

R U R A L L I V I N G Y O U R W A Y

LEADER

Farm Credit of the Virginias ~ Fall 2018

Intellectual Capital - Dr. David M. Kohl

California Wine Expertise Flourishing in Virginia

Farm Credit Interns Shine through the Summer



The Farm Credit team would like to thank our customers for attending their local

FARM CREDIT CUSTOMER APPRECIATION EVENTS!



LEADER

is published quarterly for stockholders, directors and friends of Farm Credit of the Virginias.

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Peery Heldreth

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Address changes, questions, comments or requests for copies of our financial reports should be directed to Farm Credit of the Virginias, ACA, by writing P.O. Box 899, Staunton, VA 24402 or calling 800.919.3276. Our annual and quarterly financial reports can also be obtained by visiting our website at FarmCreditofVirginias.com.

Farm Credit of the Virginias furnishes data to credit reporting agencies. The Association's reporting efforts are important for aiding consumers in obtaining credit, assisting businesses in credit approval, providing consumers with timely and accurate personal credit information, reducing fraud and abuse, helping prevent identity theft, and minimizing errors in credit reporting. If you have questions regarding this process, please contact our Credit Desk at 540.886.3435 ext. 5224.





Watch your mailbox!

2019 Director Election Ballot

Be on the lookout: your ballot should be arriving very soon. Don't miss your opportunity to be heard. Vote!

All ballots must be returned by Nov. 6, 2018
to be included in the teller count.



FARM CREDIT

FarmCreditofVirginias.com

2018 Holiday Schedule

Our offices will be closed for the following holidays:

Oct. 8 – Company-wide Employee Meeting (Monday)

Nov. 12 – Veterans Day (Monday)

Nov. 22 & 23 – Thanksgiving (Thursday and Friday)

Dec. 24 & 25 – Christmas (Monday and Tuesday)

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Peery Heldreth

Letter from the CEO

As we have moved into the second half of the year, I am pleased to report that Farm Credit of the Virginias (FCV) continues to achieve strong financial results. Our mid-year net income is above our 2018 budget plan by \$2.4 million, stemming primarily from a refund delivered by the Farm Credit System Insurance Corporation (FCSIC) of \$1.7 million. The FCSIC also returned excess premiums to Farm Credit institutions earlier this year, including FCV and contributing to our increased net income.

Our dairy customers continue facing significant challenges as the anticipated price

increases have not materialized, and in most cases have actually fallen in some months. While butter and cheese continue to perform well, there is an oversupply of fluid milk, and international trade concerns and tariffs are only amplifying negative pressures. Unfortunately, this has continued to be a tremendous strain on our dairy operators across the country that has led to a distressing number of whom have chosen to end their lives. I implore you to please call the National Suicide Prevention Lifeline at 800-273-8255 if you need help. We join with dairy operators and Farm Credit

organizations throughout the nation in hoping that this autumn will bring increased prices.

On a more positive note, we at FCV enjoyed meeting and speaking with the customers who found the time to attend one of our 22 Customer Appreciation Events. A higher than average number of you came to spend time with us, and we appreciate the opportunity to meet you, share information about our cooperative and celebrate the record patronage payments. We also enjoy hearing the many stories of how you appreciate us and the support we provide.

While visiting in person is truly enjoyable, I invite you to also connect with us throughout

the year via our social media platforms. You'll find news and updates, photos, videos, contests and more across all our social platforms:

- Facebook at www.facebook.com/FarmCreditofVirginias
- Twitter at <https://twitter.com/FarmCreditVAs>
- LinkedIn at <https://www.linkedin.com/company/farm-credit-of-the-virginias-aca>
- YouTube at <https://www.youtube.com/user/FarmCreditVAs>
- Pinterest at <https://www.pinterest.com/FarmCreditofVAs>

Another way to connect with your cooperative is by voting in the annual director election, which will take place in October. Customer-owners across our territory are eligible to vote for the two seats up for election this year. While we nominate candidates by region, our elections include all our customer-owners to ensure that the decisions made by each director are focused on the best interests of the entire cooperative. Electing your board of directors is one of the benefits of belonging to a cooperative. Your vote helps select the individuals who set our strategic direction, helping ensure the continued health and viability of our cooperative now and into the future.

Our customers also help strengthen our cooperative by referring new customers to us. It's gratifying that you, our customer-owners, remain our #1 referral source. Your referrals help diversify our portfolio and contribute to our financial performance. The referrals also demonstrate that you value our products and services and the relationships we have built with you over the years. Thank you for your continued support, and we look forward to furthering our relationships with you and meeting your financial needs.



Intellectual Capital

By: Dr. David M. Kohl

There is an old saying that “to get started in farming and ranching, you either have to inherit land from family, marry into it or be lucky enough to have a generous, rich neighbor gift it to you.” It is tempting to look at successful producers who have a considerable amount of land and think that anyone could be successful with such a head start. Some producers who lack access to capital without land equity can become discouraged or frustrated. This is particularly true among young and beginning farmers.

What strategies can you employ when hard collateral, such as land, is not available? How can an individual build a case for financing when their collateral consists of soft assets, such as equipment, machinery, inventory or management potential?

The answer may start with intellectual capital, which includes less tangible aspects of the business, such as the ability to plan, strategize, execute and monitor results. Whether it is a young producer, entrepreneurial startup, an individual leasing most of the asset base or a business in transition, intellectual capital is crucial in building soft collateral.

Intellectual capital is increasingly becoming a significant factor as more land and equipment assets are leased. Current trends demonstrate a focus on controlling assets rather than owning assets.

How can one build intellectual capital, or soft asset collateral, when farm real estate equity does not exist? The first element would be to build a strong business plan using clear, written ideas. The plan should detail the short- and

long-term goals for the business, family and personal life. This process appears to be basic, but it requires thinking through priorities and allocating capital, time and talent resources to their highest and best use. Monitoring progress can be used to ascertain whether equity is being built. This trend analysis can be useful in building a case to lenders and investors for additional borrowing or capital if the business is in growth mode.

Projected cash flow, production plans and operating schedules linked to a marketing plan are critical. Knowledge of payment schedules, timing of costs and operating capital needs are the intellectual horsepower that can be invaluable in soft collateral assets. To top it off, a cash flow analysis and sensitivity testing of various

levels of production, marketing, prices and cost can provide the boundaries of possibilities.

Regularly monitoring results is an important part of intellectual capital. The difference between planned and actual outcomes can be determined using variance analysis. This process allows producers to adjust the business plan with changing conditions not only in the business, but also at the macro level.

For example, a young farmer started his enterprise with a used pickup truck, lots of energy, ambition and a well-thought-out business

plan on rented ground. Within five years, he had paid for his equipment and livestock loans with earned profits. These assets, along with a proven track record, were used as equity to acquire land assets with borrowed funds. In this particular case, the individual's and spouse's commitment to a modest lifestyle and dedication to working side-by-side with their agricultural lender were a win-win situation when land equity was non-existent.

Intellectual capital will make a significant difference in the agribusiness world, particularly

considering shifts in consumer demand and market volatility. Sometimes it appears business owners who own a lot of land have a head start. However, this often leads to complacency and lack of focus on intellectual capital and management intensity. This is why it is often said that "the first generation makes it, the second generation holds the business and the third generation loses it." Why? The hard assets, such as land, can be transferred, but the critical element of intellectual capital is often not transferred to the next generation. ∞



FARM CREDIT Knowledge Center

Tips, hacks, we all have them. Common sense, practical, unique and sometimes down right genius ideas for making life on the farm or around the house just a little easier or more economical. Maybe they save a little bit of money, or maybe they just make life a little easier...or maybe both. Either way, we all have suggestions that we could share. To help share some of these tips and tricks, the Farm Credit Knowledge Center started Tip Tuesdays on social media at the beginning of 2018. Each Tuesday we share a different tip or trick on Facebook and Twitter to help producers and rural homeowners to make life a little easier. So far, we have shared information on communicating with your vet, gardening tips, even tips to help while working cattle and more! If you are on social media, feel free to visit the Knowledge Center Facebook page or Twitter to see what we have shared this year.

So...here is where you come in! There are 52 Tuesdays a year...which means we need at least 52 tips to get us through 2018 and beyond. Do you have any things you do on your farm or at your house to make life easier? We would love if you would share it with us! Just send us an email or a Facebook message with your tip and a picture and we'll share it on social media (and we promise, we'll give you credit).

The Knowledge Center is always looking for new ways to share information and resources with agriculture producers and home owners, and we appreciate your help in helping us continue to do this! ∞



Save The Date for a

Succession Planning Workshop Series

Join Us

October 23rd, October 30th, November 1st and November 6th
From 5:30 - 8:30 p.m.

As Dr. Alex White and Dr. Jesse Richardson walk through the steps of successfully transitioning your farm business from one generation to the next.

This workshop will be available via GoToMeeting at several Farm Credit of the Virginias Branch offices, or you can log-in from home or work at your own computer!

More information including branch office locations is available on the Farm Credit Knowledge Center website at www.FarmCreditKnowledgeCenter.com

or contact Rebecca Webert by phone at 540-347-3344 or via email at RWebert@FCVirginias.com for more information!



2019 Photo Calendar Contest Winners

We are pleased to announce the top three winners of our 2019 Photo Calendar Contest. The contest was extremely successful pulling in over 500 photos and over 6,000 votes!

First place goes to Callie Burnett of Blairs, Va.; second place goes to Debra Shreve of Elkins, WVa.; and third place goes to Megan Bryant of Chatham, Va.



Congratulations to our winners and thanks to everyone who participated in this year's contest!



California Wine Expertise Flourishing in Virginia

By: Karen MacDonald

“Walking through any wine section offers a clear demonstration that different grapes grown in different soil with different micro-climates, blended and aged by different vintners produces a vast variety of wines. So it seems an extra challenge to find success as a grower and vintner in one place – California – and then move your career and your family from one coast to the other. Yet that’s exactly what John Delmare, proprietor of Rappahannock Cellars in Huntly, Virginia, did 19 years ago.

John opened his first vineyard and winery in 1990, and without a background in either had a steep learning curve.

“My wife’s family is in the dried fruits business so we’d been exposed to a lot of farming, and we just had it in our hearts that this is what we wanted to do,” he says. “Fortunately, because we’d purchased an existing operation

that was fully staffed, I was able to look over our employees’ shoulders for on-the-job training.”

After nearly six years, the Delmares decided to move to Virginia, joining its burgeoning wine industry by establishing the 62nd winery in the state, which now is home to 300.

“We knew Virginia would be a great place to raise our very large family and be able to continue to raise grapes,” John says.

The Delmares had eight children when they relocated to Virginia, and have had four more since.

Today, they farm 30 acres of their own, lease an addition eight acres, and are in a 25 year partnership for another 25 leased acres. Their vineyards include Chardonnay, Viogneir, Merlot, Cabernet Sauvignon, Cabernet Franc and Petit Verdot grapes, and they produce up to 18,000 cases of wine each year.

The vast majority of this wine – 90 percent – is sold direct to consumers, primarily through the Rappahannock Cellars wine club with a smaller proportion sold through the tasting room. The remaining wine is sold through distributors targeting Virginia and Washington, D.C. restaurants.

“We have a pretty good marketplace here because we’re only an hour’s drive from D.C., which has the largest wine



consuming population per capital in the country,” John says.

While Rappahannock Cellars has developed a loyal following, challenges certainly remain. Raising wine grapes is much more difficult in Virginia than California, John says, so his learning curve started all over again when they established their Virginia operation. He’s also been facing increasing competition, including competition for employees during harvest and to staff the events center the family built to supplement their wine income.

“Raising grapes takes a lot of hands-on care here that isn’t required in more friendly environments like California,” he says. “Every year we learn something new about how to run our business better.”

Several of his children have also been bit by the wine bug, with three having graduated college and now working in the family business full time: one daughter manages the tasting room and special events, another oversees the wine club, and a son has taken on marketing. The younger ones help in the field or kitchen, at the cash register or pouring in the tasting room when their old enough.

“It depends on the child and what they’re interested in,” John says. “But there’s always

something to do to keep us busy, between farming for nine months of the year, then making and selling the wine.”

John credits his success to getting into the Virginia market early, and bringing the knowledge they’d gained in California. Hard

break even,” he says. “Raising a family with 12 kids, I needed to be successful out of necessity.”

That they’ve achieved success is unquestionable, but the Delmares aren’t resting on their laurels. They licensed their distillery two years ago and opened the doors last fall.

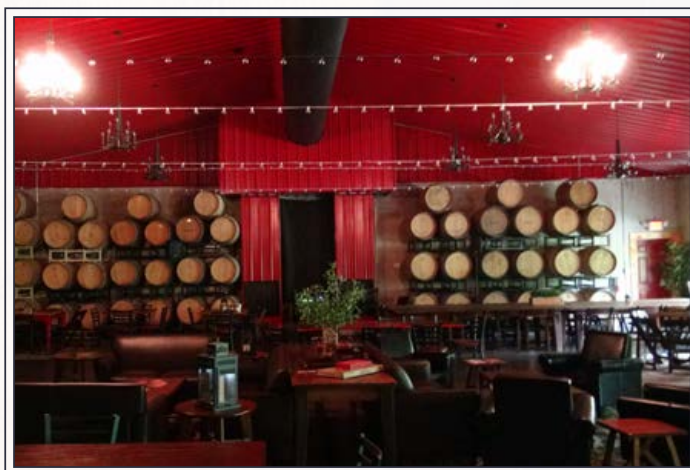
They’ve produced 700 cases of brandy, vodka and gin that’s being sold 100 percent onsite. They launched a traditional method sparkling wine last December.

“We’re working to ramp up these new products and refine what we’re doing across the board,” John says.

Farm Credit of the Virginias has been providing financing for the Delmare’s ventures since 2010, first with a loan for the land, later with several improvement loans, and then with equipment leasing.

“When I really started looking at the programs Farm Credit offered, I decided they were the right financial partner for us,” John says. “Now after working with them all these years, I’ve become very appreciative of who they are and what they do. They truly understand farming and have been very supportive of our growth

and diversification into different business lines where I think other banks wouldn’t be. They just get it.” ∞



work and commitment have also played a big role.

“A new wine area like ours tends to attract people nearing retirement who are happy to

Check out more about John Delmare and Rappahannock Cellars by visiting our YouTube channel!

<https://www.youtube.com/watch?v=IbSARt-kFP8&t=22s>

14437 Hume Rd | Huntly, VA | 22640 | (540) 635-9398 | www.rappahannockcellars.com

CAP News

(Communications Advocacy Program)

Farm Credit is known for building relationships with its customers, but it goes further than that. The Farm Credit System was established by Congress more than 100 years ago, and the directors and employees of Farm Credit understand the importance of sharing the Farm Credit story with those key members. Relationships are built by visiting and meeting with representatives in Washington, D.C. and the states within our territory, making trips to locations they are visiting and participating in events where we can share our story.



Farm Credit of the Virginias (FCV) recently welcomed Katie Frazier to the Farm Credit team as the director of External Affairs. Katie was the President of the Virginia Agribusiness Council and worked for that organization providing advocacy and leadership for the industry for 14 years. She brings her wealth of experience as an advocate for agriculture in her new role. Farm Credit's External Affairs program is dedicated to collaborating with partners to develop programs to support farmers, advocate for agriculture on the state and national level, and educate policy makers and consumers about agriculture.

As part of these education efforts, in the coming months, FCV will be hosting elected officials at both the state and federal level to tour farms across FCV's territory and meet one-on-one with farmers who are also FCV member-borrowers. With all U.S. House of Representative seats up for election in November, and a U.S. Senate race in Virginia, West Virginia, and Maryland, FCV is also working to educate candidates for these important offices about agriculture and Farm Credit. FCV will also be working with agriculture partners in Virginia, West Virginia, and Maryland on important

policy initiatives, including water quality programs, rural economic development, and land conservation.

Farm Credit's top federal legislative priority for 2018 is ensuring passage of a strong farm bill this year. FCV partnered with Farm Credits across the country to send messages to Congress urging them to act on the farm bill through the summer via a new Action Alert system hosted by the Farm Credit Council. Over 19,000 messages were sent to Congress from Farm Credit advocates in one month alone- all supporting passage of a strong farm bill! As a customer-member, you can join Farm Credit's advocacy team- just visit <https://farmcredit.com/takeaction> and sign up for the action alert system. Once you are signed up, Farm Credit will contact you via email and text message when it's time to contact Congress again. Agriculture and Farm Credit need many voices to help protect and advance agriculture and rural economies, and this is an easy way to add your voice to our efforts!

In mid-July, we joined other Farm Credits from across the country to bring more than 30 farmer veterans to Washington to celebrate

their service to our nation. These customer-members helped share the Farm Credit story by meeting with policy makers to tell about the important role that Farm Credit and the farm bill have played in their success. FCV was proud to host Calvin Riggelman of Bigg Rigg Farms, a customer-member from Augusta, West Virginia, as part of our legislative fly-in group.

Calvin joined four of our Board Directors- Bob Gray (also a retired Marine), Chuck Horn, Jamie Kinsey, and Al Stephens- for legislative visits with Representatives Griffith (VA-9), Goodlatte (VA-6), McKinley (WV-1), and Mooney (WV-2), and Senators Capito (WV), Manchin (WV), Kaine (VA), and Warner (VA). In addition, the group met Deputy Secretary of Agriculture Stephen Censky and USDA's new military veterans' agriculture liaison to hear more about programs at USDA. To help these veterans differentiate and market their products, Farm Credit also partnered with the Farmer Veteran Coalition to unveil updates to the Homegrown by Heroes program- a voluntary marketing label that allows consumers to support farmer veterans. ∞



Farm Credit Interns Shine through the Summer

2018 Summer Interns

Summer interns left to right: Clayton Terry, Laura Kiff, Jourdyn Friend and Daniel Scott

For three months this summer, Farm Credit welcomed four exceptional college students into our annual internship program, benefiting from their hard work and insights from a younger generation and providing meaningful projects and diverse opportunities.

Interning offers students the opportunity to gain business experience that they can highlight on their resumes to land future jobs. It also exposes them to different types of organizations and roles so they can narrow their career focus. For companies, hosting interns brings highly qualified, albeit temporary, employees into the organization, and builds relationships that can lead to welcoming back future employees who will arrive already knowledgeable and at least partly trained and engaged.

As you read more about FCV's 2018 interns below, you'll see that several hope for exactly this situation: that they'll have the opportunity to rejoin our organization after graduation.

Jourdyn Friend

Hometown: Richmond, VA

College: Eastern Mennonite University

FCV Mentor: Melanie Craig

Growing up in the city of Richmond, Jourdyn arrived at FCV with no background in agriculture, but with an eagerness to get out of her comfort zone and challenge herself to learn something new. Pursuing a degree in Business Administration with a minor in Human Resources, Jourdyn will soon be entering her final season of college basketball, which she was recruited to play while in high school. Jourdyn is 21, and will graduate in May 2019.

Why did you pursue an internship at Farm Credit?

I wanted to find something new and different from what I've done before, and wanted to find an internship that allowed me to gain experience in my area of study. Interning in Farm Credit's Human Resource department provided both of these.

What types of things have you been working on?

We just finished creating resources to recruit more veterans to work at Farm Credit, and I was working on the onboarding process to find

ways to help new hires have a more enjoyable experience when they start their FCV career.

What is one thing you have learned during your internship that you weren't expecting?

I was a little surprised to learn all the different components of HR, and to see what I learned in the classroom applied in the real world. I was also surprised to see all the different kinds of agriculture that Farm Credit supports. It makes sense now, but coming from the outside it was a surprise at first.

Where do you see yourself after graduation?

If there's a position at Farm Credit, I would love to come back to work here full time, in either HR or marketing, and then see where it leads. Otherwise, I might be working for my Dad's construction company, or even owning my own sneaker store though that might take longer.

What's been the highlight of your internship so far?

Being able to visit the different areas in Farm Credit's territory and visit the different types of operations. No farmer operates the same way, even if they're growing the same thing, but they all put so much time and make sacrifices to do what they love.

What are your impressions of Farm Credit?

Farm Credit really cares about its customers and employees. You can tell that everyone is genuine, even selfless and it's really rare today to see. I have nothing but positive things to say about Farm Credit.

Laura Kiff

Hometown: Purcellville, VA

College: University of Guelph, Ontario

FCV Mentor: Marilyn Adams

Growing up in a rural community, Laura started working on horse farms when she was 12 years old. She continues to pursue her passion for competitive horse eventing, which includes dressage, stadium jumping and cross-country, on her university team, while also pursuing a degree in Management Economics and Finance. Laura, 21, will graduate in December 2018.

Why did you pursue an internship at Farm Credit?

I know someone who works at Farm Credit and she told me about the opportunity. The internship does a good job of combining my interest in rural communities with the financial aspects I'm learning in school, which I was hoping to learn how to apply what I have learned.

Clayton didn't grow up in a farm family, but developed a passion for agriculture when he started spending time at the dairy operation of a distant family friend's multi-generational farm. Coming from the suburbs, he didn't realize how that first week he spent with the Stephens family, and later his summers there, would change his life. Pursuing a Dairy Science degree with a minor in Agricultural Economics, Clayton is the third generation of his family to attend Virginia Tech. He is 21 years old, and will graduate in May 2019.

Why did you pursue an internship at Farm Credit?

Al Stephens is on the Farm Credit board, so I heard a little about Farm Credit from him, and then the dairy school sent out a message about internship opportunities, so I went for it. I wanted to get my foot in the door, and learn all I could about agriculture beyond just the dairy side that I'd been exposed to. And I wanted to work with professionals in agriculture and get experience.

What types of things have you been working on?

I've been working with loan officers, learning about the loan application process, working with customers who are applying for loans, and helping process the loans.

What is one thing you have learned during your internship that you weren't expecting?

It's been really neat to learn more about all the things grown in Virginia, things that I consume in my every day meals. We visited a tobacco farm, wineries, a horse farm, and a poultry farm.

Where do you see yourself after graduation?

I definitely want to be working within the agriculture industry. I'm enjoying Farm Credit right now, and if there's an opening I'd love to apply. I want to help farmers and support all that they do.

What's been the highlight of your internship so far?

There have been so many good things going on. It's been really fun to visit all the different farms, and see how the farmers run their operations. Also, learning so much from all the Farm Credit employees, who are there for me whenever I need them and teaching me all they can. I've also enjoyed being able to talk to farmers one-on-one.

What are your impressions of Farm Credit?

Farm Credit is a great company. I have really enjoyed the family environment. Everyone is really genuine. They work hard, but enjoy it, too.

Why did you pursue an internship at Farm Credit?

I was told by a coworker that Farm Credit had a good internship program that would set me up well for my future. I've always done the manual labor of farming and I wanted to further my education and learn more about the credit side of things.

What types of things have you been working on?

I've been working with loan officers and underwriters. Part of the time, I have shadowed a loan officer and helped with daily activities like visiting farms, evaluating farm management, and reviewing their financial statements. When I have done underwriting, I reviewed customers' financial statements, and made balance sheets and income statements that helped the underwriters make decisions.

What is one thing you have learned during your internship that you weren't expecting?

I was kind of surprised how my classes in school set me up for success in this internship. The first time I was handed a balance sheet, the knowledge from my accounting classes took over and I knew how to read and understand it.

Where do you see yourself after graduation?

My dream is to live on our family farm, while also working as some kind of lender in the agricultural world. I want to stay in lending because no customer is the same, and every day you learn something new about someone, or a new area, or a new business.

What's been the highlight of your internship so far?

The highlight has been gaining a better understanding of all the different aspects of agriculture in Virginia. I knew that different areas had different crops, but I had no idea how diverse agriculture is with just a couple hours' drive. I've also enjoyed the customer interaction on a daily basis, and am growing more confident in talking to people and gaining more knowledge.

What are your impressions of Farm Credit?

The biggest impression is the family atmosphere, from top to bottom. The CEO knows me by my first name, which was really surprising. Also, I've been impressed by how much our customers appreciate us, because we're really the one lender here in Virginia that understands agriculture.

Clayton Terry
Hometown: Chesapeake, VA
College: Virginia Tech
FCV Mentors: Anthony Watson, Brian Repass and Jacob Sharitz

What types of things have you been working on?

I've mostly been working with loan officers, doing a little bit of everything. In the beginning, I did a lot of watching, but now I actually work through the process and my mentor checks the work. We've also been able to go to so many trainings, and I had the opportunity to visit and tour AgFirst's new building in Columbia, SC. I was able to wrap up my internship with a trip to Washington, D.C. where we learned about the legislative side of things.

What is one thing you have learned during your internship that you weren't expecting?

I didn't really know much about the sales side of being a loan officer. It's been interesting to learn about how they have to market themselves to customers and their communities, and how different loan officers do this throughout the territory. It's also been eye-opening to see all the different types of farm operations.

Where do you see yourself after graduation?

I'm hoping to work for a bit, before going back to school for a master's degree. If there's an opening, I'd love to come back and work at Farm Credit as a loan officer or credit analyst.

What's been the highlight of your internship so far?

I've really enjoyed being in the office and working on loans. The travelling is always fun, but it's been really nice to apply my knowledge and work through the loan process and see how it works. I didn't realize how different it is doing things in the real world versus doing it in classes.

What are your impressions of Farm Credit?

Everyone has been really friendly, and is willing to help out and take care of you. A couple of weeks ago, I was the only one in the office, so Patti Craun came in and helped me. I was given phone numbers to other people who could assist if needed. It's amazing how willing everyone is to help.

Daniel Scott
Hometown: Moneta, VA
College: Eastern Mennonite University
FCV Mentors: Jill Richter and Becky Daubert

Daniel is the fourth generation working on his family's beef cattle operation. With a degree in Business Administration and minors in Accounting and Human Resources, he's hoping to find a position close enough to allow him to live on the farm and continue helping even when he's building his off-farm career after graduation. Daniel is 21, and will graduate in May 2019.

Consolidated Balance Sheets

	June 30, 2018	December 31, 2017
(dollars in thousands)	(unaudited)	(audited)
Assets		
Cash	\$ 2,026	\$ 5,082
Loans	1,827,258	1,844,949
Allowance for loan losses	(15,155)	(17,461)
Net loans	1,812,103	1,827,488
Loans held for sale	236	1,388
Accrued interest receivable	13,684	10,127
Equity investments in other Farm Credit institutions	20,740	20,763
Premises and equipment, net	10,261	10,142
Other property owned	865	1,221
Accounts receivable	5,560	25,059
Other assets	2,983	2,338
Total assets	\$ 1,868,458	\$ 1,903,608
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 1,414,344	\$ 1,437,895
Accrued interest payable	3,849	3,634
Patronage refunds payable	222	25,254
Accounts payable	2,455	3,146
Other liabilities	9,665	10,858
Total liabilities	1,430,535	1,480,787
Members' Equity		
Capital stock and participation certificates	10,543	10,493
Retained earnings		
Allocated	92,568	92,568
Unallocated	334,842	319,790
Accumulated other comprehensive income (loss)	(30)	(30)
Total members' equity	437,923	422,821
Total liabilities and members' equity	\$ 1,868,458	\$ 1,903,608

Consolidated Statements of Comprehensive Income

	For the three months ended June 30,		For the six months ended June 30,	
(dollars in thousands)	2018	2017	2018	2017
Interest Income				
Loans	\$ 25,214	\$ 24,124	\$ 49,996	\$ 47,450
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	11,312	10,491	22,148	20,489
Net interest income	13,902	13,633	27,848	26,961
Provision for loan losses	500	250	1,000	750
Net interest income after provision for loan losses	13,402	13,383	26,848	26,211
Noninterest Income				
Loan fees	75	153	369	292
Fees for financially related services	9	8	36	47
Patronage refunds from other Farm Credit institutions	2,654	2,712	5,320	5,489
Gains (losses) on sales of rural home loans, net	163	156	282	353
Gains (losses) on sales of premises and equipment, net	8	21	165	56
Gains (losses) on other transactions	7	181	20	37
Insurance Fund refund	—	—	1,673	—
Other noninterest income	15	25	40	51
Total noninterest income	2,931	3,256	7,905	6,325
Noninterest Expense				
Salaries and employee benefits	4,433	4,417	9,478	9,384
Occupancy and equipment	384	394	723	737
Insurance Fund premiums	317	534	633	1,055
(Gains) losses on other property owned, net	59	579	55	572
Other operating expenses	1,845	1,593	3,785	3,410
Total noninterest expense	7,038	7,517	14,674	15,158
Income before income taxes	9,295	9,122	20,079	17,378
Provision for income taxes	12	14	24	28
Net income	9,283	9,108	20,055	17,350

The shareholders' investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's quarterly and annual financial reports to shareholders are available free of charge at www.agfirst.com, or by writing to AgFirst Farm Credit Bank, Financial Reporting Department, P.O. Box 1499, Columbia, SC 29202. Farm Credit of the Virginias complete quarterly and annual financial reports are available online at www.farmcreditofvirginias.com



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