

PDA Celebrates First Use Of Next Generation Loan Program

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equipment, and a freestall barn in order to build an operation to cash flow the loan.

The total loan under the Next Generation Farmer Loan Program is \$221,000.

Kennis is also to take an additional regular loan of \$50,000 to add cows to the existing 35 head of Holstein and Jerseys. The Jerseys are there to add value to the bulk tank milk.

The Kennis's sell the milk to Fike's Dairy in Uniontown, which is primarily a Class I dealer.

Just-graduated from Penn State with a degree in agriculture, Michael's ability to design a conservative business plan and project realistic cash flows (as well as communicate the ideas and support the business plan to the satisfaction of a lender) is what made the whole project work, according to Courtney Cole, ag lender for the Saving and Trust Bank of DuBois, a publicly traded bank on NASDAQ with \$2 billion in assets headquartered in Indiana (Pa.), serving communities in the Indiana, Jefferson and Clearfield markets.

Cole explained that the program is good, and he said he would urge lenders around the state to investigate this tool and to use it, because it is important to the local and state economy.

According to Cole, the program is similar to a manufacturing bond issue. He said that instead of having to ask for the 9 percent interest normally sought with a business loan, the tax-exemption allows the

bank to offer a lower interest, such as 6 percent.

"It is a great program," Cole said. "I've already had a lot of calls from farmers" about it.

He said the bank is an active agricultural lender, though he noted that, "Ag lending is probably at an all-time low in the state, and this will probably provide an advantage to getting loans."

He also suggested that the program appears set to work well with family estate tax planning, though he said a professional tax planner should be consulted.

Obtensibly, such a loan tool should serve lending institutions well, considering that rural economic research has shown that there is a threshold for the number of farms needed to support "main street" businesses where banks may have more assets invested.

In other words, it would seem logical for a bank to pursue supporting the continuation of well-run farms, since doing so supports other businesses and therefore, other loans made.

Cole also said that banks are directed to make local investments, and the tax-exempt loans can be a useful tool in complying with provisions of the Community Reinvestment Act of 1977, which he said "does require us to invest in the communities and to look at programs like this to foster economic development."

"This is one of the best I've seen in a long time to help the farmer remain competitive.

"From a bank's standpoint it's a

great advantage. I think that if more banks would use it, it would help the competitiveness of agriculture in the state," Cole said. "It's a simple product, but you have to work with your local independent economic development communities."

"Today's farmers have to become more aware they are managing a business," Cole said. "Mike (Kennis Jr.) and I were able to work out a plan that made very good sense from a cash flow for this product."

He also said that farmers are becoming more aware of the need to do financial projections for their operations.

The Next Generation Farmer Loan Program loans can be made up for a payback of up to 20 years.

Just as the industry and economists have been advising farmers, Cole said he wants to see business plans with the three cash flow projections — best case, worst case and conservatively realistic.

"A lot of lenders can hurt people if they do not help them do cash flow projections. It's not fruitful for anyone (if they aren't done).

"Mike, being fresh out of Penn State, has a good head and understood the needs of the farm and what was needed for more productivity."

Cole said he considered that the milk is currently being sold to a primarily Class I dealer, fairly well assuring a comparatively strong milk price, but he also said that he knows that milk is a saleable commodity and that it should be able to provide a cash flow, as long as the

farm is managed right.

However, he also said he doesn't get too involved in a farmer's selection of buyer for his commodities, he normally leaves that decision up to the borrower.

In the meantime, he said the area has been losing a lot of family farms, some sold for recreational

camp, etc.

"It's a shame to see. The state needs to do more to regulate the price of milk," he said.

"The farmers have fixed costs," he said, "they have to put food on their table. If (the price paid to the farmer) drops by \$2 less a hundred for a month, there goes the cash flow."

Land O' Lakes Couple Named To Council

CARLISLE (Cumberland Co.) — Land O' Lakes members Paul and Nadene Cashell, Chambersburg, were named to the National Milk Producers Federation (NMPF) Young Cooperator Advisory Council, it was announced at the Federation's annual meeting Nov. 29-Dec. 3 in Las Vegas.

As members of the Advisory Council, the Cashells will help coordinate young cooperator activities at the 1999 NMPF annual meeting. They also will attend the Federation's summer board meeting in July, where they will participate in a briefing on national dairy issues. Following the briefing, they will meet with their congressional

representatives.

Through their participation on the Advisory Council, the Cashells hope to help other young farmers learn about cooperatives. "I feel it's a privilege to give back to a program that we've gotten a lot out of," Paul said. "We hope to help other young couples learn about cooperatives and become leaders of the future."

The Cashells farm in a three-way partnership. They milk 350 Holsteins and farm 850 acres of corn, alfalfa, grass, and wheat. Paul is responsible for herd health and breeding. Nadene works full-time off-the-farm as a computer programmer-analyst. They have three children, Ben, 9, Quinn, 6, and Chase, 3.



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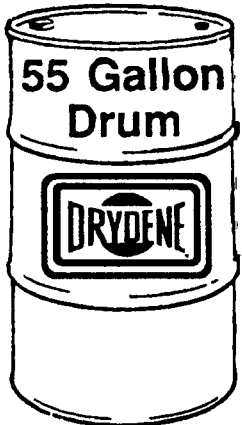


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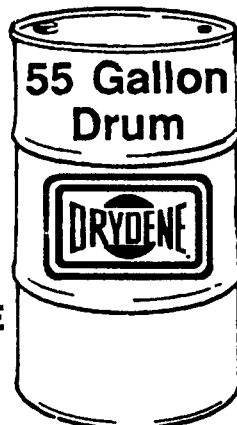
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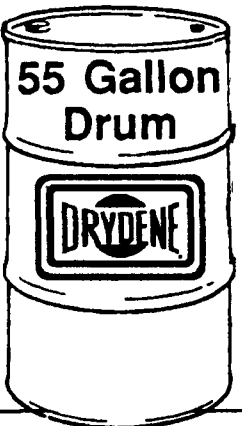
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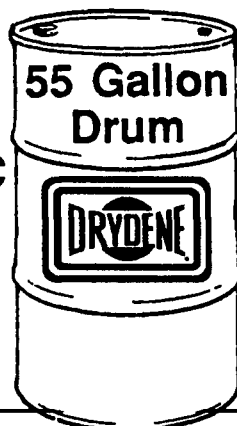
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