

RURAL LIVING YOUR WAY

LEADER

Farm Credit of the Virginias Spring 2016

Perspectives from Past Presidents

Fulfilling a Wife's Dream, One Board at a Time

Young Farmer Profile

CUSTOMER APPRECIATION EVENTS

Join us as we celebrate our #1 asset — **OUR CUSTOMERS!**

Branch	Date	Time	Location
Leesburg	4/17	12-4	Loudoun Hunt Point to Point Races, Oatlands Historic House & Gardens
Ripley	4/25	6-8	Cedar Lakes Conference Center
Lexington	5/5	6-8	Big Spring Farm
Halifax	5/6	5-7	Falkland Farms
Gate City	5/18	6-8	Scott County Park & Golf Course
Culpeper	5/19	5-7	Culpeper Farm Credit Office
Petersburg	5/20	4-7	Brighton Park
Roanoke	5/23	6-8	The Home Place Restaurant
Lewisburg	5/24	5-7	WV State Fair Grounds, Blue Ribbon Building
Rocky Mount	5/26	5-7	Pigg River Community Center
Romney	6/2	5-7	Brookedale Farms
Oakland	6/8	6-8	Alpine Lake
Chatham	6/9	5-7	Olde Dominion Ag Complex
Abingdon	6/17	6-8	Southwest Virginia Higher Education Center
Wytheville	6/21	6-8	Wytheville Meeting Center
Verona	6/23	5-7:30	Frontier Culture Museum
Harrisonburg	6/24	11-2	Rockingham County Fairgrounds
Warrenton	7/29	7-10	Great Meadow — Twilight Jumper
Charlottesville	8/29	5-6:30	Woodgrill
Clarksburg	8/30	5-8	Lambert's Winery
Bedford	9/1	5-8	Bedford Country Club
Orange	9/8	5-7	Orange Farm Credit Office

*Strong Past.
Stronger Future.*

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LEADER

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

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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. 5038.



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Holiday Schedule

May 30—Memorial Day (Monday)
July 4—Independence Day (Monday)
September 5—Labor Day (Monday)
October 10—Columbus Day (Monday)
November 24 & 25—Thanksgiving (Thursday & Friday)
December 23 & 26—Christmas (Friday and Monday)

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FINANCIAL REPORT

Fourth Quarter 2015 23



Dave Lawrence

Farm Credit of the Virginias Well-Positioned to Support Agriculture through Good Times and Bad

With the first quarter of 2016 under our belt, Farm Credit of the Virginias (FCV) is well-positioned to continue meeting the needs of our customers, some of whom we recognize may be facing challenging times as the agricultural economy shifts.

2015 Financial Results

FCV's beneficial position stems, in large part, from our strong performance in 2015. We increased loan volume by almost 7 percent, grew net interest income to more than \$50 million, and achieved net earnings of \$44 million. Moreover, our capital reserves of more than 20 percent remain more than sufficient to support our borrowers, attract new customers and write new loans as we continue to grow and strengthen your cooperative.

Our financial performance again allowed us to distribute dividend checks to our customer-owners, one of the significant benefits of being a member of our financial cooperative. Your elected Board of directors approved \$15 million in patronage this year, all paid in cash in April and June. Our funding bank again this year, paid a special distribution based on its performance in last year's strong economy, which the board has again decided to pass through to our customers as a special second patronage payment in June.

Looking forward to 2016

The year is off to a good start with loan volume and earnings in line with our 2016 budget. Our goal is to grow our business by six percent this year, and we expect that net income will be comparable to what it's been over the past few years.

While we don't see any big storms looming on the horizon, all indications point

to a weakening ag economy. This economic cycle will affect different industry segments to varying degrees and in different ways. For example, lower grain prices will reduce income for those growers, while easing input costs for livestock producers. FCV's diversified customer base – with no single commodity exceeding 12 percent of our overall portfolio – and our strong capital base put us in a good position to work closely with our customers experiencing this volatility.

For customers facing such challenges, we encourage you to contact your loan officer to discuss how we can support you and your business. Our mission remains to support our customers in good times and bad, and we recognize that as the economic cycle turns, we need to work even harder to deliver on that mission. To that end, we will also strengthen our focus on serving as trusted advisors to our customers, to delivering exceptional insight through our Knowledge Center, to supporting our customers with additional services and programs, and of course by providing the loans and financial services needed to succeed in your businesses.

Farm Credit Turns 100

Farm Credit has been supporting agriculture and rural communities since 1916 and this year will be celebrating our Centennial milestone of delivering on this mission across the country. FCV is proud to be part of an organization that has been providing such a valuable and necessary service for 100 years. We see this firm foundation as a starting place for building a strong future with our customer-owners and will be highlighting the milestone throughout the year.

Customer Appreciation Days

One of the places we'll be celebrating the Farm Credit 100 milestone is at our Customer Appreciation Days, where we're again looking forward to meeting with our customers at all of our lending locations. I personally look forward to these events because I'm able to get out and hear what you, our customers, are thinking about. I encourage all our customers to attend your local Customer Appreciation Day to share your views and give us the opportunity to thank you for continuing to do business with your cooperative.

Farm Management Institutes

We also hope that you were able to attend one of our Farm Management Institutes during the first quarter of the year. These were another program of our Knowledge Center and were designed to help our customers navigate the volatility many farm segments are experiencing. Providing insight from Dr. David Kohl at the macro level and from Dr. Alex White at the more micro level, these workshops helped explain the global forces impacting our local economy and provided direction on managing personal finances to better plan for your business needs.

Circle of Excellence

Given our excellent financial performance in 2015, it's no surprise that we'll be welcoming a number of outstanding employees to our Circle of Excellence. You can look for the names of those individuals in our next issue, all of whom, in the meantime, will be focused on working closely with their customers to help them continue to thrive. ☞

The Strategic Mergers that Created Farm Credit of the Virginias

This year, Farm Credit of the Virginias is joining other Farm Credit organizations across the country in celebrating 100 years of supporting agriculture and rural communities. In light of this historic milestone, we're taking a look back at our own history, through the eyes of the leaders who contributed to FCV's achieving the strong and stable financial position it, and its customer-owners, enjoy today.

It's arguable that Richard Reeves experienced more change than most during his tenure leading Staunton Farm Credit for the 25 years from 1973 through 1998, and with the association for ten years prior. He helped guide the cooperative through the very difficult 1980s, when inflationary interest rates and low commodity prices nationwide challenged farmers' ability to meet their loan obligations. A difficult time for everyone, he helped the association and its customer-owners weather that unprecedented financial storm.

"I saw interest rates go from 5 to 16 percent in a pretty short timeframe," Richard says. "Some people had trouble paying their loans, so working with them was one of the big challenges of the time."

Richard was also there when the first computer arrived in the late 1960s, and watched over the following decades as technology improved farmers' operations as well. When he started with Farm Credit, he says, it was unusual for farmers to yield even 100 bushels an acre in his area; now, "it's more common to get 300 bushels an acre now than it was to

get 100 then." The livestock industry has seen similar productivity improvements.

Under Richard's leadership, Staunton Farm Credit adjusted to these changes and



challenges, yet recognized in the late 1990s that farmers' needs were also evolving. Continuing to meet customer-owners' growing financial requirements was a major driver behind a merger with Warranton Farm Credit in 1998.

"We were looking for more efficiency and the capacity to provide the larger loans that customers were starting to need," Richard says.

Richard took the opportunity to retire, and Don Shiflett took over leadership of the new Blue Ridge Farm Credit.

Don had been with Warrenton Farm Credit for six years, preceded over a 20-year period by two stints at the region's Farm Credit funding bank in Baltimore, at an association in New Orleans, and at Staunton Farm Credit. The diversity of his experience positioned him well to manage through the complexities of the merger and a second merger just two years later.

Between mergers, Don focused on maintaining the balance between credit quality and effectively growing Blue Ridge Farm Credit, as well as ensuring everyone on staff embraced these goals and maintained a very high level of service to customer-owners.

"One of the beauties of Farm Credit is that almost without exception, the organizations are staffed by people who have backgrounds

in agriculture and in rural communities," says Don. "They understand and have tremendous empathy for their customers and at the same time have the expertise to apply sound business principles to every situation."

The most significant business challenge

he faced stemmed from an unusual situation in Warrenton's territory in northern Virginia where land speculation had been rampant, much financed by the farmers themselves. When the market contracted and buyers started to default, these farmers lost significant amounts of capital.

Warrenton's board recognized that the long-term land market would always be volatile, and approved the merger with Staunton to create Blue Ridge Farm Credit's more diversified portfolio that included a wide variety of crops and livestock, as well as long-term real estate.

CEO TC Beasley was leading Roanoke Farm Credit through similar challenges as Staunton Farm Credit had: a relatively small organization, it was being asked to fund larger and larger loans, and it was also finding that attracting top talent was a growing challenge.

"In order to keep costs low to our customer-owners, we had to limit the salaries we could offer, and that limited our access to the talent pool," he says. "We had talented people on staff, of course, but if someone had chosen to leave, we didn't necessarily have anyone in line to move up."

Roanoke's board also recognized that, as a smaller organization, it was going to become increasingly challenging to maintain capital and income levels while continuing to effectively serve its customers.

"We could see the handwriting on the wall," says TC, who led the organization for 15



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years. “The market was changing, our customer needs were changing, and our operational needs were changing.”

Meanwhile, in southwest Virginia, Kenny Ervin was leading Wytheville Farm Credit in serving producers and homeowners in 17 western counties. Kenny joined Farm Credit in 1979, and started as Wytheville’s president in 1988.

Unlike in other areas of the state, Wytheville’s customer base included a large proportion of part-time farms and country living homes, as well as covering Virginia’s coal field areas. While it enjoyed little competition, when Kenny took the helm the association held many loans with suboptimal ratings. Not for long, though, as Kenny was driven to strengthen the association’s financial position.

“We grew the association by several million dollars in both loans and assets, and improved the overall credit quality and overall standing of the association,” he says.

Across the border, West Virginia Farm Credit was profitable, highly capitalized and growing as it served its customer-owners in West Virginia and Maryland. Yet, as long-term financial stewards for its shareholders, it was growing concerned about the future. CEO Dick Hamblin says, “We had a good story to tell, but we also had to ask ourselves what position we’d be in if and when the economy turned.”

The organization was seeing increasing capital demands and anticipated difficulty in attracting new talent to the organization who would match the level of his current staff. “Looking back, the thing I’m most proud of is the caliber of the people we were able to hire, but we recognized that the salary level we could afford would make finding new people difficult,” says Dick.

When he learned that Blue Ridge, Roanoke and Wytheville were planning to merge, Dick recognized the opportunity and recommended to his Board that they join the group. The combined organization was christened Farm Credit of the Virginias (FCV), and continues to support customer-owners in Virginia, West Virginia and Maryland.

“We knew that the merger would allow us to offer our members more services and we’d

attract the highest quality people,” Dick says. “I truly believed it was in the best interest of our stockholders.”

“Merging created a lot of efficiencies and reduced the cost of funds for our customer-owners,” says Kenny. “At the same time, we were able to keep most of the branch offices open so our customers still had access to local Farm Credit support.”

Don Shiflett stayed on to lead FCV after the complex merger.

❧

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❧

“Our Farm Credit boards saw the advantages to increased depth and diversification of loan portfolios as an effective risk management tool,” says Don. “The consolidation strengthened the combined organization financially and saved customers money, and it also provided our customers with even broader expertise among our employees.”

The combined FCV had access to more technological resources that streamlined operations, improved accounting systems, and made it possible for loan officers to make better and faster decisions in support of their customers. With a broader employee base, FCV was also able to identify industry specialists to provide expertise to customers in specific sectors.

“With more resources, we became better able to serve our customers,” says Don. “Bigger isn’t always better, but we were absolutely committed to maintaining our focus on our customers. Farm Credit is mission-driven, and as a cooperative we have a very strong vested interest in the success of our customers and the viability of agriculture and our rural communities.”

Saying that the merger that created Farm Credit of the Virginias “worked better than we could have ever expected,” Don retired in 2003 and was succeeded by current President and CEO Dave Lawrence.

Taking over a financially sound, larger association covering an expansive territory, Dave had two major goals in mind for his tenure: growing FCV financially, and ensuring that the association continued to employ top-level professionals ready to transition into leadership roles so customers would continue to receive outstanding service.

Dave’s first goal has been achieved: initially targeting \$1 billion in loan volume, FCV has reached \$1.7 billion in loans outstanding, and the association continues to attract new customers. “By being big but acting small, we remain focused on our customers while providing them significant benefits in expertise as well as financial support and patronage dividends,” Dave says.

The second goal is ongoing: attracting and retaining outstanding employees, providing training to help them develop skills, and outlining succession plans for every key role in the organization.

“We made a decision early on when I took over that whenever we had a loan officer within two years of retirement, we would hire his or her replacement,” he says. “That way, they have time to learn and develop, and our customers experience a seamless transfer with the same level of service they’ve come to expect.”

Dave has heard from customers that FCV’s approach is working. Today, the loan officers hired ten years ago are now positioned to move into more senior leadership positions within the organization, and new loan officers are bringing new ideas and new energy to help the cooperative meet the needs of the next generation of farmers.

Looking forward, Dave and Farm Credit of the Virginias will remain focused on the mission of delivering exemplary service in supporting customers to achieve their goals, providing stable access to financing and the business support of unmatched industry expertise. ❧

**At Farm
Credit,
"We Put Our
Profits In
Your Pockets!"**



**Farm Credit of the Virginias
has distributed more than**

\$198 Million

in cash refunds since 2001.

Year	% of Interest Accrued	Cash Amount
2001	12%	\$8,036,000
2002	13%	\$8,449,000
2003	12%	\$7,456,000
2004	16%	\$10,425,000
2005	20%	\$15,146,000
2006	20%	\$18,050,000
2007	18%	\$18,500,000
2008	12%	\$12,800,000
2009	10%	\$10,000,000
2010	12%	\$11,000,000
2011	12%	\$10,700,000
2012	12%	\$10,600,000
2013	12%	\$10,500,000
2013	Special Distribution	\$10,500,000
2014	12%	\$10,500,000
2014	Special Distribution	\$10,500,000
2015	12%	\$10,500,000
2015	Special Distribution	\$4,500,000

As profits are returned to you, your cost of borrowing is reduced. You get a competitive rate from Farm Credit and we reduce your effective interest rate with our profit sharing refunds.

**Farm Credit is the only lender in the area
that returns profits to its borrowers.
Our unique cooperative structure puts
money in your pockets.**

Is It Good to Farm?

By: Dr. David M. Kohl

In 2013, Dodge ran a Super Bowl commercial for its Ram Truck featuring Paul Harvey's tribute to farmers. Showing the difficulty, reality and beauty of a farmer's work, this ad was wildly popular because so few actually get to experience farming. The agriculture industry, in many sectors, is going through an economic reset. A dedicated Farm Credit Association team member recently asked me the question "Is it good to farm?" She inquired in earnest on behalf of her clients, family and neighbors who are each concerned about industry challenges. I hope as we examine the elements of the answer to this question you will remember the positive most certainly outweighs anything else in agriculture, especially for farmers.

Immediately, my first response was yes. The agriculture industry is strong and opportunistic, particularly farming. According to farm record summaries, the top 20 percent of managers consistently earn a 6 percent rate of return above the long-term rate of inflation and above long-term rates of borrowed capital. Granted, these are above average managers who maintain good financials and management practices and are prudent in investments, living withdrawals, and farm costs. These managers do not handle the largest operations but manage within the realm of their resources. Therefore, if profits are a priority in measuring long-term success, analysis finds opportunities abound.

Globally, the big picture for agriculture is bright. By the year 2050, estimates suggest an additional 60 to 70 percent more fiber, food and fuel will be consumed globally. However, for our next generation of producers, this increase will only require 70 percent of the current resource base. In that light, innovation and

technology will be the keys for success. Build upon the principles of the past generation and focus on productive assets. The philosophies of "efficiency before growth" or "better is better before bigger is better" can lead to prosperity in agriculture.

In addition, farming encourages the entrepreneurial spirit. Farming rewards creativity and innovation in several areas, including production and marketing. Additionally, every farm operation is structured differently, offering flexibility in the alignment of the many moving pieces. In farming, there is no formula or magic strategy that guarantees success. Instead, success can be created in numerous ways. In the future, growth may be in local, natural or organic products; or perhaps, in traditional farm operations; or maybe in larger, more complex, extended family corporations. Farming is a widely-varied profession and depending on your destination, there is a type of farming to get you to there.

Just days ago, I spoke to a Future Farmers of America (FFA) group in Franklin County, Va. During my presentation, a young participant asked if there was a bright future for young people in agriculture. As with the Farm Credit representative, my response was a quick and energetic, "Yes!" The agriculture industry directly or indirectly represents approximately one in six jobs in America. Young people who understand technology and exhibit good work habits such as timeliness, ability to follow direction and social maturity, will have boundless opportunity. Tanner and Sawyer, a senior and freshman in the group, had both attended our young farmer seminar sponsored by Farm Credit two weeks prior. At the end

of the day, another speaker, Dr. Alex White, professor at Virginia Tech, and I were impressed with the pages of notes taken from our talk. What was even more impressive, however, was Tanner, the high school senior, assisting another classmate on his spreadsheet cash flow statement for a start-up beef operation. After seeing this, one cannot help but be enthusiastic about the future of the agriculture industry and the profession of farming.

Finally, life on a farm is special. I often hear in informal conversation with producers that raising a family on the farm is priceless. Growing up on a working farm affords children a unique perspective as less than two percent of our country's population is directly involved in production agriculture. Additionally, farm life allows children to gain emotional intelligence. Whether or not they ever learn to drive a tractor, children growing up on a farm absorb a heightened sense of responsibility, team building, life-and-death as well as the seasonal nature of the industry. This type of intelligence is a life-building, rare skill. Benefits such as farm life do not always have a dollar amount assigned.

Regardless of the economic outlook, the cycle, or even where we are in the cycle, it is still good to be in agriculture and yes, to farm. The agriculture industry is integral to global economics, continuing innovation, and generations of sustainability. Farming requires strength of body, mind and heart. It is meaningful and fulfilling work that provides the food, feed, fiber and fuel upon which life is sustained. That is honorable and good. ∞



David Kohl received his M.S. and Ph.D. degrees in agricultural economics from Cornell University. For 25 years, Kohl was professor of Agricultural Finance and Small Business Management and Entrepreneurship in the Department of Agricultural and Applied Economics at Virginia Tech, Blacksburg, Va. He was on special leave with the Royal Bank of Canada working on advanced initiatives for two years and also assisted in the launch of the successful entrepreneurship program at Cornell University. Kohl is Professor Emeritus in the AAEC Department at Virginia Tech.



Dairy Workshops

Farm Credit of the Virginias and the Farm Credit Knowledge Center are excited to share information about a new dairy workshop series being offered this year. The business planning series kicked off in December 2015 and will continue throughout 2016. The goal is to assist dairy producers and their families in developing a working business plan for today and the future. The series was designed to break out the sections of the business plan with a daylong workshop that focuses on each segment.

The kickoff workshop in December resulted in a great turnout and was followed by a January workshop, which was held in two locations: Harrisonburg and Rocky Mount, Va. The January workshop was "Goals or Wishes: Which do you have and how are you going to achieve them?" It focused on establishing SMART (Specific, Measurable, Attainable,

Realistic, and Timely) goals, developing an action plan and establishing a mission and/or vision statement for their operation. We were fortunate to have Kyle Carlisle, a landscaping expert from Missouri, join us to discuss the importance of setting proper goals and executing them efficiently. Kyle was joined by Dave Bower of Homestead Creamery and several Farm Credit experts who expanded on the importance of goals and action plans and how they relate to every farming operation. Participants were then able to develop goals for themselves and their operation on specific areas including finances, labor, feed, production, and long-term planning.

In February, these same producers, as well as other new participants, met again for the "Planning to be Profitable" segment of the series. During these workshops, participants were able to take their own financials, goals

from the previous workshop, and mission statements they developed to create a basic business plan for their dairy business. Farm Credit employees assisted and guided participants as all of the pieces were put together into one document. All participants left the workshop with a binder containing their final business plan.

In late March we continued the series with our benchmarking Dairy Management Institutes (DMI). These featured Gary Sipiorski, dairy development manager for Vita Plus and contributing author for Hoard's Dairymen, as the guest speaker. Other planned sessions include a Risk Management Strategies Workshop in July and a final session called "Evaluating Plans: Looking Back, Focusing Forward" in November. The goal is to provide producers with a living, breathing document that will serve as a business plan and provide the tools necessary to adjust as time and changes in circumstances change.



There was a great turnout of participants for the dairy workshops that took place early this year.

For more information on this workshop series, please feel free to contact the Knowledge Center at knowledgecenter@fcvirginias.com or Patti Craun- Farm Credit Dairy Specialist and Relationship Manager- at pcraun@fcvirginias.com. To learn more about the Knowledge Center and other educational opportunities, you may visit our website at farmcreditknowledgecenter.com.



Mentor Programs for Women Established

The Farm Credit Knowledge Center is excited to announce a newly launched program aimed at helping women in agriculture. Women comprise only 30 percent of all farmers in the U.S. (according to the 2012 USDA Ag Census) and only 14 percent of all principle operators (person in charge of the day-to-day operations). This can present a challenge for women who wish to network with other females in their field. Farm Credit of the Virginias and the Knowledge Center understand how important it can be to have a network of resources available where one can feel comfortable asking questions and receiving advice.

To help with this, we have created a Women in Agriculture Mentor Program. This program is designed to connect women in agriculture, beginning or established, with experienced women in specific segments of the agricultural industry. Each of our female mentors has many years of experience in

her given field, and is excited to help others interested in agriculture be successful.

Each of our mentors is listed on our website, www.farmcreditknowledgecenter.com, under the Young, New and Minority Section on our Ag Resources page. There, one can find contact information, as well as a link to a brief bio on each of the mentors.

Do you have a question about agriculture that you have been hesitant to ask? We encourage you to visit our mentor page and reach out to one of these women. They are excited to assist and share with other women wishing to be more successful in their operations. ∞



The Growing Need for Farm Succession Planning

By: Matt Lohr

This year, Farm Credit is proudly celebrating its 100-year anniversary of serving and financing American agriculture. This milestone shows the commitment and support we have had for those farmers, ranchers and agribusinesses who have planned, adapted and transitioned from one generation to the next. As we begin our second century of service, the need for proper farm succession planning is more important than ever. Although beginning the dialogue is often the toughest part, those families who fail to plan are essentially planning to fail.

Leading industry experts predict that nearly 70 percent of farmland across America will change ownership in the next 15 years. As the average age of our farmers approaches 60, the need for proper planning has never been more crucial. Agriculture is quite complex, and there are many difficult decisions that need to be made to ensure a smooth transition to the next generation.

Mark Botkin, attorney with BotkinRose PLC law firm in Virginia's Shenandoah Valley, has worked in the area of farm succession planning for more than two decades. "A sound succession plan ensures that the farm will pass seamlessly to the next generation and continue to thrive," says Botkin. "When farmland is vital to a family's livelihood, it is especially important that an organized and effective plan is in place."

So why don't more farmers have a succession plan? For many, the task seems so overwhelming that they are unsure where to even begin. There are numerous items that need to be evaluated and considered, including the transfer of land, assets, management, labor and skills. Some farmers have a hard time letting go of the daily operations, even though those responsibilities have become physically challenging. For some, the struggle involves the passing of the farm on to one child who wants to farm while being fair to those children who have no interest in farming. Others find

themselves in a situation where there are no family members wanting to continue farming at all. There's no shortage of reasons farmers may find not to develop a plan, but the bottom line is that a well thought out plan is extremely important regardless of the situation.

Botkin advises that, "Farm owners can work with a team of advisors, including an attorney who understands the unique needs of farm families, to develop a suitable succession plan and draft the documents necessary



to implement the succession plan." They should also include on their planning team a knowledgeable accountant, financial planner, and lender. Each person can bring a wealth of information and ideas to the conversation. One should never try to develop their plan without including these professional resources. It may require spending some dollars upfront, but it will certainly help alleviate more financial headaches down the road. Once a plan is created, it should be reviewed and updated periodically. Laws may change, family dynamics can shift and operations evolve over time. A solid transition plan needs to be kept current to ensure the document remains relevant.

"Developing a suitable succession plan can take time and often involves difficult family discussions, but resolving succession issues early and establishing an effective plan will provide certainty for a farm family's future," says Botkin. Open communication is one of the most critical factors in the process.

Family members must be open and honest with what they want to happen. Sometimes those conversations aren't always easy, but they must take place in a non-threatening environment. For some, a mediator or neutral party can help facilitate these discussions.

Another key piece of advice is that fair doesn't always mean equitable. When one family member has worked on the farm and wants to continue the operation, other family members may not receive farmland or farm

ownership. For some, this is a very difficult dilemma. How can you treat the farming child fairly without necessarily being equal to what the other children receive? These are tough situations to work out, but there are options available for those who are creative and willing to work with their team of experts.

As difficult as farmland transition can be, Botkin has one important piece of advice for those wanting to wait. "Failure to develop an adequate succession plan will often lead to conflicts among family members, with the unfortunate result that the farm will have to be sold." Doing nothing often leads to more family conflict, taxes being paid unnecessarily, and operations being disrupted or ended. As Farm Credit prepares for our next 100 years, we care deeply about seeing the industry of agriculture continue to thrive and grow. The best way to ensure that success is for all farmers to keep an eye on the future and have a succession plan in place for that next generation to succeed. ∞



Fulfilling a Wife's Dream, One Board at a Time

By: Ryan Tipps

Getting a loan through Farm Credit couldn't have been easier for Ritch Ricker.

There wasn't a painstaking multi-step process, or a mound of pre-approval paperwork, or a high-pressure encounter with independent appraisers. All it took was a phone call to a loan officer in Romney, W.Va.

"It was effortless to get the funds to do this," Ritch said.

Ritch is a machinist for CSX Corp., and he and his wife, Wendy, live on 10 wooded acres in Fort Ashby, W.Va. It wasn't originally a farm property, but it was a serene and secluded piece of perfection for the couple, who have been married for 13 years.

Farm Credit of the Virginias was contacted when Ritch and Wendy decided to move forward with plans to build a barn. Wendy grew up around horses (her grandfather was even a charter member of a saddle club),

and being able to keep them on their property was something the couple aspired to.

"I dove in and tried this to fulfill my wife's dream," Ritch said.

Ritch has his own hobbies — riding Harleys and mountain bike racing, among them — but he was quick to see how much having a barn at home meant to Wendy. For the past few years, they've had to board their Tennessee Walking Horses at the barns of friends and family members.



"I had the vision of where I was going to clear off the land to put this barn and some small pasture areas," Ritch said. "If I can show someone that they can build a barn like this by going through Farm Credit for the money, that's what I want to help out with."

After Ritch's initial call to Farm Credit, it didn't take long before Loan Officer Andy Cumberland said the magic words: "It's yours."

The Rickers hired Stambaugh Pole Buildings, owned by Scott Stambaugh, last spring to put the structure in. Roofing, metal, and posts were delivered to the site. Ritch had a

and ornately accented horse stalls. The design of the concrete flooring, which extends throughout the barn, has an air of elegance.

At 36 feet long and 38 feet wide, the barn has ample room to grow the number of horses. Overhangs extending 10 feet out flank the exterior. Ritch didn't install a hay loft, so the 25-foot-tall ceilings give the structure an open feel. (Friends have already joked about staging a wedding in there.)

Though Ritch isn't a carpenter full-time, he channeled those skills well. With the help of a solid foundation — both structurally and

financially — he was able to create something that adds value to his family's lives.

"This is her dream barn," Ritch said. "I love that I got to do it for her."



Ritch proudly showing off his wife's new barn.

vision for how the barn should look. Everything was going smoothly.

On Memorial Day weekend, that changed. Stambaugh's home on his farm caught on fire — he lost everything.

Despite the devastation to the Stambaugh family, the builders were able to get the concrete poured and stamped, the poles erected, and the roof installed. August rolled around, however, and Stambaugh had to focus on getting his own house rebuilt before winter arrived.

Ritch eagerly took over the remainder of the project himself.

"It all worked out to where I was able to finish this and put our details in there," Ritch said.

The end result is near majestic — the barn has inviting windows, large sliding main doors,



Ritch and Wendy Ricker, pictured above on their horses, in front of the barn they had financed through Farm Credit.

CAP News

(Communications Advocacy Program)

Farm Credit employees and the board of directors strive to build strong relationships with members of Congress and their districts that fall into our footprint. This enables Congress to stay aware of the needs of the agriculture industry, farming and the rural communities. These relationships are built by attending certain events such as the ones listed below.

January

Jan. 14: The Virginia Agribusiness Banquet was held in Richmond, Va. Farm Credit directors and employees participated in the event with over 1,000 people from the agricultural industry, members of the Governor's cabinet, the Virginia General Assembly and Congress.

Jan. 27: Bette Brand, Chief Sales Officer attended a PAC/Business Roundtable event for Congressman Morgan Griffith in Roanoke, Va. Congressman Bob Goodlatte was also in attendance.

Jan. 28: Bette Brand participated in the Virginia Horse Council's (VHC) legislative event in the Virginia General Assembly. An equine-themed gift was given to each senator and delegate and members of the governor's cabinet along with the equine industry policy booklet. Bette also participated in the VHC legislative reception, which Farm Credit proudly sponsored.



An equine-themed gift was given to each senator and delegate and members of the Governor's cabinet along with the equine industry policy booklet.

February

Feb. 2: A PAC breakfast with Congresswoman Barbara Comstock was held in Washington, D.C. which Bette Brand attended and Congressman Goodlatte was the honorary host.

Feb. 2: Matt Lohr, director of the Knowledge Center, and Bette Brand attended the 100th anniversary of the National Association of State Departments of Agriculture reception in Washington, D.C.

Feb. 3: Farm Credit Directors Don Reese, Al Stephens, John Wells, Donna Brooke-Alt and Bobby Gray, along with Farm Credit employees David Sauer- Chief Financial Officer, Chip Saufley- Chief Lending Officer, Matt Lohr, Peery Heldreth- Chief Relationship Officer and Bette



From the left: Joe Casto - Regional Lending Manager, Farm Credit of the Virginias; F.J. Grady - Branch Manager, Farm Credit of the Virginias; Paul Baumgardner - V. Chair Board of Directors, MidAtlantic Farm Credit; Tom Truitt - CEO, MidAtlantic Farm Credit.

Brand, visited Congress members – Mooney, McKinley, Capito, Manchin, Brat, Goodlatte, Griffith, Warner and Kaine as part of the Farm Credit Annual meeting to ask each to sign on to a resolution commemorating the Farm Credit 100.

Feb. 5 : Bette Brand attended a Dutch Treat Business Leaders lunch with Congressman Bob Goodlatte in Roanoke, Va.

Feb. 8-9: The Welcome Back Luncheon for West Virginia Legislators and the Taste of West Virginia Reception took place in Charleston. Farm Credit directors and employees teamed up with West Virginia Farm Bureau to deliver box lunches for all of the legislators and then met with several key members to discuss issues important to agriculture and rural communities. On day two, the Farm Credit team worked a booth in the Rotunda and then participated in the Taste of West Virginia reception that evening.

March

March 12: Farm Credit donated several cases of wine from customers within the footprint for a charitable event in Washington, D.C., that was organized by the southern Congressional Delegation. Funds raised in the event will go back to Congressman Goodlatte's district to help a specific charity each year.

March 15: A delegation from the Farm Credit Associations serving Maryland accepted signed resolutions from the House and Senate commending the System for its 100 years of service to Maryland's rural communities and agricultural producers.

March 23: A reception for Congressman Bob Goodlatte took place in Harrisonburg, VA. Dave Lawrence, director Joe Wampler, Bette Brand and David Sauer attended. ∞

Community Service

In the 2015 winter edition of the Leader, we shared with you that in honor of Farm Credit's 100th Anniversary each branch office committed to doing a community service project with the '100' theme in mind. For example, some of the '100' themed ideas were to collect 100 shoes for Soles4Souls, 100% participation in a walk/run, or 100 hours of community service. Each office has the entire year to meet their goal and for those who do, Farm Credit will be giving them \$100 to give to a local charity of their choice.

Below you will see how some of the branch offices are progressing in their efforts to reach their goal by the end of 2016 if they haven't already! ∞

• **Abingdon:** collected 151 toys for a Salvation Army Toy Drive

• **Clarksburg:** collected 268 toys for Toys for Tots

• **Gate City:** participated in the Salvation Army Angel Tree and Scott County Christmas CART

• **Halifax:** collected over 200 toys for Toys for Tots

• **Harrisonburg Processing Center:** started their canned food collection and are well on their way to meeting their goal

• **Oakland:** collected 100 coats for the Oakland Salvation Army

• **Roanoke and Rocky Mount:** both collected 100 food items for their respective food pantries along with a \$308.75 donation to each

• **Wytheville:** collected 185 toys for Toys for Tots

• **Romney:** Provided Christmas for a family in need



Employees from the Roanoke office help load a car full of canned goods



Pictured from left to right is Paula Grimm and FJ Grady who make up the Oakland branch office. They met their goal of collecting 100 coats!



Abingdon collected 151 toys for a Salvation Army Toy Drive

The Discovery Process

VALOR program develops intellectual diversity for two Farm Credit employees

By: Ryan Tipps

Have you ever seen tea grown and processed? Most people, especially in Virginia, haven't. But a program administered through Virginia Tech gave Marilyn Adams and Adam Shiflett, both of whom are branch managers with Farm Credit of the Virginias, an opportunity to stop and smell the tea leaves nearly 9,000 miles away in Vietnam.

The program is a two-year fellowship called Virginia Agriculture Leaders Obtaining Results

approaches agriculture differently, and how they interact with it can shape the decisions that are made in the future.

"Agriculture takes a lot of different forms," said Shiflett, branch manager in Harrisonburg. "This program really put us in front of people who we wouldn't necessarily be exposed to in a normal course of business."

Adams, who is the head of Leesburg's Farm Credit branch, saw the program as a chance

as encouraging people and ideas to be met with an open mind.

Virginia is a diverse state, agriculturally. From peanut and cotton farms on the East coast to tobacco and coal mining on the west side, the VALOR students were able to see firsthand the day-to-day lives of farmers far outside their hometowns.

"I work in Rockingham County which is largely agricultural," Shiflett noted. "And I



Marilyn Adams, Leesburg Branch Manager, in a field where tea leaves are grown in Vietnam.

— known more commonly by its acronym, VALOR. Adams and Shiflett were two of about a dozen people who were part of VALOR's second graduating class.

"It is an opportunity for adults who are engaged in, employed in, or interested in developing agribusiness and ag industry in this state," said Megan Seibel, a Botetourt County farmer who serves as the program's director.

The goal is to broaden the perspectives of those working in agriculture and to give them a forum to discuss their viewpoints. Everyone



A local farmer watering her vegetable garden outside of Hanoi in Vietnam. She sells her fresh produce in the markets of Hanoi.

to network with others in agriculture and to further her education. She has bachelor's and master's degrees in agricultural economics from Virginia Tech.

"I saw this as an opportunity to be in an educational setting and as something that would be applicable to my career," she said.

The VALOR program includes themed seminars, discussion sessions, a U.S. regional trip, and a destination trip to help craft the participant's world view. There is a focus on leadership and agricultural advocacy, as well

thought I knew a lot about agriculture in Virginia. But, you go out into the southwest of Virginia or into the Tidewater area, you find out in a hurry that you don't know as much as you thought you did."

The class that Adams and Shiflett were a part of consisted of a well-traveled group: Many had been to the Midwest, New Zealand, Australia, and countries in Africa and South America. For the big trip, being unique was the priority criteria.

After much discussion, they whittled the selection down to one: Vietnam.

Vietnam is an up-and-coming agricultural nation, which offered the VALOR students a new environment in which to frame the agriculture industry.

“My experience in Vietnam was great on lots of levels because it was an opportunity to see a completely different way of life,” Adams said. “It was interesting to see how much work was still being done by hand, how that economy works currently.”

The trip there took place in January and lasted almost two weeks. They traveled from Hanoi in the far northern part of the nation down to Ho Chi Minh City in the south.

In addition to learning about how tea is grown and processed, the VALOR students learned about the production of coffee, soy sauce, and rice. They got a first-hand look at how the open-air market system is used, to include fruits,

“My experience in Vietnam was great on lots of levels because it was an opportunity to see a completely different way of life.”

Some issues — such as access to clean water and seed selection — mirrored much of what is encountered here in the United States. The VALOR students’ appreciation for what they were seeing in Vietnam was directly rooted in their various domestic trips.

VALOR is designed to “introduce new

Those who succeed the most in the VALOR program are the ones who embrace Seibel’s challenge of having an open-minded and accepting attitude. Curiosity is also key.

VALOR’s time commitment is enormous, and Adams and Shiflett wouldn’t have been able to be in the program without the support of those around them and the understanding of co-workers and customers. Of course, the hope is that the end game will make them more productive within Farm Credit of the Virginias.

“Many employers look at it as a small investment in a huge opportunity to develop them as individuals and continue to be employees and contribute back to their company at the same time they’re contributing to the industry,” Seibel said.



Street vendors selling fresh produce and fresh fruits in Hanoi.



Valor class participants learn how to plant and harvest rice in a rice bog in Vietnam. Adam Shiflett is leading a water buffalo pulling a bog plow to cultivate the bog along with local farmers.

vegetables, fish, and beef, and they developed a keener understanding of the government’s impact in decision-making, food safety, and food production.

“We wanted to get a more global perspective about what exactly happens in other countries with different processes and foods,” Shiflett said.

Adams noted that there were a lot of positives in the way agriculture worked in Vietnam, and she said that the group discussed how industrialization could affect the nation’s wealthy and poor populations differently.

ideas, introduce things that are trending, things that are historically or culturally rooted, and try to bring those together so they shape their perspectives around those social, political and economic issues across the industry,” Seibel said of her program.

“When you get into the communities and listen to the issues they’re dealing with, it’s interesting to see the parallels across the industry and figure out how we can impact those issues to make a difference,” Adams said.

Ultimately, VALOR graduates who were previously vested in a particular business, commodity group, or segment of the industry can become standard-bearers for agriculture as a whole. They are expected to stay engaged and advocate for the industry.

“That’s what agriculture needs is more advocates,” Shiflett said. “Agriculture is very powerful in this state and in the country, it’s just that we don’t say a lot about it. And as people become more removed from the farm, people who are in agriculture need to speak up more.”

2016 Dairy Management Institute

By: Ryan Tipps

The final question Gary Sipiorski posed to the class was whether the sun is rising or setting on the dairy industry — and he used an image of a partly cloudy horizon to illustrate his point.

With the knowledge gained at the Dairy Management Institute workshops in Rocky Mount and Dayton, Virginia, dozens of farmers should feel confident that the sun is rising.

Sipiorski, Dairy Development Manager at Vita Plus Corporation, was the keynote speaker at the events held March 30 and 31. The DMI wasn't a lecture, but rather an engaging discussion that looked at how local farms can be affected by a global economy and, more importantly, how they can be profitable when faced with that kind of scale.

"It used to be if you took care of your cows and your crops, then you were successful," Sipiorski said. "Today you have to know the numbers."

Farm Credit Data Specialist Gary Monroe kicked off each day delving into just that and urged the farmers in attendance to think critically about how they make decisions and how their actions can impact their relationships with lenders.



A large group of folks gathered for the DMI that took place in Dayton, VA.

His bottom line was that bad data can cause a farmer to make bad decisions.

Monroe presented data from 83 farms in Virginia— he noted that it's important for a dairy farmer to look at his or her numbers year after year, yet without losing sight of the bigger picture over the course of six years (a span defined by two three-year milk cycles).

"Use these numbers to make yourself better and to stay in business," encouraged Monroe, who has been a part of DMI since it began in 1999. "Most of you guys are operating on a bare-bones budget already. You aren't out there wasting money."

The logical question that arose was: How do dairy farmers become better and more profitable?

"Revenue means little if it's accompanied by high debt," Monroe noted. And he said, "Herd size isn't as important as many people believe — big and small farms alike can be profitable."

"A lot of times, when people look at wanting to cut costs, they start looking at the little things: supplies, breeding, DHI [dairy herd improvement]," Monroe said. "Yeah, you might save a little bit there, but those are not your big ones. Feed and labor are the two categories that we really see farms set themselves apart."

Monroe offered that there are ways that dairies can influence their milk prices, thus coming away with more money on the same volume of milk. While the market sets the blend price, taking advantage of butterfat, quality, milk base, volume incentives, seasonal rates, and forward contracting are all important to the profitability equation.

However, doing things right on the local level isn't always a surefire path to profitability. Economic turmoil in Asia, oil prices in the

Middle East, or exchange rates in Europe can cripple a dairy farm's efforts.

"It all depends on what the news of the day is," Sipiorski said in a cautionary tone.

In a global economy, exporting and importing happens with relative freedom, but it also means that dairy farmers have to be more aggressive in their products and profitability to stand out. They have to know how to manage money, how to balance a budget, and how to manage risk.

"We've got a tremendous reputation here in the United States for the product we sell. It's of the highest quality," Sipiorski said of the dairy industry. However, "milk looks like milk if it's produced in Virginia, California, or China. Same with corn. Unless you can change it and put added value to it, it looks the same."

So how does someone stay ahead of the game? Again, Sipiorski was clear: Farmers have to know their numbers.

He broke down the financial goals into eight key areas (in his words, "rules") for staying profitable and relevant year after year. They were:

- **Aim for a ratio of 2:1 liquidity**
- **Use no more than 20% of a milk check to pay principal and interest on loans**
- **Keep an 85% expense rate**
- **Have no more than \$3,000 to \$5,000 of debt per cow**
- **Keep more than 30% equity in the business**
- **Have a three-year asset turnover rate**
- **Maintain at least an 8% return on assets**
- **Know your cost of production**

He also said that good producers know how to keep their cows comfortable.

CONTINUED ON PAGE 22

STATE FAIR OF VIRGINIA AT THE MEADOW

Twelve youth who exhibited beef cattle, sheep, meat goats or swine in the 2015 State Fair of Virginia (<http://www.statefairva.org>) 4-H and FFA youth livestock program were awarded scholarships from the fair's Applied Youth Livestock Scholarship Program. A total of \$12,680 in scholarship funds was awarded.

Judging was based on applicants' participation in livestock shows during the 2015 fair, as well as on leadership and community service activities and an essay. Scholarships were offered in three age groups: Juniors (9-12), Intermediate (13-15) and Seniors (16 and older). Funds allocated for the scholarships represent a portion of proceeds from the revived Sale of Champions benefit auction, held October 10, 2015.

"The young people who earned 2015 applied youth livestock scholarships represent the future of Virginia agriculture and have demonstrated a commitment to that future," said M.L. Everett, president and chairman of the State Fair board. "We're pleased to invest in these winners' respective futures, and we're excited about the growth of the fair's youth livestock scholarship program."

"The revival of the Sale of Champions will boost our ability to encourage young agriculture and agribusiness participants, and we are grateful for the enthusiastic response of 2015 sale sponsors and other participants."

Since 2013, the State Fair has awarded more than 500 scholarships and has dedicated more than \$150,000 to youth education. The fair offers up to \$70,000 each year in scholarship money through 4-H, FFA and vocational competitions and specific equine, fine arts and horticulture competitions.

The 2016 State Fair of Virginia will run from **September 23 through October 2**. Information is available at **StateFairVa.org**.

The State Fair is held each fall at its permanent home at The Meadow Event Park in Caroline County. The fair's mission is to increase agricultural and natural resource awareness and interest through educational programs, exhibitions and competitions in a fun, family-friendly setting. Farm Credit is a proud supporter of the State Fair of Virginia.



Scholarship Recipients

Senior

Platinum: Sarah-Jane French of Cumberland County, \$2,000

Gold: Kaylyn Beach of Rockingham County, \$1,500

Silver: Robert Nixon of Orange County, \$1,000

Bronze: Cassidy Simmons of Augusta County, \$580

Intermediate

Platinum: Zachary McCall of Augusta County, \$1,500

Gold: Caleb Boden of Frederick County, \$1,200

Silver: Tiffany Heishman of Shenandoah County, \$700

Bronze: Leah Greiner of Montgomery County, \$400

Junior

Platinum: Jackson Lohr of Rockingham County, \$1,500

Gold: Chet Boden of Frederick County, \$1,200

Silver: Ryan Borer of Botetourt County, \$700

Bronze: Laura McPherson of Chesapeake, \$400

Article Courtesy: Augusta Free Press



Brad Gritt

Gritt's Farm, Buffalo, W.Va.

My name is Brad Gritt and my family and I own and operate Gritt's Farm in Buffalo, W.Va. The third and fourth generation are currently assisting with the operation. What began as a small farm in 1928, producing only enough for a family of eight, has grown into a thriving business that employs around 60 people during the busy season.

The farm where we currently reside was purchased by my great grandparents, Vito and Nelly Gritt, back in 1927. They came to the United States from Italy and started out as coal miners. They made it down to Charleston, W.Va from Ellis Island in Upper Bay New York and purchased a farm. My great grandad was a miner and small farmer, but when the opportunity presented itself for them to move to Buffalo, they traded the first farm they purchased in Charleston for the farm we operate today in Buffalo.

For many years Gritt's Farm was a poultry operation, raising chickens for eggs and selling eggs door to door. During that time vegetables were also raised to sell along with the eggs. Grain was produced to provide feed for the chickens and hogs were eventually added to the farm. In the late 70s to early 80s as the chickens and hogs were phased out, greenhouses were introduced and a new aspect of the farm had begun.

Our operation today consists of 250 acres where we reside and an additional 150 acres we rent in order to grow produce. We grow a wide variety of fruits and vegetables - if you think of it, we probably grow it! We have 40 acres planted in sweet corn and an additional 50 acres planted in an assortment of mixed produce.

We grow produce a variety of ways: hydroponically, in high tunnels and in fields. Hydroponic production is the art of growing plants without soil. This gives us a lot of flexibility when growing produce because there are countless methods and variations

of hydroponic production. We typically grow peppers, tomatoes and eggplants using the hydroponic system, but that isn't to say we don't grow any in the field.

Did you always know you wanted to farm?

I didn't think I wanted to be a full-time farmer when I decided to go to college. I started out at Fairmont State University where I played football. Once my first year was up and I got the desire for playing football out of my system, I decided to transfer to Marshall University where I majored in finance and marketing and minored in economics and management. After I graduated in 2012, I went to Salt Lake City, Utah, where I worked for Wells Fargo from November 2012 to April 2013. In that period of time, I knew that wasn't the life for me and I decided to head home and help expand the farming operation. That experience helped me



Pumpkins for sale at Gritt's farm.

appreciate what I had and reignited the desire to carry on the family legacy.

What is your role on the farm?

One of my main roles involves managing the CSA that I started in 2014. A CSA (Community Supported Agriculture) allows local individuals to pledge support to our farm in return for produce. CSA members pay at the start of the season, which helps cover some of the costs of planting, in return for an anticipated share of the overall harvest. It has been a great addition to everything we already offer at Gritt's Farm. The first year, we had 40 CSA members; last year, we had 140; and this year, we are looking at 150 members.

What can customers expect when they visit Gritt's Farm?

Gritt's Farm isn't just a produce farm; we focus a large part of our efforts on agritourism. As the weather starts to cool in the middle of September, the fall festivities begin with



Slides at Gritt's fun farm.



Colorful plants abound at Gritt's farm.

entertainment for all ages. Some of the attractions offered during the fall season are pick-your-own pumpkins, a two and 10 acre corn maze, hay rides, wagon train, giant slides, fire pits, apple cannons, and a smorgasbord of food from caramel apples to burgers.

What are some ideas you have to expand the operation in the future?

I am always brainstorming about how we can make our business and operation bigger and better. We already offer so much to the general public, but I know there is always another way we can expand and introduce other potential customers to our business. Just a few ideas that have been tossed around are a pick-your-own strawberry patch, cut-your-own Christmas trees, apple orchard and, expanding off the apples, we are looking into the possibility of making our own hard cider.

What advice would you give to young, beginning or small farmers?

I think it is very important for people, no matter what age, to find what it is they are passionate about and invest their time and energy into their passion. As for me, it was difficult coming back to a business that was already established. I had to figure out how I could do what I loved to do, which was farming,

while making it viable for the family and the operation that was already successful.

What is one of your greatest accomplishments?

Starting up the CSA and watching it grow as much as it has in the last couple of years has been very rewarding. It is important for customers to understand what is going on in their local communities and where their food is coming from. So, being able to educate people about fresh produce as well as getting their support to make it happen has been exciting to watch.

How would you describe your relationship with Farm Credit?

Even though Farm Credit is a lending institution, when you visit with your loan officer or anyone at the office you feel like a friend of theirs. They invest in the relationships with their customers, which helps us build our businesses, and in return it helps them build theirs. ∞



Gritt's fun farm Corn Maze.



Keynote speaker and dairy expert Gary Sipiorski encouraged participant interaction during both DMI events.

"When we forget about the cows, we get ourselves into trouble every time," Sipiorski said.

Sometimes however, years just don't go according to plan. Sipiorski, whose work experience includes time with the Federal Reserve Bank of Chicago, offered advice for periods of negative cash flow. He suggested working with lenders to increase a line of credit, redo a term loan, or negotiate interest-only payments on loans.

Critical is to not let short-term solutions affect long-term income.

When talking about data, Monroe detailed the "snowball effect" that decisions can have, both positive and negative. Of course, good decisions can reap benefits not just for years, but for generations to come. Bad decisions can be burdens going forward.

Monroe built on the idea of decision making to hammer home ways that dairies can be profitable. He noted that successful farmers don't indiscriminately spend money; they invest in technology or cow comfort that will pay dividends over time. They're also consistent in their approach to farm management and understand how to handle their labor force.

He also pegged two of the biggest factors in profitability as being breeding and fresh cows. He used the example of how significant the financial impact can be for a farmer who culls cows during early lactation versus one who culls during late lactation. The right decisions will mean the right outcome.

And both Sipiorski and Monroe noted that there is real opportunity in the industry, especially in Virginia. Although the state has 91,000 cows, that number is 2,000 less compared with last year. There is room to grow and to make the industry's rising sun even brighter.

For more information about DMI and how to become a participant, please contact Patti Craun, Farm Credit Dairy Specialist and Relationship Manager at 540.434.5385. ∞



Consolidated Balance Sheets

	December 31,		
(dollars in thousands)	2015	2014	2013
Assets			
Cash	\$ 2,945	\$ 6,038	\$ 5,617
Loans	1,692,633	1,583,241	1,483,454
Allowance for loan losses	(14,487)	(12,465)	(11,878)
Net loans	1,678,146	1,570,776	1,471,576
Loans held for sale	2,269	1,077	722
Other investments	—	—	2,989
Accrued interest receivable	8,680	7,854	7,508
Investments in other Farm Credit institutions	24,557	24,613	25,707
Premises and equipment, net	8,035	8,092	7,754
Other property owned	4,803	2,786	2,337
Accounts receivable	22,239	28,685	31,362
Other assets	6,001	4,592	5,209
Total assets	\$ 1,757,675	\$ 1,654,513	\$ 1,560,781
Liabilities			
Notes payable to AgFirst Farm Credit Bank	\$ 1,354,433	\$ 1,275,765	\$ 1,209,905
Accrued interest payable	3,060	2,809	2,858
Patronage refunds payable	15,259	21,209	21,161
Accounts payable	2,463	2,074	3,617
Other liabilities	17,682	16,429	12,630
Total liabilities	1,392,897	1,318,286	1,250,171
Members' Equity			
Capital stock and participation certificates	12,606	13,159	17,313
Retained earnings			
Allocated	92,568	92,568	92,568
Unallocated	259,626	230,527	200,739
Accumulated other comprehensive income (loss)	(22)	(27)	(10)
Total members' equity	364,778	336,227	310,610
Total liabilities and members' equity	\$ 1,757,675	\$ 1,654,513	\$ 1,560,781

Consolidated Statements of Income

	For the year ended December 31,		
(dollars in thousands)	2015	2014	2013
Interest Income			
Loans	\$ 85,166	\$ 80,033	\$ 77,618
Investments	—	5	145
Total interest income	85,166	80,038	77,763
Interest Expense			
Notes payable to AgFirst Farm Credit Bank	35,094	32,179	33,843
Net interest income	50,072	47,859	43,920
Provision for loan losses	2,700	1,200	3,450
Net interest income after provision for loan losses	47,372	46,659	40,470
Noninterest Income			
Loan fees	714	772	736
Fees for financially related services	106	121	159
Patronage refunds from other Farm Credit institutions	21,899	28,391	31,950
Gains (losses) on sales of rural home loans, net	914	447	692
Gains (losses) on sales of premises and equipment, net	38	67	49
Gains (losses) on other transactions	5	64	50
Other noninterest income	174	173	198
Total noninterest income	23,850	30,035	33,834
Noninterest Expense			
Salaries and employee benefits	17,167	16,650	15,647
Occupancy and equipment	1,255	1,228	1,225
Insurance Fund premiums	1,690	1,462	1,216
(Gains) losses on other property owned, net	451	252	(991)
Other operating expenses	6,546	6,181	5,915
Total noninterest expense	27,109	25,773	23,012
Income before income taxes	44,113	50,921	51,292
Provision (benefit) for income taxes	14	133	54
Net income	\$ 44,099	\$ 50,788	\$ 51,238

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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Give us Your Best Shot!



Enter the 2017 Farm Credit of the Virginias Calendar Photo Contest

Here's your chance to take your best shot for the 2017 Farm Credit of the Virginias Calendar Photo Contest and to win a prize! We are looking for images that include anything related to farming, ranching and rural lifestyles. Photo opportunities might include but are not limited to crops, livestock, wildlife, scenery, or farm families and kids.

Prizes:

First Place: \$100 | Second Place: \$75 | Third Place: \$50

Requirements:

- The contest is open to everyone, including employees, members of Farm Credit of the Virginias and the general public.
- Participants may submit up to three entries. We will not accept more than three entries per person. Submissions can be made by anyone on behalf of the photographer, however, only the photographer will be eligible to win a prize and receive credit in the calendar.
- Only digital photos will be considered. No hardcopy prints will be accepted.
- The preferred orientation is horizontal (landscape). Vertical (portrait) may not be considered due to the calendar format.
- Text or captions on photos, photo composites, resolution-enhanced photos and major image alterations will not be accepted. Photos can be cropped.
- All photo files must be at least 1 MB in size. Photos with original pixel dimensions of at least 2,700 pixels wide and 2,100 pixels tall are ideal.
- No entries will be accepted by email. All entries must be made through the online submission form at FarmCreditofVirginias.com/photo-contest.html no later than midnight eastern time, May 31, 2016.
- All photo submissions become the property of Farm Credit of the Virginias. No images will be returned.
- The top three photos will be featured in the 2017 Farm Credit of the Virginias Calendar.



Submit your entries at FarmCreditofVirginias.com/photo-contest.html

Hurry! Deadline for entries is May 31, 2016.

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