

Harvest

SUMMER 2018



AMERICAN AGCREDIT
MONEY FOR AGRICULTURE

**TECHNOLOGY
CHANGING AG
OPERATIONS**

**IMPORTANCE OF
FAMILY SUCCESSION
PLANNING**

**FIRESTORM
PUTS ASSOCIATION
TO THE TEST**

OUR MISSION

Be the best lender to agriculture.



Molly Giles Beckford
Giles Ranch, Bucklin, Kansas



Harvest

A Publication of American AgCredit

400 Aviation Blvd., Suite 100
Santa Rosa, CA 95403

800.800.4865

info@agloan.com
www.AgLoan.com

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Byron Enix

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EDITOR
Kristie Fry

CONTRIBUTORS

Karen MacDonald,
Jennifer Miller, Krista Sherer

ON THE COVER:

On October 8, 2017, the most destructive wildfire in California history threatened Association headquarters. See the full story on page 6.

Photo by
Josh Edelson/AFP/Getty Images

American AgCredit is referred to by the acronym "AAC" throughout this publication

American AgCredit by the numbers

\$9.99 BILLION
...in assets as of June 30, 2018

6th
...largest Farm Credit Association in the country

Association governed by a
19
member board

36
...offices in a lending territory within California, Colorado, Kansas, New Mexico, Nevada, and Oklahoma

Cooperatively owned by more than...

9,000

...member-borrowers as of June 30, 2018

Member of the Farm Credit System, a government-sponsored enterprise with more than...

\$292 billion

...in assets as of March 31, 2018

American AgCredit is focused on the future

Ever since the development of the human-powered push plow, farmers have been capitalizing on new technologies to ease their workload and become more efficient. Adding wheels, then later horses and oxen, the plow continued to evolve to become ever more effective. With the introduction of mechanized tractors, production exploded. Of course, technological development didn't end there. Tractors have grown bigger, stronger, more specialized, and with the technological revolution, much, much smarter.



**By Byron Enix,
CEO**

With American AgCredit's focus on the future, you can be certain that we will strive to continue to deliver the best possible services, solutions and support to our valued customers both today and for tomorrow.

Many of American AgCredit's customers have invested in the current generation of GPS guided autosteer tractors, reducing their input costs and increasing efficiency and production. Technology, though, has developed far beyond the tractor. In this issue of the Harvest newsletter, you'll read about some of these advancements, including some employed by American AgCredit customers like mechanical strawberry harvest aids used by Mike Miller, grape harvesters employed by Kevin Barr, and embryo transfer bio-technology and remote-operated irrigation making Brad Fassett's diversified operation possible.

American AgCredit, too, is focusing on identifying and employing technologies to enhance our business operations, becoming more efficient and even better able to deliver exceptional products and services to our customers in a rapidly changing marketplace. We have committed our 2018 Business Focus to Continuous Improvement, a top priority in order to significantly advance our digital capabilities and maintain marketplace relevance. We remain dedicated to improving continually and embracing change in order to meet the needs of our customers today and in the future, and to position us for another successful century.

As a cooperative, our focus is always on supporting our

customers, who are also our owners and our neighbors. Last year, we were faced with devastating fires that ripped through much of the wine country in our territory. They were the most destructive in California history, and they put our Business Continuity Plan to the test as our headquarters and three area offices had to close for nine days. Yet through it all, our dedicated team continued to provide consistent service to all of our customers. Inside these pages, you can read more about our efforts to support our employees and customers both during and after the crisis, and how we responded—with support from our Farm Credit family—to the greater community recovery effort.

As a responsible partner, American AgCredit also looks beyond the borders of our territory and works to influence state and national policies that impact our customers. We strive to be a strong supportive voice for agriculture. Currently, we're watching the 2018 Farm Bill process very carefully, and have communicated our support for the passage of this legislation that is so critical to all of agriculture.

With American AgCredit's focus on the future – of technology, of policy, of responsiveness to our customers' needs – you can be certain that we will strive to continue to deliver the best possible services, solutions and support to our valued customers both today and for tomorrow.



Technology transforming agriculture

Technology is advancing more and more quickly and impacting every aspect of our lives, from turning our ovens on from the car and having a robot vacuum our homes while we're away to enabling us to order products without moving from our sofas. Advanced technology is being employed on America's farms and ranches as well, as more and more producers reap the benefits of reduced labor and input costs as well as increased efficiencies and even higher production. Here's a look at some of the ways U.S. agriculture is joining the technological revolution.



Drones

One of the hottest technologies is the drone, an unmanned aerial vehicle initially used by the military that now has application on farms and ranches. Equipped with a camera relaying live-feed to a farmer's desktop, laptop or handheld device, drones can help identify crop disease and locate herds much more quickly than a farmer traversing his or her acreage. The drone can find downed fences, and be used to herd a wayward cow back home.

In recent years, drones have found another use: replacing bees in the pollination process. Bees play an essential role in pollinating up to one-third of U.S. crops. Over the past 10 years, Colony Collapse Disorder, which as its name implies devastates bee colonies, has dramatically reduced the honey bee population: according to the USDA, honey bee colonies lost with Colony Collapse Disorder symptoms on operations with five or more colonies was 84.4 thousand colonies from January through March 2017. Drones are now being used to spread pollen over the tree canopy, successfully fertilizing crops from almonds to apples.



Automated tractors

Capitalizing on GPS and high-speed communications, the autosteer tractor can plant, treat and harvest a field with no hands on the wheel: the farmer sets the coordinates, and the tractor does the rest. While autosteer has been around for well over a decade, the technology continues to evolve. At least one manufacturer is now able to retrofit older tractors with the new technology, reducing the investment level.

Precision agriculture relies on other technology advancements. Variable rate planting systems control the planter's speed so that more seed is planted in what has been determined to be good soil, and less seed in areas that can't support it; variable depth planting puts the seed at the optimal depth based on soil and water conditions; and variable rate fertilizer application supports the optimal levels of fertilizer based on micro-soil testing or the results of the previous year's harvest monitoring. This is helping farmers reduce input costs and increase yields.



Remote irrigation operations

Recent droughts make water management even more important. Sensors on center pivot irrigation systems are helping in the effort, connecting farmers with their fields so they can ensure that irrigation runs as scheduled. When there's a problem – whether a pivot not turning on, turning on when it shouldn't or running too long – an alarm sounds on the farmer's device so they can fix the problem. Remotely monitoring irrigation means less wasted time and fuel spent driving around, and less water wasted as problems are identified quickly.

Computer controlled livestock barns and greenhouses

Temperatures outside have a big impact on temperatures inside livestock barns and greenhouses. Too hot or too cold and animal and plant health can be impacted. Computer monitoring combined with mechanical controls help maintain optimal conditions: when the inside temperature or other environmental condition reaches a parameter set by the farmer, windows automatically open or close, fans turn on or off, and watering can be controlled.



Mechanical harvesters

Depending on the crop, produce harvest can be an extremely demanding, manual process, but mechanical harvesters are making it a bit easier. For nuts, citrus and table grapes, mechanical shakers drop ripe fruit into catchers, harvesting in short seconds what would otherwise take long minutes.

For more delicate fruit, the focus is on combining human and mechanical technology, with laborers selecting ripe fruit and a form of conveyor or tube whisking each piece to be crated – reducing the bruising that happens when fruit is piled in a bucket and then dumped into a bin.

Strawberries are also benefiting from the application of technology combined with human labor. In the traditional, manual approach, laborers would walk miles a day, picking fruit into baskets they carried with them; now, with mechanical harvester support, machines roll along the rows and carry the picked berries along with water and other supplies. While the increased efficiency may not be as great as that delivered by a tree shaker, farmers like American AgCredit customer Mike Miller (see related article on page 11) say that having the mechanical support makes his operation more attractive to the labor pool.

Investing in technology

While the benefits of implementing technology on the farm can be significant, they of course come at a price. Each producer considering an investment in new technology needs to carefully analyze the expected cost benefits against their current financial situation and ensure that their working capital level will remain healthy. As with all our customers, American AgCredit is here to explore loan options to support producers who decide to enhance their operation with an investment in technology.


As farmers and ranchers continually adopt new technology to improve their operations, American AgCredit also explores ways to improve how we use technology to best serve our customers. We are working hard to significantly advance our digital capabilities to maintain our relevance in a rapidly changing marketplace and to meet the changing needs of our customers. We also acknowledge our immense responsibility to continually improve and to embrace change in order to set American AgCredit on course for another successful century.



The most destructive wildfire in California history threatened Association headquarters



*Crisis Management
Team and Business
Continuity Plan
put to test*



October is high fire season in California but no one expected the firestorm that would roar through Sonoma and Napa Counties on October 8, 2017.

During that fateful night, unpredicted and dreaded Diablo winds blasted the dry area at up to 80 miles an hour, sparking the Tubbs Fire. It grew at a shocking pace. The fire would roar through the rolling forests of Napa and Sonoma counties' renowned Wine Country and into Santa Rosa, the biggest city in the region and home to our Association's headquarters. Within a few hours, this firestorm would be just one of several blazes burning. The Atlas Peak Fire in Napa County and four others ignited in the central wine region, and another scorched Mendocino County just up the coast. The fires hit with a combined ferocity rarely, if ever, seen in California, and the Tubbs Fire would prove the most lethal

and destructive. By that first morning, it had destroyed approximately 3,000 homes and took the lives of 20 people in and around Santa Rosa.

Something was eerily different about that night, Business Continuity Manager Heidi Albers recalls. Around 10 p.m., she helped a neighbor in Santa Rosa put out a grass fire that was sparked by a downed power line, and it had taken the fire department more than 20 minutes to arrive; they were busy putting out many other small fires around town. By 3 a.m., she had received an alarming number of Nixle (emergency notification) alerts, and she knew the fire was near the Association's main administration building. She called Holly Scherette in Facilities to assess conditions. Both she and Holly were in the process of evacuating their mothers from endangered neighborhoods, but Holly eventually made

There was no negative financial impact to the Association thanks to a solid plan and efficient execution in crisis. Business continuity planning can seem tedious in untroubled times but the Association benefitted immensely by its solid preparation when it mattered most.

her way to the office to find the building secure and unharmed. The Facilities team worked remotely to close all air intakes to keep the smoke out; poor air quality would remain a concern for days. Heidi then activated the Crisis Management Team (CMT) plan with calls to team members and executive leadership.

The CMT met remotely to make decisions day by day. They needed to understand the status of the conditions—for the building, their employees and their tenants. With a disaster of this magnitude, they had big decisions and important communications to make daily—when was it safe to open, what to communicate and with whom, and eventually, how to respond responsibly and meaningfully to the greater community disaster relief efforts. They would learn that nine American AgCredit employees lost their homes and 30% of its workforce in the affected areas were displaced by evacuation orders. The Santa Rosa, St. Helena, Ukiah and Petaluma offices had to be closed.

As a result, the Business Continuity Plan (BCP) was activated. A BCP is a detailed plan to help a business prevent and recover from potential threats. The firestorm would prove an ultimate test of the Association's BCP. Business

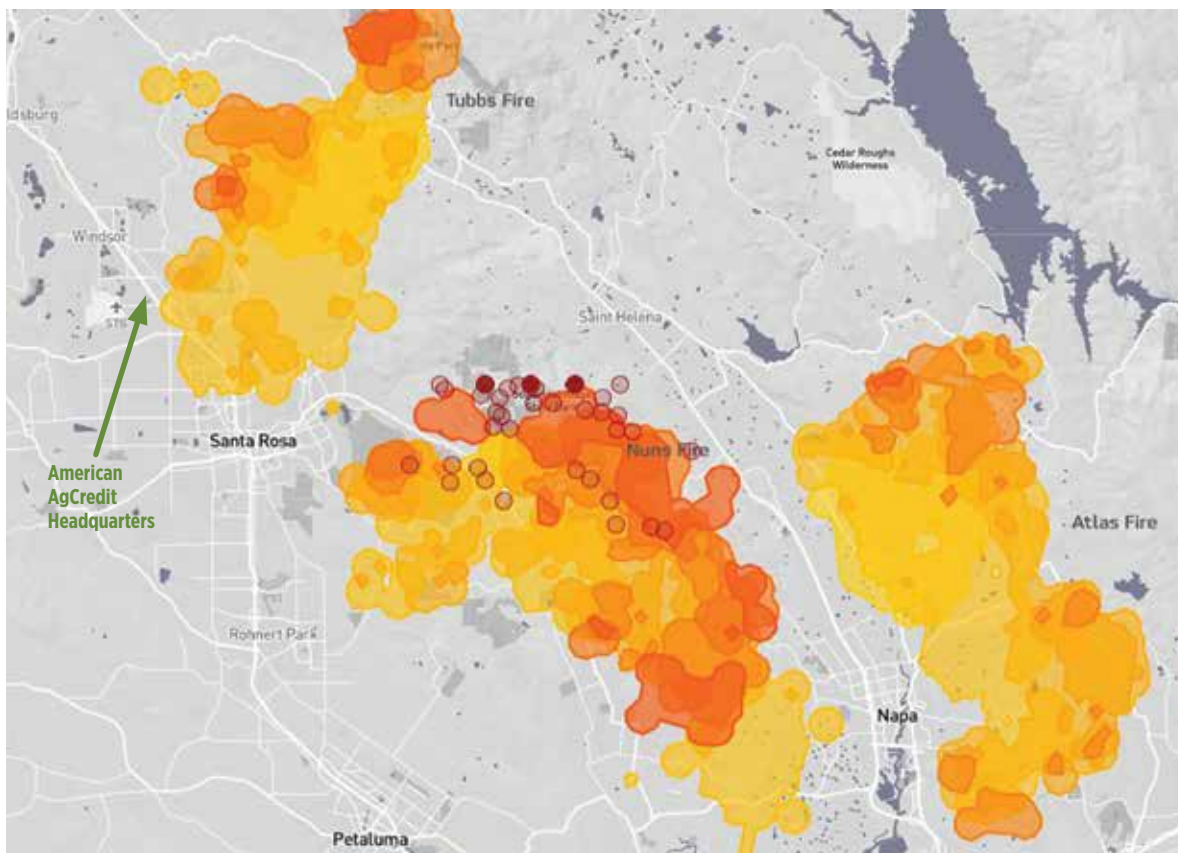
units activated included Facilities, Accounting, Administrative Services, and Retail Banking (Northern California Region). Employees in other locations, as well as handful of local employees who could connect remotely, performed essential functions. There was no negative financial impact to the Association thanks to a solid plan and efficient execution in crisis. Business continuity planning can seem tedious in untroubled times but the Association benefitted immensely by its solid preparation when it mattered most.

Leadership turned their focus to its employees. "Once we were assured all employees were safe and accounted for, we turned our attention to how American AgCredit could help those employees affected by the disaster," said CEO Byron Enix. A Corporate Response Team was formed to manage financial assistance for employees who lost homes, to establish a new Disaster Paid Leave Policy, to create a new Employee Relief Fund, and to formulate a strategy for community contributions and support—for both immediate and long-term needs. Short-term, interest free loans were made available to the employees who lost their homes in the fires, and the AAC CAREs Fund was created in partnership with California

Community Foundation. It provided a way for employees to contribute to help impacted colleagues. The Board of Directors fully supported the efforts and authorized a double company match of funds.

When the offices reopened after a nine-day closure, CEO Byron Enix ensured it was a "family first" culture for all. He held meetings and calls to address the association's care for its people. "I wanted our employees to know that it wasn't 'business as usual,'" said Enix, who also provided counselors on site. And through the generous and heartfelt support of multiple Farm Credit Associations and Co-Bank, our funding bank, American AgCredit was also able to commit \$1 million to recovery and rebuilding efforts.

There were many lessons learned during the crisis, such as the importance of having personal contact information for every employee. And there were some blessings, too. The Association's family of employees grew closer through it all together. We have emerged stronger and even more committed to our employees, our customer owners and to fulfilling our mission.



The Tubbs, Nuns and Atlas fires that raged throughout Sonoma and Napa counties in October 2017 (overlayed on map above) are the most destructive in California history. Association headquarters narrowly escaped the flames.

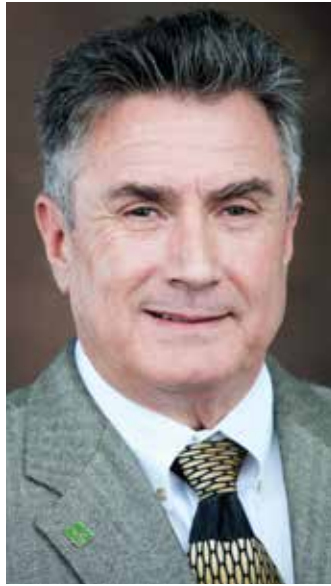
Board of Directors elects new Chair and Vice Chair

American AgCredit is directed and controlled by a 19-member Board of Directors—16 directors are stockholders elected by their peers, and three independent directors are appointed by the board. At the August Board Meeting, George Fontes was elected the Association's new Board Chair while Gary Harshberger was named the new Vice Chair.

George Fontes is a fourth-generation farmer in the Salinas Valley; his family operation has included beef cattle, grain hay production and vegetable farming. Currently, he owns and operates Fontes Farms LLC providing farm management services, equipment rental and repair services. He was President and co-owner of Comgro Incorporated, growing lettuce, broccoli, mix lettuce, and spinach. Mr. Fontes also serves on the board of Farm Credit Foundations headquartered in St. Paul, Minnesota.

Gary Harshberger is a farmer with an operation consisting of dryland and irrigated wheat, corn, milo and soybeans with a summer grass stocker program. Gary is currently Chairman of the Kansas Water Authority. In addition, he operates Harshberger Enterprises and Harshberger Seeds, is President of Double H Farms, Inc., and a member of Harshberger Land, LLC, and Hatcher Holdings, LLC, which are all involved in farm commodity production. He is also involved in the ethanol industry as a director of Conestoga Energy. Gary has a Bachelor of Science in Electrical Engineering from Kansas State University.

Additionally, Teresa Reimer of Cimarron, KS, was newly elected to the Board (Great Plains Region Position 1), and 22 stockholders were elected to the Nominating Committee during Spring elections. Ms. Reimer resides on a ranch near Kalvesta, KS, and is a fifth-generation farmer and



Board Chair George Fontes of Salinas, CA



Board Vice Chair Gary Harshberger of Dodge City, KS



Board Member Teresa Reimer of Cimarron, KS

rancher. Her cattle operation consists of cow/calf, backgrounding, and finishing that is complemented by a dry-land farm producing wheat, sorghum and forages. Teresa holds a bachelor's degree from Fort Hays State University.

The Board represents the interests of our stockholders and meets regularly to perform the following functions, among others:

- Select, evaluate, and compensate the Chief Executive Officer;
- Establish the strategic plan and approve the annual operating plan and budget;
- Oversee the lending operations;
- Advise and counsel management on significant issues; and
- Oversee the financial reporting process, communications with stockholders, and legal and regulatory compliance.

The independent Nominating Committee is comprised of voting stockholders who are responsible for evaluating and nominating qualified individuals to serve on the Board of Directors and on the Nominating Committee. Elected committee members follow.

Western – Intermountain Region:	Lani Estill, Mike Olson
Western – Central California Region:	Jack McCarthy, John Ferreira
Western – Salinas Region:	Tom Bengard
Western – Southern California Region:	Edward Embly
Mountain Plains Region:	Andrea Kinnison, Amanda Nicolas, Harry Jackson, Robert Wagner, Gerald Graybill, Burton Kross
Heartland Region:	Carolyn Dunn, Greg Brenneman, Galen Swenson, Craig Poore
Great Plains Region:	Gary Gillespi, Robert Temple, James Crotinger, Randy Hayzlett

Get involved:
Visit www.BoardElections.AgLoan.com for more information.

Technology generating savings and profits

CUSTOMER STORY:

Brad Fassett Mountain Plains Region

With more than 1,000 acres spread sometimes 15 miles apart in Southwestern Colorado, along with a herd of cattle, Brad Fassett relies heavily on technology to manage his diversified operation.

In fact, he says, “We couldn’t do what we do without it.”

Brad is a fifth generation Colorado farmer: his great-great-grandfather started farming around Denver in the 19th century, and Brad and his wife, Kali, continue to farm where his great-grandfather homesteaded southwest of Durango.

Fassett Hay and Cattle’s 1,050 acres of primarily alfalfa and hay is small-baled for horses and sold to retail stores in Texas and New Mexico, with 60,000 bales produced last year. Obtaining that yield is, in part, a result of soil testing and precision input application made possible through GPS and autosteer technology. Brad typically samples on a 40-acre level, and then calculates his fertilizer needs.

“With the precision application process, I’m able to order exactly what I need, as close as within 20 pounds on an 80-acre field,” he says. “This means I’m not tying up my money in a fertilizer I don’t need.”

Brad also uses the autosteer/GPS technology to apply insecticide and herbicide, saving further on fuel as the tractor is guided to ensure no area is covered twice. Plus, he says, he’s less fatigued after working in the field and so has more energy for other tasks.

Something else helping him not get fatigued out in the field is the center pivot irrigation technology that enables him to control and monitor the sprinklers from his phone or home

computer. “I can change speeds, direction and rate of water application without having to drive to each pivot,” Brad says. “The time saving is immense – it used to cost me two hours a day to check the sprinklers just once; now I can check them as often as I want while I’m sitting in the tractor.” An added comfort is knowing that the system will alert him on his phone if there’s an issue with a sprinkler, such as low-pressure or turning off unexpectedly.

Technology of a different sort supports Brad’s 160-head cattle herd, which is primarily focused on producing show steers, sold last year to 4H and FFA students across 11 states. Brad uses genetic testing to identify potential negative traits, and then artificial insemination (AI) to generate multiple embryos that are then implanted in other cows, or frozen indefinitely for future use. Brad currently has one cow that produced 25 good embryos earlier this year, when the national average through embryo transfer (ET) is six; one year, he sold seven steer calves from one cow averaging \$8,000.

The money generated is significant: referencing another significant sale, Brad says, “We can get a couple of lifetimes’ worth of calves from a cow in a single year. Without the ET technology, she may never have ovulated the egg that sold for \$20,000.”

For Brad and Kali, the investment in technology, which has been supported by financing from American AgCredit, may have been steep but it’s paying off. “There’s no doubt about it that it’s been worth it for us,” he says. “We’re doing all this with just the two of us, my dad part time, and one employee. There wouldn’t be enough hours in the day without the technology.”

Brad Fassett is a fifth generation Colorado farmer. He is pictured here with his wife Kali and their three children.



Improving operations with mechanical harvesters

CUSTOMER STORY:

Mike Miller Central CA Region

Technology has had a big impact for Mike and Cathy Miller's Del Llano Farms, both in terms of efficiency and costs, and in improving conditions in the field.

Third generation strawberry grower Mike harvests 140 acres of berries in Monterey and Santa Cruz counties in California, selling his crop under contract to industry mega-player Driscoll Strawberry Associates.

"I've had my own operation since 1994, and it's still fun most of the time," he says. "The best part of the day is getting out into the fields early in the morning. It energizes me so I can deal with the challenges every day brings."

One of those challenges has been finding labor for the difficult physical harvesting process, which involves miles of walking, bending and carrying heavy loads of fruit throughout the seven-month harvest period. The solution was investing in the Mercado mechanical harvest aid, which while it doesn't actually pick the berries, it does carry them and other supplies up and down the rows. Mike estimates that the equipment has increased productivity by 20 to 30 percent.

"It depends on the price of strawberries, of course, but for the most part we've realized enough savings to have paid for each harvester within a year and a half," he says. "After that, every time we save money, we get to keep it, so it's been well worth the investment."

With the help of American AgCredit, Mike has accumulated a fleet of 20 harvest aids, purchased over time and ranging in price from \$12,000 to \$30,000 for a newer model.

The benefits of using the harvest aid goes beyond reduced costs and increased margins. "Our workers are happier and we have lower workers compensation claims," Mike says. "We don't need as many staff and for the right people this is an attraction, so we're fully staffed with excellent workers."

Mike has been watching the technology for years, as different harvesters were developed and tested. Once the technology reached the maturity level he was comfortable with, and with the right employees on hand, he started purchasing the



Mike Miller visits one of his strawberry fields being harvested.

Workers utilizing a Mercado mechanical harvest aid while harvesting strawberries for Miller's Del Llano Farms.



harvest aids. Looking forward, he anticipates that the next technology jump will likely be robotic pickers, reducing the need for laborers even further.

"I've watched the strawberry industry grow over my lifetime, and with its high margins it's created a lot of wealth," he says. "But the challenge has always been getting enough people in to harvest, so anything that reduces that demand is a good thing in the long run."

A partnership from the very beginning

CUSTOMER STORY:

Kevin Barr Northern CA Region

Technology and leasing help generate profit while saving labor

Kevin Barr founded Redwood Empire Vineyard Management 35 years ago in Healdsburg, California with a little seed money, a dream and a partnership with American AgCredit. Just a few years

after graduating from UC Davis with a degree in Agricultural Science and Management with an emphasis in Viticulture, and with training under some of the most respected vineyard managers in the area, Kevin was eager to start out on his own. He contacted his (then) loan officer at American AgCredit, Terry Lindley.

“Terry gave me a loan but he made me put my dad on as my guarantor,” Kevin remembers. “I didn’t like that at all, and I worked hard to get the loan solely in my name within one year.” He certainly proved himself. With his well-known work ethic—he still clocks 15-hour days, six days a week—Kevin quickly built his business to include 20 clients and 30 full time employees in its first five years. Today, Redwood Empire Vineyard Management (REVM) sports a vast fleet of trucks and heavy

equipment—in REVM’s trademark green—and develops and manages vineyards from five acres to more than 100 acres throughout the region. Kevin manages REVM with his two partners—his wife Linda Barr and Tyler

Klick. REVM employs and manages several hundred employees.

An important aspect of the work is keeping the large fleet of trucks and heavy equipment in good working condition. Kevin manages that with a shop manned by skilled mechanics, and he keeps a constant pulse on new technologies to best serve REVM’s clients’ needs. With a Farm Credit lease, Kevin recently invested in a Pellenc 8590 Grape Harvester. The harvester is equipped with state-of-the-art ground tracking paddle sensors that allow it to self-level which, in turn, makes it possible to pick terraced vineyards. It is also equipped with a selective sorting system, another innovative feature, that can de-stem entire bunches of grapes. Berries are removed from the rachis on a sorting table, an intricate system of rollers that removes leaves, stems, petioles, rachis, green berries, and any other matter other than grapes. Only ripe, clean berries end up in the hopper. It has proven to be a smart investment for REVM. “Given the current state of labor shortages, the harvester helps us to operate more efficiently,” says Kevin. “And it helps us save labor costs. It allows us to survive.”

Kevin also manages 300 acres of his own vineyards, runs a cattle operation in the nearby Sonoma, Mendocino, and Siskiyou Counties, and he owns an alfalfa hay operation further north in Macdoel, California. He’s come a long way from his start with, as he says, “a diploma, a dream and a beat up 1961 Chevy.” REVM has grown with support of the Association utilizing multiple product lines including loans, leasing and crop insurance. We’ve been proud to be here for him from the beginning, and we look forward to many more years of partnership together.

Kevin can often be seen sporting a green American AgCredit vest. And by the way, he still has the ‘61 Chevy.



The Pellenc 8590 Grape Harvester is pictured above.

Kevin Barr surveys one of his vineyards.





The Culberston family is intentional about planning for the future of their family-owned business. (L-R: Ewell, Lauren, Rosa, Amos)

Keeping the farm in the family

The importance of family succession planning

Though you don't get to choose your parents, there may be a time when you can choose whether or not to go into business with them. And that's an important issue that affects many farm families. The U.S. Small Business Administration reported recently that a mere 30 percent of family-owned businesses (including farming operations) are passed on to a second generation, and only 16 percent of them make it to the third. For farms to stay in the family, families need to plan ahead.

Consider that farming is a people business and when you deal only in production, the foundations of an operation can crack. Succession planning isn't easy, though. Issues including birthright, entitlement, lack of impartial matters as well as failing to use praise or common courtesy are typical challenges. But if you haven't had the opportunity to talk to your family about the future of your operations, you are not alone. A recent topical survey performed by AgWeb found that although 80 percent of the 1,000 producers interviewed said they had succession issues, less than half of them had a transition plan in place. Also, a separate study by Iowa State University discovered that 47 percent of producers surveyed had not discussed succession with anyone, and only 27 percent had identified someone to take over the operation.

Where to start

A good starting place is to focus first on the business and the future of the farm or ranch. It is also important to enlist help with succession

planning—doing so can increase the likelihood of success. Many professionals can assist with the process, including CPA's, attorneys or even a family business consultant.

We are committed to helping, too. One way we do that is to invite customers to a conference we hold to equip them with the tools and strategies they need to be successful. Our 25th Young Farmer Rancher Institute was held in February in Del Mar, California. It is the longest continuous program in the Farm Credit System. Attendees learned about a variety of topics such as budgeting, global markets, management and conflict resolution. Our featured speakers were nationally-respected agricultural experts—Dr. David Kohl, Dr. Don Jonovic, and Jolene Brown.

Here are some quick tips from the event:

- Remember a conversation is not a contract
- Make the business better before getting bigger
- Start with regular family business meetings and have an agenda
- Set goals in writing — individual, family, short- and long-term goals
- Review your business structure and your corporate documents
- Hire a consulting team
- Make an intentional choice to be a business-first family, instead of a family-first business

Ultimately, successful farm succession is rooted in communication and trust. Many farm families have transitioned their family-owned operations to the next generation, and you can too.

Two generations of the Culberston family attended the Young Farmer Rancher Institute to learn more about succession planning, business strategy and communication. They own and operate Fortunate Fruit, an organic farming operation outside of Delta, Colorado producing peaches, apricots, cherries and other fruit.

Lauren said attending the conference in February was perfect timing and added, "It gave us everything we needed and more." In a busy and dynamic family and operation—communication is key and like many farms, the Culberston operation is constantly changing and evolving. With the completion of a new home on the land for parents Lauren and Ewell, son Amos is moving in to the existing home as his involvement in the operation increases. Daughter Rosa works on the operation in an addition to pursuing her graduate studies. The communication tools presented at the event have come into play frequently. "I still hear [speaker] Jolene's voice in my head," Lauren said when describing a recent family discussion over the details of a new packing shed that raised tensions. "It helps us be more deliberate about our communication." The Culberston family goes about running their business and family with equal measures of kindness, good humor and now, with what they learned at Young Farmer Rancher Institute, a common strategy around their day-to-day interactions.



Leasing provides an alternative to the cost of purchasing.

Leasing can help farmers manage new tax laws

While every agricultural operation depends on reliable equipment, the real value of equipment comes from operation – not ownership. Many producers choose leasing as a financing option to help improve efficiency, increase cash flow and lower tax liabilities. Additionally, leasing is a great opportunity to help farmers and agribusinesses manage substantial new changes to the tax law.



For Devonna Smith, CFO at Chappellet Vineyard in St. Helena, California, the key to remaining successful is to stay focused on long-term goals. “Tax reform laws should not be a driving force behind making changes to the long-term financial plan of the company,” she said. “But obviously the tax rate reduction to 21% will have a positive impact on our cash flow. This has allowed us to move forward with capital projects we had postponed due to cash flow considerations.” Chappellet’s ability to expense what was formally considered capital expenditures has allowed the winery to reevaluate their timing. “With the new cap on tax deductibility of interest expense, it makes leasing versus borrowing even more appealing.” American AgCredit and Chappellet have enjoyed a long-term business relationship which has recently expanded to include the leasing of barrels and new solar panels to power their operations.

Farmers and Agribusinesses can use leasing to:

- Leverage 100% bonus depreciation and increased Section 179 deductions using conditional sale leases to take advantage of deductions as tax owner while preserving your working capital;
- Enhance planning with steady, annual write-offs of lease payments with true tax leases rather than 100% expense in the first year only;
- Maximize the value of depreciation of an asset and lock in long-term fixed rates via lower lease rates on true tax leases;
- Preserve cash, working capital and other credit lines; and,
- Mitigate net operating losses, which now have various limitations on carry-forwards and carry-backs, by shifting depreciation deductions to the lessor on true tax leases.

Leasing provides additional advantages including helping farmers and agribusinesses to save money on equipment with special pricing, to pay only for the value of the equipment used, to help win the battle of inflation with fixed rates and no down payments, and to free up capital for income-earning investments.

To learn more about leasing with American AgCredit, contact your lender or call us at 800-800-4865.

Farm Credit legislative update

American AgCredit remains committed to supporting passage of a Farm Bill



Senator Pat Roberts (KS), Chairman of the Senate Ag Committee

American AgCredit looks beyond the borders of our territory and works to influence state and national policies that impact you, our customer owners. We support the passage of a strong Farm Bill, which includes a robust crop insurance program, expanded Farm Service Agency loan programs and increased investment in rural infrastructure.

Farm Bill

The fate of the farm bill this year may hinge on whether House and Senate negotiators can find a compromise on tightening work requirements for food stamp recipients in ways that are acceptable by both houses of Congress and that President Trump will sign. Another difference between the House and Senate bills is the Conservation Reserve Program. The House bill would increase the acreage cap from 24 million acres to 29 million. The Senate bill would raise it to 25 million. Conferees will have to sort out the differences. However, those discussions won't take place until September as the House members are out for summer recess and the Senate has yet to name its farm bill conferees.

Finishing a farm bill before the current measure expires on September 30—or at least

TAKE ACTION

You can help Farm Credit stand up for agriculture. Go to www.farmcredit.com/takeaction to register and be ready to send your support to your members of Congress before key votes.

be extended before the end of the year—could provide some much-needed certainty during a tumultuous time when commodity prices are low as well as tariffs and trade wars are making growers and others increasingly nervous.

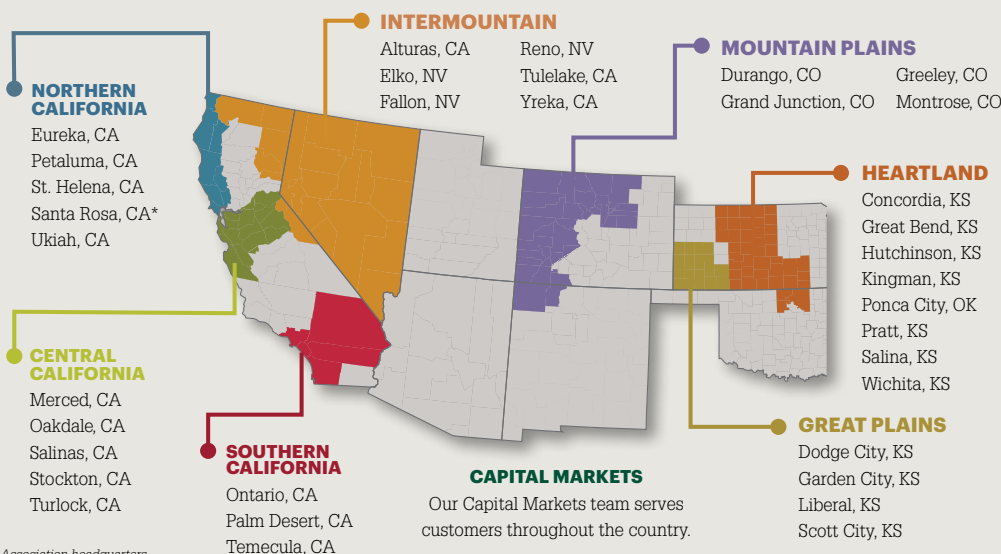
Additionally, Trump Administration officials have been communicating to farm groups that the trade disputes aren't likely to be over anytime soon. Ultimately, there's a long way to go before the farm bill can become law. American AgCredit, as a member of the Farm Credit System, remains committed to supporting a Farm Bill and getting it across the finish line, and we will be reaching out to our advocates for help as the process continues.

Crop Insurance

A viable federal crop insurance program also allows lenders to finance many agriculture producers, particularly young and beginning farmers, who typically have less collateral and equity. As Congress works on the Farm Bill, we continue to advocate for support of a strong crop insurance program to be included. We also advocate for crop insurance providing more coverage options for specialty and niche crops, while continuing to serve its traditional commodities constituency.

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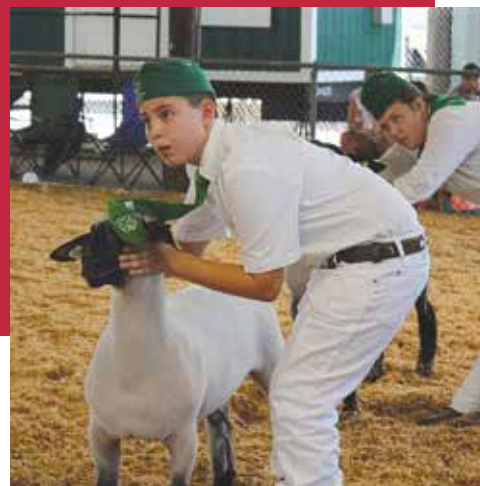
800.800.4865 Pacific Time 800.799.6545 Mountain Time 800.466.1146 Central Time



AgYouth program

Supporting 4-H and FFA Students

American AgCredit's AgYouth Program is part of the Association's commitment to young and beginning farmers. We offer interest-free funding to assist 4-H and FFA students in purchasing and caring for animal projects. Whether affording a young person from an urban area their first experience raising an animal, or reinforcing the love and respect of agriculture for a member of a longtime ag family, we are committed to the success of young people in agriculture across all communities we serve.



Southern California: Monte Vista Diamond 4-H members show their sheep and cattle.

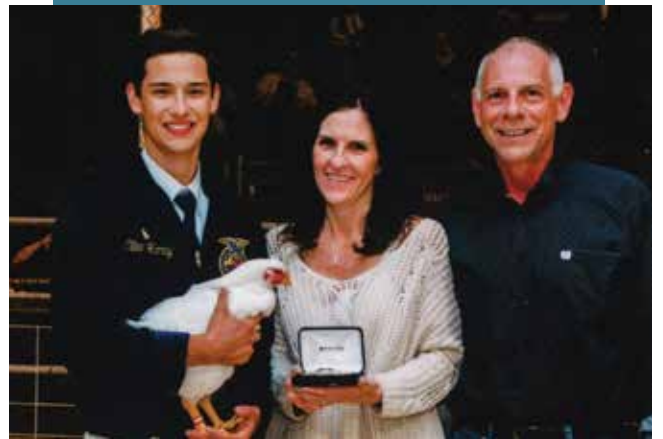


Heartland: Marlee Ballard of the Thomedora 4-H Club shows her reserve grand polled Hereford steer purchased by AAC.



Mountain Plains: (Above) Sydni Saunders, Heifer Wrangle Recipient, shows her award-winning animal. (Below) Selma Melchor shows her market lamb, purchased by AAC, at the Montrose County Fair.

Great Plains: Greeley County 4-H and FFA members supported by American AgCredit.



Northern California: (Top-bottom) Madilyn Burke, Nico Bartolomei, and William Hambly show their animals alongside AAC lender Alex Klein and his wife at the Healdsburg Fair.

AG scholarship and sponsorship highlights



Pictured (L-R, standing): Katelyn Abshire, Merced College; Hailey Ward, Cal State Stanislaus; Madison Machado, Delta College; AAC CEO Byron Enix; Ashton Frampton, Cal State Stanislaus; Melissa Land, Merced College. **(L-R, kneeling):** Andrew Skidmore, Modesto Jr. College; Christopher Galhano, Modesto, Jr. College. **Not pictured:** Kylie Burriss, Delta College.

American AgCredit offers college scholarships to young people studying or planning careers in agriculture. Recipients have demonstrated their commitment to agriculture and make a difference in their communities. The scholarship program is an important component of our commitment to young and beginning farmers. Congratulations to all of our American AgCredit Scholarship recipients.

21st Annual American AgCredit Scholarship Golf Tournament

The American AgCredit Scholarship Golf Tournament held each Spring in our Central California Region supports eight students from local colleges to continue pursuing degrees in agricultural fields. The students were each awarded a \$1,000 scholarship at the Golf Tournament's banquet dinner. Scholarships are available for general agriculture studies such as veterinary care, animal husbandry, and watershed development, and for fields such as accounting, marketing or a business degree with a focus on agriculture or farming/ranching.



Pictured (L-R): Brian Dunkel, Kelsey Martin, and Ariel Scholten.

FFA Project Competition

For more than 20 years, American AgCredit has proudly sponsored the Sonoma Section (CA) FFA Project Competition, providing local high school students opportunity to gain recognition and scholarship. Big winners for 2018 included Dillon Dunkel of Healdsburg FFA, the overall winner in the junior division with his market steer and market hog projects. Ariel Scholten of Sebastopol FFA was named the overall winner in the senior division with her work experience, sheep, and fruit tree projects, and the American AgCredit scholarship went to Kelsey Martin of Petaluma FFA who will be attending UC Davis in the fall to pursue a career in veterinary research.

2018 Interns

Back (l-r): Dawn Melkikant (AAC Human Resources), Macey Dieckmann (Wichita), Cameron Harrell (Northern California), Nick Carter (Wichita), Joseph Vincent (Turlock), Trevor Tyree (Wichita)

Front (l-r): Thomas Ascough (Temecula), Danielle Jess (Stockton), Devyn Paulo (Santa Rosa), Byron Enix (CEO), Vilma Carbajal-Ontiveros (Greeley), Spencer Alamo (Salinas), Louie Damonte (Reno/Fallon), Katie Cureton (AAC Human Resources)



2017 Photo Contest winners

American AgCredit is pleased to share the winners of our 2017 Photo Contest! Thank you to all who took time to submit images.



Left and below left: A lavender field being harvested and a rooster in a vineyard were winning images submitted by Marlene Smith of Sonoma County, California.



Ruth Welter-Smith of Clearwater, KS, submitted this winning photo of cousins Edward Smith and Knox Davis. The boys had gone dove hunting with their dads and came back with a tire.






This image of a newly tagged calf being checked on by two-year-old Kevin Baer was submitted by his dad, James Baer of Hydenville, CA.



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400 Aviation Boulevard
Suite 100
Santa Rosa, CA 95403
800.800.4865

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