

Statement by
Jim Weaver, Executive Vice President-Chief Credit Officer
Frontier Farm Credit, Manhattan, Kansas
Before
Farm Credit Administration
Public Meeting on Farm Credit System Service to
Young, Beginning and Small Farmers
November 13, 2002
Kansas City, Missouri

Chairman Reyna and board members Jorgensen and Flory, thank you for the opportunity to appear before you. My name is Jim Weaver. I am the Executive Vice President and Chief Credit Officer for Frontier Farm Credit. I appreciate the opportunity to highlight our Association's commitment to effectively serving Young, Beginning and Small Farmers and Ranchers in our territory.

The Frontier Farm Credit territory consists of 41 counties, approximately the eastern third of Kansas. These counties are home to 57% of the state's population. Frontier Farm Credit serves approximately 6,000 customers through 9,000 loans, totaling more than \$667 million. The Association is headquartered in Manhattan, Kansas, approximately 140 miles west of Kansas City. Customers are served through eight regional lending offices.

Frontier Farm Credit is concerned about issues that impact its current and potential customers. At hand are considerations that can directly affect the Association's ability to provide cost-effective and efficient service to Young, Beginning, and Small Farmer and Rancher customers. Frontier Farm Credit has a firm commitment to serving these segments, and we are concerned that any additional regulations, reporting or servicing requirements will impede rather than enhance the service the Farm Credit System is seeking to provide. Increased regulatory, tracking or reporting requirements will increase costs to the Association. This increased staff time will ultimately increase costs to our customers. Frontier Farm Credit strongly prefers to focus maximum staff resources to initiatives that directly serve our customers, including the next generation of agricultural producers.

Any regulatory change considerations should include the opportunity for Farm Credit Associations to be more flexible in developing programs to meet the needs of their Young, Beginning, and Small Farmer and Rancher marketplaces. Frontier Farm Credit has the knowledge, the tools and the commitment to fulfill the mission and meet the needs of these market segments. We do not see that increased regulatory requirements will improve our Association's service. Customer focus, rather than increased attention to reporting or regulatory requirements, allows the Association to fulfill its mission.

Frontier Farm Credit provides and supports a wide array of activities that help build vitality and viability for the Young, Beginning, and Small Farmer and Ranchers through our "New Ag Frontier" program. This flexible program includes loan parameters, specific underwriting standards and interest rates guidelines, designed to best meet our customers' needs. Mentoring, and financial and farm management education are incorporated to enhance the knowledge and skills of these customers.

Comparing Association results with USDA demographic data confirms the Association's strong market penetration.

The Young Farmer and Rancher group comprises approximately 20 percent of the Association's portfolio in both the percentage of loans and the percentage of volume.

The Beginning Farmer and Rancher segment comprises about 30 percent of the Association's portfolio, both by percentage of loans and percentage of volume.

Small Farmers and Ranchers hold more than three-fourths of the loans in Frontier Farm Credit's portfolio. And nearly 60 percent of the Association's loan volume results from loans made to this group.

Clearly, a significant number of loans in the Association's portfolio are originated to Young, Beginning, and Small Farmers and Ranchers. This is occurring within existing regulations and underwriting standards. Just last month Frontier Farm Credit originated 162 new loans to

individuals fitting into the Young, Beginning, or Small Farmer or Rancher groups, out of 175 total new loans.

Frontier Farm Credit initiates a variety of educational and informational opportunities. For example, last week, three of our lending offices combined their efforts to host an educational program aimed at Young, Beginning, and Small Farmers and Ranchers. Young farmers and ranchers and their spouses enjoyed presentations on farm rental agreements and negotiation skills given by regional farm management and consulting specialists. Frontier Farm Credit will continue to organize and host ongoing Young, Beginning, and Small farmer and rancher events in all areas of the territory.

In August, sixteen Young, Beginning, and Small Farmer or Rancher customers and spouses attended the Frontier Farm Credit Board of Directors annual strategic planning session. Their valuable feedback for improving our services are being incorporated into the Association's 2003 Business and Marketing Plans.

For the eleventh consecutive year, the Association is conducting the Kansas State University Student Board of Directors. Nearly 100 student directors have learned about agricultural credit, which many of them aspire to apply in their own future farming and ranching operations. This initiative has become one of the most prestigious opportunities for students in the KSU College of Agriculture.

Again, Frontier Farm Credit supports initiatives that provide direct benefit to the success and viability of its customers. Further, we support reduction of regulatory or reporting requirements that do not result in enhanced service to our customers. Increased reporting and monitoring in the Young, Beginning, and Small Farmer and Rancher segments will result in reduced Association productivity. Added regulations and increased reporting requirements will add to Association administrative costs, which are ultimately passed on to customers. Further, these efforts would shift staff focus from our primary mission, that of serving customers — all farmers and ranchers, including the Young, Beginning and Small Farmers and Ranchers, in the eastern 41 counties of Kansas.

Frontier Farm Credit is proud of its loan portfolio, populated with thousands of Young, Beginning and Small Farmers and Ranchers. We support their success, the success of their families, and the healthy future of agriculture.

Thank you for this opportunity to discuss this very important topic of enhancing our service to Young, Beginning and Small Farmers and Ranchers.