Oklahoma Bank and

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Interview with Kent Crain and Felix Hensley
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Audio taped at American Ag Credit office and transcribed by MJH

MJH: It is March 16, 2011, and I am speaking with Felix Hensley and Kent Crain at the American Ag Credit Association (?)…office in Ponca City, Oklahoma. I appreciate your offer to take time to visit with me and share with me some of the history of your institution. You kind of started by telling me your lineage. How about filling me in on where this association came from to begin with, and what sort of customers you serve, what sort of markets you work in…

FH: Originally, we were started back in the Depression era by the government. They pretty well provided our seed money…Later on…Because during the Depression era, there really wasn't a source of funding for farmers and ranchers. And later on, in the forties, we actually paid ourselves off of the seed money and became what is known as the Farm Credit Association today. Basically, we make farm and ranch loans. For years and years, we were basically a federal land bank, which we were only able to finance long-term mortgage loans. And that actually was up until our recent merger. Now, since that time—since our merger (and one reason for the merger was to allow us to make short-term and intermediate-term loans) to farmers and ranchers…

MJH: And the merger was actually with…

FH: The merger was with, originally with Farm Credit of the Heartland…Or wait, Farm Credit of Central Kansas, at Wichita. And then we became known, through that merger, both as the Federal Land Bank Association of Ponca City and Farm Credit of Central Kansas, became known as Farm Credit of the Heartland. And that opened the door for our office to make all kinds of operating land loans, operating loans, cattle loans, consumer loans, for our stockholders.

MJH: Okay. So it's actually owned by stockholders…

FH: That is correct. It is strictly member owned: farmers, ranchers…a cooperative type of… All of our members, member / borrowers, are stockholders...

MJH: So if somebody wanted to get a loan here, would that by definition make them a stockholder?

KC: As a part of the loan origination, they become a stockholder…

FH: Part of their requirement is to own stock, which is…we have a stock requirement for each loan, for each borrowing-out…You don't have to have stock for every loan you have. We might have a customer that has multiple loans. Used to be, they'd have to have stock on ever loan, and that has now been changed to where each borrower or borrower group is required to have stock. So over the years, that stock requirement has changed dramatically. It used to be at one time, it was five percent, I believe, of the loan balance, no matter what size your loan was. Well, that could add up to a substantial amount of stock somebody would have. That stock requirement now is just two percent of your loan balance, or $1,000, whichever is less. So, nobody will have more than $1,000 worth of stock now.

During those times when that stock requirement changed, that stock was refunded back to those borrowers. If they had five percent at one time…And that stock requirement has changed over the years. But any time there was a change, there was…stock that was refunded back to the borrowers, or paid directly on their loan, or whatever they wanted to do. So that is part of their loan balance.

MJH: Is this a kind of institution that you find all over the place, or is it unique to this area?

KC: The farm credit system—when you hear the farm credit system, that's a nationwide organization. And within the nation, there are different, what they call "districts." Then within that district, which basically covers certain segments of the country, you will find find individual farm credit offices, or associations. Now, before our merger, we were an individual office right here out of Ponca City. Before that merger, when we were just a federal land bank, like Felix says, that's all we did—farm and ranch long-term mortgage loans. That was the Federal Land Bank.

The other side of that was what they used to call "Production Credit Associations." They were part of the farm credit system. Again, you had the Federal Land Bank, and you had the Production Credit Association. The Federal Land Bank provided the long-term mortgage; the Production Credit Association provided the short- and intermediate-term operating and equipment type notes.

Probably back in about, uh…'86, something like that, those two organizations—the PCAs (production credit associations) and the federal land banks—started to merge together. And a lot of those merged together into one office. However, that was basically at the discretion of each individual office's board. Each individual office had their own board, which are member / borrowers, and at that time, some chose to merge, some chose not to. For example, here in Ponca City, the board chose not to merge with any, because they wanted to keep the Production Credit Association office here, at one time. And when they chose not to, they remained either a Federal Land Bank Association or a Production Credit Association by themselves—stand-alone, by themselves.

So that's kind of the two sides. But throughout the whole country, it's the Farm Credit System. And underneath that umbrella, by name or title, you'll have all these individual associations. And they can be—they can have whatever thing they want now, basically. We're now American AgCredit. And so, you'll have Farm Credit of East Central Oklahoma, which their main office is in Broken Arrow. You have Farm Credit of Enid. You have Chisholm Trail—that's in Enid. There are two farm credit offices in Enid. So, you'll find that this system is nationwide, serving farmers and ranchers for agricultural purposes.

FH: And the local offices were for a designated area. That's why there are several different offices throughout the state.

MJH: Do you have a listing of all the different associations in the state, or some map showing where they are?

KC: There's a listing of all the ones in the state. Map-wise, I probably don't know that we have anything that designates their territories.

MJH: That would be helpful—it would give me an idea of the scope…Jumping around here a little bit, the question comes to me: Is this…Why would people come here instead of a commercial bank? What distinguishes you from, I don't know, RCB Bank down the street, or whatever?

FH: Well, farm credit associations specialize in agricultural lending. That's all we do. And we have competitive interest rates—our rates are very competitive. When you couple that with some other programs that we offer for our stockholders, it's a pretty inviting program that we have for the individuals.

MJH: So you really specialize in farm and ranch…

KC: Probably the majority of employees within the farm credit system have an ag background as well, which obviously lends to the expertise. From the real estate side, most commercial banks around, you'll probably find—or what we hear about or know about—fifteen years is about the longest they'll do a fixed rate, or a long term mortgage for. We'll give credit for thirty years. And so, a lot of people need a longer term than fifteen to pay for a farm. We've had commercial banks actually send customers to us for that reason, just because they can't go any longer than their guidelines allow them, or that they have established. So…But I think the different programs that we have; we are very competitive with our rates; expertise; plus the fact that we have been here for—I think, 1917 was when the farm credit system was established. The farm credit system has been around a long time, and so have a lot of commercial banks. But we've been around a long time, and concentrating on one thing, basically.

FH: I think the commercial banks, too, they…Farmers and ranchers in a particular area, they get a good relationship with their banks, with farm credit or with their commercial banks, whatever that may be. A lot of your farmers and ranchers, they kind of like to keep some of that relationship a little bit separate. They may want to put their long-term land, with the farm credit system—keep some of their short-term operating loans with the banks. But all in all, I think the farm credit system—this is all we do. We know farmers and ranchers, we know their business, and I think just the stability of the system—we're not really a system to be, I guess what you might say, hot and cold. Some commercial banks, you know, depending on the economy, they may pull back at times. Some of them will even get completely out of ag lending. The agriculture sector started having a lot of problems, you will see commercial banks actually pull out of the marketplace. The farm credit system has never done that.

MJH: So the farm credit system dates back to 1917. Is that about when the first offices came to these parts, do you know?

FH: I would have to do some checking on that. I know some of these first offices go back into the very early forties, late thirties…

KC: I'm sure it took them a while to establish offices throughout the country, you know, once that legislation took place.

MJH: So…federal legislation established the program, and then probably radiated out to the states, as they expressed interest in setting up offices and all that.

What is your market area here? Is it Kay County in particular?

FH: Our main market area in Kay, Noble, and Osage Counties. Now, if we have borrowers within those areas that have land in other areas, throughout the state, we can still finance that—we actually go into other counties. We will make loans to those borrowers. But our specific area that we service is Kay, Noble, and Osage Counties.

MJH: What would you say, as you're making loans and the economy is going through all kinds of ups and downs, what are some of the, maybe, milestones in terms of this institution? I know the early eighties was a big crisis period for farmers and ranchers…

FH: That's right. And I think one big milestone in the system is always…interest rates. Back when interest rates at commercial banks here in the eighties got up to nineteen, twenty, twenty-one percent, we were down pretty low. I think our all-time high was right around thirteen percent.

MJH: Even when they went haywire in the early eighties?

FH: That's right. Eighties.

MJH: Why is that? What helps you keep yours down when all the others…What accounts for your stability?

FH: I think part of that is just our funding. The system is a very sound and stable organization. We are able to obtain our money a little cheaper, probably, because of that.

KC: Plus the fact, we've always been very rate sensitive because we know our customers. We're probably, as the rates tend to start moving up, we can probably be a little slower in moving our rates up, and maybe a little slower in moving them down. When rates start coming down a little bit, just because we know our borrowers don't like to be bounced around that much. If rates move down, we may lag just a little bit just to make sure they're not going to jump right back up, because we don't want to be bouncing our borrowers. And I think that's probably been something in this office, anyway, for years. And it all comes down to, probably, in regards to where your rates are and how fast you move up, is the financial condition of your own institution. And you might be able to take a little less on your spread, stuff like that, because you know it's going to be affecting and helping your borrowers out there as well.

FH: And that's part of being a member-owned farmer and rancher co-op. We're here for the farmers and ranchers, whereas your commercial banks—a lot of your commercial banks are looking at profit, as their bottom line.

MJH: That makes me wonder: So you take the turbulence of the mid-eighties, a period that I have been working on recently and trying to sort out a lot of these disasters and bank failures. Of course, Penn Square Bank was the catalyst for so much of that. Where was this institution in that crisis period, when so many banks were failing? Were you stable then?

FH: I think, yes, we were still stable. We were still making loans, through that period of time, whereas a lot of your, a lot of your other banks weren't. Kind of goes back to my earlier statement—farmers and ranchers really like that stability.

MJH: So many folks I have talked to say that a reason they made it and somebody else didn't was because they stayed out of energy loans—"If I don't know much about it, I have no business getting into it." That's pretty much…

KC: Well, from this office as well, you know. And don't get us wrong. We obviously—every bank out there had difficulty during that time with loans and, you know…But during that time, all this office was lending on was land. Land don't move. So from a collateral standpoint as well at that time, as probably commercial banks and other institutions, you've got collateral that moves, sometimes it's not there. When those bad times come, and there may be collections and those kind of things that…This office, just like any other office, farm credit office or any other bank: you know, we had our difficulties during that time. But I would probably say that, yeah, we were stable, we were still making loans during that time, because some borrowers had difficulties, and others weren't in that much difficulty, because of their own personal financial situations. That goes with any area of life, you know, or whatever. And I would imagine that we were fairly well capitalized, during that time. Still are. So, the farm credit system has pretty much always been a fairly strong institution that has been able to weather the storms that have come along through the agriculture industry. And there will be more storms to come. But we've just been able to be in a position to be able to weather that.

MJH: Describe some of those storms. I have been studying about the early and mid eighties. Exports were down, prices were falling for agricultural products—it was kind of a perfect storm that got everybody in trouble. Can you think back, maybe stories or whatever, from the forties or fifties, going forward, that really strike you as crucial periods—milestones in the bank's history?

KC: I would say that the storm that probably hit agriculture in the seventies and eighties was—I don't know that I have anything that really goes back any farther than that—was…In the seventies, commodity prices were very good. And land prices were at levels that were unsustainable, which was obviously the downfall in the eighties. Because then, when prices started going down, cash flows were very tight and difficult. And land values went down, they dropped sixty or seventy percent, from their highs. So then you start having difficulty with repayment on that. I think that's where the crisis in this area of the country, anyway—not just Oklahoma, but the whole Bible belt, and this immediate area through here, that was really a—that's where the struggle was in this area. And the elevated land prices that then went down, and as well as commodity prices—and the cash flow wasn't there to be able to service the debt that was on those.

FH: And the interest rates went to all-time highs. Farmers and ranchers that were out here, they had their operations tailored to eight and nine percent interest rates...

KC: …which they could debt service. They could pay.

FH: But then when that interest starts going up to sixteen, seventeen, twenty, and twenty-one percent…

KC: And that's not just on real estate loans. That was on operator loans…

FH: That was on all of their loans. Everything that they had!

MJH: I guess you finance equipment too—big, expensive combines…

What were the forces, would you say, that drove those land prices so high?

FH: …higher commodity price. All of that drives the value and the demand for land.

KC: That was back when wheat, you know, it was normally, like, two dollars a bushel, but then all of a sudden it went to five and six.

FH: People had never seen that before. The seventies were a pretty good time for agriculture.

KC: I can't remember what the cattle market was back then, but it was just one of those things: people in agriculture were starting to see a lot of income, and the demand for land started to increase, and when you've got demand, and here again, it's one of those deals, you may not have a whole lot of land for sale, but when people start seeing land sell for—a whole lot more than they'd ever seen before. Then people start thinking, "Well, I'd better sell my land," then that moves that up. And coupled with the interest rates all going up, and the difficulty with the cash flow—then people started to say, "I can't hang onto this too long; I've got to sell it." Then you're in an environment where interest rates are high, there's not that many people looking to buy land, and therefore, they had to sell. The bottom just fell out from underneath them...

MJH: Was it pretty much demand driven? Was there an oversupply? Were there foreign imports of agricultural products?

FH: I'm not going to say there was an oversupply, but I'm going to say it's more than that. Everyone in the eighties suffered. There wasn't anyone that the farm crisis of the eighties did not impact, one way or the other.

KC: To what degree did it affect this farmer or borrower versus this farmer or borrower?

MJH: I remember, I was living in Denver at the time, and I have a vivid memory of an army of tractors and combines and everything else coming up I-35 to the state capitol. Did that same kind of thing happen here?

FH: Yes, it was nationwide.

KC: It was called, what, the American Ag Movement, or something? American Farm Movement? They were traveling clear to Washington, DC, for parity of prices, for fair commodity prices, and things like that, trying to make their stand. Of course, that was all in regards—or a lot of that was in regards—to import / export, and what the farmers actually get for their for their crops, versus what they're providing for our country. What they actually put in…That was just kind of a stand for, "We need equal pay out here for what we're producing." Yeah, that was a nationwide movement.

MJH: Past the 1980s, particularly in this area—northern Oklahoma or these counties, whatever—what would you say some of your biggest challenges are, some of your biggest opportunities? What do you see in the future, and tied into that, I am wondering if any of these new regulations coming from Washington are seen as punishing small banks, after the fiasco of 2008? How does this kind of institution react to all these things? Maybe he you have such a separate specialty in farm and ranch that you're not quite as affected as some folks are.

KC: Well, I don't think we've been near affected by the crisis, especially the housing crisis, and things like that, that obviously affected the commercial lending. I don't think we've really seen much of an affect at all here in this office. The affect that it has had—we've been kind of pulling back a little bit on lending on rural home type properties which we do, which we have a had a little pull back on. And that's because of some of the regulations in regards to interest rates that you can charge on those kinds of lands. Other than that—and that has been a very, very, very small segment of our business here, in this office—other than that, I don't see much effect at all in regards to our other lending programs, which are now short and intermediate and long term. Now again, for this office, the short and intermediate stuff is fairly new, like for two years now. All we did was land loans. So that's kind of new to our office, and that's beginning to pick up a little bit because it takes a little while for people to even realize that we can now make those loans. But people are beginning to realize that, the word is kind of getting out, some advertising, but we've been as busy in this office since all that as we were before, probably. It really hasn't affected—and I would probably say that for our whole association, which goes from here clear to the Nebraska border, and even clear out to California now.

I think agriculture as a whole industry hasn't seen a whole lot of effect of that, because over the last few years, the farmers have had good crops, crop prices have been tremendous, the livestock industry prices for the most part have been tremendous. Farmers and ranchers in this area have been making money the last couple of years.

MJH: Is this area—I'm thinking now of the Panhandle, and some of those consolidated agribusinesses: Do you see that kind of thing around here? Has there been a lot of consolidation? Or do you still see a pretty healthy family farm structure?

FH: You still see a pretty healthy family farm structure. I've haven't seen too many operations coming into this area yet. That could certainly change over time. We know of parts of the state where that is developing. But at this point, we sure haven't seen that.

KC: The area that we cover—Kay, Noble, and Osage Counties—has some very long term, well established farm families. Yeah, there are some that are bigger, obviously, than others. But there again, it's not like a conglomerate coming in to buy up a lot of land, or try to take over something, or build great big facilities, farm facilities, or anything like that. We have the whole gamut, basically, from the guy who farms forty acres to the guy who's farming seven, eight, nine thousand acres. Over in the ranch country, there's people that's got an eighty-acre tract, and there's people that's got twenty, thirty thousand acres. But there again, most of those, especially the larger ones, are well established, long running family farms and ranches in this area that have been established for generations essentially.

MJH: So...

KC: Yeah, we do business with a lot of well established, long term farm and ranch families.

MJH: Is this the only office in these three counties? Or do you have satellites?

FH: This is our only office.

MJH: I think I'm going to meet one of those established guys tomorrow. I'm going to see Frederick Drummond, and I'm looking forward to that. So you say that really, none of the crisis mentality that's out there in banking—you all are business as usual, you've got a steady base, steady customers—that kind of thing.

KC: And I think that one thing good about the farm credit system is we really work toward that stability, and we try to basically prepare for adversity on down the road. And I think farm credit always has that in the back of their mind. We went through the eighties, and we know what can happen. And I think that really helps the organization, as we go down the road, and we have that stability, and we are able to prepare, and in turn, it helps our farmers and ranchers.

MJH: I know there's a real long tradition with the Oklahoma Bankers Association—by the way, do you all have any relationship with that?

FH: No, that's pretty much your commercial banks.

MJH: Okay. But, if you go back in their literature to statehood and before, there is a tradition of working directly with farmers and ranchers to increase crop output, setting up courses they could take, farmers actually going out and trying to teach scientific farming methods—it's a really interesting history. To what extent does this institution and ones like it involved in that? Is it really hands-on management, to help your customers do better?

KC: From our aspect, the vo-tech here, within Ponca City, puts on several different types of extension type events—educational, they may bring farmers and ranchers in for an evening and talk about cattle issues, crop issues, fertilizer issues, in partnership with some other organizations. We typically are part of sponsoring those types of events. From a management standpoint, you know, if a farmer walks in, and wants to sit down, and discuss—a farmer or rancher—and discuss their operation and cash flow, where they are at, we are more than happy to do that. Probably you see that a little bit more along the lines when you really get involved and have, maybe, a larger number of the operating type loans. There again, we're kind of in…*coughing*…our area, and moving forward with that.

From a real estate mortgage, long term—we make a guy a thirty year loan, we might not ever see him again. More than likely we will, but you know, he can send his statement in, and you know, we determine cash flow and those kinds of things, from the outset—those can change, obviously, from year to year—but if you're dealing with a guy from an operating standpoint, you're going to be seeing him every year, probably.

From an educational standpoint, we are more than happy to work with those borrowers, if they desire our input or our counsel. So we do cooperate with, like, the extension offices, the vo-tech, that put on those kind of educational seminars. There's a deal, every other year, the women in ag conference—we pretty much sponsor that, or help sponsor that. They bring women in from all three counties, or two counties, and it's an educational deal for women, women on the farm, women in ag. So we cooperate as much as we can in those areas that's education for our borrowers.

MJH: That leads into a related question: I had an opportunity to speak to a group—community bankers association—which I'm sure has a lot of overlap with the OBA. But anyway, they have a separate organization. And so many folks I talked to characterize themselves as community banks, with all the participation in community events that that entails: Is that an important part of your business too?

FH: Oh certainly. We participate, and not only working just one-on-one with our farmers and ranchers, but like Kent said, sponsor some meetings. We work closely with the

Cattlemen's Association, and our three-county area. They have an annual meeting that we always attend. We attend about any ag function in our three-county area.

KC: Our three counties just finished up with their junior livestock shows. We participate in those, we sponsor awards, we do add-on premiums for livestock, if they're selling at premium sales. Trade shows—anything within the three counties, and even outside, because this office is also part of a statewide marketing group for farm credit, that really focuses more as a statewide, more of a generic type farm credit, not necessarily specialized to your individual office. We cover the whole state, as far as the organization [is concerned]. Through that, we sponsor—they have state conventions, the Oklahoma Youth Expo, different contests throughout the state. So our individual office here really focuses on the three counties that we cover, but then we also participate statewide with the other offices throughout the state, in a marketing effort and an involvement effort. That group is really more focused on the youth within the state, and we do a lot of that too, with the livestock shows, but we really focus that toward youth, and that's all directed toward ag events, for the most part. Because those are future borrowers. So are these that are attending our local livestock shows.

We're pretty well rounded from youth to any adult-type educational type programs.

MJH: What would you say, in rank, in this three-county area, farm products that are most prevalent. Cattle, would that be the main industry?

FH: Cattle in Osage County, wheat in Kay County, and a combination of both in Noble County.

KC: Osage County is the largest county in the state, and primarily all—a majority—pasture land.

MJH: As I understand, a lot of that is because the grass, bluestem, is such a hardy grass that it's good for grazing, but also it was never broken by the plow.

My family used to have a ranch down in Haskell County, so I kind of grew up with all that. Is there still a big feeder cattle business in Osage County? Folks used to ship steers and fatten them up on the grass and send them on to feedlots.

FH: That is probably the main…

MJH: More than cow-calf?

FH: I'd say it is probably pretty equal. You sure see a combination of the two—bring them in for the summer months and send them off to the feedlots.

MJH: They used to bring them in from Florida…

FH: They come from everywhere—Mexico, Florida, all over.

MJH: Going forward, then, you just had this merger, you're starting to get into new lending opportunities. What do you see as your biggest opportunities and challenges over the next five to ten years?

KC: Challenges, you know, even though I think we are very competitive, I think one of your biggest challenges is just that you have other competitors out there. The farm economy, just the economy itself, will be a determining factor in regards to how many loans you're going to be making, what the farmers are going to be needing, farmers and ranchers. But moving forward, opportunity-wise, I think it's kind of an open door for us in regards to the shorter and intermediate type loans. Most operators out there have those kind of loans. They have those besides their long term loans.

Land prices now are tending to trend upward. The challenge there for us is to be able to move along that same line as people buy those farms, in regards to what we feel like we can actually go out there and loan them.

Those are challenges for us, because we have had farms recently sell for $2,300 to $3,300 an acre. Those are two instances. Everything else is selling for $2,000 and below. So, the challenge to us is: What can we go out there and actually…Is this the true market? Is this where we're moving? Do we want to go out there and loan 75 percent on that, or do we go back and loan 60 percent? And if you pull back and loan 60, that guy might go somewhere else, and they might loan 75. And those are the challenges that we are dealing with in an upswing market. And commodity prices are going right along with it, because those guys—they've got to produce a crop next year. They're putting all the inputs in that crop, and those cattle, buying cattle at high prices, and putting those inputs in at high prices. And wheat right now is $8.50, but it's five bucks next year, for this year's harvest. And we've loaned, this—I mean, that becomes a challenge for us as lenders as to what kind of a lending policy are we really going to have in the environment that we are in, because we're in an environment that we really haven't been in before. Yeah, we've seen land prices go way up, but we haven't seen commodity prices—wheat at eight, nine, ten dollars a bushel, ever before.

MJH: What's driving that?

KC: Part of that is worldwide availability of inventory.

MJH: You do hear that there are some really critical food shortages in certain parts of the world.

KC: Soy beans at ten, twelve dollars a bushel; corn at five and six and seven dollars a bushel—those…We're really in an ag environment that I don't think we have ever seen before. And I think Oklahoma and Kansas are certainly more so in that environment because land values across the country are so high. You get into some of the Illinois cropland, Nebraska, places like that, their cropland is selling for six and seven and eight thousand dollars an acre. Well, everyone is starting now to look towards Oklahoma and Kansas because of our cropland value. That is just continuing to drive up.…We may, in time, and probably will, and we are having, to a very small degree, other individuals in outside states coming in and buying up some tracts of land.

FH: It's cheap to them!

KC: It is! They come here, and they just think they're getting a bargain, because it's quality land! And that's really starting to impact—I was at an auction yesterday, a land auction. I don't know how many people were on deck, and that's what's on everybody's mind: "Oklahoma is so under priced, and all of these other states are so high." Everyone's looking this way.

MJH: 1897 all over again. We've kind of lost our memory of 1897, but the same thing was going on. Land prices—you could get beautiful cropland for about nothing, and this place was swarming with people from other states. Kind of interesting…

What I'm hearing is that you don't feel much competition from the BancFirsts or the MidFirsts or the mergers—I don't even know if they have a presence in Ponca City. But that really is off your radar, sounds like.

KC: Those bigger banks, yeah—it's more of the local type commercial banks that have been here…

FH: Probably what you were referring to is the community banks.

KC: Community banks—that is where we see more of our competition. And those are in areas because there 's areas where those banks are just rock solid and have been for years. They obviously have got their customer base. It's hard to pull from that.

Those are challenges, when you've got those kinds of institutions which are just solid institutions, and they do good business for their customers.

MJH: I guess it's safe to say that something you pay about as close attention to as anything is commodity prices. Is that what you're checking on every day?

FH: It's a driving force.

MJH: And you'd say primarily cattle, and some parts wheat, and others a combination. Are there any other crops that are, maybe, new in this market?

KC: The new crop would be cotton, primarily in Kay County. There is not a widespread amount of it, but it has been creeping further north from Texas and down in that area over the last several years. We've got a cotton gin over at Blackwell. There's a cotton gin at Winfield, Kansas, across the border up there. Quite a bit of cotton grown up in that area. One out in Pratt, Kansas. One up in Anthony, Kansas. It has become a very successful crop in this area. With the genetics and everything they can build into these crops these days, it has become a very successful alternative rotational type crop. The thing about that is, there are a lot of guys that shy away from that, because it takes specialized equipment to harvest it. If you don't have that, then you're waiting on a custom operator to come and harvest that for you. But we've got a couple of big operators in the area that raise quite a bit of cotton each year.

That would be the new one. Probably, coming down in this area, soy beans are probably fairly new. Several years ago, probably in the eighties, wheat and cattle, that was it. But over the last few years, soy beans…There's been a lot of corn grown, in Kay and Noble County. You used to never see corn grown around here. Soy beans and corn, I would say are probably—and cotton—are probably the newer crops. Cotton would be the newest, probably.

MJH: How about livestock? Do you see pork production, or is it still pretty much cattle?

FH: Still pretty much cattle.

MJH: You don't see too many lamas?

KC: You've got your weekend, or your hobby farmer, that might have some lamas or…Goats have become quite popular in the area, in the whole state, I believe. A lot of that is youth driven, because you've got someone from 4-H or FFA, maybe they don't actually live on a farm. It don't take very much space to have a goat, and it's fairly inexpensive. Not near as expensive as going to buy a steer to show. So we've got a lot of people that are getting into that, from the kids' standpoint, the children, to show at livestock shows, and be able to be a part of that. I think at the Oklahoma Youth Expo there are more goats shown now than there is maybe hogs and sheep together. That's how big it's gotten, in the state.

MJH: Is there much of a horse market?

FH: No. That's mostly down south, in southern Oklahoma, Sulphur area, Ardmore.

MJH: You don't see many breeders up here?

FH / KC: I don't know of any…

MJH: Good stuff. Can you think of anything else, historic or otherwise, that comes to mind about your unique brand of banking?

FH: We've covered it, I think.

End