

Fence Lines

Fall 2009

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FenceLines

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Cover Photo: John and Jed Diamond with a pheasant in their fly pen used to raise the birds for their pheasant hunting operation.

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FenceLines is published for the reading enjoyment of customers and friends of Western AgCredit. Efforts are made to ensure the accuracy and completeness of information printed. However, the Association assumes no liability for inadvertent or unintended errors or inaccuracies. Servicing the Intermountain West since 1917, customer service is our commitment.

Dear Western AgCredit Customers & Friends,



We hope this issue of FenceLines finds you and your family doing well. There are obviously a lot of challenges facing us individually and the agricultural community in general. In spite of all of the problems we face within the agricultural industry, we are still in the enviable position of being better capitalized and having better liquidity than the national and world economy. It's frightening how large the national deficit has gotten, and our government continues to spend money that it doesn't have. I wish someone could explain in simple terms how the American economy can ever repay the money we now owe. At every turn, someone is proposing new stimulus plans, which increase the size of the National debt, yet most of the programs only help very few.

If you look at Western AgCredit as a microcosm of the general economy, you have to wonder how 1600 farmers and ranchers located in the Intermountain West can own a cooperative that has \$570 million in assets concentrated in a risk industry such as agriculture, can be economically viable, and serve its stockholder base without having serious credit problems or any loans in foreclosure. If you analyze the difference between the manner that Western AgCredit operates versus the manner the Federal Government operates, you'll notice that Western AgCredit lives within its means and doesn't spend money that it doesn't have. I'll be the first to admit that President Obama has a more difficult job as President of the United States than I do as President of Western AgCredit, but the basic principals that all viable entities must operate under are very similar. Western AgCredit must balance our income and expenses to ensure we don't spend more money

than we receive. We provide business plans, which show how we'll repay the money we borrow, and we understand that we are accountable to the people who employ us. As I've mentioned in previous issues of FenceLines, the problems facing our Country are complex, but they aren't comparable to brain surgery. If we could get both parties of Congress working together for common solutions to our problems, we could develop plans, which would start to solve our problems instead of perpetuating them.

On a more positive note than the National economic catastrophe, Western AgCredit is in the process of finalizing its 2010 operating plan. As most of our Stockholders are discovering, the margins of our business plan are narrowing and expenses continue to increase. We are being mindful of our expenses since we know that ultimately our Stockholders pay the bill. Our credit quality remains high and the loan delinquencies remain low, so in spite of the poor world economy, we feel quite positive about our future in 2010 and beyond.

I'd like to thank our Stockholders for their business and support. We appreciate the opportunity to be of service to you. We will do all we can do to continue to earn your business.

Sincerely,

Richard Weathered
President

The Road Back

There is a bright future for production agriculture. Demand for food, including both basic items and higher value items, continues to grow. Despite cyclical price swings and other economic challenges, many individuals have been able to build a significant net worth through farming or ranching.

The time demands for any business owner are generally more than for the employees of the business, and farming and ranching are no exception. However, if you really enjoy the work, and your family enjoys the lifestyle, it can be very rewarding.

Although some are able to start from scratch and eventually build a viable operation, it is more practical to work into a family operation if you want to eventually be an owner of a farm or ranch.

The bottom line is that farming and ranching are great careers for those with the right skills, work ethic, family support and desire. However, before you decide to return to the farm/ranch for a career, or before parents allow a child to return, there are some questions that need to be asked and answered by all involved.

Below is the first set of questions in a two-part series on generational transfers. If your farm or ranch is in the midsts of or working towards the next generation taking over the operation, carefully consider the following questions individually and as a family. There aren't necessarily right or wrong answers, but all parties should know and understand the situation before committing to an arrangement. Open dialogue will help make the transition as smooth as possible and ensure everyone involved understands the expectations of the others.

Is the operation able to financially support another family?

Does the operation generate sufficient profits at this time to be able to support another family without jeopardizing the livelihood of those who already depend on it?

Will the family member who is joining the operation add to labor expense without any corresponding increase in income or decrease in other expenses?

Will the family member who is joining the operation replace another hired employee but be paid significantly more than the former employee?

What are the expectations of the generation coming into the operation?

Is the expectation to work hard, live frugally and build either equity in the ranch/farm or personal savings for more than just a couple of years, or is the expectation to live well and benefit from the equity that has been built by prior generations?

Is a new house that is slightly larger than mom and dad's needed, or will grandma and grandpa's old house or the rental home in town be adequate for the foreseeable future?

Will there need to be time off and adequate money for the type of vacations that mom and dad take now, or will it be okay to work long days and not have a lot of expensive trips until your own children are raised?

Is there an expectation to immediately be an equal partner, or is there an expectation that it will take time to demonstrate the ability to succeed and to gain the confidence of the older generation?

Home

Questions to Consider Before Returning Home to the Family Farm or Ranch

Is there an expectation to inherit most or all of the farm/ranch with siblings who did not return to the operation receiving significantly less?

How does the established generation view the business relationship with the generation coming into the operation?

Will mom and dad be willing to discuss important business decisions and openly listen to the opinions of their adult children?

Are mom and dad willing to open the books and show how the finances are doing?

Will mom and dad allow the next generation to assume increasing responsibility as they demonstrate the ability to handle more?

Do either mom or dad have such a strong desire to be in control that they will always view the younger generation as just “a very good hired hand”?

Do mom and dad recognize that it will probably be impossible for the next generation to purchase their equity in the farm/ranch for fair market value and keep a viable operation?

Are mom and dad willing to transfer a significant portion of their potential retirement to the next generation?

What are the expectations of siblings?

Are siblings who are already actively involved in the operation supportive of having you return to the farm/ranch?

Are there younger siblings or siblings who are currently working elsewhere who may also want to

return to the farm/ranch? Will the operation be able to economically support all who want to return?

Are siblings who are not actively involved in the operation expecting to receive a full share of the market value of the ranch/farm as an inheritance?

Does everyone have similar core values?

Is there a basic agreement about how people should be treated? This includes employees, neighbors, and others you do business with.

Are their similar attitudes towards how much time should be spent working as opposed to recreation? In other words, will everyone have a similar level of devotion to the farm/ranch?

Does everyone have similar attitudes toward risk?

Do some see debt as a terrible thing and others see debt as no big deal?

Do some like to gamble that prices will go up if we just hold out a little longer and others like to take the sure thing even if it means leaving some money on the table?

Do some like to plan ahead and others like to play it by ear?

All parties don't have to have identical answers to the questions above. In fact, sometimes it helps to have both an accelerator and a brake pedal. The critical thing is that everyone is able to work together and not work against each other.

Watch for the Winter edition of FenceLines for the second half of this series.

Thank you for joining us for the 2009

CUSTOMER APPRECIATION BARBECUES

We want to take a moment to thank all of those who attended one of the 2009 Customer Appreciation Barbecues.

Every year we load up the grills and go to 10 barbecues throughout the state of Utah and in Evanston, WY. Those from the administrative staff log over 2000 miles traveling to and from the barbecues held in Logan, Bear River, Roosevelt, Evanston, Roy, Spanish Fork, Mt. Pleasant, Richfield, Delta and Cedar City.

The barbecues are a tradition enjoyed by Western AgCredit staff members, board of directors, customers and friends. They are a great opportunity to take a break from the busy summer season and enjoy a nice evening socializing with neighbors and eating a good meal.

If you were not able to attend one of the barbecues in 2009, we hope that you'll make it next year!





Diversification

The Diamond Way

The Diamonds diverse endeavours include a nursery, a cow-calf business and a pheasant hunting operation.

Diversification is a word the Diamonds of Davis County fully understand. Their business endeavors include a nursery, a custom hay cutting operation, a pheasant hunting business and they raise cows.

The story of how all this came about is an interesting one. Starting a nursery business might not seem like a logical choice for a high school ag teacher with more experience with animals than horticulture prior to teaching, but that's just what John Diamond did.

Upon graduating from Utah State University, John accepted his first teaching position as a vocational ag teacher at Layton High School. That is where he was introduced to ornamental horticulture, an introduction that would later shape his career path.

"There was a greenhouse sitting in the middle of the floor in the ag shop," said John. "They said, 'Your job is to erect that, build that greenhouse and start an ornamental horticulture program.' So I proceeded to

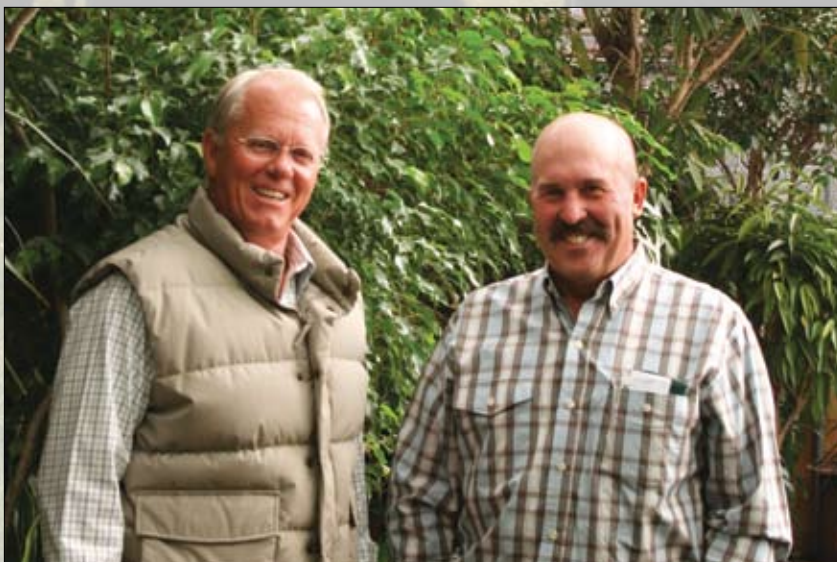
build the greenhouse and start an ornamental horticulture program."

When he started the program, he didn't know where that experience would lead. "I could never see myself in the flower business or nursery business because I was always an animal type person. The more I got into it at Layton High, and I did some graduate work at Cal Poly Pomona in horticulture, I really started getting interested in horticulture and could see there was really some potential to do something. So I decided to start a nursery business," said John.

Clinton Nursery began with one greenhouse in 1976. "We started with one little greenhouse, then we added another one, then we added a warehouse and added some more greenhouses," said John.

From its humble beginning, the operation has grown into a large operation on two and a half acres providing plant materials to a six-state area and employing over 20 people. As the greenhouse business grew, John quit teaching in 1985 to devote his full attention to the operation of the nursery and his beef animals.

As with most nurseries, finding a niche customer base is essential. Clinton Nursery has no retail outlet and they don't sell through retailers to the public; their business is selling to businesses, cities and other organizations that use their product for decorative purposes. "We provide our plant materials to a lot of commercial businesses including Little America, Grand America, Embassy Suites and the airport. We also do a lot for the LDS Church including the Joseph Smith Memorial Building. We do a lot of decorative hanging baskets that line the streets in Jackson and other cities," said John.



John Diamond (right) with his loan officer, Leon Nelson, in the first greenhouse that started Clinton Nursery.

In order to provide the goods to customers in a timely manner, the Diamonds have their own trucking company. In addition to the plant materials grown at the nursery, they also purchase product for resale. "We not only sale product that we raise, but we bring in a lot of product and we broker a lot of product for other growers. We have contracts with different growers in California, Florida, Hawaii and South America. We ship product into here, and we either grow it on or acclimate it and then redistribute it to our customers," said John.

A lot has changed in the nursery business since John started the company 34 years ago. Today his greenhouses are regulated by computers that monitor temperatures, watering and fertilizing schedules. The growth in each greenhouse is closely monitored, and the systems are adjusted in order to grow the plants to the customers' specifications. The computer system will even notify John by phone if one of the systems is not properly heating/cooling the greenhouse.

As with most nursery businesses, Clinton Nursery is busy year-round growing everything from poinsettias for the Christmas season, Easter lilies, plants for year-round decorative purposes and outdoor plants for the warmer months.

Due to his love for animals, John began a cow-calf operation which has grown over the years. "We've always fiddled around with the cows on a smaller scale. In 1993, we bought the place in West Syracuse," said John.

The place in West Syracuse, Diamond Ranch, is a beautiful piece of property that borders the Great Salt Lake on the west side of the property and Antelope



John Diamond explaining the watering system in one of his greenhouses.

Drive on the south. The 300 acres is primarily irrigated pasture used for grazing the 125 cows and supporting the pheasant operation. They also harvest a little hay off that acreage. In addition to the 300 acre piece they own, they also lease an additional 200 acres that they use to raise feed, most of which is sold.



Some of the hanging baskets Clinton Nursery sells that line the streets of various cities.

John's son, Jed, works closely in the beef business and helps at the nursery when needed. It was also Jed that got the Diamonds started in the pheasant hunting business. "I started in high school. I bought 100 birds. Me and a buddy wanted to raise them for ourselves to shoot. It just kind of expanded from there," said Jed.

What started as a hobby grew into a business that has been operating for eleven years and grown from 100 to 6,000 birds. Today Jed manages the pheasant hunting business, including raising and releasing the birds, scheduling hunts and guiding with his dogs.

Diamond Ranch Pheasant Hunts is licensed with the Division of Wildlife Resources as a Commercial Hunting Unit, or a CHU. They have the right to raise and release birds for hunting on their property from September 1st to March 31st. As part of this arrangement, they have to leave 15% more birds out than are harvested by their customers.

The Diamonds purchase their birds from a large hatchery at the end of April when they are day-old chicks. The chicks are taken to the farm and raised in a brooder house where they keep the temperature near 100 degrees. Since pheasants are very cannibalistic, Jed puts blinders on all the birds when they are between five and seven weeks. When the birds get big enough, usually at about six

(continued on next page)



Two of Jed's hunting labs.

weeks, they are moved into the large fly pen where they grow to maturity.

During their season, they run four different hunts per day, two in the morning and two in the afternoon, seven days a week from September until around the end of December. After their season is complete, they graze their animals on the acreage they hunt.

Part of the reason their pheasant hunting business has been so successful is the location. "It's local, that's the biggest thing," said Jed. "People here can run out for a couple hours after work and shoot a few. Anywhere else you about have to spend a whole day with drive time."

According to John, "The thing that is really good is that we are close to the metropolitan area. There are a lot of guys that do this but they are a distance away. That's been a real advantage to us is the proximity of the place. It's probably one of the bigger continuous plots of ground left in the area."

Their diverse clientele ranges from individual hunters to corporate groups that bring their clients. Hunters order the number of birds they want released, and Jed releases the birds shortly before the scheduled hunts. For individual hunters the Diamonds have a four bird minimum and for groups the minimum is 10

birds. The cost is \$18 per bird. Hunters can also pay \$25 per hour for a guide and trained bird dogs to assist them.

Jed raises both pointing labs and registered luellen setters to help with hunts. When it comes to running the dogs for the hunts, Jed has found that pairing one of each breed works the best. "The setters work harder to find the birds, and the labs are better on the retrieving part. They work a little slower, so they'll pick-up birds the setters run by," said Jed. "There are pluses and minuses with both breeds, so when you run them together, you get the best of both."

Jed also sells some of the dogs he breeds as pups, some are trained and sold and the rest are kept to work as hunting dogs. Working with his dogs is Jed's favorite part of the business. "I enjoy watching my dogs go out and work more than anything," said Jed. Today he only shoots about a half dozen birds while training his dogs.

In addition to their greenhouse, cow-calf and pheasant hunting operations, John and Jed work as hunting guides in the fall. John also does leather work and makes saddles and other items for the horses and pack mules they use while guiding. "We build all the pack equipment; pack saddles, saddle pads, halters and gear bags. Last winter I built five pack saddles for different people," said John.

The Diamonds definitely stay busy with their many pursuits, and the diversification has its positive and negative points. "It seems like sometimes when one area isn't doing to well, the other area subsidizes it somewhat. That's one of the main benefits, there are a lot of headaches juggling things," said John.

Even with the occasional headaches, the Diamonds enjoy their work and have proven themselves to be successful at managing multiple operations and turning hobbies into profitable ventures.



The Diamond Family Top: Tara, Jordan, John, Whitney, John, Jed, Kristen Bottom: Summer, Kathy, Marilyn, Jaydaan and Jace Diamond.

Katharine Nye Places Third in National Speaking Competition



Katharine Nye at the State Fair.

During the last week of June, Katharine Nye placed third in the intermediate prepared public speaking competition at the National Holstein Convention in Sacramento, CA.

Her speech, *Progressing with Power or Backsliding through Ignorance?* (see next column for an excerpt from her speech) also helped her place second in the state FFA speech competition.

Katharine is a senior at Delta High School where she serves as the Delta Chapter President of the FFA. As president, her goal is to start an alumni chapter to help support the FFA students at her school.

Some of her other FFA awards include a State Proficiency in Dairy Production - Entrepreneurship, Star State Farmer and Ag-Sales Proficiency. In January, Katharine won the Farm Bureau FFA Discussion meet that is sponsored by Western AgCredit, taking home a laptop computer.

When Katharine was 13, she won a heifer in the State Heifer Contest. This animal was the beginning of a herd of cattle, Desert Wind Cattle, which she owns with her friend, Sami LeFevre. Their herd consists of 25 registered holsteins which Katharine enjoys exhibiting at local shows.

Katharine is the daughter of John and Maria Nye, owners of Mountain View Dairy in Delta, UT. In addition to helping on the family farm, Katharine also works at IFA.

Progressing with Power or Backsliding through Ignorance?

(Excerpt from Katharine's award-winning speech)

This I believe: we must find the fusion of technology and sustainability for our agricultural industry to uphold our appointed duty of feeding the world while protecting our natural resources. Let's define technology and sustainability. Technology is human innovation in action that involves the generation of knowledge and processes to develop systems that solve problems and extend human capabilities. The agricultural community has continually been moving toward this definition of sustainability: a business model that includes economic feasibility, social responsibility, and environmental conscience.

In order to thrive, our extremely efficient and productive agricultural sector must be able to retain the use of the technologies that have allowed such growth in the past years. The 99% of the U.S. population which has no connection to agriculture, other than their kitchen table, needs to understand that. A recent Utah Department of Agriculture and Food study showed that 61% of those surveyed were two generations removed from the farm. That means not even their grandparents farmed, or had any on-farm experience. This demographic shift causes real problems in the agricultural world. As society becomes ever more attached to its cell phones, instant messengers and the deluge of internet information, it has lost track of what's "down on the farm." The bucolic vision of red barns and the straw hat is not reality anymore, but our consumers don't know that...

Agriculture

Two correct entries will be randomly selected to receive a \$50 gift certificate to Cabela's!

ACROSS

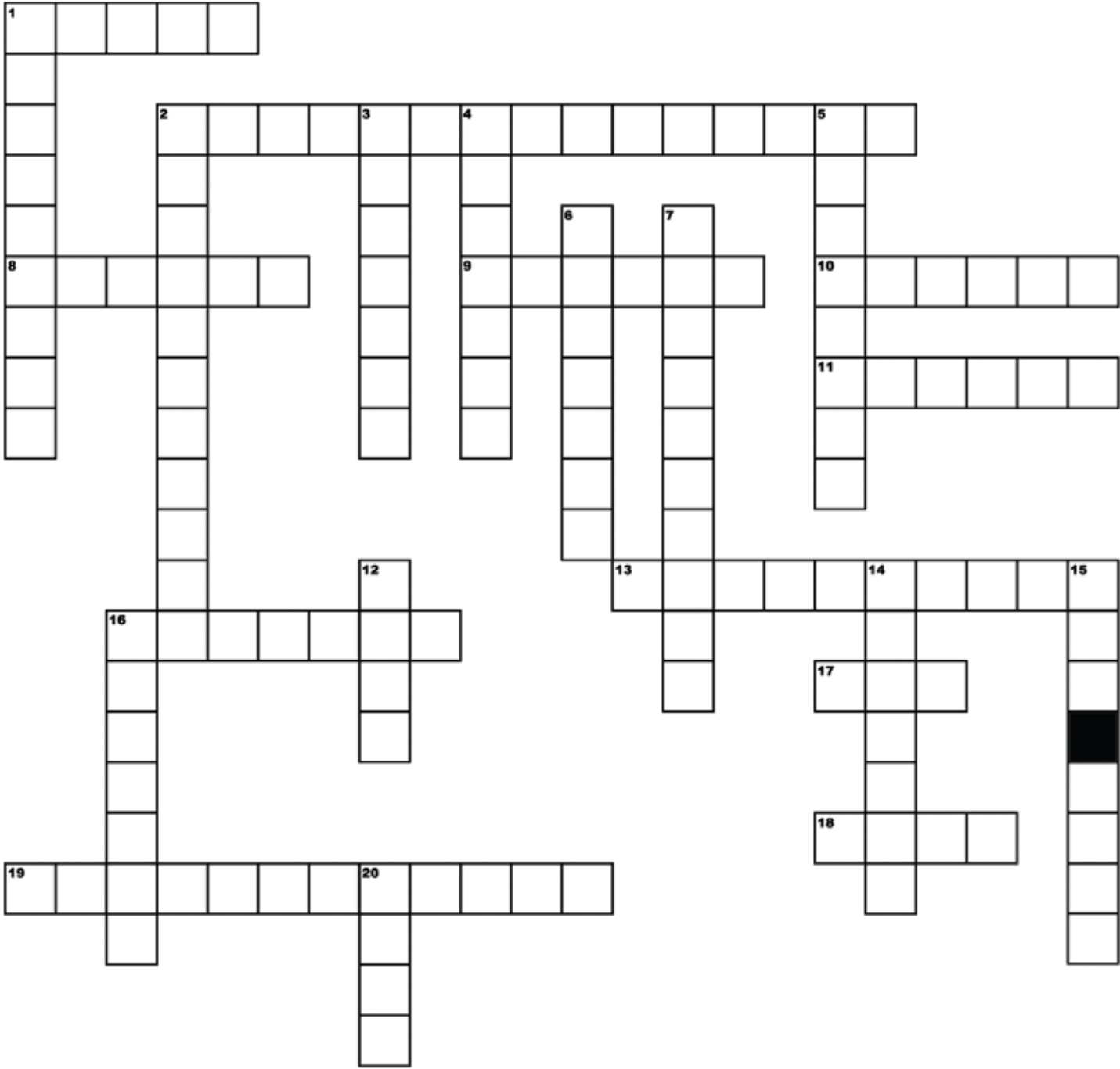
1. a neutered male chicken
2. someone concerned with the science, art or business of cultivating the soil
8. an often misunderstood fruit
9. fowl native to Northern Mexico and the Eastern United States
10. animal waste
11. an animal herder who tends cattle on ranches in North America
13. a common practice for farmers during the late summer and early fall
16. Brigham City, UT is famous for this agriculture product
17. generic term for cut, dried and stored grass or legumes
18. a group of chickens
19. the science of plant cultivation

DOWN

1. immune milk
2. fish farming
3. used for harvesting, threshing and cleaning
4. a product derived from cows
5. cows have four of these
6. a type of farming limiting the use of synthetic fertilizers
7. plants that grow and come back the next year
12. meat from bovines
14. crucial to harvesting hay
15. an ad campaign for an agriculture product often parodied
16. low-growing vegetation cover used for grazing
20. something Mary had

Return your completed puzzle to:
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c/o Sarah Butters
P.O. Box 95850
South Jordan, UT 84095

Crossword Challenge



Name: _____

Address: _____

City, State, Zip: _____

Phone Number: _____

Finalists to be
announced for the
**2009 Leopold
Conservation Award**
in Utah



Sand County Foundation, the Utah Farm Bureau Federation, the Utah Cattlemen's Association and Western AgCredit will announce the finalists for the 2009 Leopold Conservation Award at the Utah Association of Conservation Districts Annual Convention in St. George, UT.

“The pool of nominees this year was exceptionally strong, so the judging panel had an extremely difficult task,” said Dr. Brent Haglund, Sand County Foundation President. “The State of Utah should be proud of the tremendous conservation work these families have done to improve the state’s land water and wildlife.”

The Leopold Conservation Award, named in honor of world-renowned conservationist Aldo Leopold, is comprised of \$10,000 and a Leopold crystal. The award is presented annually in seven states to private landowners who practice responsible land stewardship and management.

The 2009 Leopold Conservation Award recipients will be recognized Nov. 6 at the Utah Association of Conservation Districts Annual Meeting in St. George. The winner of the Leopold Conservation Award will then be announced Nov. 19 at the Utah Farm Bureau Annual Meeting in Layton.

The panel of judges for 2009 was comprised of:

- Roger Banner – Utah State University, College of Natural Resources
- Kyle Stephens – Utah Department of Agriculture and Food
- Randy Parker – Utah Farm Bureau Federation
- Darrell Johnson – 2008 Leopold Conservation Award winner

For more information on the Leopold Conservation Award, visit:

www.leopoldconservationaward.org

For more information on Leopold Conservation Award in Utah sponsors, visit:



www.sandcounty.net



utfb.fb.org



www.utahcattlemen.org



www.westernagcredit.com



Laughing Pen

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Excerpts from classified sections of newspapers:

- ◆ Quarter horse mare. Well bread.
- ◆ Illiterate? Write today for free help.
- ◆ Auto Repair Service-Free pick-up and delivery. Try us once, you'll never go anywhere again.
- ◆ Our experienced Mom will care for your child. Fenced yard, meals, and smacks included.
- ◆ Dog for sale: eats anything and is fond of children.
- ◆ Stock up and save. Limit: one.
- ◆ Semi-Annual after-Christmas Sale.
- ◆ Mixing bowl set designed to please a cook with round bottom for efficient beating.
- ◆ Great Dames for sale.
- ◆ Wanted. Man to take care of cow that does not smoke or drink.
- ◆ And now, the Superstore-unequaled in size, unmatched in variety, unrivaled inconvenience.
- ◆ We will oil your sewing machine and adjust tension in your home for \$1.00.

Old Goats

A group of Canadians was traveling by tour bus through Holland. As they stopped at a cheese farm, a young guide led them through a process of cheese making, explaining that goat's milk was used.

She showed the group a lovely hillside where many goats were grazing. These, she explained, were the older goats put out to pasture when they no longer produced.

She then asked, "What do you do in Canada with your old goats that aren't producing?"

A spry old gentleman answered, "They send us on bus tours."

Slicing The Pie

In a country home that seldom had guests, a young son was eager to help his mother after his father appeared with two dinner guests. When the dinner was nearly over, the boy went to the kitchen and proudly carried in the first piece of apple pie, giving it to his father, who passed it to a guest.

The boy came in with a second piece of pie and gave it to his father, who again gave it to a guest.

This was too much for the boy, who said, "It's no use, Dad. The pieces are all the same size!"

Profit Margin

Two farmers decide to collect watermelons from all the surrounding farms and pay the farmers 50 cents per melon. They rent a truck, load up the watermelons and drive to the big city, 400 miles away. They sell the entire truck load of melons, 2 for \$1.00. On the way home one farmer says to the other, "You know, we really didn't make too much money. How do you figure it?" The other one answers, "We gotta get a bigger truck."



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