

Neighbors

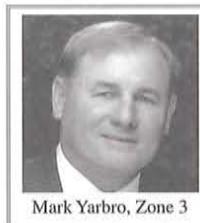
Published exclusively for Progressive Farm Credit Services

Fall 2013

2013 Annual Stockholders Meeting

*What's
growing on
the inside...*

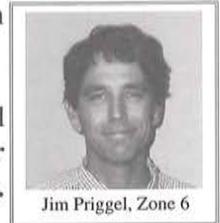
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Mark Yarbro, Zone 3

The 2013 Annual Meeting was held on August 15th at the Corporate Office in Sikeston.

Mark Yarbro (Poplar Bluff) and Jim Priggel (Portageville) were re-elected to another three-year term representing Zone 3 and Zone 6, respectively.



Jim Priggel, Zone 6

The Board congratulates Mark and Jim on their re-election and offers their thanks to all the candidates and nominating committee members for their service.

Farm Credit Donates Building to Local Community College



On May 16, 2013, Progressive Farm Credit Services donated the former Caruthersville Branch Office building in Caruthersville to Three Rivers Community College. The College intends to offer classes and other services to the residents of Pemiscot County and the surrounding area.

Ron Milbach, Progressive FCS President & CEO stated, "On behalf of our Board of Directors, we are very happy to make this donation that will further higher education opportunities in the Caruthersville area."

Three Rivers College currently serves more than 10,000 students from their main campus in Poplar Bluff, as well as their full service center locations in Cape Girardeau, Dexter, Kennett, Malden, and Sikeston. Additional sites are located in Doniphan, Piedmont, and Van Buren.

PRESIDENT'S *Corner*



Ronald C. Milbach
President/CEO

Dear Shareholders,

In the Halls of Congress the American Bankers Association (ABA) and Independent Community Bankers of America (ICBA) had requested the Senate Finance Committee to repeal the Farm Credit System Tax Status. Both banking organizations provided self-serving calculations of the System's supposed "tax subsidy". In addition, both groups ignored the tax treatment afforded Subchapter S banks, the extensive taxpayer subsidies that commercial banks enjoy, as well as the important public policy mission served by Farm Credit and the limitations Congress imposes on the System which justify its tax treatment.

In its letter, ABA argued that the difference between Farm Credit's 5.12 percent effective tax rate and the effective tax rate paid by all commercial banks, 29 percent, represented a "tax subsidy."

"This is a misleading comparison at best," the Farm Credit Council said. "Because Farm Credit institutions are cooperatives, it would be more accurate to compare the Farm Credit System's effective tax rate with that paid by banks that are organized and pay taxes as Subchapter S pass-through entities. More than half of all agricultural banks are Subchapter S banks, and 92 percent of all Subchapter S banks make at least some agricultural loans, according to FDIC figures."

"An analysis of actual call report data shows that Sub S commercial banks pay an effective tax rate of 1.4 percent," the Council letter stated. Therefore, using the commercial bankers' own "subsidy" theory, these Sub S banks "are subsidized to the tune of \$2.4 billion per year," the Council said.

The interest earned on mortgage loans (FLB) by Farm Credit System institutions is not directly taxed at the federal and state level, but interest earned on short- and intermediate-term commercial loans (PCA) is taxable. Importantly, the Council noted, this tax treatment is part of "a carefully balanced package designed to ensure that agriculture and the infrastructure it relies on will always have the capital they need to ensure our citizens have a reliable source of food and fiber," the letter said.

What's more, commercial banks enjoy far more direct support from the federal government than do the institutions of the Farm Credit System, the letter emphasized.

"Commercial banks have direct access to the Federal Reserve. They enjoy direct taxpayer backing for their deposit-gathering operations. They enjoy the benefit of direct access to funding from not one but five GSEs," the letter said. In addition, "Farm Credit did not engage in the sub-prime fiasco that recently cost the economy so dearly," the Council stated.

Commercial banking industry representatives frequently engage in these sorts of targeted efforts aimed at limiting competition – complaining that Farm Credit or credit unions compete "unfairly" with them or "pay little or no taxes," or claiming that the Farm Credit System is supposed to be a "lender of last resort." The Farm Credit Council will continue to respond forcefully to these attacks, making sure that lawmakers have facts and information. System institutions with members of Congress on the tax-writing committees are being asked to reach out to those members to reinforce the message of the Council's letter, that Farm Credit's tax status should not be changed.

Changing the tax status of our mortgage portfolio would have a direct effect on all Progressive FCS borrowers by reducing the Patronage Refund that our customers/owners have enjoyed now for the past 20 years.

Sincerely,

Ronald C. Milbach,
President/CEO

PUBLISHED FOR MEMBERS OF PROGRESSIVE FARM CREDIT SERVICES

Board of Directors

| | | |
|------------------|----------------------------------|----------------------------------|
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| Editor | | Anna C. Harper |

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| Portageville (573) 379-3461 | 501 W. State Hwy. 162 1-800-455-4500 | Mark Weidenbenner Fax (573) 379-2815 |
| Mississippi County (573) 649-4110 | 791 Hwy. 105 | Dawn Collier Fax (573) 649-4120 |
| Dexter (573) 624-5947 | 1114 N. Outer Rd. 1-888-354-5947 | Blaine Cooper Fax (573) 624-8346 |
| Poplar Bluff (573) 686-1446 | 1475 North Westwood | Alan Hicks Fax (573) 686-1447 |
| Jackson (573) 243-4301 | 420 W. Washington | Kirk Mueller Fax (573) 243-8029 |
| Kennett (573) 888-6624 | 811 South By-Pass | Randy Caldwell Fax (573) 888-6625 |
| Corporate, Sikeston (573) 471-0342 | 1116 N. Main | Ronald C. Milbach Fax (573) 471-2745 |

Second Outside Director Appointed



Jennifer Hendrickson

At their April 2013 meeting, the Board of Directors appointed Jennifer Hendrickson from Cape Girardeau to the Board. FCA regulations require any Farm Credit association with total assets greater than \$500 million as of January 1st to have two "outside" directors. Progressive Farm Credit Services crossed 2012 year end with \$557 million in assets.

Jennifer brings considerable experience in financial institution management and business planning to the Board. Jennifer and her husband have owned and operated Hendrickson Business Advisors in Cape Girardeau since July, 2007. Prior to establishing the business she worked at banks in St. Louis and Cape Girardeau market since 1997.

Jennifer is a native of Springfield, Missouri and graduated from Southeast Missouri State University with a BS in Finance and received her MBA from Southeast Missouri State University with emphasis in management. She also is a graduate of the Owen School of Bank Financial Management at Vanderbilt University, as well as the Sheshunoff Executive Banking Institute through Louisiana State University.

Jennifer's current term will expire in August, 2016.

Farm Credit Employees Complete Ag-Lending School



Progressive Farm Credit Services employees Christy Nash, Kennett Branch CSR/Credit Analyst, (left) and Jamie Douglas, Poplar Bluff Branch Customer Service Representative, (right) receive their certificates for completing the 14th annual Agricultural Lenders School from Joe Horner, agricultural economist with the Commercial Agriculture Program at the University of Missouri.

The goal of the intensive five-day program was to aid the participants in analyzing agricultural credit and helping clients build profitable businesses. Nationally recognized experts served as faculty in teaching the business of making good agricultural loans. Dr. Freddie Barnard, from Purdue University, led the training in analyzing real-life farm financial statements for the first three days and other agricultural experts taught the rest of week. Christie and Jamie were two of 32 agricultural lenders enrolled in the school held at the University of Missouri on June 3rd through the 7th, 2013.

“Grandpas Are Always Special” – Leon Day

by: Joshua Kineman and Anna C. Harper



Pictured Left to Right: Leon Day, Sue Day, Brent Day

“Grandpas are always special...The strongest man I know, the one person I have always felt that I made proud is either going to come back breathing or the next time I see him will be in a coffin.” These words were written by Taylor Day, the granddaughter of Leon Day [read the article Taylor wrote about Leon’s surgery in the box on the right]. They are a powerful reflection of a family’s experience with heart disease that started in 2002.

For 34 years Leon, a 63 year old rice, corn and soybean farmer from Naylor, Missouri worked as a school bus driver while farming. Standing 5’11” and weighing 165 lbs. you would never expect him to need heart surgery. “It is remarkable. From January to April I jogged a mile and walked half a mile every day. I never smoked and did not drink alcohol” said Leon. However, his family had a history of heart problems. His mother, father, and sister all passed away from heart related illnesses.

Leon had always passed his routine physicals while working as a bus driver. “For many years I did not notice any signs of heart problems.” However, in 2002 he began feeling flushed and tired while working or exercising. “I thought it was old age.” But this was the first sign of Atrial Fibrillation (or AF). AF causes the heart to beat too fast or with an irregular rhythm which leads to poor blood circulation and the possibility of heart failure or stroke. According to the Center of Disease Control and Prevention it is estimated that 2.66 million people have AF as of 2010 and as many as 12 million will have the condition by 2050.

During physical activities Leon’s heart rate would speed up - leaving him light headed and dizzy. At times his heart would reach 210 to 220 beats per minute (BPM) before slowing down to its normal range, compared to 60 to 100 BPM for the average male.

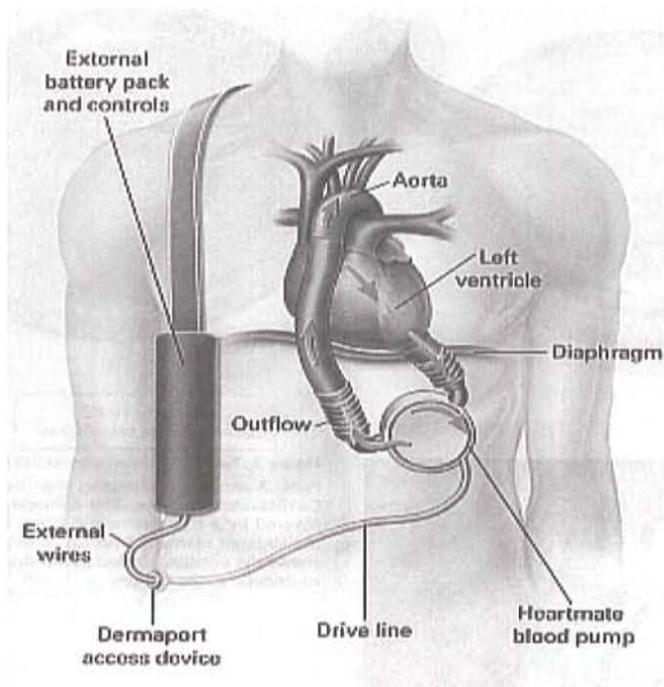
Waiting Room

By: Taylor Day

Grandpas are always special. I will never forget hugging my grandpa before he went into surgery and praying that it wouldn’t be the last time that I did. I had never been more scared. It felt as if the world as I knew it was crashing down. I had no control in the future or how things would turn out. The feeling of having no control was almost unbearable. The strongest man I know, the one person I have always felt that I made proud is either going to come back breathing or the next time I see him will be in a coffin. The realization of this was gut wrenching and heart breaking. The tears formed in my eyes, but I held them back, knowing that my grandma, dad and my grandpa were as scared as I was.

The waiting room downstairs was cold, not only physically, but the people there were not very nice either. The surgery would last hours and the only thing I could think about was the past week. It had all started bad. We knew getting the test done that my grandpa was sick, but that meant he would just be farther up on the heart transplant list. When they told us he would have to have the LVAD – a left ventricular assistant device which helped to circulate blood from the heart to the body – to live any longer than six months, I thought it was the end of the world.

Until 2005 Leon took amiodarone (am-ee-oh-dar-ohn) to control his heart rate and wore a heart monitor. In December 2005 he developed a cold and constant cough, which caused him to almost pass out. A visit to the doctor determined that he was experiencing atrial fibrillation. They increased his medication of Amiodarone and prescribed Cardizem.



Due to the medication and existing heart conditions, Leon's thyroid became inactive and his heart weakened dramatically. Leon states that "Everything went downhill from that point." He eventually received a pacemaker and went through 4 defibrillators in order to maintain his heart rate.

In 2012 doctors found that Leon's left ventricle quit working. His heart was now unable to pump blood to his lower extremities. His legs were constantly cold from below his knees and often turned blue. Doctors told him, "Your heart is in terrible condition." They could continue to give him medication, but he would only have six months to three years to live. The other option was a heart transplant.

Doctors placed a central venous catheter in his neck to deliver medicine and inserted a left ventricular assist device (LVAD) into his chest to help his weakened heart pump blood from the lower chambers of his heart to the rest of his body until they found a donor. He wore the LVAD for four and a half months, running it off of batteries during the day and plugging it into an outlet at night.

During this time his son Brent continued to farm the ground they rented while Leon recovered. Brent said it was tough to work without his father. "We were accustomed to working together. Even though I am 38 years old, you still want your dad's advice from time to time. In addition, we took on 600 more acres which added a lot of stress on us."

November 15, 2012 was a special afternoon for Leon. Leon spent that morning with his wife Sue and their two granddaughters, Taylor and Hattie, looking for a car to buy for Taylor to take to college. Leon received the call while he was on Highway 142. It was the transplant team. They simply said "We have a heart available...you are on standby... can you be here in two and a half hours."

I sat in the ICU waiting room and cried, as a little old lady comforted me. I wanted so badly for God to let me switch places with him. I am a strong individual. My grandpa had already had to fight so much in his life. Who has to go through 5 other heart surgeries and escaped death after being run over by a tractor. I questioned why God would do this to such a terrific human being. As I thought of this memory in the surgical waiting room it almost made me laugh. I thought that feeling was bad. There was an enormous difference in being upset and the fact that you're told surgery is the only option and actually having to watch them leave not knowing what the result will be.

When you are just sitting in the surgical waiting room it feels like every second is a minute. They give each patient a number and they call the number when they have information for the family. I knew that they planned to open him up around six-thirty. We had been at the hospital since five, which had felt like an eternity. For the past hour all I could think about was how terrible the past week leading up to this had been. Then as six-thirty rolled around my mind wandered.

I thought curiously of how they would split his chest open. I prayed that the anesthesiologist did a good job getting him asleep so he would not feel a thing. The hours consisted of thinking, praying, and a few short naps with interruptions for bathroom breaks and a few snacks from the hospital gift shop. I feel like all I did was pray. I remember accepting that God was doing this, but I prayed that it would not be a lost cause.

“It happened so fast I did not have time to get nervous” said Leon. He arrived home at 2:38 p.m. and he and his family quickly drove to St. Louis. Sue said “It took less than three hours for us to make the drive.” It was now 5:03 PM. His family sat in the ICU praying and comforting each other. The surgery lasted hours. In her paper, Leon’s granddaughter Taylor describes that “it felt like an eternity”.



Leon did excellently during the surgery and is more energetic now than ever. Most of his days are spent farming and spending time with Sue, Brent, Taylor, Hattie, and his grandson Tyler. He has not had any signs of his body rejecting the new heart and advises everyone to make sure

to eat healthy and keep track of your blood pressure. “Get a simple blood pressure machine. It is one thing you can monitor at home.” If you feel like something is happening – go see a doctor.

This isn’t the first time Leon escaped death. In 2009 he was run over by a 4840 tractor. While working on a blown hydraulic hose, he started the tractor. Unknowingly, the tractor was in gear causing him to slip and fall underneath the tractor. Luckily, he was quick enough to lay on his stomach before the brush hog passed over him. His injuries included: breaking his leg in 5 places, 6 broken ribs, a collapsed lung, cracked vertebra, and a crushed shoulder blade. He stated that “If I have nine lives, then I believe I have used them all.” We all laughed and agreed with him.

God could not be putting my family as well as myself through all of this worry and pain for nothing. I trusted in God, but all I wanted in that moment was to know my grandpa was okay.

The operating room did not call for hours. It felt like they only called other families instead of ours. I kept thinking that no news was good news. Hours after they had called to tell us they just got started, the operating room called. The nurse said those magic words “he did wonderfully during surgery, they are about to close up now. Then, the surgeons will be out to see you.”

Local Farmers Featured on National Farm Credit Website

Robin, Heath and Blake Burger are featured on Farm Credit’s national “PRODUCING EXCELLENCE” website. See their story at:

<http://www.farmcreditnetwork.com/producingexcellence/profiles/single/170>



Chief Appraiser Jeremy Hill Earns ARA Designation

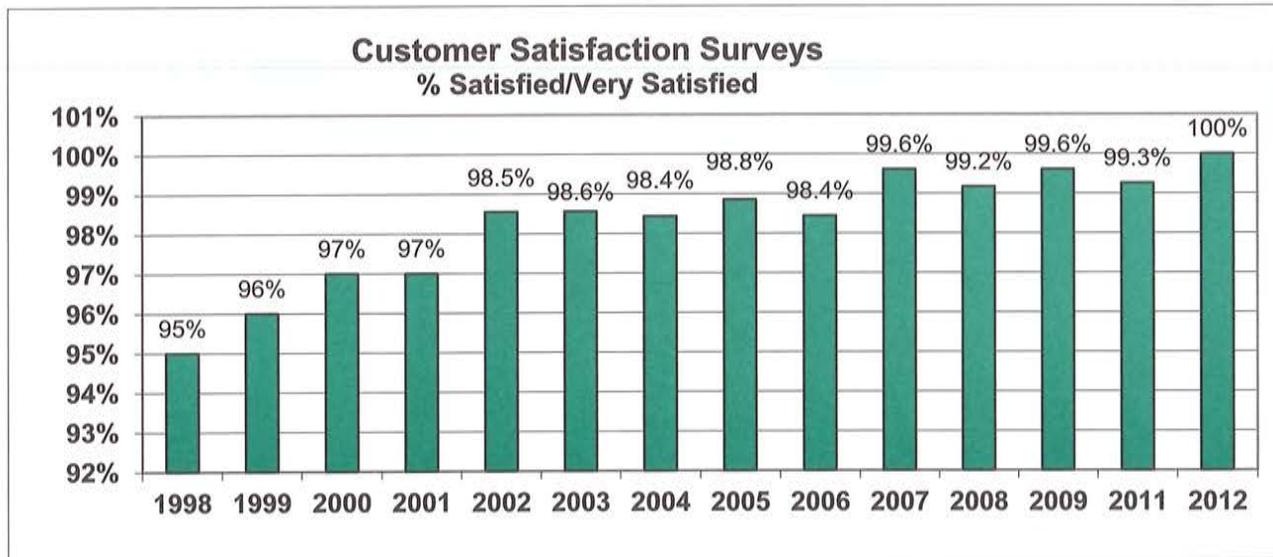
On August 31, 2012 Jeremy Hill, Progressive FCS Vice President of Appraisals, was awarded the Accredited Rural Appraiser (ARA) designation from the American Society of Farm Managers and Rural Appraisers (ASFMRA).

The ARA designation is earned by those who meet stringent education and experience, in addition to passing rigorous oral and written examinations and abiding by the American Society's Code of Ethics. Jeremy joins a select 45% of the ASFMRA members who have received the Accredited status and maintain it through the ASFMRA continuing education program.



Jeremy Hill, Progressive FCS VP of Appraisals, is pictured here (second row, center) with other select appraisers who received their Accredited Rural Appraiser designation.

Progressive FCS Achieves 100% Customer Satisfaction Rating!



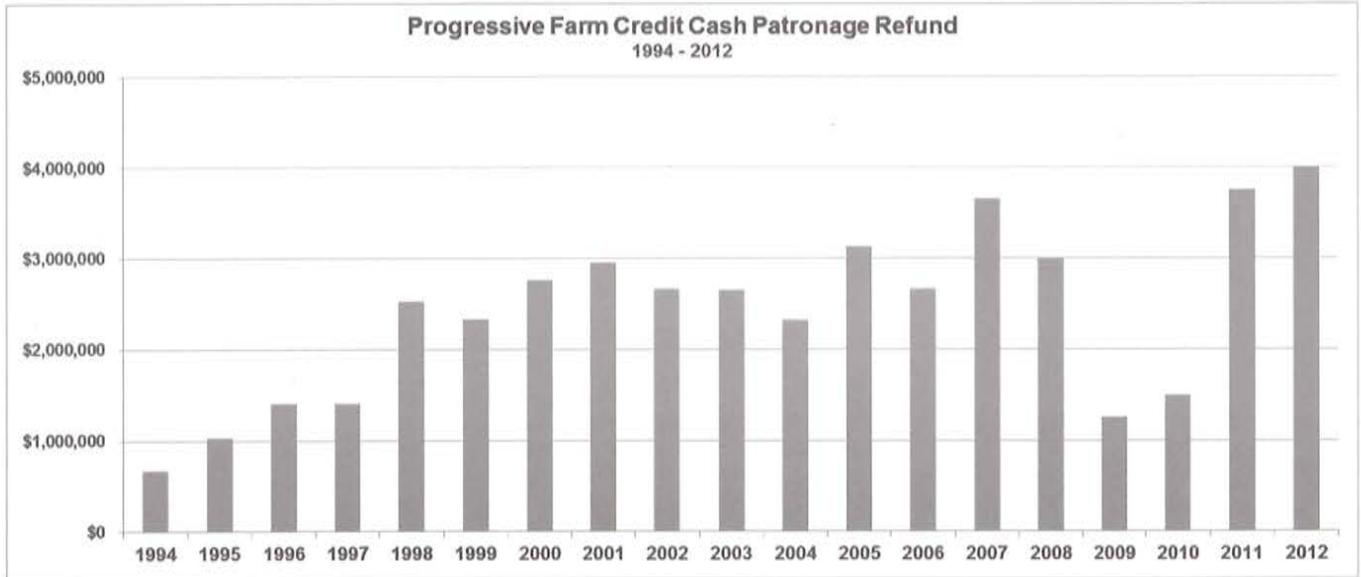
In February, our Customer Satisfaction Survey was sent to a random selection of Progressive FCS customers. Of the surveys sent out, 51% were returned. We are very pleased to report that 100% of the customers surveyed are either "satisfied" or "very satisfied" with Progressive Farm Credit Services!

This is the first time that all of our seven branches received a 100% "satisfied" or "very satisfied" rating!

We want to thank those customers who completed and returned a survey. We appreciate all our customers and will continue our efforts to provide "World Class" customer service in the future.

Patronage Distribution by County

While it is helpful to see the Patronage paid for each year since the program began in 1994 (see bar graph below), we thought it would be interesting to see where those funds are distributed in our trade area.



The map shown below illustrates where the \$4,000,000 Patronage for 2012 was distributed to our borrowers in our trade area (by county)... the larger the dot, the more patronage was paid to borrowers in that county.



Memories

2011 Flooding in Southeast Missouri "Then and Now..."

New Madrid River Front



Wappapello Lake Spillway



Source: U.S. Geological Survey, Department of the Interior/USGS, U.S. Geological Survey

Birds Point Levee



Source: U.S. Geological Survey, Department of the Interior/USGS, U.S. Geological Survey/photo by Donnie Keeling

Recent Trends in Public Auction Sale Prices

By: Jeremy Hill

Demand for good farmland continues to remain strong throughout Southeast Missouri, while supply is limited. The number of sales during the second half of 2012 was up compared to the first half of 2013. This was in part due to the unknown changes in the tax laws for 2013. Although the number of sales has been fewer in 2013, sale prices have remained very strong with record setting high land prices. These sales reflect no downturn in market values at this time.

Local auction companies agree. We asked a couple of them to weigh in and here is what they had to say:

Travis Birdsong with Birdsong Auction and Real Estate Group, LLC: "We have seen a gradual but steady increase in the amount of real estate auctions over the past few years. More marginal ground is coming on the market with sellers wanting to cash in on the high sale prices while they can. As far as a difference between 2012 vs 2013 the only consistent difference is simply the market price has continued to increase above and beyond what anyone can reasonably predict. Auctions are the only true way to determine you are selling for the highest price someone is willing to pay."

Wayne Keller with Buy A Farm Land & Auction Co LLC: "Most of the farms we have sold recently have been estates that have decided now is the time to take advantage of today's prices, but not all. Some are looking to get their affairs in order to avoid a family squabble after they are gone, some downsizing to reduce debt and some are trading up - selling tracts far from their base of operation or poorer quality and purchasing property coming up closer to home or of better quality."

The following is a list of farms that sold at public auction (NOTE: this is only a partial list of auctioned sales and does NOT include any private transactions):

| Date | Acres Auctioned | County | Description | Price/acre |
|---------|-----------------|------------|---|------------|
| 11/2012 | 80 | New Madrid | Graded and irrigated | \$9,200 |
| 12/2012 | 120 | New Madrid | Graded and irrigated | \$11,336 |
| 12/2012 | 226 | Butler | Partially graded and irrigated | \$6,437 |
| 02/2013 | 69 | Scott | Partially graded and irrigated | \$7,350 |
| 03/2013 | 91 | Dunklin | Graded and irrigated | \$10,463 |
| 04/2013 | 120 | Stoddard | Graded and irrigated | \$8,480 |
| 05/2013 | 115 | Scott | Irrigated with a center pivot system that was included in the sale | \$9,550 |
| 05/2013 | 240 | Scott | Graded and irrigated and was improved with an additional center pivot and grain storage | \$9,350 |
| 07/2013 | 271 | New Madrid | Not graded | \$6,625 |

Progressive Farm Credit Services continues to offer AgriAuction through its website. AgriAuctions is a free service that provides you the information you need for agricultural land and equipment auctions being held in your region. We have partnered with a number of area auction companies that provide information on their auctions and links to their websites. Simply go to our website (www.progressivefcs.com) and click on the "AgriAuctions" icon. Enter your zip code and then search for upcoming auctions.

MEET OUR NEW EMPLOYEE



Jennifer Rolwing Collier | *Financial Reporting Analyst - Corporate Office*

Jennifer Rolwing Collier has rejoined the Progressive Farm Credit team this month as an Accountant/Financial Reporting Analyst at the Corporate Office in Sikeston. She had previously worked at our Sikeston Branch Office as a Service Representative and then a Loan Officer Trainee. Jennifer is replacing Joshua Kineman who is transferring to St. Louis to work at the Federal Reserve Bank of St. Louis as a Senior Analyst.

Jennifer has a BS degree in AgriBusiness from Murray State University with an emphasis in Finance and Economics.

TRANSFERS



Lee Hunt | *Service Representative - Kennett Branch*

Lee Hunt has transferred to the Mississippi County Branch office after she and her husband moved to Cape Girardeau in February. Lee brings 20 years of experience serving Progressive Farm Credit customers as a Service Representative at our Kennett Branch office. Lee will also help out at our Jackson Branch office one day a week.

PROMOTIONS



Matt Poole | *Senior Loan Officer - Kennett Area*

Matt Poole was promoted to Senior Loan Officer earlier this year. Matt has been serving the Kennett area farmers since 2003.



Mark Zabelin | *Senior Loan Officer - Dexter Branch*

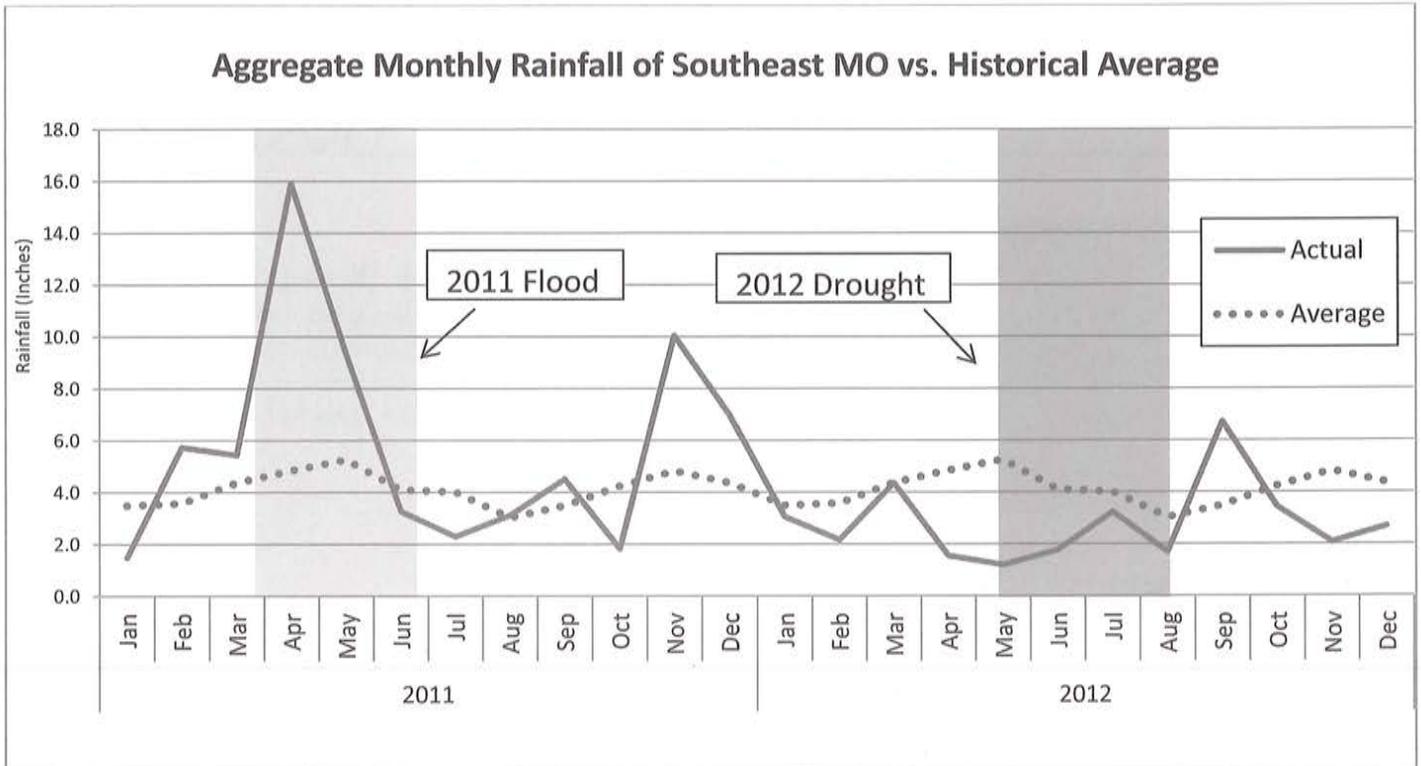
Mark Zabelin was also promoted to Senior Loan Office this year. Mark has been serving the customers in the Dexter branch office since 2003.

Assurance through Insurance

Multi-Peril Crop Insurance Claims in 2011 and 2012

By: Joshua Kineman

The weather patterns in Southeast Missouri for the past two years have been nothing short of exceptional. In 2011 farmers experienced some of the wettest months ever which contributed to a 50 year flood. In 2012, Southeast Missouri experienced a historical drought.



(Continued on next page)

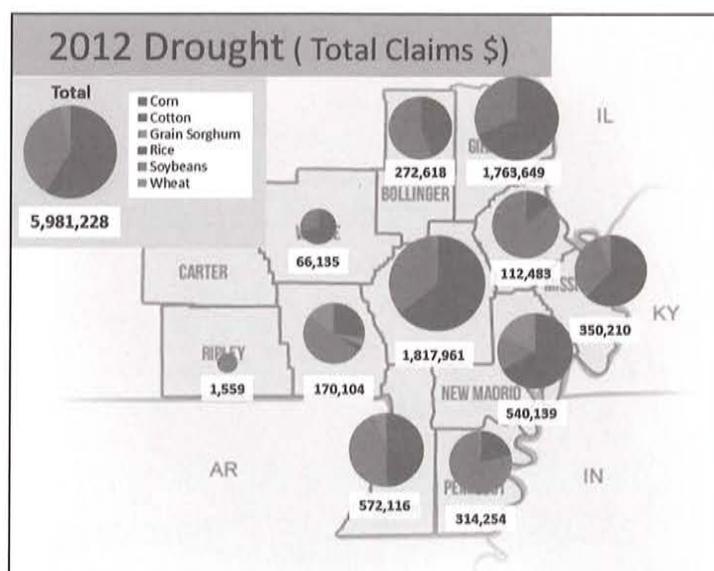
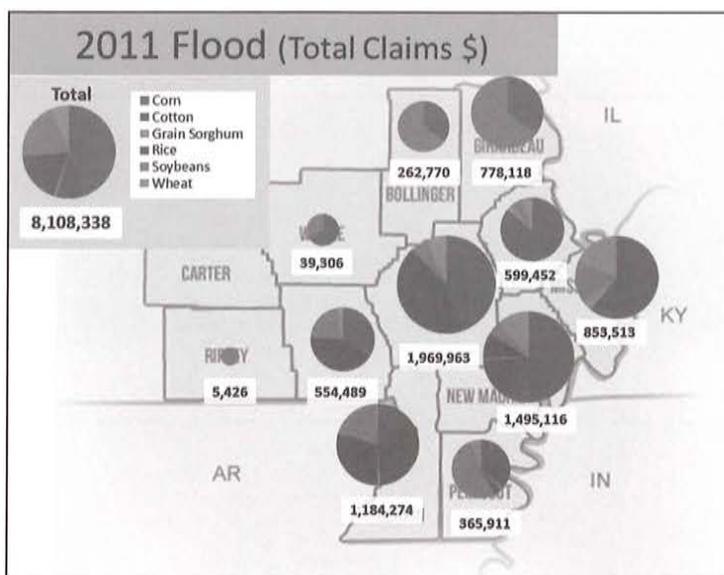
Progressive Farm Credit Services Risk Management Specialist Staff

| <u>Location</u> | <u>Risk Management Specialist</u> | <u>Office Phone</u> | <u>Cell Phone</u> |
|--------------------|-----------------------------------|---------------------|-------------------|
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| Jackson | Tiffany Shankle | 243-4301 | 573-683-1212 |
| Kennett | Nathan Creed | 888-6624 | 573-717-6472 |
| Mississippi County | Tiffany Shankle | 649-4110 | 573-683-1212 |
| Poplar Bluff | Jamie Douglas | 686-1446 | 573-778-2370 |
| Portageville | Teri Miller | 379-3461 | 573-748-0244 |
| Sikeston | Kyle Karr | 471-0511 | 870-733-2711 |

Assurance Through Insurance (continued)

Let's look back at two historically different years – the flood of 2011 and the drought of 2012. Both years affected farmers on different levels. With crop insurance coverage many farmers were able to mitigate the risk of significant loss. In 2011, \$8.1 million dollars were paid out in MPCCI claims to Progressive Farm Credit producers in Southeast Missouri. Contrast this to the 2012 drought, where \$5.9 million in claims were paid out.

- Average claim was \$16,000 in 2011 and almost \$17,000 in 2012
- Since 2010:
 - 22% of policy holders received a claim
 - Of those who received a claim, 80% of them received more than 100% of their premium paid



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