

# THE BRAND

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## THE ECONOMY, CREDIT MARKETS AND INTEREST RATES

By Brian D. Lyon, Senior Vice President/Chief Financial Officer

The Business Cycle Dating committee of the National Bureau of Economic Research, the “official scorekeeper” of the U.S. economy, announced on December 1, 2008 that a peak in economic activity occurred in the U.S. economy in December 2007. As a result, the current U.S. recession officially began in December 2007. Therefore, this current recession, now in its 13<sup>th</sup> month, is likely to be the longest since the Great Depression. Consensus estimates of economists in recent weeks suggest a return to modest, but positive, U.S. economic growth will be likely during the second half of 2009. Let’s hope that they are accurate in their projections.

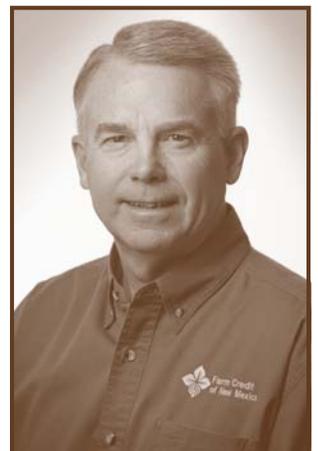
The economic events that we have seen recently have created substantial turmoil in the financial sectors and a great deal of uncertainty in the credit markets. Domestic and global financial sector paranoia has contributed to major weakness within the U.S. economy, while enormous investment and lending losses have sharply curtailed the availability of credit. The turmoil and uncertainty has resulted in failures, such as the bankruptcy of Lehman Brothers, and a government conservatorship of two Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac. The Farm Credit System is also a GSE. However, Farm Credit’s charter is significantly different from that of the housing GSEs as our

primary business is to serve the credit needs of agriculture and rural America. Additionally, as a cooperative, we are owned by our customers, which is a substantially different structure than the housing GSEs.

This recessionary economy and the volatility in the financial credit markets has negatively impacted our cost of funding as funding spreads have increased. We continue to be able to obtain adequate funding, although acquiring longer-term debt has become more challenging. What is needed is a change in the incredibly negative mood within domestic and global credit markets to restore the needed flow of funds among and between financial institutions. Here at Farm Credit of New Mexico, we believe we are well positioned to manage this difficult funding environment which may continue to be difficult for some time into the future.

The Federal Reserve’s critical federal funds rate, arguably the most important of all interest rates, had been at a 50-year low of 1.00% since late October. On December 16<sup>th</sup>, another cut set the federal funds rate to a target range of 0.00% to 0.25%, an obvious movement by the Fed to offer stimulus to the economic recession.

Cost of funds for Farm Credit of New Mexico is predominantly based on the London Interbank Offered Rate (LIBOR) which often times, as we have seen most recently, does not necessarily immediately track with the federal funds rate. Our cost of funds, again based on LIBOR, is the primary determinant in the rates that we charge to our customer stockholders. We expect that our cost of funds will continue to be somewhat volatile, and will remain at lower levels until there is solid evidence of U.S. financial stabilization and a resumption of economic growth. We will continue to strive for competitive rates to our customers that provide adequate income to the Association and support the continued distribution of earnings through our patronage distribution program.



Brian D. Lyon

## RESIGNATION OF KEVIN PENN

*By Al Porter, President and Chief Executive Officer*

I regretfully announce to you the resignation of Kevin Penn from the Board of Directors. Kevin has been on the Board since 2001 and has been a great asset to your company as his leadership has helped your Association grow to where it is today. Kevin's son Jacob has joined the Farm Credit of New Mexico team in the Las Cruces office. Due to the Director's Conduct Policy-Restricted acts stating that no relative of a Director may be employed, Kevin has graciously decided to resign to allow his son to pursue a career at FCNM.

Kevin farms 1,000 acres south of Deming growing cotton, chile, watermelons, pumpkins, alfalfa, and wheat. He has served on the Board of Directors for Farm Credit of New Mexico for the last 7 years and most recently served as the Board Chairman.

Kevin has served on the SWNM State Fair Board, Luna County Farm Bureau Board, Luna County Soil and Water Conservation Board, and is currently serving as President of Mimbres Valley Produce Board. He is also a member and past Chairman for the New Mexico Chile Commission. Kevin is also involved in community activities such as the Deming Little League Association, coaching boys little league and senior league baseball, and has received honors recognition from the 4-H organization, FFA, and Deming Public Schools for his volunteer hours in the community.

Kevin and his wife, Kathy, reside south of Deming, New Mexico. They have three grown children who participate in the farming activities, as time permits. Kevin graduated from Deming High School in 1976 and began farming, on his own, in 1978. He grew up on the family farm south of Deming and has been involved in farm-

ing his entire adult life.

Kevin will be greatly missed and his contributions have been greatly appreciated. Going forward, a replacement will be selected by the Board of Directors to serve out the remainder of Kevin's term.



*Kevin Penn*

## KING ELECTED AMERICAN HEREFORD ASSOCIATION PRESIDENT

**KANSAS CITY, Mo** – Bill King, Stanley, N.M., was announced as the new President of the American Hereford Association (AHA) during the Annual Membership Meeting in Kansas City, Mo., on Nov. 3.

Bill owns Bill King Ranch in Stanley, N.M., which includes a 300-head registered Hereford cow-calf operation along with other cattle, farming and feedlot enterprises. He was elected to the AHA Board in 2005.

This past year, Bill served as AHA vice president and chaired the finance committee, and also served on the executive and building committees.

The new President says he plans to continue to work on and expand the initiatives the Board has focused on in recent years. "We will continue to focus on growing the Certified Hereford Beef (CHB) program, continue working to prove Hereford effi-

ciency in the feedlot and in the commercial industry and support and enhance youth program and activities," he says.

# CROP INSURANCE UPDATE FOR 2009

*By Kelly Pope, Assistant Vice President, Insurance Services*

With the new Farm Bill in effect, 2009 will see some changes in multi-peril crop insurance. The first of which is an increase in the fees relating to the "CAT"astrophic policies. The CAT fees were previously \$100/crop/county. As of 2009, these CAT fees will be going to \$300/crop/county. In addition, to qualify for new and existing programs, there is a requirement that all insurable crops have this minimum coverage.

Sign up deadlines for some of the insurable crops are:

**September 30 – Wheat and Barley**

**January 31 – Pecans**

**February 1 – Chile and Onions** (Luna County, NM only)

**February 28 – Cotton (TX)**

**March 15 – Cotton (NM), Corn, Grain Sorghum**

These deadlines also apply to making changes to existing policies.

Due to weather related issues in different areas of NM and TX, we would encourage our growers to please sign up for NAP coverage at your local FSA offices. This is the coverage provided to growers on crops for which multi-peril insurance cannot be purchased. The deadlines vary for each crop and county.

We have received word that the new Pasture, Rangeland and Forage coverage cur-

rently available in other states (including the surrounding states of CO, TX, OK and KS), should be coming available for NM in 2010. With a deadline to sign up of November 30, 2009 for coverage in 2010, we should be able to offer that coverage to our local ranchers. We will be doing more research and training on this policy and will pass that information on when we have it.

We continue to offer coverage against hail damage to crops. There should be little changes, if any, to this policy and its rates for 2009. If you have any crop insurance questions on hail coverage or multi-peril crop insurance, please do not hesitate to call Kathy at (800)755-6432 or Kelly at (575)644-1037.

## NOTICE

In accordance with Farm Credit Administration (FCA) regulations, our Annual Report to Shareholders will be published on our website when the report is sent electronically to the FCA (within 75 calendar days from December 31). A paper copy will be sent to you within 90 days after December 31.

## AG COMMUNITY CALENDAR

January 15-16	Southwest Hay Conference, Ruidoso
February 2-3	New Mexico Chile Conference, Las Cruces
February 16	FCNM Closed for President's Day
February 19	AgFest, Santa Fe
February 24-25	New Mexico Ag Expo, Portales
March 1-3	Western Pecan Growers' Conference, Las Cruces
March 11-13	Western Dairy Mang. Conference, Reno, NV
April 10	FCNM Closed for Good Friday
April 15-17	Women In Ag Leadership Conference, Ruidoso
June 12-13	Dairy Producers of NM Convention, Ruidoso
June 26	Clovis Customer Appreciation Event
July 3	FCNM Closed for Independence Day
July 21	Tucumcari Customer Appreciation Event

## THOMAS R. "DICKIE" SALOPEK APPOINTED TO NEW MEXICO STATE UNIVERSITY BOARD OF REGENTS

Las Cruces pecan grower Thomas R. "Dickie" Salopek was one of three people appointed November 24, 2008 by Gov. Bill Richardson to serve on the New Mexico State University Board of Regents.

Salopek, a 1980 graduate of NMSU, said he was contacted by Gov. Richardson and asked to consider serving on the board.

"Farming is a hands-on business. I've never gotten on any boards, other than the Farm Bureau," Salopek said. "I'm 51 and it seemed like it was interesting."

He joked that, with the state expecting a revenue shortfall in the coming year, this

may not be the ideal time to come on board.

"The Salopeks are one of the prime agricultural families in New Mexico," Richardson said. "Dickie will add this kind of perspective to the regents."

Salopek said that while he intends to represent the interests of the agriculture, he understands that other NMSU departments are also doing outstanding and important work.

"It's a great university," he said. "Everything has to be promoted, not just agriculture."

One of the first tasks for the new board will be to restart a presidential search that was

called off earlier this month. Salopek said he wants whoever is selected to stay for a while. He said he thinks interim President Waded Cruzado would fit that bill.

"We've had some real good presidents, but it seems like we're a stepping stone for other universities," he said. "I think the one we have is pretty good, and if she's doing a good job, give her a contract. She would stick around for 10 years."

*Source: Las Cruces Sun-News*

