



Fresno Madera Farm Credit

# CONNECTION

SPRING 2017

**Patronage  
Distribution  
Announced**

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**RSVP Today!  
Annual Stockholders' Meeting**  
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*Photo by Jennifer Markarian, 2016 Photo Contest Winner*

# CONNECTION

is a printed publication for customers of  
Fresno Madera Farm Credit.

## Board of Directors

Jeff Jue, Chairman  
Victor Sahatdjian, Vice Chairman  
Daniel Errotabere  
Fred Fagundes  
Edward Martinazzi  
Stephen Schafer  
Lance Shebelut  
Jeff Yribarren  
John Simpson (Appointed Director)  
Denise Waite (Appointed Director)

## Holiday Schedule

### Annual Stockholders' Meeting

Tuesday, May 2  
NEW LOCATION: DOUBLETREE, FRESNO  
Offices close at noon

### Memorial Day

Monday, May 29

### Independence Day

Tuesday, July 4

## Upcoming Events

### May 5

Fresno County Farm Bureau Centennial Gala  
Clovis, CA

### May 6

Reedley College Pinot & Pints  
Reedley, CA

### May 7

Madera County Farm Bureau Scholarship  
Fundraiser - Madera, CA

### May 18-21

Chowchilla-Madera Fair  
Chowchilla, CA



**Keith Hesterberg**  
President & CEO

## PRESIDENT'S MESSAGE

### 2016 Financial Results

Each year as we release our financial results, the timing allows us to briefly reflect on the 'year that was' even as our focus moves to the current year and beyond. For Fresno Madera Farm Credit and its membership, 2016 was an overall financial success and reflected continued progress in certain key initiatives that we've had underway. A complete report of our financial results is available on our website.

### Earnings

Our net income increased from the previous year by 22.5% to a total of \$20.4 million. This increase was the result of higher average loans outstanding, increased non-interest income, and continued control over our controllable expense items.

### Portfolio Quality

Our portfolio quality reflects the underlying overall strength in the commodities that are produced by our membership, but also the ongoing success of our members in their management of ongoing challenges with the regulatory environment, inconsistent access to water, and some margin compression. At the end of 2016, 99.5% of our loans were classified as Acceptable, which is very strong and puts us in a position to confront potential adversity with relative strength.

### Efficiency

We continued to make progress on our goal to become more efficient. To measure our progress, we compare our non-interest expense to our revenue at the end of each fiscal year. We managed to decrease our expenses relative to revenue for three consecutive years – from a ratio of 49.7% to 40.2%. Our board and staff believe that when the company runs efficiently, our proposition with our membership is strengthened, as that can facilitate consistency in our patronage program.

### Patronage

We say it every year – patronage makes us unique from other lenders. After covering our expenses, capitalizing our growth and addressing any deterioration in credit quality, the patronage sourced revenue that is left over is returned to our members. We return the patronage in the same proportion that you contributed to the earnings. After we concluded our 2016 fiscal year, your board of directors authorized a \$9.3 million patronage distribution which represents 0.75% of our patronage sourced volume. Our newsletter this spring includes a summary of our patronage history. It also reflects the ongoing success of the patronage program as we've managed to improve our financial strength, and maintain our strong financial position all while returning meaningful patronage to the membership.

### Our Value Proposition

Over the course of 2016, the Farm Credit System celebrated its 100th year of serving agriculture. In order to be in the best position to serve agriculture, the System has substantially evolved in order to efficiently serve its membership. Our board and leadership team remain focused on making certain that we

are proactive in understanding the changes and improvements necessary so that we can continue Fresno Madera Farm Credit's long-standing tradition of providing reliable financing to support agriculture in our region. Our value proposition is to support your operation with people that understand agriculture in our region, with a focus toward creating the best possible customer experience.

**Customer Feedback**

We've been using the customer feedback that we get from you to focus our efforts in the areas that you care about the most. You'll hear our people asking more about your experience, and we hope you'll continue to share your thoughts about how we can create the best possible experience as we continue to support your needs into the future.

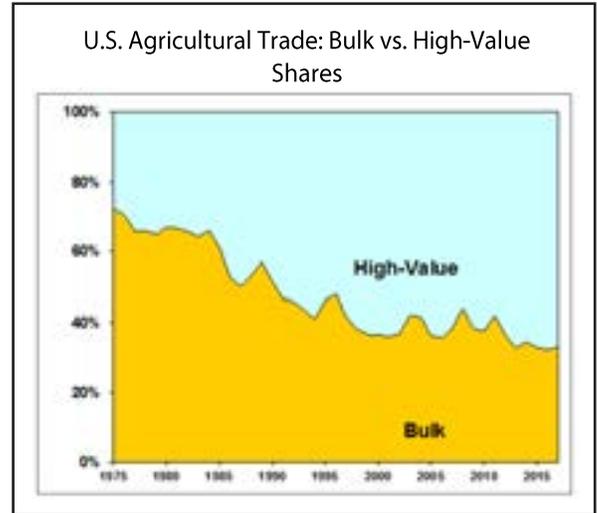
**Ag Conditions**

**U.S. Farm Financial Conditions**

The USDA's Economic Research Service has forecasted that 2017's net farm income will decline by 9% from 2016, which would be the fourth consecutive year of decline. While most of this aggregate forecast is driven by a decline in commodity prices, the forecast also projects lower gross revenue from fruits and nuts, and the continued negative impact from an appreciating U.S. dollar.

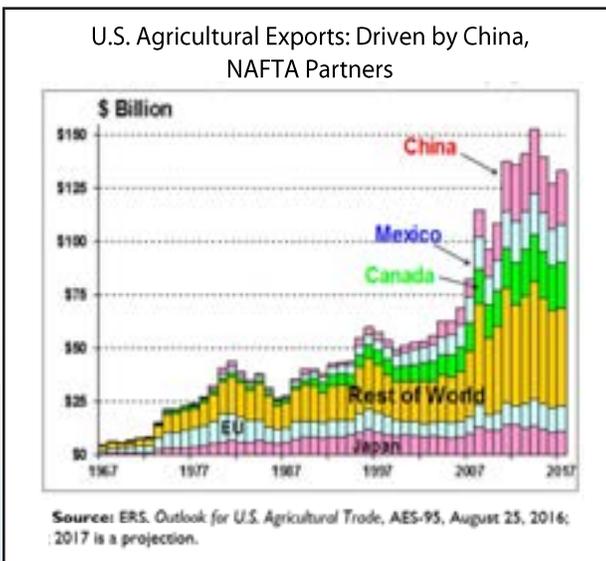
**Agricultural Trade Remains Critical**

The USDA report to Congress also forecasted continued growth in U.S. trade. The importance of trade to agriculture has always been prominent, however its prominence as a supporting factor for agriculture has increased. The report indicates that in 9 of the past 10 years the U.S. Export trade value represented more than 30% of gross cash farm income. The kind of agricultural trade we undertake has also changed, so that more than 60% is higher value food products versus bulk commodities such as grains.



**California Drought Monitor**

Along with you – we are very pleased, and even relieved as we see the strong improvement in our water situation from the wet winter and early spring. In October 2014, nearly 60% of the state was in Exceptional Drought. While we understand there are many factors that impact the reliable and timely availability of water for our crops, the improvement creates much needed relief from the sustained dry pattern over the past four years.



**Member Support**

As a member-owned cooperative, we appreciate your ongoing support of Fresno Madera Farm Credit. We are proud of the trust that you've placed in us to meet your needs, and are focused on the things that we need to do to operate efficiently and lend responsibly today and well into the future. Please join us for our annual membership meeting on May 2nd. We appreciate that opportunity to provide you with an update on the company, and share our gratitude for your support.

*Keith H. [Signature]*

OVER  
**\$32**  
MILLION  
*Declared since 2012*

'16  
'15  
'14  
'13  
'12

**\$9.25**  
MILLION

**\$6.29**  
MILLION

**\$4.57**  
MILLION

**\$6.48**  
MILLION

**\$5.50**  
MILLION

## PATRONAGE PROGRAM

### **\$9.25 Million Distribution Authorized**

As a farmer and member-owned cooperative, we pride ourselves in our ability to return the benefits of operating in an efficient and sound manner to our members in the form of patronage. Our members receive any interest income that remains after we cover our financial needs, including our operating expense, potential loan loss, and asset growth. This year,

the board of directors authorized patronage in the amount of \$9.25 million. Since 2012, we are proud to have declared over \$32 million back to our member-owners. This is one of the many advantages that sets us apart from other lenders. Checks were mailed to the membership in mid-April.

## Investing in Your Future with a Development Loan from FMFC

*When it's time to navigate growing your family farm or business, the future can seem daunting. At FMFC, agriculture is our only business and our team of experts can provide options to steer you toward the path of success.*

Our development loans are tailored to meet your capital and cashflow needs.

### Development Loans Available for:

- Vineyard and orchard development
- Water development and irrigation projects
- Orchard and vineyard conversions

*Call your loan officer today to explore your options.*

# RSVP TODAY

RSVP with the response card included in your invitation, or by calling (559) 277-7000.



## NEW LOCATION

DoubleTree by Hilton,  
Fresno Convention Center  
2233 Ventura Street, Fresno  
(Ventura/"M" Street)

## 2017 Annual Stockholders' Meeting

**Tuesday, May 2, 2017**

5:30pm-8:30pm

### EVENING HIGHLIGHTS

Director Elections \* Association Update  
Ag Youth Grant Awards \* Social Hour & Dinner

### NOTICE TO STOCKHOLDERS

In accordance with Farm Credit Administration (FCA) regulations, our Annual Report to Shareholders was published on our website on March 15, 2017. The report was sent electronically to FCA (*within 75 calendar days from December 31*). A copy was mailed to you by March 31, 2017 (*within 90 days from December 31*).

## Your Feedback Matters. FMFC Survey Program

FMFC's Survey Program began in November 2015 to gather feedback from members following the close of a new loan or renewal. As an added incentive to promote this program and in appreciation of our members' time, FMFC committed to donate \$20.00 for each completed survey to youth programs in Fresno and Madera counties.

We were pleased to present two checks at our Member Appreciation BBQ in October 2016 to the Madera County 4-H Leaders Council and the Fresno

County 4-H Youth Development Program, which both support 4-H programming in each county.

Your feedback is valuable to us. Be assured that all completed surveys are closely reviewed to assist us in ensuring that we are providing you, our member-borrower the best possible customer experience. Be on the lookout for your survey within 1-2 weeks of your loan closing. We thank you in advance for completing the survey and giving us insight into your experience.



Chairman of the Board, Jeff Jue and CEO, Keith Hesterberg with 4-H representatives from Fresno County and Madera County. Each group was awarded \$880, for an overall donation of \$1,760.

**\$1,760**  
**Donated to**  
**Fresno and**  
**Madera**  
**County**  
**Youth**  
**Programs**



## Supporting the Com



# Farm Credit Alliance Renews Pledge to Support Farm Grown Program



Through their multi-faceted partnership, the Farm Credit Alliance has renewed their support of the Grizzlies' Farm Grown Program, which includes the sponsorship of Friday home games as well as participation in both Farm Grown magazine and Grizzlies Community Fund (GCF) initiatives. Farm Grown, which was implemented in April 2012, provides agricultural awareness, while strengthening knowledge of the farming tradition in the Central San Joaquin Valley.

"Farm Credit recognizes the critical role that agriculture plays in our communities," said Keith Hesterberg, President and Chief Executive Officer, Fresno Madera Farm Credit. "From the food they grow to the jobs they create, farmers, ranchers and agribusinesses are constantly striving to create value and opportunity and to give back to the communities they serve. That's why we're proud to continue our support of the Fresno Grizzlies in their efforts to recognize these agriculturists and to amplify their contributions through charitable outreach."

The partnership involves four California-based Farm Credit associations as well as Denver-based CoBank, which serves agricultural cooperatives throughout the state. Participating associations include American AgCredit, Farm Credit West, Fresno Madera Farm Credit and Golden State Farm Credit.

"This partnership certainly brings to light the vital role Farm Credit plays in providing financial support to the Central Valley agriculture and farming industry," stated Fresno Grizzlies Director of Corporate Partnerships/Community Fund, Jerry James. "It will also continue to expand awareness of the Farm Grown program to the industry beyond the Central San Joaquin Valley, increasing our ability to promote agriculture and farming sustainability here at the stadium and in surrounding communities."

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*"From the food they grow to the jobs they create, farmers, ranchers and agribusinesses are constantly striving to create value and opportunity and to give back to the communities they serve."*

*- Keith Hesterberg*

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# ABOUT FRESNO GRIZZLIES FARM GROWN PROGRAM



Established in 2012, the Grizzlies Community Fund's (GCF) Farm Grown program promotes the agricultural heritage and philanthropic vitality of the Central San Joaquin Valley through the building of meaningful partnerships in support of education and healthy living. Farm Grown has been a central component to the GCF's Wild About Reading program, in which 100,000 students annually receive a Farm Grown magazine that serves as a call to action for reading outside of the classroom.

# Community Today and Tomorrow

## CONGRATULATIONS MITCH LASGOITY



## 2017 MADERA COUNTY SENIOR FARMER OF THE YEAR

Since 1981 the Madera Chamber of Commerce has annually honored outstanding individuals for their leadership, service, and contributions to Madera County agriculture. The Senior Farmer of the Year Award recognizes the lifetime of an exceptional individual in the field of agriculture.

Fresno Madera Farm Credit is a proud supporter of the Senior Farmer of the Year Award and congratulates Mr. Lasgoity on this prestigious recognition.

The Association is pleased to continue to sponsor this annual event as we see the importance in honoring the achievements of our local farmers and ranchers that have devoted their lives to agriculture.

## 2017 Common Threads Winners Awarded

*Congratulations!*

Betty Morehead, Pixley  
Ann Stone, Lemoore

Mary Mello, Hanford  
Bonnie Schultz, Riverdale



Giving to others is an integral part of the California Agricultural Leadership Foundation. It is the basis for their organizational mission and the core of their programs' educational principles. In 1997, Ag Leadership Foundation teamed up with the College of Agricultural Sciences and Technology and the Ag One Foundation at California State University, Fresno, to honor women in agriculture who have chosen to make a philanthropic difference in their communities and the world.

The Common Threads Fresno Award recognizes women in Fresno, Kern, Kings, Madera,

Merced, and Tulare counties. These individuals are recognized for their exemplary and extraordinary contribution of time, energy and resources to those around them.

Winners have past or present roots in agriculture and have shown outstanding involvement within the industry, as well as having made a difference through their charitable giving and volunteerism.

As part of the Farm Credit Alliance, Fresno Madera Farm Credit is a proud sponsor of the Common Threads Award and luncheon. Our sincere congratulations to each of the 2017 winners!

# WE ARE FMFC

We take pride in being your local Ag lender of choice. Our staff is dedicated to providing you with the best possible customer service, and with that in mind, we'd like to introduce you to our Appraisal Department.



Back row: Janet Anderson, Dennis Jones, Ken Brown (Manager), Mark Thompson  
Front row: Katie Maciel (intern), Jaime Bigham, Greg Addington, Allan Barros

## Appraisal Department

FMFC's appraisal staff specializes in the appraisal of agricultural properties within the Central Valley, however assignments have taken place throughout California. They can help you establish property values for purchasing or selling real estate, financial planning, estate planning, or to obtain financing. The appraisal staff is dedicated to providing timely, accurate and impartial appraisals for all agricultural based assignments. They maintain a comprehensive farm real estate sales database and have direct access to information on the latest trends in real estate values. In addition, they offer chattel valuations which include farm machinery, cattle, quota and crop inventories. The appraisal staff is experienced, accurate, and knowledgeable and they look forward to the opportunity to work with you.



welcome!

FMFC prides itself in hiring top talent to reach our goal of bringing you the best customer experience possible. We are pleased to introduce Brianna who is part of our credit support team!



**Brianna Allen**  
Credit Support Specialist

## FMFC Welcomes Spring Appraisal Intern

Katie Maciel has joined the Appraisal Department for a 15 week internship this Spring. She is assisting the department by conducting data entry and analysis of sales, assisting in the preparation and analysis of non-complex appraisals, and participating in several inspections.

Katie is a senior at Fresno State, working toward a degree in Ag Business. A native of Hilmar, California, she comes from a family that has farmed corn, oats, alfalfa, almonds and walnuts. In high school, she was active in FFA and showed dairy

cattle. Most recently at Fresno State, she enjoyed expanding her skill set by participating in a competition teams class, in which her group traveled to New Orleans to present a business plan to an East coast cooperative organization on how to make their shipping house profitable.

This is her third appraisal related internship and she hopes to pursue a career in this field following graduation. FMFC is excited to welcome her to our team for the Spring!

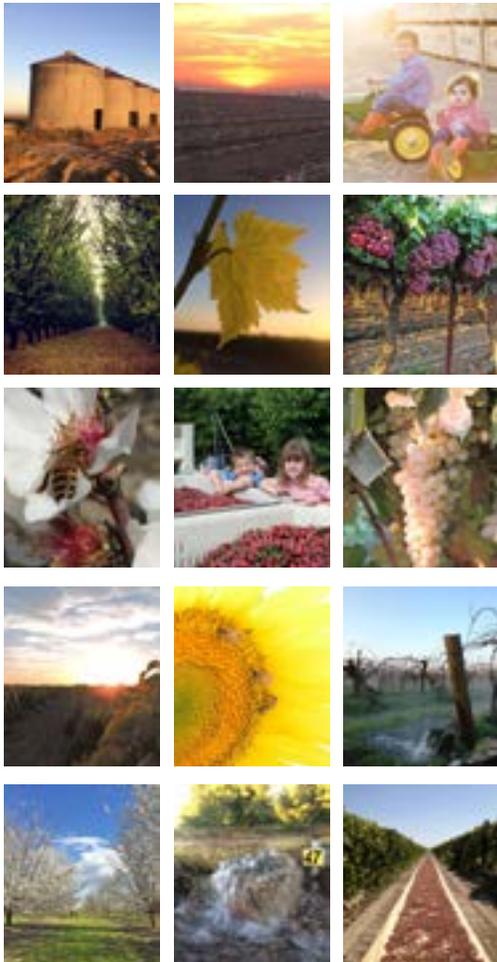


*Katie Maciel, Spring Appraisal Intern*

# 2017 FRESNO COUNTY FARM & NUTRITION DAY

Hosted on Friday, March 17<sup>th</sup>, Farm and Nutrition Day, organized by the Fresno County Farm Bureau and the Big Fresno Fair, has become an annual event for local 3rd graders that provides facts about food and fiber production in Fresno County, with a focus on good nutrition and healthy eating. With over 3,500 students and 600 teachers and chaperones in attendance, a variety of demonstrations were conducted, including sheepdog herding, sheep shearing, cow milking, roping, and horse care and management. Fresno Madera Farm Credit staff volunteered to assist at the event to share their skills with the local youth.

With the increasing need to educate young people about healthy eating and the importance of good nutrition, a big focus of this event is the importance of making healthy food choices, much of which is provided on a daily basis by the bounty of diversified "food pyramid" crops and products produced in Fresno County. A tasting center provided students with the opportunity to sample healthy foods, such as oranges, fresh frozen peach cups, raisins, milk, nuts, and olives. With the increase in childhood diabetes and obesity diseases, this important outreach effort focused on helping increase student awareness about eating fresh fruits and vegetables and to open students' eyes to where their food is produced.



## 2017 FMFC PHOTO CONTEST

We live in one of the most beautiful places in the country! Use your creative eye to capture the beauty and rich life of the Central San Joaquin Valley! FMFC will be accepting photos for the 2017 contest May 2- August 31.

### HOW TO ENTER:

- Email entry to [photocontest@fmfarmcredit.com](mailto:photocontest@fmfarmcredit.com)
- 5GB max file size per email. (You may submit up to 3 photos and may email them separately.)
- File should be .jpeg format

### ENTRY IDEAS:

Ag-related images or scenes (*examples include nuts, dairy, wine & table grapes, vegetables, melons, tree fruit, raisins, beef & livestock, or other commodities produced locally*), action shots in fields, harvest scenes, seasonal photos with an ag-related theme (*holiday décor, 4th of July events, fall and winter scenes*), county fairs, farmers markets, 4-H or FFA events, kids on the farm.

### GUIDELINES:

- Entries must be from FMFC members or immediate family.
- Photo must be taken in the Central San Joaquin Valley.
- Photographer submitting photo must certify that they have permission of all individuals shown in each photo and all individuals owning property in each photo (if not their own).
- FMFC will require a signed release form for all winning photos.
- FMFC will have the right to use any images entered in the contest for use in marketing materials.
- Digital files are preferred, however hard copy photos will be accepted.
- Photos with a horizontal orientation are preferred.
- A max of 3 photo entries per person will be allowed.

### WINNERS:

- 13 winning photos will be selected. Grand prize winner receives a \$150 VISA gift card. 12 additional winners will each receive a \$50 VISA gift card.
- Winning photos will be displayed at the 2017 Member BBQ, then in the FMFC Fresno office lobby for the following year.



Farm Credit Fraud Protection Awareness Series

## Fraud Tip: Cyber Account Takeover

*Cyber account takeover is the ability to take control of an online account by stealing a user's login credentials or hijacking an online session. Once in control of an account, a fraudster steals funds by initiating outgoing wires or ACH transactions, which can be extremely difficult – if not impossible – to recover if not identified timely.*

### Cyber Account Takeover

Cyber account takeover occurs in several steps:

- Malware – Cyber account takeovers are routinely initiated through malware, which is transmitted by an email attachment or a hyperlink embedded in an email. All it takes is for the recipient of a fraudster's email to click on a link or open an attachment, and the malware – a malicious software program, also called "spyware," a "worm," a "virus" or a "trojan horse" – is secretly installed on the recipient's computer. Malware programs can record a user's keystrokes in order to capture passwords, redirect a user's internet session to a fake, but real-looking site, or even take control of the user's online banking session.

- One specific type of cyber account takeover is the Man-in-the-Browser (MITB) attack, also called Man-in-the-Middle (MITM). Due to the sophistication of this type of malware, traditional anti-malware programs are less effective at detecting it. A fraudster using a MITB can "see" and manipulate the information being displayed or typed into an infected computer's web browser (Internet Explorer, Safari, Firefox, Chrome and others). Since the MITB attack takes place inside the browser itself, security controls, like website encryption, are largely ineffective.

- Once on the user's bank web site – which can occur at the same time as the user – a fraudster can initiate wire transfers or ACH transactions in the background without the user's knowledge. The fraudster can even change the images displayed on the user's screen in real time – masking these transactions, and even displaying fake account balances and completed transaction records that exclude fraudulent wires/ACHs. This sophisticated malware can also be programmed to perform these functions without the fraudster's active participation. The same technology can be used to capture login credentials in order to access the site at another time.

## Why Cyber Account Takeover is Effective

- MITB's are used to secretly take over a computer being used by a company's employee to access the company's business bank accounts on the Internet. Highly sophisticated technology makes these attacks – or takeovers – easy to perpetrate and very difficult to identify.
- While they are sophisticated, MITB attacks fundamentally rely on a user to click on a link or open an attachment in order to infect the computer. Malware can originate in legitimate looking business emails, but may also be in emails from a legitimate sender's account that has been compromised. They are also often delivered as personal emails from a user's friend or family member. The message may be as simple as – "Hi, I thought you might find this interesting!" followed by either a link masked as a phrase (usually colored and underlined text) or a URL (web site address, also in colored and underlined text).
- An MITB attack's ability to display different images on a user's screen also makes it effective in defeating two-factor authentication, such as requesting to enter a second passcode delivered separately by text message.



## How to Prevent Cyber Account Takeovers

- Be cautious when clicking on any web links or attachments in company emails. Personal emails sent to an employee's company e-mail address, or emails accessed through a public domain email server (Gmail, YahooMail, Outlook and others) using a company computer also pose potential threats.
- Consult with your end-user services department or IT provider on ways to strengthen your Internet/technology infrastructure to inhibit MITB attacks and other outside threats.
- Be suspicious of unusual behavior on websites, especially if the input of a second set of credentials is requested on a single computer.
- Update your computers with the latest software patches and perform comprehensive anti-virus scans on all computer systems on a frequent basis.

As you consider the fraud awareness information described above, please also bear in mind your important role in the fraud detection and reporting process. Your vigilance in reviewing your accounts and transactions is vital to fraud prevention and detection. Fraud schemes – as well as loss recovery efforts and outcomes – can be complicated. Early detection and prompt reporting of a fraud is critical because the passage of time might adversely affect the potential recovery of a fraud loss or the outcome of a customer claim.

*Your attentiveness often is the first line of defense to fraud, and if it occurs, your diligence might aid in a potential loss recovery.*



**Fresno Madera  
Farm Credit**

PRSR STD  
U.S. Postage  
**PAID**  
Permit #2097  
Fresno, CA

*Agriculture is Our Only Business*

**Fresno Madera  
Farm Credit**

**We look forward to serving you.**

**FRESNO**

4635 West Spruce  
Fresno, CA 93722  
(559) 277-7000  
Fax (559) 277-7030  
Hours: 8 a.m. - 5 p.m. M-F

**MADERA**

305 North "I" Street  
Madera, CA 93637  
(559) 674-2437  
Fax (559) 673-8414  
Hours: 8 a.m. - 5 p.m. M-F

**KINGSBURG**

1698 Draper Street  
Kingsburg, CA 93631  
(559) 419-5411  
Fax (559) 419-5416  
Hours: T-W: 8 a.m. - 5 p.m.  
M, Th, F: By appointment

**LOAN ACCOUNTING** (559) 277-7016

**TOLL FREE** 1-877-363-8637

[www.fmfarmcredit.com](http://www.fmfarmcredit.com)



Fresno Madera Farm Credit



@fresnomaderaafc