

# Leader



## In This Issue

- Tobacco Buyout ..... 6, 7, 8
- Annual Meeting ..... 10, 11, 12
- Patronage Refunds ..... 14, 15
- Premise Identification ..... 17, 18



## Central Kentucky Branch Offices

### Danville Office

Highway 127 Bypass • Danville, KY 40422  
859-236-6570 - 1-800-589-4261

<b>Dale T. Cinnamon</b> Asst. Vice President & Branch Manager	<b>Kim Elliott</b> Senior Loan Assistant
<b>Joe Goggin</b> Asst. Branch Manager & Loan Officer	<b>Tina Roney</b> Loan Assistant
<b>Brad Godbey</b> Loan Officer	<b>Lisa Yeager</b> Loan Assistant

### Lebanon Office

Campbellsville Road • Lebanon, KY 40033  
270-692-4411 • 1-800-264-0402

<b>Harry Young</b> Asst. Vice President & Branch Manager	<b>Michael R. Chiles</b> Loan Officer
<b>Jeanine Williams</b> Loan Assistant	<b>Susan W. Mattingly</b> Loan Assistant

### Lexington Office

640 South Broadway • Lexington, KY 40508  
859-252-4717 • 1-888-820-3270

<b>Shane Turner</b> Asst. Vice President & Regional Lending Manger	<b>Linda Haley</b> Loan Assistant
	<b>Jonathan Parker</b> Loan Officer

### Paris Office

201 Commerce Drive • Paris, KY 40361  
859-987-4344 • 1-800-613-4292

<b>Russell Gray</b> Asst. Vice President & Branch Manager	<b>Laura Jackson</b> Loan Officer
<b>Donna Sharpe-Cassity</b> Loan Officer	<b>Margie Roe</b> Loan Assistant

### Richmond Office

1000 Ival James Blvd. • Richmond, KY 40475  
859-623-1624 • 1-888-820-3221

<b>John Thomas</b> Asst. Vice President & Branch Manager	<b>Teresa Thomas</b> Loan Assistant
<b>Luke J. Ramsay</b> Loan Officer	

### Stanford Office

U.S. Highway 27 • Stanford, KY 40484  
606-365-7500 • 1-800-467-0039

<b>Ronnie Bradshaw</b> Asst. Vice President & Branch Manager	<b>Pamela Johnston</b> Loan Assistant
<b>Dion Mullins</b> Loan Officer	<b>Felicia Madden</b> Loan Assistant
<b>Johathan Noe</b> Loan Officer	<b>John Peek</b> Loan Officer

### Country Mortgage Loans

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Manager  
Country Mortgage Loans  
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### Regional Manager

**Shane Turner**  
Northern Section  
1-888-820-3270



## 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,

### 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](#)



# President's Message



**Larry K. Stone**

President and Chief Executive Officer

The agricultural economy is in a period of unprecedented change. Tobacco, once the dominate commodity in central Kentucky, will take on a significantly different role in the next 10 years. The tobacco buyout is going to happen, but many uncertainties remain. Cattle seem to be poised to surge forward in importance to farmers, but again uncertainties in markets make for a shifting climate.

What is a person supposed to do? With many changes having significant personal financial impacts, good managers are "going slow". Trusted sources of information should be relied on. Make sure you know your options before accepting any offers.

If tobacco has been a major part of your farming operation, you have already made your choice about how you may be continuing in tobacco production. The tobacco buyout occurs over 10 years, and quota owners/producers participating in the buyout need to take a long-term look at their personal situation. What is the best use of the buyout funds? Will your funds be used to enhance tobacco operations in the new marketing climate? To stabilize income, while reducing tobacco production? To invest in other farming alternatives? There are many options. Ag Credit's banners have stated, "So many options, only one choice – Ag Credit". Elsewhere in this issue of the Leader, you will find out more about Ag Credit, and its work to bring you financial services that serve the tobacco community.

Ag Credit is dedicated to agriculture. While other financial institutions may move in and out of agricultural credit as

changes take place in the farming economy, your association is committed to agriculture. The large sums of money involved with the tobacco buyout have attracted some financial institutions that farmers of central Kentucky normally do not hear from. As you look at your options, you should consider if these institutions will remain dedicated to the agricultural economy of central Kentucky. Ag Credit has been serving agriculture and rural residents for over 70 years. Farming is your business and serving you is ours.

We hope that 2005 will continue to be successful for each of you. While interest rates have risen slightly, they continue to be at historically low levels. Many opportunities for your successful use of the association's financial services will present themselves and we hope you tell your friends and neighbors about Ag Credit. ■



## Have You Ever Seen This Magazine Before?

If you have never seen this magazine before, it is because you have been added to "the list". We think you'll like being on "the list". You'll receive this magazine, the "Leader", once a quarter. It is always full of great articles about the local agricultural community and important financial information that you, as a farmer or rural resident, should find helpful.

The best part about being on "the list" is that the "Leader" is absolutely, 100% FREE. If you don't think you'll enjoy receiving the "Leader", just let us know and we will remove you from future mailings. But, remember ... you can receive the "Leader" free, along with lots of great local information. We hope you enjoy the magazine.

Robert Anderson  
Vice President

Information Systems &  
Marketing Manager

## Mercer County Celebrates Farm-City Relations

The Mercer County Farm-City Breakfast was held during March at the Harrodsburg Lions Park. The event fosters cooperation and understanding among rural and urban leaders, business owners and producers and takes place as part of the nationwide observance of Farm-City celebrations.

Dale Cinnamon, manager of Ag Credit's Danville Branch, said the event drew over 200 participants. Prominent among topics of conversation at the event were matters concerning the tobacco buyout program. Dale observed that many rural producers are faced with a variety of options as a result of the emerging, new tobacco program. Some farmers will continue tobacco production under the new, "no-support" conditions, while others are considering retirement from farming, says Dale. Experts in Ag Credit have also observed that alternative crop and livestock production choices are being made by full- and part-time farmers who plan to stay in the farm production business.

Information distributed at the Mercer County Farm-City Breakfast was interesting, in that it provided insight into the significance of farming's economic impact across America.

According to the Farm City Council, 24.3 million American workers (17% of the total workforce) produce, process and sell or trade the nation's food and fiber. But, only 4.6 million people, or less than 2% of the nation's population, live on farms.

About 17% of raw U.S. agricultural products are exported yearly. U.S. agricultural exports generate more than \$141 billion annually in business activity throughout the United States economy and provide jobs for over 900,000 workers. ■



## About Horses: *Interesting Stuff!*

Bourbon County's most famous resident of the past 200 years wasn't a pioneer or a politician, but a horse. It was Secretariat, the famous race horse who stood at stud and died in Bourbon County.

Secretariat was conceived, lived most of his life, died and is buried at Claiborne Farm in Bourbon County. The Triple Crown winner in 1973, he set numerous track and world records that stand to this day, over 30 years later. Secretariat is the only Kentucky Derby winner to finish in under two minutes. He won the Preakness with another blazing run, but was denied a sure record because of a faulty timer. Secretariat then won the Belmont by the widest margin ever, as he set a world record of 2:24 for the mile and a half run.

Secretariat was also named Horse of the Year twice, with winnings of \$1,316,808. He retired to stud at Claiborne after the 1973 racing season. He lived at the farm and welcomed thousands of visitors until his death in 1989 from acute laminitis. Secretariat is buried in the equine cemetery at Claiborne Farm and his grave remains a popular destination for visitors.

### How about your horse?

How many acres should you allocate per horse to assure that your equine friend receives adequate nutrition?

The amount of land needed for pasture is not always easy to answer, because growing conditions can affect the amount of grass you have available, thus the area that your horse requires for grazing. In general it is recommended that you have 2-4 acres per horse if the pasture is going to supply a large portion of the horse's nutrient needs. ■

# Elmer Fudd's Garden

By Rudy Scheibner  
 Extension Entomologist  
 University of Kentucky Department of Entomology  
<http://www.uky.edu/Agriculture/Entomology/ythfacts/bugfun/elmerpuz.htm>

While Elmer was looking for his vegetables, he discovered a lot of other things were in his garden, too. At four different spots he found a weed, which wasn't too bad, but at many spots he found one kind of insect or another. The asparagus beetle was on the asparagus, of course, and the potato beetle was on the potato. (In other words, ASPARAGUS BEETLE is a continuation of the word ASPARAGUS, and likewise for POTATO BEETLE and POTATO.) The rest of the insects were scattered in all directions. The insects' names run back and forth, up and down, and at a slant, but the letters in each name are always in a straight line. Some names are hard to find, because they are spelled backwards.

Elmer spotted Bugs Bunny a couple of times in his garden, but he couldn't catch him, because Bugs didn't run in a straight line. Bugs always showed up near a spot in the garden that Elmer had marked with Z's. When Bugs knew he was discovered he would hop in a zigzag path to his burrow entrance, which was marked with X's. On some days he would take one path and other days he would take another. The zigzag paths Bugs took spelled out his name, BUGS BUNNY.

Can you find the two paths that Bugs used?

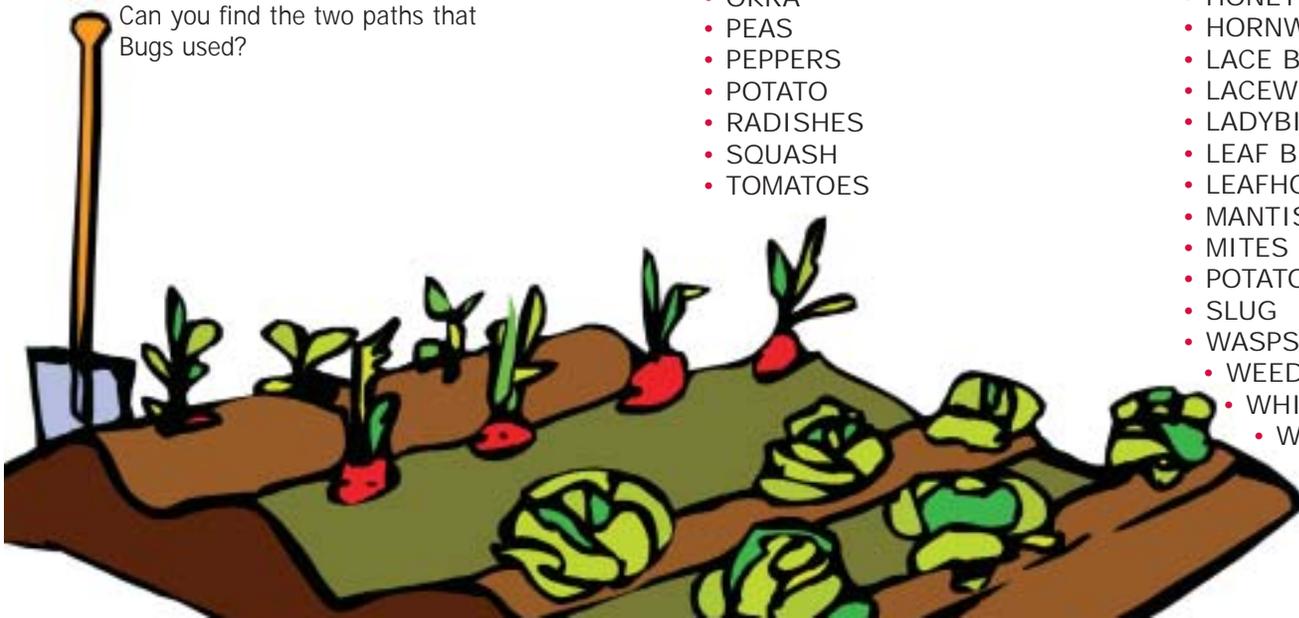


## These are vegetables Elmer planted:

- ASPARAGUS
- BEANS
- BEETS
- CABBAGE
- CARROTS
- CORN
- KALE
- LEEKS
- LETTUCE
- OKRA
- PEAS
- PEPPERS
- POTATO
- RADISHES
- SQUASH
- TOMATOES

## These are pests that Elmer found:

- ANTS
- APHIDS
- ASPARAGUS BEETLE
- BEAN BEETLE
- BORER
- CATERPILLAR
- EARWORM
- FLEA BEETLE
- GRASSHOPPER
- HONEY BEES
- HORNWORM
- LACE BUG
- LACEWING
- LADYBIRD BEETLE
- LEAF BUG
- LEAFHOPPER
- MANTIS
- MITES
- POTATO BEETLE
- SLUG
- WASPS
- WEED (4)
- WHITEFLY
- WHITE GRUB



# TOBACCO BUYOUT ... So many opti

## Which Way to Go? Consider Options Carefully and Use Your Settlement Money Wisely

*When considering your tobacco buyout options, read the fine print. Consider all aspects of the offer, including fees, set-a-sides, compensating balances. And, be sure to seek professional tax advice for your personal situation.*

By Robert Anderson

With many complex issues surrounding the tobacco buyout, one of the most important is how to successfully plan for, and maximize, cash that quota owners and producers will receive. A principal part of this financial management is income tax management. Due to the complexity of the program and many individual situations that have individual answers, those involved with the agricultural community continue to emphasize the need to seek competent tax advice for your personal situation.

Many specifics concerning the buyout are not known at this time and must wait for regulations and rulings from various governmental agencies. Agricultural tax experts have used various sources to make their best estimates of how the tobacco buyout will be handled.

The following excerpts were taken from: "2004 Tobacco Quota Buyout and Potential Tax Consequences and Planning Opportunities." The author is Guido van der Hoeven, Extension Specialist, Department of Agricultural and Resource Economics, North Carolina State University.

[http://www.agecon.ncsu.edu/faculty/vanderhoeven/tobacco\\_buyout.pdf](http://www.agecon.ncsu.edu/faculty/vanderhoeven/tobacco_buyout.pdf)

### IRS Position Relative to Peanuts: A Lesson for Tobacco

On October 1, 2002, the IRS issued Notice 2002-67, in which it discussed the income and self-employment tax consequences of the peanut quota buyout. The notice makes the following points:

- The peanut quote is an I.R.C. §1231 asset if the owner meets the purpose and holding period requirements of I.R.C. §1231.
- The buyout payment (to quota owners) is not self-employment income.
- The owner of the quota can use the installment method to report gain from the buyout if payments are received in more than one tax year.
- The gain or loss resulting from the buyout does not qualify for farm income averaging.
- The payments are subject to information reporting.
- The buyout is not an involuntary conversion. The author believes that IRS will follow the precedent set above relative to the tobacco quota buyout (in a personal conversation with IRS personnel October 14, 2004 this seems to be the case.) ■

(Note: Practitioners and their clients should consult with knowledgeable advisors before entering in such an arrangement to learn about the tax benefits accruing to the taxpayer's specific situation. Information provided is for educational purposes only. Nothing herein constitutes the provision of legal advice or accounting services. Quota owners should contact their tax practitioner relative to their circumstances in regard to these issues. IRS may issue rules and regulations providing guidance with regard to the tobacco quota buyout.)

Guido van der Hoeven is a nationally-recognized expert in farm tax management. He serves on a National Farm Income Tax Extension Committee, which meets with Internal Revenue Service representatives to provide advice on the agency's Publication 225, "The Farmer's Tax Guide". He is also among several university experts from throughout the nation who contribute to the Land Grant University Tax Education Foundation's annual "National Income Tax Workbook", a 700-plus page guide that addresses issues – new and old – related to income taxes and tax legislation.

# ons, only one choice ... AgCredit



## The News Keeps Coming - Ag Credit is There!

### A Town Hall Meeting -

**TPPP News**  
**March 8, 2005**  
**Heritage Hall**  
**Lexington, Kentucky**

Robert Anderson, vice president for Ag Credit reported on this meeting, during which Farm Service Administration (FSA) officials discussed the Tobacco Transition Payment Program (TPPP). Other Ag Credit officials who attended the meeting with Robert were Larry K. Stone, president and CEO and Jim Caldwell, vice president and chief lending officer.

Jeff Hall of the Kentucky Farm Services Administration led the meeting and presented the current state of the Tobacco Transition Payment Program. He informed the approximately 180 participants that local county offices in Kentucky were going to be ready for the signup period, which started on March 14 and which continues through June 17, 2005.

### U of K Cooperative Extension Service and Farm Service Administration Hold Meetings

**March 21, 2005**  
**Lincoln County High School**  
**Stanford, Kentucky**

John Peek, a loan officer with the Stanford Ag Credit Branch reported on this meeting. Others from Ag Credit who attended the meeting with John were Ronnie Bradshaw, Stanford Branch manager and Dion Mullins, a Stanford Ag Credit loan officer.

Over 200 farmers and citizens involved with tobacco production attended this meeting. The program featured presentations from Dan Grigson, UK Cooperative Extension Service County Agent and Danny McKinney, CEO of the Burley Tobacco Growers Cooperative Association. Questions that were fielded included "How to calculate the tenant's share of the buyout proceeds", and "How to resolve tax questions created by the buyout."

### State Replaces Lost Phase II Payment

**The Farmer's Pride**  
**Vol. 16 - No. 19**  
**Wednesday, March 16, 2005**

Kentucky tobacco quota owners and growers will receive the majority of the 2004 Phase II Payment, thanks to the state legislature and governor.

### USDA Announces Disposition of Commodity Credit Corporation Tobacco Inventory

**Source: [www.fsa.usda.gov](http://www.fsa.usda.gov)**  
**March 24, 2005**  
**Washington, D.C.**

The U.S. Department of Agriculture announced today that the Commodity Credit Corporation (CCC) is releasing for purchase 77,728,276 pounds of the 2002, 2003, 2004 crops of CCC-owned flue cured tobacco and 27,480,783 pounds of the 1994, 1997, 1998, 2000, 2002, and 2003 burley tobacco crops.



## TOBACCO BUYOUT ... So many options, only one choice ... AgCredit

*When you involve Ag Credit, your tobacco settlement money stays in the 17-county central Kentucky area.*

Talk with the agricultural finance experts at your local Ag Credit office

USDA – Tobacco Transition Payment Program (TTPP)



### Full Value Payment

Receive full dollar value of your buyout with a traditional loan package that is supported by your buyout proceeds. No need to settle for a reduced amount. Tobacco buyout proceeds can be a portion of the loan repayments, depending on your personal needs and situation. Assignment of annual buyout payment.

#### Pro's

- Immediate payment of 100% of your buyout, with no reduction.
- Supplementing the buyout with your own funds allows you to take on larger projects than the buyout payments alone can support.
- Taxes (income and capital gains) are spread over 10 years of payments.
- Loan interest is usually deductible for income tax purposes, helping to offset additional taxes due from TTPP payment.

#### Con's

- Need to plan for payment of taxes when they will come due. Taxes due may actually increase over the life of the loan, depending on your personal tax situation.
- Loan obligation may continue for 10 years.



### Program Match Payment

Receive your dollars upfront and then coordinate your expected tobacco program



payments with a loan package that is scheduled for the entire tobacco program payment schedule. All expected payments are matched with your exact tobacco program payment expectations. The number and timing of payments will be determined by final program regulations. Assignment of final buyout payment.

#### Pro's

- Government (Commodity Credit Corporation) payments are expected to make your scheduled loan payments.
- Taxes (income and capital gains) are spread over 10 years of payments.
- Loan interest is usually deductible for income tax purposes, helping to offset additional taxes due from TTPP payment.

#### Con's

- Reduced dollar amount is paid.
- Need to plan for payment of taxes when they will come due. Taxes due may actually increase over the life of the loan, depending on your personal tax situation.
- Periodic paper work may be necessary to maintain assignment of payments.
- Loan obligation may continue for 10 years.

**Get the Tobacco Buyout Facts at Ag Credit An FSA Tobacco Buyout Fact Sheet is Available at all Ag Credit Offices**



### Quick Payment

(Lump Sum Payment)

Accept an immediate, reduced total payment after complete legal assignment of all tobacco program payments to Ag Credit. You would not have concern for continued payment availability, because Ag Credit is accepting future risks. The exact payment amount is determined at the time of program finalization. Successor-in-interest contract to Ag Credit. Final USDA regulations will determine the availability of this payment option.

#### Pro's

- Immediate payout. No further risks or obligations.

#### Con's

- Reduced dollar amount is paid.
- All taxes (income and capital gains) are due for year of payment.

**"Generation After Generation"**



Local people with agricultural experience – responding to challenges for Kentucky farmers Serving 17 counties in the heart of Kentucky with branch offices in:

- Danville 1-800-589-4261
- Lebanon 1-800-264-0402
- Lexington 1-888-820-3270
- Paris 1-800-613-4292
- Richmond 1-888-820-3221
- Stanford 1-800-467-0039

\*The programs and plans are not intended to be final. They are preliminary and non-binding, subject to change as the final rules and regulations are made final by USDA and other governmental agencies.

# Welcome to Paris!



Ag Credit's new Paris Branch Office is open for business. Located at 201 Commerce Drive, it can easily be seen at the junction of U.S. 460 and the Paris Bypass. The facility has been built to provide membership with easy access to the office, as well as professional, quality services.

Welcome to the new Ag Credit Branch Office in Paris, Kentucky. It has replaced the former downtown office and the new facility is located on the corner of the Paris Bypass and U.S. Hwy. 460. The new office is easy to see, easy to access and the people are friendly and ready to serve your farm financial needs.

According to branch manager Russell Gray, the new Paris location is convenient for Ag Credit membership, with easy access to Cynthiana, Paris and Georgetown. Russell also says that early reports from members have been very positive. They have commented on the spacious layout of the office and the overall professional appearance of the building. Membership can be proud of the new Paris addition to Ag Credit services in central Kentucky. ■



ABOVE: The first customers at the Paris office were Phillip Johnson (left) and his brother Jesse Johnson (right). Shown with them at the entrance to the new building is Donna Sharpe-Cassity, Ag Credit's loan officer in Paris.



LEFT: Ag Credit's Paris staff are shown here. Left to right are Margie Roe, loan assistant; Laura Jackson, loan officer; and Donna Sharpe-Cassity, loan officer. Russell Gray, manager of the Paris Ag Credit Branch, was traveling in the region when the photo was made.

# Ag Credit Sectional Annual Meeting

## *A Time for Business*



Dale Cinnamon, manager of the Danville Branch, gives away door prizes.



Six members of Ag Credit's management and board are shown enjoying a light moment during annual meeting activity. Left to right are Larry K. Stone, president and CEO and directors Alvin Lyons, Jerry Rankin, James W. Waggener, Oscar Penn and David Sparrow.



L. T. Follett of Bourbon County discusses an annual meeting business matter with Donna Sharpe-Cassity, a loan officer with the Paris Ag Credit Branch.



ABOVE: Cooking for the crowd at an annual meeting ranks as one of the most important jobs. Shown here on the large, outdoor grill are (left) John Thomas, manager of the Richmond Ag Credit Branch and Russell Grey, manager of the Paris Ag Credit Branch.



RIGHT: Michael Fitzgerald was keynote, inspirational speaker at both sectional sessions of the Ag Credit Annual Meeting. He travels widely as he speaks to audiences nationwide and has held successful positions with business. He lives near Shelbyville, Kentucky, while working for the Kentucky Beef Network facilitating programs for cattle producers across the Commonwealth.

# Ag Meetings Held at Lexington and Danville

## Fun and Pleasure Among Members



Shown here before dinner while reviewing the program are (left) Jerry Rankin of Boyle County, a current Ag Credit director, and Clyde Jackson of Boyle County, former chairman of the Ag Credit Board of Directors.

### Two Young Farmers Win Scholarships

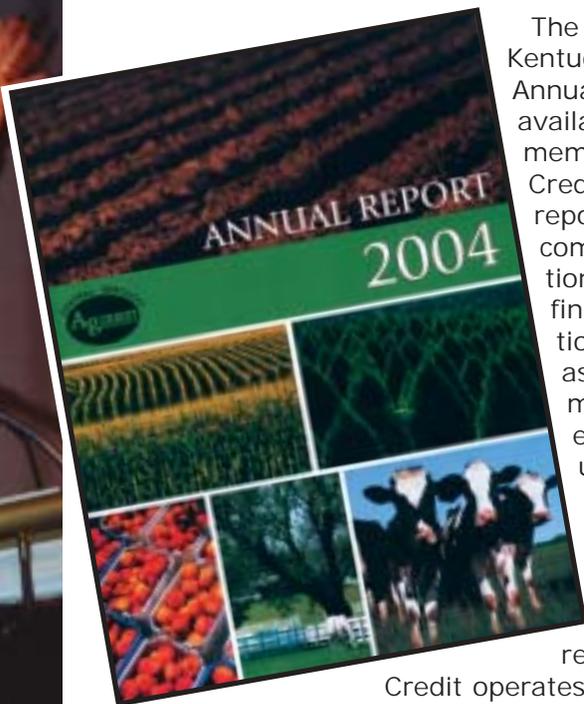
Two young farmers won scholarships at the Ag Credit Annual Meeting. Each was selected by drawing and they attended the Kentucky Spring Grazing School at Morehead State University, which was held April 20-21. Those who are eligible to win scholarships must be under 35 years of age. Scholarships consist of paid registration to the Grazing School, plus \$100 in travel and lodging expenses.

**Jerold Ristau** of Lexington was the lucky winner at the Lexington Annual Meeting session, and **Nathan Schepman** of Danville won the scholarship at the Danville meeting.

In addition, **Brad Stumph** of Danville won a copy of the book "Southern Forages", which deals with modern concepts for forage crop management.

Jerold and Nathan's attendance at the Grazing School involved study of beef integrated resource management and the school is partially funded by a grant from the USDA Initiative for Future Agriculture and Food Systems, in cooperation with the Kentucky Cattlemen's Association, the Kentucky Forage and Grassland Council, the Kentucky Department of Agriculture and the University of Tennessee Cooperative Extension Service. Other co-sponsors included the University of Kentucky College of Agriculture, Western Kentucky University, Natural Resources Conservation Service and the Beef Integrated Resource Management Program. ■

### Annual Reports are Available



The 2004 Central Kentucky Ag Credit Annual Report is available to all members at any Ag Credit office. The report contains complete information regarding financial operations of your association and members are entitled to pick up a free copy.

This valuable report contains a wealth of information regarding how Ag Credit operates, and how the association "Puts Profits in Your Pockets" through the Patronage Refund Program.





## Jerry Rankin Re-elected to Board of Directors

Jerry Rankin of Danville has been re-elected by the Ag Credit membership to serve a third 4-year term on the association's Board of Directors. He has served as a director since April 1996.

Mr. Rankin owns and operates 726 acres in Boyle County, with a cropping program that consists of 220,000 pounds of tobacco, plus 30,000 pounds on three neighboring farms. He also produces 60 acres of corn for silage and sale of ear corn, plus 60 acres of alfalfa. He maintains a herd of 500 purebred Angus cows, calves, heifers and sells purebred bulls. He also

backgrounds 65 steers, and he owns and operates Farmers Tobacco Warehouse in Danville.

Mr. Rankin's community service is extensive and he earned his B.S. Degree in Agriculture from the University of Kentucky. He and his wife, Judy, are members of the Presbyterian Church of Danville, and they are parents of three children and they have four grandchildren.



## Thanks to John Smoot

John Smoot of Paris is a member of the association and we deeply appreciate his willingness to serve the association as a member of the Board of Directors. While Jerry Rankin was re-elected to the

board, Mr. Smoot's value to the association and the community certainly continue. He owns 350 acres in Bourbon County and leases an additional 150 acres. His farm program focuses on production of 20,000 pounds of tobacco, 100 acres of hay and 90 brood cows.

Mr. Smoot is a magistrate on the Bourbon County Fiscal Court, and he served on the Millersburg City Council for seven years. His career also included 32 years of service as a claims adjuster with Kentucky Farm Bureau.

He earned his Bachelor of Business Degree from Eastern Kentucky University and he and his wife, Lorrain, are members of the Church of the Annunciation of Paris. They are parents of three children and have four grandchildren. ■



## Ag Credit Was There!

### Kentucky Beef Conference Draws 275

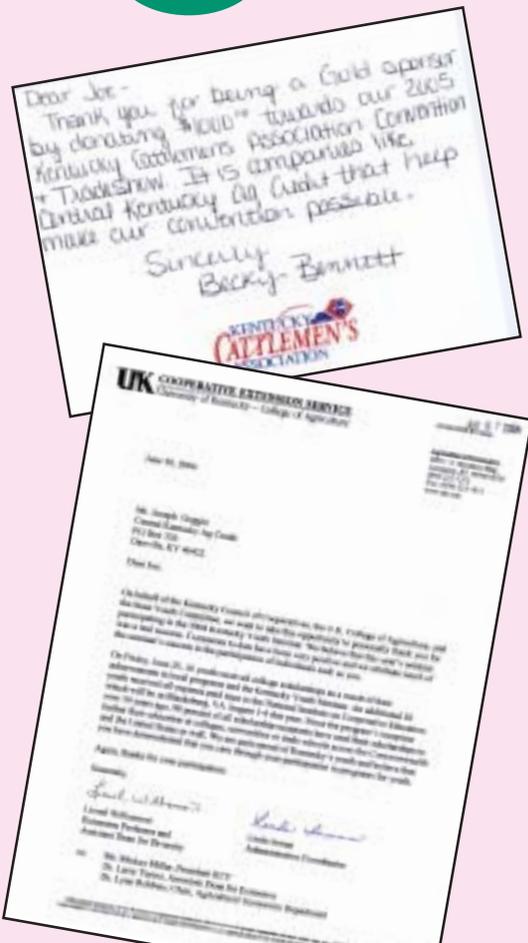
The Kentucky Beef Conference drew 275 participants early this year, an indication that Kentucky beef producers are serious about production in the Bluegrass State.

According to Joe Goggin, assistant branch manager and loan officer at Ag Credit's Danville Branch, the conference was a one-day event during which livestock marketing was a topic of discussion. Ag Credit was a major sponsor of the conference, which is hosted by the University of Kentucky College of Agriculture Cooperative Extension Service, with cooperation from the South-Eastern Kentucky Agriculture Development Association (SKAD). In a letter to Ag Credit, SKAD's executive director, Paul Deaton, said, "without the support of organizations like yours, this event could not have been held, especially to the level that beef producers will be challenged in the future."

"Planning for Tomorrow's Markets" was the conference theme, a concern that is big among producers right now. Topics revolved around how long the current, favorable beef market will last and how producers can position themselves to benefit from it now and into the future.

Randy Blach, executive vice president of Cattle-FAX and CF Resources was a keynoter who discussed "Optimizing Marketing Strategies". He is a Colorado native and was raised on a family ranching and farming operation in Yuma. A Colorado State University graduate, Randy earned his degree in Animal Sciences and has been with Cattle-FAX since 1981. He is a cattle analyst, in addition to his executive duties with Cattle-FAX.

Others who participated in the beef conference were U of K's Kenny Burdine and Dr. Lee Meyer, Phil Meyer, Dennis Walter, Lowell Clifford and Jason Sandefur. ■





# Great Recipes for Ag Credit Members

Delta Lamb of Paint Lick has a reputation for being a fine cook, and Peggy Powell, a long-time loan assistant at the Richmond Ag Credit office, highly recommends Delta's cooking!

During a recent conversation with Delta, she said, "I love working with recipes. I also like to compete in contests and create new recipes, many times using variations of ones that I have in my recipe files ... if my new recipes pass the taste test with family and friends, I use them often." Delta's family includes three grown sons and four grandchildren. She and her husband, Melvin, have been married for 46 years and reside on their farm at Paint Lick. Delta and the sons were active in farm work for a lot of years while the boys were still at home, while Melvin also held a job in town at Parker Seal, where he eventually retired after 43 years of service. Delta and her entire family are members of the Mt. Tabor Baptist Church in Paint Lick.

Three of Delta's recipes have qualified for finalist honors in the Richmond Register newspaper's annual recipe contest, and we're publishing them for you in this edition of the Ag Credit Leader. The Divine Pumpkin Torte and the Glazed Cranberry Bread ranked as finalists in the Register's 2004 Cookbook Insert, and the Mexican Chicken Casserole was a finalist in 2003. The Richmond Register publishes their annual Cookbook Insert every November, just before Thanksgiving.

## Mexican Chicken Casserole

1 can reduced-fat cream of chicken soup  
1 soup can of skim milk  
1 tsp chili powder  
1/2 tsp cumin  
8 flour tortillas (6") cut into one inch strips  
4 cups cooked chicken (about four skinless breasts)  
1 cup dried onion  
1 can dried green chillies (use half can for milder casserole)  
1 can corn (white, yellow or Mexican)  
4 ounces reduced fat cheddar cheese, grated

Combine chicken soup, skim milk, chili powder and cumin and set aside. Spray a 9" x 13" baking dish with cooking spray. Lay 1/3 of tortillas in pan. Top with 1/2 of chicken, 1/2 of the vegetables and 1/3 of soup mixture. Repeat layering, ending with the tortillas and topping with remaining soup mixture. Bake uncovered at 350 degrees for 35 minutes. Top with cheese and bake another five minutes.

Serves 8

## Divine Pumpkin Torte

**Bottom Layer:**  
1-3/4 cup graham cracker crumbs  
1/3 cup sugar  
1/2 cup butter, melted  
Combine and put in bottom of a 9" x 13" dish

**Second Layer:**  
1 package (8 ounce) cream cheese  
3/4 cup sugar  
2 eggs, beaten  
Combine cream cheese and sugar together. Beat in eggs one at a time. Pour over crust. Bake at 350 degrees for 20 minutes.

**Third Layer:**  
2 cups cooked pumpkin or 1 (15 ounce can)  
3 egg yolks  
1/2 cup sugar  
1/2 cup milk  
1/2 tsp salt  
1 tsp cinnamon  
Combine and cook in double boiler until thickened. Meanwhile, soften one envelope of unflavored gelatin in one cup of water. Beat three egg whites with 1/4 cup sugar. Fold into cooled custard. Pour over baked crust and top with 2 cups whipped cream.

Serves 8 to 10.

## Glazed Cranberry Bread

1-1/2 cup flour  
1/2 cup whole-wheat flour  
3/4 cup sugar  
1-1/2 tsp baking powder  
1/2 tsp baking soda  
1/2 tsp salt  
1/4 tsp cinnamon  
1/2 tsp ground cloves  
1 Tbsp grated orange peel  
3/4 cup, plus 2 Tbsp orange juice  
1 egg  
2 Tbsp canola oil  
1 cup cranberries, halved

### Glaze:

1/4 cup confectioners sugar  
Enough milk to make a glaze. Maybe 2 Tbsp.

Combine all dry ingredients, beat orange peel, orange juice, egg and oil together lightly. Add to dry ingredients and stir until moistened. Stir in cranberries, pour into 8-1/2" loaf pan coated with cooking spray. Bake at 350 degrees for 50 minutes or until toothpick is inserted in center and comes out clean. Cool in pan 10 minutes and remove from pan. Cool thoroughly. Combine glaze ingredients and drizzle over bread before slicing.

Serves 6 to 8



## Susan Mattingly Joins Lebanon Team

Susan W. Mattingly has been named loan assistant at the Lebanon Ag Credit Branch Office. She has already assumed her duties.

Susan joins Ag Credit following 17 years of service with Citizens National Bank of Lebanon, where she was assistant cashier/teller. Prior to that she was assistant front office manager with the Raddison Hotel in Lexington.

Susan earned her degree in Business from Transylvania University in Lexington and she is married to Bill Mattingly. Bill is a full-time Marion County farmer who milks a 100 head Holstein dairy herd, runs a cow/calf operation and produces alfalfa and corn. Bill and Susan own 235 acres and Bill leases an additional 175 acres of farm land.

Susan is a native of Washington County and she and Bill are parents of four children, including Alex, 14; Ann Kelty, 12; Lee, 8; and Kate 5. They reside on their Marion County farm and attend St. Augustine Catholic Church in Lebanon. Susan is also active in many youth organizations, including the Parent Teacher Organization and Cub Scouts. ■

# Member Benefits Keep Growing: *Patronage Refunds Total \$5.1 Million*

Central Kentucky Ag Credit really does “put profits back in the pockets of member-owners”! During the past eight years the association has refunded a total of \$5,165,396 to those who do business with the association. That’s not hay, folks. That’s real money!

The association’s patronage refund program is an important part of the cooperative method of doing business. When the association makes more money than is needed to cover operating costs and reserves, the excess cash is given back to members! No other financial institution in the 17-county central Kentucky area can equal this benefit.

The highest patronage refund amount ever paid to members was last year, 2004. The total patronage refund for that year amounted to \$795,275. One-time financial events produced the high earnings and Ag Credit’s overall financial condition allowed a portion of the earnings to be shared with members.

**Congratulations ...** you have helped your association grow by being active, voting members of your cooperative. When good management is added to the equation, the result becomes patronage refunds that really become “profit in your pocket”! ■

Declared/ Paid Year	Total Refund Declared	Initial Cash Payment	Surplus Payment	Calendar Year of Surplus	Total Cash Payments
1997	\$464,336	\$145,000		-	
1998	\$592,279	\$182,887		-	
1999	\$654,307	\$201,436		-	
2000	\$701,753	\$215,235		-	
2001	\$682,587	\$213,900		-	
2002	\$653,341	\$198,105		-	
2003	\$621,518	\$197,995	\$319,336	1997	\$507,331
2004	\$795,274	\$240,843	\$409,392	1998	\$650,235
<b>TOTALS</b>	<b>\$5,165,396</b>	<b>\$1,585,401</b>	<b>\$728,728</b>		<b>\$1,157,566</b>

**TOP RIGHT:** Bryan Carroll of Paris takes home the money, after Ag Credit’s Paris loan officer Laura Jackson puts the check in his hand.

**BOTTOM RIGHT:** Stephen Linville of Paris is shown accepting his patronage refund from Margie Roe, the loan assistant at the Ag Credit Paris Branch.



# Coop Corner

by Robert Anderson

Ag Credit is unique among agricultural lenders in the central Kentucky area. Ag Credit is organized as a cooperative. A cooperative, which is also called a co-op, is a business that is owned and controlled by the people who use its services.

Co-ops are democratic organizations that are controlled by the members, who actively participate in setting policy for the cooperative and in making decisions.

The way members control Ag Credit is by the election of the cooperative's Board of Directors. Candidates for director are selected from members who do business with Ag Credit, thus are then eligible to be elected to the board by vote of the members. The election process itself gives rise to another important point. Unlike traditional corporate stock ownership, each member/stockholder of the cooperative has only one vote. The process assures that Ag Credit is controlled by the same people who use its services ... folks who are your friends and neighbors. Ag Credit's elected Board of Directors serves many hours for the betterment of everyone who is served by the association, with many positive, spin-off benefits to the entire 17-county area that is served by the association.

Of course, another important point about your cooperative involves the Patronage Refund Program!

**We Put Our Profits in Your Pockets!**

## Corporate Ownership

Stockholders who own the most shares in a corporation have the most votes for the Board of Directors. It is possible that a single owner or executive may possess the majority of decision-making authority, and may also receive the majority of profit generated by the corporation.

## The Outside Director



David Sparrow

The Board of Directors for Ag Credit has important responsibilities in providing for the effective operation of the association.

Recognizing that not all of the skills necessary to operate a large cooperative financial institution may be found in the membership pool from which candidates for the board are drawn, the regulatory agency of Ag Credit (the Farm Credit Administration, or FCA) provides for the appointment of an "outside" director. This person is selected by the board members themselves. The outside director cannot be a director, officer, employee, stockholder or agent of a system institution. The outside director brings a perspective and skills to the board room that strengthens the overall management of the association.

Ag Credit's Outside Director is currently David Sparrow. David's background spans a wide range of activities, including higher education, legislative activities, experience with financial institutions and he has been active in a variety of state and national organizations. He most recently retired as assistant to the Dean of the College of Agriculture, University of Kentucky. Early in his career he worked with the Production Credit Association system and he continues to be a leader in community and professional organizations, including his service as dairy superintendent for the internationally-respected North American International Livestock Exposition. ■



# Ag Credit Country Mortgage Loans Can Acres, Larger Tracts and More



Scott Maas

## Interview with Scott Maas, Loan Officer Ag Credit Country Mortgages Manager

When you choose a Country Mortgage Loan by Ag Credit, you deal directly with the fellow who can make things happen, not with a series of people who really can't do the lending job for you. Just make one call to Scott Maas at Ag Credit and you are there! You'd don't need to listen to a phone menu, push in access codes or wait a long time for service. Scott, like all Ag Credit professionals, responds quickly and works directly with you to make your home in the country a reality.

You can deal directly with Scott to arrange your loan, or if you prefer, Scott will help you connect with any other officer in Ag Credit's seven branch offices. Scott's attitude regarding personal service reflects the Ag Credit way of doing business.

"We would love to talk with you", says Scott. He also points out that Ag Credit has flexible loan packages, with the ability to keep the loan "in house", i.e., Ag Credit keeps the loan and servicing of the loan. That means you always do business with people you know. Scott explains that Ag Credit can work out suitable financing combinations. Maybe you are considering making additions to the property at a later date. Perhaps a son or daughter

wants to also have a home on the property. Talk to us. You'll be glad you did.

Other benefits that make Ag Credit's Country Mortgage Loans special include your ability to select your own building contractor. As with any major purchase, you should thoroughly check a contractor's reputation and references to ensure that their overall ability and work quality is acceptable to your standards.

Construction phase inspections are handled by outside inspectors. This important step helps to protect you, the borrower. It ensures that expected steps are being taken in the often complicated construction process. As money is being used up by the building contractor, the expected construction is being completed satisfactorily. That means peace of mind for you.

If you are serious about living in the country, make your life easier when you build or buy your home. Call Ag Credit. ■



# Include Extra

## Premise Identification

*The first step toward a national animal identification system*



These photos show homebuilding-in-progress, using an Ag Credit Country Mortgages Loan.



Animal disease outbreaks that have been reported around the globe over the past decade – and the single cow in the United States that tested positive for bovine spongiform encephalopathy in December 2003 – have greatly intensified public interest in developing a national animal identification program for the purpose of protecting animal health. The European Union, Canada and Australia already have animal identification systems in place. A strong U.S. identification system is in increasing demand as a necessary component of our nation's agricultural infrastructure.

The U.S. Department of Agriculture (USDA) has made implementation of a National Animal Identification System (NAIS) one of its top priorities. When fully operational, the NAIS will be capable of tracing a sick animal or group of animals back to the herd or premises that are the most likely source of infection. The system will also enable tracing potentially exposed animals that were moved out from that herd or premise. ■

### Frequently Asked Questions Regarding Kentucky Premise ID

- Q:** Should a person fill out the form as a non-producer and revise it upon livestock purchase?
- A:** *This person could wait until livestock is purchased, but they can also go ahead and register the premise as a producer before purchasing animals.*
- Q:** How many different ID's does a farmer really need?
- A:** *The Kentucky State Veterinarians Office requests that each deeded property be registered under its own number.*
- Q:** Is the county agent the "authorized agent" in the shaded box at the bottom of Page 1 on the form?
- A:** *No. County agents are not the authorized agents. The box is for persons who may be acting as power of attorney or as the representative of a corporation.*
- Q:** If I have more than one premise to be registered, what do I do?
- A:** *If a producer wants/needs to register more than one premise, they fill out the front page of the form only once, and then can copy the back page and attach it for additional premises.*
- Q:** What type of farms need a premise number?
- A:** *A producer of any animal species is being asked to register.*
- Q:** What do I need to put in the premises name/description space (is this asking for a legal description?)
- A:** *You are not being asked for the legal description. Put whatever description you use on a daily basis to identify the property, i.e., "mom's place", "south pasture", etc. The goal is to make this a common-sense approach.*
- Q:** Define non-producer participant?
- A:** *A non-producer participant is any location that is involved in the movement of animals, but is not a producer. This would include, but is not limited to, markets, vet clinics, gathering stations, data collectors and tagging stations.*

## Frequently Asked Questions Regarding Kentucky Premise ID (Continued from page 17)

**Q:** What if I sell my land. Who gets the premises number?

**A:** The premises code stays with the property.

**Q:** If my land sells and the tract is split, which half does the number go with?

**A:** The premise number stays with the property that retains the physical location address. A new number would be created for the new location.

**Q:** Does this form give the government insight to know how many animals I have on my farm?

**A:** No. There is no tie to animal information in the premises data base. You are not being asked for an inventory, nor to maintain one.

**Q:** How much does this cost?

**A:** There is no charge for registering a premises code.

**Q:** Is premises registration mandatory? Why should I do this?

**A:** Every aspect of the NAIS is voluntary at this point. Some states have enacted legislation to mandate registration, but Kentucky has not. You have the opportunity to put the first steps of compliance behind you and equip yourself for demands that will present themselves in the market place.

**Q:** After I have my number, what do I do with it?

**A:** If you are buying tags from a reputable service provider, they will ask you for the number before they sell you RFID tags. You will need the number for participation in disease programs such as TB, Brucellosis or Scrapie. Markets will probably begin to build files of customers and their premise numbers for source verification as the program matures.

**Q:** Who will see my premises form after I submit it? Who has access to my information?

**A:** The form is processed at the Kentucky State Veterinarians Office in Frankfort. Only the State Veterinarian / USDA Animal Health and approved staff have access to the system. The only way your number will appear in data collected is if you use the number to identify your operation. The only entity that connects the number to your contact information is an animal health official.

**Q:** What is the State Veterinarian's role in this program?

**A:** The State Veterinarian's Office is charged with administering premise registration and maintenance in every state. That office is responsible for disease pro-

gram management and surveillance and they will use data for those purposes.

### More Information & Help

You can obtain program registration forms at:

- Pick up as many forms as you need from any Central Kentucky Ag Credit Office.
- Contact the Office of the State Veterinarian to obtain forms: 100 Fair Oaks Lane, Suite 252, Frankfort, KY 40601, Phone 502-564-3956
- Visit the Kentucky Department of Agriculture website for more information:  
[http://www.kyagr.com/state\\_vet/ah/index.htm](http://www.kyagr.com/state_vet/ah/index.htm)
- For up-to-date news and information visit the NAIS website:  
<http://www.usda.gov/nais>
- For USDA information visit their website at:  
[http://animalid.aphis.usda.gov/nais\\_overview\\_factsheet.shtml](http://animalid.aphis.usda.gov/nais_overview_factsheet.shtml)



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## Central Kentucky Agricultural Credit Association

### Consolidated Balance Sheets

<i>(dollars in thousands)</i>	<b>March 31, 2005</b>	<b>December 31, 2004</b>
	<i>(unaudited)</i>	
<b>Assets</b>		
Cash	\$ 190	\$ 915
Loans	161,823	166,411
Less: allowance for loan losses	1,616	1,613
Net loans	160,207	164,798
Accrued interest receivable	2,446	2,509
Investment in other Farm Credit institutions	7,550	7,550
Premises and equipment, net	2,191	2,143
Other assets	1,126	2,525
Total assets	\$ 173,710	\$ 180,440
<b>Liabilities</b>		
Notes payable to AgFirst Farm Credit Bank	\$ 141,576	\$ 148,860
Accrued interest payable	507	497
Patronage refund payable	20	268
Other liabilities	1,571	1,291
Total liabilities	143,674	150,916
Commitments and contingencies		
<b>Members' Equity</b>		
Capital stock and participation certificates	7,674	7,691
Retained earnings		
Allocated	6,566	6,585
Unallocated	15,796	15,248
Total members' equity	30,036	29,524
Total liabilities and members' equity	\$ 173,710	\$ 180,440

### Consolidated Statements of Income

*(unaudited)*

<i>(dollars in thousands)</i>	<b>For the three months ended March 31, 2005</b>		<b>2004</b>
<b>Interest Income</b>			
Loans	\$ 2,555	\$	2,213
<b>Interest Expense</b>			
Notes payable to AgFirst Farm Credit Bank	1,467	1,194	
Net interest income	1,088	1,019	
Provision for (reversal of) loan losses	-	-	
Net interest income after provision for (reversal of) loan losses	1,088	1,019	
<b>Noninterest Income</b>			
Loan fees	43	54	
Fees for financially related services	1	1	
Equity in earnings of other Farm Credit institutions	285	261	
Other noninterest income	17	1	
Total noninterest income	346	317	
<b>Noninterest Expense</b>			
Salaries and employee benefits	616	574	
Occupancy and equipment	60	67	
Insurance Fund premium	15	35	
Other operating expenses	188	119	
Total noninterest expense	879	795	
Income before income taxes	555	541	
Provision (benefit) for income taxes	23	40	
Net income	\$ 532	\$	501



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