



AgChoice Farm Credit

Knowing you makes the difference.

Frequently Asked Questions About Today's Financial Market

1. What caused the financial market turmoil and when will the situation return to “normal”?

Much of the heavy losses relate back to extremely lax lending standards that were employed in the residential housing markets in recent years, a lot of which was based on the assumption that home prices could only continue to increase. Some financial institutions invested heavily in securities backed by those mortgages. As home loan defaults and foreclosure activity continue to rise, the value of these securities has plummeted. We don't know when the situation will return to normal. The losses and market adjustments are continuing to work through the system and the federal government has taken aggressive action to prevent some of the institutions from failing, but the lack of confidence on the part of investors makes liquidity or funding available for capital needs in the market, extremely tight.

2. Is the Farm Credit System in trouble?

No. We have consistently operated using safe and sound lending practices and we do not carry sub-prime loans on our books. The financial “crises” we are seeing in the market are a global problem and will take some time to resolve. The Farm Credit System is strong – we have strong earnings, capital and credit quality. The Farm Credit System is not at risk of failure, but we certainly are subject to some challenges stemming from the economic risks in the overall market.

USDA Under Secretary Mark Keenum recently stated that the Farm Credit System has remained strong. Keenum said, “Their loan portfolios are very large. Farmers are making money. They're paying their loans, and as a result the Farm Credit System is making a record level of profits for the system, to the tune of one and a half billion dollars just through the first half of this year alone. It's a record pace.”

The agricultural industry is doing very well right now despite difficult times in the overall economy. Estimated U.S. net farm income is projected to be \$96 billion for 2008, which is up 10% over last year's record of \$87 billion, and approximately 75% higher than the 10-year historical average.

3. Is AgChoice Farm Credit financially sound?

Yes. Our strength lies in the fact that we have high credit standards which our customer-owners must meet. We are also blessed with customers who have a high priority for making their loan payments on-time. Our delinquency rates remain at acceptable levels. To view our most recent financial reports, visit www.agchoice.com/about/financial-reports.php

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4. How is the Farm Credit System different than Freddie Mac or Fannie Mae?

- The Farm Credit System does not hold sub-prime loans in its loan portfolios.
- We implemented additional safeguards in the 1980's requiring higher capital levels and a self-funded Farm Credit System Insurance Corporation.

These safeguards put the Farm Credit System on solid ground to weather adversity.

5. How does AgChoice Farm Credit ensure that my allocated surplus (patronage) and stock investment are safe?

AgChoice is very sound financially and remains committed to a strong patronage program.

While allocated patronage and stock are "at risk" equities, we employ safe, conservative lending practices and maintain adequate capital to protect these owner equities and position the Association for long-term success.

6. Will credit be available when I need it?

AgChoice Farm Credit is committed to meeting the needs of credit-worthy customers. The volatility we are seeing in financial markets is increasing interest rates and increasing our cost of funds. This could translate into higher interest rates to customers. It is impossible to predict how long this volatility will last or where rates might go. The important point is that regardless of the turmoil in financial markets, we have been able to maintain consistent access to funding.

7. Will this market turmoil impact the level of service I receive from AgChoice Farm Credit?

No. AgChoice continues to place high priority on serving our customers' needs with the traditionally high standards we have provided in the past.

8. How can I maintain my relationship with AgChoice Farm Credit?

Keep the lines of communication open with your branch's lending team. Let them know when your needs change and how they are changing. We will utilize the most current market information to help assist you.