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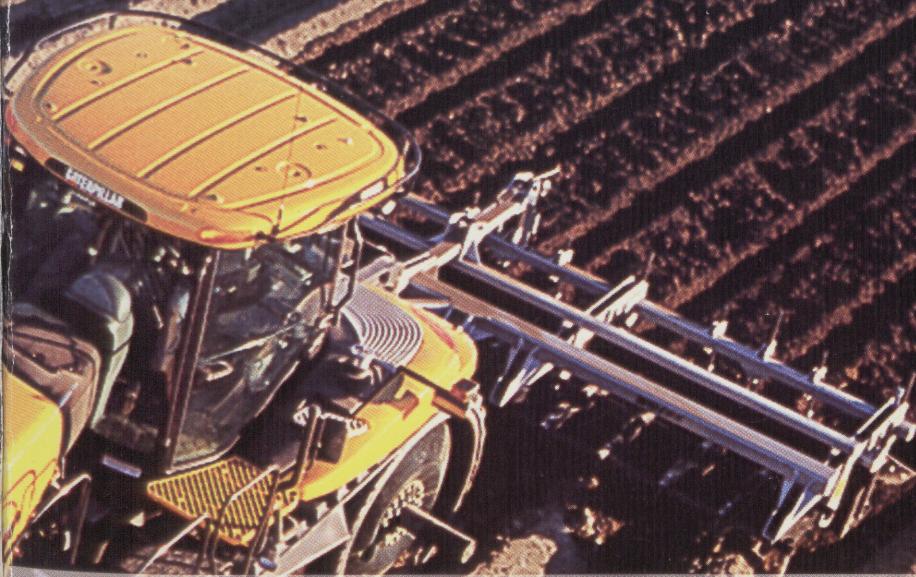
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# Journal of Agricultural Lending



AMERICAN  
BANKERS  
ASSOCIATION

Spring 2003  
Vol. 16, No. 3



Spring 2003  
Vol. 16, Issue 3

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# Journal of Agricultural Lending

*Since 1986, designed for agricultural lenders as the catalyst for new ideas and practical approaches to banking challenges.*

**Publisher**

Carroll E. Merry  
630-637-0199  
Countryside-Mktg  
@att.net

**Chief Economics Editor**  
Keith Leggett

**Associate Economics Editor**  
Alison Talmadge

**Copy Editor**  
Deborah Coakley

**Subscriptions**  
630-637-0199

**Address Correspondence to:**  
Journal of Agricultural Lending  
1212 S. Naper Blvd., Suite 119  
Naperville, IL 60540  
630-637-0199  
fax: 630-637-0198

*The Journal of Agricultural Lending* (ISSN 1542-5606) is published quarterly for the American Bankers Association by Countryside Marketing, Inc., PMB 285, 1212 S. Naper Blvd., Suite 119, Naperville, IL 60540. Copyright 2003 by ABA. All rights reserved. No part of this journal may be reproduced in any form without the written permission of the copyright holder. ABA and CMI assume no responsibility for statements of fact or opinions expressed in signed articles in this journal. Annual North America subscription rate is \$75 (U.S.) for ABA members, and \$110 (U.S.) for nonmembers. Contact publisher for other foreign rates. Electronic subscription available at \$60 (U.S.) worldwide.

## ABA Center for Agricultural and Rural Banking

**Director**  
John Blanchfield, 202-663-5100  
[jblanchf@aba.com](mailto:jblanchf@aba.com)

**Government Relations**  
Robert Foubberg, 202-663-5436  
[rfouberg@aba.com](mailto:rfouberg@aba.com)

**Agency Relations**  
(OCC, FCS, FDIC, etc.)  
Cristeena Naser, 202-663-5332  
[cnaser@aba.com](mailto:cnaser@aba.com)

**Agricultural Banking Economist**  
Keith Leggett, 202-663-5506  
[kleggett@aba.com](mailto:kleggett@aba.com)

**Federal Taxation**  
Mark Baran, 202-663-5317  
[mbaran@aba.com](mailto:mbaran@aba.com)

**Bankers News newspaper**  
Pat Dalton, 202-663-5447  
[pdalton@aba.com](mailto:pdalton@aba.com)

**Public Relations**  
Catherine Pulley, 202-663-5447  
[cpulley@aba.com](mailto:cpulley@aba.com)

**Ag Banking Conference**  
Cynthia Watkins, 202-663-5291  
[cwatkins@aba.com](mailto:cwatkins@aba.com)

Dear Reader:

Many of you are fortunate enough to live in rural areas, so the Department of Homeland Security's terror threat color codes may not mean that much to you. But, think about this: If we had an economic threat status code for U.S. agriculture at the beginning of this year's planting season, what color would it be? I feel we are in Code Orange, which means we should all be more vigilant for signs of trouble. Without sounding overly pessimistic, consider the following:

- Farm debt keeps increasing. In 2002 we passed the \$200 billion mark, an all time record.
- Government payments continue to be vital to the cash flow of too many producers. In 2002 payments declined to less than \$15 billion, but disaster payments from the 2002 crop year will not be paid out until 2003, and USDA projects government payments this year to be in the neighborhood of \$17 billion **before** any disaster payments are made.
- The government seems to be suffering from "compassion fatigue" when it comes to agriculture. The willingness of the federal government to pump more cash into the farm economy is declining. Look at the debate that surrounded the last disaster assistance package.
- Federal budget deficits are projected to be whoppers for the conceivable future. Government's ability to continue funding ag assistance packages just is not going to be there.
- National interests are focused on other problems and agriculture is off the front page.
- What is going on with the ag real estate market? Do land prices make sense to you?
- Will it rain in 2003?



American Bankers Assoc.  
Center for Agricultural and  
Rural Banking  
1120 Connecticut Ave. N.W.  
Washington, DC 20036  
TEL: 202-663-5100  
FAX: 202-828-4548  
Web site: [www.aba.com](http://www.aba.com)

**Countryside**  
Marketing, Inc.

Countryside Marketing, Inc.  
PMB 285  
1212 S. Naper Blvd.  
Suite 119  
Naperville, IL 60540  
TEL: 630-637-0199  
FAX: 630-637-0198  
e-mail:  
**Countryside-Mktg**  
**@att.net**

Code Orange or not? It is hard to say, but it is clear that there are plenty of challenges in front of us, and the ag credit industry should be prepared for some potentially difficult days ahead.

A handwritten signature in blue ink that reads "John M. Blanchard".