

Michael Vallery of Madison County, Ohio, consults with his financial services officer Luke Harbage of Washington Court House.



## FCS OFFERS SECURITY IN FIXED-RATE FINANCING

For more than 100 years, Michael Vallery's family has farmed the flat, fertile fields of southern Madison County near Midway in south-central Ohio. The farm has grown to 1,900 acres of corn and soybeans, along with beef cattle. Michael does the planting, manages the grain and sells crop insurance on the side; his wife, Laura, keeps the books; and his dad, Carl, runs the combine. Thirteen-year-old twins John and Jacob help with grain carts and spring tillage, while nine-year-old Jarrett waits his turn in the wings.

As Michael has lived his leg of the family history, some of that history's hard lessons are not lost on him.

"I'm a child of the '80s," says Michael. "I watched Dad pay for the farm [the equivalent of] three times, as interest rates climbed from 10 to 12 to eventually 21 percent. I probably could've done better with a variable rate the past couple of years, but that memory is why I switched to fixed-rate financing."

Michael knows that variable rates have improved significantly since the '80s. But he nevertheless appreciates the peace of mind he gets from going to fixed rates for his farm loans through Farm Credit Services of Mid-America.

"The fixed rates help me minimize my risk and just make economic sense," says Michael. "Plus I feel more secure knowing the rate is not going to change."

Michael also likes being able to lock in a low rate with Farm Credit.

"Dad and Mom always got good rates on their farm and operating loans from Farm Credit and liked the people they worked with," says Michael. "In my sales job, I talk to lots of farmers, and for land rates it's hard to beat Farm Credit. Plus, if rates go lower and they think we can save some money by converting, they give me a call."

Michael's financial services officer, Luke Harbage of the Washington Court House office, says that fixed-rate financing has been an especially good product for the Vallerys.

"When you're a growing operation like they've been the past few years, there are a lot of things to worry about," he says. "With fixed-rate financing, they can minimize their risk by turning a variable cost into a fixed cost, which in turn helps them budget for different needs. Then they can concentrate on the other things that have to do with an expanding operation."

Because of factors like these, Luke says fixed-rate financing is one of the more popular products he offers, with over half his farm real estate customers opting for them. He also states that Farm Credit is one of the very few places where farmers can even get long-term fixed rates for real estate.



"Farm real estate loans are difficult for a conventional lender to secure, because they can't readily be sold to a secondary market," he explains. "The reason we're one of the few to offer longer-term fixed rates for farm mortgages is that we hold the mortgages from the time customer takes out their loan till they pay it off. That's a risk we're willing to take for them."

Individual loan pricing was introduced, offering lower interest rates and greater flexibility, with rates based on the member's financial strength. The better the credit rating, the lower the interest rate.

**1986**

Congress took action on behalf of the nation's farmers by providing up to \$4 billion in federal assistance to the Farm Credit System. In June 2005, the System fully reimbursed the government—all principal with interest was repaid in advance of the deadline.

**1987**

Members voted to merge the PCA and FLBA. Now known as Farm Credit Services of Mid-America, the merger created improved financial strength and maximum operating efficiency by consolidating both short- and long-term lending into one entity.

**1988**

As a result of the merger, FCS reduced stock to 3% for all loans (PCA was 5% and FLBA was 8%) and issued a payment of \$95 million to members with excess stock.

**1989**

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Farm Credit launched the 10-year fixed-rate product for farm land when many banks were reluctant to loan fixed-rate financing on farm real estate. Today Farm Credit has over 37% of their real estate loans on fixed-rate financing of greater than 10 years.

Farm Credit concentrated on growing the business and did so by introducing three strategic initiatives to ensure long-term success: 1) streamlining business processes, 2) examining the delivery network and 3) concentrating on marketing and selling quality loans.

**1991**

Financial Services Officers specialized in two groups: those serving the traditional farmer and those serving the new and emerging rural and part-time farm markets. In 1994, FCS formed the agribusiness department.

**1992**

The Board voted to affiliate with AgriBank of St. Paul. By joining a then 11-state network of associations that were funded from a strongly capitalized and innovative bank, FCS was in a position to expand its product line.

**1993**