

Goat Cheese And The Artisanal Economy

by [Steve Brown](#)

After the explosion of fast and ready to eat food in the 1970s and 1980s to serve a busy American population, there has been a significant reaction in the opposite direction. The Slow Food movement strives to preserve traditional and regional cuisine, plus encourage the farming of local plants and animals that exist in harmony with the local ecosystem. While it may seem like a great idea in philosophy, most of us don't really want a goat in the backyard, no matter much we like goat cheese. The answer for many has been to shop for organic produce and meats, and to consume fewer prepared, processed foods. People shop more at farmer's markets and are far more conscious of what has been added to it, and even how far the food they are consuming has traveled. Even the large grocery chains are carrying more organic and local food options.

Local food products have to be processed and packaged somewhere and we came across a story of a large Pfizer manufacturing plant building in Brooklyn that has been turned into a hotbed of micro food producers in the middle of New York City. The Pfizer plant had operated at the location for 150Ys and for a time employed several thousand, but it was closed in 2008 as Pfizer moved manufacturing operations overseas. The building was shuttered for several years but reopened in 2012 as a center for numerous small food manufacturing concerns, with the sterile environment of a pharmaceutical factory an easy fit for food manufacturing. The micro businesses centered there are selling specialty products throughout the region and the activity is bringing jobs back to the neighborhood. While the evolution of the space is unlikely to replace the original level of employment in a large manufacturing facility, it is nonetheless progress for an area without a lot of local economic growth.

There are a few interesting takeaways in this story for community bankers. The first is the growing preference among many consumers for local and homegrown products as opposed to those processed, packaged and manufactured with a one-size-fits all approach. No one who buys artisanal goat cheese expects the price point to be the same as for Velveeta. They have made a choice for a better product and are willing to pay more for it. Equally, if bankers can identify what makes their products identifiably better, more local, homegrown and authentic, there should be more pricing ability as the discussion is no longer just about the best rate. A bank that has real local expertise, local decision-making and is visible in its community in supporting worthwhile causes goes a long way towards that end.

There should also be business opportunities for banks from these kinds of startup businesses. They need basic checking and transactional accounts, very likely international transfers depending upon where they purchase supplies and where their customers are, and finally loans. Certainly startup business lending can carry significant risk, but there is also opportunity. Building a relationship from the beginning helps both your bank and the new business.

So on the way home from the office, maybe you want to pick up some craft-brewed beer, farmer's market goat cheese, or how about some artisan-made toilet paper? OK, we will skip the last one, but food products like the ice cream from the former Pfizer plant, or vegetables from your local farmer are likely to be much better than the products from some factory somewhere. That, plus your purchase supports local businesses. Do your best to spread the word among all customers how important it is to help these kinds of businesses and you are well on your way to making your bank an artisan in its marketplace. Baaa...

ECONOMY & RATES

Yesterday

Treasury yields slid 1bp as pricing levels proved attractive enough for bargain hunters.

Today

Yields are currently down 1bp ahead of [existing home sales](#).

Rates As Of: 09/22/2014 07:48AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.01	0.00	0.00
6M	0.03	0.00	0.00
1Y	0.10	0.00	0.00
2Y	0.55	0.00	0.00
5Y	1.79	0.00	0.00
10Y	2.57	0.00	0.00
30Y	3.29	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.25	0.00	
Prime	Unemployment	Oil	
3.25	0.00	\$0	

[More Market Rates](#)

BANK NEWS

FOMC Growth

At the last meeting the Fed announced it will end its quantitative easing bond buying program next month (only \$15B remains), but the biggest news was that they also released more modest expectations for US economic growth (from June) of 2.0% to 2.2% (2014); 2.6% to 3.0% (2015); 2.6% to 2.9% (2016) and 2.3% to 2.5% (2017). Bankers should note the softening of projections in particular for 2017 when doing strategic planning.

FOMC Fed Funds

The FOMC is currently projecting the Federal funds rate will be between 1.25% to 1.50% in 2015 and 2.75% to 3.0% in 2016.

Mobile Growth

The ABA reports about 13% of Americans used a mobile device to deposit a check in the past year. Meanwhile, 46% say they use mobile deposit 1x per month, 23% use it 2x, 11% use it 3x or more and 19% say they use it less than 1x per month.

Wealth

The Fed reports the combined wealth of Americans (value of homes, stocks and other assets minus debt and liabilities) reached \$81.5T, the highest level on record.

Not Leaving

Trulia reports the home ownership rate for Millennials is at an all time low of 13.2% and 31.1% of 18 to 34 year olds still live with their parents.

Consulting Help

A recent FDIC report indicates hiring consultants "can be particularly helpful in managing risks and regulatory compliance in more technical and evolving areas" and "is a proactive strategy to obtain specific expertise to address new or complex areas for which the bank lacks depth or proficiency."

Independent Reviews

Regulators require independent reviews for Bank Secrecy Act (BSA), Anti-Money Laundering (AML), interest rate risk (IRR), liquidity risk management, compliance and the Allowance for Loan and Lease Losses (ALLL) methodology.

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