid of the deficit, get rid of all of this inflation and put the brakes on.

Very few people, particularly farming, oil and other commodities begin to realize what was going to happen if we put the brakes on all of a sudden. So we put the brakes on. We turned that inflation into a deflation. That deflation has never been more prominent than it is in oil where it went from \$38 a barrel to \$13 or land where it went from \$4,000 to \$2,000 or whatever that ratio might be. So in the commodities we're going through a hurendous deflationary period in the '80s. If we weren't going through this period, we'd be like an Argentina or a Mexico pretty soon. If we keep letting inflation take care of our problems and cover up all these things. So we take care of inflation. But the rampant change from inflation to deflation has caused an awful lot of things to happen. Suddenly we've got an expensive dollar. So our dollar is expensive, and we can't export it. They said, well, get rid of the deficit, get the dollar lower then exports will pick up. What happened. We got a little bit of the deficit taken care of. The dollar has dropped 40 percent or so and exports still aren't happening. So what is going on. Don't the economists or anybody know what's going on here?

We've got technology transferred around the world. I went to the world food conference three or four years ago. We are doing a

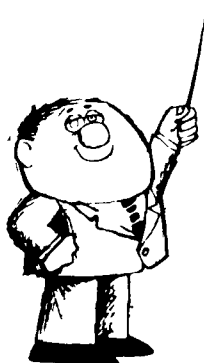
fantastic job of transferring our technology around the world. That's what we wanted to do. We had the Peace Corps. We had our own church programs taking our people through college and teaching them how to transfer the technology. Sure enough they did a good job. That's what we wanted them to do.

We've got that over credit problem. We've technology around the world. We've got the China exporting product. We've got India exporting product. We've got Europe with all the problems in America today. I might just bring you up to date on that. Europe is now in the first year or maybe the second of going through land evaluation and all that like North America has been through in the last five or six years. They've got an abundance of crop. They've got their land going down. They got farmers screaming. They got farmers who can't make money. So you have a lot of the lower developed countries who can't afford the product. You've got another group of countries who were importing products who don't need it today because they've got the technology now to do it. And you've the greatest technological, efficient agricultural system in the world. And the bread basket of North America and western Europe who put all of their expert

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