



Mission-Driven: Supporting Rural Communities and Agriculture

AgriThought

AgriBank Farm Credit Bank provides financial solutions to meet the needs of production agriculture in America's heartland. We feature our research and analysis in AgriBank Insights as part of our AgriThought initiative to help inform the financial decisions among those we serve.

Farm Credit will mark its centennial in July 2016. Looking ahead to the next 100 years, we remain dedicated to our original mission to support rural communities and agriculture. President Theodore Roosevelt planted the seeds of the Farm Credit System in 1908 by appointing a Country Life Commission to address the challenges facing a predominantly rural population, and the commission documented a lack of adequate agricultural credit. Its findings led to the establishment of a cooperative credit structure—the Farm Credit System—owned by its customers. Farm Credit has evolved to meet changing needs, building a strong foundation to fund America's rural and agricultural economy, today and tomorrow.

Contents

- 2 Focused yet diversified lending
- 4 Innovative capital solutions
- 6 Producing Excellence
- 9 One special mission
- 12 For more information

Highlights

- **FOCUSED YET DIVERSIFIED LENDING.** Farm Credit loans help provide reliable, consistent credit to farmers, ranchers, rural homeowners, agricultural cooperatives, farm-related businesses, and rural utilities, including telephone, electric, and water and sewer systems.
- **INNOVATIVE CAPITAL SOLUTIONS.** Farm Credit is continually developing new solutions to provide capital to rural communities and agriculture. To help deliver equity capital to rural America, in 2014 nine Farm Credit organizations joined with Advantage Capital Partners to invest in small businesses involved in agriculture, processing and marketing of agricultural products, farm supply, input supply, and rural communications.
- **ONE SPECIAL MISSION.** Everything Farm Credit does supports its mission, as defined in the Farm Credit Act of 1971: "...making credit available to farmers and ranchers and their cooperatives, for rural residences, and to associations and other entities upon which farming operations are dependent, to provide for an adequate and flexible flow of money into rural areas, and ... to meet current and future rural needs."

Focused Yet Diversified Lending

Diversified loan portfolio enables Farm Credit to fulfill its mission to support rural communities and agriculture

Being mission-driven, Farm Credit is different from other lenders. Like all lenders, before making loans, Farm Credit has to determine if potential customers are credit worthy. However, Farm Credit borrowers must also meet other eligibility requirements set by law and regulations. These requirements help Farm Credit institutions fulfill their mission by focusing on serving farmers, ranchers, rural homeowners, agricultural cooperatives, farm-related businesses, and rural utilities, including telephone, electric, and water and sewer systems.

Having a singular focus, such as lending only to individual producers, could present concentration risks for Farm Credit institutions, especially because many serve limited geographic territories. For instance, if the majority of farmers in an area served by one institution grew only corn and soybeans, the institution would be exposed to risk of both a local weather event but also of a collapse in corn and soybean prices.

More diversity, less risk

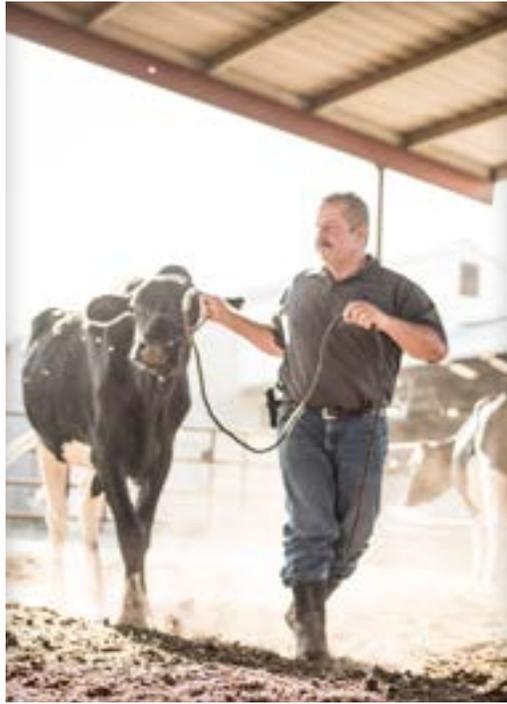
Lawmakers recognized this concentration risk. During the 1990s — to allow Farm Credit entities to diversify their portfolios and more effectively manage risk — they extended Farm Credit’s limited authority to participate in loans that commercial banks make to include loans to “similar entities.” Participation loans are loans made by multiple lenders to a single borrower; several lenders might chip in to fund one extremely large loan, sharing in the risks and profits. Similar-entity loans are with companies that are engaged in activities similar to what an eligible customer is engaged in but that are not otherwise eligible to borrow from a Farm Credit lender.

The beekeeping operation he’s built for approximately two decades, in part with Farm Credit financing, is “quite rewarding.”

— Kenneth Ray Newton, Belfield, N.D., Farm Credit Services of Mandan customer-owner

See page 7





For example, Farm Credit can directly lend to a food-processing firm owned by a farmer or a farmer cooperative, but can only participate in a loan to a food-processing company when the business is owned by a non-farmer. For Farm Credit, similar-entity participation loans can vary in size, duration and borrower purpose. In today's changing world, Farm Credit has the flexibility to support a wide range of eligible borrowers that need to grow their businesses to keep pace with marketplace demand, niche markets, and evolving environmental, geographic and competitive realities.

With capital needs that can be so great, Farm Credit's involvement in participations can be the key to getting a deal done at all for the benefit of rural communities and agriculture. That may be why Farm Credit's participation in loans with commercial banks has long enjoyed bipartisan support. During deliberations in 1994, Sen. Dick Lugar (R-Ind.), said, "...these [authority] changes will enhance the System's ability to reduce its concentration of risk in terms of geography, industry and account exposure." And Sen. Patrick Leahy (D-Vt.), said, "[The legislation would authorize] member institutions of the Farm Credit System...and the nation's private banks to participate together in multi-lender transactions for the purpose of improving loan management capability and reducing the concentration of risk."

More about similar-entity lending

STRENGTHENS RURAL COMMUNITIES. *By having this limited ability to diversify their portfolios, Farm Credit institutions can grow stronger and be better able to fulfill their basic mission of supporting rural communities and agriculture.*

CREATES PARTNERSHIP OPPORTUNITIES. *This authority fosters mutually beneficial partnerships between Farm Credit and commercial banks. It also helps protect and enhance the investment that rural communities have made in their local Farm Credit cooperative lenders.*

MONITORED BY REGULATOR. *These lending activities are subject to review by the Farm Credit Administration, the independent federal regulatory agency that has enforcement, regulatory and oversight authority just like other federal financial regulators.*

COMPRISES SMALL PART OF PORTFOLIO. *Farm Credit's similar-entity activity is limited by law. In any similar-entity loan participation, the participation amount held by the System must be less than 50 percent of the loan. The cumulative amount of similar-entity participations may not exceed 15 percent of the assets of the participating institutions.*

Innovative Capital Solutions



Innovative capital solutions to support rural communities and agriculture, today and tomorrow

*Farm Credit
“understand(s)
farming operations
and how they work,
and the capital
input the farmer
needs.”*

– Natalie Gilbert, Lafayette,
Ind., Farm Credit Mid-America
customer-owner

See page 8

A strong U.S. economy is contingent upon a strong rural economy – yet equity capital is far less available in rural areas than in urban ones. Providing rural businesses with access to capital is critical to economic development and job creation. Forming a partnership to invest in the rural economy is a key example of how Farm Credit is pursuing innovative solutions to advance its mission of supporting rural communities and agriculture.

To help deliver equity capital to rural America, in 2014 nine Farm Credit organizations joined with Advantage Capital Partners to create the [Advantage Capital Agribusiness Fund](#). The fund was formed as a Rural Business Investment Company (RBIC) and is conditionally licensed by the U.S. Department of Agriculture through its Rural Business Investment Program (RBIP) to promote economic development in rural America.

“This new fund will allow innovative small businesses throughout rural America to access the capital they need to grow and create jobs,” said Tom Vilsack, U.S. Secretary of Agriculture, in announcing the fund.

Beyond loans: equity financing

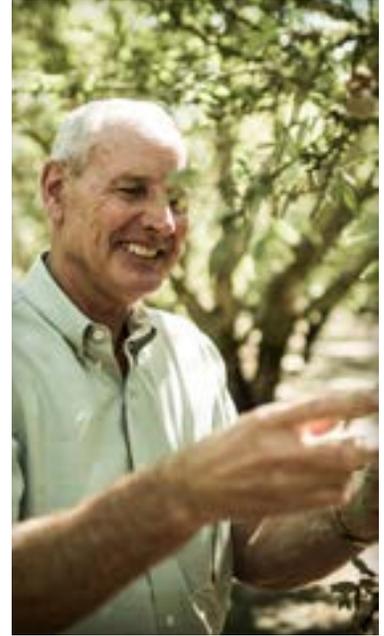
The Advantage Capital Agribusiness Fund allows the USDA to facilitate private equity investments in agriculture-related businesses, complementing more traditional loans and loan guarantees USDA provides to help rural businesses grow. While the fund is licensed by the USDA, it is non-leveraged, which means it does not use taxpayer funds.

The Advantage Capital Agribusiness Fund is developing a balanced and diversified portfolio of junior capital investments. It focuses on later-stage, growth-oriented small businesses involved in agriculture, processing and marketing of agricultural products, farm supply, input supply and rural communications.

An initial investment: American Botanicals

In March 2015, Advantage Capital Agribusiness Partners announced one of the fund's first investments: in North American Natural Resources, Inc. (d/b/a American Botanicals), a manufacturer and supplier of bulk herbs and botanical products in Eolia, Mo. American Botanicals buys, processes, sells and exports hundreds of roots, herbs, barks and other botanical products, which are purchased directly from U.S. farmers and dealers and used in products ranging from foods to cosmetics and nutritional supplements by the company's more than 400 customers.

As a Missouri farmer and state legislator, State Sen. Brian Munzlinger, understands the importance of this type of investment for reinvigorating America's rural communities. "Investment capital is an important component for the growth of rural businesses," said, Munzlinger, who represents Eolia and Pike County in the state legislature. "I am excited to see these dollars being invested right here in Missouri."



Advantage Capital Agribusiness Fund at a Glance

MANAGING PARTNER: Advantage Capital Partners

LIMITED PARTNERS (EACH A MEMBER OF FARM CREDIT): AgCountry Farm Credit Services, Fargo, N.D.; AgriBank, St. Paul, Minn.; AgStar Financial Services, Mankato, Minn.; Capital Farm Credit, Bryan, Texas; CoBank, Denver, Colo.; Farm Credit Bank of Texas, Austin, Texas; Farm Credit Services of America, Omaha, Neb.; Farm Credit Mid-America, Louisville, Ky.; United FCS, Willmar, Minn.

FUND SIZE: \$154.5 million

INVESTMENT SIZE: RBIC guidelines state that a fund cannot invest more than 10 percent of the total fund value per equity investment

GEOGRAPHIC FOCUS: The fund will consider investment opportunities in any rural area in the United States

INVESTMENT PERIOD: The fund has five years to commit capital and will operate for 10 years once all the capital is deployed

AgriBank and the Fund

AgriBank has committed \$20 million out of a total of \$154 million commitment by Farm Credit entities for the inaugural fund with Advantage Capital Partners. The AgriBank board is committed to exploring potential investments in future RBICs.

Producing Excellence

Meet Farm Credit customer-owners: men and women living the mission

Each Farm Credit customer-owner has a unique story to tell about rural communities and agriculture. Through the [Producing Excellence](#) website, Farm Credit shares compelling stories of American farmers and ranchers who reflect the diversity to be found in this thriving industry sector: operations large and small, organic and conventional, rural and urban, newcomers to agriculture and producers whose operations span generations. With financing and other critical services from Farm Credit, these successful business people are producing the food, fuel and fiber on which we all depend.

Following is a sampling of Farm Credit customer-owner stories. For additional stories, visit <http://www.farmcreditnetwork.com/community/producing-excellence>.



KEITH AND STACEY FUNDERBURK

***Funderburk Farms LTD. and
Countryside Veterinary Service***

Location: Taylorville, Ill.

Products: Soybeans and corn,
hogs; veterinary services

Size of operation: 2,000 acres,
10,000 hogs annually; 6,000
square foot clinic

Years in business: 27

Farm Credit partner: Farm Credit
Illinois

Years working with Farm Credit:
10

Keeping it in the family is a family tradition for the Funderburks.

Keith is a sixth-generation farmer who grew up working beside his father and grandfather. Within another rural community in Eastern Illinois, Keith's wife, Stacey, also grew up on a family farm, one primarily focused on livestock. Her life on the farm gave her a love of animals, and she undertook the eight-year effort to become a veterinarian.

The couple married after college and soon started their own farming operation. Beginning with just 40 acres financed with a Young, Beginning and Small Farmer program offered through Farm Credit Illinois, the Funderburks have continued to expand over the past 10 years. Today, Keith, alongside his parents, operates a grain farm with 2,000 acres of corn and soybeans. This represents acres that are owned and rented by themselves and Keith's parents and grandparents, keeping the multi-generation tradition alive.

The families became even more entwined in 2007, when Keith and his parents partnered and built a 5,000-animal wean-to-finish hog operation, again with Farm Credit financing. Stacey meanwhile opened her own veterinary clinic, also using financing from Farm Credit Illinois.

In addition to their busy careers, the couple is raising their two children. "Balancing everything is a constant challenge," Stacey says. Lessons learned from their families have equipped them to manage. "My parents imprinted me with a drive toward hard work and determination," Keith says. "It's how you achieve your goals in life."

KENNETH RAY NEWTON

Newton Honey Company

Location: Belfield, N.D.

Products: Honey

Size of operation: 1,400 hives

Years in business: 18

Farm Credit partner: Farm Credit
Services of Mandan

Years working with Farm Credit:
14



At just 1/300th of an ounce, a honeybee must be America's smallest livestock animal, but it carries a heavy responsibility – in addition to producing its own crops like honey and wax, honeybees are critical for the pollination of other crops like apples, blueberries, onions and pumpkins.

Each year, second-generation beekeeper Kenneth Ray Newton drives a semi-truck loaded with beehives from his North Dakota farm to California, where they're put to work pollinating the annual almond crop. Although a new variety of self-pollinating almonds has been introduced, today the industry relies on managed beehives and their keepers.

Kenneth always knew he wanted to be a beekeeper. He was around the bees as soon as he could walk, and started working for his father in 8th grade. He established his own operation 18 years ago and today, in part with financing from Farm Credit Services of Mandan, he's built his operation to 1,400 hives. The honey his bees produce goes to SueBee Honey, a Sioux City, Iowa-based, cooperatively owned honey processing and marketing company.

Despite the care he takes, Kenneth has twice faced Colony Collapse Disorder, a growing problem around the world. Believed to be the result of mite infestation, the disorder results in wide-scale die-off. Kenneth has been hit twice – he lost 90 percent of his bees in 2007, and 75 percent in 2012. "There's no way to get rid of mites completely, but we try to keep it under control," Kenneth says. He follows a regular treatment program that kills any mites in the hive without harming the bees.

Despite its challenges and the hard, physical demands of the work, Kenneth enjoys what he does. "It's quite rewarding, especially when you have hives of our own," he says.

NATALIE GILBERT

Gilbert Farms

Location: Lafayette, Ind.

Products: Grain

Size of operation: 3,500 acres

Years in business: 8

Farm Credit partner: Farm Credit
Mid-America

Years working with Farm Credit:
8



Women have been involved in farming for generations, and an increasing number of U.S. farms are owned by women. Not all, though, take as active a role as Natalie Gilbert, who works side-by-side with her husband, Greg, to farm their 3,500 acres of owned, leased and contracted land.

Natalie started farming in 2003 when she took over management of her grandfather's acreage, despite the fact that her parents didn't farm and so she didn't grow up understanding all that farming entailed. "I've learned a lot through trial and error and experience," she says. "I also began learning from other successful farmers."

Farm Credit has also helped, both with financing and education. "They're really the gold standard in farm lending," she says. "They understand farming operations and how they work, and the capital input the farmer needs."

In 2009, Natalie and Greg started farming full time, working land they both own and rent, and also custom farming for other landowners, a diverse approach that helps them be better farmers overall. "We've been the landowner and the tenant, and also the farmer who's actually turning over the dirt," Natalie says. "That gives us better insight and helps us be more in tune with what needs to happen."

The couple primarily raises corn, supplemented with some soybeans. Their operation is big enough to allow them to purchase inputs in volume, which reduces their costs, and sell in volume, which increases their profits. "Farming is a business like any other," Natalie says. "You buy inputs, work long hours to produce your products, try to control your costs, and then market and sell your products."

One Special Mission



A strong partner for all agriculture

Farmers, ranchers, agribusiness, rural homeowners and rural utilities depend on Farm Credit funding and services to produce the high-quality food and agricultural products enjoyed in the United States and around the globe. Nearing its 100th anniversary, Farm Credit has:

- Assets exceeding \$248 billion
- Nearly 500,000 customer-owners
- More than 13,000 employees
- Coverage in every county in all 50 states plus Washington, D.C. and Puerto Rico

One special mission to support a wide spectrum of borrowers in rural communities and agriculture

The Farm Credit System was established in 1916 to provide rural communities and agriculture with reliable, consistent credit through all economic cycles. Nearly 100 years later, Farm Credit remains true to its mission. Combined, Farm Credit organizations provide more than \$217 billion in loans, leases, and related services, which is more than a third of the credit needed by U.S. agriculture. The System also provides important risk management tools to those we serve, including insurance and other financial services.

The mission of the Farm Credit System, as stated in the Farm Credit Act of 1971, as amended, is “...making credit available to farmers and ranchers and their cooperatives, for rural residences, and to associations and other entities upon which farming operations are dependent, to provide for an adequate and flexible flow of money into rural areas, and ... to meet current and future rural needs.”

This mission includes supporting all types of agricultural producers who need credit, as well as others who help ensure that rural communities and agriculture are economically successful. That includes farm-related businesses, rural homeowners, and rural infrastructure providers, including electric, telecommunications, water and waste, as well as other entities.

Unique structure



Farm Credit is made up of a group of financial cooperatives that serve local and regional markets throughout the United States and Puerto Rico. While Farm Credit has a national footprint, its lenders are local – nearly 80 independently owned and operated Farm Credit Associations provide services in the communities where they live and work.

Each local Farm Credit Association is a cooperative that is owned by its customers and has a deep understanding of agriculture in their area. This expertise enables them to understand the industry

sectors they finance and provide an unparalleled level of knowledge and service to their customer-owners.

“My parents imprinted me with a drive toward hard work and determination.”

— Keith Funderburk, Taylorville, Ill., Farm Credit Illinois customer-owner and Young, Beginning and Small Farmer program participant

See page 6

Each Farm Credit Association is also governed by a board of directors primarily elected from customer-owners. In many Associations, the customer-owners receive a share of profits through “patronage” dividends. This unique structure keeps Farm Credit connected to local communities and contributes to the strength and stability it’s enjoyed for nearly 100 years.

Under this cooperative structure, specific tax provisions enable Farm Credit to better fulfill its mission to serve rural communities and agriculture. The tax status enables Farm Credit to provide competitive rates so farmers can sustain and grow their businesses. And it enables Farm Credit to invest in rural areas that other lenders often neglect because they are less profitable. The System is not taxpayer funded.

Support for the next generation



Truly supporting rural communities and agriculture means helping small, young, and beginning farmers and larger, more established farms. The best way to ensure that agriculture remains strong, both today and tomorrow, is to finance both ends of the spectrum, and everyone in between.

Farm Credit supports all sizes of agricultural producers. This includes helping small, young and beginning producers, who are vital to the economic health of agriculture and rural communities both today and into the future. Special programs are designed to

help producers who meet at least one of the following criteria:

- Small – farm production is less than \$250,000 annually
- Young – 35 years of age or younger
- Beginning – less than 10 years of agricultural experience

Supporting small, young and beginning farmers is an important part of raising the next generation of America’s farmers. That’s why Farm Credit makes tens of thousands of loans to these farmers each year. And it’s why Farm Credit actively supports organization such as 4-H and FFA, which are developing the next generation of ag leaders.

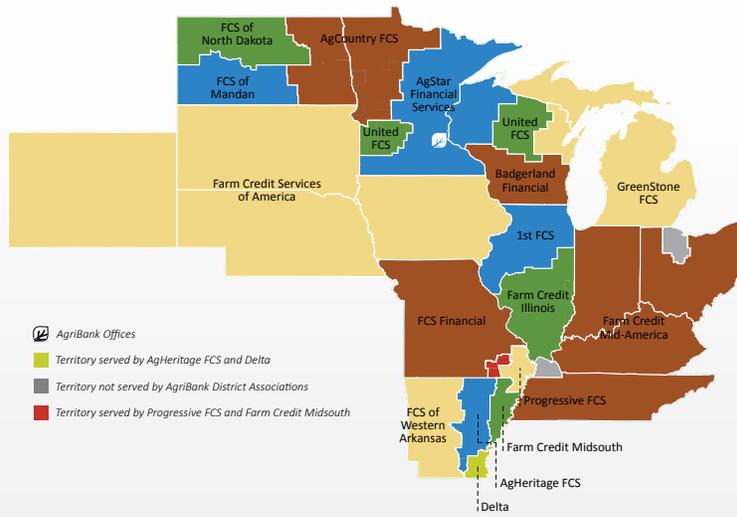
For more information

FARM CREDIT. Go to <http://www.farmcreditnetwork.com/> to learn more about Farm Credit, including an overview and history. The [Producing Excellence](#) pages present compelling stories of American farmers and ranchers who have worked with Farm Credit to grow their operations.

FARM CREDIT ADMINISTRATION. Visit <http://www.fca.gov/index.html> to learn more about the federal regulatory agency that ensures a safe, sound, and dependable source of credit and related services for rural communities and agriculture.

ADVANTAGE CAPITAL AGRIBUSINESS FUND. Learn more about this investment fund to promote economic development in rural communities at <http://tinyurl.com/ovc7lm9>. AgriBank and eight other Farm Credit organizations have invested more than \$150 million in the fund to further support their mission of supporting rural communities and agriculture.

Associations in the AgriBank District



About AgriBank

AgriBank is one of the largest banks within the national Farm Credit System, with more than \$90 billion in total assets. Under the Farm Credit System's cooperative structure, AgriBank is primarily owned by 17 affiliated Farm Credit Associations. The AgriBank District covers America's Midwest, a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas. About half of the nation's cropland is located within the AgriBank District, providing the Bank and its Association owners with expertise in production agriculture. For more information, visit www.AgriBank.com.

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