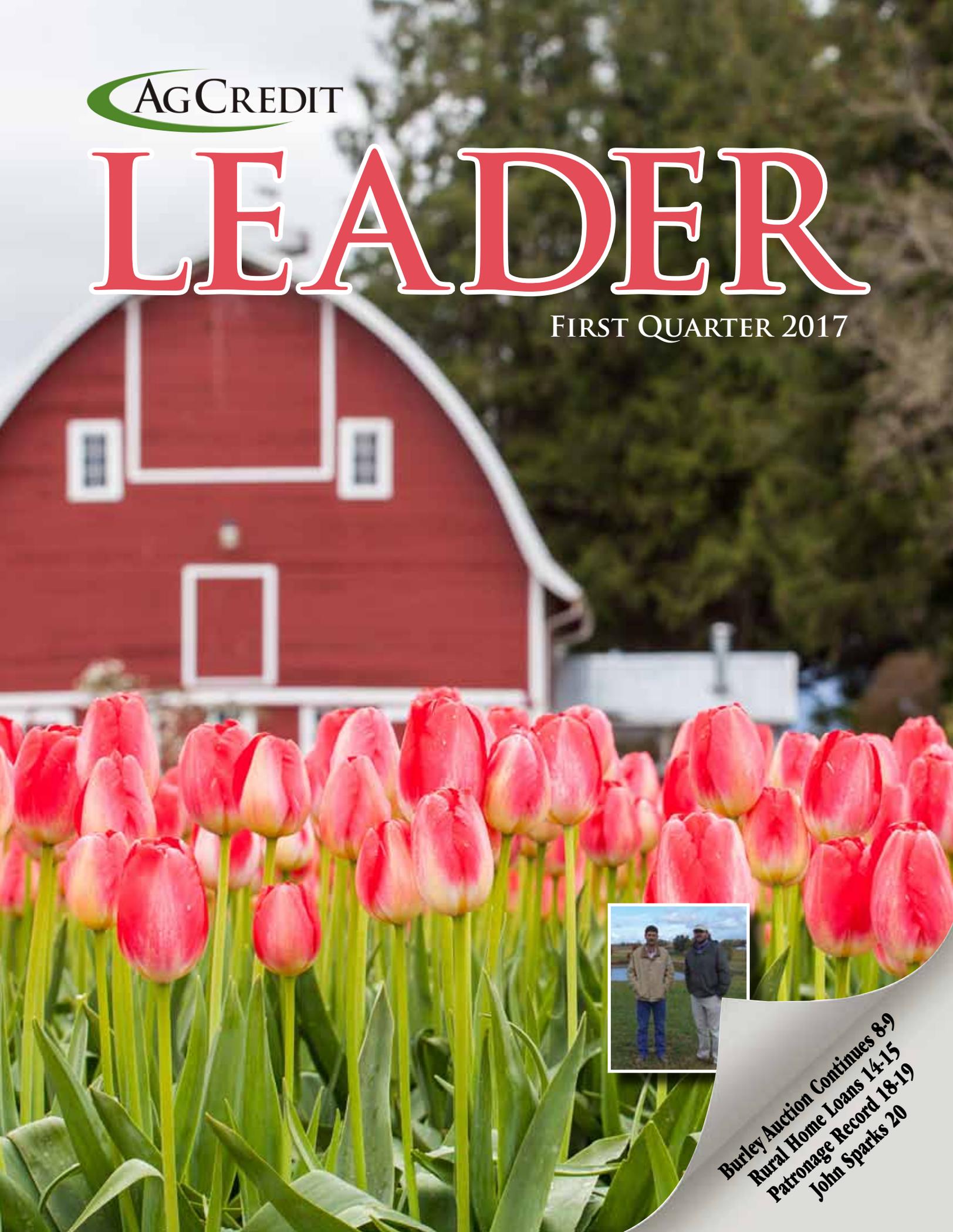


AG CREDIT

LEADER

FIRST QUARTER 2017



Burley Auction Continues 8-9
Rural Home Loans 14-15
Patronage Record 18-19
John Sparks 20



Central Kentucky Ag Credit Offices

DANVILLE OFFICE

P.O. Box 326
485 North Danville Bypass
Danville, KY 40422
859-236-6570 • 1-800-589-4261

Joe Goggin, Principal Loan Officer
Brad Godbey, Senior Loan Officer
Greg Robey, Loan Officer
Tina Roney, Senior Loan Assistant
Donna Price, Loan Assistant

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P.O. Box 4288
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502-875-0863 • 888-980-9417

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Justin Craig, Senior Loan Officer
Travis Mattingly, Loan Officer
Cole Mattingly, Loan Officer
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P.O. Box 249
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859-987-4344 • 1-800-613-4292

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Ben Robin, Loan Officer
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Margie Roe, Loan Assistant

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Stanford, KY 40484
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The **LEADER** is published quarterly for stockholders, directors, business associates and friends of the Central Kentucky Ag Credit Association.

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ADDRESS CHANGES

Address changes, questions, comments and requests to cancel your free subscription to the Ag Credit Leader should be sent to Central Kentucky Agricultural Credit Association by calling 1-859-253-3249, or by mailing to 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. Copies of the association's annual and quarterly reports are available upon request free of charge by calling 1-800-589-7859, or writing Marcus Barnett, Chief Financial Officer, Central Kentucky Ag Credit, P.O. Box 1290, Lexington, KY 40588, or by accessing the association web site at www.AgCreditOnline.com. The association prepares an electronic version of the annual report which is available on the association's web site within 75 days after the end of the fiscal year and distributes annual reports to shareholders within 90 days after the end of the fiscal year. The association prepares an electronic version of the quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

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](#)

Central Kentucky Ag Credit



On The Cover

Spring has finally sprung! It is finally the time of year when flowers are blooming, baby animals are being born and the warm, fresh air is back. The cover photo showcases what spring looks like on the farm, with a beautiful field of flowers in front of a classic red barn.

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Holiday Closings

GOOD FRIDAY

Friday, April 14

MEMORIAL DAY

Monday, May 29

INDEPENDENCE DAY

Tuesday, July 4

Farm Credit Express Dealers

Bevins Motor Company

1797 Lexington Road
Georgetown, KY 40324
502-863-2529
bevinsmotors.com

Bevins Motor Company

3365 Owingsville Road
Mt. Sterling, KY 40353
859-497-4440
bevinsmotors.com

Bevins Motor Company

4 Legion Road
Paris, KY 40361
859-987-4864
bevinsmotors.com

Bevins Motor Company

908 Commercial Drive
Richmond, KY 40475
859-624-4020
bevinsmotors.com

Central Equipment Co.

791 Red Mile Road
Lexington, KY 40504
859-853-2611/866-855-9738
centralequipment.com

Lawson Tractor & Implement, Inc.

Lebanon
846 West Main Street
Lebanon, KY 40033
270-692-2169
lawsontractor.com

Lawson Tractor & Implement II, Inc.

6829 US Hwy 127
Stanford, KY 40484
859-854-3500
lawsontractor.com

HUS Equipment Inc.

131 East Lane,
Nicholasville, KY 40356
859-885-1879
husequipment.com

Northside Equipment

200 Automotive Drive
Richmond, KY 40475
859-623-5167
northsideequipment.com

Red Barn and Assoc., L.L.C.

Charlie Edgington
833 Onstott Road
Lancaster, KY 40444
859-608-9745
redbarnandassociates.com

Clements Ag Supply, Inc.

1223 Lebanon Hill RD
Springfield, KY 40069
859-336-3112

Haydon Equipment, Inc.

40 KY Highway 392
Cynthiana, KY 41031
859-234-4621
haydoneq.com

Montgomery Tractor Sales

1501 Winchester Road
Mt. Sterling, KY 40353
859-498-0342
montgomerytractorsales.com

S & S Equipment

834 Polly's Bend Road
Lancaster, KY 40444
859-759-0386
sandsequipment.com

Lee Farm Equipment

3020 Highway 208
Lebanon, KY 40033
270-692-0220
Rich Lee's Cell: 502-693-7650
leafarmerq.com

Pingleton Trading Co.

68 Richmond Road
Loop 2, Lancaster, KY 40444
859-661-2042

Winners Circle Trailer

Sales & Service
3211 Georgetown Road
Lexington, KY 40511
859-367-0007
Toll Free 855-670-2767
winnerscircletrailers.com

Bobcat Enterprises, Inc.

1309 Cahill Drive
Lexington, KY 40504
859-254-3936
bobcat-ent.com

Arnett Trailer Sales

7401 Indian Mount Drive
Mt. Sterling, KY 40353
859-499-3700
arnetttrailers.com

H & S Tractor Parts

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Danville, KY 40422
859-236-3745
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Double O Trailer Service, Inc.

222 East 19th Street
Paris, KY 40361
859-987-4200
doubleotrailerservice.com





Ag Credit's AccountAccess is now easier to use!

“Forgot your password” self service account unlock.

If your account is locked due to invalid password attempts, you will now have the ability to unlock your account. After verifying your account, you will be able to update your password through your email.

New and enhanced training videos.

- The library of “how to” videos has been expanded and now includes videos on how to view documents and set up online payment profiles.

Secure Messaging

- Send and receive confidential messages
- Safely and securely send financial or other sensitive documents
- Important information located in one place
- No worrying about email spam filters

Secure messaging is only available in AccountAccess and not on the mobile app.



Ag CreditOnline.com



The Best Season On The Farm

Birds are chirping, trees are blooming and baby animals are being born. When those wondrous things take place it is spring on the farm. Whatever season is your favorite, it is hard to deny spring pleasures after a cold, long winter. It is nice to be greeted with green grass, warm temperatures and the new sights and sounds of a season of birth and renewal on the farm.

Here are a few reasons why spring is the best season on the farm:

- The weather is finally warming up
- Trees and flowers are in full bloom
- Baby animals are being born
- Preparing to plant a big garden
- The smell of fresh cut hay
- Fishing - need we say more
- NO more snow!
- Planting season is starting
- Working in a t-shirt, no more layers of jackets
- The days get longer

No matter the time of year, it's easy to agree the best part of living on a farm is the satisfaction of accomplishing a day of productive work with your family, while being close to nature and its many wonders. There will always be a long to-do list, but the time you spend together can never be replaced.

Reliability and Confidence; Keys to Stable Financial Relationships



James W. Caldwell
President & CEO
Central Kentucky Ag Credit

When it comes to financial management, confidence between a borrower and a lender is critical to a productive and wholesome relationship. Everyone at Ag Credit focuses on that quality relationship on a daily basis.

Confidence is a two-way street. We, as your lender must be certain that our management, financial reserves and policy are sound. On the other hand, our member-borrowers must be good managers and keep a constant eye on their personal financial circumstances. Together, we can prosper in good times and weather storms of uncertainty when the economy becomes tricky.

Central Kentucky Ag Credit has the sole mission to provide reliable financing to agriculture and rural residents. I'm pleased to report that Ag Credit has done just that since 1934, and the association's activity in 2016 was a banner year.

For the first time in history, Central Kentucky Ag Credit is returning over \$3 million to member-borrowers for business done in 2016. We call it patronage. Our member-borrowers

probably view it as a profitable dividend that reduces their cost of borrowing. Ag Credit's already-competitive interest rates are reduced in favor of borrowers when we declare patronage.

The \$3 million that the Board of Directors has approved for the 2016 business year will be paid to members of the association during April. Cash patronage will be paid during Ag Credit's Customer Appreciation Day on April 3. All Ag Credit Offices will have patronage checks, refreshments and a welcoming spirit for members on that special day.

Ag Credit has weathered uncertain economic environments during past years of service in central Kentucky. As we move into the association's 83rd year of service in the Bluegrass Region, we are fully aware that the current economic environment for farmers is volatile.

Although this is not the best of times for farmers, we're also pleased to report that Ag Credit has a sound financial base and can respond to the demanding financial needs of both existing members and those who will borrow from the association in the future. Moreover, as a reliable partner with our member-borrowers, Ag Credit's experienced loan officers will continue to work closely with members to monitor and adjust credit activity as cattle and grain markets fluctuate.

Ag Credit's goal is to assist members to exit the current volatile farm economy with a sound financial base that can take them into the future. After all, Ag Credit is a financial cooperative whose members are the association's strength.

The Ag Credit Annual Report has already been completed and sent to all member-borrowers. That report contains a wealth of financial information regarding the association,

ranging from financial statements, to ratios and statistics regarding Ag Credit operations. I encourage that members take time to review the current annual report.

As Ag Credit and its member-borrowers move into 2017, it is important that farmers understand the strength of their lender.

The Ag Credit Annual Report reflects a strong financial history, excellent current performance, and progress in modern service.

Membership numbers have increased. Loan volume exceeds \$420 million. Modern on-line services have been implemented to help members conveniently manage their finances. And, the association's movement to improve services in every county is progressive, including the opening of a new office to serve Franklin and Anderson Counties.

As we look forward to serving the financial needs of farmers and rural residents in 2017, I am encouraged that Ag Credit's team and our quality member-borrowers have established a base of mutual reliability and confidence. Those key ingredients have contributed to Ag Credit's growth and the association's progressive service in central Kentucky.

Ag Credit's current - and future - member borrowers have our pledge to continue a quality financial partnership. We will be reliable. We will be responsible in our financial relationship with members. We will strive to maintain high quality in Ag Credit's financial reserves and member services. And, we will assist our members at every opportunity to experience financial success.



The Professor Speaks

By **Dr. David M. Kohl**, Professor Emeritus - Virginia Tech and President - AgriVisions, LLC

The Power of Goals

Goals are one of the basic components of a business plan. Establishing goals is a multi-faceted task involving the business, family and one's personal life.

In the future, goal-setting will not be an option, but a requirement for producers. At a recent meeting, this comment was followed logically by discussion surrounding business environments and many inter-related factors common to all farm businesses, regardless of size. For example, factors such as market volatility, price, costs and weather, each impact business finances and operations. In one producer's case, his business is a large, multi-enterprise operation involving numerous family members including brothers, sisters and cousins. There are two owners; one is a family member and one is not. Additionally, the non-family member-owner also serves as the farm manager. The annual goal setting process for this group is focused and pointed to make sure everyone is on the same page and headed in the same direction.

Establishing goals is also a critical tool in communicating with spouses, family, lenders, suppliers, landlords and even the community in general. Whether it is dealing with a financial planner or detailing transition management with partners, goals establish the parameters of the discussion. Specifically, goals allow you to map out a plan to get where you want to be.

In today's world of instant communication and information overload, emotions often supersede logic in decision making. In marketing,

for example, a tendency towards the sensational makes a good marketing and risk management plan absolutely essential. The plan provides objectivity and logic to seemingly illogical, or even urgent, situations.

Maintaining balance between business, family and personal priorities is critical, but can be tricky. This is another area where goals can help dictate a positive outcome. Long-term sustainability relies upon a strong equilibrium, which means everyone involved must know and agree on priorities. For instance, if a business is investigating a new expansion, a transition or maybe even an exit, a simple set of goals forces one to slow down first and think through possibilities on paper, before any commitments are made. The process interjects logic, includes all players and helps to avoid major missteps.

Tips for the Process

Whether personal or with all business partners, goals should be written before they are verbalized. Occasionally, there may be a dominant personality, especially in family businesses, who attempts to control the goal-making process, or perhaps, even the actual goals. This creates a counter-productive, emotional environment where vital information is likely to be omitted. Such a scenario is detrimental for the business and relationships, as well as motivation.

Remember to list both short (one to two years) and longer-term (three to five years) goals. In addition to business, family and personal goals, consider adding mental and physical goals as well.

Does the process work?

The answer is resoundingly yes! I know an upper Midwest producer who decided to improve his health by losing weight. He laid out incremental goals of diet and exercise and lost 170 pounds. So far, he has maintained this goal for five years!

Another business established weekly team meetings as well as an annual strategic planning day. The outcome has been improved communications and development of a written business plan to better guide their decision-making. The business is enjoying smoother operations as well as more consistent profits.

One producer set a goal to improve his business marketing and consequently, decided to turn those responsibilities over to his daughter and son, both members of the Millennial Generation. Together, they established goals within a marketing and risk management plan. As a result, they increased net farm income by 20 percent! Even with the increase, the producer felt they may have left money on the table, but appreciated that logic kept them out of emotional and stressful decisions.

Are you ready for the challenge? Take the leap and write down your goals.

You may be surprised what emerges as most important. It's a great way to energize your business and maybe even see a dream come true!



The Ag Credit Young Farmer Council working to create a Young, Beginning and Small farmer program.

Ag Credit Young Farmer Council

The Ag Credit Young Farmer Council has been hard at work creating a Young, Beginning and Small (YBS) farmer program for members. At the last council meeting, members discussed what the ideal program entails. The discussion included education, mentorship, incentives and also an interactive resource base for beginning farmers.

During the Young Farmer Council meeting, four representatives were selected to attend the December Ag Credit Board meeting to discuss ideas for the YBS

program. Those Young Farmer Council members included James Lyons, Scott County; Matt Hogan, Woodford County; Jared Ayres, Garrard County; and George McCain, Washington County, along with Willie Wilson, Lexington Loan Officer; SaraVard Von Gruenigen, Stanford Loan Officer; Justin Craig, Lebanon Loan Officer; and Courtney Tarvin, Marketing Coordinator.

More details will be available on the program in the next issue of the Leader.



Members of the Young Farmer Council met with the Ag Credit Board of Directors to discuss the new Young, Beginning and Small farmer program.

What is YBS?

Young	35 years of age or younger
Beginning	10 years or less experience farming
Small	\$250,000 or less generated in annual gross agricultural sales

Burley Auctions Continue;

Jerry Rankin Guards Business with a View to Economics and Tradition

by Claude L. Brock

It had rained the night before. An overcast sky showed little promise for a bright day on January 24, 2017. A long line of trucks clogged traffic along 209 Harding Street in Danville. Drivers sat quietly with their engines silent, waiting their turn to unload precious cargos.

It could have been a step back in time. The only thing missing were horse-drawn carriages and Model T Fords. However, the purpose was the same as it was in yesteryear. People's occupations were the same as they were many years ago.

The purpose was to sell tobacco. The people were farmers. The hope was a good price for their Burley tobacco.

A Legacy Continues

Farmers Tobacco Warehouse #1 / Peoples Tobacco Warehouse was the site of an impending Burley tobacco auction. Actually, the force behind the sale was Jerry Rankin, a well-known Boyle County farmer, who has chosen to continue the tobacco auction service, even though the government's price support system has slipped away.

The tin roof of the warehouse sheltered about 240,000 lbs. of Burley, and the auctioneer was strolling among long rows of tobacco bales as he prepared for the sale. About two dozen farmers hung out in the warehouse, watching as they sipped their free coffee and munched on glazed donuts.

Lexington's TV Channel 56 filmed a prelude to the auction. You could feel the anticipation.

It was about the money

Mr. Rankin said farmers have experienced prices of about \$1.72+ for the 2016 Burley crop. He said total poundage sold at his auctions will be about four million for the sale season.

He explained that Center College now owns the ground where six warehouses in the area once operated.



Jerry Rankin takes a break and finishes his coffee before the auction starts in Danville. He and his father, Tommy (deceased), are highly-respected Burley auction owners, crop farmers and cattle producers. Jerry has also served as an agriculture leader in central Kentucky for many years. Included in his service has been 20 years as a Director on the Board of Ag Credit, a leading financial cooperative for farmers in the 17-county Bluegrass Region.

The Rankin family has experienced a major part of tobacco auction history in central Kentucky, because Jerry's dad, Tommy Rankin, entered the Burley auction business during the early 1940's. Those were heydays of auctions.

Heydays and New Days

Jerry (and his dad, Tommy) share legendary reputations as tobacco warehouse operators in the Burley Belt. Jerry said an average of about 650 million lbs. of Burley were produced annually in the 8-state Burley Belt during the 50-year period spanning 1950-2000. The peak was in 1996, when approximately 960 million lbs. of Burley was the effective quota.

According to general discussions at the recent Kentucky Council of Burley Tobacco Annual Meeting, the total Burley crop in the 8-state belt in 2016 may be the smallest in history. Early estimates place production at about 100 million lbs.

Kentucky remains as the #1 producer of Burley. Tennessee follows in the #2 spot. But, Jerry and all other industry experts, are quick to explain that it's difficult for farmers to compete in today's Burley market. Importation of foreign tobacco and a disappearance of the tobacco support program has been akin to throwing a hand grenade into domestic Burley production activity. Profitable prices for Burley are difficult to obtain. Small farmers are hard pressed to stay in the business, considering that pricing is risky; input cost for production is high; tobacco balers cost \$8,000+; and weather conditions are an annual unknown. While contract selling is accepted in the business, there are fewer contract

Continued on next page.

sales stations, thus incurring more travel expense for Burley producers. Contract prices for the 2012-13 crop were at a high of \$2.04 and have fallen substantially since that time.

The result has forced small farmers to alternative crop and cattle production. An estimated 40% of today's farm income in central Kentucky is derived from cattle production. During the tobacco-era heyday, Burley was king, with the lion's share of cash farm income derived from tobacco production.

An impact from reduction of Burley production in the Burley Belt has been felt by the area business community. "Ask any retailer," says Rankin.

Jerry pointed out that when the Burley market was strong, tobacco producers came to town; sold their tobacco; purchased new farm equipment, cars, trucks and home appliances; added to their bank savings; paid off debt; paid taxes, shopped for Christmas; and more.

The economic impact of a good Burley market was astounding for decades. Not so much today. The region's economic health in towns across the Bluegrass Region and central Kentucky has been noticeably affected by the decrease in Burley's economic impact.



Tripp Foy of Statesboro, Georgia, is shown at far right when he was auctioneering at the January Burley sale in Danville. Jerry Rankin and a Burley producer are shown walking ahead of the auctioneer.

Immediate Money is Good

On the positive side, farmers who continue to produce Burley, and who market through independent tobacco

auction houses, like the Rankin's operation, are fortunate to experience major benefits. They receive their money immediately after the auction. In addition, producers don't need to travel as far to sell their tobacco; no minimum sales restrictions apply to auction sales; and producers can sell their tobacco in small bales.

The independent tobacco auction payment process, in itself, is unique in today's business environment. There is no waiting for your money after the auction takes place. Susan Yankey, an office assistant at Jerry's tobacco auction house, says her job is to "get farmers their check as fast as I can". The auction takes place every Tuesday morning. Money is paid by noon, or before, on the same day.

That activity represents a huge cash flow that injects money directly into the area economy.

Ag Credit is a Financial Backstop

If you do the numbers on the sale that took place on January 24 alone, it looks something like: \$1.72 (estimated average) x 240,000 lbs. (sold at auction that day) = \$420,000. Jerry says he can do it, because Ag Credit is his financial backstop. Jerry, and his dad before him, have been Ag Credit members for decades, with Ag Credit providing the line-of-credit necessary to make immediate payment to farmers. Ag Credit is among the largest lenders to full- and part-time farmers in the 17-county Bluegrass Region.

Jerry plans to continue with the Burley auction business in the future. "I'll do it 'til I fall on the warehouse floor," he says with a smile.

It is obvious he cares deeply about the Burley business and the service his warehouse provides to farmers. After all, he is also a farmer, himself. Jerry and his wife, Judy, own/operate 1,100 acres of farmland, where they produce Burley, cattle, corn and soybeans.



Elmer Miller, III, relaxed before his tobacco is sold at auction. After the sale, he collected his money at the same table where he is shown enjoying a last sip of coffee and a good donut.

Elmer is an Ag Credit member and his dad was also a member of Ag Credit. Together, they have been members of Ag Credit since the 1940's. Elmer farms in the Stanford area and his Ag Credit Loan Officer is John Peek at the Ag Credit Stanford Office, who he describes as "a good fellow." Elmer says his tobacco crop averaged \$1.72 in 2016. He owns 130 acres, specializing in cow/calf production, with Burley being his cash crop. Elmer said the auction on January 24 finished his season.

When asked why he continues in the tobacco auction business in these days of uncertain Burley production, Jerry tells a story about his dad ...

During 2004, the last year of the price support program, Jerry pulled up a bucket beside Tommy, his dad, at the Rankin tobacco warehouse and said, "We need to think about doing something else with these buildings, besides tobacco."

Jerry recalls that Tommy, was in failing health and sitting in a wheel chair at the time. Tommy Rankin slowly dropped his head in deep thought, then said, "Try one more year, son."

That's why Jerry Rankin continues the Burley auction warehouse business. It's not about the money, because it takes several million pounds on the auction floor every year to break even. It is about an affection for the industry. It is about doing what Tommy Rankin wanted, and what Jerry Rankin likes to do. It is about serving farmers in a meaningful way.

AROUND AG CREDIT

Brad Godbey Returns to Danville as a Senior Loan Officer



Brad Godbey is a veteran Ag Credit Loan Officer, having served the association since 2002. He first served Ag Credit as a Loan Officer in the Danville Office from 2002 until 2011, then relocated to the Lebanon Office and served from 2011 until recently.

Brad has now returned to the Danville Office as a Senior Loan Officer and has already assumed his duties at that office. He will be active primarily in Boyle and Mercer Counties.

As a seasoned loan officer with Ag Credit for the past 14 years, Brad has also completed advanced work as a Real Estate Appraiser and has the capability to serve member-borrowers in a more extended capacity.

Brad's other activities as a regional leader are extensive. His service activities have included membership on the Farm Bureau Board; the Cattlemen's Association Board; the Kentucky

Ag Development Board; the County Extension Board; and the University of Kentucky Alumni Board. Work experience prior to joining Ag Credit in 2002 included service with Cargill-Excell in Dodge City, Kansas.

Brad is a graduate of the University of Kentucky, where he earned a B.S. Degree in Ag Economics, with emphasis on Business Management and a minor in Business. He also farms part-time in cooperation with his parents, Jack and Mary Elizabeth Godbey of Parksville, KY.

He is the father of three children, and is married to the former Amanda Pennock, a native of Boyle County.

Kevin Truesdell Named Mortgage Loan Originator



Kevin Truesdell was recently named Mortgage Loan Originator with Central Kentucky Ag Credit. Kevin will work in Ag Credit offices in Frankfort, Lexington, Paris and Richmond focusing on rural home loans. Kevin will be working closely with Jeremy Parker, Ag Credit Mortgage Loan Originator.

Previously Kevin served as a Mortgage Loan Originator with People's Exchange Bank in Mt. Sterling. He has also worked for US Bank in Maysville as a Secondary Mortgage Loan Officer. His experience as a Mortgage Loan Originator spans 14 years.

After graduating from Mason County High School, Kevin received his Associates Degree in Business from Maysville Community and Technical College. He also earned a business degree in Management and Marketing from the University of Kentucky, along with obtaining his MBA from Sullivan University. While at UK, Kevin was a member of Delta Sigma Pi, a professional business fraternity.

Kevin grew up on his family's 200 acre farm in Lewis County. The Truesdell farming operation consisted of burley tobacco and beef cattle. While growing up, Kevin was extremely active exhibiting livestock through Mason County 4-H and FFA. He was also the Mason County FFA Chapter President and Licking River Regional Sentinel.

Currently, Kevin resides in May's Lick where he raises show pigs. The farming operation consists of 15 sows and he sells around 50 show pigs a year all over the United States. He also partners in a boar stud that consists of 10 show boars selling semen to show pig producers. Additionally, Kevin manages a small beef cattle herd in May's Lick. Kevin is a member of Highland Christian Church in Maysville and is an avid UK fan.

Continued on next page.

**Cooperatives are owned
by the members
they serve.**

Tara Davis Named Loan Assistant in Stanford



Tara Davis was recently named loan assistant in the Ag Credit Stanford office. Tara has been with the Association for one year as a part-time employee, and was recently promoted to full-time.

Tara grew up on a small beef cattle farm in Garrard County. She is a graduate of Garrard County High School, while there she was an active member of the Garrard County FFA holding several officer positions. Tara also has her Associate Degree in Medical Information Technology from Kentucky Community and Technical College. She is currently a member of the Garrard County FFA Alumni Chapter.

Post graduation she worked for Lancaster Physical Therapy as a Patient Services Coordinator and Physical Therapy Tech. Prior to working for Central Kentucky Ag Credit, Tara served as an Insurance Agent for Shelter Insurance in Lancaster. Until recently, she has owned her own Cleaning Service business for several years.

This past year, Tara celebrated 10 years of marriage with her husband, Jordan Davis, and they have a one-year-old son. Tara and Jordan also have quarter horses and attend Lancaster Baptist Church.



175 Years of Combined Experience

Ag Credit employees and directors were recognized for their service to the association during Ag Credit's Annual Meeting sessions in late February. Twelve (12) individuals were publicly thanked for outstanding service to Ag Credit. Their terms of service ranged from 5 to 35 years.

Ag Credit service achievers are identified here with their length of service. Their combined service terms total 175 years.

Front row (left to right): Jim Rankin, Vice Chairman of the Board of Directors, 5 years; Tom Zack Evans, Loan Officer in Paris, 5 years; SaraVard Von Gruenigen, Loan Officer

in Stanford, 10 years; Felicia Madden, Senior Loan Assistant in Stanford, 25 years; and Grace Gayheart, Administrative Assistant in the Administrative Office, 5 years.

Back row (left to right): John Peek, Senior Loan Officer in Stanford, 15 years; Richard Medley, Relationship Manager in Lebanon, 10 years; Marcus Barnett, Vice President & Chief Financial Officer, Central Kentucky Ag Credit, 20 years; Johnathan Noe, Vice President & Chief Lending Officer, Central Kentucky Ag Credit, 15 years; Brad Godbey, Senior Loan Officer in Danville, 15 years; Jim Caldwell, President & CEO, Central Kentucky Ag Credit, 35 years. Not shown is Margie Roe, Loan Assistant in Paris, 15 years.



Ag Credit Patronage Distribution Program

By: Robert Anderson

What is a Patronage Distribution?

A patronage distribution is MONEY put in the “pocket” of a borrower.

When we distribute our profits to our members, it reduces their effective cost of borrowing. This demonstrates that there are distinct financial benefits in doing business on a cooperative basis.

How Much is the Association's Total Patronage Distribution?

The total money that is available for a patronage distribution to members is determined by two things:

- The amount of annual patronage net income of the Association.
- The portion of that net income that is allocated to patronage, as determined by the Board of Directors.

How Much Could My Patronage Distribution Be?

The amount of money each borrower receives is determined by two things:

- The amount of Association patronage (from the Association's total)
- The proportional amount of business the borrower does with the Association (determined by INTEREST PAID).

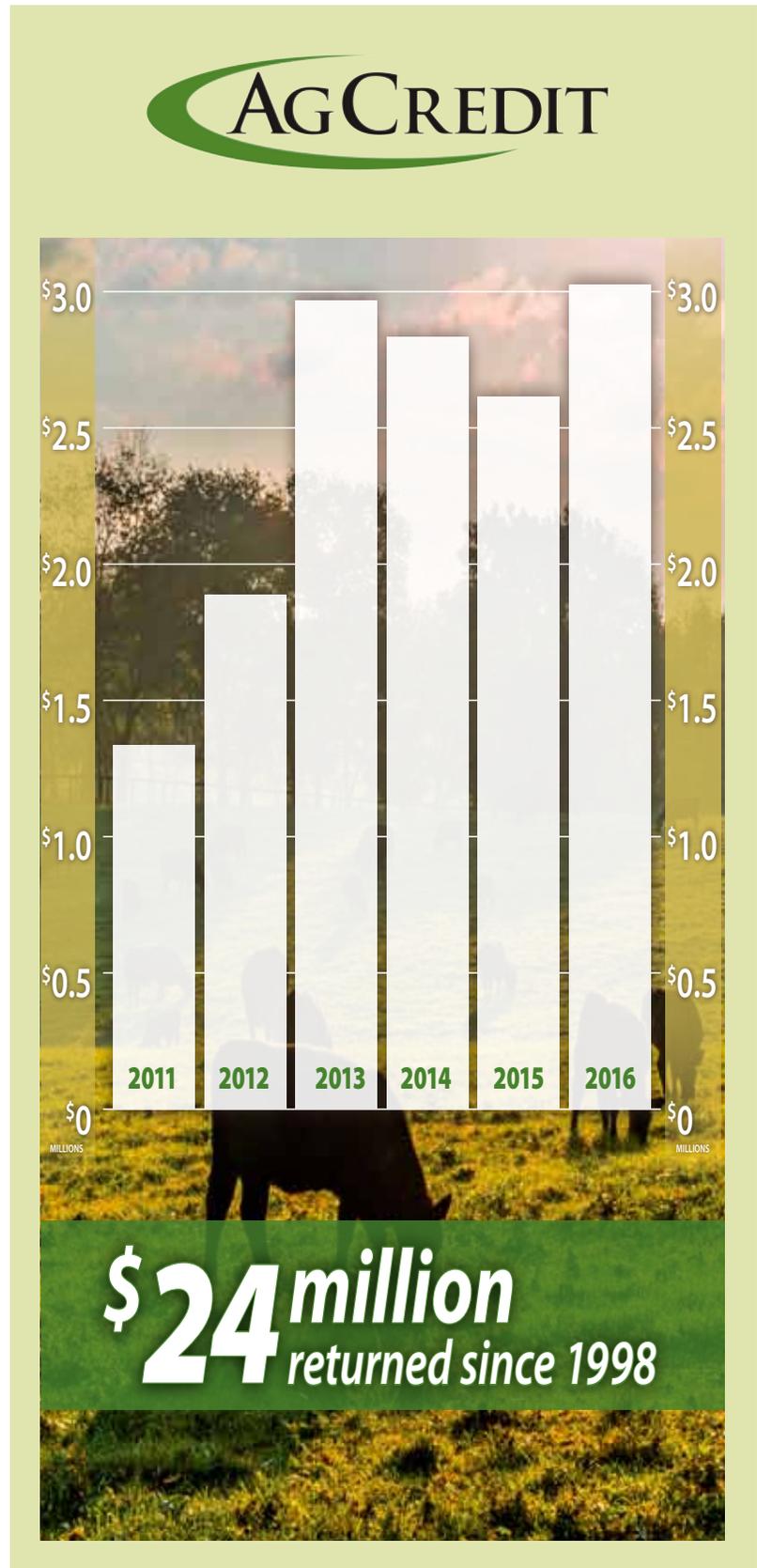
How is Patronage Actually Paid?

Currently, 100% in cash by a check to the member, when the amount is above the minimum check size. Checks normally come out in April following a year that patronage is paid. Portions not paid in cash are normally credited to members accounts.

Patronage Works For You

- Ag Credit is local: The Board of Directors, who decide on patronage, are farmers from your community.
- Ag Credit has a record of success Patronage has been paid since 1998, total more than \$24 million.
- When Ag Credit is financially sound we distribute money to our borrowers.

We put our profits in your pockets!





Mercer County Farm Bureau earned Kentucky Farm Bureau's 2016 "Top County"

Mercer County Farm Bureau Honored as "Top County"

Recognized for its outstanding programming and for having a positive impact on both the community and its membership, Mercer County Farm Bureau was honored as Kentucky Farm Bureau's (KFB) "Top County" in 2016. This is the first time Mercer County has won the award. Volunteer leaders from Mercer County received the award at a recognition breakfast held during the 97th KFB annual meeting at the Galt House Hotel in Louisville.

110 membership program and insurance honors presented during an awards breakfast. Butler County, which has 2,170 members and a variety of successful service programs, was also honored as the Top County in the membership category for counties with 2,600 or fewer members. Mercer County (3,351 members) received recognition among the counties with 2,601 to 4,200 members, and Bullitt County (5,900 members) won top honors among counties with more than 4,200 members.

Courtesy of Kentucky Farm Bureau.

The "Top County" announcement headlined more than

Legislative Breakfast Produced by Farm Bureau in Marion County

Marion County Farm Bureau held its Annual Legislative Breakfast in Lebanon during late January. Senator Jimmy Higdon (R) and Representative Brandon Reed (R) discussed matters pertaining to the Marion County community and Kentucky-at-large.

Attendees at the meeting were treated to a country ham breakfast that featured the winning ham from Marion County Country Ham Days. It had been purchased collectively by the Marion County Cattlemen's Association, Marion County Farm Bureau, and Central Kentucky Ag Credit.

Those who attended included Ag Credit Loan Officers, Marion County Extension Agents, Marion County's FFA Adviser, Farm Bureau representatives, and members of the Marion County Cattlemen's Association and the Marion County EMS.





Rural Home Financing

Have you been thinking about building your dream home in the country? Somewhere you can wake up to a peaceful country scene and fall asleep to crickets chirping, all while having enough room for your family to grow. After thinking about the colors of the home, appliances and your amazing dream kitchen, did a lender cross your mind? Consider Central Kentucky Ag Credit as the lender of choice.

Why Ag Credit?

Ag Credit staff live and work in the country. They understand your needs and can help with your rural home purchase, refinancing or a construction loan.

Ag Credit offers a variety of long-term loans at competitive interest rates for homes that are located in rural areas. Offering loans for hobby farms, vacation homes, for remodeling, new construction, or for land and home combined.

Ag Credit can fulfill your dreams of living in the Bluegrass by extending a wide range of options for your loan. Long-term fixed rates, short-term adjustable rates, no prepayment penalties and flexible acreage requirements are just some of the options.



Buying a Home or Refinancing

Ag Credit has a financing program that is right for you. Depending on your situation, a knowledgeable loan officer can help determine what package fits your needs.

- 10 – 30 year programs
- Long-term fixed rates
- Low closing costs
- Flexible payment options
- No prepayment penalties
- No acreage minimums or maximums*
- Free pre-qualifications
- Investment properties or second homes

Building Your Dream Home

Construction, or a Construction-to-Permanent Loan, permits a borrower to finance the purchase of land and construction of the home, in one loan - with one interest rate and one closing. This program is structured so the borrower only makes interest payments through construction, based on the dollar amount disbursed to date.

- Interest only payments during construction period
- Flexible withdrawal schedules
- Extended lock-in available up to 12 months*

**Ask your local loan officer if you qualify*

NMLS # 604727





Ask Ag Credit Customers



Purchasing a Lot or Home Site

Ag Credit offers real estate loans for woodlands, hobby farms, land preparation, agri-tourism, rural home mortgages, heritage and lifestyle properties.

- Low closing costs
- No prepayment penalties
- No acreage minimums or maximums

Michael and Melissa Johnathon have been Ag Credit members for five years. To find out more about the Johnathon's journey to Ag Credit go to AgCreditOnline.com/loans/rural-living

How to Apply

Stop by your local Ag Credit Office and visit with a Loan Officer. Other options include completing an information request form online at AgCreditOnline.com.

We have local Loan Officers that can answer any of your questions within our seven office locations.

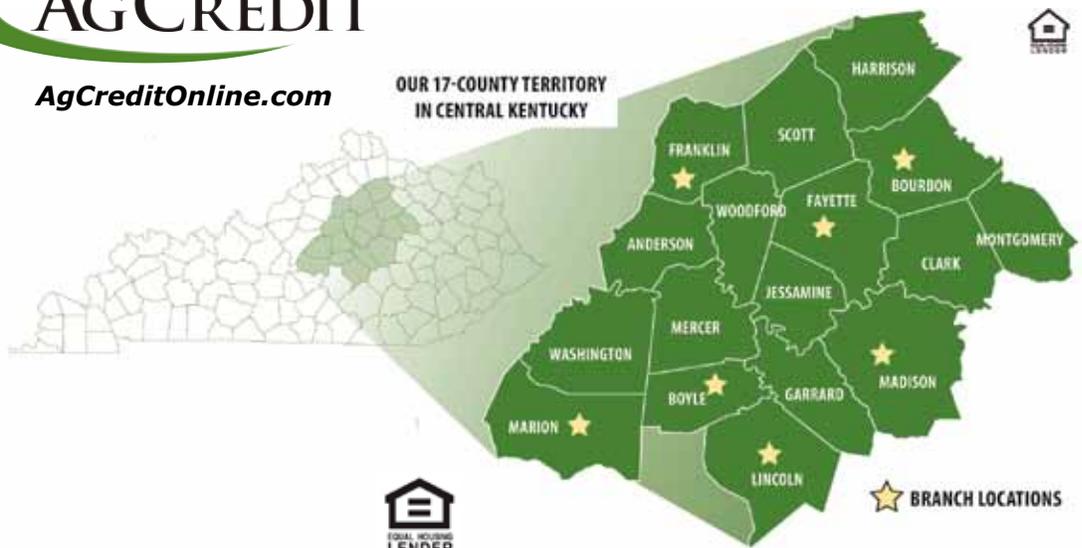
"Ag Credit was a very generous, helpful, community-minded, people who cared about me and they didn't know me. I think they will be the same with you, which is why I would like you to think about how good partnering with Ag Credit for your home would be."

*Michael and Melissa Johnathon,
Bourbon County*



AgCreditOnline.com

OUR 17-COUNTY TERRITORY
IN CENTRAL KENTUCKY



- Danville
859-236-6570
- Lebanon
270-692-4411
- Lexington
859-252-4717
- Paris
859-987-4344
- Richmond
859-623-1624
- Stanford
606-365-7500
- Frankfort
502-875-0863



Ben Robin, Paris Loan Officer (right) is shown talking to a participant of the Fruit and Vegetable Conference.

Fruit and Vegetable Conference Held in Lexington

The 2017 Fruit and Vegetable Conference was held during early January in Lexington. Central Kentucky Ag Credit was among sponsors of the event with Ag Credit loan officers working a booth to answer producer's financial questions.

The event featured pre-conference courses on plasticulture strawberries and tree and small fruit round table discussions. Conference session topics included farmers' markets, commercial fruit and vegetable production, organic production, grape and wine short course and many more. The conference also featured speakers from Tennessee, Kentucky, Illinois, Ohio, Indiana and West Virginia.

The conference was held at the Embassy Suites Hotel in Lexington. Major sponsors of the event were the University of Kentucky, Kentucky Department of Agriculture and Kentucky State University.

The Annual Kentucky Cattlemen's Association Convention

The Annual Kentucky Cattlemen's Association (KCA) Convention was held during mid-January at the Lexington Convention Center. The event hosted more than 1,500 cattle producers and professionals. The convention featured numerous educational classes for producers, along with offering great networking opportunities.

Central Kentucky Ag Credit was a gold sponsor of the 2017 KCA Convention. Ag Credit loan officers were present during classes and also worked an exhibit while there. Not only did Ag Credit loan officers talk about financial opportunities with producers, but also offered a complimentary boot shine. Alphonso Young and Dominic Hunter, of Young's Shoe Service in Louisville, shined boots of KCA attendees on behalf of Ag Credit.

Other highlights of the convention include, Chris Cooper, Richmond Ag Credit loan officer, was named the Kentucky Cattlemen's Association Program Chair. Orville Whitaker, Lincoln County, was recognized by the Kentucky Beef Network for his years of service. Savannah Robin, Harrison County, was presented with the Outstanding Education Service award and many more awards were given to cattle producers throughout the state.



(left to right) Alphonso Young, owner of Young's Shoe Service; Mike Stokley, Ag Credit member from Winchester; and Dominic Hunter of Young's Shoe Service are pictured at the Ag Credit booth during the Kentucky Cattlemen's Association Convention.



Alphonso Young, of Young's Shoe Service is shown with the youngest boot shine customer of the two-day event.



(left to right) Steve Downs of Lebanon; Greg Robey, Danville Ag Credit loan officer; and SaraVard Von Gruenigen, Stanford Ag Credit loan officer are shown enjoying a moment while SaraVard signs Steve up for a complimentary boot shine.

2017 Hall of Fame Inductees

Region 1

Bobby Shilts, Breckinridge County

Region 2

Russell Hackley, Grayson County

Region 3

Nancy Kloentrup, Kenton County

Region 4

John Venable, Clark County

Region 5

Gene Lanham, Marion County



Kentucky Cattlemen Hold Meeting with Senator Mitch McConnell

Courtesy of the Kentucky Cattlemen's Association



Pictured Left to Right: Shane Turner, Ag Credit Vice President of Credit; John Sparks, Bourbon County; Tim White, Fayette/Jessamine County; Senator Mitch McConnell; Chris McBurney, Henry County; David Lemaster, Clark County; Mike Stokley, Clark County; and Charles Miller, Jessamine County.

The Kentucky Cattlemen's Association (KCA) hosted a town hall meeting with Senator Mitch McConnell (R) late last fall. The meeting was held at Ag Credit members' Tim and Amy White's farm in Fayette County.

The meeting was held for Kentucky cattle producers to voice their concerns with the cattle market to Senator Mitch McConnell. The decline in the cattle market and the amount of volatility farmers are experiencing has many cattle producers concerned for the future of the industry. Several local farmers and Ag Credit members expressed their concerns with the falling market.

"The crash is not only affecting me individually, but all of rural Kentucky. The economic impact of what has happened to us is only the beginning of what is to come for our rural communities," said Tim White. "When you take out over half a billion in cattle sales this year compared to the previous years you will see

the impact of businesses, banks, ag lenders, feed stores and the entire rural economy."

Shane Turner, Central Kentucky Ag Credit Vice President of Credit, also spoke on Ag Credit's concern for the cattle market. John Sparks, Bourbon County; Chris McBurney, Henry County; David Lemaster, Clark County; Mike Stokley, Clark County; and Charles Miller, Jessamine County also shared with Senator McConnell their concerns and how they have been affected by the market.

Senator Mitch McConnell spoke on how supply and demand can influence the market and on the electronic trade situation. He also shared that the Commodity Futures Trading Commission (CFTC) needed to be contacted, along with planning to work with KCA leaders on this issue. The CFTC held an open commission meeting late last fall and passed a supplemental proposal for automated trading regulation.

Courtesy of the Kentucky Cattlemen's Association



Winner, Winner!

Jared Carpenter (left) of Berea, recently won Ag Credit's quarterly drawing of an iPad Mini. Jared was randomly selected after completing an Ag Credit customer satisfaction survey. Customer satisfaction is Ag Credit staff's first priority. Results from the survey show Ag Credit's overall quality of service ranks at a 4.97, on a scale of 1 - 5. Chris Cooper, Richmond Loan Officer is shown at right.

Nominating Committee

The 2018 Nominating Committee for Central Kentucky Ag Credit has been elected and will consist of five members and one alternate. The nominating committee members were elected during the Ag Credit Annual Meetings on February 27 and 28.

The Nominating Committee will function to recommend candidates for elected Association positions that may be expiring at the end of 2017. Central Kentucky Ag Credit is a financial cooperative and part of the national Farm Credit System. Member-borrowers of Ag Credit participate in filling elected positions with a one-member/one-vote election system during each year's Annual Meeting. Nominating Committee members who have been elected are: Harvey Jared Ayres, Dr. Leo Gayheart, Patricia Peavler, John R. Penn and Andrew Wright. Jordan Hutchinson will serve as alternate.

Ag Credit Core of Income Is Healthy



Jim Caldwell, Ag Credit's President & CEO reported record patronage and strong earnings to member-borrowers during the Association's Annual Meetings on February 27-28.

In order to clearly relate the health of Ag Credit to nearly 300 members who attended the regional sessions, Caldwell pointed out that "Predictable Streams of Recurring Revenue" are a vital signal of Ag Credit's financial health.

The stream of core income for Ag Credit has risen steadily over the past five years and in 2016 reached \$9.8 million. President Caldwell explained that AgFirst Farm Credit patronage (dividend) accounted for about \$2 million of earnings, while the predictable stream of Ag Credit's recurring core earnings revenue accounted for the majority of earnings.

As a result of the outstanding earnings year at Ag Credit, the association showed a 13.8% return on equity. That return level marks the 7th consecutive year the cooperative association has exceeded 10% return on equity.

Jim Caldwell said Ag Credit financial strength is exceptional, considering that the past three years have been challenging times for agriculture. "The association's financial strength is a tribute to planning and good management of our borrowers, and also to the principled lending practices of our association loan professionals," said Caldwell.

A detailed Annual Report outlining in-depth information about Ag Credit financial operations was mailed to all member-borrowers early in 2017. Full information regarding Ag Credit 2016 operations can be found in that report.

A Record Year for Patronage

Lee Hood Elected to Ag Credit Board of Directors



During the Central Kentucky Ag Credit Regional Annual Meetings, in Danville and Lexington, Lee Hood, Washington County, was elected to serve on the Board of Directors. Lee will serve a four-year term.

Hood leases 68 acres on her grandmother's farm in Washington County. She operates a commercial cow/calf operation consisting of 30 head. She serves as the Chief Financial Officer for Clements Ag Supply Inc., a large agri-business in Springfield. Hood also partners with JP Blandford and they own 100 acres and lease 750 acres in Washington County. Together with their five children they operate as one farm family unit and run 172 commercial cows and 300 head of feeder cattle each year.

She is the Chairman of the Washington County Phase One, Treasurer of the St. Dominic Catholic School PTO and is a graduate of the Kentucky Cattlemen's Association Leadership Program. Hood is also the past President of the Washington County Cattlemen's Association. In her spare time she assists local Washington County farmers with bookkeeping.

She is a graduate of the University of Kentucky with a bachelor's degree in Accounting and is 34-years-old. Hood is a member of the St. Dominic Catholic Church in Springfield.



A Banner Year for Earnings



Jerry Rankin Retires from Ag Credit Board



Jerry Rankin, a prominent Boyle County farmer and tobacco warehouse owner, has retired from the Ag Credit Board of Directors. He completed his service to the association following six (6) consecutive terms on the board. He started his service in 1996, and has provided valuable agricultural insight to Ag Credit during the past two decades.

Mr. Rankin is considered one of the most knowledgeable Burley Tobacco experts in the nation. Jerry's father established a tobacco auction warehouse shortly after World War II, and his son, Jerry, later joined the business as his partner. Jerry then continued tobacco auction operations after his father's passing. At the peak of the Rankin tobacco auction career, they operated six tobacco warehouses in Danville. Jerry is still owner-operator of a tobacco auction house in Danville, and he operates 1,100 acres of farmland in central Kentucky with his wife, Judy.

Ag Credit's Board Chairman, Alvin Lyons, praised Jerry Rankin for the dedication he has exhibited to farmers in central Kentucky, and to members of Ag Credit. "Whether on the Hill in Washington, D.C., or on the auction floor, Jerry has been fighting for tobacco producers, especially small growers, for many years. Ag Credit has been fortunate to have him as a member of our Board of Directors," said Mr. Lyons.

AgCreditOnline.com

Dr. Williamson Retires from Ag Credit Board



Dr. Lionel Williamson has retired from the Ag Credit Board of Directors following a 12-year span of service.

The highly respected educator was an Outside Director on the Ag Credit Board, a position that is filled by election among the Board of Directors, rather than the membership.

Altogether, the Ag Credit Board of Directors is comprised of seven (7) members, five (5) of whom are elected by Ag Credit member-borrowers, and two (2) elected by the Board.

Board Members who are elected by the membership must be member-borrowers of the association. However, Outside Directors are valuable, because they provide an independent and objective perspective to the board's deliberations. They also provide the board with valuable technical expertise.

Dr. Williamson is internationally-known for his career leadership in establishing, teaching and researching cooperatives. He retired from the University of Kentucky as a leader in the Cooperative Extension Service and as a highly valued professor of economics and cooperative structure.

Alvin Lyons, current Chairman of the Ag Credit Board of Directors, said, "Lionel's service to Ag Credit can't be measured in simple terms. "His strong background and understanding of the cooperative model has made Dr. Williamson a valuable member of the Ag Credit Board," said Mr. Lyons. Chairman Lyons also explained that Dr. Williamson has served the Board as Chair of the Audit Committee.

Ag Credit Pays Over \$3 Million to Members

Patronage that will be paid to Ag Credit member-borrowers for business conducted in 2016 is \$3.1 million. The Ag Credit Board of Directors makes the decision each year regarding what, if any, dividend (patronage) will be distributed to members. The decision is made following careful analysis of Ag Credit's financial strength, anticipated loan volume growth and general economic conditions.

With Ag Credit capital currently being over \$73 million, the Board of Directors has authorized Patronage for the 20th consecutive year. Jim Caldwell said the average size of each member's patronage check will top \$1,100. Some will be more, and some less, based on the amount of interest each member pays.

Patronage checks will be distributed in April and the dividend will be paid in cash.

During the 20 years that Ag Credit has paid Patronage to members, the total amount declared and paid has become \$24.2 million.

During Jim Caldwell's President's Message at the February Annual Meeting sessions, he said distribution of Patronage is another way that Ag Credit can effectively reduce interest rates that are paid by members. While interest rates on loans made by Ag Credit are already market driven and competitive, Patronage distributions lower the cost of borrowing even further.

Caldwell explained that Ag Credit is owned by members who borrow from the association. As a result, when Patronage is paid, benefits of the cooperative model accrue directly to farmers who use Ag Credit's financial products and services.



Southern Sustainable Agriculture Working Group Conference



Caleb Sadler, Lexington Loan Officer (left) and Jeff Zinner, Frankfort Loan Officer (middle) are shown working the Farm Credit System booth at the Southern Sustainable Agriculture Conference in Lexington.

The 26th Annual Southern Sustainable Agriculture Working Group (SSAWG) Conference was held during January in Lexington, Kentucky. The focus of the conference was to provide practical tools and solutions for sustaining family farms. SSAWG operates in 13 states in the Southern United States. According to their website their mission is to empower and inspire farmers, individuals, and communities in the South to create an agricultural system that is ecologically sound, economically viable, socially just, and humane.

SSAWG Conference was a four-day event, with an attendance of 1,500 farmers. The first two days consisted of short courses and six field trips to local central Kentucky farms. The last two days of the conference entailed a large number of educational sessions for producers and the trade show. Central Kentucky Ag Credit and the Farm Credit Council were among sponsors of the event and Ag Credit Loan Officers were present to answer financial questions for farmers.



Alvina Maynard, Madison County, spins alpaca yarn during the Southern Sustainable Agriculture Conference.

Ag Credit members Philip and Laura Lyvers of Lyvers Farms in Loretto, were among presenters at the SSAWG conference. Their presentation topic was "Organic and Biodynamic Disease Control". The Lyvers' discussed biodynamic concepts and techniques of disease prevention in crops and livestock. Philip and Laura also shared their results of raising hogs, corn and wheat through biodynamic, organic and conventional techniques.

Another Ag Credit member at the SSAWG Conference was Alvina Maynard of Madison County. Alvina had a booth at the conference for her alpaca farm, River Hill Ranch. While there not only did she sell beautiful alpaca fiber clothing and tasty alpaca sausage, but she also educated other farmers about her alpaca ranch. To learn more about Alvina and River Hill Ranch visit www.RiverHillRanch.us.

Next year the Southern Sustainable Agriculture Conference will be held on January 17 - 20, 2018 in Chattanooga, TN. To learn more about SSAWG stop-by their website: www.ssawg.org.



Very soft and stylish products offered by River Hill Ranch. All gloves, scarves and hats shown are made from alpaca fiber.



(Left to Right) John Sparks, Bourbon County with Ben Robin, Paris Loan Officer on John's farm

John Sparks, Bourbon County

John Sparks is a stocker operator in Bourbon County. He owns 433 acres and leases 800 in Bourbon County on which he cycles over 5,000 head of feeder cattle individually and in partnerships, per year. John backgrounds cattle and buys them daily, he grows them on pasture prior to sale and shipment to feedlots in the Midwest. Mr. Sparks is extremely knowledgeable about the agriculture industry, specifically beef cattle. He stresses the importance of farmers having a marketing plan for their cattle. Not only is it important for production to be correct, but marketing is equally as important.

John is married to Melody Sparks and they have two daughters Maggie and Macie. To learn more about Ag Credit member, John Sparks go online to: AgCreditOnline.com/loans/farm-loans.aspx

Good Financial Management Leads to Good Farm Profit

Ready and Willingness to Serve; Ag Credit Expresses Appreciation

Serving on the Ag Credit Board of Directors not only requires a significant time commitment, but also a deep understanding of agriculture economics. During the Ag Credit Regional Annual Meetings, held in Danville and Lexington, Donald Mitchell and Tim White both ran for the open Board of Directors seat. Both Donald and Tim expressed their interest in serving on the Ag Credit Board of Directors. Lee Hood of Washington County won the election and will be filling the director's position. Ag Credit extends its appreciation to Donald Mitchell and Tim White for their willingness to serve on the Ag Credit Board of Directors.



Donald T. Mitchell

Donald Mitchell operates a family owned farm in Woodford County. The farming operation consists of stocker cattle and burley tobacco. He also produces hay for personal and retail use.

He is a past President and current board member of the Council of

Burley Tobacco, and Woodford County Farm Bureau. Mitchell is the former Chairman and current member of the Woodford County Conservation District, a member of the Woodford County Extension Advisory Committee and serves on the Board of the Burley Tobacco Growers Cooperative. He is also a past President of the Kentucky Young Farmers Association and a graduate of the Phillip Morris/ University of Kentucky Ag Leadership program.



Tim White

Tim White and his wife Amy own TA White Farm LLC, a beef cattle farm in Jessamine and Fayette Counties. They have a purebred Angus herd along with a commercial cow/calf herd. The Whites also run stockers on an annual basis and host an annual Angus bull sale, along with raising corn.

Currently, Mr. White serves as a Regional Vice President for the National Cattlemen's Beef Association; Vice President of the Kentucky Cattlemen's Association; and is a member of the Fayette County Ag Development Board.



Insurance Protection Against Loss is Good Business

Central Kentucky Agricultural Credit Association loan agreements stipulate that borrowers obtain and maintain insurance on property that is pledged as security for loans, with the Association named as mortgagee or loss payee as appropriate.

This notice is a reminder that the minimum amount of coverage required to be maintained is the lesser of your loan balances, the actual cash value of the property, the replacement cost of the property or the amount stipulated by your loan officer. Since the amount required could be less than the amount for which the property is insured, you are encouraged to consider higher limits where applicable to adequately protect your equity interest in the property.

If the property securing your loan consists of improved real estate, unless otherwise advised, at a minimum your policy must insure against the following perils: fire and lightning, wind, hail, aircraft or vehicle damage, riot or civil commotion, explosion, smoke damage, water damage (other than flood), falling objects, weight of snow, ice or sleet and vandalism. Loss of damage from flooding is also required if your loan was made after October 4, 1996, and at the time the loan was made the property was located in a government mandated Special Flood Hazard Area and flood insurance was available.

GRAND OPENING

Ag Credit Opens Frankfort Office

Central Kentucky Ag Credit's Board of Directors approved establishment of a new office in Frankfort, Kentucky, an action that took place during mid-2016. The office opened during early 2017 and the official Grand Opening took place all day on March 8.

According to Jim Caldwell, Ag Credit's President & Chief Executive Officer, the Frankfort Branch is the seventh full-time office that Ag Credit operates in the 17-county area. The new Frankfort Office is located in the Farm Bureau Building at 1120 U. S. Highway 127 South in Frankfort. The office is open five days a week, from 8:00 a.m. - 4:30 p.m. Jeff Zinner is the Loan Officer, and Lindsay Barnes is Loan Assistant at the Frankfort Office.

Other full-service Ag Credit Offices are located in Danville, Lexington, Paris, Lebanon, Richmond and Stanford.

President Caldwell said establishment of the Frankfort Office represents one of many steps forward that Ag Credit has implemented to provide comprehensive service throughout the Bluegrass Region. Financial services provided by Ag Credit are wide-ranging, including virtually any type of farm loan, rural land loans and loans for country homes. Seasonal, short-term and long-term fixed rate loans are among the many loan products available through Ag Credit.



The official ribbon cutting at the Ag Credit Frankfort Office on March 8, 2017, was sponsored by the Franklin County Area Chamber of Commerce and the Anderson County Chamber of Commerce. Those area business service organizations showed outstanding hospitality prior to the event and during on-location activities.

Shown here holding the "Big Scissors" are executives from both Chambers. Carmen Inman, President and CEO of the Franklin Area Chamber of Commerce is shown in the red jacket, with Pam Brough, President of the Anderson County Chamber of Commerce shown at right.

Others who participated in the ribbon cutting are (left to right): Suzy Hosley, Frankfort Area Chamber of Commerce Member Services Director; Robert Anderson, Ag Credit Vice President; Lee Hood, Ag Credit Board Member; Joe Myers, Ag Credit Board Member; Jim Caldwell, Ag Credit President and CEO; Alvin Lyons, Chairman of the Ag Credit Board of Directors; Lindsay Barnes, Frankfort Office Loan Assistant; Jeff Zinner, Frankfort Office Loan Officer; Shane Turner, Ag Credit Vice President; and Johnathan Noe, Ag Credit Vice President.



Members of the Ag Credit Board of Directors participated in activities during the Grand Opening in Frankfort. Board members shown are Alvin Lyons, Chairman (second from left) Lee Hood, newly elected member of the Ag Credit Board (second from right); and Joe Myers, Director on the Ag Credit Board (right). Others in the photo are Jim Caldwell, Ag Credit President and CEO (left); Lindsay Barnes, Frankfort Loan Assistant (third from left); and Jeff Zinner, Ag Credit Loan Officer (fourth from left).



Agriculture officials from the Commonwealth of Kentucky were on location to welcome Ag Credit to the Franklin/Anderson County communities. Shown here are Warren Beeler, Executive Director, Governor's Office of Agriculture Policy (second from right); Bill McCloskey, Deputy Director, Governor's Office of Agriculture Policy (left); Beth Mobley, Loan Program Manager for the Kentucky Ag Finance Corporation (second from left); and Steve Doan, General Counsel, Kentucky Ag Finance Corporation (right).



Frankfort Judge Executive Huston Wells (left) was a guest speaker at the Frankfort Office Grand Opening. He is shown here with Jeff Zinner inside the Ag Credit Office prior to the ribbon-cutting on March 8. Judge Wells has been a long-time supporter of agriculture and farm youth activities in Franklin County, and Jeff is the Frankfort Office Loan Officer.



Jeff Zinner is the Loan Officer at the Frankfort Office (left) and Lindsay Barnes is the Loan Assistant in Frankfort. Both Jeff and Lindsay have been on the Ag Credit team since last year and they will be the full-time team who will serve Franklin and Anderson Counties. Jeff is well-known throughout the region for his service with Ag Credit and his former service with the North American International Livestock Exposition. They are shown here in the conference room at the new office, which served as the hospitality center during the Grand Opening.

to Serve Franklin and Anderson Counties



Franklin County Judge Executive Huston Wells (left) is shown with Jim Caldwell (center) and Alvin Lyons (right). They visited prior to the ribbon cutting at the Frankfort Grand Opening.



Anderson County Judge Executive Orbrey Gritton (left) welcomed Ag Credit to service in the Anderson community during the Association's Grand Opening of the Frankfort Office. Judge Gritton was raised in the central Kentucky area, and has been a continual supporter of rural development in the Anderson County area. He is shown here with Pam Brough, President of the Anderson County Chamber of Commerce (center); and Robert Anderson, Ag Credit Vice President (right).



Ben Carlson, Publisher and Editor of The Anderson News was at the Grand Opening to do a story on the cooperative's decision to service Anderson County with the full-time Ag Credit Office.

Frankfort In Action

Visitors throughout the day traveled from Anderson and Franklin Counties to welcome Ag Credit to the new Frankfort Office.

According to Jeff Zinner, Ag Credit's Loan Officer in Frankfort, lending activity at the new office is already in high gear. The day of the Grand Opening, Jeff reported that two loans had been closed, one in Franklin County and the other in Anderson County. As the "Leader" went to press, more loan activity is taking place, including another in excess of a half million dollars.



Chamber of Commerce leaders conducted the official Ribbon Cutting on March 8 at the Frankfort Office Grand Opening. Advance announcements to their memberships by both the Franklin and Anderson County Chambers were excellent. Shown here are Carmen Inman, President & CEO of the Frankfort Area Chamber of Commerce (second from left), and Pam Brough, President of the Anderson County Chamber of Commerce (second from right). Others in the photo are Suzy Hosley, Member Services Director, Frankfort Area Chamber of Commerce (left), and Melinda Nunley, Ambassador, Frankfort Area Chamber of Commerce.



Jim Caldwell is shown here during an interview with "Cricket" a personality with Froggy Radio 104.9. The station serves listeners in Franklin County and the fringe Anderson County area. As CEO with Ag Credit, Jim said Ag Credit is dedicated to increasing financial services in Franklin and Anderson Counties, as evidenced with the establishment of the new office on Highway 127 in South Frankfort. Cricket was a commercial spokesperson leading up to Grand Opening activities, and Jim's interview took place live on March 8.



Kentucky Commissioner of Agriculture Ryan Quarles (second from left) welcomed the establishment of a Frankfort Ag Credit Office in the region. Commissioner Quarles has been an active leader in agriculture activities in Kentucky and as spokesman for agriculture in the nation. Ag Credit's presence in the Franklin/Anderson communities represents a major step forward in provision of financial services for farmers and rural residents in central Kentucky. Also shown in this photo are Jim Caldwell, Ag Credit President & CEO. (left); Alvin Lyons, Chairman of the Ag Credit Board of Directors (third from left); and Huston Wells, Franklin County Judge Executive (right).



Extension Service representatives were on hand at the Grand Opening. Shown here are Carla Carter (left) and Debbie Ball (second from right). Both are staff assistants with the Franklin County Cooperative Extension Service. Also shown are Jeff Zinner, Ag Credit Loan Officer and Kentucky Commissioner of Agriculture Ryan Quarles.



Alvin Lyons (center) is shown at the Grand Opening with members of the Frankfort State Journal newspaper sales team. At left is Ryan Lipsom and Meri Latek is at right.



Shown here are (left to right) Lawrenceburg Mayor Sandy Goodlett; Alvin Lyons, Chairman of the Ag Credit Board of Directors; and Orbrey Gritton, Anderson County Judge Executive.

What is Contributory Value?

By: Bud Burdette, Ag Credit Appraiser

Contributory value refers to the percent contribution a particular feature of a real estate property makes to the total value. Contributory value is dependent on the active buyer pool and what they are willing to pay at any specific time to acquire real estate.

The value of a home or improvement, on acreage, depends on its appeal as compared to other properties in its market area. It is always good to compare your property to local sales in your area to get an idea of how it “fits in”. Generally the more common an improvement or land type, the greater the number of potential buyers. When looking at the market, consider local zoning and access to primary roads and towns along with school districts.

Residential

A primary residence is generally the largest valued improvement. Other permanent improvements may be on the land and value is determined by their age and usefulness. Generally the more common the improvement in the market, the more likely it is to contribute. The smaller the acreage, the more the focus will be on the house. Site upgrades to the land include utility service on site such as water and electric along with fencing, driveway access, etc. Typically, the more recent these are installed the greater their contribution, but they depreciate rather quickly over time. As total acreage increases significantly so does the use of the land for ag or recreational purposes and the buyer pool changes, decreasing the specific appeal of the improvements.

In mortgage appraisals, buildings that do not have a permanent foundation have reduced or no contributory value and are generally viewed as temporary structures. In addition, the more specific the use of an outbuilding, the less buyers in the market willing to



About Bud Burdette

Bud is a highly-experienced land and real estate appraiser who works with all Ag Credit Loan Officers in central Kentucky. His broad knowledge of farmland and rural homes is a highly-valued professional service that is part of the lending activity offered by Ag Credit.

pay over the value of the land itself. There may be specific instances where a buyer is interested in a specialized improvement, but that does not reflect a large percentage of the market.

- Functional Obsolescence - This is the overall utility of the property to the average buyer. This includes both the acreage and its improvement level. It is not uncommon to lose value in this category - however, this is where most negotiations takes place. Examples include swimming pools, buildings on site or unusual design features of the home.
- Physical Obsolescence - This includes the age of the property with general wear and tear on the home, causing physical deterioration of the structure over its economic life.
- External Obsolescence - External deterioration is affected by the

geographical area surrounding a property. If the neighborhood the property is located in loses its appeal, the property's value will be affected. Things such as railroads, airports, utilities and commercial use can impact the marketability as well as significant economic swings which impact the local area.

Farm Land

As acreage increases, so does the percentage that the dirt contributes to total value. The value of improvements is directly related to the current market. A property's value must be supported within a general value range common to the area for competitive sales and its improvements must be useful to those interested in buying the property.

Example

- On a 100 acre crop farm a 2,500 sq. ft. metal building, may have the same value it would on a 100 acre rolling hills farm because it offers a common use for storage. Design, condition and overall market appeal determine value. A smaller livestock barn may contribute to the ridge farm but have no appeal on a river bottom farm.

One thing to keep in mind with farm improvements is, “Would the average buyer pay over the value of the land to acquire a specific improvement?” They will not just because it is there.

Any type of specialized improvement has to be in a market where it will sell, if it is to add value. When buying or selling, it is important to consider if it is cost effective to change or repair an existing building or remove and replace one. An informed buyer considers this.

Continued on next page.

A home's location on the farm impacts its contributory value. A primary residence which is not easily sold apart from the larger acreage offers similar utility to a resident for living space, but its value contribution is less because the average buyer is interested in the land with or without the house. If the house is in close proximity to the road and can easily be excepted off with a smaller site, the buyer pool becomes larger for the home with minimal impact to the land. This increases total value.

A farm appraisal will include a detailed soils map. The theory being that on working soils, the more productive ground will display greater net economic returns based on its increased yield potential and/or cost reduction over less productive soils. The average buyer is then willing to pay more for the good and less for the bad. It is my observation that this holds true in local markets for similar type farms, but not in broader comparisons. River bottom farms are not competitive with ridge farms, no matter the adjustment factor. Values can be very specific to an area depending on the active market. River bottoms in an average grain market with storage, etc. and dependable transportation are typically stronger than in areas where they are used for hay or pasture and farmers do not grow grain to market, even when fertility is comparable.

Fair Market Value

Fair market value (FMV) is based on the principal of substitution - or supply and demand. The buyer has a choice to purchase an alternate property of similar utility and appeal and compare the costs of either before choosing. That said, it makes sense that the more comparable your home is to your market, the more likely it will be in demand. The stranger the improvements for any reason, the smaller the buyer pool and the larger the negative impact on value. This is true for design, size and or finish. Land is similar - the most beautiful home in the world in the middle of nowhere has little if any appeal.

Advice

- It is important to monitor the market, when making improvements. Matching improvement needs with more conventional construction, in design and size, may well improve the value contribution of the building and the overall market appeal of the property. Personal tastes are a good thing but they do not always resale easily.
- When purchasing a piece of property or a home it is important to decide on your intent for the property. Is this a long-term choice or a transitional home?
- Build what you need at a cost you can afford, do not improve the property with the intent of getting full cost back, although that may occur in specific sales.
- Maintain your property. The repair never gets cheaper to fix, remember it will always sell better if it is in good condition, because you are saving the buyer money and maintaining the usefulness of the property.

Did you know?

"Economic life" references that time period that the improvement adds value to the land. It varies by construction quality and the market, but a range of 60-75 years for stick-built houses is common to central Kentucky. Economic life is a reference point for age calculations in replacement value.

The "square footage" of a residence in Kentucky is determined by the measuring the finished footage above grade only. Basement footage and the garage, if attached, are computed as well. Their value is assigned to the finished footage, but they are not within themselves considered in the finished square footage, as is often thought.

The "living space" of a home is measured from the outside wall around the finished square footage.

Lebanon/Marion Chamber Honors Mattingly Family



Shown in the photo (left to right) are: Kevin Mattingly; Paige Mattingly, Debby Mattingly; Mark Mattingly; Sara Beth Wright; Dooley Wright; and Travis Mattingly, a Loan Officer with Lebanon Ag Credit.

The Lebanon/Marion County Chamber of Commerce honored Mark & Debby Mattingly with the Outstanding Farmer Award during late January. The annual recognition is given to a farm family each year who exemplify excellence in agriculture.



Bluegrass Music Kickoff



Flatt Lonesome performed at the Bluegrass Music Kickoff at the Roby Dome in Lebanon during January. Flatt Lonesome is an IBMA Award Winner and was the headliner of the Bluegrass Music Kickoff. Other featured artists included Dove Creek; the Moron Brothers; "Biscuit Davis"; and Bluegrass Music Chart Climber, The NewTown Band.



First Youth Contest Debuts at Bluegrass Kickoff

Ag Credit worked with the Kentucky Fellowship of Musicians to produce and sponsor the first Youth Instrument Contest at the 2017 Bluegrass Music Kickoff in Marion County. The Kickoff is ranked among the Top 10 Winter Attractions by the Southern Tourism Council, and addition of the Youth Contest adds another dimension to the already-popular event.

Shown (right) are three contestants. Kacey O'Neal of Greensburg is at back with her fiddle; Jessie Meador of Greensburg is at front left with his banjo; and John Meador of Greensburg is at right with his guitar. Kneeling at center is Daniel Raikes of Marion. Daniel was coordinator of the first year contest, and he is also a young respected guitarist who plays periodically with bands in the region. At left in back is Brad Lanham. Brad is the key coordinator for the overall Bluegrass Music Kickoff and also a member of the Kentucky Fellowship of Musicians.



Jessie Meador took first place in the contest with his skilled banjo playing. Each participant earned an Ag Credit Neck Medallion.

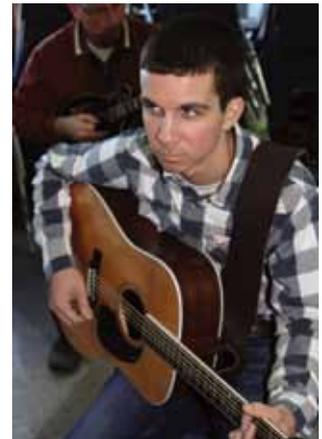


Singer-Songwriter Contest Brings Top Talent to Kickoff

The Singer-Songwriter Contest at the Bluegrass Music Kickoff attracts top regional musicians. The contest was established several years ago and the January event featured seven top entertainers. Contestants competed on Saturday afternoon, prior to the Saturday Night Dinner/Concert and each was honored with cash, rankings and public recognition.

This group photo (shown above) of all contestants includes (front row, left to right) Lauren Bickett, Raywick; Jane Palagi, Lebanon, Ashley Knapp, Dayton, Ohio; and Sarah Patrick, Whitley City, Kentucky. On the back row (left to right) are Mike Brown of New Haven; Cody Doench of Dayton, Ohio; and Phillip Clarkson of Bradfordsville.

Judges of the Singer-Songwriter Contest were three members of NewTown, including Band Leader Kati Penn Williams, who plays fiddle; Mitchell Cannon, NewTown's mandolin player; and Junior Williams, an expert on the banjo.



Youth Contest Judges; Outstanding Leaders

Judges for the First Ag Credit/Bluegrass Kickoff Youth Contest are shown above seated in the photo. They rank among top leaders in the music industry and in area agriculture activities.

Shown left to right are: Hayes Griffin, lead guitarist and backup vocalist with NewTown, a Bluegrass Band that entertains throughout the nation; Gary "Biscuit" Davis, five-time world champion banjo player, and a favorite in music circles with Dolly Parton; and Ruthie Jackson, who conducts a food service in the Marion County region, and she is also Office Assistant with the Lebanon Ag Credit Office.

Standing at left is Daniel Raikes, who was coordinator of the Youth Contest. He is also a master guitarist who is in demand among many bands who use his playing skills to enhance their music. Brad Lanham is at right. He is coordinator of all activities at the Bluegrass Music Kickoff and his leadership is credited with growth and development of the event.





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