Farm Credit West, NW Farm Credit Services pursue merger

Once merger is complete, new company would have more than 23,000 customers

By SIERRA DAWN McCLAIN
Capital Press

Ian Crawford/EO Media Group

The Northwest Farm Credit Services, which includes the Baker City branch on 10th Street, is seeking a potential merger with Farm Credit West. Combined, the associations would have a mammoth footprint, with merged assets of more than $28 billion and serving 23,000 customers.

SALEM — Farm Credit West and Northwest Farm Credit Services, agricultural lending associations within the Farm Credit System, are pursuing a potential merger.

Experts say a merger — part of a broader consolidation trend within agricultural lending — comes with pros and cons for borrowers.

Combined, the associations would have a mammoth footprint, with merged assets of more than $28 billion and serving 23,000 customers.

Farm Credit West, with 14 offices, works with farmers in Arizona and California's Central Coast, Imperial Valley, Southern San Joaquin Valley and Sacramento Valley.

Northwest Farm Credit Services, with 44 offices, provides financing and related services in Montana, Idaho, Oregon, Washington and Alaska.

"By joining our associations, we can be better positioned to strategically address marketplace changes and provide even greater value for our customer-members," Sureena Bains Thiara, chair of Farm Credit West's board of directors, said in a statement earlier this year.

Nate Riggers, chair of Northwest Farm Credit Services' board, said the merger is a "strategic move for both cooperatives."

Since February, the organizations have been assessing merger benefits for stockholders and finalizing agreement terms.

Linda Hendricksen, chief marketing and learning officer at Northwest Farm Credit Services, said the proposal is pending regulatory review. Approval is expected in October, at which time the association will share more details.

Customer-owners will then vote on the merger in late 2022.

The merged association plans to begin operations Jan. 1 under the leadership of Farm Credit West's president and CEO, Mark Littlefield. The management team will include leaders from both associations.

Headquarters will be in Spokane, Washington, with regional operating centers in each state. The agricultural lenders do not anticipate office closures or branch staffing changes.

The possible merger is part of a decades-long trend toward consolidation within the Farm Credit System, or FCS.

The FCS traces its origins to 1916, when President Woodrow Wilson established the Federal Land Bank System.

The system's purpose is to provide a permanent, reliable source of credit to U.S. agriculture.

FCS lenders are regulated by the Farm Credit Administration, an independent federal agency. The FCS is organized as a borrower-cooperative, meaning borrowers own the associations and vote on board members.

The FCS has four regional banks that provide funds and support to smaller lending associations, which in turn give loans to eligible borrowers.

The past two decades, mergers and acquisitions have shrunk the number of lenders by 41%.

In her book, "Food, Farming and Sustainability," Susan Schneider, a law professor at the University of Arkansas School of Law, writes that in the mid-1940s there were more than 2,000 lending associations in the Farm Credit System. That fell to about 900 in 1983, 200 in 1998 and 74 in 2016.

In 2022, 69 lenders remain.

The typical FCS association used to cover several counties, wrote Schneider. Now, the typical association covers a much larger region.

Many factors have driven consolidation, said Erik Hanson, assistant professor of agribusiness and applied economics at North Dakota University and author of the 2020 paper, "Consolidation in the Farm Credit System."

"The Farm Credit System is following some (consolidation) trends you see in ag generally and in finance generally," Hanson told the Capital Press.

As the number of farms has decreased and the size of farms has increased, lenders have often viewed it as more economical to cover a wider region with more customers, said Hanson.

He said technology and customers' comfort with doing business remotely have also made consolidation more workable.

The smaller number of lenders, however, comes with pros and cons.

Experts say one benefit of mergers is that by combining capital, lenders can provide larger loans.

According to Hanson, lenders that join forces may also become more efficient and profitable by broadening the consumer base, commingling talent pools and diversifying risk.

By offering the best of both organizations, Hanson said, the merger should benefit borrowers.

Schneider, the law professor, wrote that "customers may benefit if greater institutional efficacy is passed along through lower interest rates."

But there are also downsides.

Although a larger association may provide larger loans, critics say this incentivizes lenders to focus on serving big operations at the expense of smaller farms.

Another downside, Hanson said, is that a borrower may experience "loss of local control" because as the customer pool expands, the individual farmer may have less influence.

"As the business gets bigger, the individual farmer maybe has less and less of a say, less and less of a connection to the way that decisions are being made for that business," said Hanson.

Experts predict farmers will experience both the positive and negative impacts of consolidation as the number of agricultural lenders continues to shrink.

Budgeting can be a challenge. Here are 5 tips to get started

By ADRIANA MORGA
The Associated Press

Elise Amendola/The Associated Press, File

Whether you want to pay off debt, start a rainy day fund or save for a family trip, budgeting is the first step toward reaching your financial goals. Colleen McCreary, of Credit Karma, says creating a budget is a lot like trying to eat better or exercise more. Everyone tells you it's good for you, but it's hard to get into the habit.

NEW YORK — Budgeting is key to managing your finances, whether you're trying to pay off debt, start a rainy day fund or deal with the consequences of inflation.

Creating a budget is much like trying to eat better or exercise more — everyone tells you it's good for you, but it's hard to get into the habit, said Colleen McCreary, consumer financial advocate at Credit Karma.

"A lot of people think it's over-complicated and a hard thing to do," McCreary said. "Much like going to the gym, the hardest part is showing up, so you just have to decide that you're going to try it out."

Even with prices high due to inflation, Elena Pelayo, educator at How Money Works, a financial literacy organization, said there are small steps you can take to manage your money. These include looking at how many online subscriptions you pay for or how often you eat in restaurants and cutting back where you can.

Here are five important steps when you're ready to create a budget:

Write it down

Writing down all of your expenses is crucial, said Pelayo. She suggests recording every penny that you spend rather than trying to approximate, which can lead to errors.

Pelayo recommends using whatever method fits you best, whether that's writing it down on paper, creating an Excel spreadsheet or using a website.

Next, she recommends categorizing where your income should be spent. Always start off with covering your basic needs.

A well-known budgeting system is the 50/30/20 rule, where 50% of your income is allocated for necessities like food and rent, 30% for things you want, and 20% for savings and debt repayment.

Wiltrice Rogers of Allen Park, Michigan, has used this system for more than 30 years.

"It helped me to see how beneficial it is, and that we have more discretionary funds when I follow this method," said Rogers, an intake coordinator for a nonprofit organization.

Websites such as NerdWallet or Money Fit offer 50/30/20 calculators to help.

This method works for many people, but it might not be right for you if necessities eat up more than 50 percent, in which case you'll need to allocate less for savings or things you want to do or buy.

Budget format

Writing down your after-tax salary and then adding your expenses in a notebook or a blank spreadsheet might be enough to make a plan. But if you need help visualizing what's coming in and going out, there are resources available.

"There are lots of online templates that'll help you look at spending categories and expense categories for personal finance. And they're really helpful," Pelayo said.

The Federal Trade Commission offers a budget template in a PDF format that can be printed, and Microsoft offers Excel templates for special occasions such as saving for a wedding or home construction. If you prefer apps, Mint, PocketGuard, and EveryDollar are among Bankrate's top five budgeting apps.

Make a realistic plan

If 50/30/20 isn't realistic for you, there are still ways to save and tackle debt. Start setting aside small quantities of money every month or set small goals, such as choosing a restaurant where you won't spend more than $40, McCreary said.

"Small steps lead to progress," she said. "It's really about progress, not perfection."

McCreary recommends starting with one goal each week, whether that's saving a certain amount or reducing the amount you spend on non-necessities.

"Don't overcomplicate it, don't make it too hard for yourself," she said.

Rogers, for example, usually tries to save as much money as possible when buying groceries.

"I get the sales papers and mark what we need and if it's on sale. I try to do a triangle of the stores to save time and gas," she said. She also buys in bulk, sticks to her grocery list, and goes shopping by herself to avoid her son and husband convincing her to buy extra items.

Websites such as Flipp, which shows digital flyers from major retailers around you, and Groupon, where you can find coupons for products and services, can make it easier to save money. But keep in mind that this only works when you use coupons for items that you really need or were planning to buy anyway.

If your income just covers your necessities, reducing credit card debt can be challenging. Pelayo recommends that even if you live paycheck to paycheck, you might want to add at least $10 above the minimum payment of your credit card with the highest interest rate. And if you can afford it, she recommends paying 10% more than the minimum payment per month.

Make it a habit

To achieve your financial goals through a budget, you have to change your mindset, Pelayo said.

"You have to look deep inside yourself and say, am I willing to change my habits?" she said.

Once you are mentally ready, you can start setting goals.

— Set a time goal

Building new habits can be hard, and it's even more daunting to think about having to maintain them for the rest of your life.

McCreary recommends that your first goal can be two weeks of keeping a budget. After achieving that, you can set a longer timeline, such as 30 days or six months, until it is embedded in your routine.

— Gamify your budget

If you're still struggling, McCreary recommends that you gamify your budget and turn it into a challenge.

"Maybe there's an outcome involved. Like 'Hey, if we save enough money, we can get a new TV or go on vacation,'" she said.

Examples of gamification include giving yourself a small reward after a certain amount of time or money that you have saved.

Apps such as Mint, which rewards the number of times you check your budget, and Acorns, which allows users to invest with their spare change, can help. Yotta and Save to Win allow users to create saving bank accounts that rewards them for the amount that they save.

For accountant Tiffona Stewart, gamifying her savings meant using the envelope system, where you put cash in envelopes for specific expenses.

"This is tailored to your life and what you want to save for, so that's what I like about it," Stewart said.

Stewart also started a business selling envelopes and budget binders on Etsy as a way to encourage and promote financial literacy. She sells "one month challenge" packages meant to help save $1,000 in cash.

"You play those games and you make these things your own. You're trying something new, there's nothing wrong and right, you might get it wrong one month and then get better the next one," she said.

Involve your family or friends

As with any lifestyle change, having people around you to support your decisions and encourage healthy habits is crucial, McCreary said. That could include talking with your significant other about your finances, telling your friends that you will start budgeting, or explaining to your children how the family is now spending money.

Rogers' 11-year-old son now knows that if there is not a coupon for the item, they don't get it.

In Stewart's case, using cash when going out with friends helped. If you only take $100 out with you to the bar and don't bring your credit card, and you want to pay for another round but you only have $20 left, you simply can't spend any more, she said.

"You need everybody who's involved in those decisions, to commit with you to be supportive of it," McCreary said.