

Leader



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Asst. Vice President & Branch Manager

Joe Goggin

Asst. Branch Manager & Loan Officer

Brad Godbey

Loan Officer

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Senior Loan Assistant

Tina Roney

Loan Assistant

Lisa Yeager

Loan Assistant

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Jeanie Williams

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Russell Gray

Loan Officer

Laura Jackson

Loan Officer Trainee

Linda Haley

Loan Assistant

Jonathan Parker

Loan Officer

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Loan Officer

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Teresa Thomas

Loan Assistant

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Dion Mullins

Loan Officer

Johathan Noe

Loan Officer

Peggy Powell

Senior Loan Assistant

Teresa Thomas

Loan Assistant

Loan Assistant

Pamela Johnston

Loan Assistant

Felicia Madden

Loan Assistant

John Peek

Loan Officer

Regional Managers

Shane Turner

Northern Section
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Country Mortgage Loans

Scott Mass

Manager
Country Mortgage Loans
1-888-820-3221

Holiday Closings

Thanksgiving

Thursday & Friday
November 25, 26

Christmas

Thursday & Friday
December 23 & 24

New Year's

Monday
January 3

Leader

is published quarterly for stockholders, directors, business associates and friends of the Central Kentucky Ag Credit Association.

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Larry K. Stone

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Address Changes

Address changes, questions or comments should be directed to Central Kentucky Agricultural Credit Association by calling 1-859-253-3249, or by writing P.O. Box 1290, Lexington, KY 40588-1290.

Financial Information

The Farm Credit Administration does not require the association to distribute its quarterly financial reports to stockholders. However, copies of its complete report are available upon request. The shareholders' investment in the association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank and copies of its quarterly financial report are available by writing Patti Trotter, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202-1499.

Privacy Policy

Your online privacy is always a top concern at Ag Credit. For a complete copy of the latest version of the online privacy policy, please visit our web site and click on the homepage link. [Review our Privacy Policy](#)



ONLY
1/3

Dairy farmers typically receive about 30 cents of every dollar consumers spend on dairy products.

President's Message



Larry K. Stone
President and Chief Executive Officer

The Association continues to experience strong loan volume growth of over 14%. You can see our past five years of growth in loan volume in the chart that appears with this message. While growth is good overall, it does present some unique challenges and opportunities for your association. New employees and new buildings are needed to accommodate our growth and to continue our record of personal service to members. Our goal is to generate earnings sufficient to fund operations, adequately capitalize the association and to achieve an acceptable rate of return for our members.

The Board of Directors continued its commitment to the cooperative way of doing business by continuing a patronage program for 2004. This past spring, Ag Credit rolled out patronage payments based on profits of 2003. Again, this fall, patronage payments will be sent to most customers who did business with Ag Credit in 1998. Ag Credit will again put its "... profits in your pockets." No other ag lender in central Kentucky has a program that

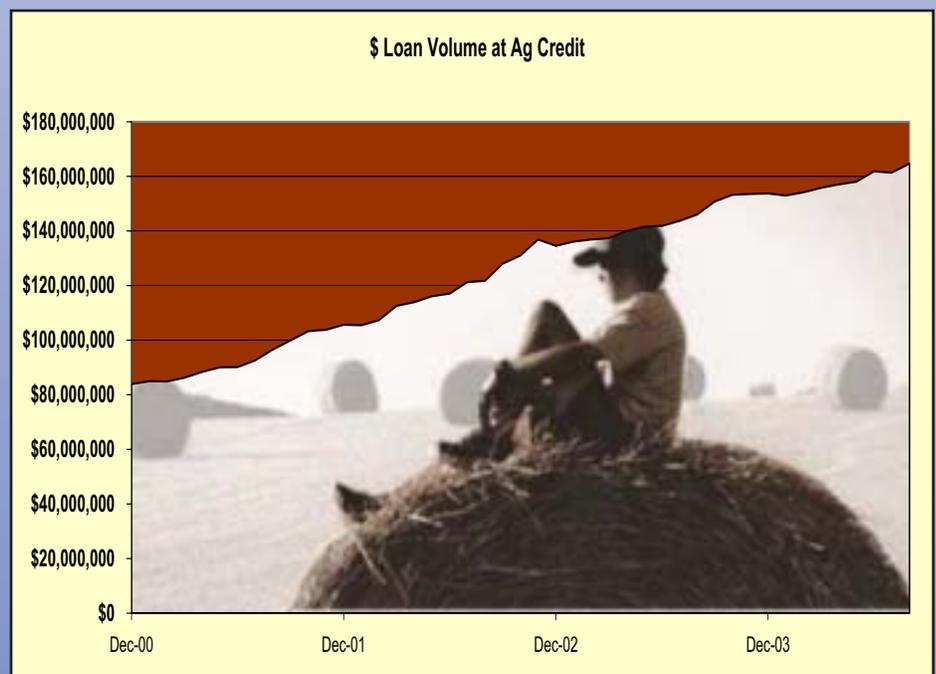
has our history of returning a portion of the annual business profits back to member/customers.

The branch office staff of Ag Credit remains committed to being active leaders and participants in their local agricultural communities. Check out activities in your area that are reported in this issue of the LEADER, and in other issues throughout each year.

Ag Credit is committed to improving the quality of life in rural areas and on farms throughout central Kentucky.

With six branch locations in the Central Kentucky region, Ag Credit remains the agricultural lender that provides "people-to-people" service. We will continue to pursue the objective of distinguishing ourselves as the premier provider of agricultural credit for eligible borrowers within central Kentucky.

We thank all our customers for the opportunity to serve you.



The Tobacco Program: A Profile

As farmers in central Kentucky move into the end of 2004, it is anybody's guess what the year ahead holds for Burley tobacco producers. Bills are under consideration in the nation's House and Senate, big tobacco companies are standing in the wings with tobacco contracts and tobacco industry leaders watch the situation vigilantly.

Ag Credit's Harry Young is assistant vice president and manager of the Lebanon Ag Credit Branch Office and he closely follows the tobacco situation. In Harry's view answers for tobacco producers remain fuzzy as long as tobacco settlement negotiations

and legislation are pending. However, two of Harry's observations may be helpful for tobacco producers: (1) if the existing Federal tobacco program remains in place for 2005, leasing is a viable option, especially for young and/or established farmers who do not own their quotas; or (2) if no tobacco quota program is in place for the 2005 crop year, contracting with big tobacco manufacturers is the alternative for tobacco producers.

Tobacco buyout program legislation is currently an attachment to the Job Creation Bill in Washington. As the "Ag Credit Leader" went to press with this edition, progress on the bill since Congress reconvened

following the summer recess was not publicly evident.

Several settlement versions exist, causing lots of divided feelings among lawmakers and tobacco industry leaders. Essentially, the House version of the

Both the House and the Senate must agree on a mutually satisfactory bill.

buyout proposal calls for a \$9 billion settlement to be paid over a five-year period with tax money, which means farmers keep the Phase II participation.



in Uncertainty

The Senate version of the proposal calls for a \$12 billion settlement to be paid over a ten-year period under FDA regulatory supervision with no tax money.

Harry also clearly points out that, in order for any legislation to be passed, both the House and the Senate must agree on a mutually satisfactory bill. That means a committee must be formed consisting of both House and Senate members to negotiate a mutually agreeable version of the buyout. The final outcome of the buyout will be based on that renegotiated version of the legislative bill.

Harry projects that if a buyout does not take place, domestic tobacco producers can expect more overseas production, with less tobacco grown domestically.

So, what about comparisons between leasing and contracting? Simply stated, farmers can only lease pounds under the current

program. While leasing is a familiar method of acquiring

The kicker is that buyout conditions will be based on a particular year.

tobacco poundage for production under the current program, farmers are not always able to obtain and grow as much as they want. On the other hand, contract planting under agreements with tobacco companies can open the door to farmers' abilities to raise as much tobacco as they want.

Overall, the watchword is to be very informed as 2004 draws to a close, because the condition of pending legislation will certainly affect farmers' tobacco growing choices in 2005. Harry observes that if buyout legislation is not agreed upon by the first of the year, farmers should

likely set their production plans using the current program.

Now, how will the buyout affect growers, assuming it becomes reality? Harry says that not all growers will benefit to the same degree. Remember that everyone will get the same amount per pound under a buyout agreement. The kicker is that buyout conditions will be based on a particular year. That simply means there will be some winners and some losers in the buyout program, because not all years are favorable to all farmers.

The bottom line for 2005 tobacco production planning is to stay in touch with your Ag Credit experts, with your County Extension officials and stay up-to-date on pending legislation and buyout news reports. That combination will help tobacco growers make the best planting decision for 2005.

Photo by Luke Ramsay



*With the kiss of the sun for pardon,
and the warmth of rain for mirth,
one is closer to God in a garden,
than anywhere else on earth.*

Unknown

The entire Ag Credit team sends warm holiday wishes to all our friends. Enjoy the garden atmosphere throughout the central Kentucky region during the holidays. And, we hope health, happiness and wonderful memories are your gifts in the months ahead.



**Danville Branch Office • Lebanon Branch Office
Lexington Central & Branch Offices • Paris Branch Office
Richmond Branch Office • Stanford Branch Office
The Central Kentucky Ag Credit Board of Directors**

Marcus Barnett Named Ag Credit's Chief Financial Officer



Marcus Barnett

Marcus Barnett has been named Chief Financial Officer for the Central Kentucky Ag Credit Association. He assumed his post during late August and

his background is extensive in financial management.

During the past 13 years, Marcus served as controller for Palmer Engineering in Winchester, Kentucky, and he was accounting manager for AAA Bluegrass prior to his service with Palmer Engineering.

Marcus is also experienced in Ag Credit operations and management philosophy, because he started his career as a loan officer with Ag Credit's Lexington Branch, rising to the position of branch manager before leaving to work with AAA and Palmer Engineer. He served Ag Credit during that time for seven years.

Marcus earned three Bachelor Degrees from the University of Kentucky, including his degrees in Agricultural Economics, Business Administration and Accounting. He also passed his CPA examination, adding to his wealth of knowledge and experience in financial matters. He is active in his community and currently serves on the Board of Directors of the Lexington Christian Academy.

Marcus and his wife, the former Gladys Turner of Harlan, Kentucky, are parents of two sons, Jeremy 16 and Evan 13. They reside in Lexington and are members of the Southland Christian Church.



Ag Credit's "Account Access" service is a futuristic service that makes life easy for member/customers. Many members are already enjoying the convenience of Account Access, and new features have also been added.

Robert Anderson, vice president with Ag Credit, explained some features of Account Access by noting that, "members can access their account information 24/7 on the

Thinking About the Future?

Internet at <http://www.ckaca.com>. When the page is up, click on the link "Ag Credit members can access account information".

Robert observes that, "Account Access offers account balances, payments, due dates and a record of recent AgriLine transactions for those accounts ... just the ticket for a busy farm manager."

Account Access also makes answering your questions easy. Just click on the FAQ (Frequently Asked Questions), and browse until your heart's

content. When you are done, if you still have questions, that's where the Ag Credit advantage really kicks in. Simply call your local branch or stop by and talk to the friendly experts at Ag Credit. They can answer your financial questions and give even more tips on the convenience of using Account Access.



What is an Annual Percentage Rate (APR)?

by Robert Anderson

The annual percentage rate (APR) is an interest rate that is different from the note rate. The Federal Truth in Lending Law requires disclosure of the APR when lenders advertise a rate. Typically the APR is found next to the rate. It's purpose is to allow the consumer to compare loan programs from different lenders.

Example:

30-year fixed 8% 1 point
8.107% APR

The APR does not affect your monthly payments. Your monthly payments are determined by the interest rate and the length of the loan.

Since loan fees and charges are included when the APR is calculated, the APR is designed to measure the "true cost of the loan." It creates a level playing field for lenders. It prevents lenders from advertising a low rate and hiding fees. Higher fees generally mean a higher APR.

If life were easy, all that would be necessary would be to compare APRs from the lenders/brokers you are working with, then pick the best one and you would have the right loan. Right? Wrong!!!

"...it is important that you understand your financial transactions."

An APR does not tell you how long your rate is locked for during the application process. A lender who offers you a 10-day rate lock may have a lower APR than a lender who offers you a 60-day rate lock!

Do not attempt to compare a 30-year loan with a 15-year loan using their respective APRs. A 15-year loan may have a lower interest rate, but could have a higher APR since loan fees are amortized over a shorter period of time.

At Ag Credit we think it is important that you understand your financial transactions. We provide you with information needed to make good financial decisions. According to Scott Maas, Ag Credit's Country Mortgages Manager, the following items are used in the association's APR for all Country Mortgage loans:

- Lender Origination Fee... Typically 1% of loan amount
- Tax Service Fee \$65.00
- Life of Loan Coverage Flood Fee \$17.50
- Underwriting Fee \$250.00
- Processing Fee \$100.00
- Courier Fee \$50 to \$100
- Closing Attorney Fee Depends on Closing Agent

As you can see, most fees actually go to a third party who is providing service to the borrower.



Scott Maas goes on to say, "the best indicator is something called the 'Good Faith Estimate' and the interest rate that is reported as the Annual Percentage Rate (APR). My suggestion to every borrower when comparing lenders or brokers is to compare 'apples-to-apples'. Request a Good Faith Estimate from each lender you are considering, then compare fees and APR from each lender. I would not recommend making a final decision on the APR. However, the APR and a Good Faith Estimate will give you a tool with which to compare products, helping you to choose a product that meets your needs at that time."



Greta Gooch of Danville holds her lamb for a photo at the Boyle County Investment in Youth Sale. Joe Goggin, Ag Credit's assistant branch manager in Danville, is shown with Greta, because Ag Credit purchased the youngster's 147-pound lamb for a whopping \$5.35 per pound, or \$786.42.

Mega Bucks for Kids in Boyle County

September 9 marked a big day in the lives of 26 Boyle County youngsters. They sold their livestock at a premier sale that grossed \$46,826. The Investment in Youth Livestock Sale was established six years ago to reward young people who are involved in livestock projects in Boyle County, and to provide them with a market for their animals.

Joe Goggin, Ag Credit's Danville Branch manager, was chairman of the sale during the first three years, and it has grown consistently since inception. Joe, who continues to serve on the sale's planning committee, said Ag Credit has been involved in all facets of the sale from its inception, in the planning stages and in purchasing animals. Goggin, who is also a cattle producer, said "Ag Credit believes that young people are the foundation for rural Kentucky's future and we feel a responsibility to reward deserving young people when they work to achieve their goals."

FARMING IN THE 21ST CENTURY... A Focus on

Photos and Research by Robert Anderson

John Helm is a 29-year-old farmer who keeps his eye on the ball. And, he's playing a farming game that sets a quality pace for his family. John oversees the joint operation of the farming program that is shared with his parents, Bruce and Donna Helm of Boyle County.



John brings lots of skill to his work as a young farmer. He grew up in farming, then earned his degree in Finance from Georgetown College. He is completing leadership training with Philip Morris and has completed the Kentucky Cattlemen's, participates in the Master Cattlemen's program, serves on the Boyle County Soil Conservation Board and on the Boyle County Farm Bureau Board.

He is busy and he likes it that way. His challenging farm career is something he readily takes in hand, then moves on to the next task.

In all cases, he follows the pattern of practicality, such as continuing with a tobacco cropping program. John says tobacco has provided a steady source of income over the years, despite current uncertainty of the crop's future. He says, "tobacco put me through school and paid for a lot of what I have today."

Using a piece of scrap paper, John figures that about 2,380 tons of silage will be consumed on his operation annually. That tonnage emphasizes the primary enterprises on the Helm farm, which is dairying and dairy cattle production. Throughout his conversations, an emphasis on quality constantly emerges, because his philosophy seems to be that if you treat your animals well, they will produce well.

John recognized that his own hay, while being some the best he had put up, was not the correct choice for top dairy production. So, he shipped in alfalfa hay from Colorado. He said the Colorado hay contained 21% protein, while his own hay tested at 16%. Since his hay is square baled, it is sold to area horse farms.

Cleanliness and comfort are also watch words on the Helm operation. Semi-tractor trailers are used to bring kiln dried wood shavings for bedding material. That is supplemented with shredded tobacco stems that are purchased in box loads.

A main program on the farm includes a herd of 500 recipient



These pastured calves take it easy, while John works hard. The farm employs a full-time milking employee who allows John to attend to other farm management matters.

heifers that are raised for sale to purebred breeders for use in embryo transplants. Due to the recent, strong beef cattle market John has sold many heifers to farmers as they expand their beef herds with high quality stock.

An expansion of the heifer herd appears to be in the works since demand has been good. Plans are underway to build a canvas Quonset-style hay storage facility to be used in conjunction with the 80' x 100' concrete feeding pad that is already in use.

Financially, John and his family use their resources well. Yes, they have been Ag Credit members for about five years. John said, "competitive rates were an eye-catcher, but superior service is what pulled me in ... I've been with Ag

Quality & Profit



Farm Facts

- 900 Acres owned on 4 farms in Boyle County
- 200 Additional acres leased
- 500 Head of Angus/Holstein cross heifers
- 130 Acres of corn for silage
- 50 Acres of alfalfa hay
- 1,500 Bales of round-baled, mixed grass hay
- 170 Head Holstein dairy herd
- 90 Milking cows
- 50,000 Lbs. Tobacco
- 150 Head Beef Cattle

concentrates on improving farm operation quality. He tends day-by-day milking chores. That relieves

Credit ever since." Some Ag Credit services used by John include financing for his personal home, a tract of land and a revolving line of credit.

While a very busy fellow, John finds time for other activities, too ... such as writing crop insurance, auctioneering for his father's auction and real estate firm and working as a real estate sales associate. Altogether, traditional farming methods have been blended with research and new technology to make the Helm farming operation better. The daily routine incorporates all chores you'd expect to find on a dairy farm, plus computers, cell phones, modern machinery and more. It is, indeed, the 21st Century on the Helm Farm in Boyle



(Above) Joe Goggin (foreground) talks with John Helm about calf hutches that are used on the farm. Helm uses other innovative methods to keep his farm productive, such as taking digital camera photos of recipient heifers for potential buyers. He then sends the pictures by email, a service that produces fast response and satisfied customers.

(Left) A dairy calf peers out from its clean, dry calf hutch shelter. John first tested the idea of raised floor calf hutches to improve health in weaning dairy calves. When the idea proved sound, he built additional hutches.

These Guys Count Pretty Well!



Four members of the Ag Credit staff recently participated in the annual Lexington Bluegrass Association of Realtors (LBAR) Summer Golf Scramble. The event was held July 19 at the Cherry Blossom Golf Course in Georgetown.

Shown here (left to right) are Scott Maas, Ag Credit's Country Home Loan Manager, Richmond; Steve Schureman, Scott County Farm Bureau Agent and member of Ag Credit's Lexington Branch Office; Shane Turner, Ag Credit's Lexington Branch Manager; and Ron Bradshaw, Ag Credit's Stanford Branch Manager.

Now, about the way they count the foursome shot a 9 under par 63!



John Peek

Stanford Loan Officer

John Peek has joined Ag Credit's Stanford Branch and he started work as a loan officer in September. John is a returning member of the Ag Credit team, having worked with the association for eighteen months prior to his current service. He most recently served as a loan officer with PBK Bank in Stanford, and he also has worked with Kentucky Equine Research in Versailles.

John is married to the former Kathy Petry, a native of Stanford. They recently purchased the 75-acre farm that was owned by John's grandfather in King's Mountain and they make their home there. Farm operations include a cow/calf operation and forage production.

John earned his Ag Economics Degree, with a minor in Business, from the University of Kentucky. He and Kathy are members of Fairview Baptist Church.

Fulfilling a Need...



Ag Credit fulfills an important need in rural areas. The association lends money to full- and part-time farmers and rural residents. Those member-customers need special financial understanding and attention regarding lines of credit for crops, how to finance homes on rural property and a host of other special agriculture and rural living matters. Ag Credit experts are not city boys. They understand farming and rural living.

Patronage Payments Made in “Stages”

By Marcus Barnett



Ag Credit has made patronage payments during the spring and the fall. The two, different payments come from different portions of patronage. One is called the “cash portion”. The other is called “allocated surplus”. Here’s how it works:

For every dollar (\$1.00) in total patronage paid to an individual in any one year the division of payment is: \$0.30 has been paid straight to the customer (cash portion); and \$0.70 is an amount that is allocated in individual accounts (allocated surplus).

Allocated surplus portions are held at least five years and until such time that the association’s Board of Directors determines it is in the best interest of

the association to pay out. Payouts are not guaranteed, but continued successful operations of the association set the foundation for continued payouts.

When two patronage payments are made in one year, the two payments actually come from two different years of patronage. For example, the “cash portion” from the 2003 financial year was paid this year, in April 2004. Right now, Ag Credit is sending out checks from the “allocated surplus” portion of patronage earned by customers who did business with the association in 1998.

In both spring and fall, money goes into your pocket. It happens only with Ag Credit.

THE BURLEY H



This action shot at the August Tobacco Cutting Contest shows Alan Stamper in the lead, with Alan "Peanut" Edgington close behind. The event was held on August 23 at Wayne and Junior Doolin's farm in Garrard County.



ARVEST RACE

AND NOW FOR THE WINNERS!

Winner	Alan Stamper, London	\$ 500 & Plaque
Second	Alan "Peanut" Edgington, Garrard County	\$ 250 & Plaque
Third	Daniel Edgington, Garrard County	\$ 150
Fourth	Mark Lewis, London	\$ 100
Fifth	Theron Owens, Wilmore	\$ 50
Rookie of the Year	Michael Pingleton, Crab Orchard	\$ 100 & Plaque

Shane Turner is shown "walking the burger line" during the August Tobacco Cutting Contest in Garrard County. Shane is an assistant vice president and regional manger for Ag Credit. John Thomas, assistant vice president and manager of Ag Credit's Richmond Branch Office is shown in the background. Over 400 hamburgers were provided and cooked by Ag Credit for the hungry crowd. Other Ag Credit staff members from various branch offices who attended the event included Luke Ramsay, Scott Maas, Russell Gray, Laura Jackson, Dion Mullins, Jonathan Noe, Dale Cinnamon and Brad Godbey.



AND NOW FOR THE NUMBERS!

The Food and Agriculture Organization reports the following production figures for tobacco leaf production worldwide in 2000, ranked in order of production (numbers represent metric tons of burley leaf, i.e. '000):

World	6,137.7
China	2,298.8
India	595.4
Brazil	520.7
USA	408.2
EU (15)	314.5
Zimbabwe	204.9
Turkey	193.9
Indonesia	166.6
USSR (Former)	116.8
Malawi	108.0

WHY DO WE ASK? It'

By Robert Anderson

Getting a loan can sometimes be a stressful situation. After all, you are focused on getting what you really want ... a new farm with good open land for additional cattle ... maybe a new house with more room for the family.

Details of a large financial transaction can be overwhelming. There may be unexpected "requests" that are necessary to complete the loan transaction. You are ready. But your lender, who we hope will be Ag Credit, is saying, "let's take a closer look."

What about land surveys? After all, there is a fence and a mowed field that stops at the creek. Why do we need a survey and what is a plat? Platting, or making a drawing of the boundaries of the prospective farm, shows if the legal description is accurate by itself and it is an important step in determining property boundaries. But, exactly where is that property line in the real world of rocks, trees and moving creeks? That's where the land survey becomes important. A professional surveyor takes the plat and exactly superimposes boundaries using the real world environment. When the surveyor is done, there should be no dispute over who owns what rock or creek-side. Potential problems with neighbors are headed off before they get started. You can build your fence without worry about

where the boundary line is located, saving you the time and expense of moving the fence if you had been wrong.

Why do you need to know what kind of windows we want to put in our new house? It is "our" house, after all. Knowing such details upfront, especially in the construction phase, helps smooth the way to what the homeowner ultimately wants, which is a beautiful home with unique, durable, functional features that are a great value.

Ronnie Bradshaw, assistant vice president and branch manager for the Ag Credit Stanford Branch said that Ag Credit experts ask questions for good reasons that are in the best interest of borrowers. Ronnie said, "questions about planned features and materials are meant to allow for sufficient funds to complete construction without interruption." That, of course, is something the homeowner wants, too. Ronnie also observes, "stone fireplaces, special windows and other



features need detailed descriptions because they impact construction costs significantly and also impact the final appraised value the homeowner will receive."

Yep, borrowers need all the benefits of a loan, including value for your dollars spent, money availability to complete projects and a completed house or other structure that won't fall down around your ears.



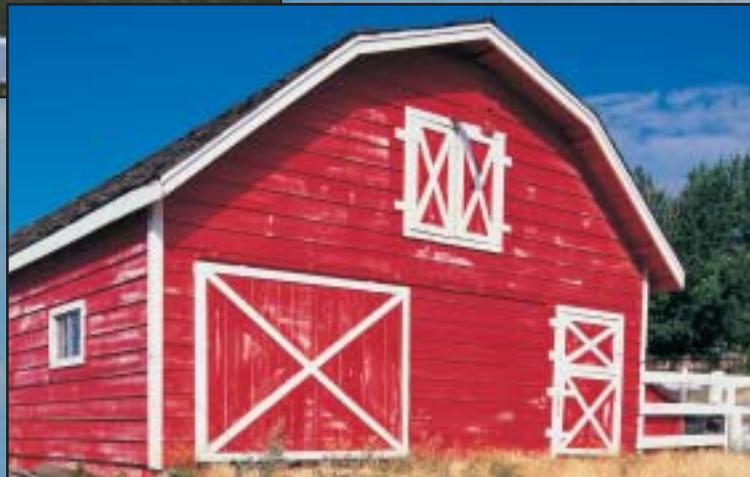
s All About Helping You!



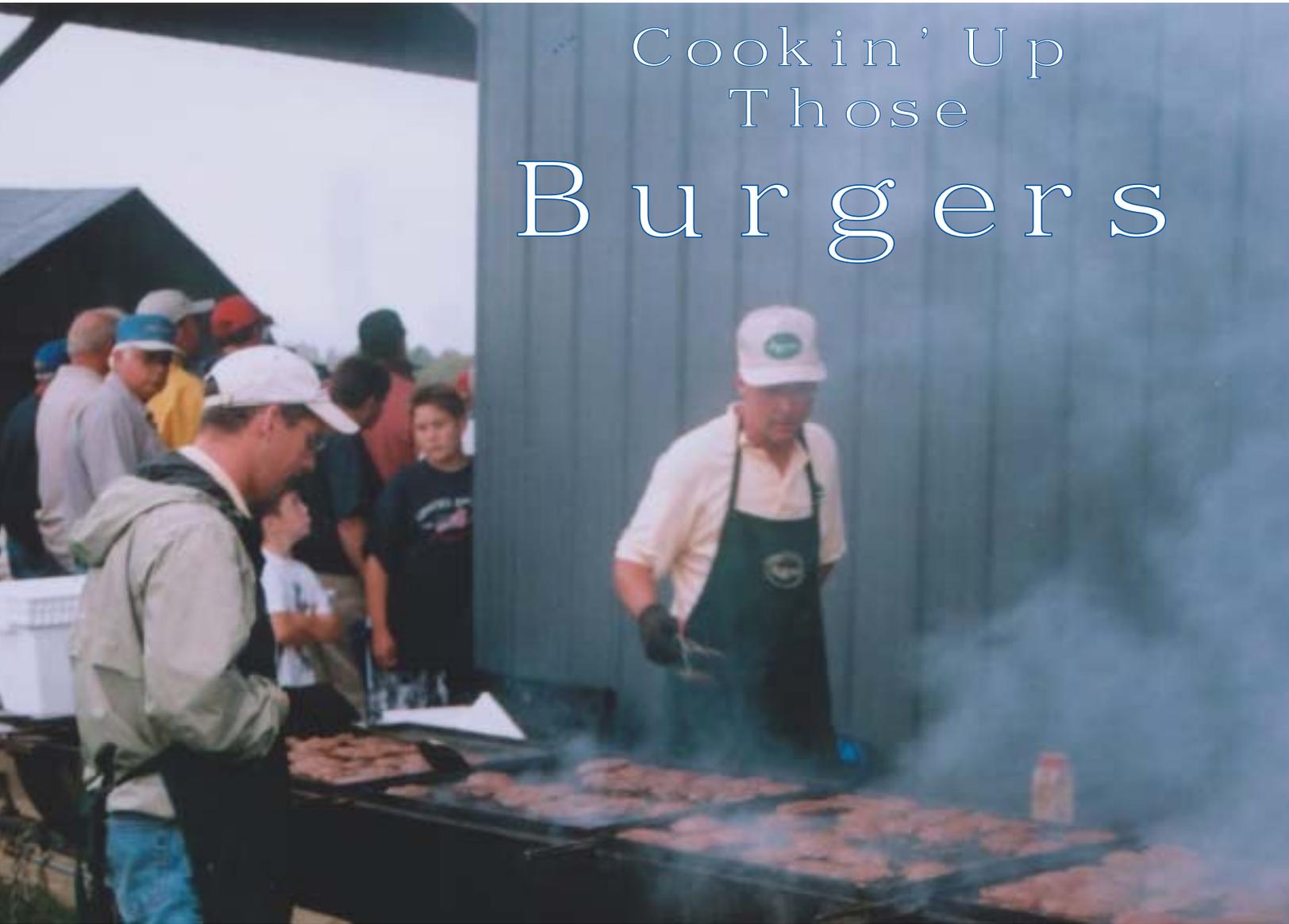
Some things like termite inspections are essential and in the best interest of both the borrower and the lender. Those pesky critters are everywhere. They can make a new home purchase a very unpleasant surprise if left undetected. In the United States, subterranean termites are found in every state except Alaska. Nationwide, treatment and prevention of subterranean termite infestations costs approximately \$2 billion each year. (For more information go to the World Wide Web at <http://www.uga.edu/>).

With Ag Credit working along side of other experts in the rural areas of central Kentucky, you can be assured that questions we ask, and the time taken to be thorough in planning, will ultimately get you there safely and happily.

And, before you know it, you'll be enjoying your place in the country.



Cookin' Up Those Burgers



Scott Maas (foreground), Ag Credit's Country Home Mortgage Manager and John Thomas (background), manager of Ag Credit's Richmond Branch, were tending the cookin' when this photo was made. They were at the Madison County Cattlemen's Association Meeting and Ag Credit provided over 200 burgers for a hungry crowd. The gathering took place in September on Larry Agee's farm, near Berea and included a tour of the Agee's cattle operation and the Berea College Hunt Acres Farm.



DELL Deal

In the last issue of the LEADER, Ag Credit announced a program from Dell that offers outstanding savings to Ag Credit member/customers. The program offers the best pricing members can obtain as a consumer from Dell and cooperating companies.

Now there is more. You can obtain great mail-in savings through the Dell Deal. Up to \$250 is available with mail in rebates on all Dimension and Inspiron systems. The offer lasts for a limited time, so act now if you need equipment. Contact your Ag Credit office to obtain the special website address and your personal member identification code for ordering online.

Central Kentucky Agricultural Credit Association

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2004	December 31, 2003
	<i>(unaudited)</i>	
Assets		
Cash	\$ 79	\$ 57
Loans	167,439	153,826
Less: allowance for loan losses	2,444	2,373
Net loans	164,995	151,453
Accrued interest receivable	2,640	2,099
Investment in other Farm Credit institutions	7,439	6,310
Premises and equipment, net	1,872	1,634
Other assets	1,182	1,235
Total assets	<u>\$ 178,207</u>	<u>\$ 162,788</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 148,643	\$ 134,424
Accrued interest payable	458	409
Patronage refund payable	20	201
Minimum pension liability	—	9
Other liabilities	1,218	1,491
Total liabilities	<u>150,339</u>	<u>136,534</u>
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	7,673	7,549
Retained earnings		
Allocated	4,581	4,580
Unallocated	16,109	14,620
Accumulated other comprehensive income (loss)	(495)	(495)
Total members' equity	<u>27,868</u>	<u>26,254</u>
Total liabilities and members' equity	<u>\$ 178,207</u>	<u>\$ 162,788</u>

Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2004	2003	2004	2003
Interest Income				
Loans	\$ 2,435	\$ 2,140	\$ 6,919	\$ 6,302
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	1,363	1,132	3,797	3,453
Net interest income	1,072	1,008	3,122	2,849
Provision for (reversal of) loan losses	—	—	100	50
Net interest income after provision for (reversal of) loan losses	<u>1,072</u>	<u>1,008</u>	<u>3,022</u>	<u>2,799</u>
Noninterest Income				
Loan fees	37	53	133	157
Fees for financially related services	—	1	8	6
Equity in earnings of other Farm Credit institutions	290	251	822	710
Other noninterest income	4	4	15	57
Total noninterest income	<u>331</u>	<u>309</u>	<u>978</u>	<u>930</u>
Noninterest Expense				
Salaries and employee benefits	549	521	1,714	1,614
Occupancy and equipment	52	54	177	160
Insurance Fund premium	(16)	40	56	116
Other operating expenses	176	149	444	419
Total noninterest expense	<u>761</u>	<u>764</u>	<u>2,391</u>	<u>2,309</u>
Income before income taxes	642	553	1,609	1,420
Provision (benefit) for income taxes	28	(28)	107	10
Net income	<u>\$ 614</u>	<u>\$ 581</u>	<u>\$ 1,502</u>	<u>\$ 1,410</u>





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