

Fresno Madera Farm Credit CONNECTION

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MARK YOUR CALENDAR!

Join us on **Wednesday, May 2nd** for Fresno Madera Farm Credit's **2007 Annual Stockholders' Meeting**. We hope you and your family will be able to join us at the **Fresno Radisson Hotel and Convention Center**. At the conclusion of the meeting, a drawing will be held for a \$1,000 travel voucher. *(Must be present to win.)*



PRESIDENT'S MESSAGE SPRING UPDATE

We hope that you are making plans to attend our 90th Annual Meeting that will be held on May 2nd at the Fresno Radisson Hotel and Conference Center. We encourage you to bring your family and prospective new borrowers. We have a social hour, followed by an elegant dinner while we present awards to the Valley's youth. The Chairman presents the report on the Association, we hold director elections and we conclude the meeting with a \$1,000 travel voucher giveaway. We promise that this will be a fast paced event, ending promptly at 9:00 pm.

After serving 15 years, Director Mike Urrutia has decided to retire from the Board; Jeff Jue of Fresno, Ca. and Mark Perez of Crows Landing, Ca. have been selected by the stockholder elected nominating committee to stand for election for the Mortgage seat. FMFC is in an outstanding position, as both candidates are exceptionally qualified.

Incumbents, Matt Abercrombie and Steve Schafer, will run unopposed as all of the potential candidates selected by the nominating committee

declined the nomination. I cannot over-emphasize the importance of your attendance and participation in the election process. This process of selecting the Board of the Association from the current membership is the process that sets Farm Credit apart from all other lenders. This insures that the focus of Agriculture will continue and that FMFC will be directed by local farmers and ranchers who work side by side with you, right here in the Valley.

We will have a special presentation by Chairman Cosyns at this year's Annual Meeting. Our CFO, Sheree Gayer, will be retiring this fall. She has been a pivotal member of FMFC for 30 years. Sheree began her career in branch operations at the Chowchilla office working through the ranks to become the PCA Operations Manager in 1982, and ultimately to be named CFO of the jointly managed PCA and FLB in 1993; she continued in this capacity as the Association transitioned to our holding company structure of today. There are very few people who have managed to adapt to the significant changes in such a critical role over such a pro-



Tom Brown
President & CEO

longed period of time. Sheree not only adapted; she led the charge! She is recognized by her peers in the System and by our Regulator, Discount Bank and outside

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auditors as one of, if not the best CFO in the System. FMFC has been extremely fortunate to have someone of her integrity, intellect, perseverance and work ethic. Her level of accuracy in the key functions of her job has been second to none for decades.

continued

PRESIDENT'S MESSAGE CONTINUED

There has not been one other person that has taken more ownership and has met her responsibility to the members of FMFC and to the Company at any higher degree than Sheree. It has been my privilege to work with her as a pivotal member of our Senior Management Team.

A good measurement of a person is how they embrace their retirement and how they support the person next in line. Over the last few years, Sheree has aggressively developed and delegated to her successor, Carolyn Dukes. The process has worked magnificently and on April 1, 2007 Carolyn was named as

"Today's membership continues to benefit from the business focus and fiscal responsibility of the directors that have set policy for FMFC for decades."

FMFC's new Chief Financial Officer (CFO). Our recently promoted Chief Operating Officer (COO), Gina White was also hired and trained by Sheree and worked closely with her and Carolyn for several years. As a result of Sheree's leadership, FMFC now has two very qualified and sound individuals who have a solid grasp of our past and are poised to control the fiscal and operations side of the organization into the future.

FMFC has enjoyed a very strong first quarter in 2007; our volume is running ahead of budget and new business devel-

opment has been strong. Many of our existing customers are becoming more aggressive relative to expansions and development. We are seeing advances on loans that have been either completely paid out or very low due to the profitability in 2004, 2005 and 2006. We also anticipate heavier operating advances this year over previous years. Fortunately, FMFC is very well capitalized and our credit quality remains excellent; we are very comfortable with the increased loan demand, as the quality of nearly all of your loans are excellent.

The Federal Reserve has been in a holding pattern relative to increases in interest rates since their last increase in June 2006. We have been holding our rates right along with the Fed. Our best information resources are probably no better than yours; what you can depend on is that FMFC will continue our strategy for being extremely rate competitive every day of the year in 2007. Our rates are a function of our cost of funds of course, but our very strong liquidity base reduces our biggest expense, which is the cost of the money we borrow to loan to you. In 2007 we will borrow against our \$550 million line with our discount bank. At the same time we will have over \$120 million of our own money outstanding every day of the year. Today's membership continues to benefit from the business focus and fiscal responsibility of the directors that have set policy for FMFC for decades.

Since 1999, we have managed the growth of the organization and the overall loan portfolio risk. Growth has allowed us to keep our costs in line with our peers and in balance with the size of the company. FMFC has grown steadily over the last eight years, in good times and in bad, while maintaining exceptional credit quality. Improved manage-

ment of credit risk has allowed us to fully utilize our liquidity without having to self fund high risk loans and acquired property.

"Our success is largely determined by your success in handling a multitude of production and management issues."

Our goal is to position FMFC to be rate competitive with outstanding service every day, month after month, year after year, in every production cycle and every interest rate scenario. Our success is largely determined by your success in handling a multitude of production and management issues. We only manage part of the equation; it is your demonstrated ability to meet all of the challenges, and succeed, year after year. That is what makes FMFC what it is today.

 - Tom Brown



SPRING FIELD REPORT

RAISIN, WINE, AND TABLE GRAPES

The vines are just beginning to push their spring growth. Reports are they are coming out on time this year. Preliminary bud counts are indicating the potential bunches are lighter than normal.

NUTS

This year's almond bloom was excellent. The trees had their needed chilling requirements met and the weather was mostly warm and sunny. It's still too early to tell how the nut set will be but there is a strong possibility that the trees will have a big crop. Pistachios and walnuts are still relatively dormant. Walnuts have just started to push new growth.

DAIRY

The mild winter was fairly easy on the milk cows and production was good. The milk price has been improving since the low of \$10.01 per cwt last July. Feed prices to the dairyman have been high with corn making big increases due to pressure from ethanol production. Good quality hay prices have also remained high to the dairy. Weather forecasts still show the area to be mostly dry, which could make for a dry first cutting.

TREE FRUIT

The dry cold winter has been good for the tree fruit as chilling requirements have mostly been met. Bloom is in process and the weather has been mild and dry. Crop set on the early varieties looks to be good.



COTTON

Cotton planting had not started as of the date of this report. It is expected that Pima cotton will again be heavily planted in 2007.

HAY & GRAINS

Hay prices are continuing to remain high. Due to the dry winter, water supplies will not be as abundant as it has been for the past couple of years and new plantings of alfalfa has been stifled. Corn prices have been benefiting from the high demand for ethanol production and, other grain prices have improved slightly. Earlier frost conditions may have a delaying affect on heading out of the small grains. The dry winter has not been as beneficial to the local non irrigated pastures. It looks like the 2007 grass season is going to be a short one.

VEGETABLES

Planting of processing and market tomatoes has been running close to normal due to the dry weather. Some of the spring broccoli that was in the ground when the frosts hit this last winter was slowed down but not seriously damaged. Sugar beets were hurt a little from the frost and the fields may have had to be planted to another crop.

WATER AVAILABILITY

As of the end of February 2007, Fresno's rainfall to date was about 65 percent of normal. The regional snow pack is 60 percent of the April 1 average, the normal date of maximum accumulation. Central Valley Project has recently announced water allocation at 50 percent. It looks like the 2007 water season is going to be much tighter than the past few years.

CHECK CLEARING FOR THE 21ST CENTURY ACT

As of October 28, 2004, the Check 21 Act became a federal law that enables banks to handle more checks electronically in order to make check processing faster and more efficient. Instead of physically moving checks from the depository bank to the bank that paid them, the electronically scanned copy of the check is used.

The effects of this change may have already been felt by many customers. The speed at which funds are available and withdrawn has already increased in response to check-system improvements other than Check 21.

Effective February 21st, FMFC began depositing payments by using an electronic check image scanning system referred to as the remote deposit system (RDS.) After we process your checks, we scan them into the RDS, which electronically sends the check images and information to our financial institution. This provides the benefit of no longer having to courier the physical checks to our bank for processing. The cancelled checks are retained at

FMFC until the transaction is verified and then appropriately destroyed on-site. This service allows for increased efficiencies and streamlines our accounting processes.

So what kind of changes can our members expect? The primary change that Check 21 allows within the banking system is the use of substitute checks and image statements, or an image replacement document (IRD).

This change will primarily affect anyone who is currently receiving their original checks back with their financial institution's monthly statement. Any checks that are written to FMFC, as of February 21st, will no longer be returned, and a substitute check or image document will be received. These substitute checks are legally the same as an original check. If you currently receive images of your checks, then this change in procedure will have no impact to you. Please contact our Loan Accounting Department or your Loan Officer if you have any questions or concerns regarding our new process.

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**PLEASE JOIN US FOR
FMFC'S ANNUAL STOCKHOLDERS' MEETING
IT IS COMING UP ON MAY 2ND**

Mark your calendar for this elegant event. We will conduct the Director Elections, present Ag Youth Grant Awards, and at the end of the meeting a drawing will be held for a \$1,000 Travel Voucher (must be present to win.) Invitations were mailed to you on April 12th. Please contact our Front Desk at (559) 277-7000 for additional information or to RSVP. We look forward to seeing you there!

CALENDAR

We will be closed on...

May 2 from 12:00pm to 5:00pm
Annual Stockholders' Meeting Preparations

May 28
Memorial Day

July 4
Fourth of July

UPCOMING EVENTS

May 3
FCFB Banquet
Rancho Vista Del Rio

May 4
Friend's Day: Duarte Nursery Inc
Hughson, CA

May 6
8th Annual Wine Tasting & Scholarship Event-
Isla Vista Farms, Madera, CA

May 17-20
Chowchilla-Madera County Fair-
Chowchilla, CA

June 3
A Celebration of Wine -
Rancho Vista Del Rio, Madera, CA

July 13-14
California Women for Agriculture State Wide Meeting-
Sacramento, CA.

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