

THE BRAND

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STRAIGHT AND NARROW

By Alfred Porter Jr., President and Chief Executive Officer

Let's face it, farmers and ranchers are eternal optimists. You can look at price cycles of any agriculture commodity and see the roller coaster. Add to that: the weather, regulations, environmental and animal rights groups, increased production costs and you get a more severe roller coaster. It seems every year the agriculture industry faces additional barriers to making a decent living. If I was going to name the roller coaster of 2009 it would be the invisible tunnel, because we never knew what was coming next.

There are a lot of different opinions on what we have in front of us. We at Farm Credit of New Mexico are a lot like our customers'-optimists. While 2009 is not going to be as good of a year for our company as the past several. Considering the state of the economy, I think it looks pretty

good from several perspectives.

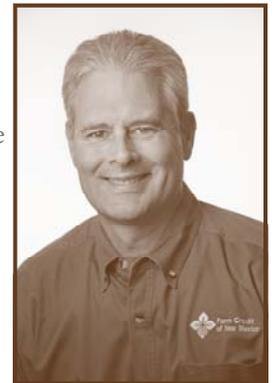
One way is how we are weathering the economic storm. We entered this economic downturn strong, with a good capital position, almost perfect credit quality and a staff ready to handle the challenges. While we have had some slippage in our ratios and credit quality we are still very strong. In comparison to our peers we are faring well.

Another way our Association is doing well is how we are helping our customers through this rough time. When producers are being squeezed from every angle one thing that has helped is that we have experienced record low interest rates. The average interest rate for our customers so far this year has been 1.53% cheaper than

in 2008. Looking forward, rates are expected to stay down for the next 7-8 months.

In the face of difficult times, I would like to express our thanks to you for feeding us. To-

day less than 1% of the US population works in agriculture. The average American farmer feeds about 144 people. Farmers and ranchers are the most dedicated and resilient group of people around, so continue to be an optimist. If your family is struggling this year stay strong; and look for opportunity, it is always hidden in difficult times.



Al Porter

DAVID SALOPEK JOINS BOARD

David Salopek has been appointed to the Farm Credit of New Mexico Board of Directors.

He has filled the unexpired term of Kevin Penn, who resigned a few months ago to allow his son Jacob to pursue a career with the Association.

Salopek is a native New Mexican who has been farming pecans for 29 years. He has been partner and manager of David Salopek

Farms since 1979.

Salopek is currently President of the New Mexico Pecan Growers Association. He is a member of the Board of Directors and the Marketing Board for the National Pecan Shellers Association. Salopek graduated from New Mexico State University in 1988 with a degree in Agricultural Economics. He has been married to his wife Marion for 19 years and together they have three children; Sheila, David and Haylee.



David Salopek

FROM THE CUSTOMERS PROSPECTIVE

Workers Compensation

By Ryan Schwebach, Producer, Macintosh, NM

I am a farmer in the Estancia Valley, currently employing six full time employees. I am an active member of Farm Bureau, currently acting as our County President. I carry workman's compensation insurance, but do not believe that the state should mandate workman's comp for the agriculture industry. Due to this situation, Farm Bureau invited me to take part in discussions regarding workman's compensation.

In the 2007 New Mexico state legislative session, a bill was introduced to remove the Ag exemption from the mandatory workman's compensation law. The bill did not pass. Instead, a taskforce consisting of individuals in the Ag industry, insurance industry and lawyers fighting for the impoverished was formed to determine if the exemption should be removed and the resulting consequences. Acting as Chairman of the taskforce, we met regularly over the next eighteen months and progress was made amongst the group. Parties on both sides of the issue agreed that agriculture workers should have some type of insurance, but not necessarily workman's compensation.

Unfortunately, the progress came to a screeching halt. The last meeting held by the taskforce was in the fall of 2008 and it resulted in a split vote. The New Mexico Center for Law and Poverty (a group of lawyers based in Albuquerque, who are also members of the taskforce) chose to push legislation to remove the Ag exemption again in the 2009 legislative session. This bill passed the House, but not the Senate. The Governor was expected to sign the

bill, had it landed on his desk. After the 2009 legislative session, the Center for Law and Poverty filed suit against the State of New Mexico in hopes to force the removal of the Ag exemption. The State Attorney General is now handling the issue.

Workman's compensation insurance is designed to pay for all medical bills and percentage of lost wages due to an on-the-job injury. Every type of accident, from a broken fingernail to death, is covered by workman's compensation insurance; no questions asked. Workman's compensation insurance is considered to be "no fault" insurance, meaning that regardless of the type or reason of the injury, the employee's medical bills will be paid with little or no limits. Even if an employee is negligent, and causes the accident, he/she will be compensated for the medical bill and any lost wages. In return for this extraordinary employee benefit, the employee surrenders the right to sue the employer. Does this result in total liability coverage for the employer? Is this the perfect solution for both parties?

Workman's compensation is an insurance, not a pool of money that the State controls, and can be purchased from many insurance companies. Cost of insurance is a percentage of gross payroll and rates vary depending on job classification and accident history. An office secretary may have a cost of two dollars for every hundred dollars of pay; while a rancher will probably have a cost of twenty-eight dollars for every hundred dollars of pay. If your business has a good accident history,



Ryan Schwebach

the cost of insurance will lower over time. Maybe in three years the above mentioned rancher will have a rate of twenty dollars for every hundred dollars of pay. Does this still look to be the perfect solution? Well, it gets better.

Remember, an insurance company needs to show a profit. If an insurance policyholder has a poor accident history, individual insurance rates are sure to rise or the policy is altogether canceled. If the State mandates a business to carry workman's compensation insurance, and a business cannot obtain insurance from a private insurance company due to a poor accident history, then the business must purchase insurance from the State. The State insurance is usually twice the cost.

Workman's compensation insurance is the best employee liability coverage on the market; however it is not 100% lawsuit free. If an employer is found negligent (i.e. employer tells an employee to work on a pivot electrical system without shutting the power off), then the employee still can, and will, sue.

Other states that mandate workman’s compensation have had to “overhaul” their system due to fraudulent claims. The state of California had a horrible problem with such claims and chose to fix the problem by making it a felony for both the employee and doctor attempting to make a fraudulent claim. New Mexico has no such laws on the books.

The primary reason agricultural businesses are exempt from carrying workman’s compensation insurance is because it is cost prohibitive for our industry. We are price takers of our products, not price-givers. We cannot pass the extra cost of the insurance on, like the construction industry does. Farmers in America operate on extremely small profit margins because of the Federal government’s need to keep an abundant, safe and affordable food supply. In return, farmers are given many exemptions that other industries are not. Adding

the cost of workers compensation to the Ag industry will be a catalysis causing many businesses to look for a more “Ag friendly” state rather than New Mexico.

Workers compensation insurance is a useful liability tool for my business, not necessarily all agricultural businesses. I fear that with State mandated workers compensation, there will no longer be a healthy competition to keep insurance rates low. Agricultural businesses need to be able to make choices to lower input costs not just to be profitable, but to stay in business.

This article touches just the tip of the iceberg of the workman’s compensation system. This system is very complex and governed by bureaucracy which, in my opinion, makes the system ripe for fraudulent activity. The majority of Ag businesses currently carry a med pay/employee liability insurance that has

sufficient coverage and is cost effective. I believe that with common sense legislation, agriculture can still have a choice, individuals need to talk to our elected officials and remind them of our unique situation in agriculture. New Mexico Farm and Livestock Bureau is at the fore-front of this battle, call your county officers to learn more information.

On a side note, take the time and Google “New Mexico Center for Law and Poverty”. Take a look at their website and see how agriculture is being portrayed on the other side of the fence, it makes my blood boil.

NOTICE

In accordance with Farm Credit Administration (FCA) regulations, our Annual Report to Shareholders will be published on our website when the report is sent electronically to the FCA (within 75 calendar days from December 31). A paper copy will be sent to you within 90 days after December 31.

AG COMMUNITY CALENDAR

December 3-6	Joint Stockman’s Convention, Albuquerque
December 24-25	FCNM Closed for Christmas
January 1	FCNM Closed for New Years
January 13-15	Southwest Hay Conference, Ruidoso
Jan 19-Feb 18	New Mexico Legislative Session, Santa Fe
January 25-26	Crop Production Conference, Ruidoso
January 27	Cotton Conference, Ruidoso
February 9	Ag Fest, Santa Fe
February 16	Ag Feed, The Capitol, Santa Fe
February 23-24	Ag Expo, Portales
March 7-9	Western Pecan Conference, Las Cruces
June 11-12	Dairy Producers of NM Convention, Ruidoso

EXCEL PROGRAM

By Jeremy Witte, EXCEL Student Las Cruces Branch

Farm Credit of New Mexico is participating in the Experience-based Career Education and Learning (EXCEL) program in Las Cruces. This program is an elective that allows high school juniors and seniors the opportunity to learn about careers and themselves from real life experiences in the world of work.

Students are placed at community job sites in careers of their choice for half of each school day and spend the other half-day taking courses at their high school. Students earn 2 credits and

work experience for their EXCEL class. Students do not receive a paycheck for this class; they begin to build experience to put on their resume and reference for future jobs.

Our first EXCEL participant, Jeremy Witte, a Junior out of Las Cruces High School. Jeremy is involved in 4-H, FFA, and shows animals. He plans on attending NMSU and studying Ag Business and Ag Economics.



Jeremy Witte

