

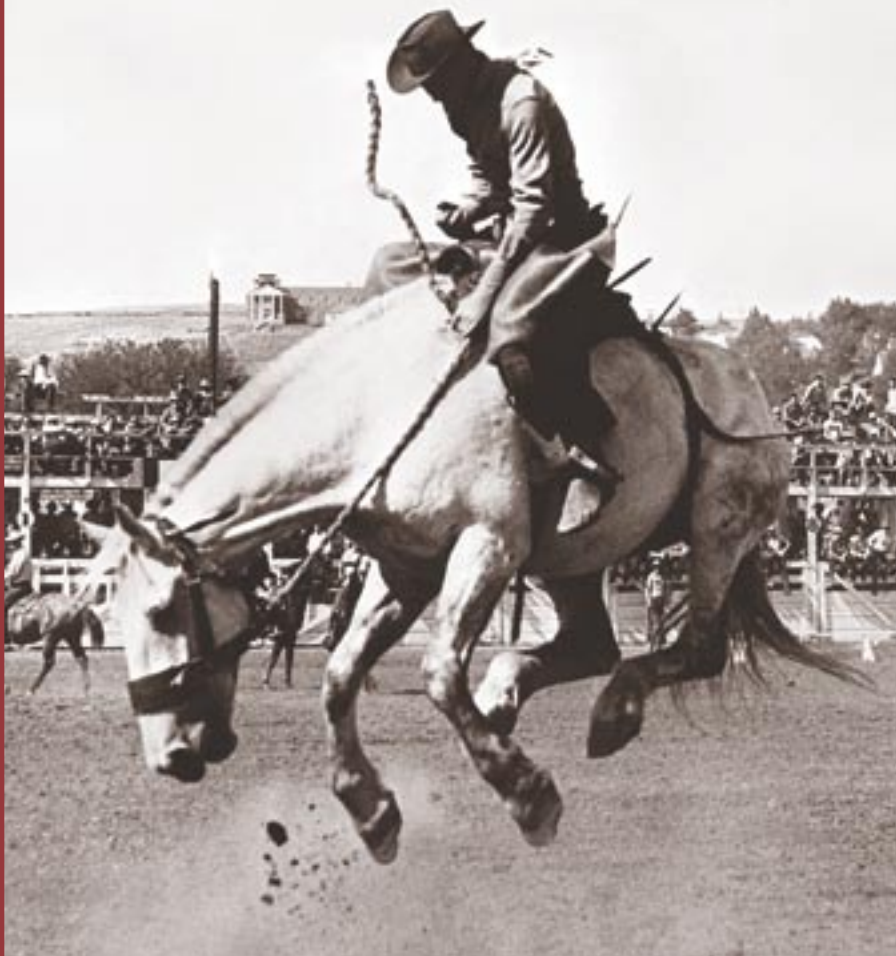
# Leader



**WHEN ASPARAGUS  
WAS KING**

**PFC Receives High Marks**

# EVERY BUCK COUNTS



When you borrow from Farm Credit, you don't get kicked around. You get a share of the profits.

At Farm Credit, we believe if we have a good year, so should you. And we actually put that belief into action through our Patronage Refund Program.

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## Leader

is published quarterly for stockholders, directors and friends of Palmetto Farm Credit.

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Address changes, questions, comments or requests for copies of the association's financial reports should be directed to Palmetto Farm Credit by calling 1-800-310-4805 or writing P.O. Box 4966, Spartanburg, SC 29305. Contact us by email: [palsc@palmettofarmcredit.com](mailto:palsc@palmettofarmcredit.com). Our quarterly financial statement can also be obtained from our website, [www.palmettofarmcredit.com](http://www.palmettofarmcredit.com).





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**ON THE COVER:** Asparagus is a member of the Lily family. Spears grow from a crown that is planted about a foot deep in sandy soils. Under ideal conditions, an asparagus spear can grow 10" in a 24-hour period. Asparagus is a nutrient-dense food, which is high in folic acid and is a good source of potassium, fiber, vitamin B6, vitamins A and C, and thiamin. It contains no fat, no cholesterol, and is low in sodium.

## History of the BioStar Corporate Symbol

If you are a new customer of Farm Credit, or maybe even a long-time customer, you may have



wondered what the meaning of our logo, the BioStar, represents. Below is an explanation of our corporate symbol, the BioStar.

Prior to the mid-1980s, Farm Credit was recognized through as many as seven corporate identities. Each had its own corporate logo or symbol. For example, in the southeast U.S. alone, we had the following identities with appropriate logos or symbols:

- Federal Land Bank
- Federal Intermediate Credit Bank
- Bank for Cooperatives
- Federal Land Bank Association
- Production Credit Association
- Farm Credit Service

The creation of the BioStar corporate symbol resulted from a national effort to bring all of these under one identifiable symbol, such as the “McDonald’s approach.” Whenever you see the BioStar, you would think of Farm Credit just as consumers think of food when they see the “Golden Arches.” The BioStar was phased into Farm Credit’s identity program over a three-year period during the mid and late 80’s.

The BioStar symbol consists of several visual elements—three leaves, a root system, and a star. The leaves represent the system entities, the roots represent the grass-roots support of member/borrowers, and the star represents light and direction. ■

## 2003 Holiday Closings

Our offices will be closed in observance of the following holidays:

**September 1:** Labor Day

**November 27 & 28:** Thanksgiving

**December 24 & 25:** Christmas ■



## Insurance Reminder

Palmetto Farm Credit, ACA (Association) loan agreements and/or commitment letters stipulate that borrowers obtain and maintain insurance on property pledged as collateral for loans with the association named as mortgagee or loss payee as appropriate.

This notice is a reminder that the minimum amount of coverage required to be maintained is the lesser of your loan balance(s), the actual cash value of the property, the replacement cost of the property or the amount stipulated by your loan officer. Since the amount required could be less than the amount for which the property can be insured, you are encouraged to consider higher limits where applicable to adequately protect your equity interest in the property.

If the property securing your loan consists of improved real estate, unless otherwise advised, at a minimum, your policy must insure against the following perils: fire and lightning, wind, hail, aircraft or vehicle damage, riot or civil commotion, explosion, smoke damage, water damage (other than flood), falling objects, weight of snow, ice or sleet and vandalism. Loss or damage from flooding is also required if your loan was made after October 4, 1996, and at the time the loan was made the property was located in a government mandated Special Flood Hazard Area and flood insurance was available.

If the property securing your indebtedness consists of personal property including vehicles, machinery or equipment, in addition to the causes of loss cited in the preceding paragraph, the property must also be insured against theft, and where applicable, such as with mobile machinery and equipment, collision and upset.

If your current coverage does not conform to these requirements, please contact your insurance representative and effect the necessary changes to insure your coverage does comply with these requirements. Please contact your local Palmetto Farm Credit representative if you have any questions or comments. ■

**Lynn Z. Dantzler**

# Review of Second Quarter 2003

The second quarter of 2003 brought a welcome rebound in the stock market, a continuation of the downward trend in interest rates, and abundant rainfall to most of our Association territory.

The recent increase in stock prices allows us to be a little more optimistic about the economic direction of the United States and the rest of the world. Lower interest rates precipitated one more wave of residential mortgage refinancing while the wet weather conditions prompted some of our customers to do what would have been unthinkable during the droughts of the last several years and to actually pray for a few hot, sunny days.

Mr. Greenspan and the Federal Reserve Board read the economic tea leaves in mid-June and surmised that another one-quarter percent cut in short-term interest rates was the proper prescription for the still rather anemic domestic economy. With the Fed funds rate at 1.00%, a prime rate of 4.00%, and 30-year conventional home mortgages going below the 5.00% level, money is by all historical standards very cheap. But lower rates cut both ways.

Interest rates for savings accounts are so low that we hardly notice any return at all, and retirees and others who rely on investment interest have seen their incomes continue to erode. Many credit card rates have already reached their floors, and the Fed seems to be paying more attention to deflation than to inflation. These are truly interesting times that challenge many of the conventional economic theories.

Against this backdrop of low rates, I am pleased to report that the Association's performance with respect to net interest income and earnings has continued to

improve even as loan demand has tapered off somewhat. While our outstanding loan volume as of June 30, 2003 declined slightly compared to the end of 2002, our earnings for the first half of 2003 exceeded our business plan goal even with a \$479 thousand write-down in the value of a specialized other-property-owned asset. Net earnings totaled \$4.28 million for the first six months of 2003 compared to \$2.21 million and \$4.39 million respectively for the same periods in 2002 and 2001.

A significant part of this improvement is related to our ability to reprice some of our fixed rate loans in a falling rate environment and create a win-win situation of lower rates for our customers and higher interest rate spreads for the Association. Many of these repricing transactions have been accomplished with limited paperwork and low fees for our customers. The astute asset-liability management practices of AgFirst Farm Credit Bank that featured call options in most of our fixed rate liabilities facilitated the repricing efforts of our staff, and we are grateful for the strong partnership that we share with AgFirst.

On July 15, 2003, our stockholders, by a 93% affirmative vote, endorsed our proposed merger with AgSouth Farm Credit to create an even stronger combined financial institution. AgSouth stockholders also approved the consolidation with 96% voting in favor. The philosophies and cultures of the two associations are very similar and quite

compatible, and we look forward to providing our same focused customer service while increasing stockholder value.

Our respective staff members will be working diligently over the remaining months of 2003 to effectively and, as seamlessly as possible, integrate the two operations. We have seen the benefits of other Farm Credit institution mergers, and we expect to "hit the ground running" as the new association officially comes together on January 1, 2004.

We know that we will face some operational challenges, but we have a team in place that is capable of meeting those challenges while still providing strong customer service and tangible financial benefits to the stockholders of our customer-owned cooperative. We truly believe that the new AgSouth Farm Credit will build on the legacy of Palmetto Farm Credit and be among the leading Farm Credit units not only in the 15-state AgFirst district but in the entire Farm Credit System as well.

Our customer/stockholders have been extremely loyal and supportive over our 85 plus years, and this new Association should deliver financial benefits and customer service over the coming years that will continue to position our Association as the leading lender to agriculture, agribusiness, and country homeowners in our region. We are excited about the future and our opportunities for continued growth and service. ■



# Our Name May Change, But Our Customer Commitment Continues

By: Lynn Z. Dantzler, President

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“Now that the merger between Palmetto Farm Credit and AgSouth Farm Credit has been approved by the stockholders, will the combined financial institution go after bigger loans and pay less attention to smaller customers?”

---

I recognize that such a question may be a topic of discussion in country stores, commodity group meetings, and other places where our customers and those who are involved in agriculture get together over the next several months.

We all know that agriculture, like everything else in our world, continues to

evolve and change. Although the number of farmers in South Carolina has essentially stabilized over the past several years, one has to dig a little deeper than just looking at farmer numbers to get the true picture of today’s agribusiness sector in our state.

Agriculture, both in the Palmetto state and nationally, is becoming increasingly

separated into segments. Full-time farm operations are decreasing in number and increasing in size, but overall farm numbers are being positively affected by continued growth in contract farming and by a significant increase in the number of part-time, lifestyle, or recreational farmers who are attracted to the rural way of life.

While the numbers from the 2002 ag census are not yet available, total South Carolina farms reported in the 1997 census were 20,189 or down slightly from the 1992 total of 20,242. Over the five-year period between the two most recent ag censuses, the number of S.C. farms of 500 or more acres has fallen from 2,155 to 2,140 while the number of farms less than 50 acres has grown from 6,795 to 6,936.

Farming, particularly on a large scale, continues to be very capital intensive, and the full-time farmer and agribusiness portions of our loan portfolio reflect that need for larger credit facilities. As of June 30, 2003, our Association had 88 customer relationships that had loans outstanding of \$1,000,000 or more. Although that relatively small group of farmers and agribusinesses comprised less than 3% of our total customer base, the loan volume attributable to those larger customers was \$215.68 million or an average of \$2.45 million per account.

On the other end of the scale, we serve 2,761 customers who have total loan balances less than \$100,000. This portion of our customer base represents some 67% of our customer numbers but accounts for just 16% of our outstanding loan volume. Our average loan relationship per customer is \$150,363, and if the previously referenced 88 largest customers are eliminated, the average relationship falls to \$99,762.

Of the 88 large loans currently held by our Association, 37 or 42% have relatively low dependence on agricultural income for repayment purposes because those customers have significant income from nonagricultural sources. This reliance on nonfarm income is also evident in the census data as just 39% of farm operators listed farming as their principal occupation in 1997 compared to 44% in 1992.

But 51 of our large loans are highly dependent on income generated by agricultural or agribusiness activities that include timber, broilers, beef cattle, feed grains, cotton, hogs, eggs, dairy, vegetables, horticultural products, and horses. Clearly,

our Association has sought and will continue to seek larger loans, including participations in loans purchased from other Farm Credit institutions, in order to provide an increased income stream for our customer-owned cooperative and to diversify the risk in our loan portfolio.

The most recent census also shows the average age of the South Carolina farmer to be 56.3 years, up from 51.9 years twenty years earlier. In recognition of this negative trend and to help foster and develop the next generation of farmers, our Association continues to give special attention to the needs of young, beginning, and small farmers.

Under our definitions, a “young farmer” is one under the age of 35, a “beginning farmer” is one who is in the process of establishing an agricultural operation and who has assumed the full control and risk of the operation for less than ten years, and a “small farmer” is one who has sustained gross

report with supporting statistical schedules that is provided to our regulator, the Farm Credit Administration.

Total outstanding loan volume as a percentage of our total portfolio for the three groups as of June 30, 2003 was:

- Young Farmers 10.74%
- Beginning Farmers 25.37%
- Small Farmers 54.91%

The tables show our performance as of June 30, 2003 compared to our target for both the entire outstanding loan portfolio and for new business activities year-to-date during 2003.

We have consistently exceeded our small farmer goals and are making good progress toward the beginning farmer goals. Our most difficult target to attain has been the young farmer goals because recent weather adversities, low commodity prices, increased regulatory burdens, and the capital intensive nature of most farm operations have combined

with a continued weak general economy to provide fewer feasible opportunities for new entrants into farming.

Our Association has designated a special pool of loan funds to assist young, beginning, and small farmers, as well as minority farmers. Loan fees and interest rates for qualifying customers are reduced, and loan officers use tools such as government guarantees to help offset the increased risk that is apparent in some of the loans that qualify for placement in the pool.

Our directors and our management team members are strongly committed to efficiently and appropriately serving all segments of our customer base in the future just as we currently do. Our goal is to be big enough to meet the needs of our diverse customer base but small enough to care about the needs and dreams of each individual customer. The merger and a name change will only support and facilitate our ongoing commitment to our customers and to agriculture in South Carolina and Georgia. ■

Total Loan Portfolio		
Percent of Total Number of Loans Outstanding		
	2003 Goal	Results as of 6/30/03
Young Farmers	15.00%	12.80%
Beginning Farmers	35.00%	29.22%
Small Farmers	65.00%	77.33%

New Business During 2003		
Percent of Total Number of Loans Outstanding		
	2003 Goal	Results as of 6/30/03
Young Farmers	15.00%	11.82%
Beginning Farmers	25.00%	26.19%
Small Farmers	65.00%	73.15

sales from agriculture of less than \$250,000 annually. Obviously, some customers might fit into all three categories.

Even though we have always served the needs of such customers, Palmetto Farm Credit has developed special educational, lending, and support programs for young, beginning, and small farmers over the past several years. Our Board of Directors has also established specific goals for lending to these important segments of our customer base. Directors monitor our progress toward meeting these goals on a quarterly basis, and management also prepares an annual narrative



# When Asparagus Was King

By: Miriam R. Pflug, Marketing Manager

Thomas Fallaw, present owner and manager of Family's Farm in Monetta, readies asparagus for packing.

Asparagus—love it or hate it—there’s usually no in-between. Have it with Hollandaise sauce, in a casserole, or maybe even eat it raw. Do what you like, but you can find it grown commercially on only one farm in South Carolina. Monetta, once the asparagus capital of the world, is where you will find the sole asparagus producer in South Carolina—the Fallaw family farm, dating back over five generations.

**B**ack in the 1920s, Joe Watson of Ridge Spring started the Monetta Asparagus Association and acted as broker for area growers in the state. At its peak, over 7,000 acres of South Carolina farmland were dedicated to the production of asparagus. At harvest time, 50 train carloads of asparagus would leave S.C. daily. The United States Army bought much of the production during the depression and war years. In the 1950s, asparagus was introduced as a new cash crop in New Jersey and Delaware, effectively cutting South Carolina asparagus producers out of the market due to the lower transportation costs of their competitors to the important northern markets.

Today, California, along with New Jersey and Delaware, are the major producers of asparagus in the United States, which leaves Gibson O. Fallaw, the third generation of Fallaws, to continue an almost forgotten tradition in S.C. farming. He, along with his son, daughter-in-law, and fifth generation grandchildren, grow asparagus - the only asparagus farm left in the state.

Asparagus farming is labor intensive, backbreaking work. Harvesting is done manually, which entails continuous bending and cutting, bending and cutting. Then there is the hand sorting, bundling, and crating. With the exclusive use of family labor, the asparagus is harvested and processed.

Mr. Fallaw’s son,



Labels for the crates are beautiful and old ones have become collector’s items.



Thomas, and his wife, Sherry, operate the farm today while the elder Mr. Fallaw, now 83, still lends a hand and much advice. Now a multi-crop operation, the farm also produces watermelons, muscadines, butterbeans, and peas. The Fallaws also operate a pullet farm on contract for Amick Broilers. The pullet operation keeps the family very busy but generates a constant cash flow and adds diversity to the operation.

Gregg Fallaw, son of Thomas and Sherry Fallaw, is the fifth generation to work on the farm location on Farmview Road. He recently took time to walk the fields, talk about the soil, and give some pointers on cutting the asparagus spears. He related that it takes three years from seed germination to harvest, and the spears are cut twice a day. The crowns



TOP: Family’s Farm located in Monetta, SC is the sole commercial producer of asparagus in South Carolina. BOTTOM: Asparagus is iodine rich and excellent for the kidneys.

are just under the soft gray soil and send the sprouts up to grow above the ground. The all-male plants do not have seeds, and the crowns will produce for about 10 to 12 years. Gregg pointed out the fields of tall rye grass that protect the tender shoots from wind and blowing sand. A little Sevin dust is applied sparingly to control asparagus beetles.

The asparagus is sorted and bundled with interesting antique tools which are kept

continued on next page



It takes three years from seed germination to harvest and spears are cut twice a day. The crowns are just under the soft gray soil and send the sprouts up to grow above the ground.

## Asparagus (continued)

sharp and in good condition for daily use. The diameter of each stalk has nothing to do with the tenderness. Freshness is the key, and each bundle makes it to the cooler in record time to stand in pans of water until packed in crates for shipping. Asparagus shoots continue to grow after cutting when standing in water and can be trimmed with ends kept fresh for several weeks. Iodine rich, “medicine for the Indians,” excellent for the kidneys, the Fallaws’ crop is the best asparagus to be found.

The crates are filled and loaded on trucks to be delivered to fruit markets in several counties and to the Farmer’s Market in Lexington. The wooden crates are just tall enough and wide enough to hold six bundles of asparagus. The labels for the crates are truly artistic, and the older ones have become collectors’ items. Fallaw family members build the crates during the winter months.

The spring asparagus season begins on March 15 and concludes just after Mother’s Day. The good news is the Fallaws will have a summer asparagus season this year, which will run from July 20 until around August 20. Dr. Bob DeFault from the Clemson Coastal Research Station has been working with Thomas and Sherry to promote the summer asparagus and has provided valuable research to help ensure the continued success of the family’s farm.

Ninety-one years of South Carolina farm history is located near the center of the state. If you are in the area, stop by and visit. You will be glad you did. The farm is located on Farmview Road in Monetta. During production season, the Fallaws may be reached at the packing shed - phone number 803-685-7921. ■

## Asparagus Recipes

### Cashew-Buttered Asparagus

*2 lbs fresh asparagus*  
*2 cans chicken broth*  
*3/4 cup butter, melted*  
*1/2 cup cashew nuts, chopped*

Remove tough ends and scales. Place in skillet and cover with chicken broth. Bring to a boil and simmer for 8 minutes. Drain immediately. Combine the melted butter and the cashew nuts and mix with an electric mixer at high speed until well blended. Serve with asparagus.

### Asparagus Potato Roast

*2 lbs fresh asparagus, cleaned and trimmed*  
*1 lb red potatoes cut in 1/2 inch cubes*  
*2 envelopes Lipton onion soup mix*  
*2/3 cup cooking oil*  
*Malt Vinegar, Honey Mustard or Bacon Ranch salad dressing (your choice)*

Preheat oven to 400 degrees. Toss asparagus and potato cubes gently in cooking oil. Place in shallow roasting pan sprayed with Pam—one layer (you may need to use 2 pans). Sprinkle with onion soup mix. Roast for 20-30 minutes, checking after 20 minutes—vegetables should be crisp-tender. Place on serving platter and drizzle with malt vinegar, honey mustard or bacon ranch salad dressing.

### Marinated Asparagus

*4 lbs fresh asparagus*  
*1 cup cooking oil*  
*1/3 cup vinegar*  
*2 tbsp. chopped parsley*  
*3 tbsp. chopped spring onions*  
*1 tsp. salt*  
*1/2 tsp. pepper*  
*1 jar pimento*  
*1 egg, boiled and sliced*

Prepare asparagus by cutting away tough ends and outer scales with knife or vegetable peeler. Bring asparagus to a boil and boil for 6 to 8 minutes (should be crisp-tender). Drain. Combine next 6 ingredients in a saucepan, bring to a boil and cool. Place asparagus in a shallow container. Pour cooled marinade over spears. Cover and place in refrigerator for 2-3 hours. To serve: drain asparagus; place 4-5 stalks on bed of lettuce and place pimento (which has been sliced into narrow strips to resemble ribbon) over center of stalks. Garnish with sliced eggs. ■



# Palmetto Girls and Boys State Creating the Leaders of Tomorrow

By: Jennifer Prince, Public Information Specialist, South Carolina Department of Agriculture

Once again a thousand boys and girls descended upon the State House grounds to celebrate the culmination of their adventures at Palmetto Girls State and Palmetto Boys State. Selected by their teachers and counselors, these students exemplify the values that are necessary to become future business and political leaders in South Carolina.

Each June, the American Legion Auxiliary hosts Palmetto Girls State at Columbia College. The Auxiliary hopes to train the participants in the basic ideals and principles of our system of government, thereby sparking interest in our youth to pursue careers in politics.

I had the pleasure of meeting my counterparts this year at their inauguration at the State House. Kennedy Choate, the Palmetto Girls State Commissioner of Agriculture, is a bright young woman from Indian Land. She is a rising senior at Indian Land High School, which is about twenty minutes outside of Charlotte. Her parents, Ben and Mary Choate, come from an agricultural background, especially her father who grew up on a dairy farm. Kennedy is a member of her local FFA, through which she has competed in national livestock competitions.

Kennedy ran for Commissioner of Agriculture on a platform that was principally based on raising awareness about agriculture and the plight of the farmer. She said that most people don't know where the food they eat comes from, and it was her hope to broaden her peers' minds, as well as letting them know the difficulties farmers face including lack of funds and poor weather.

She enjoyed her experience at Palmetto Girls State, citing that their visit to the

State House was unbelievable. Kennedy stated that she had a wonderful time seeing the inner workings of government and was thrilled with some of the speakers they had, including the Lieutenant Governor. When she graduates, she hopes to attend Colorado State University where she wants to either study Ag Business or Ag Economics.

The American Legion hosts Palmetto Boys State at the Citadel each year. They teach young men about politics, hoping to pique interest in local and national government.

Gill Weathers from Bowman was elected Commissioner of Agriculture for Palmetto Boys State. The son of Hugh and Blanche Weathers, he has grown up on a farm. His great grandfather started a dairy farm that remains in the family today.

Gill felt he was qualified to run for Commissioner based on the fact he lives on a farm and loves working in agriculture. The fact that his family has always been involved in farming gave Gill a first-hand look at all the ups and downs of being a farmer. He used these experiences to build his platform for the campaign.

Stating that it was a great adventure, Gill said he enjoyed every minute of Boys State. The heat and living quarters weren't enough to put a damper on his spirits, but he admitted that he



FROM LEFT: Gill Weathers, the Palmetto Boys State Commissioner of Agriculture, Charles Sharpe, SC Commissioner of Agriculture and Kennedy Choate, the Palmetto Girls State Commissioner of Agriculture.

was ready to return home by the end of the week.

He hopes to attend a small college or university, possibly Clemson, on a football scholarship. Although he doesn't know what he'd like to major in just yet, Gill said that whatever it is, he hopes it involves working outdoors with agriculture.

Congratulations to both of these young people on their achievements and for spreading the word about the importance of Agriculture. Both Kennedy and Gill are bright, ambitious students who will surely contribute a great deal to the future of Agriculture.

Kennedy is the daughter of Ben and Mary Coate, customers of Carolina (NC) Farm Credit. Gill is son of Palmetto Farm Credit director, Hugh Weathers and wife, Blanche. ■

# Seven Farm Safety Day Camps Hosted by South Carolina

By: Karissa R. Ulmer, Allendale County Extension Service

Everyone in agriculture knows someone whose life has been affected by a farm-related injury or death. The statistics are sobering and do not apply to just adults. Many youth are injured or killed each year on the farm. According to the North American Guidelines for Children's

Agricultural Tasks (NAGCAT), each year more than 100 children are killed and 33,000 seriously injured on farms in the United States.

Even more tragic is that most of these incidents could have been prevented if simple safety precautions had been followed. That's why safety education for our youth is critical in preventing these horrible statistics.

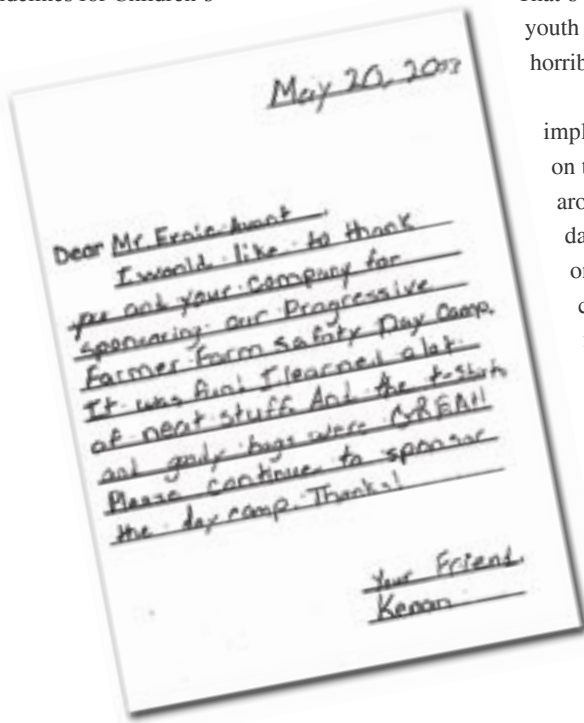
One measure that has been implemented to educate our youth on the safety precautions required around the farm is farm safety day camps—a one-day, hands-on workshop that teaches farm children and their parent's safe farm practices. Each camp is tailored to the needs of the local community. Community groups such as county extension agents, fire departments, EMS, and police all can be involved. Safety day camps take a hands-on approach to make learning fun and exciting. Youth see and experience proper safety

methods through interactive games, activities and demonstrations of safe and unsafe farming practices.

One such camp that has been used extensively across South Carolina is the *Progressive Farmer* Farm Safety Day Camp program. The *Progressive Farmer* Farm Safety Day Camp program is a national program that was developed by *Progressive Farmer* magazine. *Progressive Farmer* Farm Safety Day Camps have reached more than 70,000 farm families across the country, and the number is still growing.

Every year, nearly 500 communities across the country submit applications for *Progressive Farmer* Farm Safety Day Camps. Once approved, the community sends a representative to a Coordinator Training Session. These sessions give local coordinators all the tools needed to successfully promote, produce and execute a *Progressive Farmer* Farm Safety Day Camp.

South Carolina has had seven *Progressive Farmer* Farm Safety Day Camps this year. Located across the state, they reach hundreds of youth annually. Locations include: Allendale, Beaufort, Bluffton, Hampton,



Participants in Hampton County learn all about bicycle safety.



An attentive group of children are eager to answer questions and talk about Farm Safety.



Chemical safety is also discussed at Farm Safety camp.

# Customers Give Palmetto Farm Credit High Marks We're Proud of Our Customer Survey Results



Orangeburg, Pickens, and York. Ages ranged from four years old to teenagers.

The programs success was due in large part to the generous support of many local organizations such as Palmetto Farm Credit.

Individuals interested in hosting a *Progressive Farmer Farm Safety Day Camp* in their communities can contact Charles Privette, Clemson University Farm Safety Specialist, at 864-656-6247. ■



Attendees in Allendale listen closely to instructions and prepare for a day of interesting and life-saving facts.

Farming has changed and so have the ways customers work with Palmetto Farm Credit to achieve proper financing for their dynamic agricultural and farm-related operations. Credit needs have continued to grow and change over the years, and Farm Credit's way of doing business has changed to accommodate our customers' needs. Loan officers have experienced some changes as well, now using laptop computers with advanced analytical software systems to efficiently process a customer's request. Communications have also been enhanced through expanded use of e-mail, voice-mail, and cell phones.

Here are samples of recent comments from customers who have responded to our customer satisfaction survey.

"The staff of Palmetto Farm Credit was extremely helpful throughout the entire loan process. They provided prompt responses to all loan questions."

"This is the first loan company that has shown a personal interest in us. The staff has been wonderful."

"Keep up the good work. All employees did a fine job!"

"My loan officer projected an ease of doing business. The assistants and receptionist are very friendly and helpful."

"I don't see any reason to change anything-the staff does an outstanding job."

"The branch manager and loan officer exceeded my expectations because they have a good understanding of farming and farm practices."

"We have been happy with our decision to go with Palmetto Farm Credit. I felt that everyone was extremely nice and helpful."

"My loan officer was very friendly and was very knowledgeable about the

information we needed to make our decision about our loan."

"The loan officer was excellent-he explained everything in detail and answered all questions thoroughly."

"Very polite and informative. Very easy to work with."

"Best loan officer I have ever worked with!"

"All members of my loan branch office are super!"

"I was not expecting such prompt service. My loan officer did a great job with the transaction."

"They try extra hard to get things done as quickly as possible."

"My loan officer went out of her way to let us know about changes in your services and how we could take advantage of them and how they fit our needs the best."

We will continue to send surveys to our customers, and we look forward to hearing from you in the future. We also want to hear from you if we fail to meet your expectations as a customer/stockholder. Thank you, our customers, for your support. ■



# THREE MILE CREEK CANE GRINDING

## A Tradition of Family and Friends

By: Miriam R. Pflug, Marketing Manager



The old traditional method of sugar cane grinding comes alive every first Saturday in December with the William Hiers family and friends in the St. John's community near Ehrhardt, South Carolina.

About twelve years ago, William Hiers' father, Mr. Carroll B. Hiers, expressed his interest in making cane syrup again, and insisted that he wanted to make it the old-fashioned way! With his ailing father's wish in mind, William set out to fulfill that dream. Plans were made, dreams were revisited, and past cane grinding experiences were gathered from the older Hiers generation. Work was begun, and with the assistance of a family friend, "Preacher Mac," the furnace was built and the mill constructed.

Mr. Carroll Hiers is now deceased, but his dream comes true during this annual weekend of celebration and down-home festivities. Approximately 30-40 gallons of syrup are produced in the two days of fun and hard work. Family, friends, and neighbors hold on to this tradition of the past and look forward to the cane grinding each year.

The sugar cane is planted in December, almost simultaneous with the harvest, before the first hint of frost. The harvest is the most laborious part of the process. When mature, the stalks are cut and stripped by hand, and the cuttings are then covered with the blades of cane strippings and tops. This covering protects the cane from frost until it is ready to process.

Before beginning the milling process, old plantings called stubbles are covered with a coating of soil to protect against frostbite. They will sprout new cane the following year. As insurance, new rows of cane are planted for the next year's crop also. To set the planting for the next year, a furrow is dug, and the cane is then placed in the furrow. It is next covered with a foot of dirt to protect it until the chance of a freeze has passed. In March the soil is gently raked down to allow the new sprouts to emerge.

OPPOSITE TOP: Mr. Hiers still uses the same gourd for stirring and testing that his grandfather used back in the 1940s.

OPPOSITE BOTTOM: The process of cane grinding begins with the stripping of leaves and preparing the cane for processing.



William Hiers, Special Assets Manager, enjoys continuing the family tradition of cane grinding.

The cane, consisting of three or four different varieties, is brought to the tractor-powered mill to be processed. The use of a powered mill is the only portion of the process not done the old-fashioned way. But William Hiers has his heart set on changing that, as he recently acquired a mule to use in grinding the cane. He also admits the mule is for pictures only.

After the cane goes through the mill, the juice is captured in a barrel and then poured into the large vat contained in the furnace. Each pot holds 60 gallons of juice, which is eventually reduced to seven gallons of syrup. The juice is cooked over the fire for approximately two hours. The furnace is fired totally by wood, which is another passed-down art, and maintaining a constant temperature is the job of William's uncle, James Hiers. The juice boils and continues to cook until the syrup begins the process known as "flaking." William still uses the same gourd for stirring and testing that his grandfather used back in the 1940's. No thermometer is used during the

process, just the proven method passed down from generation to generation.

The syrup is not stirred, but the impurities are skimmed off the top using a homemade strainer—a tin pan with holes drilled in it. When the syrup has boiled and reached the optimum consistency, it is strained through cheesecloth into a tub. The cooled syrup is then placed into sterilized bottles and sealed. Mrs. Sarah Copeland Hiers, William's mother, is responsible for the bottling of the syrup and holds everyone to the highest standard of cleanliness. After bottling, a label is placed on each bottle that reads: "Three Mile Creek Cane Grinding, A Tradition of Family and Friends."

There is another part of this tradition called the making of "Sue Cat" which William has not yet been able to perfect. "Sue Cat" is a term for a type of beer that the old folks made from the skimmings, along

continued on next page



LEFT: Mrs. Sarah Hiers is responsible for the bottling of the syrup. This day brings back lots of memories for Mrs. Hiers. RIGHT TOP: Syrup is ready for family and friends to take home and enjoy with fresh hot biscuits. RIGHT BOTTOM: The Hiers farm includes the raising of cattle on bottles. Funds from the sale of calves are used to supplement the cost of the Hiers children's continuing education.

## Three Mile Creek (continued)

with other ingredients like persimmons and sweet potatoes. "We tried it once and it was absolutely awful. We need help in this area," William stated.

What William Hiers did as a child back in the 1950s is now a growing tradition for the family and close friends. His father's dream has come true and is alive and well for the whole community to enjoy. Family, friends, and neighbors bring food to accompany fresh sausage, barbequed turkey, biscuits, and all the trimmings. The gathering includes a 50-foot table of food for everyone to share.

William Hiers grew up on a farm near Ehrhardt, and today he and his wife Joette have reared two children on the farm while passing on the same values and principles that their parents stressed. The Hiers have encouraged daughter Kara and son Calin to pitch in with the farming operation as the income from the farm operation helps offset expenses for their college educations.

The family operation consists of 400 acres of pine and hardwood forestland and 100 acres of pasture. Feeder calves are bought in the fall and then sold in the spring. In addition, the Hiers family, along with William's brother Alvin, produce a bounty

of cantaloupes and watermelons that are sold by the tractor-trailer load and delivered to markets across the South.

Mr. Hiers has been employed by Farm Credit since May 1976 and is currently serving as the Special Assets Manager. His responsibility is to manage the high-risk assets of the organization, which include loans with significant repayment problems, foreclosures, bankruptcies, and acquired properties. While his job often entails making difficult decisions, Mr. Hiers always focuses on ensuring that the borrower rights provisions of the Farm Credit Act are adhered to while protecting the investments of the Association stockholders.

William has served in several other capacities within Farm Credit, and he has found each position challenging but very rewarding as he serves his fellow farmer. He is proud to be an employee of Palmetto Farm Credit because he feels Farm Credit is important in his hometown community. Farm Credit helps farmers' dreams come true, and William enjoys being a part of a rich history of serving the farming community. His grandfather was also employed by Farm Credit back in the 1940s, as he collected information and mailed it to the Federal

Land Bank of Columbia for loan processing, approving and closing.

As a member of St. John's Baptist Church, William has been a Sunday school teacher for 30 years. He is proud of his faith and believes that actions should be consistent with one's faith. Mr. Hiers also demonstrates his leadership skills and uses his education background-Physical Education with a Science concentration-in the community. He coaches a girls' softball team and was recently named "SC Independent Schools Softball Class A Coach of the Year." Mr. Hiers truly enjoys working with the youth and watching them grow in all aspects of their lives.

To bring balance to his life, William has a strong love for hunting, which to him means hunting all types of game. His passion for hunting is surpassed only by his love for his wife, his children, and his family.

Congratulations to Mr. Hiers on receiving the recent Coach of the Year award. We thank him for his support and service to Palmetto Farm Credit and to the St. John's community. Friends and neighbors appreciate his reestablishing a wonderful tradition-"Three Mile Creek Cane Grinding-A Tradition of Family and Friends." ■



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## Consolidated Balance Sheets

<i>(dollars in thousands)</i>	<b>June 30, 2003</b>		<b>December 31, 2002</b>	
	<i>(unaudited)</i>			
<b>Assets</b>				
Cash	\$	1,610	\$	1,716
Loans		617,241		619,021
Less: allowance for loan losses		13,983		13,928
Net loans		603,258		605,093
Accrued interest receivable		5,365		5,458
Investment in other Farm Credit institutions		10,903		10,841
Premises and equipment, net		3,254		3,292
Other property owned		1,220		1,825
Other assets		2,849		5,716
Total assets	\$	628,459	\$	633,941
<b>Liabilities</b>				
Notes payable to AgFirst Farm Credit Bank	\$	545,440	\$	550,184
Accrued interest payable		1,740		1,943
Patronage refund payable		432		1,779
Postretirement benefits other than pensions		3,663		3,314
Minimum pension liability		3,411		3,751
Other liabilities		3,041		2,445
Total liabilities		557,727		563,416
Commitments and contingencies				
<b>Members' Equity</b>				
Protected borrower equity		727		891
Capital stock and participation certificates		3,576		3,605
Retained earnings				
Allocated		33,410		36,974
Unallocated		39,924		35,960
Accumulated other comprehensive income (loss)		(6,905)		(6,905)
Total members' equity		70,732		70,525
Total liabilities and members' equity	\$	628,459	\$	633,941

## Consolidated Statements of Income

*(unaudited)*

<i>(dollars in thousands)</i>	<b>For the three months ended June 30, 2003</b>		<b>For the six months ended June 30, 2003</b>		<b>2002</b>	
	<i>(unaudited)</i>					
<b>Interest Income</b>						
Loans	\$	9,595	\$	9,841	\$	19,157
<b>Interest Expense</b>						
Notes payable to AgFirst Farm Credit Bank		5,395		6,578		10,991
Net interest income		4,200		3,263		8,166
Provision for (reversal of) loan losses		—		1,500		125
Net interest income after provision for (reversal of) loan losses		4,200		1,763		8,041
<b>Noninterest Income</b>						
Loan fees		132		121		262
Fees for financially related services		29		20		41
Equity in earnings of other Farm Credit institutions		1,144		1,109		2,274
Gains (losses) on other property owned, net		(475)		5		(442)
Miscellaneous		34		12		135
Total noninterest income		864		1,267		2,270
<b>Noninterest Expense</b>						
Salaries and employee benefits		2,023		1,713		4,042
Occupancy and equipment		189		192		375
Insurance Fund premium		178		47		365
Other operating expenses		605		627		1,249
Total noninterest expense		2,995		2,579		6,031
Income before income taxes		2,069		451		4,280
Provision (benefit) for income taxes		(3)		2		—
Net income	\$	2,072	\$	449	\$	4,280
					\$	2,213

The shareholders' investment in the association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's quarterly and annual financial reports to shareholders are available free of charge at [www.agfirst.com](http://www.agfirst.com), or by writing to AgFirst Farm Credit Bank, Financial Reporting Department, P.O. Box 1499, Columbia, SC 29202-1499.

# Win a Trip to the 2003 Young Couples Cooperative Conference

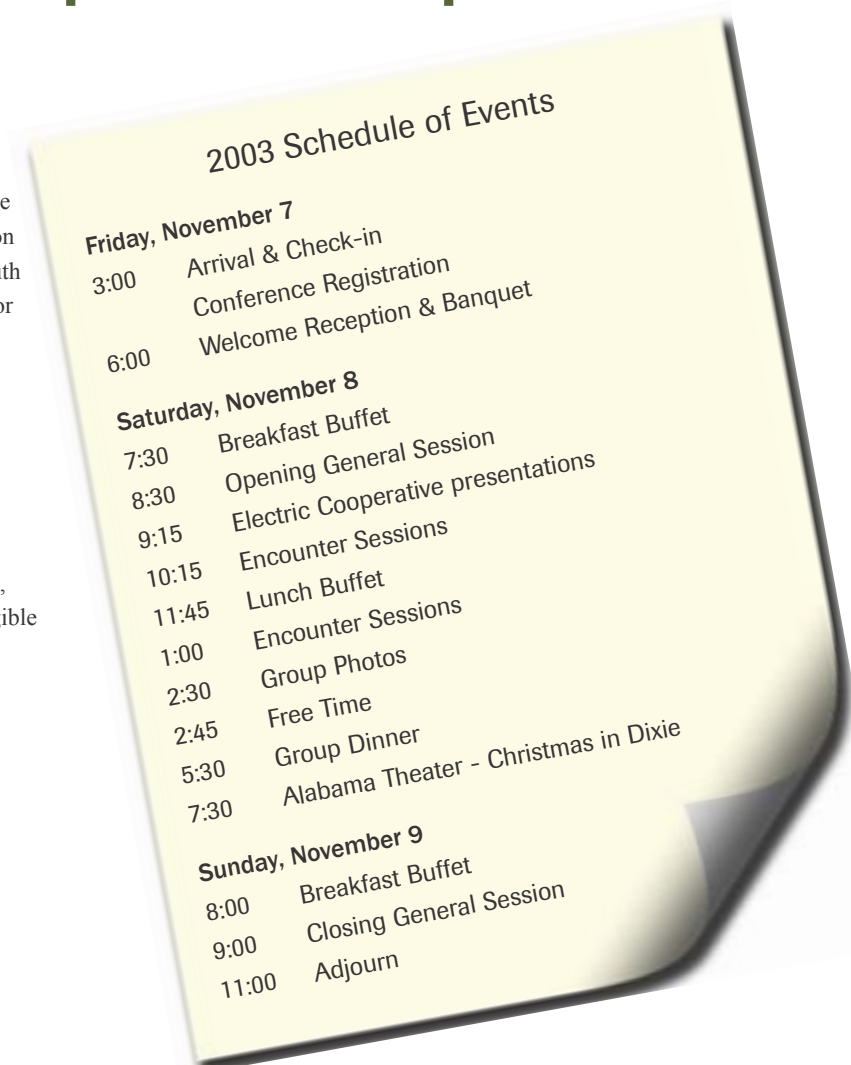
The 2003 Young Couples Cooperative Conference will be held at the Ocean Creek Resort and Conference Center in Myrtle Beach, S.C. on November 7-9. Sponsored by the Georgia, North Carolina, and South Carolina Cooperative Councils, the weekend program is designed for couples under the age of 40.

As participants, you will learn about the cooperative business structure and receive information on state and national cooperative businesses. Presenters will include Farm Credit, Dairy Farmers of America, Maryland/Virginia Milk Producers, Southern States, Gold Kist, EMC, Atlantic Telephone Cooperative and Staplcofn.

If you would like a chance to meet new people and learn more about cooperatives by attending this fun-filled educational weekend, fill out the form below and return it by September 1, 2003 to be eligible for the drawing on Friday, September 5.

**Please send your completed form to:**

**Palmetto Farm Credit  
ATTN: Miriam Pflug  
PO Box 4966  
Spartanburg, SC 29305-4966**



## 2003 Young Couples Cooperative Conference Drawing Entry Form

Name of Husband \_\_\_\_\_ Age \_\_\_\_\_ Name of Wife \_\_\_\_\_ Age \_\_\_\_\_

Mailing Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Home Phone \_\_\_\_\_ Work Phone \_\_\_\_\_ Email \_\_\_\_\_

Cooperatives with which you are or have done business:  Dairy  Farm Supply  Telephone  Electric  Farm Credit  
 Other \_\_\_\_\_

### Community Leadership and Development

Organization(s): \_\_\_\_\_

Description of Agricultural Operation, if applicable \_\_\_\_\_

Husband's Occupation \_\_\_\_\_ Wife's Occupation \_\_\_\_\_




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