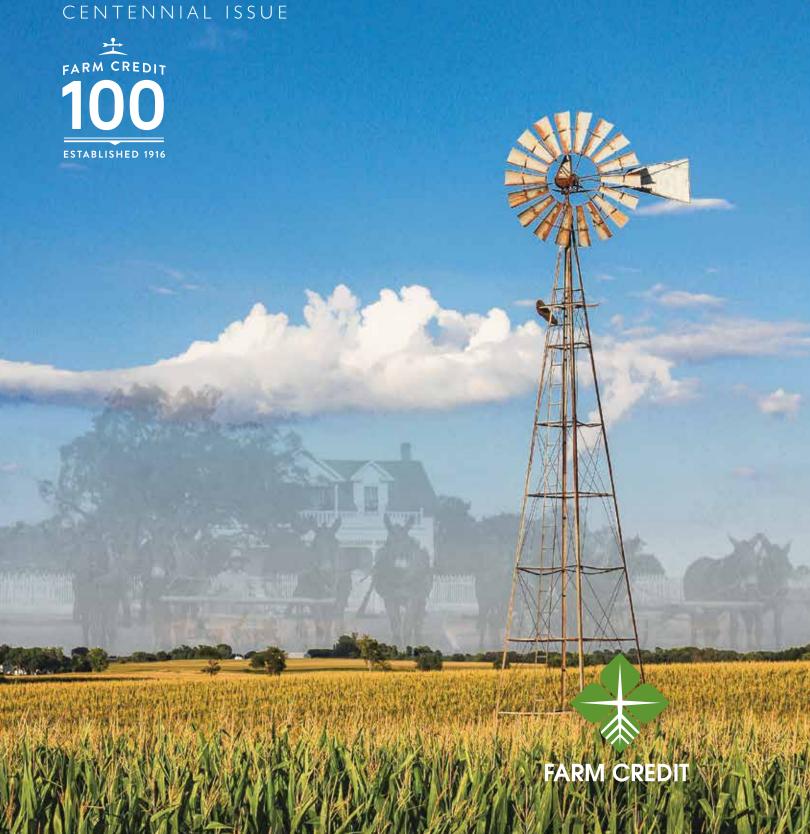
# LANDSCAPES

a portrait of living & working in rural America



### LANDSCAPES

CENTENNIAL ISSUE

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Texas Farm Credit District lending cooperatives finance rural real estate, agriculture, agribusiness and country homes in Alabama, Louisiana, Mississippi, New Mexico and Texas. These financing co-ops are owned by their customers.

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ON THE COVER: A historical farmstead photo layered over a present-day landscape photographed by Darcy Maulsby



# Farm Credit -Part of Rural America's Landscape for 100 Years Part of the Farm Credit System

#### CONTENTS

- 2 Farm Credit Commentary
- 3 Farm Credit News

#### THE PAST CENTURY

- 4 Farm Credit 100-Year Timeline
- 10 Made for Farmers: The Story of Farm Credit
- 22 Meet the District's First Borrowers
- 24 Bringing Antique Equipment Back to Life
- Then and Now:
  A Century of Change in the U.S.
- 29 Centenarian Keeps Up With New Technology
- 30 More Than a Job: Serving Farm Credit
- 32 Three Longtime Farm Credit Families

#### FARM CREDIT TODAY

36 Not Your Granddaddy's Lender: Services for Leasing, Insurance, Agribusiness, Rural Infrastructure, and Young and Part-Time Farmers

#### THE NEXT CENTURY

- 46 How Technology Is Changing Agriculture
- 50 Farm Credit Honors Rural Visionaries
- The Future of Agriculture: Five Forecasts

#### **POSTCARDS**

54 Windmills and Wind Turbines

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By Stan Ray

hundred years ago, grocery shopping looked different than it does today. Shoppers would give their list to a store clerk, who would retrieve their items while the customer waited. The clerk would then add up the cost, bag the groceries and collect payment.

Store owners believed this was the best way to operate their business and serve their customers; that is, until Clarence Saunders founded a store called Piggly Wiggly in 1916. Saunders put prices on his goods and invented a device he called the shopping cart so customers could look for their own items and bring them to the checkout lane for payment.

One hundred years later Saunders' approach is the business model we recognize today, but imagine how disruptive it was to the mercantile industry at the time.

This story reminds us that things are always in a state of transition and subject to change — sometimes in a very disruptive way — as both businesses and customers seek improvements in efficiency, effectiveness and service.

One thing we don't want to see disrupted, especially in agriculture, is access to credit. That same year, 1916, farmers and ranchers lacked sufficient access to credit and long-term financing. And it's for that reason that the Farm Credit

System was born — to provide reliable, consistent credit and financial services to the agriculture industry.

In some ways, things remain today as they did then — farming and ranching is still hard work and a risky proposition; prices are uncertain and determined by others; and input costs continue to rise. In other ways, things have changed dramatically — producers now compete on the international level; advances in equipment and science have enabled

# The Farm Credit System has changed over the years to keep pace with an increasingly complex and sophisticated marketplace.

greater efficiency and productivity; and ready access to information helps producers make more informed decisions.

Similarly, the Farm Credit System has changed over the years to keep pace with an increasingly complex and sophisticated marketplace. Today's Farm Credit System is not your grandfather's Farm Credit System.

It has expanded lending authorities, and has reorganized and consolidated to support the broader needs of rural America. It has leveraged technology and collaboration with other lenders to improve products and services. And it has become financially strong and secure to withstand the uncertainties of a volatile economy.

What hasn't changed is Farm Credit's cooperative business model and mission to enhance the quality of life in rural America by providing needed capital to member-owners so they can be successful and achieve their dreams.

As Farm Credit celebrates its centennial, it is an opportunity to highlight a tremendous heritage and be grateful for those who paved the way for today's success. The Farm Credit System is healthy and growing, and our service-oriented cooperative structure helps ensure we are constantly adding value to member-stockholders.

But our centennial represents more than just a time to stroll down memory lane. America continues to grow; and to keep pace, rural America will need to grow too — with better equipment, updated facilities and new technologies. And when the time comes for rural America to extend its reach,

rise a little higher and grow a little further — Farm Credit will be there, just as we have for 100 years.

FARM CREDIT



Joe Crawford, fourth from right, accepts his award from the FCBT board.

#### Consummate Ambassador for Farm Credit Inducted Into FCBT Academy of Honor

Joe Crawford, former Farm Credit Bank of Texas (FCBT) director from Baileyton, Ala., was inducted into the FCBT Academy of Honor at the bank's annual meeting in March.

The Academy of Honor recognizes significant contributions and outstanding service in the field of agriculture or rural financing. Crawford, a consummate ambassador for Farm Credit and advocate for the co-op business model, was honored for his agricultural leadership and notable impact on the bank's financial success and reputation.

The award establishes a \$10,000 scholarship that will be presented in Crawford's name to a student attending the university of his choice — his alma mater, the University of Alabama.

A longtime cattleman and former engineer for the U.S. Air Force and NASA, Crawford joined the FCBT board in 1998. During his 14-year tenure, he represented the bank on the Federal Farm Credit Banks Funding Corporation board from 2004 to 2012.

#### District Lenders Declare

#### **RECORD PATRONAGE TO CUSTOMERS**

In keeping with their philosophy as customer-owned cooperatives, the Farm Credit Bank of Texas and all 14 lending associations in the Texas Farm Credit District returned a portion of their 2015 earnings to borrowers in the form of patronage dividends.

District institutions declared a record \$245 million in patronage based on their solid performance and capital positions. This tangible member benefit signals the cooperatives' financial health and lowers the cost of borrowing.

"Our cooperative business model and our very strong teams produced extraordinary results in 2015," FCBT Board Chairman Jimmy Dodson said of the district's patronage distributions. "When we have success, those who benefit the most are the people who own us."

#### **FCBT BOARD UPDATE:**

#### Officers Re-Elected, Two Directors Start New Terms







Lester Little





Brad Bean **Betty Flores** 

Bank of Texas Board of Directors re-elected James F. "Jimmy" Dodson of Robstown, Texas, board chairman and Lester Little of Hallettsville, Texas, board vice chairman. The two South Texas farmers will both serve one year in their positions.

The Farm Credit

The board also re-appointed director Betty

Flores of Laredo, Texas. Director Brad Bean of Gillsburg, Miss., was re-elected by stockholder vote.

All four directors' terms were effective Jan. 1, 2016. Bean, a dairyman, and Flores, former Laredo mayor, will serve three-year terms.



#### LANDSCAPES WINS NATIONAL AWARD

Landscapes magazine was honored with the Chairman's Award at the National Council of Farmer Cooperatives (NCFC) Information Fair in Phoenix, Ariz., in February. The NCFC Chairman's Award is presented annually to the entry that best tells the farmer cooperative story.

Landscapes is the semi-annual member magazine published by the Farm Credit Bank of Texas on behalf of 13 associations in the Texas District. Both Landscapes and the bank's internal newsletter, Common Ground, took first place in their respective membership magazine and employee newsletter categories, as well.

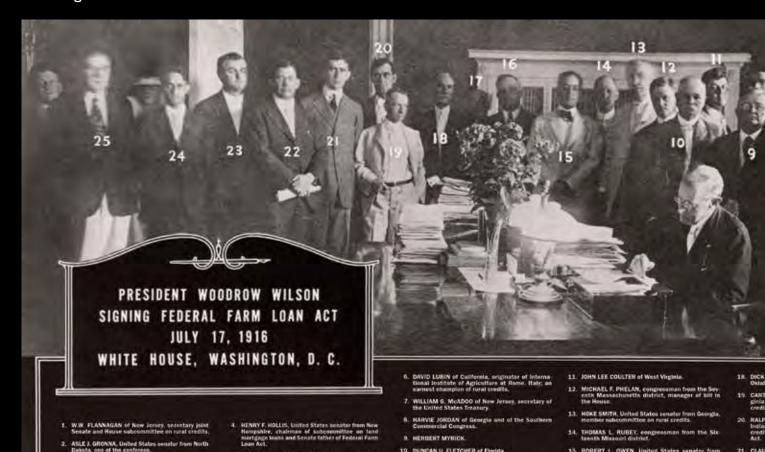


### FARM CREDIT

Supporting Rural Communities and Agriculture for 100 Years

A timeline of key dates in Farm Credit's 100-year history

Farm Credit traces its roots to 1916, when it was established to meet a critical need for a reliable and consistent source of agricultural credit. A century later, this network of financing cooperatives continues to deliver on its original mission — to provide the needed capital to help rural communities and agriculture be successful.



#### THE INGENIOUS SYSTEM SO YOU WANT TO BE A MEMBER

- Gather 10 farmers who want to borrow a total of \$20,000 or more.
- 2. Apply to the local Federal Land Bank for a National Farm Loan Association (NFLA) charter.
- 3. Borrow between \$100 and \$10,000 on your farm mortgage.
- 4. Purchase stock, priced at \$5 a share, for 5 percent of your loan.



Author Laura Ingalls Wilder organized an NFLA in Missouri in 1917.

1917



National Farm Loan Association stock certificate



- MORGAN, congressman from the Eighth
- FGLASS, congressmen from the Sixth Vestrict, chairman joint committee on reral
- W. MOSS: congressman from the Fifth district, member joint committee on rural father for the Hoose of Federal Form Loan
- DIUS U. STONE, congressman from the Six-Blinois district.
- Kentacky district
- 23. OTIS WINGO, congressman from the Fourth
- ASBURY F. LEVER, congressman from the Seventh South Carolina district, joint committee on rural credits, chairman House committee on agol-
- 23. JAMES H. BRADT, United States Senator From Idaho.



March I – April 3, 1917 Twelve Federal Land Banks were chartered across the country to provide long-term mortgage financing to farmers and ranchers in their respective geographic districts. The banks were funded through the sale of tax-exempt bonds to private investors and partly capitalized by \$125 million in federal seed money.



Federal Land Bank of Houston charter



May 22, 1917 The first loan in the Tenth (Texas) Farm Credit District was made to W.S. and Mary Smith of Grayson County, Texas, by the Van Alstyne National Farm Loan Association (NFLA). This locally owned financing cooperative was one of several hundred NFLAs established by U.S. farmers in 1917 to serve as lending agents for the Federal Land Banks, making and servicing farm and ranch loans to local members.

1922 The Capper-Volstead Act was passed, empowering farmers and agricultural producers to market, price and sell their products through cooperative means and protecting them from antitrust violations.









1922 1923 1925 1928 1929 1933 1936





1923 Congress addressed the lack of short-term credit for farmers by passing the Agricultural Credits Act of 1923, which created 12 Federal Intermediate Credit Banks (FICBs) that could discount funds to commercial banks and lend directly to agricultural cooperatives. A fiscal agency was established to manage the sale of Farm Credit bonds, thereby strengthening Farm Credit's funding capability.



1928 The Federal Land Bank of Houston finished paying back the federal government for \$735,285 in capital that the U.S. Treasury had invested in the bank when it was chartered.



1929 The stock market crash of 1929 and the ensuing Great Depression threw thousands of farmers into bankruptcy and saw many rural independent banks and businesses close. Rural America was hit particularly hard by the Depression — a plight compounded by severe drought on the southern Plains — causing Congress to recognize farmers' dire need for operating funds.

**1933** Congress passed legislation that rescued and expanded the Farm Credit System, enabling it to help countless U.S. farmers and ranchers:

- Under the Emergency Farm Mortgage Act, Federal Land Banks were authorized to issue up to \$2 billion in U.S. Treasury—guaranteed farm loan bonds to finance mortgage loans. Another \$200 million was allotted for refinancing loans.
- Under the Farm Credit Act of 1933, a short-term credit delivery system was established through Production Credit Corporations and farmerowned Production Credit Associations (PCAs). In addition, a central Bank for Cooperatives and 12 district Banks for Cooperatives were created.
- The Farm Credit Administration was created to oversee all federal functions related to agricultural credit.



With the passage of the Rural Electrification
Act in 1936, rural electric cooperatives brought
electricity to farms, further revolutionizing
agricultural technology and farming methods,
and creating even more need for credit.







1953 President Dwight D. Eisenhower signed legislation removing the Farm Credit Administration from the USDA, where it had resided since 1939, and making it an independent federal agency under the executive branch, with policy oversight from a membernominated Federal Farm Credit Board.





1955 The later-famous Gatlin Brothers sang at a Stamford PCA annual meeting.







1963 As part of a nationwide public and member relations effort, new symbolic emblems were developed for Federal Land Bank Associations, Production Credit Associations and Banks for Cooperatives.

1939 1945 1947 1949 1953 1955 1963 1967 1968



Chartered to serve Texas alone, the Tenth Farm Credit District was the only single-state district in the System.

1945 Texas Production
Credit Association paid its
members a 5 percent
dividend on its 1944
earnings, the first PCA in
the Tenth (Texas) District to
pay patronage. Like other
PCAs, it played an important
role in providing the credit
farmers needed to help
feed the nation during
World War II.



1947 Texas Production Credit Association of San Angelo was the first PCA in the nation to repay its federal government capital and become fully borrower-owned. An additional eight PCAS in Texas followed suit in 1948.



#### 50th Anniversary



Farmers staged a parade and buried a time capsule to mark the signing of the first Farm Credit loan in Larned, Kansas, 50 years earlier.

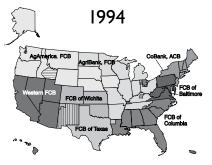


1968 All Farm Credit institutions had repaid their government capital by 1968, making the System wholly owned by its borrowers.

#### Farm Credit System Bank Chartered Territories

1917-1981





raised prices on favalue of farmland.

The 1970s were boom years for U.S. agriculture. Farmers borrowed heavily to expand their operations as international trade barriers were lowered. Double-digit inflation raised prices on farm products and boosted the

1982 Rapid growth in the 1970s created a need for more office space for the three Farm Credit Banks in Houston, and in 1982 the banks' property was sold for \$47.5 million — the highest price per square foot in Houston real estate history. The proceeds were largely reinvested in a new building in Austin, which served as bank headquarters from 1985 to 2004, and the remainder was injected into the banks' capital and lending operations.



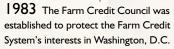
1971 1979 1980 1982 1983 1985



1971 The Farm Credit System's charter was updated to meet the changing credit needs of agriculture and to support rural communities. The act broadened the range of products and services Farm Credit institutions could offer to include rural home mortgages, commercial fishing loans, and leasing and other financially related services. It also expanded lending eligibility for farmers' cooperatives.

1979 The Federal Land Bank of Houston and the Federal Intermediate Credit Bank of Houston changed their names, replacing Houston with Texas. Together with the Texas Bank for Cooperatives, they became known as the Farm Credit Banks of Texas.

1980 Congress further expanded the System's lending authorities to include basic processing and marketing facilities and agricultural export and import transactions; provided for the creation of service organizations; and encouraged more lending to young, beginning and small farmers.





The Biostar was created in 1985 as a single identifiable corporate symbol for Farm Credit System entities nationwide. It consists of four visual elements — three leaves and a root system:

- The leaves represent the System entities, including the local associations, the Farm Credit Banks and the national support structures.
- The roots represent the grassroots support of members and Farm Credit's roots in rural America and the cooperative system.
- The star represents light and direction.



1985 President Ronald Reagan signed Farm Credit legislation restructuring the Farm Credit Administration to give it increased oversight and regulatory powers, and providing for a full-time president-appointed three-member board.



2000





2011-Present



8

1987 In the midst of the nation's farm debt crisis, Congress passed the Agricultural Credit Act of 1987, providing up to \$4 billion in federal loans to financially stressed Farm Credit institutions and requiring the System to organize into a leaner, stronger cooperative system. Specific provisions created the Farm Credit System Insurance Corporation to improve the System's financial integrity, required the merger of the FLB and FICB in each district, and authorized the voluntary mergers of PCAs and Federal Land Bank Associations (FLBAs) into Agricultural Credit Associations (ACAs). The Act also created the Federal Agricultural Mortgage Corporation (Farmer Mac) to establish a secondary market for agricultural real estate and rural home mortgages.



1988 Farm Credit Bank of Texas was formed by the merger of the FLB of Texas and the FICB of Texas. Texas Bank for Cooperatives became part of the National Bank for Cooperatives, later known as CoBank. Across the country, FICBs and FLBs merged in all districts but one.

**1998** Farm Credit Bank of Texas stockholders approved the transfer of direct mortgage lending authority from the bank to the District FLBAs.

2000 All FLBAs in the Tenth District had become direct lenders known as Federal Land Credit Associations (FLCAs).

2001 Ten associations in Texas
became the District's first Agricultural
Credit Associations with authority to make both long- and
short-term loans through their PCA and FLCA operating units.



2003 Farm Credit Bank of Texas completed its first private preferred stock offering. The issuance of \$100 million in perpetual preferred stock was part of a strategic objective to increase capital without seeking additional stock from associations.

1987 1988 1989 1990 1998 2000 2001 2003 2016

1989 Farm Credit Bank of Texas paid nearly \$1 billion to purchase 17,000 loans from the Federal Land Bank of Jackson in Receivership, extending the Texas bank's charter to provide long-term loans in Alabama, Louisiana and Mississippi. Six new Federal Land Bank Associations were chartered in the three states.



1990 Farm Credit Bank of Texas' charter was expanded to New Mexico to serve Albuquerque Production Credit Association, which reaffiliated from the Wichita Farm Credit District to the Tenth Farm Credit District. Two other New Mexico PCAs reaffiliated with the Tenth District in 1991.

1990–91 Congress asked Farm Credit to play a larger role in financing agricultural marketing and processing, as well as financing water and sewer development in rural communities.



Farm Credit was authorized to finance rural infrastructure such as power, water and telecommunications through CoBank.



At age 100, the nationwide Farm Credit System is composed of 74 borrower-owned lending associations and four wholesale funding banks — AgFirst Farm Credit Bank, AgriBank, CoBank and Farm Credit Bank of Texas. Combined, these cooperatives provide more than \$238 billion in loans, leases and related services, which is over 40 percent of the credit extended to U.S. agriculture. This capital helps nearly 500,000 borrower-owners succeed and grow.



# MADE FOR EARMERS, The story of Farm bredit, rural

When W.S. and Mary Smith of Grayson County, Texas, signed their loan with the Van Alstyne National Farm Loan Association (NFLA) on May 22, 1917, it is doubtful they realized they were making history.

Like many of their neighbors, the Smiths simply wanted a better deal for their farm loan than the 8 percent interest rate they were paying another lender. They found it in the 5 percent rate offered through the new lending cooperative in their rural North Texas community. And in so doing, they became the first Farm Credit borrowers in the original Tenth Farm Credit District — now commonly referred to as the Texas District.

Since that first loan closing nearly 100 years ago, thousands of farmers, ranchers, agribusinesses and rural homeowners have realized the value of doing business the cooperative way, with a lender as rooted in rural America as the very people and businesses that own it.

On a milestone anniversary, it is natural to tout the numbers — the loans made, the growth in service lines, and the capital and assets. But the real story behind Farm Credit's first 100 years resides in the stories of the people whose lives and livelihoods have been improved by this cooperative financing organization. With Farm Credit, they have fulfilled youthful dreams to start a farm, if only someone would give them a chance. They have raised families in country homes that other lenders thought too

unconventional. They have found a financing partner who could see their vision for a new innovative market, and helped them fulfill it. They have kept family farms in the family, and rural communities vibrant.

Farm Credit is composed of people like the Schwiening family of Sonora, Texas, the first PCA borrowers in the district, who developed an outstanding herd of Aberdeen-Angus cattle. Then there are success stories like that of J.R. Canning of Eden, Texas, whom Farm Credit helped transition from a propertyless cowboy to a prosperous 125,000-acre rancher with thousands of head of livestock. Consider, also, the 21st-century success story of Brenton Johnson, who started Johnson's Backyard Garden outside Austin, Texas, with Farm Credit financing and grew it into the largest Community Supported Agriculture organic vegetable farm in the nation. It is people like these and thousands of others whose stories weave the fabric that is Farm Credit today.

Farm Credit continues to be the financial engine that has kept American agriculture running for 100 years. Its story is as diverse and evolving as agriculture itself. The cooperative credit system envisioned by Congress 100 years ago has stood the test of time. As we celebrate this milestone and look to the next, we salute the borrowers, directors and employees past, present and future who are the lifeblood of Farm Credit.

# MNRED BY FARMERS America's cooperative lender.



#### PLANTING THE SEED

Early 1900s through 1916

It is difficult to imagine how different our country was just 100 years ago. The Civil War had ended in 1865; battlefields had gradually become cornfields and pastures again; and the availability of free land through the Homestead Act of 1862 meant that even more soil could be cultivated. It was against this backdrop that the farm picture — and with it, the need for credit — began to change dramatically.

At the turn of the century, farming underwent a massive expansion. From 1860 to 1910, the number of American farms more than tripled, from 2 million to 6.4 million. Early farm mechanization required money, which was scarce in rural areas. Farm products flooded the market faster than the supply of gold needed to back American dollars, leading to a panic and calls for a banking system overhaul.

The farm population at the time accounted for one-third of the U.S. population, a sizable voice that could not be ignored by elected leaders. The farm press carried powerful clout, and editorial campaigns by farm newspapers such as Southern Farming promoted the concept of cooperative finance and, specifically, land banks in every state.

In 1908, President Theodore Roosevelt established a Country Life Commission that recommended a cooperative credit system, and soon politicians of every stripe were adopting the call for strong rural credit legislation. By 1913, three congressional commissions were studying European farm financing methods such as Germany's 140-year-old Landschaft system. Their reports led to some 70 rural credit measures introduced into the 63rd Congress, each presenting its own solution. A joint committee resolved the differences into what ultimately passed as the Federal Farm Loan Act of 1916. The compromise

legislation planted the seeds of the Farm Credit System — providing for land banks to be owned by farmers, and joint stock land banks to be owned by investors.

# ESTABLISHING ROOTS IN THE POST-WWI ECONOMY

At the same time that the newly formed Federal Land Banks (FLBs) were establishing roots, World War I was gripping the globe. Food was in demand to feed war-torn countries, and prices for agricultural products and farmland were high. By the postwar early 1920s, however, the U.S. had entered a recession, and increased production by European farmers had reduced the foreign demand for American farm goods. U.S. farm families found themselves again in financial crisis as land and commodity prices slid.



The young Federal Land Banks felt the pain, with increasing numbers of their loans becoming delinquent and many borrowers simply abandoning their farms altogether, creating a growing inventory of foreclosures. This was the environment in place when the stock market crashed on Oct. 29, 1929. The impact on rural communities was severe. Rural banks closed, effectively leaving farm families without the savings they had put away to make their mortgage payments. Farm foreclosures became a weekly ritual on county courthouse steps, and Land Bank business slowed. In just 10 years, the fledgling lenders' loan volume fell nearly 90 percent.

Complicating farmers' plight was their lack of credit sources for operating capital. Dependent on deposits, rural commercial banks had little cash to lend. Farmers often were required to pay off loans in 30 to 60 days — an unrealistic expectation for crop and livestock cycles. Once again,

federal commissions were established to research solutions. Elements of three different legislative proposals came together in the Agricultural Credits Act of 1923. The legislation established 12 Federal Intermediate Credit Banks (FICBs), to be funded by U.S. Treasury investments.

The FICBs could discount funds to commercial banks for agricultural financing purposes, as well as lend directly to agricultural cooperatives. At last, the farm industry had a reliable source of financing for maturities of six months to three years.

However, the FICBs were not leveraged to their full extent due in large part to strict requirements that farmers pay back loans shortly after harvest, rather than hold crops for the optimum market price. It would be much later, 1956, before farmers would own the banks and replace government capital with their own.

### FINANCING FOR FARMER COOPERATIVES

1930s

The concept of doing business cooperatively was nothing new for farmers in the 1930s. The California Fruit Growers Exchange — now known as Sunkist Growers Inc. — was one of the early pioneers in the movement to help farmers buy higher quality supplies at lower cost and eliminate the middleman. Cotton gin cooperatives on the Texas High Plains were operating, as was a dairy cooperative in Plainview, Texas, serving New Mexico and Texas farmers.

But dependent primarily on their own members' financial resources to invest in them, and with commercial banks hesitant to lend to them, cooperatives found it difficult to grow. In addition, marketing cooperatives faced antitrust law restrictions until the early 1920s, when the Capper-Volstead Act opened the door for farmers to cooperatively market their products. Soon President Herbert Hoover made good on his campaign promises to solve farm problems and, with Congress, formed the Federal Farm Board. The Plainview dairy cooperative was one that received funding through the board, but by the start of the Great Depression, the Farm Board had lost two-thirds of its funds.



#### leaders.

#### THE CO-OP WAY

What is a cooperative? Cooperatives, including local Farm Credit lending institutions, are businesses with certain unique characteristics. A cooperative business:

- Is owned and controlled by its members. Farm Credit's policies are set by its board members, who are Farm Credit customers elected by their fellow customers.
- Is voluntary and operates for the benefit of its memberowners. Farm Credit is driven by what's in the best interest of members, not by Wall Street.
- Takes advantage of economies of scale, by pooling buying power
- Returns earnings to members. The Farm Credit Bank of Texas and 14 local Farm Credit lending cooperatives in the Texas Farm Credit District returned \$245 million of 2015 net income as cash patronage and allocated equity to member-borrowers.

Under newly elected President Franklin Roosevelt, the remaining Farm Board funds — along with the Land Banks, Federal Intermediate Credit Banks and all other federal agricultural credit agencies — were placed under the regulation of the Farm Credit Administration, essentially forming the Farm Credit System. Joining them were 12 regional banks for cooperatives, one in each of the Land Bank districts. The Houston Bank for Cooperatives began operations in 1933.

#### TECHNOLOGY, Mechanization Come to the farm

1900s to 1930s

While credit continued to be a challenge, technology, education and mechanization were beginning to bring massive changes to farming and farm life.

In 1914, the Smith-Lever Act had created the Cooperative Extension Service to bridge the gap in information flow from

recently formed land-grant colleges to farmers in the field. As a result, farmers were exposed to new technologies, and farming methods were being shared at land-grant institutions across the country.

Farm-to-market transportation and onfarm equipment would soon see a major transformation as well. Henry Ford's Model T debuted in 1908, and Ford had more orders than he could fill. His resulting mass production techniques changed the face of industrial production, benefiting entrepreneurs such as Ed Nolt, who began large-scale production of the oneman automatic hay baler in 1939. Ford and many others had been experimenting with gas-powered tractors since about the turn of the century, and by 1920 gasolinepowered tractors were not uncommon on American farms.

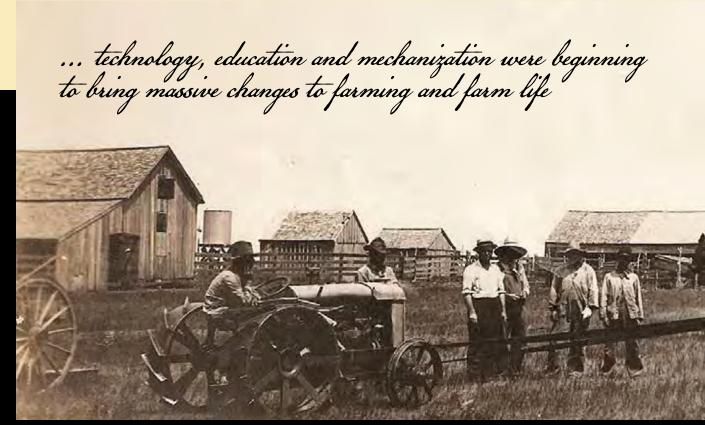
Arguably one of the most significant changes to farm life, though, came in 1936 when President Roosevelt established the Rural Electrification Administration (REA). Over the next two years, 100,000 miles of new power lines brought electricity to 220,000 farms at a cost of \$950

In 1930, 58 percent of U.S. farms had cars and 34 percent had telephones, but only 13 percent had electricity.

per home. In Texas, young congressman Lyndon Johnson led a grassroots effort to secure \$1.3 million in REA funding to construct more than 1,700 miles of Texas Hill Country power lines, the largest single loan granted by the administration at the time. In November 1939, electricity started to flow through the lines, and Pedernales Electric Cooperative soon became the nation's largest electric cooperative.

Today, agriculture requires enormous amounts of capital. Technology has revolutionized farming and agribusiness. Yet, Farm Credit has continued to rise to the challenge of providing sound, dependable credit to agriculture and rural America.

LANDSCAPES



14

# PRODUCTION LENDING CO-OPS BORN OF THE DEPRESSION

1930s

The stock market crash of 1929 exacerbated a decades-long decline in agriculture and set off the Great Depression, throwing thousands of farmers into bankruptcy and strangling the Farm Credit System's ability to finance agriculture. Farm prices plummeted, rural businesses were shuttered and numerous banks across the country closed.

With the price of cotton dropping to a record low of 5 cents a pound by 1931, many farmers could no longer survive on farm income and moved to the city. But nonfarm jobs were scarce. In Alabama alone, nonfarm employment fell 15 percent between 1930 and 1940.

In the Texas Panhandle, northeastern New Mexico and elsewhere in the southern Great Plains, powerful dust storms engulfed a region that would become known as "The Dust Bowl," exposing the soil where native grasslands had been cultivated for wheat crops. Thousands of families packed up their meager belongings and left seeking work elsewhere, having lost their crops, their livestock and their land.

In 1933, Congress passed two laws affecting the future of Farm Credit. One piece of legislation authorized the Land Banks to issue up to \$2 billion in U.S. Treasury—guaranteed farm loan bonds to make new mortgage loans and to refinance existing farm mortgages. The other revamped the Federal Intermediate Credit Banks and established a short-term credit delivery system through locally owned Production Credit Associations (PCAs).

As producers discovered the benefits of doing business with a financing cooperative that they owned — and that truly cared about their success — Farm Credit became the trusted financial partner of generations of rural Americans.

By 1968, all of the Farm Credit System lending entities had repaid their federal capital debt and were completely owned by their borrowers.

Farm operating capital
was in high demand
from the Depression
through World War II.
The nation's Production
Credit Associations
made loans totaling
\$107.2 million in
1934 and \$614.6 million
in 1946.



SUMMER 2016 15

### PRODUCTION FOR WAR YEARS

1940

Three days after the bombing of Pearl Harbor, officials of the Banks for Cooperatives met in Washington, D.C., as the entire Farm Credit System prepared to fight inflation and feed a nation at war. The United States' entry into World War II brought new priorities for Farm Credit: keeping farming and ranching as efficient as possible, providing the cooperative credit necessary to produce processed foods and other war materials, and restraining any land boom that might result from wartime inflation.

Production Credit Associations and the Banks for Cooperatives were called into action to finance crops that were in short supply. They reminded members that, for the duration of the war, they were "soldiers of the soil." Across the country, PCA-sponsored Victory Calf and Pig Days marketed much-needed meat with payment in War Bonds. During the war years, PCA financing grew little due to the short supply of farm equipment. However, business at the Banks for Cooperatives grew more than 100 percent, reflecting cooperatives' ability to meet farmers' needs for scarce farm supplies.

Land Bank employees' expertise was called into action, as well. The federal government acquired farmland and ranchland for wartime uses — training camps and artillery ranges, air bases and ammunition dumps.

Land Bank staff appraised the properties, and after the

war they led the effort to return more than 1 million acres of surplus land to its former owners, veterans, government entities and nonprofit groups.

By 1945, U.S. agriculture was prospering, and Farm Credit was finally recovering from the Great Depression.



President Dwight D. Eisenhower signs the Farm Credit Act of 1953.

# POST-WORLD WAR II: INDEPENDENCE AND ENTREPRENEURSHIP

1950s and beyond

By the early 1950s, Congress and President Dwight D. Eisenhower were lending support to a decade-long effort to make the Farm Credit Administration an independent agency and bring Farm Credit closer to the cooperative ideal. The Farm Credit Act of 1953 gave Farm Credit members more power to elect their leadership, and instructed Farm Credit to plan for full borrower ownership.

In addition, the legislation moved the Farm Credit System's policy oversight

function from the U.S. Department of Agriculture to an independent, membernominated Federal Farm Credit Board. One of the new board's initial tasks was to present Congress with a plan to make farmers the full owners of the System by replacing government capital with farmerowned capital. Many years later, Texas made its own unique contribution to the board when, in 1994, Marsha P. Martin, former Farm Credit Bank of Texas senior vice president of public affairs, became the first woman to head the Farm Credit Administration.

Under the leadership of the new board, the number of farmers and cooperatives served by Farm Credit grew rapidly, as did loan volume. The farmers, ranchers, agribusinesses and cooperatives that made up



the member-owned lending network composed what Farm Credit Board Chairman Marvin Briggs claimed to be the largest cooperative organization in the world.

In the Tenth District, Farm Credit had taken on an air of permanence and power, symbolized by the imposing edifice of the bronze-trimmed limestone Federal Land Bank Building at 430 Lamar Street in Houston, Texas, also home to the Federal Intermediate Credit Bank of Houston. By 1979, the banks' names were changed from Houston to Texas, more accurately reflecting their service territory. Rapid loan volume and personnel growth created the need for more office space. The banks sold their Houston property for \$47.5 million during the height of the Houston real estate boom, a record price per square foot in Houston's real estate history. The funds were largely reinvested in a new headquarters in Austin in 1982, with the remainder injected into the banks' capital and lending operations.

### INNOVATING AND SETTING PRECEDENTS IN LENDING

1960s and beyond

The 1950s and 1960s formed a period of industry transformation heralded by new farming methods, technological advancements and equipment innovations. During this Second Agricultural Revolution, equipment brought efficiencies and speed to tasks once done by farm labor. The labor force dwindled, while the capital needed to run a farm or ranch increased. Farm Credit was there to fill the growing needs of an evolving industry.

Farm Credit set the precedent for many lending practices and products later adopted by commercial lenders and today considered commonplace. Credit life insurance was one such innovation, as was the practice of amortizing loans. Before Farm Credit, farm mortgages extended three to five years at most, at which time all principal was due. Commercial farm mortgages created a continual need for farmers to renew their loans, with costly renewal fees every few years and no certainty of success. In contrast, Federal Land Bank Associations offered loans up to 40 years, annual or semiannual payments, and options for amortizing the debt.

Likewise, truth-in-lending policies were a part of Farm Credit lending processes long before the public demanded truth-in-lending laws for all lenders. PCAs introduced the idea of lines of credit to farmers, unheard of at the time. Recognizing farmers' needs for longer term loans, PCAs also introduced intermediate-term financing for major capital expenditures.

Even the basic tenets of loan evaluation, which today all types of lenders rely upon for credit decisions, originated through Farm Credit. The "5 Cs of Credit" can be found in early Farm Credit loan officer training handbooks. They stress the importance of evaluating the key elements

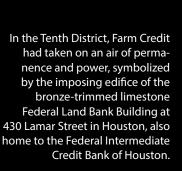
of an applicant's character as much as his or her capacity to repay the debt, collateral, capital and conditions surrounding the loan.

### FARM CREDIT EXPANDS TO MEET A CHANGING MARKET

1970s and beyond

By the early 1970s, with government capital repaid and ownership fully in the hands of farmers and ranchers, Farm Credit member-owners began to study ways to meet the rapidly changing credit needs of the agricultural industry. Thousands of individuals and groups weighed in with ideas and suggestions. Among the recommendations were several consistent themes:

- Continue to serve farmers and cooperatives while making credit available to farm-related businesses and competent young farmers
- Help keep rural America healthy by financing nonfarm needs such as rural homes and utility systems
- Employ credit standards, reliable funding sources and cooperation among individual Farm Credit entities to ensure a strong financing system





SUMMER 2016 17

The input of the nation's farmers, ranchers and agribusiness leaders was heard, and Congress passed the Farm Credit Act of 1971, dramatically broadening the System's ability to serve agriculture and rural America. Three amendments to the act in 1980 further expanded the System's lending authority, providing for the creation of service organizations and recognizing young and beginning farmers' credit needs.

For the first time, PCAs and FLBAs could make nonfarm rural home loans. They could now serve commercial fishermen — who within only four years would borrow \$37 million. They could offer credit-related services and lease financing. And, they created new programs to help young, beginning and small operators establish equity, credit history and viable farming operations. Today, the Farm Credit System

At the end of 2015, the Farm Credit System had nearly 188,700 loans outstanding to young farmers, totaling \$27.1 billion. has over \$27 billion in loans outstanding to farmers age 35 and younger.

The expansion marked yet another milestone in Farm Credit's history of adapting to the changing needs of the nation's food producers and marketers. What once had been an underserved market with few reliable, affordable commercially available options now had a full-service rural and agricultural financing source owned and led by farmers themselves.

#### THE CONSOLIDATION YEARS

1980

The 1970s were boom years for American agriculture and for Farm Credit. Agricultural exports — and in turn, farm incomes and commodity prices — soared as trade barriers were lowered. The expanded lending authorities granted to Farm Credit in the 1971 act, coupled with low interest rates, led to more loans for farmland purchases to farmers who were counting on continued strong markets and low rates.

By the early 1980s, however, a severe global economic recession brought the boom to a halt. Farmland values dropped by more than half in some regions, and overproduction forced farm commodity prices down. Commercial banks, too, were struggling. As the prime rate rose to 20 percent in the 1980s, bank failures escalated. By 1982, the Federal Deposit Insurance Corp. had spent \$870 million to purchase bad loans as it tried to keep banks afloat.

Farm Credit likewise began to experience serious problems. Farm foreclosures made near-daily headlines. In the midst of this extended farm debt crisis, Congress passed the Agricultural Credit Act of 1987, authorizing up to \$4 billion in federal loans to the System, while requiring it to reorganize to become a leaner, stronger cooperative financing organization.

Under pressure from the ongoing farm crisis, many Farm Credit entities already were consolidating to achieve increased efficiency — among them the Tenth Farm Credit District banks. In July 1984, the three Texas banks announced plans to become the Farm Credit Banks of Texas under single management. Within six months of the 1987 act's passage, each district's Federal Land Bank and Federal Intermediate Credit Bank, except in the Jackson District, merged to become a Farm Credit Bank, combining the long-term and short-term lending functions together.

In the Jackson Farm Credit District, the 1980s farm debt crisis hit the Land Bank



As agriculture has changed, Farm Credit has kept pace. Today Farm Credit provides financing for equipment, agribusiness operations and other credit needs.



especially hard, eventually leading the Farm Credit Administration to place the bank in receivership in 1988. In February 1989, the Farm Credit Bank of Texas paid \$1 billion to purchase approximately 17,000 loans from the FLB of Jackson in Receivership, extending the Texas bank's charter to provide long-term credit in Alabama, Louisiana and Mississippi.

The last remaining FICB, the FICB of Jackson, merged with the Farm Credit Bank of Columbia, later renamed AgFirst Farm Credit Bank.

Soon, stockholders of the Texas Bank for Cooperatives voted to join with 10 other banks for cooperatives to form a single Bank for Cooperatives to serve the nation's agricultural cooperatives. CoBank was created in 1989 with \$12 billion in assets, \$9 billion in loans outstanding and \$807 million in capital, and in 2012 merged with U.S. AgBank.

In 1990, the Tenth District expanded to New Mexico, when member-borrowers of Albuquerque Production Credit Association voted to re-affiliate with the Farm Credit Bank of Texas as their association's funding source. Two additional New Mexico PCAs soon followed suit, as did Northwest Louisiana PCA.

# PREPARING FOR THE FUTURE

1990s to 2000s

The 1990s began an extended period of merger mania in corporate America, as businesses looked for competitive advantages and greater corporate earnings. Commercial bank mergers were rampant, and other large corporations joined forces as well.

In Farm Credit, the 1987 act had opened up new opportunities for member-borrowers to also choose new structures and alignments to best meet the needs of local farmers, ranchers and agribusinesses. In addition to directing the mergers of FICBs and FLBs in each Farm Credit district, the act authorized the voluntary mergers of Production Credit Associations with Federal Land Bank Associations. The resulting organizations, Agricultural Credit Associations, or ACAs, became direct lenders with two wholly owned subsidiaries:

Federal Land Credit Associations (FLCAs), charged with making real estate loans, and Production Credit Associations, responsible for operating and intermediate-term production loans.

The advantages of integrating lending operations into a full-service business made immediate sense to Farm Credit's owners, its borrowers. Within less than a decade, most PCAs and FLBAs had adopted the ACA parent structure as the most efficient way to meet members' credit needs and related financial services.

From the mid-1980s to today, the makeup of the Texas Farm Credit District has changed dramatically. Over that time, its farmer-borrowers transformed dozens of PCAs and FLBAs into 13 ACAs and one FLCA. Today the Farm Credit Bank of Texas provides loan funds and services to these 14 retaillending co-ops and two Other Financing Institutions across Alabama, Louisiana, Mississippi, New Mexico and Texas. In turn, these lenders make loans for rural real estate, agribusiness and agricultural production, just as they have for nearly a century.



## FINANCING FOR AN EVOLVING INDUSTRY

2000s to present

By the early 2000s, a stronger economy with rising farm prices and incomes — as well as the federal emergency capital provided in 1987 — had helped stabilize the Farm Credit System. Twenty years after the peak of the farm debt crisis, the Farm Credit System had repaid — with interest — all of the federal capital provided during the emergency, returning it to full borrower-owned status.

Rural America and agriculture have undergone tremendous changes. Agricultural operations today are fewer in number but larger, with increasingly complex financing needs. Technology and equipment to run efficient agribusinesses is costly. Consumers demand a wider variety of food choices, from organics and grass-fed livestock to seafood and local wine, creating new revenue sources for agricultural producers. Rural communities are challenged with maintaining infrastructure to support an aging and shrinking population tax base. At the same time, rising incomes and changing lifestyles have

attracted new landowners to niche farms, rural property and country homes.

This new rural America needed a financing partner that understood these changes, and could adapt to meet them. In 1990-91, Congress asked Farm Credit to play a greater role in financing agricultural marketing and processing, as well as financing water and waste disposal systems in rural communities. The Farm Credit Bank of Texas expanded its involvement in the capital markets arena, participating with other lenders in large loans in the food, agribusiness, rural utility and rural telecommunications sectors.

For the past several years, Farm Credit's share of the agricultural market has continued to grow and now accounts for about 40.7 percent of the nation's farm business debt. Today the \$21 billion Farm Credit Bank of Texas and its 14 affiliated lending cooperatives compose the single largest rural lending network serving Alabama, Louisiana, Mississippi, New Mexico and Texas

As it has done for 100 years, Farm Credit continues to adapt to the evolving needs of agriculture and rural communities with creative, reliable, competitive financing. 

SD

Today the \$21 billion Farm Credit Bank of Texas and its 14 affiliated lending cooperatives compose the single largest rural lending network serving Alabama, Louisiana, Mississippi, New Mexico and Texas.



# MADE FOR FARMERS,



# OWNED BY FARMERS

# History in the Making District's First Land Bank and PCA Loans

District's First Land Bank and PCA Loans
Changed Lives for the Better

ooking back at Texas (Tenth) Farm Credit District history, two dates stand out:

- On May 22, 1917, the first Federal Land Bank loan in the district was made to W.S. and Mary Smith of Grayson County, Texas, by the Van Alstyne National Farm Loan Association.
- On Feb. 20, 1934, the district's first Production Credit Association (PCA) loan was made to Alfred and Callie Schwiening of Sonora, Texas.

Whether or not these two couples knew that they were pioneers in a new cooperative lending system, they did know that they were getting better financing than they could get elsewhere. Here are the stories of how Farm Credit made a difference in their lives.

#### W.S. and Mary Smith

#### Couple Saved \$3,000 by Borrowing From Farm Credit

The Federal Land Bank (FLB) of Houston was barely six weeks old when the Smiths refinanced their farm mortgage with a Land Bank loan through their even newer Farm Loan Association.

Although not much is known about the Smiths, it is known that their loan was for \$10,000 at an interest rate of 5 percent — the rate established by federal statute.

In 1927, FLB of Houston President M.H. Gossett commented on this rate and touted the benefits of Farm Credit, using Smith as an example. "Looking back over our accomplishments in the past 10 years, it is only natural to see what has really been done by this cooperative for the farmers and ranchers of Texas," said Gossett. "The low interest rate we offered the first borrower, W.S. Smith, was strictly an innovation in this country, at least 3 percent less than the borrower could obtain the money elsewhere.

"Mr. Smith had been paying 8 percent interest," Gossett continued. "In his 10 years with Farm Credit, he made a savings of \$3,000 on his loan."

After W.S. Smith passed away in 1926, Mary Smith continued to hold the loan, and in November of 1942 posed for a photograph with Frank J. Wible, who closed the 100,000th Federal Land Bank loan in Texas. The photo and story appeared in the Land Bank Exchange, a publication of the FLB of Houston, in celebration of its 25th anniversary.



W.S. Smith



In the picture above, Mr. Wible, member-borrower No. 100,000 in Texas, is seated beside Mrs. W. S. Smith, who lives on and owns the farm upon which loan No. 1 was closed by her late husband 25 years ago.

Photo from an article in The Land Bank Exchange, November 1942

#### **Alfred and Callie Schwiening**

#### PCA Loan Helps Family Keep Ranch for Future Generations

As rancher Darla McKissack looks through the glass doors off her kitchen, what she sees is not just a view of her ranch but a view into her past. While she watches her sheep gathering to drink water, and below that beholds a beautiful field stretching across the horizon, she sees what her parents and grandparents worked so hard to keep for future generations.

But what McKissack *also* sees is a view of history in the making — her grandparents, ranchers Alfred and Callie Schwiening, took out the first PCA loan in Texas in 1934. A year earlier, the Farm Credit Act of 1933 had been passed to help struggling Depression-era farmers by organizing PCAs to deliver short- and intermediate-term farm and ranch loans.

Interviewed by Production Credit News in 1943, Alfred spoke of how the PCA had helped his farm.

"We feel more secure and more able to face hard times than ever in the past," said Alfred. "We well remember the trying times of 10 years ago when it looked as though all of us were doomed to fail for lack of proper financing. By being able to get money through the Production Credit Association, our business was saved."

#### The Schwienings' History

Alfred and Callie married in 1910 and began ranching on the Sutton County, Texas, property that Callie inherited from her father, George Allison, along with his 1906 home. They raised purebred Aberdeen-Angus cattle and Rambouillet sheep; fenced off 150 acres for a deer park; and reared "seven fine children," according to the Production Credit News article.

When the grandparents passed on in 1977, they left the property divided amongst their children, and Kathleen, McKissack's mother, got the section known as 10-Mile Place. Alfred and Callie also donated property on the Llano River to the county so that the community would have a place for recreation — Camp Allison County Park, which remained open to the public until about six years ago.

The Schwiening children went on to produce 15 grandchildren, four of whom still ranch on the property today. In 2010, McKissack inherited her mother's and grandmother's home and 10-Mile Place, where she raises black Angus cattle, Rambouillet sheep and Spanish goats.

#### It's Still All About Relationships

In the Production Credit News article, Alfred spoke of the good relationship he and his family had from the beginning with the PCA.

"That day [nearly] 10 years ago and ever since, we have found it a real benefit and pleasure to be one of the borrowers and stockholders," said Alfred. "The directors, manager and office personnel have our highest praise due to their splendid efforts, business management and advice, and cordial relations."

Coming full circle to today, McKissack notes her own ties to Capital Farm Credit, where she and her husband are customers.

"I did not know that my grandparents were the first PCA borrowers," says McKissack. "And while I was receiving that news from Becky Allison in Capital's Sonora office, my husband and her husband were having breakfast together!"

#### **A Family Legacy**

McKissack says she is still going through all the memorabilia in her historic home — and is always finding reminders of her parents, grandparents and great grandparents, including old photographs and treasured handwritten

cookbooks.

Continuing a tradition that goes back to Alfred's time, the family — which now includes 21 great-grandchildren — holds

reunions each year during the second weekend in June. The gatherings are always held where, back in the day, Alfred poured concrete for a dancing area just across the road from Camp Allison — where the family had great food and music which they paid for, says McKissack, by "passing the hat."

Surely Alfred and Callie are smiling down on the latest generation, realizing that this legacy would not have come to fruition without that first PCA loan.



was featured in Production Credit News, December 1943

### PASSION FOR PRESERVATION

In the span of one century, rural America witnessed the amazing evolution of agricultural equipment.

Today, Farm Credit customers across the country are helping to preserve this history by collecting and restoring machines that moved the industry from horses to horsepower.

Harvey Gully and his 1919 Case 15-27 cross-mount The late Harvey Gully proudly posed with his 1919 Case 15-27 cross-mount tractor for the winter 1999 issue of Landscapes magazine. His sons Stanley and Leonard have kept this rusty but restored tractor in the family.

sk farmers if they like antique tractors and farm machinery, and you may get a puzzled look. You might as well ask why the sky is blue. For some, it's simply a part of the vocation that is difficult to explain.

"I think farmers are passionate and have a caring heart for what they work with," says Dan Taylor, an AgTexas Farm Credit member and president of the Bayer Museum of Agriculture in Lubbock, Texas. "We [farmers] are bonded to the equipment that we use out on the farm and simply have a major love for it. These machines are sort of like animals. You don't want to mistreat them. The equipment is a part of you, a part of your occupation. You develop a real bond, and later the equipment becomes such a novelty to you that you want to keep restoring it."

For some antique equipment lovers, their hobby is all about nostalgia. They appreciate the opportunity to own and operate tractors that they envied when they were younger, or perhaps they still have an old tractor that their father or grandfather purchased "back in the day."

Vintage iron workhorses also inspire an appreciation of modern methods and technologies that allow agriculture to be vastly more productive and efficient.

"When I'm riding on one of these old tractors in a parade, I often think what it would have been like to have spent 12 to 14 hours a day in that old seat," says Cody Gruhlkey, a Capital Farm Credit customer from Kress, Texas, who with his dad, Perry, owns and restores antique tractors. "Today, if the auto-steer goes out on our tractor, we think we have to go to the house. They were real farmers back then."

#### **A Family Tradition**

Other enthusiasts use their hobby as a tool to share their love of farming and machinery with a younger generation.

"I bought my first Farmall Cub tractor with the intention of teaching my grandchildren how to work and to raise a garden," says Jodie Perry, a Louisiana Land Bank customer from Monroe, La. "It's given them an interest in old machinery and provided us a common interest."

Similarly, three generations of the Gully family from Rowena, Texas, have collaborated to bring old equipment back to life.

"It's a great family tradition that we really love to carry on," says Central Texas Farm Credit customer Stanley Gully. "When my kids were young, they would help Grandpa (Harvey) in the barn. There's not too many hobbies where grandpa, son and grandkids can share an interest in the same thing."

Whatever their motivation, numerous farmers love to share their enthusiasm for antique equipment with others, even as they embrace the latest technology.

Landscapes salutes the following Farm Credit customers for their dedication to preserving and maintaining machines from past eras. 

GL



This rare 1915 International Harvester Titan 12-25 tractor is the centerpiece of the extensive collection of farm machinery, implements and tools housed at the Bayer Agricultural Museum in Lubbock, Texas.

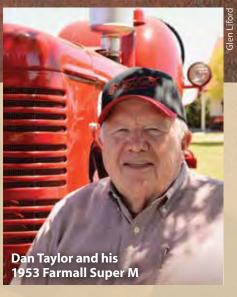
Costing \$900 when it was new, the Titan 12-25 was primarily used as a traction engine to pull plows and power belt-driven units such as threshing machines.

This particular four-cylinder, 575 RPM model was sold by Egenbacher Implement Co. in Knox City, Texas, and used on the McFadden Ranches in southeast Texas. It's conceivable that it could have been purchased late in 1915 and put to work for the first time in 1916, the year Farm Credit was established.

The Titan was restored by Cody and Perry Gruhlkey and fellow Bayer Ag Museum volunteer Red Rivers and sponsored by Dan and Linda Taylor. Restoring such a rare model proved challenging, says Cody, because factory and field photos of the Titan were scarce. For reference information, he turned to tractor enthusiasts in International Harvester clubs.



1941 John Deere Ll



This 1953 Farmall Super M owned by Dan Taylor of Ropesville, Texas, is like one that belonged to his father. It was restored by Early Iron Restorations in Mount Pleasant, Texas, and is among several tractors that Dan owns.

"You learn not to keep them in the same place," he says with a mischievous smile. "That way your wife can't count them."

A 1941 yellow John Deere LI tractor is one of the rare pieces in Dan's extensive collection of tractors and farm equipment. The "I" stands for industrial use, as opposed to the maker's agricultural tractors. It was used by the Ohio Highway Department for mowing.

Not all of Dan's tractors are in running order. A steel-wheeled 1929 Farmall, for instance, decorates his backyard.

Vic Coker of Muleshoe, Texas, counts himself fortunate to own the John Deere A that his dad purchased new in 1936 in trade for five mules and three horses. A friend restored the engine, and Cody Gruhlkey completed the cosmetic restoration for Vic, who is a former Capital Farm Credit director now serving on the Bayer Museum of Agriculture board.

A 1936 two-row planter, now affixed to the tractor, and a two-row cultivator were part of a package purchased by Vic's father. Vic plans to restore a matching John Deere A and attach the cultivator to it.

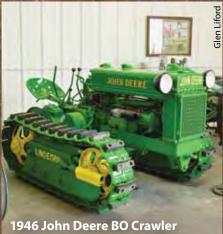
The 1962 Ford is one of 12 vintage tractors in Vic's collection. It was picked by his wife, Judy.











Cody Gruhlkey and his dad, Perry, have a collection of nearly 65 antique tractors. While many of them have been restored, others are tucked away in sheds and barns awaiting their turn.

"I'm always looking for just one more," says Cody, who began restoring tractors while still in high school. He worked after school and on Saturdays for the Massey Ferguson dealer in Plainview, Texas, where he learned many of the techniques he uses today.

Cody says that a John Deere BO crawler, customized by Lindeman, is the most unusual item in his vast collection. One of only 1,600 manufactured, it was used in a walnut grove in Stockton, Calif. The machine is based on a John Deere BR tractor, and has features exclusive to machines designed for use in orchards.

There's no comparison between the production ability of Cody's modern John Deere 9560R tractor and vintage machines like his 430 model, circa 1959, of which only 68 were built.

He has collected shelves full of rare parts that he uses in his restoration work.

Jodie Perry, left, and Clete Verhoff

Ca. 1930 John Oliver Red River Special threshing machine

Jodie Perry of Monroe, La., and the Verhoff brothers,
Clete and Mark, of Selma, Ala., recently restored an
Oliver Red River Special threshing machine manufactured between 1929 and 1931. The vintage
machine was part of an old-time threshing
demonstration near Elmore, Ala., in May.

"It's been a challenging project,"
says Jodie. "Some of the parts are
difficult to find, and the project
has challenged our mechanical expertise as well." Forced
to become "pretty good
tinsmiths," he says the trio
learned to fabricate and
crease body panels and
were fortunate to track
down rare parts, such as
external pulleys made of
paper by only one company.

LANDSCAPES

Dan Taylor's 1953 Farmall Super M



Bayer Ag Museum exhibit

### WHERE TO SEE ANTIQUE EQUIPMENT

If you enjoy old farm equipment, visit some of the museums and antique equipment events showcasing artifacts from agricultural history. Here are just a few places in the Texas Farm Credit District where you will find antique equipment on exhibit:

#### **ALABAMA**

- Landmark Park, Dothan landmarkparkdothan.com
- Pioneer Museum of Alabama, Troy pioneer-museum.org

#### **LOUISIANA**

 LSU Rural Life Museum, Baton Rouge – Isuagcenter.com/portals/burden

#### **MISSISSIPPI**

 Mississippi Agriculture & Forestry Museum/ National Agricultural Aviation Museum, Jackson – msagmuseum.org

#### **NEW MEXICO**

 New Mexico Farm & Ranch Heritage Museum, Las Cruces – nmfarmandranchmuseum.org

#### **TEXAS**

- Agriculture Heritage Museum, Boerne agmuseum.us
- Bayer Museum of Agriculture, Lubbock agriculturehistory.org

To find antique equipment shows by date and location, check out these sources:

- Farm Collector Show Directory farmcollectorshowdirectory.com
- Tractor Shows Calendar antiquetractorblog.com/calendar-2

#### HANDS-ON LEARNING

FFA Member Matt Mahler Wins National Restoration Award



Matt Mahler with his restored 1972 John Deere 4320 diesel

Preserving the past is not the only reason to restore old tractors. For Matt Mahler of Iowa Park, Texas, tractor restoration has sown the seeds for a promising future.

Mahler, the son of Capital Farm Credit customers Barry and Sheri Jo Mahler, was recognized for his restoration skills last fall when he took home grand champion honors in the 2015 Chevron Delo Tractor Restoration Competition at the national FFA convention in Louisville, Ky.

It was the fourth time that the outgoing young man had qualified for the prestigious competition, but it was his first grand champion win, and it came with a check for \$10,000.

For 20 years, the Delo tractor competition has recognized high school–aged tractor restoration experts from across the country. The young participants develop skills in equipment mechanics, teamwork, project management, budgeting and planning that will help them transition to agricultural leaders.

#### The Perfect Project

Mahler won for his restoration of a 1972 John Deere 4320 diesel, which was his project in the Iowa Park High School FFA program last year. Previously, he restored a 1955 Ford 850, a 1976 John Deere 2240 diesel and a 1970 John Deere 4020 diesel.

The moment he discovered the 4320 in a used tractor yard, he knew it was a perfect candidate for his FFA project.

"It was near the end of its run," he says. "It had nearly 8,000 hours on it, and it was in rough shape."

#### Over 700 Hours of Work

Mahler figures that he spent more than 700 hours bringing the tractor back to showroom condition. The job involved mechanical, wiring, paint and body work, and required disassembling nearly every piece of the machine and refurbishing it to like-new condition.

He credits his agriculture teacher, Alan Reed, his dad, Barry, and his brother Braden for cultivating his love of tractors and the restoration process.

"I gained skills every year from each project," says Mahler. "Each year, I did more and more on my own. But the community as a whole was a big help. This project was probably more applicable to working on modern equipment, since the tractor was a newer model."

Mahler currently works as an equipment salesman at Star Tractor in Fort Worth, Texas, and attends Vernon Regional Junior College. He hopes to later transfer to Stephen F. Austin State University and use his \$10,000 Chevron Delo award to pursue a degree in agricultural mechanics. ■ GL

# America has changed tremendously over Farm Credit's first 100 years.

#### **Matters of Life and Death**

Life expectancy for men women

49.6 54.3 years in 1916 76.4 81.2 years in 2014

#### Average U.S. Family Size

Children in 1900, when one

in five children died during the first five years







#### **Earning a Living**

6.4 million farms on 878.8 million acres. By 1930, **30%** of farmers worked off the farm.

In 2012, 3.2 million farmers operated 2.1 million farms on 914 million acres. By 2002, 93% of farm households had off-farm income.

#### **Rural Population**



Portion of the 92.2 million

Americans in 1910



Portion of the 308.7 million Americans in 2010

#### **Specializing in Efficiency**

Average commodities produced per U.S. farm











#### **Start Your Engines**

15 million+ Ford Model Ts sold from 1908-1927 Light vehicles registered in the U.S. in 2014



Tractors in the U.S. **920,000** in 1930 5 million

#### **Horse Power**

**26.5 million** U.S. horse population at its peak in 1915



**3.6 million** Horses owned by U.S. farmers and ranchers in 2012

#### A Modern Workhorse

The first successful gasoline-powered tractors were introduced in the early 1900s, followed by self-powered combine harvesters in the 1930s. Henry Ford and Son Inc.'s mass-produced 20-horsepower tractor — later known as the Fordson debuted in 1917 for \$750, more than \$16,000 in today's dollars. As tractors replaced horses, pasture was freed up for crop production.

> Today tractors typically cost \$25,000 to \$50,000 for a model with 30-75 horsepower, and \$75,000 to \$150,000 for 100-150 horsepower.

Technologies such as GPS systems, computer monitoring and self-steer programs have boosted efficiency, automation and precision.





**Farm Real Estate** 

Value of land and buildings

**\$43 per acre** in 1915 \$3,020 per acre in 2015

#### Cost of a First-Class Stamp

49 cents 2 cents in 1916 today Liberty

#### **Feeding the Nation**

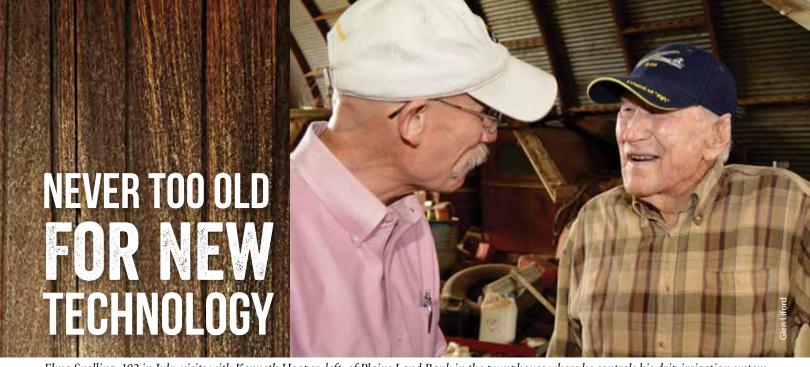
People one U.S. farmer could feed at the start of the 20th century



People one U.S. farmer can feed today. About 1.4% of the population works in agriculture, producing more than the rest can consume.



SOURCES: Centers for Disease Control and Prevention | CostOwl.com | Farm & Food Care Foundation | The Henry Ford | "Horses and Horsemanship" (M.E. Ensminger, 1969) Pew Research Center | Time Inc. | University of California, Riverside | U.S. Bureau of Labor Statistics | U.S. Census Bureau | U.S. Department of Agriculture | U.S. Department of Transportation



Elmo Snelling, 102 in July, visits with Kenneth Hooper, left, of Plains Land Bank in the pumphouse where he controls his drip irrigation system.

his July, when the Farm Credit System marks its 100th anniversary, Elmo Snelling of Edmonson, Texas, will celebrate an even greater milestone, his 102nd birthday.

The West Texas cotton and row-crop farmer and former Plains Land Bank customer may be one of the few active farmers who has been around for the entire existence of the System, and actually lived through the Depression, the Dust Bowl and the drought of the 1950s.

Snelling still owns his very first tractor, a restored 1941 John Deere Model A, and he continues to use a well-maintained 1950s-era Farmall Cub as his spray tractor.

"We didn't think about saving these for a collection," he says, while giving Kenneth Hooper, senior vice president of Plains Land Bank, a tour of his operation. "We just needed them to work with."

But Snelling, who prefers to use his modern Allis Chalmers 7080, doesn't dwell on the past. Instead, this centenarian embraces the latest farming technology.

I don't think I would enjoy doing the whole thing anymore, but I would like to make four bales [of cotton per acre] this year."

- Elmo Snelling

"It's much easier to punch a button than move that pipe," he quips. "I'm getting weaker but wiser."

Snelling reports that he saw a considerable spike in yield after the underground drip system was installed.

"I don't think a person should just turn it on and let it go," he says. "You need to conserve all the water you can. If it's not paying off, then shut it down."

As welcome rain clouds loom on the horizon, Snelling is pleased to take a break from chores to show Hooper the irrigation controls and discuss some of the changes he has seen over his career.

There may be less spring in his step these days, but determination and resolve are evident in his eyes. Although he has scaled back his operation, leasing most of the land under the center pivots to a neighbor, he continues to farm three of four corners.

"I still enjoy getting out on the tractors," he says. "I don't think I would enjoy doing the whole thing anymore, but I would like to make four bales [of cotton per acre] this year."

Snelling has lived more than half of his life in the Texas Panhandle. He and his wife, Eva Mae, moved to the South Plains from Oklahoma in 1949. Here, they earned a living from the land, raising two boys and two girls. Sadly, Eva Mae passed away in 1999, but his son Guy still farms nearby.

At one time, Snelling had 93 head of cattle on the farm, but the animals were taking land, time and attention away from the crops. He decided to concentrate on what he loves best — planting crops and watching them grow.

"What are the most significant changes that you have seen during your career?" asks Hooper, as Snelling leans in close to hear him better.

For a few moments Snelling struggles to answer. There have been so many changes in farming over the century — improvements such as computer technology, more efficient equipment, and better seed, fertilizer and chemicals, all things that have contributed to his farming success and made some of his work more manageable, he says. But he finds it difficult to pinpoint just one.

Finally, Snelling has an answer. "From the time that Woodrow Wilson signed the Farm Credit Act until this present time, there have been so many people whose lives have been improved by those services and the role the cooperative has played," he says. "I know I have been blessed. I was extended a loan, and it allowed me to improve my well-being. It kept me going and allowed me to pursue my chosen occupation.

"I've had a good life and I appreciate every day that the good Lord gives me," he adds. 

GL

29

tion system on his farm west of Plainview — water-saving technology that many farmers half his age have not invested in.

At age 95, Snelling installed a drip irriga-

#### The NFLA Land Bank Worker

Sometimes I look across my desk
At loans and debts and notes and things
And wonder how
In my small way
I'm adding to the things in life
That make this world a better place
In which to live

And then from out the void of files
And scribbled notes and rules and laws
There comes a rough-hewn page
Of written script, a message
Brief and to the point, but straight and true
And, in its simple kindly way, honest
As the day is long

It seems we'd made a loan some years ago
To help a farmer buy his land
And when Depression struck its hard and bitter blows
We kept our eyes straight forward
And plugged along
While he had worked and done his honest best
To hold his home

And now, it seems that years have passed
And this good man, whom I have never seen
And never met has paid his debt in full
And in the new blush of his pride and joy
He writes this scribbled note
And puts his thanks in words quite incomplete to show
The fullness of his heart

And as I read beneath the penciled lines
Of years of toil and tears and pain and sweat
It took this man to reach his goal
A new dawn burst for me as well
For here, from out the mass of lifeless files
There sprung a life's ambition
Made complete

- Anonymous

Reprinted from the Federal Land Bank of Houston newsletter, Land Bank Exchange, Nov. 29, 1941



## Called to

#### Longtime Employees, Directors Share Why They're

or many Farm Credit employees and directors, working for their cooperative lender is more than a job. It's an opportunity to serve the people who put food on our tables and clothes on our backs. It's been that way for decades, as the poem at left attests.

Even after a century, in this age of frequent job-hopping, it is not uncommon for employees to make Farm Credit their longtime vocation. In fact, the 33 employees who retired in the Texas District in 2015 had an average tenure of 28 years, almost quadruple the national average of 4.6 years that wage and salary employees stay with their employer.

Landscapes asked a few past and present staff and board members what makes Farm Credit special.

I had fun every day! I have a million stories that confirm the joy of serving others and the lasting relationships we developed at Farm Credit. When I attended the funeral of one dairy farmer, I was surprised to see he was wearing the orange and blue PCA feed cap in his casket. His brother, also a dairyman, asked, 'When I die, you aren't gonna make me wear one of

them caps, are you?' Later I served as a pallbearer at *his* funeral — and he didn't wear the cap."

- Mitchell Harris
 Retired CEO
AgTexas Farm Credit, Lubbock
 43 years with Farm Credit

In 2005, Hurricane Katrina damaged crops, homes, barns and livestock. A lot of calls came in from borrow-

ers. I already knew I was working for a good place, but it really hit home when Farm Credit gave them time and money to rebuild."



 Newana Evans Senior Loan Administrator
 Southern Ag Credit, Hattiesburg, Miss.
 42 years with Farm Credit

# Serve Agriculture

So Passionate About Farm Credit

I enjoyed helping people expand. One young dryland farmer leased a good-sized irrigated place and wanted to try growing corn, which is unforgiving. I suggested he start with just 50 acres. He was busy harvesting wheat when it came time to

irrigate the corn, and the corn yielded half of what he expected. Today he's a great farmer and a great friend."

– Gary Sutherland Retired Vice President/Office Manager Canadian PCA, Pampa, Texas 24 years with Farm Credit

In 1939, when it was hard to get a job, a young man named Clif Cobb started working at Stamford PCA without pay as a clerk. He left for the war and came back as an officer. Clif worked his way up to CEO and was with the association for 45 years. That's the kind of dedication people have to Farm Credit."

- Twyla Pace Retired Assistant Vice President First Ag Credit, Stamford, Texas 23 years with Farm Credit

We help farmers and ranchers at all

stages of life. I keep a thank-you card on my credenza from McCall Garrett, thanking me for supporting his 4-H project. He was so adorable,

and completely in control of his enormous pig. That card motivates me every day. Can't wait to see what the future holds for this young farmer."

Cissy Williams
 Senior Vice President of Lending
 Capital Farm Credit, San Saba, Texas
 29 years with Farm Credit

The cooperative spirit exists from

the top down to each employee and board member. Our customer appreciation dinners would attract 300 to 400 attendees, and often our own stockholders would

provide food. When customers arrived at the dinners, they would hug every branch employee. We were very proud of our relationships with our borrowers."

> – Dr. Ernest Girouard Retired Board Chairman Louisiana Land Bank, Kaplan, La. 46 years with Farm Credit

It's wonderful to work with so many multigenerations. I'm now working with a grandfather, a father and a daughter. It is neat to see the way they bring their different strengths together to achieve

more than they could independently — the drive, knowledge and work ethic of the older generation, and the technology of the new."

Jim Tollison Jr.
 Vice President/Branch Manager
 Alabama Farm Credit, Talladega, Ala.
 20 years with Farm Credit

When they dreamed up the Farm Credit System, they intended it to be a family of small, locally owned associations. It's no secret that our association went through hard times, but we worked through it with the help of the Farm Credit Bank of

Texas. We're proud of how we have been able to keep on

providing competitive pricing and services to our stockholders."

– Mark McCollum Board Chairman Ag New Mexico, Fort Sumner, N.M. 37 years with Farm Credit To give people the means to afford their dreams and to be with them through the hard times is special. In the past 10 years I have become more in love with the way that Farm Credit is supporting the little niche farmers and making specialty loans.

I feel that farming is the 'in thing' now, and being a part of that has made this the most exciting part of my career."

Karen Doskocil
 Senior Marketing Manager

 Lone Star Ag Credit, Hillsboro, Texas
 32 years with Farm Credit

I'm a third-generation farmer; my son farms with me, and my grandchildren are interested. Farming takes a

lot of capital, and I want future farmers to have a good source of funds. That's why I devote so much time to Farm Credit. Plus, I love it — we're like a family at the Land Bank."

Abbott Myers
 Board Chairman

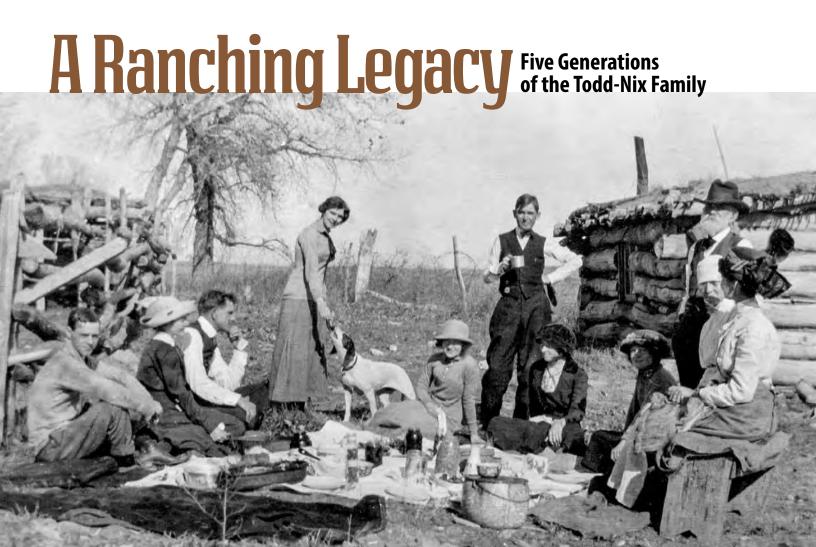
 Mississippi Land Bank, Dundee, Miss.
 19 years with Farm Credit

We had a borrower who was a big NASCAR fan, and one day I asked him how he liked the race on Sunday. After that, every time he would come into the office, he would ask for me and talk about racing. When he paid his loan off, he had tears in his eyes when he told us how thankful he

was for us helping him out when he needed help, and no one else would. He has since come back for another small loan, but I will never forget him."

31

- Kay Mann Vice President/Loan Operations Manager Alabama Farm Credit, Cullman, Ala. 40 years with Farm Credit



The Todd family enjoys a Sunday afternoon picnic at their ranch near Canadian, Texas, ca. 1917. Among the picnickers are Bill Nix's great-uncle Jep Todd, standing at center, and great-grandmother Laura Todd, far right, who together would pen a letter 17 years later describing ranching conditions during the Depression.

rowing up during the 1950s drought in Hemphill County in the northern Texas Panhandle, William D. "Bill" Nix Jr. learned early on not to complain about tough times on the family ranch.

"If I complained, Dad would just tell me to go read the letter that my great-uncle wrote in 1934," he says.

The two-page typed letter — written by his great-grandmother and great-uncle to their Production Credit Association (PCA) — described even tougher times during the Depression. In lengthy detail, it pleaded their case for borrowing an extra \$100 a month to operate their 12,000-acre ranch plus 3,000 acres belonging to relatives, and care for 1,400 head of cattle.

Evidently, says Bill, his ancestors received the funds they requested, and that's why his father, William D. "Dale" Nix Sr., dedicated many years of his life to Farm Credit, beginning as a PCA employee in the late '30s and culminating as chairman of the Federal Farm Credit Board in 1981 and 1982.

"I think it goes back to understanding the experiences that his uncle and grandparents endured," says Bill. "I believe he saw the Farm Credit System as saving American agriculture at a time when farmers and ranchers had nowhere to turn. The family had been blessed for so many years by the Farm Credit System, and it was his way of giving back."



Dale Nix in front of the 100-year-old Nix Ranch bunkhouse, ca. 1985, and as chairman of the Federal Farm Credit Board, 1981-82

#### A Borrower at Age 10

Bill's own loyalty to Farm Credit was forged in 1951 when he took out his first PCA loan at the age of 10.

"I was in the fifth grade, and I wanted to buy some club calves, so Dad took me down to fill out a PCA loan application — and I was scared to death," he says, admitting that he was unaware that his father had already cosigned the loan.

"That secret [that he'd cosigned] stayed with Dad and Erbin Crowell for many years," he says. Crowell, the longtime presi-



Bill and Puddin Nix

dent of Canadian PCA, returned to Canadian, Texas, after retiring as vice president of the Federal Intermediate Credit Bank (FICB) of Houston. Dale died in 2000.

Although young Bill lost \$300 a head on the five steers that he purchased, owing to the plunging market that resulted from drought, the PCA made him another loan, and he learned an expensive lesson about risk and the value of an understanding lender.

Two years ago, he reluc-

tantly paid off his last loan with the same association, now known as Capital Farm Credit.

"It was a very sad day," says Bill. "I was actually tempted to keep a loan just to maintain my Farm Credit membership."

#### **A Family Tradition**

Bill's father was a Farm Credit borrower for nearly 60 years, and his great-grandmother and great-uncle, who raised his dad, did business with Farm Credit for many years as well. The tradition continues with a fifth generation, his son, Todd Nix, who is currently a Capital Farm Credit customer.

Today, Nix Ranch is owned by a limited family partnership. Bill and his wife, Puddin, live on the property, located north of Canadian, and he has continued to oversee the cow-calf and stocker operation since retiring from the Episcopal ministry 12 years ago. Bill recognizes, however, that without Farm Credit's help, his family and others might have different ranching legacies to pass down to future generations.

"I tend to agree with my dad's assessment — we likely would not have weathered the '30s and '50s without the Farm Credit System," Bill says. "I'm not sure how much land would still be in the ownership of families." 

JH

#### 1934 Letter to Lender Details Ag Conditions

For 82 years, the Canadian, Texas, branch office of Capital Farm Credit has retained a letter that speaks volumes about the economy and agricultural conditions in West Texas during the Great Depression.

Dated Sept. 29, 1934, the two-page, single-spaced letter was written by W.J. "Jep" Todd Jr. and his mother, Laura Todd — great-uncle and great-grandmother of Bill Nix — to the PCA.

Apparently, the FICB had turned down the Todds' loan request for extra funds to cover living and operating expenses. As the following excerpts reveal, the letter explained why the family needed \$250 monthly, not \$150, to operate the sprawling Todd Ranch, now the Nix Ranch.

"We have already cut our living expenses right down [to] the minimum.... We never buy any meat of any kind and our grocery bill during these summer months for the entire outfit, town, ranch and all, has not averaged \$20 per month," the Todds wrote to the lender, which had advised cutting household expenses.

#### **Windmills Costly But Necessary**

Their largest ranch operating expense was the upkeep of their 12 windmills — \$171 during the previous five months.

"The other day when we counted our cattle, we had 772 cows and 618 calves and they have all summered fat, but they would not have had water or any calves to speak of if I had been running the ranch on \$150 per month," the letter stated. "I have one windmill that needs a new tower now, another needs the wheel repaired, but as I did not have but the \$150, I was unable to repair them this past month."

In addition, the Todds farmed about 400 acres, and their largest farming bill was for gas and oil for their Farmall tractor, which they also used to pump water, grind feed and cut hay.

"I think that next year I will try to use horses and mules, but as high as grain is right now, doubt if that will cut down much," the Todds wrote. "We have cut our labor bill to a minimum. The highest priced man I have is married and he and his wife are working for \$30 per month. We keep three men when we are farming and try to get by with two as much as we can."

The letter continued: "I do know that if I can get the necessary expenses to take care of the situation, that the cattle, if there is anything like the anticipated recovery in values, will within the next 12 to 24 months put this loan in a much stronger position."

#### \$8,745 Loan for Six Months

The letter ended by asking the PCA to advance the family \$8,745 to cover the following expenses for six months: \$5,400 for feed, \$475 for their land lease, \$1,500 for living and operating expenses, \$100 for salt, \$20 for vaccine, \$900 for their Federal Land Bank payment and \$350 for their commissioner's loan — a refinancing loan extended by the Land Bank commissioner under the Emergency Farm Mortgage Act of 1933.

The Todds' descendants believe that the loan request was granted.

SUMMER 2016 33

A 97-Year Relationship



From left to right, Jarrett, James and Shannon Worrell on the Mason, Texas, ranch that Shannon's great-grandparents purchased in 1919

t age 5, Jarrett Worrell already is preparing to become a cattleman like his parents, James and Shannon Worrell, and several generations before them.

Whether his mom and dad are fitting purebred cattle for a stock show, coaching junior exhibitors on showmanship techniques, or checking newborn calves on the family ranch near Mason, Texas, little Jarrett is right beside them, often with his border collie at his side.

It's a sight that would make his great-great-grandfather George Kasper proud — proud to know that the 200-acre farm he worked hard to establish nearly a century ago continues to provide a home and a business for his descendants.

#### **Purchased in 1919**

Kasper and his wife, Meta, purchased the property at Mason Mountain in 1919, after he returned home from World War I. Finding interest rates high and repayment schedules inflexible at commercial banks, the couple joined the newly established Mason National Farm Loan Association (NFLA) and applied for financing from the Federal Land Bank of Houston.

The Land Bank's loan terms were just right — \$40 twice a year, which matched their goat-shearing schedule.

"My daddy always said to us that they would not have what they had if it were not for the Land Bank," Doris Grote, the Kasper's daughter, said many years later. "He was always very happy with [the Land Bank] because they really understood what it was to be a farmer."

Doris and her husband, Oliver Grote, bought the property from her parents, reared four sons and became prominent Angus cattle breeders. When their youngest son Glen wanted to go into ranching, they sold the place to him.

"I went to the Mason FLBA, walked up to the president and said I needed a loan. I remember him scratching his head and saying, 'Glen, that's a mighty high-priced piece of property you want to buy.' But we were able to work out a deal for me to get that loan," said Glen, who later served on the cooperative's board of directors.

#### **Grote Angus Ranch Expands**

Glen soon decided to raise cattle full time under the family business name, Grote Angus Ranch, and purchased more land with Federal Land Bank Association financing. When he wanted to buy ranchland in Oklahoma as well, he returned to the association again.

Glen and his wife, Patty, who died in 2002, passed their love of the purebred cattle

business on to their children, Will and Shannon. Will took over the Oklahoma division of Grote Angus Ranch, while Shannon and her husband, James Worrell, moved to the homestead at Mason and established Worrell Enterprises, where they raise purebred Angus and Hereford cattle. The multifaceted business includes show and sale cattle, a breeding and embryo transfer facility, and a private sale ring.

The Worrells also are carrying on another tradition — they are the fourth generation to do business with Farm Credit. With each expansion or improvement to the ranch, they have turned to Capital Farm Credit for financing. Shannon even worked for the association for five years after college.

"We still go with Farm Credit because of the family's long relationship with them and the ease of doing business — and we like receiving our patronage dividends," she says.

In a clan that upholds tradition, it's likely that the property purchased by greatgrandfather Kasper nearly a century ago will stay in family hands for at least a few more decades.

"We have the fifth generation in training right now," says Shannon, as Jarrett tugs on her arm and heads to the barn. ■ JH

# Loyal to the LAND BANK

## Four Generations of the Harris Family

teve Harris of Mineola, Ala., loves to tell how Alabama Ag Credit has stood rock solid behind his family for nearly a century.

"If the Federal Land Bank, as it used to be called, hadn't loaned Grandpa money, then I wouldn't be who I am today," says Steve, 60, who farms and grows timber on land that his grandfather purchased. "All my fond memories of him and Dad are tied to the land. We chopped cotton, pulled calves, fish d and even pulled a few pranks on the land."

His cherished memories involve sons Ashley, an attorney, and Bart, who's vice president and Starkville branch manager with Mississippi Land Bank.

"Growing up, the boys marked trees for selective harvesting and helped with prescribed burns," Steve says. "I just hope I live long enough to see my four grandchildren work on the land."

#### First Loan Traced to 1920s

Brittle documents and handwritten receipts trace the family's fi st transaction with the Land Bank to the 1920s. That's when Burl Harris obtained his fi st loan to buy 120 acres near Mineola.

"Grandpa would pay off his note and borrow again," says Steve, who lives with his wife, Kathy, in his boyhood home on the original acreage. "It really grounds me to



Kathleen and Steven Harris, foreground, hold the farm mortgage and title documents that their great-great-grandparents received in the 1920s. Behind them, left to right, are Steve and his wife, Kathy; Ashley and his wife, Jessica; and Laura and her husband, Bart Harris, holding Charlie.

"Seriously, there have been tight times, and Farm Credit told us 'Don't worry.' That means a lot."

Steve Harris

know how Grandpa struggled to pay a \$5 note during the Depression."

One vivid memory of his farming heritage comes to life when the clock strikes 2.

"Grandpa never owned a tractor," Steve says. "Instead, he worked the land with a mule and plow. Every afternoon at 2 o'clock, Grandma would stop what she was doing and perk a pot of coffee on the stove. Then she'd wrap the pot in a towel and walk to the end of the row. Grandpa would tie up the mule. Then they'd sit

together under a pecan tree and drink their coffee."

Carey, Steve's father, served in World War II with the U.S. Navy and graduated from high school after his discharge. Like his father, Carey farmed the land, ran cattle and grew timber. He also took out loans with the Land Bank and grew the farm.

"Dad had tough times, too," Steve says. "I remember one year when he had no hay for the cows, so he turned them out in the woods and hoped they'd find nough to eat to survive."

#### Never Switched Lenders

Through the good years and the bad, the Harris family never considered switching lenders.

"If it ain't broke, don't fix it," Steve quips. "Seriously, there have been tight times, and Farm Credit told us 'Don't worry.' That means a

lot. They've been great partners, and we're lucky to work with lenders who give us slack when we need it."

The strong relationship has enabled Bart, who has worked for Mississippi Land Bank since 2007, to understand a borrower's perspective.

"We're lenders, but we're also dream makers," he explains. "It's still the American dream to own property. We try our best to make dreams come true, so that people today can have the kind of ties to the land that my family has had.

"As lenders, our mission is to protect the association from risk," Bart adds. "But we also must remember that we're dealing with people's livelihood, and that they'll do everything they can to protect the land, just like my family has done since my great-grandfather bought his fi st piece nearly 100 years ago." 

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35

SUMMER 2016

#### PART-TIME RANCHERS

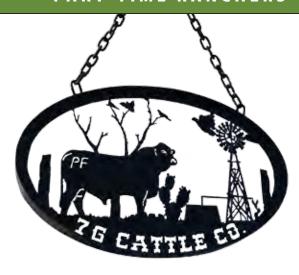
# FARM CREDIT TODAY

arm Credit today does not look the same as it did 100 years ago.

In the beginning, the cooperative lender only made farm and ranch loans. Over the years, it has evolved to meet the changing credit needs of agriculture and rural communities, with products ranging from equipment financing to country home loans to sophisticated cash management services.

On the following pages, meet 21st-century customers who are reaping the benefits of Farm Credit leasing, insurance and loan programs for agribusiness, rural telecommunications providers, young farmers and part-time ranchers.





# RAISING CALVES ON THE SIDE

y word of mouth, the Flores family's 76 Cattle Company in the heart of South Texas ranch country has developed a loyal stream of customers who come from throughout the state to buy their specialty cattle.

The 76 — that's seven six, not seventy-six — livestock are not destined for feedyards; they are bred and nurtured to be stock show animals for 4-H and FFA members.

Raising show cattle is labor-intensive, turning the Flores clan into calf nannies for three months every fall. Yet for years, family members have successfully operated the business while holding down off-ranch jobs and juggling schedules to make it work.

At the helm of the operation is Elda Flores, who doesn't hesitate to introduce herself as "La Patrona del Rancho," or The Lady Boss of the Ranch.

"She's a real cowgirl, a good cowgirl," says her husband, Noe Flores.

The two married in 1955, and by 1967 had built a comfortable ranch-style house on 32 acres. Over the years they inherited or bought adjoining pieces of property, growing their spread to 500 acres of rolling ranchland, located midway between Laredo and Corpus Christi, and relying on Texas Farm Credit for their operating capital for over four decades. Without a neighbor in sight, the beauty and solitude can be intoxicating.

"Once people get used to living on a ranch, they'll never go back to the city," says Elda. "Some leave to go work



Brothers Juan, left, and Pete Flores, center, visit with Pete's son Sid, a civil engineer. They have always made time to work cattle alongside their professional jobs.

elsewhere, but after they retire, they always come back."

The Flores family and surrounding neighbors can trace their lands to the 1700s, when the king of Spain doled out huge land grants for European pioneers to settle the area.

## Land Ownership Predates Statehood

"I traced our property and ancestry back to at least 1832," says Juan Flores, Elda and Noe's first-born. He and his brother Pete, born one year apart, now do most of the work that keeps the 76 Cattle Company thriving.

"I quit digging into our ancestry once I'd reached the pre-Alamo battle years. I just haven't had time to go back any further," he says.

It's easy to see why time is scarce. Year-round the family manages the property and cares for 80 momma cows expected to drop calves in September, timed for the next year's show season. Calves can quickly dehydrate or develop a deadly illness if not kept cool and healthy 24 hours a day. After three months of pampering, they are sold by private treaty, or direct sale.

#### A Business Is Born

The operation began when Juan couldn't afford to purchase suitable show calves for his own children. He decided to start raising calves, and eventually caught the eyes of other parents looking to buy.

"We decided to name the business the 76 Cattle Company because that was one of my grandfather's brands," Juan says. "He never wanted to burn too large of a brand

"We couldn't have done all this without Texas Farm Credit in Hebbronville. They've always been there for us."

– Elda Flores

on his cattle. And, '76 was the year my wife and I got married, so it just felt right."

Work and education define the Flores family. Patriarch Noe, a Korean War veteran, worked for Trinity Gas Company for 46 years and ranched after hours. Elda stayed near the home raising their two sons, tending cattle, farming watermelons and boldly standing up to any bull that got in her way.

"I've never been afraid of these large animals," she said. "My daddy had a large dairy operation all his life. I was born in the middle of cattle. They were just part of growing up."

#### **College First, Ranching Second**

For Juan and Pete, growing up involved talks about setting their sights on becoming educated professionals.

"Most kids, their first word is mama or daddy," said Pete. "Not us. Our first word was 'college.' Mom drilled it into us from the time we were babies. We were going to college. And we did, at Texas A&I in Kingsville, now Texas A&M."

Both earned college degrees. Juan devoted his career to education before retiring eight years ago. Pete was a county agent with the Texas A&M AgriLife Extension Service before retiring as a computer specialist with the agency, where he now works part time.

Today, both work the ranch several days a week, while Juan also runs a hoof-trimming business and consults with families on stock show entries.

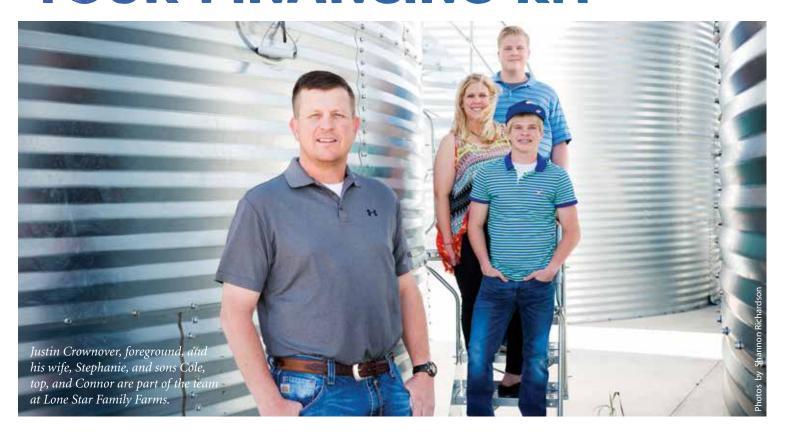
"We couldn't have done all this without Texas Farm Credit in Hebbronville," Elda says. "They've always been there for us. In fact, my daddy relied on Farm Credit in Laredo way back in the 1940s and '50s."

Mary Herrera, senior loan officer at Texas Farm Credit in Hebbronville, says the Flores family exemplifies the backbone of the South Texas ranch economy.

"Family unity is the key element in their lives," she says. "I admire their work ethic and have very high respect for all the family members." ■ RS

SUMMER 2016 37

# THE EXTRA TOOL in YOUR FINANCING KIT



by the Crownover family outside of Sunray, Texas, steel grain bins glisten in the brilliant Texas Panhandle sun, some holding last year's crop, others waiting for this year's. Not just two or three bins, but 32 grain bins in total, these giant canisters represent the family's faith in the future of agriculture.

One might assume that the bins, with their combined capacity of 416,000 bushels, also represent a huge outlay of capital. But in fact Lone Star Family Farms was able to erect the 32 bins without financing or purchasing them outright — thanks to Farm Credit Leasing solutions provided by their lender, AgTexas Farm Credit.

"Primarily for income tax reasons, we chose to lease rather than purchase the bins," says Johnny Schmucker, the farming

operation's chief financial officer. "Tax rules have been favorable for purchases, but leasing allows us to deduct the entire annual lease payment, which lowers our taxable farm income, and that's significant to us."

The storage bins were leased on a 10-year program, with a buyout option at the end of the lease term.

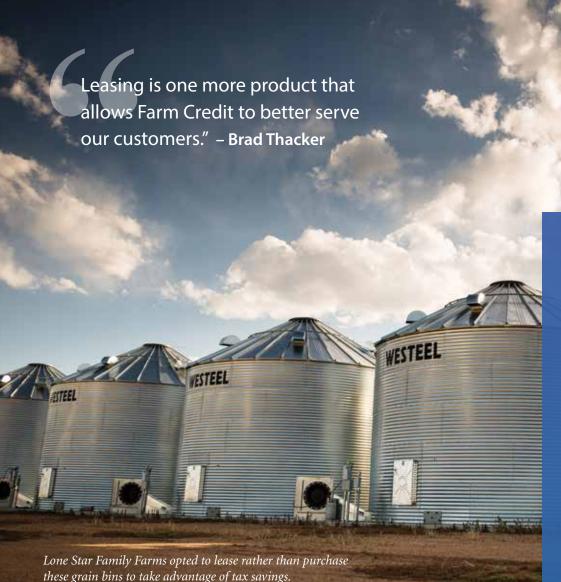
#### Over 30,000 Acres of Crops

A diversified grain production farm, Lone Star Family Farms was started in 2009 when K Crownover and her sons and their wives, Justin and Stephanie, and Adam and Rebecca, combined their three separate farming units into one. After Adam died in a tragic ATV accident five months later, his uncle and aunt, Donald and Nita Crownover, and the farm's irrigation mechanic and his wife, Conan and Lee Ann Cassidy, also joined the partnership.

Today, the business grows more than 30,000 acres of wheat, feed milo, seed milo, seed canola, triticale, cotton, yellow corn, food-grade white corn, and non-GMO varieties of food-grade white and yellow corn — and after harvest, all of those crops must be trucked to their various markets or put into storage.

"We put the bins up because we produce a lot of seed milo, and harvest becomes much more timely and efficient if we can store the grain here during harvest and not have to tie up trucks delivering it to the seed company located 100 miles away," Schmucker explains.

Priced from \$40,000 to several million dollars each, depending on size and design,



grain storage facilities are a popular lease item, according to Joe Kendrick, relationship manager with CoBank Farm Credit Leasing. Center-pivot irrigation units — which the Crownovers have leased on seven-year terms — tractors, feed trucks, pickups, loaders and farm storage buildings are other types of equipment commonly leased by West Texas farmers and feedlot operators, Kendrick reports. He has even leased turnkey office facilities for agribusiness operations.

#### **Benefits of Leasing**

Brad Thacker, vice president of lending with AgTexas Farm Credit in Amarillo, cites tax reduction, cash flow and fleet management as the main reasons Farm Credit customers opt for leasing. Also, some customers prefer to lease their equipment in order to treat it as an operating expense rather than an asset on the balance sheet, or to preserve working capital.

"Leasing is one more product that allows Farm Credit to better serve our customers," says Thacker. "We don't promote leasing to replace loans; but for those customers who have determined that it's the right financial tool, we can make it easy for them, if we already have their operating loans and financial profile."

Credit approval and paperwork typically take 24 to 48 hours for small transactions and about a week for large transactions.

Leasing has been offered by some Farm Credit lending associations across the country — but not all — since it was permitted under Farm Credit legislation in the 1970s.

"Farm Credit is in the relationship business," says Kendrick, "so our goal is to make it very easy for the customer to acquire the asset they need at a competitive cost." 

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#### WHY LEASE?

#### **Pay Nothing Down**

Typically, down payments aren't necessary. Simply pay the first payment in advance. Often, leasing can provide 100 percent financing.

#### **Maximize Tax Benefits**

Lease payments may be fully tax-deductible under a true lease, allowing you to lower your taxable income and expense the equipment sooner. A conditional sale allows you to take advantage of deductions available as tax owner of the equipment.

#### **Control Your Cash Flow**

Fixed rates, residual value and flexible payment schedules allow you to match your payments to your cash flow and the profits generated by the leased equipment.

#### **Preserve Capital**

By leasing, you preserve your cash, working capital and other credit lines for expansion and day-to-day expenses.

### Standardize Your Replacement Cycle

With lease financing, you can replace equipment regularly and rest assured that you have reliable, lowmaintenance equipment at all times.

#### **Retain Future Flexibility**

When your lease ends, you decide if you want to purchase and continue using the equipment or return it and get a newer model.

#### **Estate Planning Tool**

Leasing allows you a simple way to transition equipment to the next generation at the end of the lease term.

SUMMER 2016 39

# COME RAIN or Come Shine

#### For Insurance Customers, Risk **Management Is the Best Policy**

he Henry family of Sabinal, Texas, doesn't believe in throwing caution to the wind, the rain, the bugs or any other peril that can beset a farm.

Longtime members of Texas Farm Credit, they've bought crop insurance through their association for decades, and added Pasture, Rangeland and Forage (PRF) insurance several years ago.

"Farming sometimes is really good, and sometimes it's not. We've always had insurance on everything," says Melba Henry, who partners with her brother-in-law, Jimmy Henry, in a cattle and crop operation west of San Antonio.

Her late husband, Ray Henry, who had served on association boards for more than 35 years, bought insurance through Farm Credit at the first opportunity, she says, and persuaded other local farmers to do the same.

The investment has paid off. When many South Texas ranchers were burning the thorns off of prickly pear cactus to feed their cattle during the historic, multiyear drought recently, the Henrys were buying hay and liquid feed thanks to pasture insurance. Last year, when the drought broke but the rain wouldn't stop, multiperil crop insurance covered the ruined wheat and oat crops. Insurance also has covered losses from insects and diseases.

Charmain Nelson, the Henrys' insurance specialist at Texas Farm Credit, is full of similar stories. There was the time a South Texas farmer lost his cotton crop in a freak hail storm but was covered by a crop-hail policy he'd bought at the last minute, and the year that insurance compensated farmers who'd dry-planted in the drought but nothing germinated.

"I would say 2009 was one of the hardest years because we had complete drought," Nelson says. "No crops came up, and not only did people have to sell their cattle



Melba Henry, left, and her brother- and sister-in-law, Jimmy and Faye Henry, have insured their South Texas cattle and crop operation through Farm Credit for decades.

because they didn't have anything to feed them, they didn't have any grass to sell for extra income. It was devastating.

"That was a year when insurance really kept families afloat and helped them pay their loans."

"I would say 2009 was one of the hardest years because we had complete drought. ... That was a year when insurance really kept families afloat and helped them pay their loans."

#### - Charmain Nelson

The association — one of the first to provide insurance when Farm Credit was authorized to offer the service in the 1980s — now insures about 100,000 acres of row crops and 2.7 million acres of pasture. Like many associations, it also offers Livestock Risk Protection, term life and debt-related insurance.

Ag insurance premiums are set by the USDA Risk Management Agency, and are the same through any provider. What sets Farm Credit associations apart is service, Nelson says.

"We have some customers who have been here more than 20 years," she says. "We do our best to get to know them and their operation, and how to service their policy." After Melba's husband passed away, the association also eased her transition into his role in the ag partnership.

"I had to step up and take part, and the insurance people at the association were so helpful," Melba says. "That doesn't sound

> like a hard thing to get to know, but I had to learn a lot of the vocabulary and dates. I'm still learning, and it's been three years.

"I wouldn't have done it had they not helped me to understand what all needed to be done."

Jimmy, who'd partnered with his brother since 1963, says he appreciates the insurance team's quick

response and fairness. Buying insurance — like growing several plant varieties and putting up hay in good years to carry the cattle through the bad ones — is one of the ways the family manages risk.

"It gives you peace of mind," Jimmy says. "I'd rather not collect insurance, because you're not making much money, but you're not going to go broke. You at least get your expenses back and keep a-going."

Thinking back on the claims that helped them through adverse conditions, he says he wouldn't mind a little more rain before it's time to cut wheat.

"That kind of insurance I really like," he says. "It doesn't cost a thing." ■ CF

## GROWING UP IN A DOWN MARKET

ith cotton prices at six-year lows, producers around Macon, Miss., could complain about the market or quit growing cotton altogether. Instead, they continue to rally around Bogue Chitto Gin, a multimillion-dollar complex financed by Mississippi Land Bank in 2012.

A generation ago, farmers might not have found a lender willing to back such a huge project, especially one with an ambitious deadline. But Farm Credit staff didn't hesitate when growers decided early that spring that they wanted to build the new gin before their next harvest.

"As soon as we heard about their idea, we were in!" recalls Bart Harris, Land Bank vice president and branch manager in Starkville, Miss. "We were excited to be a part of what we saw as a worthy agribusiness operation."

#### 71 Percent Growth in Four Years

Indeed, the new gin, which was completed in October 2012 and has 25 farmerstockholders, continues to report steady growth into its fifth year.

"In 2012, we ginned 35,000 bales," says general manager Aaron Litwiller. "The next year, we went up to 36,000 bales, and then 55,000 in 2014. We ended 2015 with 60,000 bales and hope to do even more this coming season.

"As a side note, 70 percent of the cotton we ginned in 2012 came from stockholders," he adds. "Every year since, it's shifted. This year, we're predicting 50-50, which is a huge vote of confidence. That figure tells us that we're doing something right."

#### **Built to Meet Local Need**

Initially, the concept of a new gin sprang from local growers' desire to cut costs. In 2011, the closest cotton gin some 50 miles away couldn't keep up with the area's production. So six producers proposed building their own, which would save them time and transportation costs.

Before long, more cotton farmers had stepped forward to invest in the project. For his share of stock, one agreed to provide land for the gin and seed warehouse. With the Mississippi Land Bank on board, plans came together for the Bogue Chitto Gin, named after a local river.

As gin manager since January 2014, Litwiller reports to an executive board of seven directors.

"Because they're cotton producers themselves, board members are always searching for new technology that will improve what we're doing at the gin," he says. "Every year we spend money to make gin improvements. Recently we updated our computer system so we can better monitor how the cotton flows through the gin and regulate its moisture levels."

New gin saws with narrower configurations also have increased farmers' profits.

"Approximately 15 percent of a cotton seed's weight is lint," Litwiller explains. "We're now able to cut the lint off closer to the seed and get our lint weights down to 10 percent."

#### **Safety Comes First**

Last fall, gin owners purchased an automatic cotton bagger, which eliminated four staff positions and made working conditions safer.

"We take safety very seriously," Litwiller says. "Two years ago, we hired a safety director, who holds weekly meetings, shows training videos and maintains our drug-testing records. For the last two years, we've won top safety awards from the Southern Cotton Ginners Association. We're extremely thankful for how the Lord has blessed our operation."

As an investor, board member and producer, Jack Huerkamp, who's also a Mississippi Land Bank customer, gives

the regional gin a big thumbs up.

"I plant according to what's best for my farm," he says. "Currently, cotton brings more than soybeans at market. So I've bumped up my cotton acreage 30 percent since the gin went online. In fact, our entire county has upped their cotton acreage at least 20 percent. We couldn't have done that without the Bogue Chitto Gin."

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The original team of gin visionaries

# CONNECTING the Wild Country TO THE WORLD A Family-Owned Business Keeps Remote West Texas Communities in Communication.

ife can be lonely in the Big Bend country of far West Texas. The region is among the most rugged and remote areas in the nation. That's why it is particularly important for residents here to have reliable telecommunications services connecting them to each other and to the outside world.

But providing service throughout this sparsely populated region isn't cheap or easy, and it's certainly not a market that appeals to the big-name telecoms.

Fortunately, Big Bend Telephone Company, a homegrown telecom that's headquartered in Alpine, has pioneered technology that allows folks here to reach anyone, anytime, anywhere. The familyowned company serves 4,900 telephone access lines and 2,800 broadband customers, many of them farmers and ranchers, who otherwise might not have dependable service.

#### **Serving Ranchers, Businesses** and Border Patrol

"For 66 years, the Haynes family, who owns the company, has brought in the latest telecommunications technology," says Rusty Moore, general manager and chief operating officer of Big Bend Telephone. "We serve all kinds of customers, from ranchers living off the grid to Homeland Security officers guarding the border."

The company's footprint runs along 485 miles of the Texas-Mexico border. Serving the U.S. Border Patrol, state and local law enforcement agencies, schools and medical providers is critical. Big Bend National Park, with its mountains and desert landscapes, lies at the heart of the telecom's territory, as does the McDonald Observatory, a world-renowned research institution.

Beyond these notable customers, Big Bend Telephone makes it possible for the average person to run a home or business.

#### **Building a Hybrid Network**

Big Bend Telephone was started in 1960 by Neville Haynes, who had returned home to ranch after serving in the U.S. Navy during World War II. He became interested in the potential benefits of mobile radio communications to remote ranches like his, and when the drought of the 1950s dried up his ranching plans, he saw an opportunity to link his community to the world through telephone service. Other

phone companies refused to serve a place with so few customers, but Neville made it work.

Since then, three generations of the Haynes family have supplemented traditional telephone lines with microwave, satellite, digital subscriber line (DSL) and fiber optics. Solar power extends the company's reach beyond the electric grid.

"We have built an advanced hybrid network to satisfy

our unique customer demands," says Moore, who's been with the company for 25 years.

For example, to reach one remote customer, the company starts with fiber at a central office, sends a wireless signal to a mountaintop, hops down via an Ethernet broadband loop, and reaches the customer's home through copper wire.

"Our customers need us to move more data, faster," Moore says. "That's why we continue to transition from a telephone company to a broadband provider."

#### **High Cost of Low Population Density**

Delivering the latest technology to 18,000 square miles of rugged terrain is not

> inexpensive. There are just 0.33 customers per square mile to cover costs. Compare that to New York City, with 27,000 people per square mile.

> Most Americans are familiar with the nation's big telecommunications firms, such as AT&T and Sprint. Many people don't realize, however, that about 1,000 independent telecom companies - including cooperatives and private businesses like Big Bend Telephone also operate in rural America.



Satellites and wireless signals combine with copper wire and fiber optics to bring data to the remote Big Bend region.

Rural service providers receive assistance from federal and state Universal Service Funds (USFs), designed to assure affordable telecommunications anywhere,



General Manager Rusty Moore, above, says Big Bend Telephone Co. meets its rural customers' unique needs by supplementing telephone lines with microwave, satellite, DSL and fiber optics.

including to schools and rural health-care facilities.

"There is no business case that will support the cost of serving this area without USF support," Moore says. "We are a poster child for the importance of USF to rural America."

The company also receives financing from Farm Credit, which was given authority in the '80s to lend to utilities and telecommunications companies that support the infrastructure of rural communities. Today, three Farm Credit cooperatives work together to finance Big Bend Telephone: CoBank, the Farm Credit Bank of Texas and Capital Farm Credit, the local farmer-owned lending co-op serving far West Texas.

"The relationship with CoBank and Farm Credit has been paramount in advancing communications in this extremely rural area," Moore says. "They have been exceptional partners in our mission."

It's a mission that dovetails with Farm Credit's mission of supporting agriculture and rural communities.

#### **Meeting Rural Needs**

"Service provided by companies like Big Bend Telephone is critical for people to live and work in rural areas," says Lennie Blakeslee, relationship manager with CoBank.

Nick King, vice president and capital markets officer at Farm Credit Bank of Texas, adds, "Big Bend Telephone plays a vital role in national security. If they weren't here, who would serve this place?"

Whether you're a Border Patrol agent accessing a remote surveillance camera, or a rancher checking weather, e-mail or futures markets on a smartphone, Big Bend Telephone finds a way to meet your needs.

The NTCA–Rural Broadband Association recently recognized the company with a Smart Rural Community Showcase award for helping to make rural communities vibrant.

"Earning this recognition was just part of the journey," Moore says. "We will continue to create next-generation applications and platforms for our communities." 

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SUMMER 2016 45

# AN OLD LENDER for YOUNG BORROWERS

When a young Texas farmer needed financing for his new farm, his best option was a seasoned lender.

ike any proud father, Texas farmer
Greg Hengst gets a certain twinkle in
his eye when he talks about his son,
Kolman.

From the way he describes the 4-year-old playing farmer to chuckles about his son's burgeoning farm cap collection, Hengst's stories are laced with humor and pride.

"I tell Kolman that he's the most successful farmer ever because he plants and harvests his crops on the same day," he says with a grin.

However, it doesn't take much visiting with Hengst to imagine that he was much the same way himself as a boy.

"I've always had a love of farming, especially row cropping," says Hengst, who today farms 1,600 acres of corn, milo and wheat. "It's not just a profession, it's part of who I am."

But getting started took determination, the support of family and a good lender. Intent on farming after graduation, Hengst earned an agronomy degree from Texas A&M University. He then worked a few years for the Texas Boll Weevil Eradication Foundation before coming home to Thorndale, in Central Texas, to farm on leased property in 2005.

A love of farming runs in his family — his grandfather and several uncles farmed well into their eighties — but his own father, Dennis, raised cattle and worked in real



Heather and Greg Hengst with son, Kolman, pictured in 2014

Photos by lim Lincoln

estate, leaving a young Hengst with very little equipment to begin his operation.

Knowing that his son would need a good lender, Hengst's father introduced him to a trusted business contact — Tim Knesek, senior vice president in Capital Farm Credit's La Grange office. Because of his age and the fact that he hadn't been in business long, Hengst easily fell into Farm Credit's Young, Beginning and Small (YBS) farmer demographic, a category of producers that the lending cooperative strives to help break into the industry. He obtained his first operating loan with Capital Farm Credit in 2005.

#### **Extra Help for Young Producers**

Farm Credit has financed YBS customers since 1916, but in recent years, Farm Credit associations across the country have made an extra effort to extend help to these YBS producers, understanding they need more help today getting their operations started. Hengst, who in 2008 was able to add acreage by farming on his grandfather's land, was no different.

"Equipment was the biggest barrier I had to starting," he says. "My grandparents didn't farm a lot and they had smaller equipment. So to farm what I had, I had to purchase more equipment than most might."

In 2010, Hengst and his wife, Heather,

found a house, grain bins, a barn and a shed on 5 acres just outside Thorndale. At the encouragement of Knesek, the couple applied for a loan with Capital Farm Credit, with supplemental financing from the Farm Service Agency (FSA).

FSA targets many of their programs toward young, beginning and small farmers and ranchers. They provide both direct funds and loan guarantees allowing traditional lenders, such as Capital Farm Credit, with



Kolman "inspects" a tractor under his father's careful watch.

opportunities to create loan structures to better serve agriculture.

## Handling Good Years and the Not-so-Good

"Greg is knowledgeable but he's very open to new ideas, even when we talk about finances," says Knesek. "He started farming at a time when profit margins were thin so he had to be a good budgeter. He started out experiencing some good, but also a lot of hardships, learning what to do and what not to do. When those good years came,

he knew how to handle them and to realize that things aren't always going to be like this and to plan accordingly."

Planning has allowed Hengst to benefit from technological advances to make his operation more efficient. From updated equipment to GPS technology, he says that he is still in awe of how much technology has changed in just the 12 years that he has been farming.

Hengst adds that he knows there are going to be hard times, but the good times make it well worth it, as it's been a rewarding way of life for both him and his family. If he has

one piece of advice for young or beginning producers, it's to surround themselves with good people.

"We can't always have \$6 or \$7 [per bushel] corn, but we make it through and always have," Hengst says. "That's why it's important to have good organizations like Farm Credit to work with. Anyone wants to finance you when you're having a good year, but it's the ones that stand by you in your bad years that show their character. That's important for anyone, but it's especially important for a young farmer." 

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#### THE LOYALTY OF A LENDER

Greg Hengst is quick to acknowledge that his Farm Credit lender, Capital Farm Credit, has been supportive through good times and bad. Leading that support team is his loan officer, Tim Knesek.

In 2008, Knesek nominated Hengst and his wife, Heather, to participate in the Farm Credit Young Leaders Program, an annual event that takes young borrowers to New York City and Washington, D.C., to show them how Farm Credit is funded. The couple was selected to represent Capital Farm Credit, but Hengst wasn't sure the timing was right to leave the farm, which was in the midst of a downturn.

Knesek assured Hengst that financial matters could wait and encouraged the couple to take the trip. The Hengsts participated in the leadership program, becoming even stronger advocates for Farm Credit.

Hengst and Knesek shared this story in a Farm Credit First Person video, one of many produced in honor of the Farm Credit System's centennial celebration. To view their story, visit: http://bit.ly/FC100\_hengst.

# THE NEXT CENTURY

ith each new year, farmers, ranchers and agribusinesses become more productive, adaptable and sophisticated.

Since 1916, Farm Credit has been with the nation's ag producers every step of the way. This time-tested lending network begins a second century with the funding capacity, structure and expertise to keep pace with a changing agricultural world.

On the following pages, several leaders share their perspectives and predictions about agriculture, Farm Credit and rural communities.



# Farming With PRECISION



inter is a busy time for farm meetings, and no one knows that better than Jimmy Dodson of Robstown, Texas. As board chairman of the Farm Credit Bank of Texas since 2012 and past chairman of the National Cotton Council and other cotton organizations, the South Texas farmer is on the go all winter long, hopscotching across the country to represent the interests of his fellow farmers.

Winter is also planting time on his 12,600-acre farm, just outside Corpus Christi on the Texas Gulf Coast, and come February Dodson makes it a priority to spend as many days as possible in the tractor cab.

Forty years ago, he might have put his farm leadership activities on hold during planting season. But thanks to advancements in technology — a tractor with tinted windows, GPS and auto-steer that can be programmed to do its job precisely — today Dodson is able to conduct business on his cellphone, check markets on his iPad and even draft his next speech while planting cotton, milo and corn. Moreover, the farming activities are handled with greater efficiency than ever before.



Jimmy Dodson

"It was hard to operate a tractor with only an umbrella for long hours in the South Texas heat," he says with a chuckle, recalling farming practices a generation ago. "I wouldn't look forward to that now."

To say that much has changed since Dodson began farming in 1974 would be a vast understatement.

Back then, he was just 21 and married, with a freshly minted diploma in agricultural economics from Texas A&M University. He had plans to enter the agribusiness field, but his father had the chance to lease a retiring neighbor's land and purchase his equipment, and needed a partner. The younger Dodson asked, "What about me?"

That conversation launched a career that has placed Dodson at the leading edge of agribusiness trends and techniques, where he is a respected innovator among his peers.

## SECOND-GENERATION FARM CREDIT CUSTOMER

Before he and his dad formed the partnership, Dodson's parents had farmed 1,400 acres with two employees, three tractors, three planters and plows, a combine and a small cotton picker. "They owned their own home, helped put their four kids through college and made a good living," he says. "About the time I was born — in the middle of the drought of the '50s — my dad began financing with Farm Credit, and they helped him to be successful."

A young Jimmy Dodson at the tractor steering wheel with his brother and parents



ما درع ما دارد حرمت

When Dodson joined the business, he and his father doubled the size of the operation to 2,600 acres of cotton and grain sorghum to support both families. Farm Credit made the partnership its first loan.

The timing couldn't have been better.

"President Nixon had let the dollar float, commodity prices were high and production costs low," Dodson recalls. "I felt like I could make a living on my share."

To handle the expansion, they added three employees, three tractors and three planters — none with a cab, he notes.

"There was no GPS, and we didn't have great lighting on the gear when we worked late during harvest," Dodson says. "But, the net back then was a lot better on both perunit and per-acre basis."

Forty years ago, a new pickup sold for \$4,700, grain sorghum brought \$6 per hundredweight, fertilizer cost \$100 per ton and diesel cost 25 cents per gallon.

"Today, a pickup costs 10 times that; it's rare to get those prices on grain sorghum; fertilizer is \$250 to \$350 per ton; and labor costs are at least six times as much as then," Dodson figures.

#### **EMBRACING NEW TECHNOLOGY**

To maintain about the same living standard for two farm families today as in 1975, the Dodsons now cultivate almost 10 times more land, but do so with the same number of employees — six.

"The big difference is equipment that can cover the ground fast and more precisely, and technology that improves pest, weed and disease control," Dodson says.

While adopting and investing in technology is a decision each producer must make, Dodson says most farmers opt for improved risk management. Not only does today's planting and harvesting equipment provide more capacity and efficiency, it also offers operators creature comforts not available in earlier versions. Previously, planting and cultivating operations



Jimmy Dodson in a field of young cotton on his Robstown, Texas, farm, which he operates with his wife, Barbara, daughters Lori McDonald and Licia Massa, and cousin Jon Gwynn

required constant focus on maintaining the row path.

"Now we are able to set our equipment precisely in relation to the seedbed or row of plants, be in a very comfortable cab, and cover 12,000 acres of work with six people or fewer," he says. "The capacity is just amazing, the operator stress is diminished, and all the work is more precise."

changer for much of production agriculture. GPS-enabled farm equipment today can digitally remember the paths made through the field from one season to the next. The result is less soil compaction and overlap. Necessary tillage is limited to the seedbed, where the depth of the seed can

Applying GPS technology has been a game

be pinpointed within a quarter of an inch, and the quantity and spacing of seeds can be adjusted on the fly based on soil conditions and productivity.

"Our system counts every seed and tells us within a 1 percent range what we have planted in each row, and it electronically maps an individual field as to seed population and variety," Dodson says.

From his iPad, he can monitor equipment in the field, note when a machine is having a service or performance issue, and get online manufacturer support to find a solution in real time.

Using their GPS tools, the field team applies fertilizer accurately to within 1 inch of the seed. By field mapping before farming operations begin, they can plan and control seed population shifts, fertilizer rates and crop-care products to reduce inputs and maximize yields.



#### **TECHNOLOGY'S MANY BENEFITS**

The precision and the advancements in pest management and soil conservation are a win for both the pocketbook and the environment, Dodson notes.

"We are reducing tillage and improving the soil, and by eradicating the boll weevil, we've been able to reduce pesticide use dramatically. Moreover, top yields have

"We already are able to produce more food and fiber than ever before, and our carbon footprint per unit produced is many times smaller than when I started farming — and is trending down further."

- Jimmy Dodson

doubled," he says. Pesticides and herbicides are much more environmentally friendly now and targeted at specific pests. New technology promises improvements in the taste, nutrition and shelf-life of food crops and the comfort and performance of cotton products, as well.

"We already are able to produce more food and fiber than ever before, and our carbon footprint per unit produced is many times smaller than when I started farming — and is trending down further," he says. "Few industries can match that positive environmental record, and food and fiber

and food and fiber costs are the lowest in history."

Unmanned aircraft, or drones, are another example of agricultural technology.

"Drones can be equipped with sensors to look down through a crop canopy and

count how many bolls of cotton are in a field — or look into an orchard and count the number of oranges on each tree — and then accurately screen for plant pests and measure plant health, giving management information that was unimaginable in the past," Dodson says.

For ranchers, drones can play a key role in looking for newly dropped calves and strays. Dodson predicts that in the future, farmers will use drones to identify pest problems and then will treat specific weeds or infestations with herbicide directly from the drone, eliminating the need to spray large areas or whole fields.

## FARM CREDIT ADVANCES WITH AGRICULTURE

As the business of agriculture has advanced, so too has the financial partner to the agricultural industry, the Farm Credit System, says Dodson. A customerowner of Texas Farm Credit since 1974, he became the youngest-ever Production Credit Association director in the state at age 28.

"When I started, Farm Credit offered producers expertise, understanding and a strong relationship, but often it was quite an exercise to apply for a loan, especially if different loan products were needed," Dodson recalls. "There was a lot of paperwork required, and at that time lenders had limited loan-making authorities that made one-stop service impossible. If borrowers needed land loans and short-term credit, one Farm Credit association could seldom offer both.

"Borrowers had to double their paperwork if they wanted a loan product not offered by their existing Farm Credit lender, since the System structure made it hard to share borrower information or collaborate, and loan turnarounds and answers weren't always prompt."

generations of producers and rural communities in years to come will prosper by knowing and joining the Farm Credit family ....

- Jimmy Dodson

Contrast that to today.

"Now our federated ACA [Agricultural Credit Association] structure and customer focus allow eligible borrowers' needs to

be met fully, no matter the loan type, size or complexity," he says. "Borrowers can get the best ag expertise, ready answers, state-of-the-art funding, competitive pricing and the valuable benefits of being a stockholder of their association — all at one office with one relationship."

Agriculture and rural communities are changing at a rapid pace, and Farm Credit has heightened its customer focus to meet evolving needs. Today, Farm Credit cooperatives collaborate to use their lending authorities to finance rural broadband services and utilities in underserved communities, as well as small and specialty niche food operations. Farm Credit housing loans now span everything from home improvements to barndominium construction.

But, Dodson says, "There are still those who are eligible for Farm Credit loans and service, and yet don't know about us. We have a great story to tell and much to offer. Every new member and every community served represents hope and dreams that can come true."

#### FEEDING FUTURE POPULATIONS

What lies ahead for agriculture?

Dodson has an optimistic view, tempered by reality. The developing world will continue to need a steady food supply, and more and more people will gain purchasing power, allowing them to eat more and better foods.

"There's not enough land to feed all the people unless we deploy improved technology, innovate more and keep farmers on the land with profitability and sound policy," he says. "We are very efficient, but a reasonable food policy that supports American farmers is key to keeping agriculture progressing."

Dodson says that Farm Credit will continue to play a key role in financing the evolving agricultural sector, just as it has been critical to his own farming success.

"Farm Credit has walked with us every step of this journey. The people that make up the Farm Credit team are the most able and prepared I've ever known; our products and organizations are better than ever; and our mission is clear," Dodson says.

"My hope is that many generations of producers and rural communities in years to come will prosper by knowing and joining the Farm Credit family, and will use their ownership and influence to keep the cooperative system healthy and able to serve."

SUMMER 2016



#### **FARM CREDIT 100 FRESH PERSPECTIVES**

ne hundred visionaries who are changing rural communities and agriculture for the better received special recognition this year through the Farm Credit 100 Fresh Perspectives program — part of Farm Credit's centennial celebration.

A panel of experts in rural matters selected the 100 leaders from nearly 1,100 nominees, 10 of whom received \$10,000 awards to help further their contributions to a vibrant future for their communities and industry.

Landscapes congratulates the five honorees from the Texas Farm Credit District.

Learn more about the 100 honorees at www.farmcredit100.com/fresh-perspectives.



#### AARON ALEJANDRO | WICHITA FALLS, TEXAS

#### **LEADERSHIP (21 AND UP)**

Fifteen years after his election as Texas FFA president changed the course of his own life, Alejandro became executive director of the Texas FFA Foundation, opening doors for other youths by securing resources for agricultural science education.

Under his leadership since 2000, the foundation has forged corporate partnerships, permanently endowed scholarships, created student ambassadors, and developed mentoring, agricultural advocacy and teacher development programs. His latest project, Texas Needs the FFA, is using digital and social media in ways that could change ag education nationwide.

"When those kids zip those blue jackets up, you don't know if they come from a broken home, if they're poor or rich," he says. "All you know is they're in an organization that's full of opportunity. If we empower them to think big and dream big, with an understanding of agriculture, they can be big. It will pay great dividends down the road."



#### AISLYNN CAMPBELL | CORPUS CHRISTI, TEXAS

#### **RURAL AND URBAN CONNECTION**

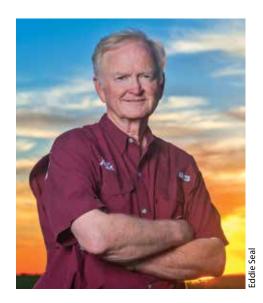
Campbell is a champion for healthy food. She first became passionate about what she feeds her family, and expanded her focus to her community when she learned about high local rates of childhood obesity and diabetes.

To improve access to nutritious, affordable, locally produced food, she founded the Corpus Christi Downtown Farmers Market in 2012 and the nonprofit organization GROW Local South Texas in 2013.

Today about 600 customers buy produce, meats, breads and other items from about 25 local vendors at the weekly farmers market. GROW Local's cooking demonstrations, learning garden, tours and classes inform and inspire consumers.

"We have grown in size, and have more variety of produce than I've seen in all the years that I've been going to farmers markets," Campbell says, adding that many local farmers are stepping up to meet the demand. "We're selling everything we have, and need them to produce more."

### PROGRAM HONORS NATION'S AG LEADERS



#### JIMMY DODSON | ROBSTOWN, TEXAS

#### **LEADERSHIP (21 AND UP)**

Dodson is chairman of the Farm Credit Bank of Texas and serves on the boards of the Texas Agricultural Cooperative Council and the Gulf Coast Cooperative. Past chairman of American Cotton Producers, the Cotton Foundation and the National Cotton Council of America, he also is a former Cotton Incorporated director and a founding member of Cotton LEADS, an alliance of U.S. and Australian producers.

Among his honors are the National Cotton Council of America's highest award, Cotton Grower magazine's Cotton Achievement Award and the Southwest Region Farm Press High Cotton Award.

"I hope to achieve better understanding of agriculture by all stakeholders, and lower barriers to entry and success for producers of food and fiber by better communication, realistic and effective regulations, fewer trade imbalances, coordinated research, and a meaningful and simpler governmental safety net," he says.

A member of Texas Farm Credit Services, the third-generation farmer grows cotton and grain, and operates a seed sales business.



#### JOSH EILERS | AUSTIN, TEXAS

#### BEGINNING FARMER OR RANCHER ACHIEVEMENT | TOP 10 HONOREE

Eilers is the national Top 10 winner in his Fresh Perspectives category. A U.S. Army Ranger veteran, he served in Iraq and Afghanistan before starting Ranger Cattle, a purebred Wagyu seedstock and beef operation, in 2011. He bases his selective breeding decisions on genetic testing and other scientific methods, producing high-quality beef that he sells online, at six local farmers markets and to eight restaurants. He also participates in the Farmer Veteran Coalition's Homegrown by Heroes labeling program.

"When I was in the military, I knew what I did was important," Eilers says. "It gave me that drive and motivation every day or every mission. It mattered, you know?

"Raising cattle and supplying consumers and restaurants directly is like that. Every day, 52 people in Austin eat because of meat that our ranch supplies. That makes my days rewarding."

Eilers is a Capital Farm Credit member.



#### STEVE VERETT | LUBBOCK, TEXAS

#### **RURAL POLICY INFLUENCE**

Verett is executive vice president of Plains Cotton Growers Inc., which represents farmers in 41 Texas counties who produce up to 30 percent of the U.S. cotton crop. A co-founder of the Southwest Council of Agribusiness, he also is past chairman of the chamber of commerce in Lubbock, where about 80 percent of the area's agricultural economic activity is tied to cotton production and processing.

He was instrumental in developing the cottonseed insurance endorsement under the federal crop insurance program, and has been working to have cottonseed classified as an oilseed under the farm bill to strengthen the safety net for producers.

"All agribusinesses and all commodities together are the beneficiaries of good farm policy," says Verett, a firm believer in coalitions. "Our goal here is to make a bigger impression and bring more people to the table."

A partner in a family farm that produces cotton, wheat and sorghum, he is a member of Capital Farm Credit. 

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SUMMER 2016 51

# WHAT'S IN THE FUTURE FOR AGRICULTURE?

As we celebrate our centennial and all of the changes that the Farm Credit System and agriculture have seen in the past century, it's hard to imagine what the future will hold. To get some idea, Landscapes asked several industry experts and leaders how they think American agriculture will look in the next 25 years.



higher public trust with regard to using technology to meet growing production demands.

**Agriculture** must gain

Charlie Arnot

Twenty-five years from now the population of the planet will be closing in on 9 billion. Can we feed this many people? The late Norman Borlaug, the father of the Green Revolution, addressed the question. The answer was "yes," but we must be allowed to use the technology available to us.

Earning public trust in modern farming systems is critical. Food and agriculture must demonstrate that they are addressing the topics consumers care most about — safe food, quality nutrition, outstanding animal care, environmental stewardship and others. Authentic consumer engagement that fosters informed decisionmaking will help align food system practices with consumer values and expectations.

Charlie Arnot, CEO, The Center for Food Integrity



Farm policy will be more difficult to put through an urban Congress.

Dr. Barry Flinchbaugh

Ag policy will be less dominated by the four- to five-year omnibus farm bill over the next 25 years. Numerous issues will be on the agenda each year. Farm policy will be more and more difficult to put through an urban Congress, especially if food and nutrition programs are removed from the farm bill.

Traditional price and income support programs will give way to a safety net based on crop insurance and trade agreements. A soil renaissance program will assist in revitalizing our soil. A declining farm population will need to learn the politics of the minority in order to build support into a majority.

**Dr. Barry Flinchbaugh**, Kansas State University professor emeritus in agricultural economics and Farm Credit 100 Fresh Perspectives

Top 10 honoree



Dr. Danny Klinefelter

Regulations will make it extremely difficult for small, independent producers to survive.

Here are some thoughts:

- Agriculture will move rapidly into coor-
- dinated supply chains supplied by qualified suppliers with intricate and real-time traceability and verification audits on virtually every aspect of production. Some supply-chain leads will provide financing for their growers.
- Biotechnology and nanotechnology will continue to grow at an exponential pace, leading to the production of specific-attribute raw materials and increased globalization of production.
- By 2050 there is a chance the Farm Credit System will have completely consolidated. In part, this will be in response to improvements in information technology, the cost of regulatory compliance and political pressure from commercial banks, forcing the System to become essentially a cooperative commercial bank.

- This would be a worst-case scenario for independent commercial bankers.
- Regulations on food safety and sustainability will proliferate to the point that the required level of management ability and technology will make it virtually impossible for small independent producers to survive.
- Water will become the oil of the 21st century, and diminishing aquifers will cause major shifts in production patterns across the U.S.
- Robotics, remote sensing and remote control will displace many human labor jobs.
- Solar energy will advance tremendously, along with battery storage capacity.

**Dr. Danny Klinefelter**, Texas A&M University professor of agricultural economics/director of The Executive Program for Agricultural Producers and AgTexas Farm Credit Services board member



**Kenneth Spearman** 

As agriculture evolves, organic and urban farming will play a bigger role.

Urban agriculture, organic farming and food hubs, while constituting a small

part of the agriculture industry in 2016, will continue to grow. This trend may increase the need for credit programs to support the direct-to-consumer business model.

#### In addition:

- Conservation, environmental concerns, food safety, public health and animal welfare are among the many issues that will influence decision-makers in agriculture.
- Greater diversity in the U.S. population will increase diversity in agriculture and among Farm Credit System borrowers.
- A growing global population will place greater demands on the food supply.
   Agricultural exports and trade relationships will be vital to the industry.
- The changing use of data in agriculture will foster innovation and improve operational awareness and efficiencies.

**Kenneth Spearman**, Farm Credit Administration Board Chairman and CEO



Dr. Charles Gilliland

The expanse of urban areas will lead to conflict with agriculture and rural communities.

The next 25 years will see the U.S. population expand substantially. While growth ensures increased demand for food and fiber, this vast expansion of urban population will create the potential for more conflicts with agricultural and rural communities. Those challenges will likely play out in a number of ways:

 Expanding cities need water. Current planning envisions the transfer of water from agricultural use to municipal use. By 2040, current legal uncertainties will have been resolved, and functioning water markets will move water from where it occurs to where it is needed.

- The expanding population will increase demand for recreational opportunities and competition for access to those amenities. Prices for hunting and birdwatching retreats will rise, overwhelming the value of agricultural uses. This facet of growing urbanization will likely erode public support for continuation of open-space taxation based on agricultural use value without concessions by landowners.
- Growing populations will result in more housing and infrastructure. Fewer people will have direct contact with

land and landowners. Public pressure will attempt to inject public input into land management decisions. Rural landowners will likely face demands for public access, land-use planning, land-use controls and other public intrusions on land-use decisions. These pressures could end private property rights as they currently exist.

 The incredible growth by 2040 will raise land values. Responsible landowners who have effectively managed their resources will see their wealth grow. This increase in prosperity will allow access to capital to fund property improvements.

> **Dr. Charles Gilliland**, research economist, Real Estate Center at Texas A&M University



# WINDMILLS: LANDMARKS OF TIME



Texas Panhandle

hat is a more iconic image of agriculture than a windmill?

Since the Persians first developed them between 500 and 900 A.D. to this day, windmills have enabled farmers to use wind energy to grind grain, draw water from arid ground and generate electricity. As the rural landscape has changed over the years, windmills have changed in form, function and design, from wooden to metal structures, to the enormous 21st-century electricity-producing wind turbines that grace the skies over wind farms today.

Graceful, majestic and picturesque, these wind harvesters are a wonderful sight to behold — a part of the landscape of rural America since the 1850s. Before their introduction, habitable land was confined to areas surrounding waterways. With their widespread adoption, windmills opened up whole new areas of the country for farming and ranching.

Windmills remain landmarks of time, reminders of our agricultural past and beacons of our future. ■ TJ

54







Texas Hill Country



Texas Panhandle



Eastern Willacy County, Texas



West Texas



West Texas



American Wind Power Center, Lubbock, Texas



Central New Mexico

#### 2016 Texas Farm Credit District

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