

American Agriculture: Producing More Than Food, Feed, Fiber and Fuel

By Dave Owens, President & C.E.O.



American agriculture is the envy of the world. United States producers provide an abundance of food, feed, and fiber for both domestic and international consumption. NAFTA, CAFTA, WTO, and other trade initiatives have allowed this abundance to be distributed around the world – particularly beginning in the early 1990's. The efficiency of American agriculture has allowed access to quality food and feed at lower costs to everyone. While this instills much pride in all of us, the contributions of American farmers goes beyond agricultural production.

Farm Credit recently awarded twenty-three \$1,000 college scholarships to college bound students who

are pursuing agricultural-related majors and careers. Twenty of those "We Understand" Agriculture Scholars are children of farmers and the others are products of Rural America whose families have ties to agriculture. The scholarship program is a rewarding experi-

ence for both the recipient and for Farm Credit. During our scholarship award ceremonies, it occurred to me the exceptional value farm families bring to our culture, our society, and our way of life.

I once participated in a professional conference where I attended a session focused on the profiles, attitudes, and behavior of the different generations in today's population. I noticed several of the presentation slides included the notation, "excluding children of farm families". I couldn't help but ask the presenter why the children of farm families do not fit the normal patterns of Generation X, Generation Y, and Generation Z.

The explanation which followed was explicit, convincing, and a great testament to the extraordinary contribution farm families make to our society. The speaker explained that all of us are influenced by what we experience

"American farm families also produce the valuable commodity of children who are raised with values that set them outside the norm of our society."

and observe. For most children, they see their fathers and mothers get dressed in the morning and with brief case, tool belt, or hard hat in hand leave the house to go to "work".

At the end of the day, the parents return home and have some interesting things to say about how their day went. Of course, many times the work experience is described as less than desirable. Children learn firsthand that this place called "work" can be the source of stress and conflict. They

can't relate to the abstract because they do not experience it themselves. What exactly is work?

Although many of today's farm families have parents that "work" both off and on the farm, children of farm families have a totally different experience with respect to their parents' activities each day. For even the part-time farm operator, their children can observe what Mom and Dad are doing each day. The farm family spends more time together working. The children get to see and

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We Understand

experience what “work” is and is not. They form their own opinions of these activities rather than guess and assume. As they grow up, these young people assist the parents as they do daily chores. And of course later in life, most farm children significantly participate in the farm “work” activities. While some may not appreciate and embrace these chores at the time, farm families have a stronger bond and embrace family and work values. The children of farmers have a stronger work ethic and are more likely to have a better vision for their future.

Farm families were the norm during the time this country was formed. Our heritage, our culture, and the principles used to form this great nation were all heavily influenced by those who grew up with these same values. Perhaps what the world needs today is more farm families! Children that do not fit the norms of their age group could be the best thing for all of us. As I listened to the hopes and dreams of our scholarship recipients earlier this month, I was reminded of that explanation given to me by the conference speaker when I asked why children of farmers don’t fit the generational stereotypes. I am confident that today’s young people raised on farms who have had positive family and work values instilled in them will provide stability and vision for American agriculture and our society in the future.

We are proud of today’s farm and rural youth! And we salute the American farm family who also produces the valuable commodity of children who are raised with values that set them outside the norm of our society.

What Does My Lender Consider Important?

By Brian Funk, Regional Vice President Credit Services Division



Many of today’s farm magazines approach the topic of agricultural credit in various ways. Articles may range from; “How do I increase my borrow-

ing power?” to “Using credit as a Tool”. They are all interesting articles and contain many good points, but does your lender read those articles? Is that what lenders are looking for? At Farm Credit Services, what do we look at?

Many articles over the years have talked about “The Five C’s of Credit”. They are important and we do consider them in every financing decision: Character, Capital, Capacity, Conditions, and Collateral. Those are the key factors that should be part of any borrower’s long-term planning process. But what is most important in today’s farm economy? What should I be concentrating on in the near term?

Let’s narrow it down to three priorities:

- **Working Capital**
- **Repayment Capacity**
- **Communication with your Lender**

Working Capital is simply your current assets minus your current debts. It reflects your ability to meet all of your short-term obligations with cash or assets that are readily convertible to cash. There is an old saying that goes, “Cash is King”. That is what we mean by having adequate Working Capital. That doesn’t mean you shouldn’t have an operating loan; far from it. What it does mean is that when you complete your annual balance sheet on December 31, you should have a Working Capital margin that allows you flexibility in meeting your upcoming commitments. How much is enough? You’re never really sure. But, we consider a minimum

standard to be 15% of your annual gross income. In other words, if your anticipated gross dropped 15%, could you meet all of your obligations due at year end?

Repayment Capacity. Without getting into too much technical jargon, repayment capacity is simply your projected ability to meet your annual operating expenses, family living, and principal & interest payments on machinery and land debt and an allowance for machinery purchases needed but not yet incurred. This is not just doing a cash flow analysis (although that is necessary too). Analyzing your repayment capacity factors in the use of your best estimates based on past performance. Sure, you would like to raise 200 bushel corn every year, but it doesn’t always happen. An adequate repayment capacity margin suggests you can have that “off year” once in a while without it adversely impacting your current level of working capital.

Communication. This piece is probably the most important because it goes back to the most important of the Five C’s: character. Open, honest and timely communication is essential in the lender-borrower relationship. We want to understand your concerns, hopes, dreams, and plans. And our customers deserve candid feedback from us. Sharing information and keeping in frequent contact helps to build the level of trust that is needed today.

Are any of these things big, corporate secrets? No. It is more a common sense approach to farm financing. Let us know how we can help you better understand your Working Capital and Repayment Capacity positions. Maintaining trusting relationships with you through honest open and timely Communication is a priority.

Grigsby Outdoors

Welcome to the Outdoor Experience

Grigsby Outdoors, the outdoor recreational division of the Grigsby Farm near Tallula, Illinois, offers the opportunity to reconnect with 'The Outdoors'; truly an experience for those who appreciate the outdoor lifestyle. Grigsby Outdoors offers high-quality, low-impact guided trophy whitetail and upland game hunts. Located in Menard and Cass Counties the Grigsby property is comprised of nearly 13,000 contiguous acres or 20 square miles. Approximately 10,000 acres are cropland with the balance being open grassland and hardwood forest.

The majority of the cropland is farmed through a direct farming operation, under the management of Worrell-Leka Land Services in Jacksonville, Illinois. Precision technology and a strip till cropping system have been adopted to help accomplish the farm's goal of



being a model farming operation furthering the farms progressive and sustainable approach to farming. Technology used in the farming operation

includes using RTK (Real Time Kinematics) guidance, yield mapping and variable rate technology. The use of this technology allows precision placement of seed and inputs to accomplish both economic and environmental stewardship.

As a commercially successful business, the farm strives to strike a balance between profitable farming, promoting wildlife and habitat and being a good environmental steward. This direct farming operation which



began in the early 90's has evolved into a high tech, environmentally conscious, wildlife friendly, commercially intensive farm.

Hardwood forests, open grasslands, agricultural fields, and water impoundments are the primary components of this diverse landscape. Many species including whitetail deer, pheasant, quail, waterfowl, fish, and numerous songbirds can be found flourishing throughout the countryside. A renewed focus, is converting much of the previous cattle pasture lands to a more native vegetation mix which includes dedicated food plots for use by wildlife. Roughly 100 acres are set aside as food plots which consist of crops such as perennial clovers, chicory, turnips, sorghums, corn, soybeans, sunflowers, and oats.

Along with controlled burns, seeding of native warm season grasses and wildflowers (native prairie plants) are a high priority. Warm season grasses were established on 300 acres between 2009 and 2010 bringing total acres of native warm season grasses on The Grigsby farm to over 450 acres. These acres were derived from converting existing

fescue pastures into native grass stands and by enrolling marginal cropland into the conservation reserve program.

Grigsby Outdoors is able to positively influence the ecological potential of both wildlife and habitat. A major concern consists of the production of benefits that are derived from the local eco-system including long-term sustainability for both habitat and wildlife. Another focus includes merging outdoor management and farming practices to enhance the eco-system's productivity as well as sustainability. Grigsby Outdoors' believes in adopting a long-term management strategy which strives to live up to their mission statement of "Agriculture in Harmony with Nature", enabling both today's generation and future generations as well, the opportunity to



Crop Insurance News & Updates

By Gary Kopp, Regional Sales Manager

2011-MAJOR CHANGES IN CROP INSURANCE PLANS

Individual crop insurance plans formerly known as Crop Revenue Coverage (CRC), Revenue Assurance (RA), Income Protection (IP), and APH or MPCI (yield only plans) are being combined under a Common Policy for the 2011 crop year. This will reduce duplication, and the list of choices for producers in the new crop year, starting with 2011 Wheat policies this fall. County wide plans - Group Risk Income Protection (GRIP) and Group Risk Plan (GRP) will continue with minimal changes.

About 85% of all policies will see a change. A new application is not required, but is recommended, so you have a chance to discuss this with us. Those choosing an automatic renewal, will receive a replacement policy with similar coverage. For example, a CRC policy at the 80% level with enterprise units, would receive an 80% Revenue Protection plan with enterprise units.

Both Revenue Protection and Yield Protection will use the same (Base) price per bushel. Base and harvest prices will be determined like CRC does today. Replant benefits for both plans will be the same. Base to Harvest price limits are unchanged. Revenue Protection comes with harvest price protection, which may be excluded for a lower premium. Unit discounts for basic and enterprise continue in new plan. Premium cost on Revenue Protection will include a price volatility factor like RA, but is expected to resemble CRC in cost.

Farm Credit Services will cover these changes at winter meetings. We urge you to contact your Crop Insurance Specialist with questions about the changing plans of insurance.

REPORTING CLAIMS

If you even think you have a possible loss this fall, **CALL US PLEASE. Don't wait.** We want you to get paid. Companies must follow Federal rules on claims. Last year, several were denied because of late filings. You must report losses within 15 days after the end of the insurance period. End of Insurance is December 10th for corn and beans. It is also the completion of harvest for the unit. If your early harvested fields have low yields, CALL US.

Loss from falling prices can be reported up to 45 days after the Harvest Price is announced. Claims deadlines are often confusing and sometimes overlap. For best results, please contact your Farm Credit Services crop insurance staff to report any possible losses. We can withdraw the claim if you don't have a loss in the end.

WET CONDITIONS PERSIST IN 2010

What started as a great planting season turned into a nightmare for many producers in 2010. For operations facing the need to replant hundreds of corn acres our New Replant Endorsements are paying off in a big way. With higher seed and fuel expenses, basic replant coverage is often not enough.

After two years water logged planting seasons, it's hard to imagine facing it again.



" Compared to the same time last year, PP and Replant claims in Illinois are high again, with 1400 PP and 2100 Replant claims to date," says Craig Eversole, assistant claims manager for Great American Insurance. Despite the heavy claims load, Great American and other companies serving Farm Credit Services customers are doing a good job with 2010 claims.

IMPORTANT DATES

- **Aug. 15, 2010**
CRC Harvest Price Announced for Wheat
- **Sept. 15, 2010**
CRC Base Price for 2010 Wheat Announced
- **Sept. 30, 2010**
New Application for 2010 Wheat
- **Oct. 1, 2010**
Premiums Due for Corn & Soybeans
- **Nov. 1, 2010**
—Interest Added to Unpaid Premiums
—Harvest Price Announced - Soybeans
—Harvest Price Announced - Corn (CRC & GRIP)
- **Nov. 15, 2010**
Acreage Reports Due for Wheat
- **Nov. 15, 2010**
Production Reports Due for Wheat
- **Dec. 1, 2010**
Harvest Price Announced - Corn (RA & IP)

Call your Farm Credit office for additional information about these important dates.

Term Insurance

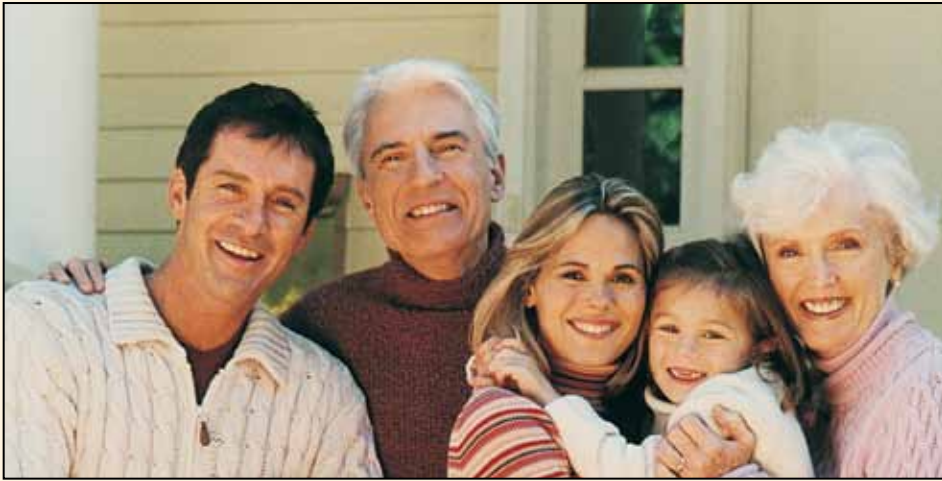
with Guaranteed Renewable / Convertible Provisions

As the names implies, term insurance provides protection for a specific period of time.

Term insurance is often a good choice for people looking to buy high levels of protection, when the needs are greatest - at the lowest costs. It is a great option for protecting loans or obligations that will disappear in time. But what happens if you buy a term policy only to realize at the end of the term that you still have a need for life insurance?

the insured. The process would involve the submission of a Policy Change Application, and a signed illustration. Premiums are calculated at current age during time of conversion, which means it may be more affordable earlier rather than in later policy years.

Being able to renew or convert a policy is a great option in the event that circumstances in your life have changed. You may need the protection for a longer period; therefore renewing



“Break the habit of procrastination” and take care of tomorrows plan today!

With the ability to renew or convert the term policy to a permanent plan on a guaranteed basis, we may solve potential problems for our customers for future unknown needs. This is often overlooked, but very valuable!

A renewable term life policy permits the owner of the policy to automatically extend the policy length regardless of the health or occupation of the insured, with the possibility of premium increase at each anniversary date.

A convertible term life policy permits the owner to change the insurance (at an adjusted premium rate) into a permanent life insurance policy regardless of health or occupation of

the policy on an annual basis may be a good solution. Converting to a permanent policy may be the solution for estate planning, farm transfer, and for permanent obligations.

Contact your local Farm Credit office and discuss your Life Insurance needs and to obtain quotes. Act now to guarantee you, your family and your business is covered.



A Customer VIEW

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Julie believes, “As a single parent, my family is most important to me along with the goals my family and I had started years ago. FCS has been a huge help in achieving these goals.”

Since 1988, the Lunnemanns have invited Farm Credit to be a part of their operation. Over the years Farm Credit has provided products to help with both farm ground purchases and operating lines of credit. Julie points out, “Farm Credit has always been knowledgeable, caring and able to meet our farming needs. They’ve always had the product we needed.”

In addition to their farm financing needs, Julie also participates in the Ladies Bus Trip each fall, plus she was also a winning recipient of Farm Credit’s Meals in the Field. Julie said, “The women write the checks and talk with the lender. I like the bus trip because it brings some attention to the importance of farm wives.”

“It’s important to communicate and work together on a farm. It’s a special time to be together. Learn to discuss and review your future plans. It was scary to think about being in charge of the farm. I was overwhelmed. It’s important to have faith in your lender.”

As a full-time nurse, mother and grandmother, Julie Lunnemann is a shining example of the strength and tenacity of farm women everywhere. She recognizes the importance of family, friends and faith in the lifestyle we call farming.

A Customer VIEW

Meet Julie Lunnemann: Farm Manager, Nurse, Mother, Grandmother



Julie Lunnemann - farmer, mother, grandmother and nurse; now manages and oversees the family's 600 acre farm and 75 head herd of Angus cattle. For many years Julie, her husband Jim and their five children, Jennifer, Jamie, Jillian, Jenea and Jason called this area of rural Perry County home. But in 2006, a farming accident claimed the life of her husband Jim, requiring Julie to take over management responsibilities.

Through the years Julie had worked side-by-side with Jim setting goals and dreams for their family and farm. They worked to build up their farming operation, project by project and solidifying their dreams and goals.

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