

Farmer Mac Almanac

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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.

Upcoming Events and News Updates

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- Mar. 25-26: American Bankers Association National Agriculture Credit Committee; Washington, DC
- Mar. 28-29: Montana Bankers Association Ag Bankers Conference; Bozeman, MT
- Mar. 29: Farmer Mac Rate Lock Desk Closed for Good Friday
- Apr. 3-5: Texas Bankers Association Agricultural and Rural Affairs Conference; Austin, TX
- Apr. 10-11: Nebraska Bankers Association Spring Agri-Business Conference; Kearney, NE
- Apr. 10-12: South Dakota Bankers Association Agricultural Credit Conference; Pierre, SD
- Apr. 16-17: Wisconsin Bankers Association Agricultural Bankers Conference; Wisconsin Dells, WI
- Apr. 17: Informational Session for Wisconsin Bankers; Wisconsin Dells, WI
- April 18-19: Independent Bankers of Colorado Ag and Natural Resources Conference; Colorado Springs, CO
- May 1-3: Idaho Bankers Association Agricultural Bankers Education Conference; Victor, ID
- May 7-8: Washington Bankers Association/Oregon Bankers Association Agriculture Conference; Spokane, WA
- May 9-10: Wyoming Bankers Association Agricultural Bankers Conference; Cheyenne, WY
- May 13-15: Indiana Bankers Association Mega Conference; Indianapolis, IN
- May 16-17: Georgia Bankers Association Rural Development and Lending Conference; Savannah, GA

Farmer Mac 2012 Outstanding Business Volume and Core Earnings Reach Record Levels

On March 18, Farmer Mac reported 2012 year-end results with record business volume and core earnings for the year. Farmer Mac's outstanding business volume, consisting of loans, guarantees, and commitments, rose to \$13.0 billion as of December 31, 2012, up from \$11.9 billion as of December 31, 2011. Farmer Mac's 2012 core earnings, a non-GAAP measure, increased 15.7 percent to \$49.6 million (\$4.51 per diluted common share), continuing the upward trend from \$42.9 million (\$3.97 per diluted common share) in 2011. Farmer Mac's core earnings for fourth quarter 2012 were \$11.6 million, compared to \$12.6 million for fourth quarter 2011.

Part I: Reflections from Farmer Mac's First 25 Years: How We Got to Where We Are - Former Employee Recalls Farmer Mac's Challenges in its Early Years

Soon after President Ronald Reagan signed the Agricultural Credit Act of 1987 into law on January 6 in 1988, a small group of people was tasked with the challenge of carrying out one of the provisions of that bill: making Farmer Mac a reality. John Hermle, now a Partner at KPMG LLP, was one of those early Farmer Mac employees. John recently recalled those years.

It's important to remember that when I started in the fall of 1991, Farmer Mac was still really just an idea. The Farmer Mac "program guide" was out and Farmer Mac II was new. No Farmer Mac Farm and Ranch deals had been done and the Farmer Mac II loans being purchased totaled less than \$1 million per month.

One thing I especially remember was just how committed the assembled team was to taking this idea of a secondary market for ag finance loans and turning it into a reality. I think most of us felt that working at Farmer Mac was more than just a job and that we were part of the beginning of something that could be much bigger than ourselves. We had the feeling of a startup company with a lean staff. As anyone in these circumstances is aware, flexibility and juggling many varied tasks was required of everyone on the team. Personally, the types of activities I was involved with over the years ranged far and wide and included business development, credit analysis, writing guide updates and ads, presentations, managing databases, writing programs, building models, servicer evaluations, IT support, rate locking, purchasing loans and securitizing loans and many special projects.

The first deal for the Farmer Mac Farm and Ranch program came in December, 1991, followed soon thereafter by several others, all from insurance companies seeking liquidity, a major problem in the insurance industry at that time. While these initial transactions provided a good base to build on, other sectors of the financial services industry were slow to follow the lead.

By 1994, it was apparent that two mandates incorporated into the 1987 legislation would become major challenges in getting Farmer Mac on strong footing:

- *the requirement that Farmer Mac would certify loan poolers rather than purchase loans directly, and*
- *the restriction that Farmer Mac could guarantee only a 90% senior position of the loans being pooled.*

With all of the risk in the junior piece held by the lender, and with little or no useful historical data on how Farmer Mac qualified loans would perform over time, many farm lenders were hesitant to start a program where they would originate and sell to poolers Farmer Mac Farm and Ranch qualifying loans.

Congress' willingness to streamline Farmer Mac's operating structure through new legislation came about in 1996. That was, in my view, the key turning point for Farmer Mac. Now, the organization could not only purchase loans directly from originators but also issue guaranteed securities representing a full 100% of the principal of the purchased loans. For the first time, Farmer Mac had become a true secondary market, with the structure to become an efficient and meaningful contributor to rural lending success.

Dave's GPS

Keeping Up with Dr. David Kohl through Farmer Mac

Remembering the days in 1989 when the Farm Financial Standards Task Force was meeting to identify key ratios, criteria and benchmarks that could be used nationwide across the agriculture industry, Dr. Kohl finds that one of the topics back then - liquidity and the criteria to measure it – is as relevant today as it was then. Therefore, “Working Capital: The Key in Volatile Times” is appropriately the title of this issue’s **“Dave’s GPS.”**

A well-known and respected leader in the world of agricultural finance, Dr. Kohl is adept at recognizing trends in the world of ag lending. Along with **“Dave’s GPS,”** Dr. Kohl also provides a bi-monthly **“Dashboard”** (Lender and Business Dashboard Economic Indicator Assessment). His ten red, yellow and green signals assigned to key economic indicators provide an easy format to help readers reach their own conclusions about the strength and future of the U.S. economy. With one of his ten key indicators (Purchasing Manager Index) improving this month, read about Dr. Kohl’s insights into both global and domestic economics and what he sees of the interesting road ahead.

Dr. David Kohl is Professor Emeritus in the Department of Agricultural and Applied Economics at Virginia Tech University in Blacksburg, VA. 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.

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

Farmer Mac Credit Corner

AgPower® Peer Analysis Chart Is Slated to Include “Working Capital to Revenue” Ratio

In this issue’s **“Dave’s GPS,”** Dr. Kohl highlights the various components of working capital and specifically pointed out the importance of the “working capital to revenue” ratio.

The Peer Analysis within AgPower® (a value-added component of the AgPower® program) is a benchmarking tool that highlights similarities and differences between a borrower's financial information and that of a group of his/her peers. The flexibility within the program allows us to provide the "Working Capital to Revenue Ratio" and it will be added shortly. Thirteen of the sixteen ratios established by the Farm Financial Standards Council currently appear in the Peer Analysis, and we are pleased to add another quality measure.

The Peer Analysis chart appears in the AgPower® system on the Loan Summary page as soon as Farmer Mac has purchased the loan. We trust this brings value to the lender's relationship with the customer.

Next "Farmer Mac Refresh" Scheduled for Wednesday, April 17

Live webinars have proven popular as a way for ag lenders to learn about Farmer Mac programs and to stay current. Be watching for invitations to upcoming "Farmer Mac Refresh" events:

- April 17: "ICBA and Farmer Mac - The Proven Program for Ag Lending Success"
- May 15: "ABA and Farmer Mac – The Alliance that Brings Dividends"

Registration takes place on the Farmer Mac website under "Calendar of Events."

Farmer Mac Farm and Ranch Program Annual Recertifications Are Easier with New Online Process

Farmer Mac Farm and Ranch Seller recertifications are now easier than ever! The 2013 process is being conducted in waves with the first three groups already completed.

After receiving a recertification reminder from Farmer Mac, primary contacts will simply log into the secure area of the Farmer Mac website and click on "Annual Certification." The screen will display the recertification form. The user will be asked to enter three pieces of information: his/her title, the Seller's previous year-end net worth and fiscal year net income. The date field will fill automatically. A click on "Update" completes the process with a screen announcing that the Annual Certification Form has been successfully updated.

Questions should be directed to Betsy Urso (betsy_urso@farmermac.com) in the Marketing Department.

AgPower® Connect is Farmer Mac's New On-the-Spot Learning Tool

A new "on-the-spot" learning tool is rolling out for AgPower®! Designed to eventually replace both the AgPower® manual and the website-posted educational webinars, AgPower® Connect's unique format and easy access will provide a special learning source for AgPower® users.

Tapping into common questions asked about AgPower® screens, Farmer Mac staff is designing "Connect" to provide quick answers - no more than one "click" away - to users entering loan data into the program. The user will control the format in which answers are received - written or video - and the ability to return to data entry screens at any time.

The first set of “Connect” materials - - the New Seller Rate Lock FAQ - - is already in place. Users with recent loan submissions may have noticed it in the “Documents” section of AgPower®. It is also now being attached to the email notification announcing preliminary loan approval. More “Connect” materials will follow soon.

It is anticipated that for more overall and complete training purposes, the entire set of AgPower® Connect messages will be accessible in the “Resources” section of the Farmer Mac website as well as through the Manual icon on the Loan Application Queue screen in AgPower®.



Credit Tip of the Month

AgPower® LOS users are reminded of the following when entering data in the “Real Estate Security” section under the “Loan Summary” tab:

- Complete all fields in this section, including the acres, value of the collateral and commodities grown on the security.
- Make sure that the number of acres and value of the real estate being offered to the Farmer Mac as security is stated at market value and matches the information entered into the AgPower® LOS balance sheet.

ABA Alliance/ICBA Program Update

Farmer Mac Workshop Draws Crowd at the Independent Community Bankers of America (ICBA) Convention

Approximately 60 ICBA member bankers attended Farmer Mac’s special ag and rural lender workshop titled “Beating the Competition with the ICBA/Farmer Mac Program” at the ICBA National Convention and Techworld in Las Vegas in March.

With the discussion focusing on strategies to retain and attract customer, the featured speakers from Farmer Mac were Timothy Buzby, President and CEO, and Patrick Kerrigan, Director of Business Development.

They were accompanied by Peter Haddeland, President and CEO of the First National Bank in Mahanomen, MN; Jeff Wilkinson, President and CEO of Pioneer Bank, SSB, Dripping Springs, TX; Mike Ford, Vice President, Tri-County Bank, Brown City, MI.



Knowledge Center

A Wealth of Information on All Farmer Mac Programs

Questions about AgPower®? Farmer Mac II? Farmer Mac conducts many webinars each month. Those with universal messages are recorded and posted to the Farmer Mac website. To check out the options, go to www.farmermac.com and select “Webinars” on the home page.

Financial News

Update from Farmer Mac’s Capital Markets Team—Interest Rates... Where Have They Been and Where Are They Going?

Despite the inability of lawmakers to agree to a compromise to avert sequestration and the mandatory across-the-board spending cuts, the markets remained stable over the past couple of months. The Federal Reserve appears to be driving this complacency, with no end in sight to its latest Quantitative Easing program (QE Infinity). In addition, commitment by other central banks to be a backstop to problems is helping risk markets overcome economic and growth problems for now.

Interest rates have remained at similar levels since January. As long as the Federal Reserve continues purchases of mortgage-backed securities and long-term Treasuries, rates should remain near historic lows. Higher payroll taxes and spending cuts will likely keep GDP (Growth Domestic Product) growth muted, despite a healthier housing market. Strong job growth, continued strong housing growth numbers, and 3% or higher GDP are factors that could cause the Federal Reserve to turn off QE infinity and lead to higher interest rates in the medium term.



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Farmer Mac was chartered by Congress in 1987 and has seen its charter expanded three times, as recently as 2008. Farmer Mac is regulated by the Farm Credit Administration and has always been subject to the regulations of the Securities and Exchange Commission, including those requiring the filing of periodic financial reports. Farmer Mac’s voting and non-voting common stock is traded on the NYSE, ticker symbols AGM.A and AGM.