

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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- May 23: The Farmer Mac Cash Window will be closing at 12:30 PM EST
- May 26: The Farmer Mac Cash Window will be closed for the Memorial Day Holiday
- June 9-11: American Bankers Association CFO Exchange; New Orleans, LA
- June 16-20: Agricultural Lending Institute Ag Lenders Society of California; Fresno, CA
- June 26: Community Bankers Association of Illinois Ag Lenders Conference; Springfield, IL
- June 28-
July 2: NACS/NASP/NASE/NADD National Convention; Rosemont, IL
- July 8-10: Upper Midwest Ag Credit Council Annual Summer Conference; Worthington, MN
- July 10-11: New York Bankers Association Northeast Agribusiness Seminar; Geneva, NY
- July 16-18: Community Bankers of Iowa 43rd Management and Annual Convention; Okoboji, IA
- July 16-18: Community Bankers Association of Kansas Annual Convention and Tradeshow; Kansas City, MO

Farmer Mac Reports Results for 2013 Year End and First Quarter 2014

On May 12, Farmer Mac announced its first quarter 2014 results, which included a new milestone in outstanding business volume and continued strong portfolio credit quality, as delinquencies and charge-offs remained low. Outstanding business volume grew \$157.9 million on total new business of \$728.6 million during the quarter to reach \$14.1 billion as of March 31, 2014.

Dave's GPS



Keeping Up with Dr. David Kohl through Farmer Mac

Breaking News: Be watching for your invitation to a free live webinar with Dr. Dave Kohl at noon eastern time on July 2!

In his article this month, titled **“Critical Mistakes Made by Lenders and Producers,”** Dr. Kohl discusses how, with the slowdown in certain key segments of the ag economy, stories abound of critical mistakes being made by both producers and lenders. He then discusses three critical ones, their consequences, and possible corrective actions.

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 indicators (LEI Diffusion Index) improving this month, read about Dr. Kohl's insights into both global and domestic economics and what he sees on 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 Farmer Mac Underwriter Brings Multi-Dimensional Perspective

Farmer Mac introduces Jim Soppe, a new Farmer Mac underwriter based in Farmer Mac's Iowa office. Having grown up in Iowa but with more than ten years of California-based ag lending experience (as a prior employee of AEGON, Rabobank and Heritage Oaks Bank) including originating/selling Farmer Mac Farm & Ranch loans, Jim brings a unique perspective to the Farmer Mac underwriting team. He and his wife and three children recently moved back to his home state.

Timber Guidelines Added to Farmer Mac Underwriting Grid and Seller/ Servicer Guide Collateral Valuation Supplement

Farmer Mac's underwriting guidelines for the purchase or refinance of timber properties are now posted in the Farmer Mac underwriting grid. These criteria apply when the loan's proposed security includes significant value contribution from harvested timber typically grown for pulp wood, dimension lumber or hardwood. To qualify as a timber loan, operations are expected to have sustainable revenues from the sale of forest products and not be based on a one-time sale of those products.

The underwriting guidelines used to assess the loan will be selected based on the proportion of the operation's revenues from both timber/non-timber agricultural sources as well as the amount of improvements on the real estate collateral being pledged. If the contributory value of agricultural producing structures and site improvements as reported in the appraisal exceeds 60 percent of the total appraised value, the loan will be treated as a loan on a specialized production agricultural facility and underwritten as such.

To help appraisers with questions about appraising forestland, Section 101.6.1 has been added to the Collateral Valuation Supplement of the Guide. The section describes appraiser and experience requirements for three types of forest properties depending on the contribution of timber production to the total property value.

The Farmer Mac underwriting grid is a helpful resource found at www.farmermac.com by clicking on Resources and then Seller/Service Guide (Read More). The guidelines for underwriting timber properties join those for Farm Loans (both for Standard and Choice Pricing), Fast Track, Seasoned Loans, Ag Equity Real Estate Revolving Lines of Credit, Cow/Calf Operations, Cattle Feedlot, Lifestyle Ranch, Poultry, Swine, Feedlot Dairy and Packing Houses.

Chapter 101.6.1 (Specialized Production Agricultural Facility Appraisals, Farmer Mac Collateral Valuation of Forestland Requirements) of the Farmer Mac Seller/Service Guide Collateral Valuation Supplement has been added as outlined above requiring new pages Part CV 1-32 and 1-33. New pagination is reflected in the Collateral Valuation Table of Contents. 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."

Underwriting Guidelines for Cow/Calf Ranch Loans are Eased

Effective immediately, the underwriting guidelines for cow/calf operations have been updated in response to customer feedback and a more favorable credit trend with the industry. The following new pro forma loan standards are now being used for credit approval:

- Maximum debt/asset ratio: 50 percent (up from 40 percent)
- Maximum loan-to-value: 60 percent (up from 55 percent)

The current ratio and total debt coverage ratio, each requiring at least 1.25:1, remain unchanged.

Chapter 205.5 (Part 2-37 - Specialized Production Agricultural Facilities Lending, Non-Contract Facility Loans, Other Production Facilities, Cow/Calf Ranch Loans) of the Farmer Mac Seller/Service Guide has been updated to reflect the above change. 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."

Farmer Mac's Seller/Service Guide Receives Update

In addition to other updates announced in this issue of the *Almanac*, effective immediately, the Farmer Mac Seller/Service Guide is being updated as follows:

Chapter 209.4 (Part 2-58 - AgEquity Revolving Line of Credit – Other Requirements: A description of the "term-out" feature of this product, as announced in Farmer Mac *Almanac* Volume 38 (November, 2013), has now been added.

Knowledge Center

Creative Marketing Ideas Revealed in April “Farmer Mac Refresh”

If you have ever wondered how Sellers are marketing Farmer Mac to their customer base to grow their business, you need wonder no longer. A diverse group of creative marketing ideas was reported in the April “Farmer Mac Refresh” presented by Mark Rickels, Relationship Manager, and Mike Juergens, Chief Underwriter, on April 9.

Titled “Strategies for Marketing Your Farmer Mac Programs,” the session featured stories and experiences reported by three Farmer Mac Sellers:

- Keith Knuppe of First State Bank of Warner in South Dakota
- Jason Winter of Citizens State Bank Norwood Young American in Minnesota
- TJ Wilson of Union State Bank in Kansas

Presenters revealed tips for advertising and promoting the benefits that Farmer Mac brings to the bank and the bank’s customers. Various options for weaving Farmer Mac into loan officer compensation programs were described. The session was recorded and placed on www.farmermac.com. To listen, select “Webinars” on Farmer Mac’s homepage.

Live webinars are an easy way to learn about Farmer Mac and to stay current. The monthly “Farmer Mac Refresh” sessions – typically held on the second Wednesday of each month – are popular. Farmer Mac webinars are interactive and allow for questions from participants.

Farmer Mac Financial News

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

Despite the Federal Reserve’s (Fed) stimulus reduction and belief that the U.S. economy is improving, the deflationary specter of the emerging markets’ problems, especially in China, has caused longer term rates (10 years and more) to decline further. As of May 2, the 10-year Treasury yield was 2.59%, about 0.12% lower than February 25.

Speculation that the Fed will increase rates earlier than expected has caused Treasury yields between two and five years to increase. Since February 25, the Treasury yields on the two-, three- and five- year terms have increased 0.11%, 0.17%, and .16%, respectively.

General consensus remains that the U.S. economy will overcome any emerging market weakness and that long-term rates will increase in 2014. The Fed continues to state that discontinuing the monthly purchase program does not affect short-term rate decisions. However, there are some disagreements among economists on the timing and pace of the short-term rate increases. Most economists now believe that rate hikes will begin in the third quarter of 2015. There is a vocal minority that believe short-term rates could increase as early as the first quarter of 2015.

Farmer Mac II LLC News

Iowa Based Conterra Asset Management Will Become Farmer Mac II Program Administrator

Beginning July 1, 2014, Conterra Asset Management will become the Farmer Mac II Program Administrator for all loans currently administered by Colson Services.

Conterra is based in West Des Moines, Iowa, and focuses exclusively on servicing and managing agricultural assets. Initial program enhancements will include features such as:

- Ability of funds to be transferred via ACH
- Electronic reporting and communication
- Lender web portals

Additional information concerning the change of Program Administrators was provided in a May 7 “Farmer Mac Refresh” Webinar. The session was recorded and posted on the Farmer Mac website (click on “Webinars” on the homepage) for replay by those interested in learning more.



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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.