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Money

Green Bay Press-Gazette
Comments? Call Money Editor Thomas Content, (414) 431-8221
★★ A-5
Saturday, June 7, 1997

Briefly

Market in brief

June 6, 1997

DOW (Industrials)	NYSE
7435.78 +130.98	446.13 +6.63
S&P 500	**AMEX**
858.01 +14.58	614.65 +3.90
S&P MidCap	**NASDAQ**
281.98 +1.76	1804.84 +16.79

NYSE Diary

Advances:	1,766	New highs	
Declines:	736		305
Unchanged:	877	New lows	
Total issues:	3,379		4

Composite volume: 580,387,080
1996 avg. comp. vol.: 497,311,770

AP graphic

Dow Jones index closes above 7,400

NEW YORK — Next stop, 7,500. The Dow Jones industrial average shot above 7,400 for the first time on Friday as investors gave an optimistic read to a report that flashed clearly contradictory signals on inflation.

The Dow — up nearly 1,000 points, or more than 15 percent, for the year — first broke above 6,000 in October and 7,000 in February.

Broader indicators also soared to record highs on Friday.

P&G gets OK for Tambrands buy

CINCINNATI — The government has approved Procter & Gamble Co.'s proposed $1.85 billion purchase of the maker of Tampax tampons, P&G said Friday.

P&G officials said the Justice Department told the company it had completed an investigation of the planned acquisition of Tambrands Inc. P&G said on April 9 that it would buy Tambrands, based in White Plains, N.Y.

The Justice Department's antitrust regulators examined the proposed deal to determine whether the tampon market is a separate unit, as P&G argued, or is part of the same market as sanitary napkins, which P&G also makes and sells.

Humana to buy Cincinnati HMO

LOUISVILLE, Ky. — Humana Inc. has agreed to buy ChoiceCare Corp., Cincinnati's largest health maintenance organization, for $250 million in cash.

Humana, based in Louisville, Ky., is a managed health-care company and the parent company of Employers Health Insurance of Del Pere. Under the agreement, expected to close in the fall, Humana will pay $16.38 for all the shares of closely-held ChoiceCare.

The acquisition is the second large acquisition this week for Humana, which has been shifting out of unprofitable markets toward more profitable ones. On Tuesday it agreed to acquire Physician Corp. of America for $270 million, or $7 a share, and assume $130 million in debt.

Huggies diapers head to Poland

DALLAS — Kimberly-Clark Corp. said Friday it launched Huggies diapers in Poland.

The Dallas-based company also said it would increase production capacity at its diaper plant in Barton-upon-Humber, England, by 50 percent in the first half of 1998.

Kimberly-Clark is seeking new markets for its diaper business after coming to a standstill in the flattening U.S. market.

Five get youth business grants

Five area young people have been given Youth Entrepreneurship Business Development Grants from the Green Bay Area Chamber of Commerce Small Business Council and Partners in Education.

Recipients are Paul and Dan Kesenich of Oneida, seventh-grade students at Lantrop School, P&D's Lawn & Snow; Derek VanRyn, VanRyn Enterprises, a lawn maintenance service; Matt Holl, East High School freshman, Holl Rides & Service; and Andrea Horne, sixth-grade student at Edison Middle School, sales and marketing of silk-screened T-shirts of her original design.

— *Staff and wire reports*

Farmers see milk price drop

Decrease follows cheese trading's move

Associated Press and Press-Gazette

The prices farmers are paid for their milk dropped again last month despite removing the National Cheese Exchange from Green Bay, a move some hoped would stabilize cheese and milk prices.

The USDA announced Thursday that the new May Basic Formula Price (BFP) puts the price at $10.70 per hundredweight, the lowest since February 1993, when it hit $10.74.

The new price is 50 cents above the government support price, which triggers government purchases of excess dairy products.

The 74-cent drop Thursday followed a $1.05 drop a month earlier in the prices that dairies and cheesemakers pay farmers for raw milk.

"This just takes your breath away," said Stewart Hubert, president of the Farmers Union Milk Marketing Cooperative, which markets milk for its 8,000 members throughout the Midwest.

Wisconsin Sens. Russ Feingold and Herb Kohl issued a joint statement urging Agriculture Secretary Dan Glickman "to take aggressive actions," including purchases, to remove excess cheese stocks from the market.

The new formula, based on price surveys of various cheese plants and demand for other manufacturing milk, is tied to the recent move of cheese trading market from Green Bay to the Chicago Mercantile Exchange. Prices there were unchanged this week, but have fallen over the last month.

The Green Bay exchange, which traded less than 2 percent of the nation's cheese market but was used by the USDA for base pricing of more than 90 percent of cheese and milk, had been under fire from lawmakers and farmers who felt its large traders manipulated prices, and that it had too much influence on the market.

An exhaustive study found no evidence of price manipulation, however.

A current milk surplus, caused by excessive milk production in the West and Southeast, is expected to continue to increase in the next couple of months.

Dairy farm economist Robert Cropp of the University of Wisconsin-Madison said the move didn't affect the prices — it is supply and demand.

"The prices would have gone down under the old method," he said, noting that while Wisconsin farmers have decreased production by milking fewer cows, western farmers have been increasing their output.

"California, Idaho, Washington and Oregon are going up very strong and they are the ones who are the culprits in this. They are the ones adding to the supply of cheese," Cropp said.

Fracas over stock fractions

Decimalization plan may cut brokers' profit

By Rick Gladstone
Associated Press

The New York Stock Exchange's decision this week to abandon fraction pricing may seem like a simple change in arithmetic, but it has profound implications for the cost of stocks as well as how prices are reported.

Some questions and answers:

Q. What did the New York Stock Exchange do?

A. The nation's biggest stock market decided Thursday that the 200-year-old system of quoting prices in eighths of a dollar will be replaced with a system that quotes prices in dollars and cents — the decimal format used by every other country with a stock market. As an interim step, prices will first be quoted in increments of sixteenths.

Q. What's the big deal about that?

A. It's important because the change will save you money if you invest in stocks, as millions of Americans do either through buying them directly or through mutual funds and retirement plans.

Q. How will it save me money?

A. The fraction system widens the amount of money brokers make trading stocks because the minimum difference between the price a broker will buy a stock and the price at which he or she will sell historically has been an eighth of a dollar, or 12½ cents. Forcing brokers to trade in pennies would encourage more competition and lower costs for both buyers and sellers of stocks.

Q. Does this change have any other good consequences?

A. Yes. Decimals are easier to understand than fractions, especially when you're talking about prices.

Q. When will this happen?

A. The NYSE will go to pricing in sixteenths later this month and could be ready to convert to decimals in less than a year. Other exchanges and brokerages are expected to go along, but it may take a few years for the conversion to happen.

Q. It's a little late to be asking this now, but why are U.S. stocks priced in fractions in the first place?

A. Early stock traders also were international merchants who handled a broad range of currencies. The most stable and widely used currency back in the 1700s was the Spanish milled dollar, or piece of eight. These dollars were divided with a hammer and chisel into halves, quarters and eighths. That's how the eighth became the standard increment for stock prices.

Doing decimals

The New York Stock Exchange will begin pricing stocks in increments of one-sixteenth of a dollar later this month. It's a preliminary step toward trading in cents, which could begin in January 2000.

- The "bid" is the highest price offered by a buyer.
- The "ask" is the lowest price asked by a seller.
- The difference is the "spread," and it becomes the broker's profit.

Stocks currently trade in eighths, which means the smallest possible spread is 12 1/2 cents.

When a stock is priced in sixteenths, the spread may be narrowed as small as 6 1/4 cents.

Under decimalization, the spread could be a penny or a nickel.

Who benefits? Proponents say consumers would profit by artificially high spreads.

Who loses? Many brokers fear their profits will suffer. But some say the public will be more likely to place trades under the new system, so their commissions could actually increase.

Source: AP Research

AP graphic

Feds ripped on Fox cleanup

By Tom Murphy
Press-Gazette

APPLETON — Gov. Tommy Thompson took a broad swipe Friday at federal interests he said would scuttle a state-industry agreement to clean up the Fox River.

"We have companies that want to come in and give $10 million to help clean up the Fox. They are working with the Department of Natural Resources but the Fish & Wildlife Service says, 'We want to see you.' I mean, why?

"Those brilliant socialists in Washington, D.C., want to come in and screw up the works," he added. "They have this one-size-fits-all mentality."

Thompson's audience was an ally: about 130 members of the Wisconsin Paper Council at the organization's 47th annual meeting at the Paper Valley Hotel.

A cadre of WPC members with paper mills on the Fox River have agreed to contribute an initial $10 million toward the cost of dredging polychlorinated biphenyls and other contaminants, Thompson noted. "And this is just the first installment," he said.

Fish & Wildlife, an arm of the U.S. Interior Department now conducting a damage assessment to determine the cost of the cleanup, said mills and the DNR are moving toward resolution too slowly and threatened to use DNR-industry cleanup agreement talks started in 1992 and are progressing, even if slowly, Thompson said.

Some mills discharged PCBs when they recycled papers with the materials. PCBs once were used as ink carriers in carbonless copy paper.

Last week, however, Fish & Wildlife extended for two months a deadline after which the agency could sue the mills.

Thompson said the service ignores the fact Wisconsin's paper industry has reduced all forms of pollution discharge by 30 percent in the last 10 years while production has increased 30 percent.

The paper industry's 'P' initiative (Pollution Prevention Partnership), promoted by WPC, further has cut combined air and wastewater releases 13 percent on a voluntary basis since 1992, said Thomas H. Schmidt, council president. The reduction is over and above permitted discharge levels.

Fish & Wildlife seeks removal of an estimated 82,000 pounds of PCBs, discharged since the 1950s, that have since settled along the bottom of the Fox River and flowed into the bay and Lake Michigan.

Paper Council picks officers

Press-Gazette

Wisconsin Paper Council members Friday elected Harold J. Bergman of De Pere council chairman for 1997-98. Bergman is president and chief executive officer of Riverside Paper Corp., Appleton.

Also elected were Daniel D. King, Wausau Paper Mills Co. president and CEO, chairman-elect, and G.M. "Buck" Evans, president and CEO of Consolidated Papers, Wisconsin Rapids, vice chairman. Tony Berchardt, Riverside chief financial officer, is WPC treasurer.

Executive committee members include John F. Rowley, Fort Howard Corp. executive vice president-operations; William Raaths, president, Wisconsin Tissue Mills, Menasha; Bruno Carra, general manager, Thilmany Division of International Paper, Kaukauna; Daniel R. Olvey, president and CEO, Mosinee Paper Corp., and Thomas H. Schmidt, WPC president.

Small business in state carries a huge impact

Bill Smith
Business forum

What comes to mind when I mention small business? You may think of the neighborhood grocer or local accountant. In your youth, you likely landed your first job in a small business.

When you look at small business as a group, you quickly see that "small" only applies at the individual level. Consider these facts:

- Virtually all business is a small business — nearly 96 percent of all U.S. businesses have fewer than 20 employees, and more than 99 percent have fewer than 500.
- Small businesses produce about 40 percent of U.S. goods and services, and account for nearly 60 percent of all private-sector jobs.
- Over the past 25 years, small businesses have created two of every three net new jobs. During the last recession, firms employing fewer than 20 people accounted for all job growth (larger companies cut more jobs than they added).
- American small businesses rank as the world's third greatest economic power, trailing only the U.S. (as a whole) and Japan.

Small businesses don't have a lot of Madison Avenue hype behind them, but they are the backbone of community life. They are the ones who support your local schools, churches, sports, teams and arts, not just through their business and individual taxes, but through their contributions as well. And they deserve your support.

A grass-roots communication program that started during Small Business Week, which ends today, that will help you identify locally owned small businesses. *Small Business Works for America*, created and sponsored by America's largest small-business advocacy group, the National Federation of Independent Business (NFIB), will unite hundreds of thousands of small businesses and their millions of employees behind a single banner. Many will proudly display the *Small Business Works for America* logo in their windows, on their stationery and in their ads. This logo is a sign to you that this business is locally owned and operated, and it's part of the infrastructure that keeps Americans working and the economy growing.

Half of these hardworking small-business owners put in 60-plus hour weeks, and two-thirds earn less than $25,000 per year, even after three years of operation.

Small business owners work hard for us all year long. Small Business Week is long enough to give them our thanks only. But during the rest of the year, let's give them our patronage.

Bill G. Smith is state director of NFIB/Wisconsin, with 14,000 members. To contribute to Business Forum, write: Business Forum, Press-Gazette, P.O. Box 19430, Green Bay, WI 54307-9430. Fax: 431-8278. Or send e-mail to 74604.1402@compuserve.com or to pgnews@netnet.net

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