Nike keeps plans for Arizona factory despite controversy

Nike announced Thursday it's going forward with plans to make soles for Nike Air shoes in a Phoenix suburb even though Arizona Gov. Doug Ducey blocked state money for the facility when the company pulled a flag-themed shoe from the market.

The shoemaker did not address the controversy in announcing its plans for a $184 million factory with at least 500 jobs in Goodyear.

Despite his earlier criticism, Ducey welcomed Nike to Arizona on Thursday.

"This is good news for Arizona and for @GoodyearAZGov," he wrote on Twitter. "500 plus jobs. Over $184 million in capital investment. Arizona is open for business, and we welcome @Nike to our state."

Nike faced criticism last week for its decision not to sell the Nike Air Max 1 USA shoe, which included a Revolutionary-era emblem known as the Betsy Ross flag.

Former NFL quarterback Colin Kaepernick, who has a high-profile endorsement deal with Nike, told the company the flag recalls an era when black people were enslaved and that it has been appropriated by white nationalist groups, a person familiar with the conversation told The Associated Press last week.

"Arizona's economy is doing just fine without Nike," Ducey wrote on Twitter. "We don't need to suck up to companies that consciously denigrate our nation's history."

He said he's "embarrassed for Nike," called its decision "a shameful retreat" and ordered the Arizona Commerce Authority to withdraw a grant of up to $1 million.

The company, based in Beaverton, Oregon, recently expanded plants in its home state and Missouri. (AP)

In this file photo, Arizona Gov Doug Ducey talks to reporters outside the West Wing of the White House in Washington. Ducey is yanking a grant of up to $1 million from Nike amid a report that the athletic company pulled a flag-themed shoe from the market. (AP)

Business Plus

Shrinking cash flow pushing some farmers to retire early or declare bankruptcy

Wall Street banks bailing on troubled US farm sector

In this file photo, trader Benjamin Tuchman works at the New York Stock Exchange in New York. JPMorgan grew its farm-loan portfolio by 76 percent, to $1.1 billion, between 2008 and 2015, according to year-end figures, as other Wall Street players piled into the sector. Total US farm debt is on track to rise to $427 billion this year, up from an inflation-adjusted $317 billion a decade earlier and approaching levels seen in the 1980s farm crisis, according to the US Department of Agriculture. (RTRS)

By P.J. Huffstutter and **Jason Lang**

In the wake of the US housing meltdown of the late 2000s, JPMorgan Chase & Co hunted for new ways to expand its loan business beyond the troubled mortgage sector.

The nation's largest bank found enticing new opportunities in the rural Midwest – lending to US farmers who had plenty of income and collateral as prices for grain and farmland surged.

JPMorgan grew its farm-loan portfolio by 76 percent, to $1.1 billion, between 2008 and 2015, according to year-end figures, as other Wall Street players piled into the sector. Total US farm debt is on track to rise to $427 billion this year, up from an inflation-adjusted $317 billion a decade earlier and approaching levels seen in the 1980s farm crisis, according to the US Department of Agriculture.

But now – after years of falling farm income and an intensifying US-China trade war – JPMorgan and other Wall Street banks are heading for the exits, according to a Reuters analysis of the farm-loan holdings they reported to the Federal Deposit Insurance Corporation (FDIC).

The agricultural loan portfolios of the nation's top 30 banks fell by $3.9 billion, to $18.3 billion, between their peak in December 2015 and March 2019, the analysis showed. That's a 17.5% decline.

Reuters identified the largest banks by their quarterly filings of loan performance metrics with the FDIC and grouped together banks owned by the same holding company. The banks were ranked by total assets in the first quarter of this year.

The retreat from agricultural lending by the nation's biggest banks, which has not been previously reported, comes as shrinking cash flow is pushing some farmers to retire early and others to declare bankruptcy, according to farm economists, legal experts, and a review of hundreds of lawsuits filed in federal and state courts.

Sales of many US farm products – including soybeans, the nation's most valuable agricultural export – have fallen sharply since China and Mexico last year imposed tariffs in retaliation for US duties on their goods. The trade-war losses further strained an agricultural economy already reeling from years over global oversupply and low commodity prices.

Chapter 12 federal court filings, a type of bankruptcy protection largely for small farmers, increased from 361 filings in 2014 to 498 in 2018, according to federal court records.

"My phone is ringing constantly. It's all farmers," said Minneapolis-St. Paul area bankruptcy attorney Barbara May. "Their banks are calling in the loans and cutting them off."

Surveys show demand for farm credit continues to grow, particularly among Midwest grain and soybean producers, said regulators at the Federal Reserve Banks of Chicago, St. Louis, Minneapolis and Kansas City. US farmers rely on loans to buy or refinance land and to pay for operational expenses such as equipment, seeds and pesticides.

Fewer loan options can threaten a farm's survival, particularly in an era when farm incomes have been cut nearly in half since 2013.

Gordon Giese, a 66-year-old dairy and corn farmer in Mayville, Wisconsin, last year was forced to sell most of his cows, his farmhouse and about one-third of his land to clear his farm's debt. Now, his wife works 16-hour shifts at a local nursing home to help pay bills.

Giese and two of his sons tried and failed to get a line of credit for the farm. "If you have any signs of trouble, the banks don't want to work with you," said Giese, whose experience echoes dozens of other farmers interviewed by Reuters. "I don't want to get out of farming, but we might be forced to."

> ‘If you have any signs of trouble, the banks don't want to work with you. I don't want to get out of farming, but we might be forced to’

Michelle Bowman, a governor at the US Federal Reserve, told an agricultural banking conference in March that the sharp decline in farm incomes was a "troubling echo" of the 1980s farm crisis, when falling crop and land prices, amid rising debt, lead to mass loan defaults and foreclosures.

JPMorgan Chase's FDIC-insured units pared $245 million, or 22%, of their farm-loan holdings between the end of 2015 and March 31 of this year.

JPMorgan Chase did not dispute Reuters' findings but said it has not "strategically reduced" its exposure to the farm sector. The bank said in a statement that it has a broader definition of agricultural lending than the FDIC. In addition to farmers, the bank includes processors, food companies and other related business.

The decline in farm lending by the big banks has come despite ongoing growth in the farm-loan portfolios of the wider banking industry and in the government-sponsored Farm Credit System. But overall growth has slowed considerably, which banking experts called a sign that all lenders are growing more cautious about the sector.

The four-quarter growth rate for farm loans at all FDIC-insured banks, which supply about half of all farm credit, slowed from 6.4% in December 2015 to 3.9% in March 2019. Growth in holdings of comparable farm loans in the Farm Credit System has also slowed.

Many smaller, rural banks are more dependent on their farm lending portfolios than the national banks because they have few other options for lending in their communities. As farming towns have seen populations shrink, so have the number of businesses, said Curt Everson, president of the South Dakota Bankers Association.

"All you have are farmers and companies that work with, sell to or buy from farmers," Everson said.

As the perils have grown, some smaller banks have turned to the federal government for protection, tapping a US Department of Agriculture program that guarantees up to 95% of a loan as a way to help rural and community banks lend to higher-risk farmers.

Big Wall Street banks have steadily trimmed their farm portfolios since 2015 after boosting their lending in the sector in the wake of the financial crisis.

Capital One Financial Corp's farm-loan holdings at FDIC-insured units fell 33% between the end of 2015 and March 2019. US Bancorp's shrunk by 25%.

Capital One Financial Corp did not respond to requests for comment. US Bancorp declined to comment.

The agricultural loan holdings at BB&T Corp have fallen 29% since peaking in the summer of 2016 at $1.2 billion. PNC Financial Services Group Inc – which ran full-page ads in farm trade magazines promoting "access to credit" during the run-up – has cut its farm loans by 12% since 2015.

BB&T said in a statement that the decline in its agricultural lending portfolio "is largely due to aggressive terms and pricing" offered by competitors and its "conservative and disciplined" approach to risk.

PNC said its farm-loan growth is being held back by customers who are wary of taking new debt, along with increased competition from the Farm Credit System.

Lenders are avoiding mounting risks in a category that is not core to their business, said Curt Hudnutt, head of rural banking for Rabobank North America, a major farm lender and subsidiary of Dutch financial giant Rabobank Group. (RTRS)

Swedish start-up to expand to 50-60 cities by year end from 31 now

E-scooters put VOI on road to positive cashflow

STOCKHOLM, July 13, (RTRS): Growing numbers of young people whizzing around Europe's big cities on electric scooters may represent a nightmare for some pedestrians and motorists, but for Swedish sharing start-up VOI they offer a path to positive cashflow.

VOI co-founder and chief executive Fredrik Hjelm said safety was an important consideration and VOI had drawn up a code of conduct with the authorities in Stockholm for all operators after a fatal accident involving an e-scooter.

"Accidents are always very tragic and sad but since we're in transportation, unfortunately there's always a risk of accident. We can do everything we can on product operations and education but ultimately we're in the hands of the users," he added.

Critics have also said VOI and other operators could face the fate of Asian bike operators GoBee and Mobike, which crashed out of Europe due to price wars, vandalism and regulation.

The police talks to a tourist after he drove an electric scooter in the Opera tunnel in Oslo on July 12. (AP)

Hjelm said the sector had learnt from past mistakes, with VOI upgrading to a model with longer-range swappable batteries to eliminate transport costs and increase product life.

European startups VOI, Dott, Tier and US rivals Bird and Lime have already put thousands of e-scooters on the roads of European cities, betting commuters will take to the two-wheelers in a region where far fewer own cars than in the United States.

In France, e-scooters have been banned from sidewalks and in Britain they are not permitted on roads or pavements.

Hjelm said that VOI is already making a profit in several cities, including its hometown Stockholm, where its e-scooters accounts for about 70% to 80% of those on the roads.

"Our estimate is for VOI to be cash-flow positive around late next year, but within three years for sure," Hjelm told Reuters in an interview at VOI's headquarters.

"Price wars never end well for anyone. So what you see now in the market is the more experienced players like VOI and Lime have rather been able to increase our average price point," Hjelm, wearing shorts and a hoodie, said.

High profile investors including Google, Uber and Volkswagen are increasingly getting into scooters as new modes of transport emerge from developments in electric and driverless vehicles.

Hjelm expects the number of players to narrow within a year and said that VOI was open to discussing tie-ups.

"Automotive companies understand their business model is threatened. This 'sell one car to one customer' won't work in the future because it's not sustainable from an environmental point of view and not what the consumers want anymore," he said.

> ‘This ‘sell one car to one customer’ won't work in the future because it's not sustainable from an environmental point of view and not what the con sumers want anymore’

"We're in quite a stable financial position right now but we're also always out in the market talking to potential partners and investors," he added.

VOI, which has raised slightly more than $80 million, already operates in 31 cities including Paris and Berlin and said on Monday it had reached 5 million rides since launching in September.

Hjelm, who launched VOI as a solution to address congestion, pollution and difficultly getting around he experienced when working in Moscow, said VOI would be in 50-60 cities by year end, with a focus on Germany, Switzerland and Austria.

Barclays estimates that micromobility - transport using electric-powered one-person vehicles like e-scooters and e-bikes - could make up $800 billion in revenues by mid-2020s and total 1 trillion personal miles, or 4% of global transport.

Most of the e-scooter growth has so far been driven by 20- and 30-year-olds willing to pay for convenience, driving the growth of gig economy companies like ride-hailing service Uber and food courier service Deliveroo.

Hjelm said VOI was introducing cargo bikes, which would allow children or groceries to be transported, and e-bikes and was exploring adding e-mopeds and electric or transit pods.