

Leader

A Colonial Farm Credit Member Publication

2011 - Issue 4



Greg Farmer

President's Message

The 2011 crops are in, and despite significant weather extremes, a hurricane and an earthquake, 2011 was a profitable year for most of our farm customers. This favorable combination of yields and commodity

prices may be the best in more than 15 years. While the cotton and corn crops suffered from the hurricane-force winds, the peanut crop may set a new state record. Certain sectors, including forestry and nursery operations, continue to be adversely impacted by the weak general economy.

Interest rates remained at historically low levels during 2011, allowing us to aggressively re-price fixed rate loans to lower rates. Over 450 loans totaling \$74 million were converted, saving our customers \$623 thousand in annual interest expense. Some loans have been re-priced two and three times during the last several years as rates continued to fall. On this subject, I'm aware that some of you have received letters in the mail (which at first glance appear to be from Colonial Farm Credit) offering to significantly reduce your loan term without increasing your loan payment by converting to bi-weekly payments. Some mortgage companies routinely check courthouse records and credit bureaus to identify consumers with mortgage loans and target them with these letters in an effort to solicit new business. The fine print at the bottom of the letter states that the company sending the



Virginia Farm Credit leaders meet with Virginia State University School of Agriculture leaders to learn more about VSU initiatives and explore additional partnership opportunities.

solicitation is not affiliated with the lender identified at the beginning of the letter (Colonial Farm Credit). Please be cautious of these offers. As the old adage goes, "If it sounds too good to be true, it usually is." Feel free to contact your credit officer to obtain his/her assistance in comparing specific refinance offers with your current loan terms.

In November, we kicked off our AgBiz Planner program for young farmers. This is an online course developed by Dr. Dave Kohl and offered through Farm Credit University, which teaches young and beginning farmers how to develop a business plan. By the conclusion of the course, each participant will have written a business plan for his/her own operation. A loan officer is assigned as a mentor to each participant, and Colonial Farm Credit covers the majority of the cost of the course. Our inaugural class of four young farmers will graduate in March.

Our 2012 business plan includes increased resources devoted to supporting and developing relationships with farmers markets, producers

of locally-grown/marketed foods, and young, beginning and small farmers. As part of this effort, we already have begun exploring ways to work more closely with the School of Agriculture at Virginia State University.

Strong capital and credit quality positions allowed your board of directors to declare a \$5 million cash patronage refund from 2011 income. This is the equivalent of 16% of the interest earned on your loan(s) last year, and it is the 14th consecutive year we have been able to return a portion of our profits to our customers. In March, our 2011 annual stockholders' report will be mailed, containing a full report on our income and operations.

Lastly, Cathy Walton, loan officer in Windsor, retired at the end of December after 36 years of dedicated service to Farm Credit. We will miss her professionalism and energy, and we wish her a rewarding and relaxing retirement! ■

HOLIDAYS

Farm Credit Offices are Closed

Christmas	Friday, December 23 Monday, December 26
New Year's	Monday, January 2

2011 Interest Payments

To have a loan payment credited to your account in 2011 for income tax purposes, it must be made before 1:00 p.m. on Friday, December 30. All transactions after 1:00 p.m. will be posted effective Tuesday, January 3, 2012.

Leader is published for stockholders, directors and friends of Colonial Farm Credit.

Address changes, questions, comments or requests for copies of our financial reports should be directed to Colonial Farm Credit by writing 7104 Mechanicsville Tnpk, Mechanicsville, VA 23111, or calling 1-800-777-8908. Contact us by email: dwhelder@colonialfarmcredit.com. Our quarterly financial report can also be obtained on our Web site www.colonialfarmcredit.com.

Couple Recognized as Young Farmer Leaders

By Woody Dunn, Waverly Office

A Surry County couple was recognized as winners of the 2011 Cooperative Leadership Young Farmers of the Year Award at the annual Virginia Cooperative Council breakfast meeting in October. Steve and Jordan Berryman own and operate College Run Farms, which is a produce and u-pick operation they started in 1999. This operation has grown over the years and has now developed into a larger scale, full service, agritourism destination that includes a store/gift shop. In addition to fruits and vegetables, they sell homemade ice cream and offer field trips to local elementary students. They have two sons who join them on the farm each day, which makes it a true family venture. They use state-of-the-art Web marketing which not only informs their clientele of current offerings, but it also informs prospective customers how to locate their “destination” farm in Surry County. Steve and Jordan are also active in other ways in their community and have been recognized with several awards over the past few years. ■



Brian Wolfe (right), President of the Virginia Cooperative Council, presents a plaque to Steve and Jordan Berryman recognizing them as the 2011 Cooperative Leadership Young Farmers of the Year.

Understanding Loan-to-Value

By Jessica Cruise, Hughesville Office

One of the key risk factors a lender considers before originating a loan is the loan-to-value (LTV) ratio. This is the ratio between the value of the property and the amount of the loan to purchase the property. Because a lender must consider a potential default on payment, even for applicants with strong credit and a low payment to income ratio, the amount of money that can be lent on the property is required to be less than the appraised value of the property by a given amount.

A third-party appraiser uses several factors to determine the market value of a property. Even if a potential buyer feels that a property is worth more than its appraised value, this does not necessarily mean that the lender can sell that property at a later date at that price in the event of a default. Thus, the lender must know what dollar amount it could expect to receive from the average buyer in the event that a customer defaults on the loan and the lender is forced to sell the property at auction or through other methods.

Market conditions in many places in Colonial Farm Credit’s territory have caused decreased property values over the last several years. This often results in property owners having negative equity, also known as being “upside down” or “under water.” To put it plainly, they owe more than their property is worth. When they decide to sell their property, they often ask for an amount that exceeds the current market value in order to avoid losing their home or land while still having outstanding debt. Occasionally a buyer will be interested in the seller’s property and willing to pay more than the fair market value. However, the lender must use the appraised value in determining the down payment that they will require to satisfy their LTV requirements. Unless the buyer can provide a down payment that allows for an acceptable LTV ratio, the loan application will likely be declined even if other underwriting standards (credit scores, payment to income ratios, etc.) are acceptable.

It is important for borrowers to understand that there are many other underwriting factors involved in the loan application process other than the loan-to-value. Farm Credit loan officers are dedicated to building relationships with their customers and potential customers. They strive to make the loan application process as easy to understand as possible, despite what can often be confusing industry jargon, regulations, and volatile markets. Contact your nearest Farm Credit office for more information on the loan making process and for tips on how to make your loan request more “bankable.” ■





Suffolk Kids Day on the Farm

By Kristi Holland, Windsor Office

Agriculture is very large part of Suffolk's history. But many children have never seen a cotton field, a grain combine, or even a donkey. The Peanut Soil and Water Conservation district, FSA, and several other organizations have dedicated themselves to educating the youth in Suffolk on agriculture. In doing so, they have developed "Kids Day on the Farm." This is a two day event for all of the second graders in Suffolk Public Schools (approximately 1200 students) to visit a real farm. There are 16 stations set up to teach the students about agriculture while allowing them to have fun at the same time.

They have a soil station where the kids create different layers of soil, using crushed graham crackers, chocolate pudding, crushed oreos, sprinkles and gummy worms—then they get to eat it! There's a station that teaches the students about pollution and one where the kids learn about bees and get to make honey jars. Other stations teach the kids about forestry, weather, insects, cotton, peanuts, horses, pigs, and the germination of soybeans. Colonial Farm Credit is proud to assist in this event and to help the children of our community learn the importance of agriculture and how it relates to their everyday lives. ■



State Hosts Workshop on Preserving Virginia's Working Farm and Forest Land

The Virginia Department of Agriculture and Consumer Services (VDACS) is hosting a workshop and listening session on conservation easements. The workshop will be held in Dinwiddie County on January 5, 2012, at the Eastside Community Enhancement Center in Petersburg. The workshop runs from 10 a.m. to 3 p.m. Virginia Secretary of Agriculture and Forestry Todd P. Haymore and VDACS Commissioner Matt Lohr will host the event with speakers and workshop leaders from other state agencies, the legal profession, Virginia Farm Bureau Federation and the Virginia Outdoors Foundation.

VDACS encourages farmers to attend who may be interested in the idea of permanently preserving their farm or forest land with a conservation easement but are unsure of where to go for more information. Presenters will discuss all aspects of conservation easements, including the implications of easements on the farming operation; the use, sale and/or transfer of the land; and tax and financial considerations.

The one-day workshops can help producers learn more about conservation easements and how this tool may help them meet the long-term goals they have for their farming operations.

Farmers may register electronically at <http://www.vdacs.virginia.gov/preservation/workshopform.shtml> or by contacting Christie Young at 804.516.2396 or e-mailing her at christie11000@yahoo.com. ■

Capitalizing on the Megatrends

By Dr. David M. Kohl



Dr. David Kohl

One of the most powerful books that I was assigned to read during graduate school at Cornell University a number of years ago was *Megatrends*, by John Naisbitt. In his original book and later editions, Naisbitt was keen at identifying trends that would shape our businesses and

lives. Recently a number of people have asked me what megatrends will evolve in agriculture throughout the remainder of the decade. Observations and interaction with players in the industry have allowed me to not only identify trends but more importantly see how individuals and businesses are empowered to capitalize on them.

A New Wave of Players

In the past two years of globetrotting with agricultural audiences, one observation comes to mind. More young people under 40 years of age, women active in management and ownership, and minorities are attending educational events in agriculture. These people see agriculture as an opportunity, rather than “you can’t do” or “why would you want to”, which is frequently a comment from the senior generation. These groups in particular are empowered, lifelong learners, hungry for information and new ideas that can be implemented and executed. They emphasize business, financial, and risk management skill sets in their education, and are very willing to be mentored or have a peer advisory group to assist them. In seminars, this group brings a whole new energy to the table, with diverse experiences, education, and backgrounds.

Man Versus Machine

A major megatrend in business, particularly in agriculture, is automation replacing the human element. This is a global megatrend that threatens employment opportunities across many disciplines. A recent visit to a Canadian dairy producer found the implementation of robotic milkers. This not only allowed him to cut labor costs, but provided a means to attract a highly skilled labor force, empowered by the data output to operate and manage the business. Output quality skyrocketed, meeting the needs of a changing consumer marketplace, but implementing the technology also allows him flexibility for his family, and the opportunity to operate the business at a later stage of life.

On two separate visits, an apple grower and processor and soybean producer and processor had both implemented automation because of high minimum wage requirements. Again, quality increased; however, from a risk management standpoint, labor

and personnel challenges, and possible legal issues were substantially curtailed. Many segments of agriculture are automating not only as labor reduction, but increasing yields and efficiency, as well as a means to attract younger talent who enjoys working with and using technology.

A Global Mindset and Vitality

The phrase “think globally, act locally” has never been more relevant than it is today. However, with a global mindset comes increased volatility in revenues and costs. The empowered agribusiness person sees greater volatility as an opportunity rather than just a challenge. An eye on emerging global trends, while focusing on sound business planning and risk management, provides the financial and management shock absorber as well as a means to capitalize on opportunity.

Domestic and Global Consumers

Relating to domestic and global consumers, the 50-100-70 rule applies. This rule was drawn from a futuristic paper written by one of my former students at Cornell University, Jeff Simmons, President of Elanco. In the year 2050, the world’s population will require 100 percent more food, and 70 percent of this food must come from efficiency-enhancing technologies. He further discusses that access to safe, proven efficiency-enhancing technology requires protecting three rights. The first right is ensuring the human right of access to

affordable food. The second is protecting a consumer’s right to food choice. The third is creating a sustainable food production system, which is an environmental right.

Agriculture in the future will be empowered by the fact that some will profit with operations that are local, natural, or organic, while for others the mid-sized traditional operation will work well, and for many, operating a large complex business often comprised of multiple family members or outside partners will lead to success. The skill set needed regardless of the model is one that is observant, business-minded, and networked with key players inside and outside of the industry.

People

Is your business a talent magnet? This question is being heard across the agriculture and agribusiness horizon. Developing a business culture that attracts and retains talented people, who are emotionally intelligent, regardless of the skill or the position, will be critical for financial success. A new trend of advisory teams is emerging in the agricultural landscape. They can take an average or good business to a great business.

While there are many other megatrends, these are five that are most prominent and are having a tremendous impact on North American and global agriculture. ■



New Property Rights Legislation

There is a very important measure being considered in the 2012 Virginia General Assembly to protect the property rights of Virginians. Senator Mark Obenshain and Delegate Rob Bell will be carrying constitutional amendments to tighten up the state's definition of "public use" with regard to eminent domain. It will ensure that land cannot be taken without just compensation, given to another private entity, and that no more property is taken than necessary.

To amend the state constitution, the General Assembly must pass the proposed amendment in two consecutive years and the wording of the bill must be exactly the same in the second year as it was in the first. If the amendment is passed again by the legislature in 2012, it would go before Virginia voters in November 2012.

This amendment does not prevent land to be taken for legitimate public uses, but it does prevent the ability to use eminent domain to take land and give it to another private landowner. One of our partners in the agriculture industry is Virginia Farm Bureau Federation. If you would like more information on this constitutional amendment, you can visit their Web site at http://vafarmbureau.org/PolicyAction/NationalIssues/Pages/property_rights.aspx. You can also contact your Senator or Delegate before January 20, 2012, and ask them to support Senator Obenshain and Delegate Bell's property rights constitutional amendment. ■



Accepting Scholarship Applications

The Colonial Agricultural Educational Foundation is pleased to announce that our scholarship application for the 2012-2013 academic year is now available online! Due date for submission is March 1, 2012. To access details for the eighty-nine \$1,000 scholarships available and their corresponding criteria, click the "Scholarship Guidelines" link on our website at <http://www.colonialfarmcredit.com/scholarships.html>. The link to the application is "Apply ONLINE here." If you, or someone you know, are currently a college student or will be a college freshman in the fall of 2012, we look forward to receiving your application!

If you'd like to make a tax-deductible donation to assist the foundation in its mission, please mail donations to Colonial Agricultural Educational Foundation, Attn: Sue Nicely, 7104 Mechanicsville Turnpike, Mechanicsville, VA 23111, or click the "Just Give" link on our webpage. Donations may be made in memory or in honor of someone and will be acknowledged in the Foundation's annual report. Additionally, you can support the Foundation's fundraising efforts by dropping off newspapers, magazines, catalogs, cell phones, and/or toner cartridges for recycling at any Colonial Farm Credit office. Thank you for supporting the Foundation and the environment! ■

Colonial Agricultural Educational Foundation 

Employee News

Retirement:



Cathy Walton

Congratulations to Cathy Walton on her retirement on December 31, 2011. Cathy has been with Farm Credit for 36 years, and most recently has served as Loan Officer and Country Mortgage Unit loan originator in our Windsor office. Best wishes for a

wonderful retirement, Cathy!

New Hires:



Kevin Goerger

Kevin Goerger began employment on October 31, 2011, as loan officer in our Windsor office. Kevin is a native of Isle of Wight county, has an agricultural background, and most recently served as a soil conservation technician with the Natural Resources

Conservation Service. He is a graduate of Virginia Tech with a bachelor's degree in Agricultural and Applied Economics.

Position Change:



Bill Henley

Bill Henley has returned to our Tappahannock office as loan officer after working from our Hughesville office for three years and, most recently, our Windsor office for three years. Bill holds a bachelor's degree in Business Administration from James Madison

University and has been extensively involved with Farm Bureau and the Ruritans. His family farm is located nearby in King and Queen county. Congratulations on your new position, Bill (and welcome home)!



Caroline Salisbury

Caroline Salisbury began employment on December 1, 2011, as loan officer in our Tappahannock office. Caroline was raised in King George county where she worked for a local farmer, and served summer internships with Westmoreland County Extension office

and Westmoreland County Farm Bureau. Most recently, Caroline served as a credit analyst with First Bank and Trust in Christiansburg, VA. She holds a bachelor's degree from Virginia Tech in Agriculture and Applied Economics with an Agribusiness Management option and a minor in Crop and Soil Environmental Science.

We welcome Kevin and Caroline to our Colonial Farm Credit family! ■



What's Cookin' in Colonial?

By Diane Wheeler

Potatoes are so versatile, and scalloped potatoes are no exception. They'll be a hit with any of your holiday meals!

SCALLOPED POTATOES

Ingredients

4 medium potatoes, peeled, thinly sliced	1 teaspoon salt
1 small onion, sliced	1/8 teaspoon pepper
2 tablespoons margarine or butter	1 1/2 cups milk
2 tablespoons all-purpose flour	

Directions

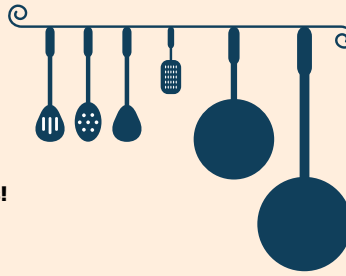
Heat oven to 350°. Place potatoes and onion into greased 1 1/2 to 2-quart casserole dish.

Melt margarine in medium saucepan. Stir in flour, salt and pepper until well blended. Cook until smooth and bubbly, stirring constantly. Gradually add milk, cooking until mixture boils and thickens, stirring constantly. Pour sauce over potatoes and onion.

Bake at 350° for 1 1/2 to 2 hours or until potatoes are tender. If desired, garnish with crumbled bacon.

Variations:

- For a layered version, place 1/3 of potatoes and half of onion slices in greased casserole. Sprinkle with 1 tablespoon all-purpose flour, 1/2 teaspoon salt and dash pepper; dot with 1 tablespoon margarine. Repeat layering, ending with potatoes on top. Pour milk over potatoes. Bake as directed.
- One 10 3/4-oz. can condensed cream of mushroom or celery soup combined with 1/2 cup milk can be substituted for the white sauce.
- For a main dish, add 1 cup cubed cooked ham. ■



Special Rates on Farm Equipment Loans

Rates as low as
3.25% for 3 years
or **3.50% for 5 years.**

Ask your Farm Credit loan officer
about our limited time
"Green Light Special" rates on
loans for new and used equipment.



(rates and terms subject to change without notice)



Colonial Farm Credit
7104 Mechanicsville Tnpk
Mechanicsville, VA 23111

PRSR STD
U.S. POSTAGE
PAID
COLUMBIA SC
PERMIT 785