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OUTLOOK



BRENDAN SULLIVAN/THE WORLD-HERALD

Although livestock prices are a concern, the outlook for the red meat industry is generally positive for 2017 as producers rebuild herds and packers like Greater Omaha Packing keep up with export demand.

INSIGHTS ON ECONOMY'S NEXT MOVES

Business mood? Cautiously optimistic

By **STEVE JORDON**
WORLD-HERALD STAFF WRITER

It's a new year with perhaps unparalleled uncertainty. While macroeconomic factors get plenty of consideration in any business projection, present-day realities are the real guideposts. In that

way, 2017 is a year like all years — different from every other. Here, local experts peer into the proverbial crystal ball and wager a few predictions from their particular vantage points.

**Eric Thompson, director,
 Bureau of Business Research,
 University of Nebraska-Lincoln**

Prices for corn, soybeans and livestock may improve and at least stabilize this year, although at below-record levels, steadying farm income.

Nebraska has potential to add manufacturing jobs in food processing, as shown by the proposed chicken plant near Fremont that would create 1,000 jobs starting in 2019. The region's population growth — and job growth — depends on its metro areas overcoming outmigration to other states.

"If Omaha gets bigger, it's going to become more attractive to young people. You've got to grow any way you can."

Nationally, one economic key this year will be tax policy changes, which could be positive or negative. Lower taxes for business, positive; trade war with tariffs, negative. "It's hard to know how all that will balance out."

**Esther George, president,
 Federal Reserve Bank of
 Kansas City, Missouri**

Three key issues confront the U.S. banking industry: low interest rates, technological disruption, and changes in regulation and supervision.

To elaborate, low interest rates hurt bank earnings, which remain near a 30-year low for small banks.

Keeping interest rates too low encourages too much debt, and low rates can be difficult to unwind.

Technological changes enhance productivity, making the flow of money more efficient, but raise the threat of cyber attacks and require security improvements.

Those calling for rolling back bank regulations based on their ideological views should consider that putting bank shareholders' money at risk is the most effective

way to control risk-taking.

"We have much more work to do in ensuring banks are not too big to fail, that we do not drive smaller banks ... out of the market and that our interest rate policies do not create disruptive structural imbalances for which there are no tenable policy options."

**Henry Davis, owner, Greater
 Omaha Packing**

The red meat industry is affected by many factors, some outside local control, but overall is looking better than last year.

Producers are rebuilding their herds, which will increase Greater Omaha Packing's raw material.

The company exports to 58 countries, and a recent World Trade Organization ruling will help with exports to Europe. A Chinese delegation inspected the Omaha operation in advance of reopening beef trade with the United States.

At home, finding new employees remains a challenge, but the firm is making plans for a robotic cold storage addition that could hold 85,000 boxes of beef. A new ground beef line is expected to result in sales greater than 2016's total of \$1.7 billion.

**Mary Ann O'Brien,
 founder and CEO, OBI Creative**

For the Omaha marketing firm, 2016 was profitable, crammed with the hard work of business development, namely selling its services.

"The last few months, I really started believing that 2017 is going to be our best year yet," O'Brien said, citing several new long-term relationships for her agency. "That gives the sales and marketing team the confidence to go out and get after the business. There's a lot of momentum here."

OBI's clients — Miller Electric, the Nebraska Humane Society and SAC Federal Credit Union are local examples — also are growing, she said, a sign of an overall good economy. "Corporations are becoming more discerning in their advertising and demanding more thoughtfulness around their plans and execution," said O'Brien, adding that the agency's research-based strategy is paying off.

The company has about 30 employees and is looking to hire three or four more, but it's hard to find people who are both qualified and fit the company's culture, O'Brien said. It helps, she said, that job applicants from out of town know about OBI from the national and international awards its campaigns have recently won.

**Patrick Burke, spokesman,
 Gavilon**

The grain-trading company saw low prices but great production in 2016, with record or near-record crops of corn, soybeans and wheat in Iowa, Nebraska and Kansas.

Though prices aren't increasing much, agriculture may benefit this year with lower costs for fertilizer, chemicals, fuel and other ingredients, both for corn and for soybeans. The result might be restored profits after two difficult years in agriculture.

Area farmers now have an opportunity to lock in better margins than a year ago. At the same time, Gavilon is watching for potential increases in interest rates, uncertainty in farm policy because of the new federal administration, renewal of the Farm Bill and rising oil prices. Besides fuel costs, increased oil prices can hinder grain transportation, making it harder and more expensive to ship grain by rail.

**Kevin Forristall, chief
 investment officer, TS Bank
 of Treynor, Iowa**

The bank's growth spurt — four recent acquisitions plus new branch offices — may continue, although prices for small banks have increased lately on the possibility of rising interest rates.

The bank's wealth management group is watching how the stock market is evaluating prospects for the coming year. Based on what is known now, Forristall said, the market's "euphoric" reaction might be based on unrealistic estimates of economic growth and corporate profits.

Although the Federal Reserve has said it may raise interest rates as much as 1 percentage point this year, it's more likely the raise will be in the 0.5-point range, he said. "Interest rates going up is generally a really good thing for the banking industry," he said, as long as inflation and rates don't get out of hand. But higher rates would almost certainly make the U.S. dollar stronger in relation to foreign currencies, which would hurt agriculture and other export-influenced industries, he said. "It's not going to be just rainbows and valentines moving forward."