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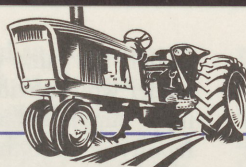
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by Charles M. Lewis

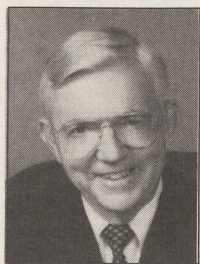
On our last trip along the Ag Lending Trail we followed the Missouri River to Yankton, S.D., where we met Dakota Mac officers. They showed us their Farmer Mac operation and then led us up the James River to visit a Hutterite Colony. It seems that the Ag Lending Trail keeps following rivers.

Consequently this installment of "The Trail" will center on rivers, reservoirs and water resource allocation. We live in Columbus, Ohio, on the Scioto River which

***We met more than 2,000
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gathered in Phoenix.***

flows south and empties into the Ohio River. As the Scioto approaches the Ohio River, its valley widens and becomes a prime corn growing area. This spring the Scioto flooded the corn ground as the Ohio River reached and exceeded flood stage. The Ohio River then flowed on to flood Cincinnati and then flooded Louisville. One of our major Farmer Mac sellers, American Farm Mortgage, has offices in Louisville one block south of the Ohio River. We were concerned about their welfare and were relieved to learn that their offices were not flooded and also none of their Farmer Mac borrowers were seriously impacted by the flood.

The Ag Lending Trail took a quick leap to Phoenix where water is generally in short supply. Here, of course, agriculture and urban development compete for water resource development. The proliferation of huge resort complexes with golf courses causes one to wonder if there will be any water available in the future to



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supply irrigation water to agriculture.

We met more than 2,000 mostly rural bankers who gathered in Phoenix to enjoy the remarkable weather and use some of the scarce water even though many had flood water back home — it seems to be a paradox doesn't it? Well, anyway, as long as all these bankers were here, several of us from Farmer Mac decided to update them on the new improved Farmer Mac program.

Next we piled into our rented car and headed west across the Arizona Desert. Upon crossing the Colorado River, we realized that this water source is Arizona's life blood. Now, the Colorado is a big river with a huge watershed but it surely looks puny compared to the volume of water flowing down the Mississippi or the Potomac. Why all this fertile soil in the arid West with limited water to support plant growth? If we moved the Mississippi River 500 miles to the west, imagine the possible increase in ag production.

Next we crossed the California Desert and landed in San Diego. Even San Diego depends partly on the Colorado River water that is transported across the California Desert in the Colorado River Aqueduct. Wow, just think of all the users that share in the flow from the Colorado River. While we were in the San Diego area we toured the new Olympic Training Center located east of Chula Vista in a beautiful 150-acre lakeside site. The near perfect climate enables Olympic hopefuls to work out year around.

We departed San Diego and drove through Los Angeles, climbed out of the Los Angeles Basin and over the Tehachapi Mountains. Then we dropped into the great Central Valley of California. This huge fertile valley in its natural state was a desert in the summertime and a swamp in the wintertime. Thanks to water resource development, the desert is largely watered and the swamp is largely drained.

There are many areas of arid fertile soil in the world but California's Central Valley is blessed with a 305 day growing season and fertile soil located adjacent to high mountains which catch and retain snow in the winter. The Sierra Nevada

Mountains' primary drainage is down the eastern slopes into California. This natural situation led to the development of a water plan involving local dams and canals, State of California dams and canals, and Federal dams and canals.

Heading north we encountered the San Luis Reservoir which resulted from a joint state and federal project. This huge reservoir actually depends on pumping Northern California Mountain water up and into the reservoir. The pumps work at night when electrical power use is lowest and water is released through electrical generating turbines during the day when electric power usage peaks. The net result is a huge quantity of water that moves down the valley to supply irrigation water for

We toured the new Olympic Training Center located east of Chula Vista.

cotton, alfalfa, grapes, tree fruits, nut crops and vegetables.

We continued to travel north until we arrived at Feather River State Bank in Yuba City, Calif. This part of northern California suffered severe floods this year. The Yuba, Feather and Sacramento Rivers flow through this area and they are controlled with upstream dams and an elaborate levee system. This year the pressure on the levees was so severe that several breaks took place and flood waters poured into farmland and also into some residential areas. We made an inspection which revealed that nearly all the farmland is back in production. Many houses, on the other hand, were completely destroyed. Some farm homes were "see through houses" with only the foundation, the roof and the studding surviving the flood damage. It is amazing to see the resiliency of those farmers as they went to work to repair flood damage and move ahead with land preparation for planting.

Many of these farmers quit work early on March 27 in order to attend the Feather River State Bank's Ag Appreciation Dinner. We were in attendance and thoroughly enjoyed visiting with old acquaintances. We spent 17 years (1976 to 1993) here. It was especially fun to visit with farm borrowers who received some of the very first Farmer Mac loans. They were the pioneers with Farmer Mac. Both these borrowers and the Farmer Mac program itself have come a long way since 1989, 1990 and 1991. These pioneer borrowers are placed in the category of "special friends" of Farmer Mac because the Farmer

Many farmers quit work early to attend the Feather River State Bank's Ag Appreciation Dinner.

Mac program is much much more borrower friendly today than it was back in '89, '90 and '91.

In addition to being a Farmer Mac pioneer lender, Feather River State Bank's president, Bob Mulder, serves on the Farmer Mac Board of Directors. Because of his practical experience with the program, his contribution is extremely helpful. Furthermore, in 1996 Farmer Mac eliminated the "middleman" poolers and became its own pooler. This enabled Farmer Mac to open a cash window and buy

loans direct from rural banks. This was a joyous event but it did create "crunch time" in Farmer Mac's back room.

Feather River State Bank came to the rescue and loaned us a top underwriter from their own Farmer Mac Department. This underwriter was Daljit Bains. He was extremely helpful to Farmer Mac in relieving the work load that was piling up on our John Hermle's shoulders at the cash window.

Daljit also expressed his gratitude for the benefits he received from his month at Farmer Mac in Washington, D.C.

Daljit explained, "By working at the Farmer Mac office in Washington, D.C., we have created an excellent working relationship with the staff. I have learned the many aspects of the approval and secondary market processes. Furthermore, by experiencing a hands-on approach in the Farmer Mac office, I have gained additional skills which will improve my ability to package agricultural loans. This in turn will allow us to offer competitive fixed rates and efficient loan processing to the farmers."

During his stay, Daljit had the opportunity to visit most of the historical sights. "Personally, this visit to Washington, D.C., has increased my awareness of our country's history and our future. By seeing the commitments that our forefathers made, one begins to appreciate how our country developed into one of the best nations in the world today."

What a wonderful quotation on which to end this installment of the Ag Lending Trail! ▲