

Farm Credit gives '83 report

DENVER, Col. — The Farm Credit System continues to provide American farmers with a reliable source of credit at a reasonable price, according to Peter J. Carney, president of the Federal Farm Credit Banks Funding Corporation.

"It's not an easy task," said Carney. "On the one hand the system has a responsibility to the farmer who, due to circumstances beyond his control, finds himself in perhaps the worst financial position of his career. On the other hand," he cautioned, "the system must be careful not to lose sight of its broader responsibility to conduct its operations in the best interests of the overall agricultural industry and the investors in Farm Credit securities."

In the recently released 1983 Report to Investors, the Farm Credit System recorded \$82.0 billion in loans outstanding on December 31, 1983, to American farmers, ranchers and their cooperatives - more than any other lending institution in the country. "The money for Farm Credit loans comes primarily from the sale of Farm Credit securities to private investors in the world money and capital markets," Carney said.

Responsibility for issuing these securities belongs to the Funding Corporation, which is part of the

Farm Credit System. Rather than marketing directly to the public, the Funding Corporation manages a nationwide selling group of 156 dealers and dealer banks which do the actual selling. Typical investors include commercial banks, savings and loan associations, thrift institutions, pension and mutual funds, insurance companies, states and municipalities, foreign banks and governments, and private individuals.

While the system recognizes the importance of attracting investor dollars to meet the credit needs of its borrowers, it also is aware of the financial stress being experienced by farmers and ranchers across the country.

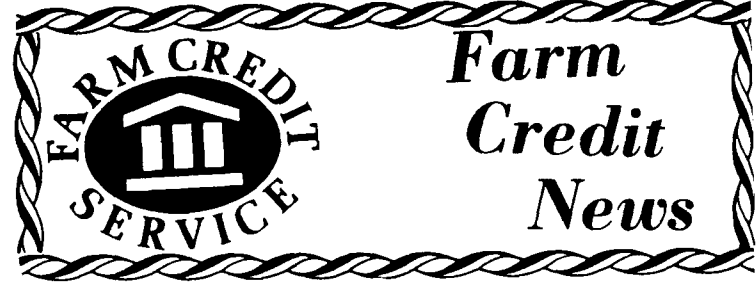
As reported in the 1983 Report to Investors, beginning in late 1982 most of the 37 Farm Credit banks lowered their loan fees and reduced their interest rates more than the corresponding reduction in their own cost of funds. The objective was to reduce the effective interest cost to system borrowers ranchers. These planned reductions were possible because of the banks' strong capital position.

According to the 1983 Report to Investors, the planned reductions in net interest margins and loan fee income, plus a decline in loan volume growth, resulted in an

overall decline in the system's earnings from \$993.9 million in 1982 to \$542.8 million in 1983. At the same time, the system continued to maintain its strong capital position with a debt to capital ratio of 8.48:1. Although earnings may decline slightly in 1984 as the system works to lessen the financial burden of troubled borrowers, the projected net income in 1984 of the combined Farm Credit banks should not be significantly different than 1983 and the financial ratios will continue to be very favorable.

Carney noted that "System earnings provide a financial margin that is necessary to ensure the stability of the system - a condition that is important to borrowers and investors alike."

"It is vital," stressed Carney, "That the Farm Credit System maintain its outstanding reputation with the investing public if it is going to continue to provide the agricultural industry with the funds it needs to operate,



in good times and in bad, at the lowest possible cost."

The Funding Corporation issued \$90.6 billion of Farm Credit securities in 1983 to meet the credit needs of the system's borrowers. This amount makes the Farm Credit System second only to the U.S. Treasury in terms of the volume of securities issued.

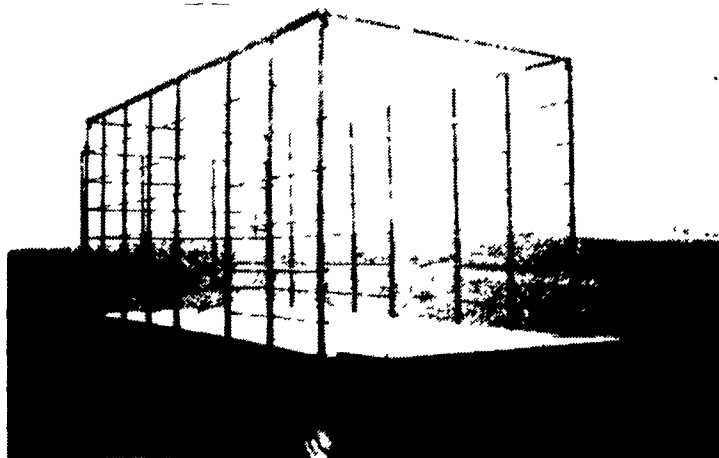
Carney pointed out that these securities are the obligations of the Farm Credit banks and are not guaranteed by the Federal Government. "They are backed, instead, by the strength of American agriculture and the strong financial condition of the Farm Credit System."

The Farm Credit System is a nationwide agricultural financial

orga. consisting of borrower-owned financial institutions organized as cooperatives. The system is made up of 12 Federal Land Banks which make long-term loans through Federal Land Bank Associations; 12 Federal Intermediate Credit Banks, which provide short- and intermediate-term credit to Production Credit Associations and other qualified institutions serving agricultural producers; and 13 Banks for Cooperatives which make loans to agricultural, aquatic and rural electric cooperatives. The Banks for Cooperatives also provide export financing for exporting cooperatives.

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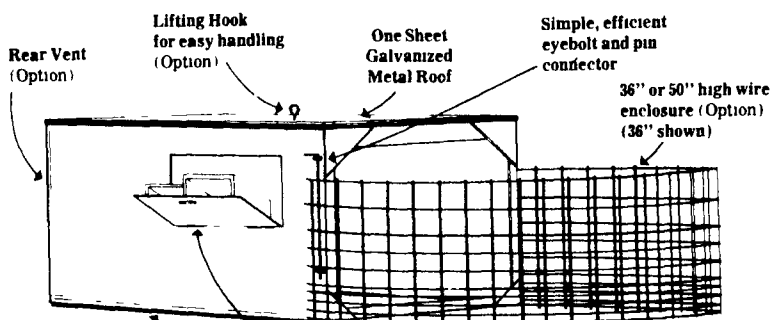
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