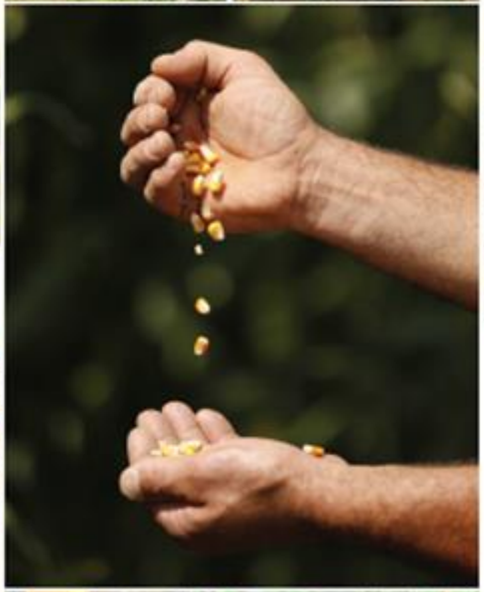


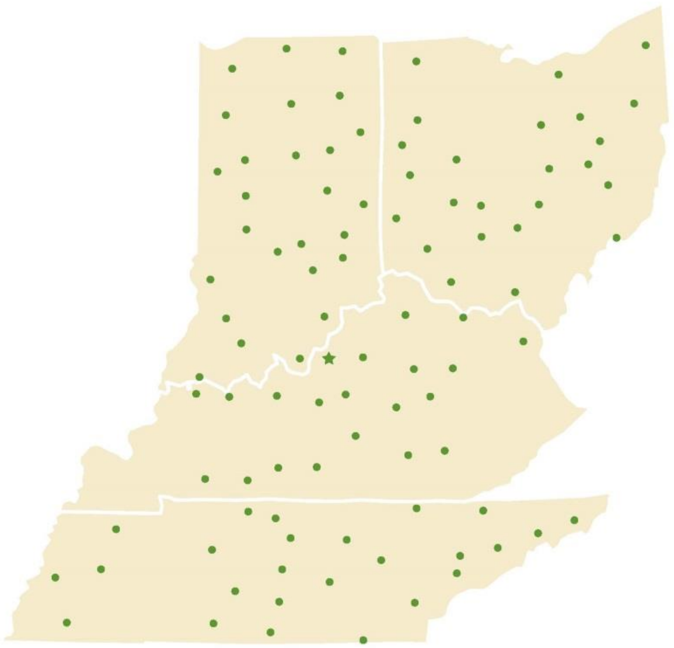




farm CREDIT
MID-AMERICA

Financing rural America

Farm Credit Mid-America covers the states of Indiana, Ohio, Kentucky and Tennessee

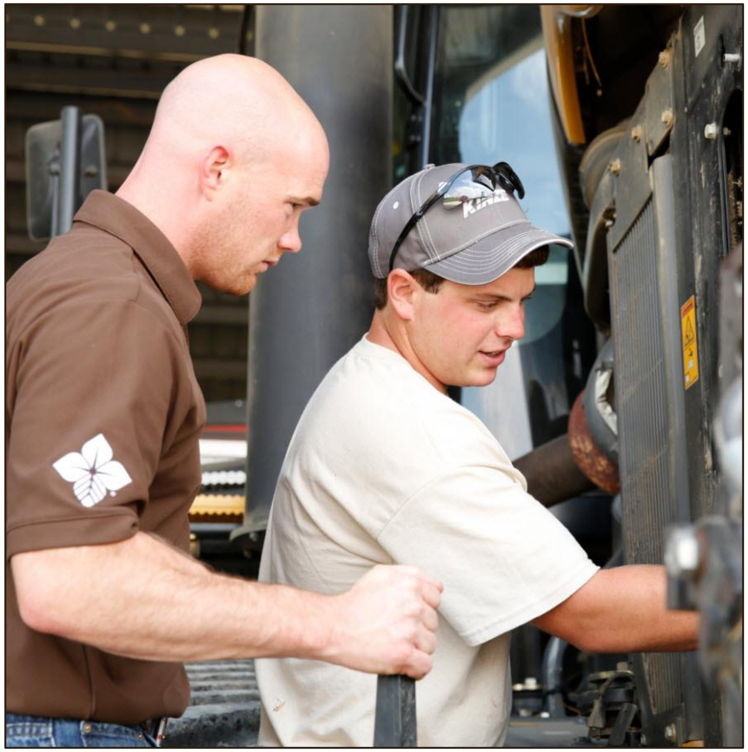


96,947 customers

156,883 loans

Headquartered in Louisville, Kentucky

Listening to customers



Cooperatively owned

1,000+ advisors

18 member Board of Directors

1,188 employees

94 retail offices

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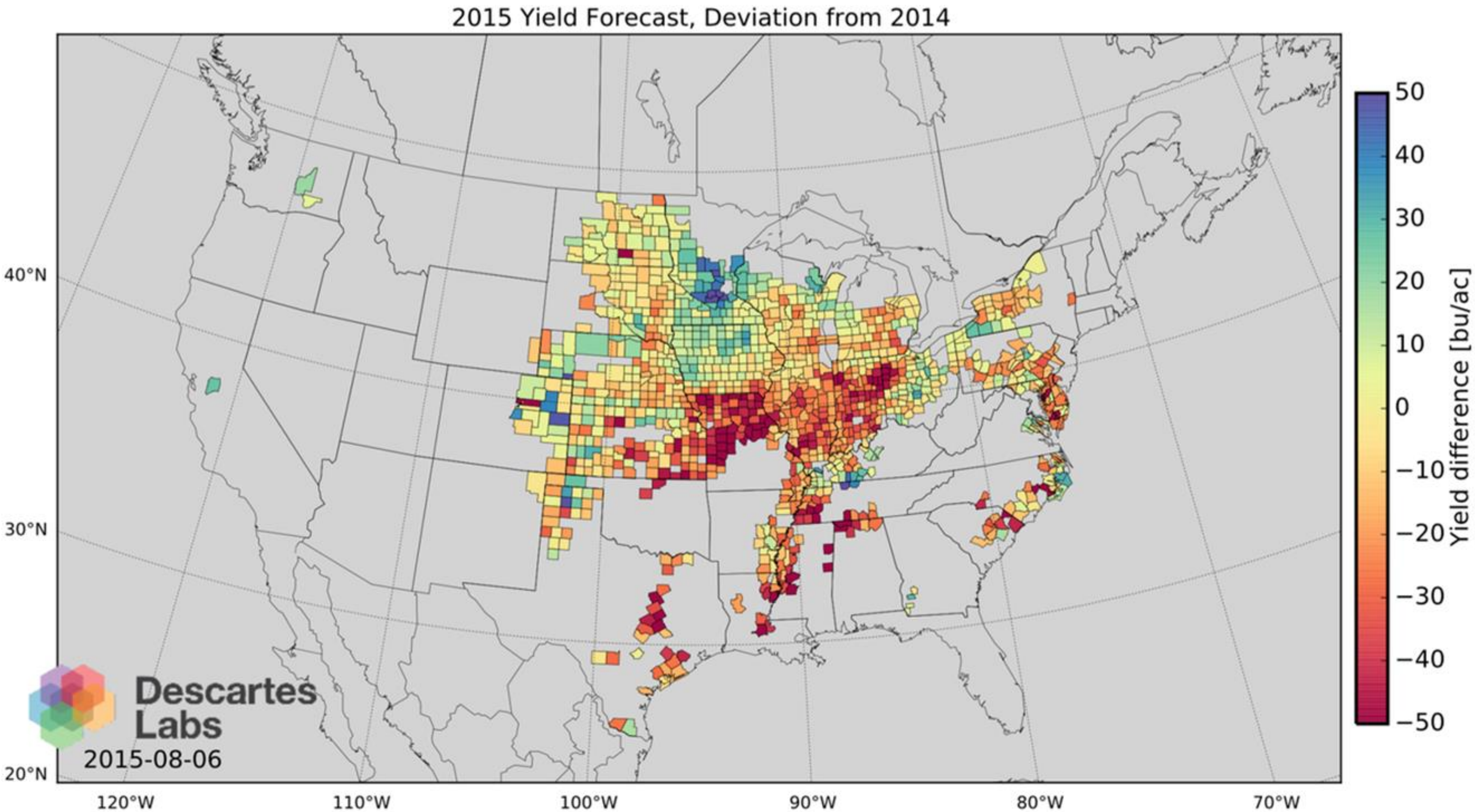
Structure

- Specialized sales and credit staff
- Scorecard lending up to defined thresholds…then traditional analysis.

Crop conditions



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What is the strategy to address this challenging environment?

Changing Lending Environment

Direction & philosophy for lending in a low grain price environment:

- Outlines the Association's philosophy of lending in a cyclical business.

- Is not a special program.

Objectives

- Be a dependable and accountable lender.
- Be proactive in managing customer and portfolio risk.
- Be thoughtful and balanced in our approach based on a long-term perspective.
- Make sound credit decisions without fear of being criticized.

We will:

- Seek to understand the impact of industry cycles and customer plans.
- Expect customers to recognize challenges and adjust.
- Identify risks and communicate with customers about them.
- Be patient and flexible allowing time for adjustments by using enhanced controls, terms, conditions, and collateral when appropriate.
- Maintain a realistic long-term outlook.

We will not:

- Panic or withdraw from the market.
- Commit to save every operation.
- Ignore good credit judgment.
- Take undue risk and be responsible for all needed adjustments.

Best practices include:

- Get a good read on the customer's current financial situation.

- Get an updated balance sheet. Trends in liquidity?

How we react and interact over the next 3-4 years will further define Farm Credit for the next generation of customers and staff.

Red Flags: When to be concerned

Other Key Observations

- Crop prices have dropped sharply while input costs are "sticky," causing a dramatic profit margin squeeze.
- Cropland prices have peaked; anticipated correction has started.
- Interest rates are at historic lows; poised for Fed increases.
- Heightened volatility is now the norm:
    - Weather
    - Disease (PEDv, Avian Flu, etc.)
    - Commodity and financial markets

Crop Sector – Summary Thoughts

- It is fine to hope for the best, but also advisable to consider and be able to withstand a more adverse scenario.
- Most corn producers have $4 to $4.50/bu breakeven levels.
    - Thus, many will likely incur operating losses for a while.
- Producer success will largely depend on :
    - Already having a low cost structure, or
    - **Making necessary changes to drive costs down.**
- Effective risk management is critical.
    - Production, marketing, & financial
- Farm Credit Mid-America is in good shape for this downturn; **prepared to work with existing & new customers.**

Lending Caps:

- Range from $5,100 to $6,100 per acre
- Had little impact on lending activity.

Questions?