

FenceLines[®]



Winter



2009



President's Message

Dear Western AgCredit Customers and Friends,

We hope this letter finds you and your family surviving the winter months and the turmoil in the economy. We're looking forward to warmer weather and an improved economy.

Western AgCredit just completed one of its most successful years in recent history from a growth standpoint, but the low interest rates have taken their toll on our earnings. Since Western AgCredit is a single industry lender, we make our money by lending to farmers and ranchers. Our earnings rise and fall in direct correlation to the movement of interest rates. Western AgCredit will generate a profit during 2009, it just won't be at the same levels as we've experienced during the recent years.

The amount of cash patronage paid to Western AgCredit customers from 2008 earnings is less than the amount paid in prior years to ensure your Association remains well capitalized and because of lower Association earnings on stockholders' equity. While many financial institutions restricted

lending in 2008, Western AgCredit's average loan volume grew by 15%, which is most likely the highest growth rate of any lender in our trade area. The strong growth substantiates Western AgCredit's commitment to financing production agriculture. We anticipate our growth rate for 2009 to be in the neighborhood of 10%, which will probably still be the highest growth rate of any agricultural lender in the intermountain region.

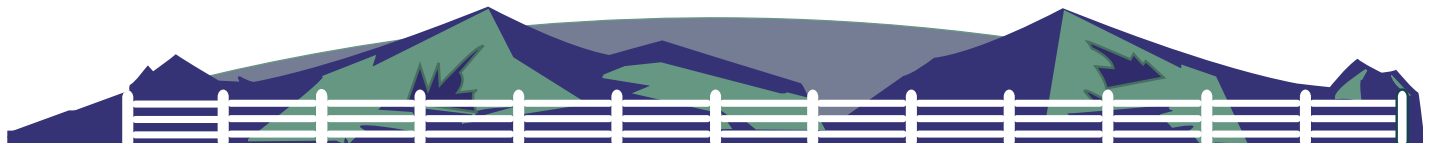
Early in 2009, it doesn't appear that many (or any) of the major commodities that we finance will achieve a positive cash flow through this operating cycle. Fortunately, most of our customers went into this downturn with strong balance sheets and are well positioned to withstand the poor prices that they'll receive for their commodities. We're asking our customers to make all adjustments they can to their income and expenses, but don't make changes that will impact profitability for only the short-term that could result in negative consequences over the long-term. Examples of short-term gains with

long-term negative consequences would be selling replacement heifers to get the immediate cash injection, but would devastate the operation's culling/replacement program. Good operators will generally find that times of adversity will provide them with opportunities if they are looking for them. It's very important that the producer and their lender not "over react" during periods with weaker commodity prices, and it's equally important that the lines of communication remain open.

We appreciate the support that our stockholders and friends provide us. We feel very fortunate to be doing business with the people who we currently are associated with. Times are tough and stress levels are high, but we should all be fine if we continue to work together.

Together in Agriculture

Richard Weathered
President



The 5 Credit Factors

Standards Used to Determine if Applicants Qualify for Credit

In a world where credit is becoming harder to obtain, we felt it beneficial to share the factors we use to determine whether or not an applicant qualifies for financing with the Association. Most lenders use some variation of the following standards to determine credit worthiness.

#1 Character

Every lending decision requires an answer to the basic questions: Is the customer of sound character and do they have the management ability to run the operation and repay the loan?

The character factor is often regarded as the most important credit factor because it is the catalyst that transforms expectations, goals and projections into realities.

Character includes such qualities as honesty, openness, integrity and self-discipline. In general, sound character is a necessity but not the only factor considered.

#2 Capacity

Capacity refers to the customer's ability to generate sufficient earnings to repay their obligations including current obligations and any new debt, as well as provide an adequate margin for family living, capital replacement and accumulation of a reserve for adversity.

Earnings capacity is not the same as cash flow. Accrual adjustments must be made to cash income records to accurately determine net income. An operation can have sufficient cash flow to meet current obligations

without having positive net earnings. The reverse can also be true.

The risk associated with the capacity factor is closely associated with the capital factor. As the risk of low or negative capacity margins increase, a correspondingly stronger capital position is required to ensure that sufficient repayment reserves are available should there be an earnings shortfall.

#3 Capital

Capital refers to the customer's financial position and is typically reflected on an individual's or entity's balance sheet. An evaluation of the capital position typically involves an analysis of the financial progress, asset quality, working capital, liquidity, solvency and debt structure. The analysis also evaluates historical and current balance sheets, together with income statements of even dates, such that cash to accrual adjustments and changes in net worth can be evaluated.

Part of the analysis of capital is determining if the customer's financial position has improved or deteriorated over time. Whether considering past, present or projected financial statements, the lender examines the values of those statements relative to the customer's previous position.

#4 Controls

Controls refer to the terms and conditions under which the loan is being approved. The lender has direct control over these provisions such as loan amount, use of funds and loan

terms. The lender is responsible to make the amount and purpose of the loan constructive and establish repayment terms that are practical for all parties involved.

In addition to the standard loan agreement, conditions of approval may need to be supported by customized loan agreement conditions, additional collateral, appropriate insurance coverage and other special conditions as the situation warrants.

The loan term should not generally exceed economic life of the project or the asset being financed.

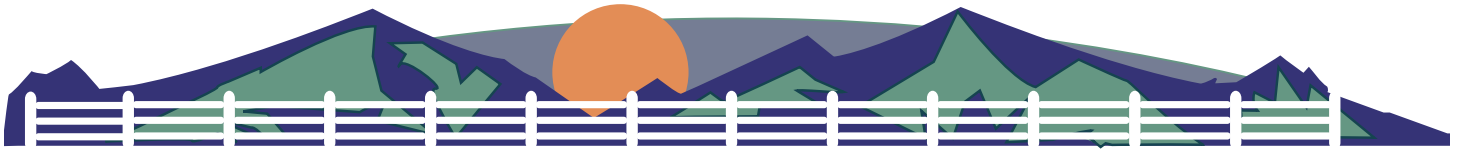
#5 Collateral

Collateral is the assets that are being pledged to the lender to ensure performance of the lending agreement. In some lending relationships, the collateral is the primary source of repayment for the loan, other times, collateral is the last line of defense for the lender to avoid taking a loss on a loan.

Short and intermediate-term loans are primarily secured with a first priority interest on personal property. These loans may also be secured with a first priority interest in real property. As the loan term increases, generally the need for security also increases.

On long-term loans, primary security must consist of a first lien or an equivalent interest in real estate.

If you have questions about the five credit factors, or if you would like to know how to improve your standing in these areas, please contact your loan officer.



Director Myrin Receives Distinguished Cattlemen Award

In December, Alarik Myrin, vice-chairman of Western AgCredit's Board of Directors, was presented the Distinguished Cattlemen Award by the Utah Cattlemen's Association at their annual convention.

Alarik and his family run a cattle operation in Altamont, UT. Throughout his career, Alarik has been an avid supporter of farming and ranching in the state of Utah.

"This award is reserved for a very few cattlemen who have really served the industry well, not only locally, but at the state and national level as well," said Gary Hallows, president of the Utah Cattlemen's Association.

In a tribute to his father at the convention, Nils Myrin outlined some of the contributions Alarik has made to strengthen the cattle industry in the state including his service as president of the Utah Cattlemen's Association and as a board member on the National Cattlemen's Association. Alarik has also served in local cattlemen's association leadership positions and in the Utah State Legislature.

"Each year we look to recognize one outstanding individual that has gone above and beyond for the cattle industry," said Brent Tanner,



Nils, Beth and Alarik Myrin with Utah Cattlemen's Association President Gary Hallows

executive vice president of the Utah Cattlemen's Association. "Alarik certainly fits that qualification. He has served the cattle industry well, and continues to make an impact on the future of livestock production."

ENERGY

Ideas for Saving
Energy in
Agriculture

W^oISE

Don't Let Low Fuel Prices Fool You!

With fuel prices back to a more reasonable level, it is easy to postpone conservation efforts. However, the current reprieve from high fuel prices is not likely to stay, and now is the time to increase energy efficiency and position agricultural operations to better manage soaring energy costs.

After the rapid decrease in fuel prices that occurred during the fourth quarter of 2008, we are now seeing fuel prices increase again. It is projected that crude

oil, gasoline, ethanol and diesel prices will all continue to rise in 2009.

Now is the time to act! Take a portion of the savings realized from decreased fuel costs and invest in long-term solutions to reducing energy consumption. Also, since things tend to slow down in the wintertime, take a few days to incorporate some of the energy saving ideas listed on our Energy Wise idea list on our website.

Send us your ideas!!!

Send your energy saving ideas to Sarah Buttars via email at sjb@westernagcredit.com or mail them to her at PO Box 95850, South Jordan, UT 84095. A working list is posted on our website, and we will continue to add to it as we receive new ideas for energy conservation. If your idea is selected for publication in FenceLines, we will send you a \$50 gift certificate to Cabelas! To view the list, go to our website: www.westernagcredit.com and click on the "Agriculture Resource" tab on the left-hand side.



Roosevelt Branch

Farmers and ranchers in the Uintah Basin are serviced by the Roosevelt staff. In 2008, Don Fitzgerald was promoted to branch manager. A cattleman himself, Don enjoys helping farmers and ranchers in his area to achieve success in their operations.

Don Fitzgerald
Branch Manager-Assistant VP

Years at Western AgCredit: 9

Hometown: Kamas, Utah

Hobbies and Interests: I enjoy raising quality black angus cattle.

Favorite Western AgCredit Memory: Probably my best memories are that my customers at my previous employment followed me to Western AgCredit for their borrowing needs. That trust and confidence has meant a lot to me.

Ag Background: I was born and raised on the family dairy, sheep, poultry and beef farm in Kamas. I received a bachelor's degree from Utah State University in agricultural economics. I continue to operate and manage part of my parents farming interests in Neola, UT. This includes around 120 stock cows, 241 acres of ground and 200 leased acres.

Mark Murray
Assistant VP Credit Support

Years at Western AgCredit: 27

Hometown: I am originally from Echo, Oregon; a small town in Eastern Oregon.

Hobbies and Interests: I like doing things outdoors including fishing, hunting, gardening and golfing. I also enjoy classic cars.

Favorite Western AgCredit Memory: I've enjoyed working with people to help them improve and/or enlarge their operations.

Ag Background: I grew up on a dry land wheat farm in Eastern Oregon. I have also worked on irrigated hay and grain operations.

Lela Fowles
Branch Secretary

Years at Western AgCredit: Lela just started in November of 2008, and the Western AgCredit staff is happy to have her onboard!

Hometown: I was born in Salt Lake City, raised in the Uintah Basin, and returned to Salt Lake after

graduation. We now live in the Roosevelt area on a farm that we inherited from my sister and brother-in-law. I guess we have just made a complete circle back home.

Hobbies and Interests: I love to travel, and we have been fortunate to be able to travel some. I love to do genealogy. It seems to make those ancestors more real.

Ag Background: From the time I could walk to the time I graduated from high school, there was always something to do on the farm. As I grew older and we purchased new tractors and other equipment, I learned to do whatever the farm required. I had been away from farming for 22 years when I found that we were moving back to the farm for the rest of our lives.



Don Fitzgerald, Lela Fowles and Mark Murray



Wit and Wisdom

Floyd Israelsen relates life experiences and gives advice for our troubled times.

Floyd Israelsen was born in 1919. Ten years later, the Great Depression began. During his lifetime, Floyd has seen many things including wars, ups and downs in the economy, changes in technology and consumerism take control of our society.

Floyd has also witnessed drastic changes in farming methods. He's seen cultivation progress from horses and plows to tractors with gigantic implements. According to Floyd, horses had their advantages—they didn't need gasoline, they didn't require repairs and "horses used to reproduce themselves and tractors don't."

Floyd was born in North Logan, UT. While he was a young child, the family relocated to Idaho for a few years before returning to Cache Valley to take over his grandparents' farm in Hyrum. This is where the family was during the Depression years.

"I remember those days in the 1930s. I don't remember us ever going hungry, but we didn't have any money. Our clothes were either hand-me-downs or remodeled. We always had a big garden. We lived out of that garden all summer. Mother bottled hundreds of quarts of fruits and vegetables. I raised a lot of rabbits and she canned lots of rabbit, so we always had plenty

to eat including milk and eggs," remembers Floyd.

"I remember many, many men came from town begging dad to give them a job," said Floyd. He also recalls that the men were willing to do any chore that needed doing, and they didn't want money. They wanted a sack of potatoes or some eggs; something they could take home and feed their families.

Floyd's father, Victor, kept meticulous records of all dealings on the farm. During the Depression, having assets to sale didn't ensure adequate cash flow as the following record demonstrates:

Record from May 24, 1934:

Sent two cows to Ogden with Mr. Bradley, one sold for 2 cents a pound and weighed 932, the other one weighed 587 and brought ½ cent a pound. Handling charge was \$7.70, so the net check for those two cows was \$13.87.

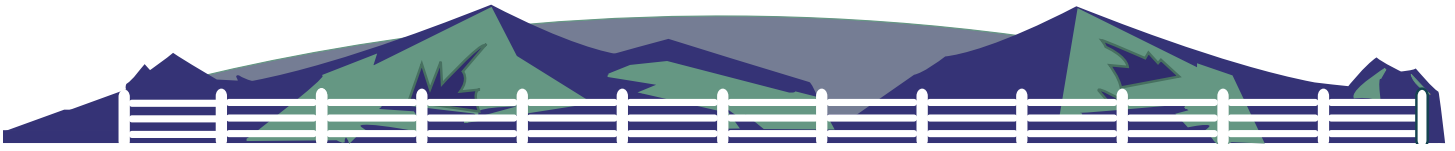
In 1941, Floyd married his first wife, Zeneth Gilgen. Twelve days later he left to serve a mission for The Church of Jesus Christ of Latter-day Saints. While on his mission, World War II broke out, and new elders weren't able to join the missionary efforts, so Zeneth joined him on the later

part of his mission. In 1947, Zeneth passed away, leaving him with a little girl. Floyd married his second wife, Mildred Nash, a year and a half later. They were married for 57 years before she passed away two years ago last April. Floyd has 14 children, 9 of them still living, 61 grandchildren, 46 great-grandchildren and 5 great-great-grandchildren. In addition to his missionary service, Floyd has also served as a bishop and currently works in the Logan Temple and as a stake patriarch.

Floyd also relates how times were tough after he returned from his mission in 1943. During this time, dairies didn't want to keep bull calves, and there wasn't a market for selling them. When a calf wasn't wanted, they would call Floyd. He



Floyd holding his brother Dee, circa 1933



Floyd with a pig at the fair.

would pick-up the animal, skin it out, feed the carcass to his pigs for protein and sell the hide for \$1.50. At the time, Floyd felt like this was a good operation. However, he says, “I hope it doesn’t get that bad, but we have some big challenges ahead of us.”

In 1945, an advertisement in the paper took Floyd to look at some cows in Young Ward on the southwest side of Logan. According to Floyd, the cows were sickly and “didn’t look like they’d give as much milk as a goat,” but the farm was also for sale, and Floyd purchased the farm in 1945 with a loan from Federal Land Bank.

“Dad borrowed from Federal Land Bank back in those days, so after I got here [to his current farm] I borrowed from Federal Land Bank



Floyd with his father, Victor, circa 1947.

and Utah Production Credit for many years and they evolved into Western AgCredit. So we’ve been with them all these years. It’s been a lifesaver for farm people, a source of credit. It’s nice when you don’t have to use it, but it’s sure nice to have it available when you do need it,” said Floyd.

A few years after the purchase of the first farm, Floyd purchased an additional 40 acres, and a few years after that he bought another 40 acres. Currently they use their acreage to grow grass hay, most of which is fed to the livestock on the farm. Over the years, he’s raised a variety of animals, but now they concentrate on beef cattle, Holstein heifers and sheep, some of which are Floyd’s grandchildren’s 4-H projects.

Exhibiting animals is a family tradition, Floyd exhibited at the fair, and Floyd’s children raised their own animals which they exhibited at the fair as well.

Floyd is a great example of using resources conservatively. “My kids kid me all the time about hanging onto things too long, until they’re worn out or dilapidated,” said Floyd, “but you can make them last, you can make them work. It’s nice to buy a brand new tractor or a brand new baler or something, but somehow, somehow you’ve got to pay for it. If times are tough or income is down, it’s nice to not have that big debt hanging over your head.”

Considering all of the changes happening in our economy today, Floyd sees people returning to practices of thrift, economy and self-sufficiency common during the Depression and war years.

“I bet you next spring you’re going to see hundreds of people planting a garden that have never had a garden in their life. They’ve always thought a garden was too much labor and too much time, but they will start thinking pretty seriously about digging up a little garden place,” said Floyd.



Floyd and his oldest daughter, Carol Hogan, display a quilt top made from ribbons won at the fair.

Also pictured: Floyd’s loan officer, Casey Beck.

Floyd also offered some advice to help farmers and ranchers tough it out during these tumultuous times:

“Individual farmers are going to have to make the best of what they’ve got. Most of my machinery is obsolete as some of these big farms are concerned. I don’t have any tractors with cabs, but they work, they do the job and they get things accomplished.

“You can’t borrow yourself out of debt. People are going to have to avoid getting into debt so deep that they can’t make ends meet. I know when I was growing up our philosophy was you made the best you could with what you had, made it last or did without.”



Now What?

Begin Your **Future in Agriculture** with a **Scholarship**

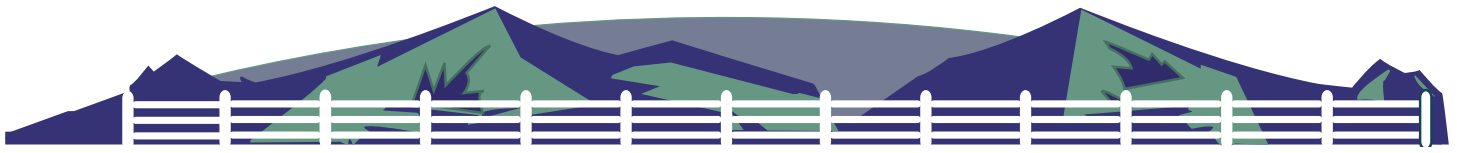
sponsored by



For more information call 800.824.9198 or visit www.westernagcredit.com

SCHOLARSHIP	Application Location	DEADLINE
Western AgCredit Customer Scholarship--three, \$1000	www.westernagcredit.com Or your local branch	March 31, 2009
BYU Idaho College of Ag--one, \$1000	Stephen McGary, 208.496.2019	May 30, 2009
Utah FFA Western AgCredit Scholarship--one, \$1000	From your FFA Advisor	February 22, 2009

Note: Western AgCredit also sponsors five, \$1000 scholarships through Utah State University's Department of Agriculture. The annual deadline for these scholarships is January 15.



Johnson Ranches Receives Leopold Conservation Award

Wisconsin-based Sand County Foundation, in collaboration with Utah Farm Bureau Federation and the Utah Cattlemen's Association, presented its \$10,000 Leopold Conservation Award to Darrell Johnson of Rush Valley in Tooele County.

"The Johnson family is among the many private landowners in Utah who are leading the way in modern conservation nationwide. This is our second year of presenting the award in Utah, and the Johnsons' operation is another terrific example of how a well-run ranch can turn a profit while also protecting and restoring natural resources like grassland, water and wildlife," said Dr. Brent Haglund, Sand County Foundation President.

The Johnson Ranch has been part of Darrell Johnson's life for longer than he can remember. He grew up working on the ranch and planned how he would run the operation until he got his opportunity in 1962 when he began to purchase land from his uncles. He partnered with his father, Orson, until 1988.

One of Johnson's first major initiatives was transforming his land from a juniper/sage community to

grassland, which was accomplished through a combination of chaining and prescribed fire, as well as fencing to limit access to cattle. This transition resulted in a significant increase in water flow, including year-round streams that have created riparian areas on the ranch. Johnson is also working with the Utah State Division of Wildlife Resources in selecting a grass seed mix that will enhance habitat for mule deer and sage grouse.

It is clear that Johnson places a high emphasis on agricultural education and outreach, beginning with his two sons, Bryan and Ed, who live on the ranch and contribute a great deal to the day-to-day operations. Darrell has spoken about environmental science and range management to classes at Brigham Young University, University of Utah, and Utah State University. The Johnsons also open their ranch to research, including projects on

climate change, soil fertility, and erosion control.

"I believe the best way to educate everyone, from those unsympathetic to ranching operations to fellow producers, is to be willing to show them the rewards we have reaped by being good stewards of the resources we own and control," Johnson said.

2009 Nominations

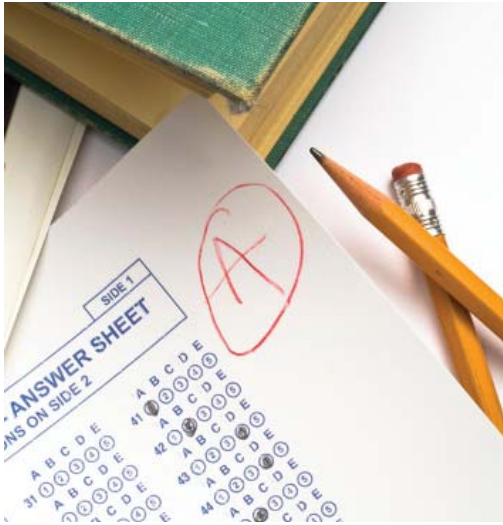
In 2009, Western AgCredit is joining with Sand County Foundation, Utah Farm Bureau Federation and the Utah Cattlemen's Association to recognize the 2009 Leopold Conservation Award recipient. If you would like to nominate someone who makes conservation an integral part of their ranching operation, visit www.leopoldconservationaward.org.



Photo Credit: Ron Francis

Easily calculate your break-even with our new tools!

With the current volatility in the agriculture industry, we thought it would be beneficial to create simple tools to help calculate break-even costs. Wise management is crucial for the continued success of all agriculture operations when break-even prices are at or above the price received for the goods produced. There are currently two spreadsheets available, one for calculating dairy operations and another for beef cattle operations. To access these tools, go to www.westernagcredit.com and click on the "Agriculture Resource" tab on the left hand side. If you have questions on how to input your information, please contact your loan officer.



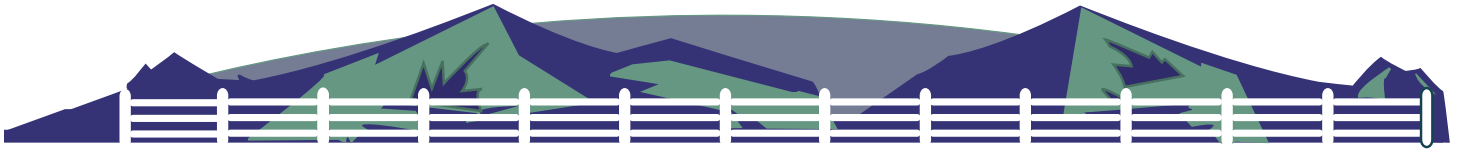
Test Your Ag Knowledge

for a chance to win a \$50 gift certificate to Cabela's!

The highest scored entries will be included in a drawing for two gift certificates. Correct answers and winners will be announced in the next issue of FenceLines.

- 1. An acre of land is about the same size as:**
A. Baseball Field B. Soccer Field
C. Football Field D. Rugby Field
- 2. Approximately how much land does it take, per person in the U.S. to grow all their food and fabric resources for a year?**
A. 6.25 B. 4.5
C. 10 D. 2.75
- 3. Which of these is NOT a method to reduce soil erosion?**
A. Increasing the slope of the field
B. Use of conservation buffers
C. Planting trees
D. Conservation tillage
- 4. Nationally, which of the following commodities has the top cash receipts?**
A. Meat B. Dairy products
C. Vegetables D. Cotton
- 5. Which U.S. President signed the act that provided support for state colleges devoted to agricultural and mechanical arts?**
A. Thomas Jefferson
B. Abraham Lincoln
C. Franklin D. Roosevelt
D. George Washington
- 6. Which country has the safest, most affordable food supply?**
A. Mexico B. Canada
C. Japan D. United States
- 7. On average, one U.S. farmer produces enough food and fabric each year for about how many people?**
A. 175 B. 53
C. 143 D. 27
- 8. On average, how much of every food dollar goes to the farmer or rancher?**
A. \$.53 B. \$.07
C. \$.67 D. \$.19
- 9. How many days does it take for most Americans to earn enough income to pay for their food for the entire year?**
A. 92 B. 24
C. 56 D. 36
- 10. One acre of wheat can produce enough flour to furnish a family of four with bread for about:**
A. 10 years B. 2 years
C. 7 years D. 15 years
- 11. How many soccer balls can be produced from one cow hide?**
A. 6 B. 18
C. 12 D. 24
- 12. How much wool does one sheep produce in one year?**
A. 10-12 lbs. B. 7-8 lbs.
C. 20-24 lbs. D. 4-5 lbs.
- 13. How many flowers must a bee visit to make one pound of honey?**
A. 2 million B. 1 million
C. 200,000 D. 5,000
- 14. In the 1930's, 25% of the population lived on a farm, now it is less than:**
A. 5% B. 2%
C. 8% D. .5%
- 15. Today, agriculture (the entire food and fiber industry) accounts for what percentage of America's worth?**
A. 27% B. 3%
C. 13% D. 19%

Mail your answers to Western AgCredit, c/o Sarah Buttars PO Box 95850 South Jordan, UT by February 20, 2009 for a chance to win!



The Laughing Pen

THE HALF-WIT

A man owned a small farm in Saskatchewan. The Saskatchewan Provincial Wage & Hours Department claimed he was not paying proper wages to his help and sent an agent out to interview him.

“I need a list of your employees and how much you pay them,” demanded the agent.

“Well,” replied the farmer, “there’s my farm hand who’s been with me for 3 years. I pay him \$200 a week plus free room and board. The cook has been here for 18 months, and I pay her \$150 per week plus free room and board. Then there’s the half-wit. He works about 18 hours every day and does about 90% of all the work around here. He makes about \$10 per week, pays his own room and board, and I buy him a bottle of bourbon every Saturday night.”

“That’s the guy I want to talk to the half-wit,” says the agent.

“That would be me,” replied the farmer.

RIDE ‘EM COWGIRL

A blonde from California decides to try horseback riding, even though she has had no lessons or prior experience. She mounts the horse

unassisted and the horse immediately springs into motion. It gallops along at a steady and rhythmic pace, but the blonde begins to slip from the saddle.

In terror, she grabs for the horse’s mane, but cannot seem to get a firm grip. She tries to throw her arms around the horse’s neck, but she slides down the side of the horse anyway. The horse gallops along, seemingly oblivious to its slipping rider. Finally, giving up her frail grip, she leaps away from the horse to try and throw herself to safety.

Unfortunately, her foot has become entangled in the stirrup, she is now at the mercy of the horse’s pounding hooves as her head is struck against the ground over and over. As her head is battered against the ground, she is mere moments away from unconsciousness when to her great fortune . . . the supermarket manager sees her and shuts the horse off.

WHAT’S THE DIFFERENCE?

Sure fire signs that your cow has mad-cow disease...

Your cow insists on wearing a little A-1 sauce behind each ear as cologne.

Your cow appears on Oprah, claiming to be a horse trapped in a cow’s body.

Your cow insists evaporated milk comes from thirsty cows.

Your cow quits the family dairy business and applies for a job at Burger King.

She starts giving you Milk of Amnesia.

Your cow joins the Hell’s Angels because, hey, it already has a cool leather jacket.

Your cow insists that it can give you chocolate milk if you started feeding it Hershey bars.

Your cow insists Milk Duds are the result of stupid cows.

Your cow starts laughing hysterically until milk spurts out its nose.

You find your cow hiding secret plans to burn down half of Chicago.

Your cow believes it could really jump over the moon like in the nursery rhyme if it had a really good run at it.

Whether it’s something funny that happened on the farm or a joke you heard at the local cafe, send it to us at Western AgCredit, c/o Sarah Butters PO Box 95850 South Jordan, UT 84095. You can also email it to sjb@westernagcredit.com. Your joke just might end up in the next FenceLines!

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Cover photo: Floyd Israelsen's cow at his place in Cache Valley.

FenceLines is published for the reading enjoyment of customers and friends of WesternAgCredit. 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.



How to Reach Us:

Whether you want to praise us, complain, ask our advice, or just let us know what's on your mind, we'd like to hear from you!

*Western AgCredit
c/o Sarah Buttars
PO Box 95850
South Jordan, UT 84095-0850
sjb@westernagcredit.com
www.westernagcredit.com*