Mother Nature is a fickle and unpredictable creature, and nowhere is this more evident than in the fields and fortunes of farmers. The best intentions and most fastidious attention to detail can prove fruitless when harvest time rolls around and the weather hasn’t cooperated. It’s a variable over which farmers have no control, and this season, it has proved to be especially troublesome for many of them.

The torrential rains that inundated much of Acadiana when Tropical Storm Allison swept through seven weeks ago wreaked havoc on several crops, but soybeans received the most damage. "In the Lafayette area, it’s definitely soybeans," says Dr. Clyde St. Clergy, an economist with the LSU cooperative extension service.

A statewide crop summary issued at the end of July outlines the status of soybeans to date: 5 percent of the crop is very poor, 43 percent is poor, 39 percent looks fair, 11 percent is good and 2 percent is considered excellent.

Last year, the crop brought $460 million to Louisiana. This season, the cooperative extension service predicts that water damage will result in a loss of $65 million, although comprehensive evaluations won’t be complete until later this month, says St. Clergy. Across the state, an estimated 35 to 40 percent of the crop would not be planted due to wet conditions.

In delayed planting, replanting, and in some cases, no planting. According to local meteorologist Dick Faurot, record amounts of precipitation were recorded for the month of June. The total this year measured 16 inches at the Lafayette Regional Airport, compared to a normal of five inches or so. July also was wet. Usually, close to seven inches are recorded for the month, but 11 inches fell this year.

The month of June was crucial for soybeans because optimum growth occurs if the bean is sown before June 15. After that, growing conditions steadily decline. If planting is attempted as late as mid-July, a 50 percent loss in yields can be expected, according to Cecil McCrory, Vermilion Parish county agent.

Initially, 95,000 acres were expected to be grown in Vermilion, but the figure is actually closer to 83,000. Moreover, considering the current condition of the crop, McCrory estimates that only 70-75,000 acres actually will be harvested. The incessant rains also damaged the crop to such an extent that many farmers were forced to replant, incurring additional expenses in the process. "I would say a majority of beans tumbling down."

Furthermore, events at the Chicago Board of Trade also helped lower the price. In July, the board forced a liquidation order of contracts that were held by an Italian agricultural firm. The unusual directive precipitated a 39.5 cent drop in soybean prices in one day. From a high of $11 a bushel last summer, the commodity is now quoted under the $6 mark.

Relief may be in sight in the form of federal disaster assistance for Acadiana, however. While final approval of any legislation is not expected until Congress reconvenes after Labor Day, area farmers seem to be in a good position.

The House of Representatives has passed a bill that would make federal help available to all farmers who have a crop loss of 35 percent. Meanwhile, Republican members of the Senate Agriculture Committee tried unsuccessfully to limit assistance to drought-stricken Midwestern concerns, but the committee included farmers from other regions after hearing testimony from Sen. John Breaux. "I shouldn’t have to go home and tell Louisiana’s farmers that it’s tough on those that aren’t farmers in Kansas," says Breaux.

In its current form, the Senate bill would be available to soybean farmers who have suffered a 45 percent loss, regardless of geographical location. The money is available, says Perdue, program administrator. The Department of Agriculture will save due to higher farm prices as a result of lower production.

Assistance is also possible through Federal Home Administration loans for those who qualify. Although all but five parishes in Louisiana have been declared disaster areas, registration for such loans has been light, according to Mac Perdue, program administrator. The reason is twofold: Farmers are waiting to determine the exact amount of crop damage, and they are further deferring action until Congress acts on the pending legislation.

Other crops in Acadiana are faring better than soybeans. Sugarcane appears to be a bright spot although it is not without problems, says St. Clergy. "It’s not as bad as some of the other crops, but weed and insect problems were heightened due to wet conditions."

The rice crop also seems to be holding its own. Cooperative extension reports show that only 12 percent of the crop is in the poor category, with 52 percent rated as fair and 32 percent qualifying as good. Four percent seemed excellent. With harvesting currently underway, these statistics should remain fairly accurate.

Even such optimistic numbers, however, can be misleading. A good portion of the rainy weather occurred during the rice pollination process, and while the damage was not widespread, it was significant.
Premier Bank's Poor Relative

Premier Spins Off Bad Assets into a New Bank

Investment analysts are reacting cautiously to Premier Bank's creation of a new financial institution to dispose of its troubled assets. But the general consensus is that the move was the holding company's only recourse to return to profitability.

"In the condition that they are in, this is probably the best thing they can do," says Peter Tuz, who follows Premier for the brokerage house Legg Mason Howard Well.

"I don't think it's surprising, I think it's laudable of them to attack the problem directly," says Richard Stillinger, a New York-based analyst for Keefe Bruyette. Adds Elizabeth Roy of Morgan Keegan in Memphis, Tenn., "This clears the way for Premier to show their capabilities and management's capabilities."

But investment observers are watching carefully as the Premier scenario is played out. Very soon, the new bank spun off from Premier, called Florida Street National Bank, will begin marketing $250 million in bonds. The proceeds of that sale, in conjunction with other sources of cash, will be used to purchase a large percentage of Premier's troubled assets.

"We're still probably about 90 days away from taking them to market," says Neil Williams, chief financial officer for Premier. The sale of the securities, about half of which are in the so-called high risk "junk bond" category, is no means assured and is still "subject to adverse market conditions."

The key factor that will determine whether Premier's troubled assets are sold is whether the bank has assets in its portfolio that will make a profit. If the bank does not have assets to sell, it will not be able to return to profitability.

Williams said the bank had identified $450 million worth of loans, including many which were actually being repaid but were considered to have problems of one sort or another. After completing the process, the bank decided to sell those assets to Florida Street at the discounted price of $315 million. Premier was assisted in the process by the national CPA firm Laventhol and Horwath, which will put its seal of approval on the document used to market the bonds.

"They have a reputation in the industry for examining forecasted cash flow and expressing an opinion on the reasonableness," says Williams.

Premier Bank management hopes that the removal of troubled loans from the bank will result in increased profitability and better opportunities to serve new and existing customers who do not have financial problems. If the bank starts making money again, its stock price—currently languishing around $5 a share—should increase. "Over time, it could benefit shareholders rather well," says Roy of Morgan Keegan.

Williams insists that Florida Street's management will not make "precipitously" to sell property or foreclose on bad debts. "This new bank is going to own a lot of property in Lafayette," says Williams. "They are not going to dump anything on the market. They are not going to liquidate in a fire sale kind of way," he says. Such action in the early stages of Florida Street's life could devalue other assets that are intended to be sold later, he says.

Williams says foreclosures on loans will come only when borrowers are not taking steps to satisfy their obligations to the bank. "I think that would only be the case where the borrower was unwilling to repay the loan or renegotiate the loan," says Williams.

One advantage accruing to Premier from the new approach is a variation on the classic good cop/bad cop routine. Louisiana banks in recent years have been in the unenviable position of having to aggressively collect bad loans from once valued customers. That has often taxed their reputations and good will in the community and inhibited their abilities to market their services to solid businesses and individuals.

Now Premier can assign the rough stuff of collections and foreclosures to Florida Street, which has no interest in attracting new customers, while it concentrates on developing new business in the communities it serves.

"That was not one of our motivations," insists Williams. Instead, he says, the real purpose of Florida Street's creation is that it "allows Premier to get back to a profitable status sooner." And when that happens, those cautious investment analysts might even become bullish on the bank's stock.