

Farmer Mac Almanac

VOLUME 37

SEPTEMBER 5, 2013



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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Sept. 9-11: Missouri Independent Bankers Association Convention and Exhibition; Lake Ozark, MO

Sept. 9-13: Road Shows in Storm Lake, IA; Willmar, MN; Owatonna, MN; Cedar Rapids, IA; Johnston, IA

Sept. 16-20: Road Shows in Columbus, NE; Kearney, NE; St. Joseph, MO; Columbus, MO; Quincy, IL

Sept. 21-24: Independent Bankers Association of Texas Annual Convention; San Antonio, TX

Sept. 24-27: Road Shows in Texas at Victoria, Waco, Tyler and Dallas (Love Field)

Sept. 25-27: Indiana Credit Union League Annual Meeting and Convention; Indianapolis, IN

Sept. 29-
Oct 2: Independent Community Bankers Association Emerging Leaders Conference & Expo; Minneapolis, MN

**Sept. 30-
Oct. 4: Road Shows West Lafayette, IN; Defiance, OH; Lexington, KY; Champaign, IL; Rockford, IL**

Nov. 10-13: American Bankers Association National Agricultural Bankers Conference; Minneapolis, MN

Second Quarter 2013 Results Show Outstanding Business Volume Grows 11% Year-over-Year

On August 8, Farmer Mac announced its second quarter 2013 results which included the following:

- Portfolio growth: Outstanding business volume grew to a new high of \$13.6 billion as of June 30, 2013, compared to \$12.3 billion as of June 30, 2012.
- The continuation of good credit quality: Farmer Mac's three lines of business (Farm & Ranch loans, Rural Utilities, and USDA guarantees) continued to perform well during the second quarter with 90-day delinquencies representing 0.25 percent of total volume as of June 30, 2013 compared to 0.38 percent as of June 30, 2012.
- Increases in core earnings and GAAP net income: Farmer Mac's second quarter 2013 core earnings, a non-GAAP measure, were \$16.5 million (\$1.48 per diluted common share), compared to \$12.9 million (\$1.17 per diluted common share) for second quarter 2012. Farmer Mac's GAAP net income attributable to common stockholders for second quarter 2013 was \$27.7 million (\$2.48 per diluted common share), compared to a loss of \$4.3 million (\$0.41 per diluted common share) for the same period in 2012.

For more information on Farmer Mac's second quarter 2013 financial results, refer to Farmer Mac's Quarterly Report or Form 10-Q filed with the SEC on August 8, 2013.

Two New Relationship Managers Join Farmer Mac Marketing Team

Steve Buckley joins **Bill Miller** as the two newest members of the Farmer Mac Marketing Team. Both are Relationship Managers.

Bill joined Farmer Mac in the fall of 2012. He represents Farmer Mac in predominantly Midwest states and Texas, having inherited the territory in June from Warren McCulloch who recently retired. A native Iowan, Bill previously worked at Wells Fargo and a credit union.

Fresno, California will be the office for Steve Buckley who, as a west-coast-based Relationship Manager, will cover his home state as well as Oregon and Washington. In addition to his duties with Farmer Mac, he will continue to serve as president of the Ag Lenders Society of California. Steve's prior employment was with RaboBank, NA and Comerica Bank.

Farmer Mac Relationship Managers interact with current and prospective customers to facilitate and synchronize marketing communications, customer service and technical support.

Contact information:

Steve Buckley: 559-977-1790; steve_buckley@farmermac.com
 Bill Miller: 202-872-5549; bill_miller@farmermac.com

The other Farmer Mac Marketing Team members are Patrick Kerrigan, Larry Jones and Mary Maloney (based in D.C.) and Mark Rickels based in Iowa.

Reflections from Farmer Mac's First 25 Years: How We Got to Where We Are

Longtime Participant Looks at Farmer Mac's Past to Explain Its Present Success



In January of 1984, **Denny Everson** accepted employment at First Dakota National Bank in Yankton, South Dakota, with specific instructions: build an ag loan department. Upon accepting the position at the \$40 million asset institution, Denny immediately began identifying the strategies he believed would simultaneously grow the bank as well as the area's farming operations.

Denny recalls those early days. A common practice was for banks to handle farmers' operating lines but to send them to Farm Credit for long-term financing. Though it meant losing land loans to the competitor, farm customers benefitted from access to long-term fixed rates, options the bank couldn't offer.

That friendly referral system changed for Denny in the mid 1980s with the merger of the two lending arms of the Farm Credit system. Fortunately for Denny, the debut of Farmer Mac was on the horizon, and when President Reagan signed the enabling legislation into law in 1988, Denny was ready. He purchased the Farmer Mac stock that promised his bank the ability to offer the long-term fixed rate options that his competitor had been able to offer for years. Figuring that Farmer Mac was going to play a pivotal role in the bank's future, its new ag real estate loan department was named Dakota Mac. And from there, he never looked back.

Pride shines through Denny's voice as he recounts the growth of Dakota Mac over the years, in part with the help of Farmer Mac. Since the days it participated in the very first Farmer Mac transactions, the bank has grown to \$957 million in assets, one of the largest agricultural community banks in the country. Using Farmer Mac products as the key strategy to keep current customers and attract new ones, the bank's footprint today extends beyond South Dakota to all neighboring states and several beyond. In addition to the bank's own farmer customer base, it also offers Farmer Mac services to neighboring banks wishing to access the benefits without committing the time and resources.

Denny recently retired from the bank, having risen to top leadership positions in its Agri-Business Division and Branch Administration. As a member of Farmer Mac's Board of Directors, a position to which he was first elected in 2004, he visited with us when he was recently in town for a board meeting. Asked about his view of the reasons for the mutual successes of both Farmer Mac and Dakota Mac, Denny believes it all goes back to flexible and competitive open-prepay products; timely, efficient and quality customer service; and sound underwriting. He believes banks should view Farmer Mac as a growth strategy, enabling them to attract new customers without risk while at the same time benefitting from both spreads on the rates and origination fees.

Dave's GPS

Keeping Up with Dr. David Kohl through Farmer Mac



In his article this month, titled **“Financial and Economic Shock Test,”** Dr. Kohl examines the four shock tests he feels should be conducted when analyzing both individual ag loans and overall portfolios.

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 Dave reporting six of his ten key indicators rising to the green level this month compared to four at that level two months ago, read about Dr. Kohl's insights into both global and domestic economics and what he sees in the 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

New “Term Out” Feature for AgEquity Revolving Line of Credit Now Available

The popular AgEquity Revolving Line of Credit now has a new feature. Customers wishing to “term out” a portion of their current loan amount (keeping the remainder on the revolving portion) may do so at a time of their own choosing. The minimum loan amount for the term portion is \$50,000. No credit decision is necessary.

Sellers should note that the “term-out” option is a one-time opportunity during the term of the revolver loan. A second request can only be accommodated through a new loan application. Look for more information in the November issue of the Farmer Mac *Almanac*. Sellers wishing to implement the option for an AgEquity customer should contact the loan's Central Servicer to start the process.

Farmer Mac Relies on Sellers to Ensure Loan Documents Conform to Farmer Mac Requirement

Farmer Mac has recently encountered questions from some of its customers regarding Farmer Mac's review process for loan documentation in the Farm & Ranch line of business. For purposes of clarification, Farmer Mac's business is in the secondary market lending arena – specifically, Farmer Mac does not approve or pre-approve any document forms, including forms of notes, loan agreements and related riders.

Farmer Mac relies on its Sellers to review any applicable requirements for loan documentation in Farmer Mac's Seller/Service Guide (available on Farmer Mac's website) and ensure that its documents will be created to conform to Farmer Mac's requirements.

Section 206.1 of the Seller/Service Guide was recently clarified to state that while Farmer Mac reserves the right to review the documentation in any loan package submission, the responsibility for documentation preparation and compliance with representations and warranties outlined in the Seller/Service Guide remains with the Seller.

As a reminder, Sellers may have a document preparation service prepare loan documents for them, and information on that service is available on Farmer Mac's website. However, Farmer Mac recommends that Sellers still review any documents (whether prepared in house or by a document preparation service) for compliance with Farmer Mac's Seller/Service Guide, as it is the Seller's responsibility alone for complying with all applicable requirements, as well as representations and warranties, in the Guide.

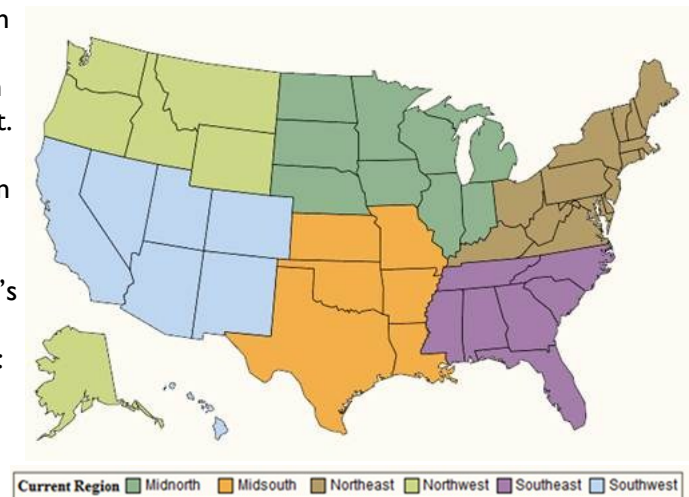
Chapter 206.1 (Loan Documentation, Forms) of the Farmer Mac Seller/Service Guide has been updated to include clarifications as outlined above. All updates to the Guide and its Collateral Valuation Supplement are posted on the Farmer Mac website. See "Resources" and then scroll down to "Seller/Service Guide" and then "Read More."

Peer Analysis Chart, Updated on August 1, Is a Value-Added Feature

Want a tool to help maintain contact with your Farmer Mac customers? Consider providing a benchmarking report to them using the AgPower® "Peer Analysis" chart. Once Farm & Ranch loans are sold, the peer-comparison tab appears in the "Loan Summary" section.

"Peer Analysis" compares your customer's operation to a group configured to be as similar as possible based on three factors:

- region of the country
- primary commodity group produced on the secured property
- net farm income



Fourteen of the 21 ratios established by the Farm Financial Standards Council are compared measuring liquidity, solvency, profitability, repayment capacity, and financial efficiency. Two charts are displayed: one compares the operation to peer-group loans purchased by Farmer Mac within the past year; the other compares the operation to peer-group loans purchased since the inception of AgPower® in 2009.

Sellers should note that two changes were made to "Peer Analysis" on August 1:

- A new ratio, "working capital to revenue," was added; and
- The six peer-group regions were reconfigured to improve homogeneity. See the map below identifying the six regions.

Knowledge Center

Farmer Mac Road Shows: “Just Can’t Wait to Get on the Road Again!”

Farmer Mac staff is on the road again, taking the Farmer Mac story to ag lenders across nine states: IA, IL, IN, KY, MN, MO, NE, OH, TX. The sessions, which launch Monday, September 9 and end Friday, October 4, include a presentation by Farmer Mac staff, a special video message from Dr. David Kohl, and the opportunity to hear from other area lenders who will share their Farmer Mac strategies.

Agenda topics will inspire lively discussion including the following:

- What is driving Farmer Mac’s success?
- How do banks capitalize on the Farmer Mac program, both for the bank and its customers?
- What types of loan requests work best for Farmer Mac programs?

Last year’s Road Shows attracted more than 500 ag lenders. Lunch, provided by Farmer Mac, offers time for attendees to interact with other area lenders.

Rates have ticked upward in recent months, but there are still great options for ag lenders to offer their customers. Click [here](#) to view the registration page.

AgPower® “Connect” Video Instructions Expanded to New Tabs

“Connect” videos within AgPower® provide quick answers to users entering loan data into the Farm & Ranch web-based loan origination system. Users control the format in which answers are received – written or video – and the ability to return to data entry screens at any time. Eight AgPower® tabs now include the “Connect” videos which can also be accessed in the Manual/Underwriting Grid tab.

Financial News

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

Expectations that the Federal Reserve (Fed) will start to taper its \$85 billion monthly purchases of mortgage-backed securities (MBS) and Treasury securities continued to dominate the bond markets in July and August, with the 10-year Treasury rate at 2.77% as of August 28 (versus 2.49% on June 28). Based on Fed communications about the economy, many market participants believe that the Fed will start to shrink its monthly purchase sizes as early as September. This speculation is driving longer term rates higher since the Fed is the main buyer on long-term fixed rate MBS and Treasuries.

If the Fed begins tapering its purchasing operations in September, expect long term rates to continue to rise. However, the Fed has been clear that any tapering is economic and employment-data dependent, so if we see weakness in the employment figures and continued low inflation, then we

could see a delay in tapering and a movement back to lower long-term rates. The Fed continues to state that it does not plan to raise short term rates in the near future and that discontinuing the monthly purchase program has no effect on short-term rate decisions. Therefore, expect short term rates to remain at current levels for at least one to two years.

Farmer Mac II LLC

New Online Loan Application Service Changes Process to Sell USDA Guarantees

A new online loan application service changes the process for institutions selling guaranteed portions of USDA guaranteed loans to Farmer Mac II LLC (Farmer Mac II). Replacing emails and faxes as the way to transmit key pieces of information, Sellers now enter loan data into the online loan application located in the secure access section of www.farmermac2.com. All institutions, regardless of past usage, must contact Farmer Mac II to be set up to use the system.

Features of the new system:

- 24-hour system access and ability to save drafts of partially-filled screens for later completion
- The ability to track the progress of the sale along with a retrievable history of the sale transaction

The new process eliminates the need for the Seller to mail the original USDA Loan Guarantee and the Farmer Mac II Sale Agreement to the Farmer Mac II administrator. However, the original of the USDA Guarantee Assignment must still be sent.

Rate locks are still completed by calling Farmer Mac II though loan data information is input by the lender prior to the rate commitment.

A tutorial for first-time users is available on the Farmer Mac II website, www.farmermac2.com with step-by-step instructions for both rate locks and cash sales. A webinar is also scheduled for Thursday, September 5 and will be posted to the [Recorded Webinar](#) portion of the website following the session. We hope that the many benefits that AgPower® has brought to Farmer Mac's Farm & Ranch lending network will now be available to the Farmer Mac II (USDA Guaranteed loans) network through this new online system.

To get set up and to ask questions, please call Judy Moye or Riley Croghan at 877-770-3644.



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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.