



Vol. 19

A bi-monthly update of
important upcoming events

September 1, 2010

The Farmer Mac Almanac communicates important upcoming events and announcements to agricultural lenders. You can receive answers to your questions about Farmer Mac by calling 800-879-3276, accessing the Quick Tip Videos through a link on the homepage of the Farmer Mac website (www.farmermac.com) or via opportunities@farmermac.com.

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Upcoming Events for Farmer Mac:

- Sept 2-3: Nebraska Bankers Association; Fall-Agri-business Conference; Lincoln, NE.
- Sept 13-30: Farmer Mac Road Shows (in order of occurrence): MN, WI, IL, MO, IA, NE, KS, SD, CO, OK, TX
- Sept. 14-15: Missouri Independent Bankers Association; Annual Convention and Exhibition; Lake Ozark, MO.
- Sept. 15: Illinois Bankers Association; Washington visit; Washington, DC.
- Oct. 5-6: Farmer Mac Road Shows in OH, IN
- Oct. 7-8: North Dakota Bankers Association; Ag Credit Conference; Fargo, ND.
- Oct. 14-15: Minnesota Bankers Association; Agriculture Conference; Morton, MN.

Dave's GPS and Now the Dashboard

Drawing from his experiences and insights gained through his extensive travel and visits with ag lenders, Dr. Kohl's insights appear in every Almanac under the headline of "Dave's GPS."

Beginning in September of 2010, Dr. Kohl will also provide a bimonthly "Lender and Business Dashboard Economic Indicator Assessment" (Dashboard) which will be posted on the Farmer Mac website. The goal with both the bimonthly articles and the Dashboard is to help readers navigate today's volatile economic environment by providing timely status information on key performance indicators in an organized and easy-to-read format.

Dr. David Kohl, Professor Emeritus in the Department of Agricultural and Applied Economics at Virginia Tech University in Blacksburg, VA, became an Almanac contributing writer in July of 2010. Prior to his current position at the university, Dr. Kohl served as Professor of Agricultural Finance and Small Business Management and Entrepreneurship for 25 years.

While logging over 7 million miles of travel throughout his professional career to workshops, seminars and conferences across the U.S., Canada, Mexico, and the world, Dr. Kohl is one of the most well known and respected leaders in the world of ag finance and business management. His opinions and perspectives are sought by a variety of ag groups including bankers, Farm Credit System institutions, FSA and regulators as well as producers and agribusiness leaders.

View Online: [Dave's GPS](#)

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Farmer Mac Road Shows Usher In the 2010-2011 Ag Lending Season

Close to 400 people have already registered for one of the twenty half-day "road shows" Farmer Mac is offering across eleven states in September. The high level of interest signals another good year for the popular series, which is an excellent way for ag lenders to prepare for the new lending season.

The strong response to the September sessions has resulted in Farmer Mac adding two sessions in October: one in Findlay, OH on October 5 and the other in West Lafayette, IN on October 6. The September road shows stretch over three weeks beginning Monday, September 13 and ending Thursday, September 30. Locations are selected for easy access and agricultural focus.

This year's topics:

- Secondary Market Options for Capital, Liquidity and Credit Risk Management
- National Ag Credit Snapshot
- Fixed Rates and Other Popular Loan Products, Current Pricing Options and Trends
- "Real Deals" Recent Farmer Mac Transactions
- Meet Your Underwriter
- AgPower[®] LOS Review
- Farmer Mac II – USDA Secondary Market Update
- Marketing Farmer Mac to Your Customer – Helpful Hints

In addition to the timely discussions about ag credit in general and Farmer Mac in particular, attendees will find these sessions to be an excellent opportunity to meet Farmer Mac staff and to visit with other farm lenders in their area.

Click [here](#) to learn more and to register.

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New Farmer Mac I Seven-Year Fixed Rate Product to Roll Out September 8

A seven-year fixed rate Farmer Mac I product will debut on the Farmer Mac I rate sheet on Wednesday, September 8. We provide this product in response to lenders who are increasingly receiving borrower questions about the potential for rising interest rates. The seven-year term balances today's low rate environment with a long-term rate commitment. This product will feature a 7-year maturity but allow amortization options of either 15 or 25 years. A similar product has been offered under Farmer Mac II for quite some time and has been a very popular selection.

Click [here](#) to see Fixed Rate Mortgage production description.

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Learn from a Seller: Advertising Can Pave the Way to Good Returns

Ads on a local radio station about long-term fixed rates for farm loans have helped spread the word that Union State Bank of northeast Kansas is serious about ag lending. "Farmer Mac gives us the ability to attract new customers that we were previously unable to service based on our product mix," explains T.J. Wilson, Ag Representative for the bank.

Based in Everest, a town with a population less than 500, the \$165 million bank was created in 1901 by a group of local citizens who pooled their resources to begin the venture. All of the bank's current officers, directors and owners grew up on farms. Total farm loans in the bank's portfolio exceed \$40 million.

Hearing about the bank's ability to offer long-term fixed rates has touched a chord with its rural audience and prompted inquiries to the bank. Farmer Mac has been key to that effort. Since April 2009 when the bank became a Farmer Mac Seller, the bank has focused on the ability to quote long-term fixed rates as a way to open dialogue with the local farmers.

In the last year, Union State Bank has sold twelve loans totaling over \$5 million to Farmer Mac, mostly through Farmer Mac II, with eight of the twelve customers selecting fixed periods of ten years or longer. It's a win for the customers and a win for the bank which, in spite of selling volume to Farmer Mac, is adding important strength to the bank's bottom line both through new operating loans and bank deposits along with a healthy ROA on the retained portion of the USDA guaranteed loans.

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New AgPower[®] LOS Feature Helps Illuminate the Influence of Non-Obligated Related Entities

Sellers are responsible for completing the financial analysis of both the balance sheet and income statements of customers requesting Farmer Mac loans. In doing so, the Seller

needs to analyze and comment on trends, both positive and adverse, that are evident with the entity being financed. What happens when the entity being financed either owns, or partially owns, other entities that could impact its viability over the long term?

Farmer Mac's guidelines direct that if a borrower has related entities that individually comprise more than ten percent of his/her total assets or the income from which is more than ten percent of his/her total income, financial statements for these entities are to be obtained in order to verify the existence and quality of the entity. The financial statements of obligated entities must be combined and consolidated. While consolidation of a non-obligated entity is not required, the Seller needs to know the entity's potential impact on the financial stability of the borrower.

A new "tab" in AgPower[®] LOS, "Sub Analysis," directs loan officers to screens which simplify the analysis of non-obligor subsidiary entities. Loan officers simply enter key financial totals for each subsidiary. If the subsidiary's financials are already summarized in the borrower's financial statements, an "elimination" button allows for the elimination of duplicated information. The program's output for capacity analysis is the total debt coverage ratio for the entity. A ratio of 1:1 or greater indicates sufficient cash flow to be viable as a stand-alone entity and one not requiring financial assistance from the owners.

Tip from the underwriters: The new "Sub Analysis" tab can serve a dual purpose. In addition to providing important information about a borrower's subsidiary businesses, it can also be used as a pre-screener for loans being contemplated for sale to Farmer Mac. By entering only the financial totals for the loan under consideration, the key ratios will be calculated by the system providing the lending officer with a general idea of the loan's success for approval by Farmer Mac.

To use the "Sub Analysis" tab as a pre-screening source, users are advised to simply establish a "dummy" application. After filling out a few key fields with artificial information, the name for the applicant should be an obvious designation like "Pre Screener." The screener will subsequently appear in the list of loans every time the user logs in to AgPower[®] LOS. Simply zeroing out the data after each use will leave it ready for the next loan.

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