Neighbors

Published exclusively for Progressive Farm Credit Services

Winter 2011

What's growing on the inside...

Crop Insurance Can Give Producers a Win-Win Year

by Della Hubbard, Risk Management Specialist

We have the possibility of seeing the highest spring price (base price) in crop insurance history this year. What does that mean for producers? Basically, if the price for corn, cotton, beans and rice holds in February, producers will be able to lock in a profit before their crops are even planted. Here is how crop insurance can help achieve that goal.

With an aph of 180 bu/acre on corn, a spring price of $5.50, and a Revenue Protection (RP) policy at 80%,a producer would have a bushel trigger of 144 and a dollar trigger of $792. If that producer would then forward sell 144/acre for at least $5.50, he/she would have a guaranteed profit before even planting.

Why wouldn't producers forward sell that much corn per acre? Fear they might not produce enough to meet the contract or that the price will be up are a couple of reasons. With a Revenue Protection policy, however, if producers are short bushels, crop insurance will pay the difference in bushels based off the higher of the spring or fall price. Let's consider a couple of examples for each of the major crops grown in Southeast Missouri:

Corn

EXAMPLE 1:

180 bu aph x 80% =144 trigger x $5.50 =$792/per acre trigger.

- If the fall price comes in at $7.00bu with 124 bu/acre production, the producer is short 20 bu/acre to fill his/her contract.
- Crop insurance will pay that bushel shortfall based off the higher fall price of $7.00/bu. $7.00 x 20 bu = $140/acre.
- That money can buy back the bushel short fall on the contract, or buy the bushels to fill your contract, and still provide for a profit.

EXAMPLE 2:

If the price falls and the producer didn't forward sell…

- 180 bu aph x 80% = 144 trigger x $5.50 =$792/acre trigger.
- If the fall price drops to $4.00/bu with 144/acre production, crop insurance would take the 144/acre production (which meets the bushel trigger) X the fall price of $4.00/bu = $576/acre,which is short of your dollar trigger.
- $792/acre spring dollar trigger - $576 fall production = $216/acre shortfall in dollars that crop insurance would pay.
- So, if the producer didn't forward sell and sold his production at the harvest price of $4.00/bu X 144=$576 plus $216/acre crop insurance for a total income of $792/acre.
- However, if the producer were to forward sell 144/acre for $5.50 bu, he/she would still have $792 PLUS the crop insurance payment of $216=$1008 acre - which isn't a bad year.

Cotton

EXAMPLE 1:

1250 aph x 80% =1000 pound trigger x $1.17 = $1170 per acre trigger

- If the fall price comes in at $1.25/lb with 800 lb/acre production, the producer is short 200 lb/acre to fill his/her contract.

Continued on page 3

PRESIDENT'S Corner

Ronald C. Milbach
President/CEO

Dear Shareholders,

The annual renewal season is in full swing. Our branch staffs are busy working with you, our customers, to renew your 2011 operating loans, make new equipment loans and, as always, set up real estate loans for land purchases.

It always seems like March 15th or April 1st will never get here. But,before the weather warms up and you have to focus on planting, you might review your plans to reduce the risks of the coming growing season.

Our risk management staff can show you which crop insurance products offer you the best risk management options to protect your enormous input expenses and potential price volatility in profits from 2011. I highly recommend that you visit with one of our six full-time crop insurance specialists, who are dedicated to meeting the needs of our customers.

Commodity prices have never been more favorable. For more information on buy-up products that can greatly enhance your price and yield protection in 2011, especially on corn, soybeans and cotton, please read the article on page 1-3 of this newsletter.

But beware…Every year we see new crop insurance agents scouring the countryside looking for new customers. We hear about all types of pitches, such as "we can do better," "my rates are better" or even "I can guarantee your premium back in loss claims."

No agent can say, or even suggest, that he can guarantee you will receive enough in claims proceeds to cover the cost of the insurance. Would you trust an auto insurance agent who promised you were going to get all or a portion of your premium back each year in claims?

Insurance agents are prohibited by law from refunding commissions to an insured, no matter how they might package the arrangements. If they do, the agent and the insured are committing acts which will likely get them in trouble. It is illegal for any agent to rebate insurance sales commissions. Progressive FCS has not and will not participate in any illegal activity of this type.

Some insurance agents, in less than candid attempts to solicit business, have told Progressive FCS members that our patronage program is an illegal rebate. These statements are false. Progressive FCS does not include income from insurance sales in our patronage program. Instead, the Association leaves those profits in retained earnings for the benefit of the Association and its members. Progressive FCS determines its Patronage Pool from net interest income from loans, less operating expenses, and distributes those benefits to members based solely on the net interest income from their loans.

I wish each and every one of you a productive and safe planting season.

Sincerely,

Ronald C. Milbach,
President/CEO

PUBLISHED FOR MEMBERS OF PROGRESSIVE FARM CREDIT SERVICES

Board of Directors

Zone 1	Jackson Branch Office	Jim Yount Vice Chairman
Zone 2	Poplar Bluff Branch Office	Mark Yarbro
Zone 3	Dexter Branch Office	John Robinson
Zone 4	Sikeston Branch Office	Darrell Nichols
Zone 5	Mississippi County Branch Office	Ed Marshall, III
Zone 6	Portageville & Caruthersville Branch Offices	James Priggel
Zone 7	Kennett Branch Office	Charles Parker Chairman
Outside Director		Jake Fisher

President Ronald C. Milbach
Editor Anna C. Harper

Office Locations

Sikeston (573) 471-0511	1110 N. Main 1-800-455-4059	Chad Crow Fax (573) 471-8175
Portageville (573) 379-3461	501 W. State Hwy. 162 1-800-455-4500	Mark Weidenbenner Fax (573) 379-2815
Mississippi County (573) 649-4110	791 Hwy. 105	Dawn Collier Fax (573) 649-4120
Dexter (573) 624-5947	1114 N. Outer Rd. 1-888-354-5947	Rebecca Wiseman Fax (573) 624-8346
Poplar Bluff (573) 686-1446	1475 North Westwood	Alan Hicks Fax (573) 686-1447
Jackson (573) 243-4301	420 W. Washington	Kirk Mueller Fax (573) 243-8029
Caruthersville (573) 333-0621	711 W. Third	Chuck Cain Fax (573) 333-2239
Kennett (573) 888-6624	811 South By-Pass	Randy Caldwell Fax (573) 888-6625
Corporate, Sikeston (573) 471-0342	1116 N. Main	Ronald C. Milbach Fax (573) 471-2745

Crop Insurance Can Give Producers a Win-Win Year

(continued from page 1)

- Crop insurance will pay shortfall based off the higher fall price of $1.25 per pound. $1.25 x 200 pounds = $250.00/acre.
- That money can buy back the shortfall on the contract, or buy the pounds to fill your contract, and still provide for a profit.

EXAMPLE 2:

If the price falls and the producer didn't forward sell…

- 1250 aph x 80% =1000 pound trigger x $1.17 = $1170 per acre trigger
- If the fall price drops to $1.00/lb with 1000 lb/acre production, crop insurance would take the 1000 lb/acre production (which meets the bushel trigger) X the fall price of $1.00/bu = $1,000/acre, which is short of your dollar trigger.
- $1170 acre spring dollar trigger - $1000 fall production = $170/acre shortfall in dollars that crop insurance would pay.
- So, if the producer didn't forward sell and the price had fallen to $1.00/lb based off a $170/acre crop insurance for a total payment of $1000 + $170= $1170 /acre.
- However, if the producer were to forward sell 1000 lb/acre for $1.17 lb, he/she would still have $1,170 PLUS the crop insurance payment of $170/acre + $1,170/acre = $1,340 per acre which isn't a bad year.

Rice

EXAMPLE 1:

180 bu aph x 80% =144 trigger x $7.15 = $1029.60/per acre trigger.

- If the fall price comes in at $6.75/bu with 124 bu/acre production, the producer is short 20 bu/acre to fill his/her contract.
- Crop insurance will pay that bushel shortfall based off the higher fall price of $7.15/bu. $7.15 x 20 bu.= $143
- That money can buy back the bushel shortfall on the contract, or buy the bushels to fill your contract, and still provide for a profit.

EXAMPLE 2:

If the price falls and the producer didn't forward sell…

- 180 bu aph x 80% = 144 trigger x $6.75 = $972 per acre trigger.
- If the fall price drops to $6.75/bu with 180/acre production, crop insurance would take the 144/acre production (which meets the bushel trigger) X the fall price of $6.75/bu = $972/acre, which is short of your dollar trigger.
- $1,029.60/acre spring dollar trigger - $972 fall production = $57.60/acre shortfall in dollars that crop insurance would pay.
- So, if the producer didn't forward sell and the price had fallen to $6.75 per bushel based off a $57.60/acre the crop insurance payment for a total of $972+$57.60=$1,029.60.

Soybeans

EXAMPLE 1:

50 bu aph x 80% = 40 bu trigger x $13.70 expected price = $548/per acre trigger.

- If the fall price comes in at $14.00/bu with 30 bu/acre production, the producer is short 10 bu/acre to fill his/her contract.
- Crop insurance will pay that bushel shortfall based off the higher fall price of $14.00/bu. $14.00 x 10 bu = $140/acre.
- That money can buy back the bushel shortfall on the contract, or buy the bushels to fill your contract, and still provide for a profit.

EXAMPLE 2:

If the price falls and the producer didn't forward sell…

50 bu aph x 80% =40 bu trigger x $13.70 expected price = $548/per acre trigger.

- If the fall price drops to $11.50/bu with 40/acre production, crop insurance would take the 40 bu/acre production (which meets the bushel trigger) X the fall price of $11.50/bu = $460/acre, which is short of your dollar trigger.
- $548/acre spring dollar trigger - $460 fall production = $88/acre shortfall in dollars that crop insurance would pay.
- So, if the producer didn't forward sell and the price had fallen to $11.50/bu based off a 40 bu = $460/acre + $88/acre crop insurance for a total payment of $548/acre.
- However, if the producer were to forward sell 40 bu/acre for $13.70 bu, he/she would still have $548 PLUS the crop insurance payment of $88/acre = $636/acre - which isn't a bad year.

Marketing is the key to making a Revenue Protection policy work for you. **You can lock in a profit by marketing the percentage of your insured crop when prices are favorable.** The Revenue Protection policy protects the contract by providing either the bushels, pounds or dollars to fulfill your contract.

Revenue Protection crop insurance doesn't always trigger a claim, as when commodity prices remain high and we have good yields. That's the best of all possible scenarios; producers will still make money and build their APH. Insurance provides protection against the unknown; whether it is insurance on our home, car, health or life. The same is true of crop insurance. It is protection against the many perils a farmer faces during the year so that at the end of the growing season, he will either have the crop proceeds or insurance proceeds to protect his family's future.

Purchasing crop insurance, **and coupling it with marketing**, can

Continued on page 4

Crop Insurance Can Give Producers a Win-Win Year

(continued from page 4)

result in a WIN-WIN year for most producers. Never have you had such a great opportunity to protect your income with crop insurance on all crops grown in our marketing area.

The government's 80% premium subsidy on this product makes it an even better value to the producer! *Proctection is affordable!*

Please call your local Progressive Farm Credit Services branch office to arrange to speak to our Risk Management staff on how a Revenue Protection Policy can help protect your bottom line this year!

Branch	Risk Mgmt Specialist	Telephone
Caruthersville	Jo Helms	(573) 333-0621
Dexter	Michele Mittag	(573) 624-5947
Jackson	Mindi Fitzgerald	(573) 683-1025
Kennett	Nathan Creed	(573) 888-6624
Mississippi County	Mindi Fitzgerald	(573) 649-4110
Poplar Bluff	Michele Mittag	(573) 686-1446
Portageville	Jo Helms or Teri Miller	(573) 379-3461
Sikeston	Della Hubbard	(573) 471-0511

Crop and Livestock Liens - Important Security for Operating Loans

By Bob Smith, Sr. Vice President / Chief Credit Officer

The majority of Progressive Farm Credit Services operating loans are secured by crops, livestock and equipment, depending on the nature of the farming or ranching enterprise. Crops and livestock are considered the primary source of repayment because operating loans are expected to be repaid from the proceeds of their sales. Equipment is a secondary source of repayment because it is customarily used to produce the crop and livestock proceeds and is a source of repayment only in the event of a shortfall in the primary source of repayment.

Operating loans are used for *many* purposes – not just for fertilizer, seed, feed and fuel – but also for all kinds of expenses such as repairs, insurance, utilities, custom work, crop consulting and scouting, trucking, labor, living expenses and many others. In many cases the size of operating loans is quite large, often 60% to 75% of expected gross value of annual farm production. The amount of many operating loans exceeds several hundred thousand dollars. *Only an agricultural lender such as Progressive is capable of financing the complete array of expenses that farmers incur in a normal operating cycle with the expertise to assist you from an institution that works exclusively with agriculture.*

Supplier credit for a single or several products and most commercial bank lenders are not capable of the all-encompassing production loan and services as that offered by Progressive.

Crop, livestock and equipment security is an important component of risk mitigation to Progressive, your organization. The integrity of the Borrower is relied upon by your organization and fellow members of Progressive to assure a smooth flow of credit. Borrowers are required to remit crop, livestock and equipment proceeds for application to their loans until the loans are satisfied and the liens released. The notice Progressive gives to gins, grain elevators and livestock buyers of its liens is usually unnecessary as most Borrowers honor the loan terms and remit the proceeds for application on the loan. Our Borrowers know and understand they have granted liens and must apply sales proceeds to the loans. On very rare occasions has Progressive found any Borrower who did not apply the collateral proceeds to the loans as required. This act is called a "diversion of proceeds". In some instances it may be a criminal act. The federal law under which Progressive is organized as your farmed-owned lender is referenced in the following Security Agreement provision: **Unauthorized Disposition and False Statements.** Debtor understands that the unauthorized disposition of Collateral or making a false statement or report to Secured Party in connection with a Loan could result in civil and criminal consequences to Debtor (Federal Statutes 18 U.S.C. 658, 1014).

All commercial banks insured by the Federal Deposit Insurance Corporation have a nearly identical federal law which applies to their borrowers.

Fortunately, events of diversion of proceeds are rare. Progressive has been fortunate to have highly capable, trustworthy Borrowers who observe their responsibilities, who respect the security documents and who understand that failure to pay their loans as agreed ultimately costs their friends and neighbors who are fellow-borrowers and the end result is patronage refunds are less than they would otherwise be.

SECOND OUTSIDE DIRECTOR TO BE ADDED

If you've been reading the classified newspaper ads, you may have noticed that Progressive Farm Credit Services has recently been advertising for an Outside Director/Financial Expert.

Our regulator, Farm Credit Administration (FCA), requires all associations to have at least one "outside director" who does not have any business relationship with the Association. The reason for this FCA requirement is that the director needs to maintain an independent perspective. Jake Fisher has served as an outside director on our Board since September 1, 1989.

FCA regulation requires a second outside director if association assets exceed $500 million as of January 1st of each year. Our Association finished up 2010 just over $503,000,000, triggering our need to add a second outside director.

Another FCA regulation requires that at least one director qualify as a "financial expert". Currently Charles Parker, the Board Chairman, qualifies for this designation due to his background as a Certified Public Accountant. Mr. Parker does not intend to run for re-election when his current term on the Board of Directors expires in 2012. No other board members meet the criteria as a financial expert so this is why we are seeking outside director candidates who would also qualify as a financial expert.

A Financial Expert is defined by FCA as follows:

> One recognized as having education or experience in accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the institution's financial statements.

The eight Board members will make the decision of who will receive this three-year appointment to the Board of Directors.

If you know of a person in Southeast Missouri that meets these qualifications, please encourage them to submit a resume' and cover letter listing their qualifications and experience to:

Charles Parker
Chairman of the Board
Progressive Farm Credit Services
1116 N. Main
Sikeston, MO 63801

James Priggle

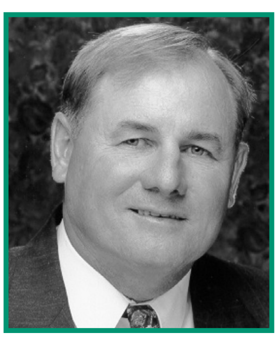
STOCKHOLDERS ELECT NEW DIRECTOR TO BOARD

James Priggel (Zone 6) was elected at the 2010 Annual Stockholders Meeting in August to serve on the Board of Directors for a three-year term. He succeeds Randy Hulshof, who did not seek re-election.

Jim lives in Portageville where he farms in a partnership with his brother, Mike Priggel. He grew up working on his father and uncle's farm and hog farm (Priggel Bros. and Priggel Hog Farm). He graduated from Portageville High School and attended Murray State University, Mizzou, and University of Missouri St. Louis. When he moved back to the farm in May of 1991 he and his brother began purchasing shares of their father's interest in Priggel Bros. Farms. In November of 1999, they formed J&M Priggel Farms Partnership.

He and his wife, Darla, have two children: Will (age 7) and Zoe (age 5).

Other Annual Meeting Voting Results:



Mark Yarbro

Mark Yarbro (Zone 2) from the Poplar Bluff area was re-elected in August 2010 to serve on the Board of Directors for another three-year term.

Jake Fisher

In addition, ***Thomas "Jake" Fisher*** was re-appointed by the Board of Directors to serve as the Outside Director for another three year term.

MEET OUR NEW EMPLOYEES

Dawn Collier | *Branch Manager - Mississippi County Office*

Progressive Farm Credit and Mississippi County welcomed back Dawn Collier last May to Progressive Farm Credit Services as the Branch Manager in the Mississippi County Branch Office.

She is a graduate of SEMO State University with a BS Degree in Business Administration. She and her husband, David, have two children and they live in Benton.

Christie Nash | *Customer Service/Credit Analyst - Kennett Branch*

Christie Nash is a native of Dunklin County and the Customer Service Representative/Credit Analyst at the Kennett Branch Office.

She is a graduate of SEMO State University with a BS Degree in Business Administration with an emphasis in Marketing Management.

Jennifer Rolwing | *Customer Service/Credit Analyst - Sikeston Branch*

Jennifer Rolwing is a native of Charleston and the Customer Service Representative/Credit Analyst at the Sikeston Branch Office.

Jennifer is a December 2009 graduate of Murray State University with a BS in Agriculture with emphasis in Finance and Economics. She also has a minor in Business Administration.

Heather DeWitt Couch | *Loan Officer Trainee - Sikeston Branch*

Heather DeWitt Couch, a native of Sikeston, is a Loan Officer Trainee in the Sikeston Branch Office.

She graduated from the University of Missouri with a BS Degree in Business Administration and a Master of Business Administration from SEMO State University. She recently married Brandon Couch and they live in Sikeston.

MEET OUR NEW EMPLOYEES

Nathan Creed | *Risk Management Specialist - Kennett Branch*

Nathan Creed is the Risk Management Specialist at the Kennett Branch Office.

He graduated from Central Missouri State University where he earned a BS Degree in Business Administration with an emphasis on Computer Information Systems. He lives in Kennett with his wife, Kelly, and their two boys.

TRANSFERS

Stephanie Burger | *Accountant - Corporate Office*

Stephanie Burger has transferred to the Corporate Office as an Accountant.

She is a graduate of SEMO State University with a double major in accounting and finance. She and her husband, Russell, have three children and live in the Chaffee area.

PROMOTIONS

Jeremy Hill | *Vice President-Appraisals*

Jeremy Hill was promoted to Vice President-Appraisals on June 1, 2010, after Don Jones retired on May 31, 2010.

He is a native of the Dexter area and attended Three Rivers Community College and graduated from SEMO State University with a BS degree in Geography with an emphasis in Tourism. He and his wife, Toni, have three children and live in Portageville.

RETIREMENTS

Don Jones | *Vice President-Appraisals (retired)*

Don Jones retired from Progressive Farm Credit Services in May 2010 after serving nine years as Vice President of Appraisal Services. We want to express our deep appreciation of Don's honest and straight forward approach to appraisals and his uncanny ability to predict the future of the economy! The entire Progressive Farm Credit family wish Don and his wife Deana a long and healthy retirement!

PATRONAGE and CAPITAL

Last month, we paid $1,500,000 in cash patronage refunds to you, our borrowers, based on 2010 Association performance. This is the 17th straight year Progressive FCS has paid a patronage and, since its inception in 1994, we have distributed $37,936,000 back to you our owners and borrowers… ***IN CASH!***

In addition, your Board of Directors has declared a cash patronage program for 2011, the amount of which will be determined at their December 2011 meeting. The criteria used to determine how much the patronage will include:

1. How much profit did the Association make during the year?
2. How much growth did the Association experience during the year?
3. Have Association capital ratios met the budgeted projections?

Growth is a major factor. As the Association grows, we must retain more earnings to maintain adequate capital levels. If the Association pays out more in patronage without adequately capitalizing new loan volume, capital ratios will decline and may cause concerns with our regulator, the Farm Credit Administration.

As an example, for several years prior to 2009, our core capital base remained flat (about 12.6%). In 2009, in an effort to build capital, the Association reduced patronage to $1,250,000. This decision, along with a growth rate of only 2%, helped strengthen core capital to 13.20%. In 2010 our growth rate was over 12%, one of the highest in the United States. However, with another conservative patronage payout of $1,500,000, we were able to retain enough earnings to support that growth and strengthen our core capital ratio to 14.13%.

Our long-term goal is to maintain a core surplus ratio of 14.5% to 15.5%. When we reach this range depends on our growth and we can then be more aggressive in our patronage. We have budgeted for a $2,500,000 Patronage Refund for 2011; however, as mentioned above, the actual refund amount will be determined by the Board in December.

We are very proud of our Patronage Refund Program at Progressive FCS. While refunding over $37 million to our borrowers since 1994, we have maintained a very strong, well-capitalized lending organization which enables us to continually meet your needs as your farming operations grow. Not only must we be in a position of serving our borrowers today, but future borrowers such as your sons, daughters, and sons-in-law, who might carry on your farming operation.

Progressive®
Farm Credit Services
1116 N. Main
Sikeston, MO 63801

ADDRESS SERVICE REQUESTED

PRESORTED
STANDARD
U.S. POSTAGE
PAID
Cape Girardeau,
MO 63701
PERMIT NO. 168