

# Keystone Farm Credit Members Vote On Proposed Merger

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*Lancaster Farming Staff*  
**NEW HOLLAND** (Lancaster Co.) — Lending is a very competitive business, especially in this area, said J. Robert Frazee, president and CEO of the proposed MidAtlantic Farm Credit Association, and "will be more competitive later."

Frazee spoke Monday evening to about 550 customers and Credit site in Westminster, Md. This week, in meetings conducted in New Holland and Fogelsville, stockholders voted on the proposed merger.

The other ACAs — Central Maryland Farm Credit, Chesapeake Farm Credit, Delaware arm Credit, and Marva Farm Credit — also have to vote to OK the merger.

The results of the voting to friends of the proposed agriculture credit association (ACA). He spoke during the annual stockholder meeting of the Keystone Farm Credit, ACA credit cooperative at Yoder's Restaurant in New Holland.

Keystone is one of five Farm Credit associations proposed to consolidate into one centrally located ACA, headquartered at the Central Maryland Farm determine the go-ahead for the merger won't be available until mid-month, according to Walter Hopkins, board chairman of the proposed MidAtlantic Association.

The officers outlined the reasons for the merger, which would create a Farm Credit with more than \$1 billion in assets. The reasons outlined by Hopkins would create a "larger and

stronger institution," he said. The consolidation would improve management, eliminate duplicate services, provide more efficient use of personnel and equipment, provide improved customer service, and streamline operations. That allows the association to become more competitive with interest rates and other member services, according to the board members.

"A commitment to the family and the family farm has made us great and will continue to do so," Hopkins said.

Frazee, 44, CEO of the proposed consolidation, is from Garrett County, Maryland with 17 years of Farm Credit and other banking experience. Frazee has a bachelor's degree in agriculture from the University of Maryland.

In a video of the proposed consolidation, poultry operations make up the greater portion of the bank's portfolio (at 21 percent). The consolidation spreads the risks over a diversified array of ag production enterprises.

The board, which has considered consolidation since 1998, recognized the need to streamline the organizations to provide a competitive edge over other ag lending institutions.

During a question-and-answer session, Hopkins noted the possibility of improved interest rates. "Will interest rates come down?" said Hopkins. "With greater efficiency and lower operating costs, they should."

Local meetings will probably continue even with the consoli-

ation, Hopkins noted. Though 47 serve on the board for three-year terms, the proposed MidAtlantic association would be composed of six directors from Keystone, five from Central Maryland, four from Delaware, four from the Chesapeake, and three from Marva Farm Credit.

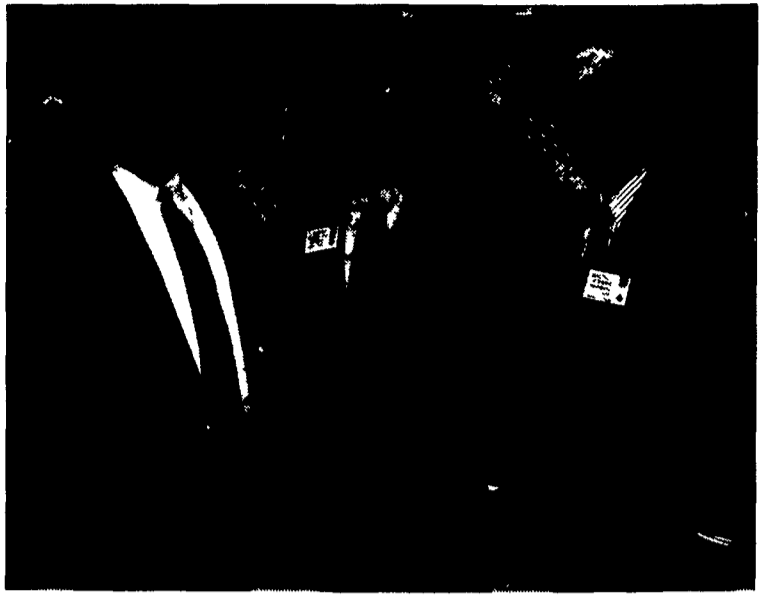
No branches are proposed to be closed because of the consolidation, Hopkins noted. No merging of operations has been discussed by the board.

Keystone Farm Credit itself had another successful year in 1999, according to Frazee. The previous Keystone chief operating officer, Phil Kimmel, has taken early retirement, noted Frazee.

Frazee said the Keystone loan portfolio is "healthy" and credit stable despite the dry weather and milk price volatility.

As outlined in the Keystone annual report, net income for the year ended Dec. 31, 1999, totaled \$6.07 million, a decrease of \$459,000 or 7.03 percent, as compared to \$6.5 million for the same period of 1998. Interest income for the year ended Dec. 31, 1999, was \$25.56 million, a decrease of \$3.9 million or 13.27 percent as compared to \$29.47 million for the same period of 1998.

According to the report, net interest income decreased \$1.12 million or 12.06 percent in 1999



**Speakers at the Keystone Farm Credit, ACA meeting Monday in New Holland. From left, Wilmer Hostetter, board chairman, Keystone Farm Credit; J. Robert Frazee, president and CEO of the proposed MidAtlantic Association; and Walter Hopkins, board chairman of the proposed MidAtlantic Association.**

compared to 1998. The primary reason for the decrease was a decrease in interest income recognized on nonaccrual loans. Interest income on nonaccrual loans for the 12 months ended Dec. 31, 1999, totaled \$487,000, a decrease of \$947,000, compared to \$1.43 million at the previous year-end.

A highly competitive lending

environment will place increased pressure on interest spreads in the future, noted the report. Objectives include seeking ways to maintain high-quality loan volume priced at competitive rates, and to manage credit risk in the entire portfolio.

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