

Statement by
Lynn Davison
Farm Credit Administration
Public Meeting on Farm Credit System Service
To Young, Beginning and Small Farmers
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BEACON TO THE FUTURE

I am Lynn Davison from Garnett, Kansas. My wife Valinda and I have three children - Roman, Macy, and Moriah, ages 6, 4, and 2. We raise wheat, corn, milo, soybeans, native hay, and beef cattle.

I began farming with a new 4WD John Deere tractor and disk that were given to me by my parents. Those were the days - returns were up, inputs were down, and the future of farming was limited only by my imagination. This was in 1978, and my farm ground was my parents living room carpet. At this time all I knew about farming was that my father enjoyed it and it required long hours driving farm equipment. My miniature tractor didn't have headlights, so I would tape a flashlight to the hood to farm the carpet at night while dad was out farming late. (Sure, the living room light would have worked better, but then mom would have known I was out of bed and my farming day would have ended early) I have always enjoyed farming, but as I grew older I learned farming does not always guarantee a paycheck. After graduating from high school in 1992, I thought the best plan to insure a timely healthy paycheck was to attend Kansas State University and major in pre-medicine. Two semesters convinced me farming was just too much fun. It is true, "You can take the kid out of the country, but you can't take the country out of the kid."

This decision being made, I now had to literally start farming. As a 19 year old farmer, I needed the same things I had needed as a 4 year old farmer; help from my parents, land to farm, equipment to farm it with, and some sort of beacon to see where I was headed. My father gave me half interest in the ground he rented at this time, and

allowed me to use his equipment in exchange for helping him farm the ground we rented and the ground he owned. Obviously, the need for land and equipment quickly brought a lender into the equation.

I got started with a Beginning Farmer Loan from Farmers Home Administration and Farm Credit Services. This loan required 10% down payment, and allowed me to finance 30% of the principle at 4% interest. After wading through all the paperwork FHA could come up with at the time, I greatly appreciated the streamlined approach I found at Farm Credit. With this loan I purchased the home I now live in with my family and the 270 acres the home is located on. I also took out an operating loan from Farm Credit so my dad, who had given me the down payment on my land, would not also be saddled with ALL of my input costs.

At the origination of these loans, farm credit required me to purchase crop insurance not only on the ground I had purchased, but also on the rented ground I shared equally with my father. At this time I viewed the crop insurance premium as an unnecessary expense I would have to agree to pay in order to get the loan I needed so I could start farming. The next few years reiterated my feelings that crop insurance was a nuisance and another bill to pay. (After all, it was Farm Credit's idea - not mine) Then came the unforgettable year of the new millennium - the year many of my soybeans yielded 3 bushel per acre of green colored beans nobody really wanted to buy even at the cheap price soybeans were. The crop insurance that was Farm Credit's idea protected my net worth from a \$52,000.00 hit. I am not one to readily concede defeat, but without crop insurance I would have been "on the ropes" at best.

Crop insurance is just one leg of the equation Farm Credit refers to as Risk Management. I have been to several seminars sponsored by Farm Credit dealing with risk management. These seminars have dealt with insuring risk (crop insurance), spreading risk (plant various crops and maturities), locking in profitable prices (both income and expenses), and even protecting yourself with adjustable cash rents. Some of these aspects I have incorporated, some I have not. Farming is a dangerous occupation,

and one item that has given me great peace of mind is mortgage insurance. I know that through careful planning, my family can still have food and shelter in my absence.

As land values have come up in the last eight years and interest rates have gone down, Farm Credit has allowed me to refinance my real estate loan. I now have my home place financed solely by Farm Credit. The last time I refinanced, I bought another 60 acres of tillable land. It now pencils out that I have 60 more acres of cropland to help meet a smaller annual payment. With the help of Farm Credit and my parents through the ups and downs of the last eight years, my operation has grown to include 410 acres of owned land, 2000 acres of rented land, a 30 head cow-calf herd, and a growing line of equipment.

The years I have been involved with Farm Credit, Alan Maxwell has been my loan officer. He worked with my father ahead of this, and continues to work with both of us. I have a sincere appreciation for Alan's knowledge of our combined operation. My father and I together farm approximately 4,000 acres and have more than 15 landlords. I think Alan could probably name most of them. He keeps us up to date with interest rate and crop insurance changes, as well as other Farm Credit happenings. He also has spent time searching through tax returns and crop insurance reports to project a cash flow. As a loan officer, he hasn't always handed me money when I asked for it nor has he always said, "Go buy it", but he has always given me sound financial advice. It is not uncommon to hear a Farm Credit employee ask, "What can we do to better serve you?" I appreciate this attitude and their efforts to become increasingly more user friendly.

Like the light taped to the hood of my tractor 24 years ago, Farm Credit is there to help keep me pointed in the right direction. As any evangelist will tell you, where you are going is much more important than where you've been. Together we are searching for things like consistent efficiency, economical expansion, and growth at a manageable rate. As a team, the future of farming is still limited only by my imagination!