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Future of FCS Financial Services

Lindsay Wiff

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Future of FCS Financial Services

**An Independent Study in partial fulfillment of requirements
for the Master of Business Administration degree.**

**by
Lindsay Wiff**

**Advisor: Susan Logan Nelson, PhD
Submitted: February 23, 2006**

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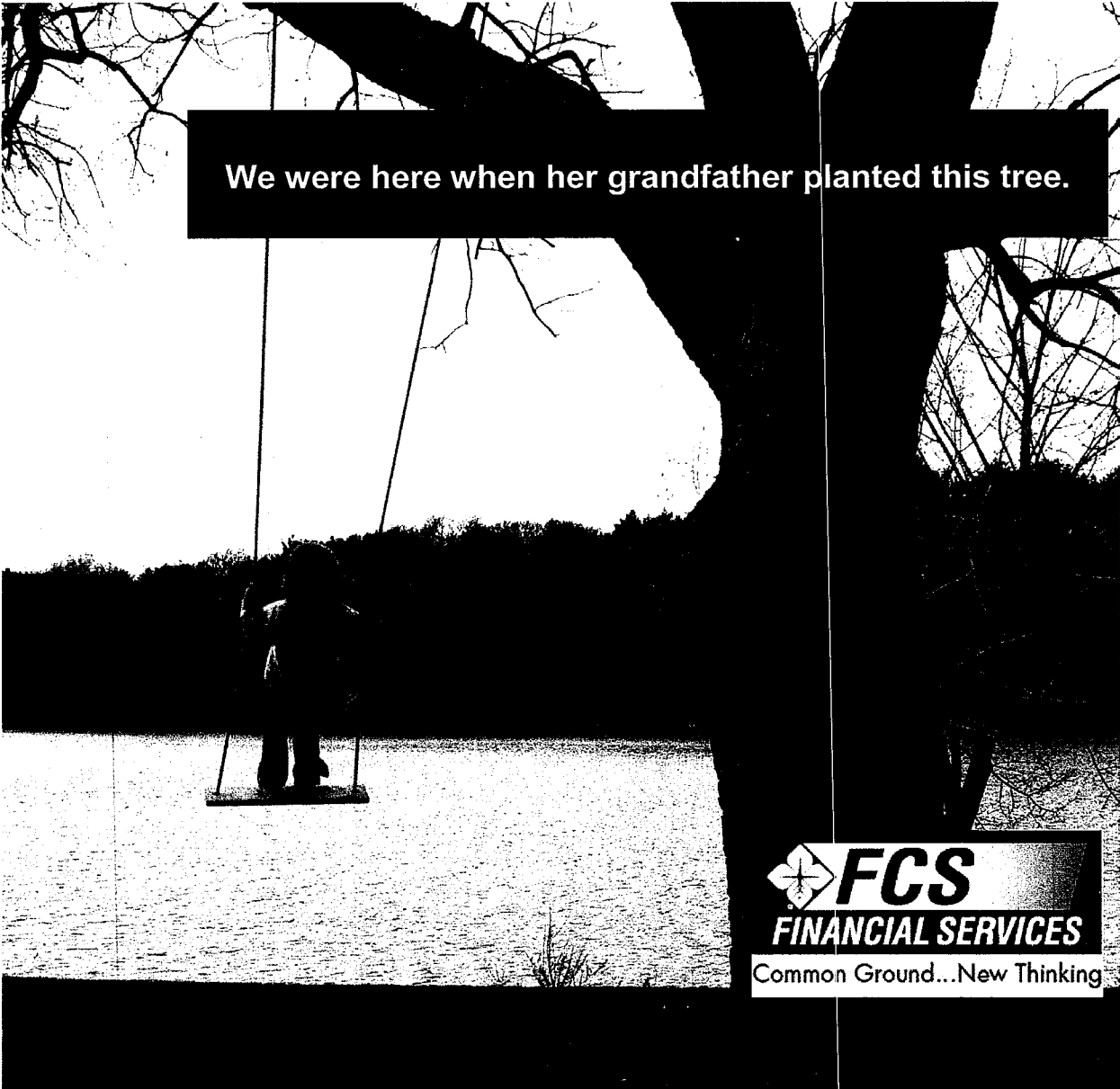
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Introduction

In 1935, Farm Credit Associations (FCAs) were comprised of 5,000 offices serving 10,000 communities. Today 97 associations serve 1,100 communities. FCS Financial Services (FCS) provides services to roughly 3,200 members whose lives and businesses will be affected if FCS is also forced to close its branch offices.

Executives at FCS have grown increasingly concerned the past few years; if action isn't taken the likelihood of branch closures are inevitable. In order to secure the future of its branches and employees, as well as serve the needs of rural communities, changes need to be taken. The president and CEO, Mike Krutza, requested I research possible options for its future. I was also asked to take part in a survey of its 3,175 members, to uncover future needs, and willingness to adapt to changes that could take place in FCS communities. Background information about the origination and history of Farm Credit Services is presented in order to understand past events and the current operating environment.

Farm Credit System History



We were here when her grandfather planted this tree.

FCS
FINANCIAL SERVICES

Common Ground...New Thinking

In 1916, restrictions in banks were set as to how much they could lend for farming purposes; they were also limited with regard to the size of real estate loans they approved. Twelve federal land banks, the Farm Credit System (FCSys), were created to allow more farmers the option of obtaining credit to finance farming and ranching needs. These banks incurred a lower interest cost on debt due to its government-sponsored enterprises (GSE) status. The FCSys was created to do the business banks were barred from doing. The mission was to "supply farmers with credit unavailable from other sources" (Ely 5). This allowed the system to provide farmers of all sizes the financing needed to maintain a desired level of business.

The Great Depression hit the financial institutions sector of the economy especially hard, forcing 9,000 banks into bankruptcy (Ely 5). These banks mostly consisted of small rural banks that served local farming communities. The 1930's brought about several other changes affecting the Farm Credit System. In 1933, the failure of banks led to the creation of Production Credit Associations within the FCA to supply farmers with short-term credit (Ely 5). During this year the value of farmland had fallen and recovered, sparking a legal reaction. A 75 percent limit was put in place on the total amount that could be loaned against the normal value of the farmland. This loan limit was reduced to 65 percent in 1947 (Ely 6). The Farm Credit System grew to 5,500 association serving 10,000 communities in 1935, aided by its mission to serve all (Krutza).

Recovery was the focus for FCSys and the rest of the country over the next three decades. The economy eventually turned around with the value of farmland recovering after the Great Depression. FCSys realized a growth in the total farmland real estate loans it approved from 15 percent in 1952 to 25 percent in 1971 (Ely 6). This growth in loans was good, but FCSys wanted to lend even more. In 1971, it was able to raise its limit to 85 percent of appraised land value or

the current market value. This was just one of the events that built up to the agricultural crisis of the 1980's. After the lending loan limit was raised, FCSys' lending more than quadrupled between 1971 and 1980 (Ely 6). Heading in a strong forward direction it pushed interest rates lower, reducing interest rates of other financial institutions. This combination of high lending levels and low interest rates created such a high demand for farmland that the adjusted inflation value of farmland doubled (Ely 6). At this point, monetary policy stepped in and increased interest rates, popping the favorable agricultural bubble (Ely 6). Many people took advantage of being able to purchase cheap farmland with large loan amounts. After interest rates increased, many of those people were forced to declare bankruptcy.

Not only did the monetary policy hurt many people trying to buy farmland, it in turn affected FCSys, as those going bankrupt were not able to repay loans. During the years of 1985 and 1986, in an effort to aid the GSE, congress tried passing emergency legislation, however efforts failed to work. Again in 1987, congress attempted to help, this time succeeding by using taxpayer money to bail out six of the 12 FCSys districts which held non-performing assets (Ely 7).

In an effort to turn the system around, FCSys trimmed its board of directors to three (Ely 8). Consolidation of 12 Farm Credit banks into six also began with the intention of strengthening banks in strong communities, and removing those in underperforming communities. Overall, FCSys was made up of 1,100 associations and served nearly half the communities it was serving in 1935 (Krutza). Another reform implemented was the reduction of minimum stock purchase required from shareholders (Ely 8). All of these efforts were made in good faith but would have negative effects on rural communities in the future.



Imagine, a financial services company which truly believes that money isn't everything.

FCS Financial Services (FCS) is part of the Farm Credit Services system, but it tries to distinguish itself apart from the FCSys system. FCS has six branch offices that serve 12 counties in North Central Wisconsin. The six branch offices are under the leadership of Mike Krutza who believes, "FCS is here to make lives easier for surrounding communities." He doesn't want to join the list of Farm Credit Services that have closed through the years. It is this determination to succeed that asks the question, "Where do we go from here?" (Krutza).

A survey conducted in 2003 revealed members listed their relationship with FCS staff as one of their top reasons for conducting business with FCS (Wiff 114). Members revealed that FCS tailored business options to each individual customer based on personal needs. Customers of FCS felt they could trust staff members and enjoyed conducting business with them. In the case of new members, over 80% were referred to FCS from a current member, which also signifies the level of satisfaction members felt (Wiff 116).

As a financial services institution FCS offers its members a wide array of services. Commercial loans are most frequently purchased by FCS members, followed by tax preparation services and mortgage loans (Wiff 3). Business consulting and records/payroll were found to be barely sought after by customers in two of the six branch offices (Wiff 3). FCS strives to offer its customers as many services as possible to help its rural communities thrive.

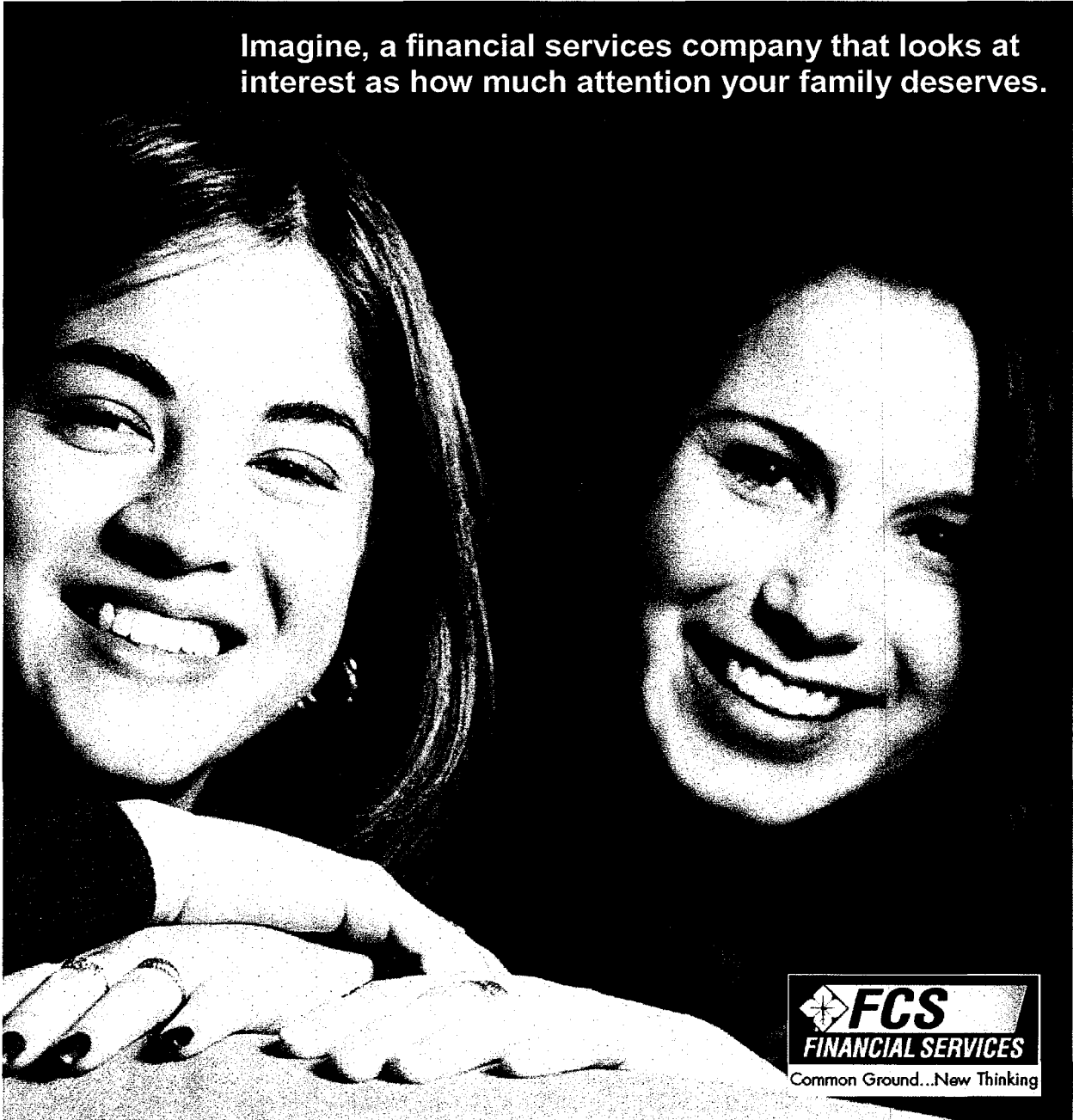
Technology is an area of concern for FCS customers. The North Central offices serve a large farming community; this area is also has a large Mennonite population, with different beliefs about technology and spending that influence their decisions. Typically, Mennonites are unlikely to purchase or use a computer; which reduces the amount of technology they require from FCS, as they do not demand online services. According to Jodi Wiff, EVP of North Central Wisconsin FCS, "the Mennonite place a high value on meeting with staff members in person

about issues concerning their money” (Wiff). Keeping members needs and values in mind has helped FCS establish strong relationships with members and communities.

In 2002, Farm Credit Services of Minnesota Valley and FCS Financial Services of Wausau merged into United FCS. It was the first merger of this type within the Farm Credit System and was created to help it “think differently about FCS opportunities and obligations for the rural areas” (FCS Financial Services). According to Mrs. Wiff the focus of this merger is to protect, provide and promote while helping each other explore ways to “celebrate rural independence” (Wiff). This merger illustrates the desire FCS has to serve rural communities; thinking outside of the box and defying past norms has helped United FCS tailor its companies to members’ needs.

Current Situation

Imagine, a financial services company that looks at interest as how much attention your family deserves.



This next section takes a look at where FCS currently stands, recent events, as well as a look at the competitors' features.

Presence

In 2004, Mr. Krutza reported the FCSys was made up of 97 associations that served 1,100 communities. "The strategy that was enacted in the 1980's of consolidation is still in effect as FCSys exits rural communities at a rapid pace" (Krutza).

In *Reckless Past, Doubtful Future*, Bert Ely reports on the history and future of FCSys. He stated that 136,400 large farms (farms exceeding \$250,000 in cash receipts) are responsible for 62.9% of total farm receipts. The middle bracket of farms, those with more than \$40,000 in cash receipts, make up 27.9% of the total, while the bulk of farming operations, 1,526,800 farms, contribute only 9.2% to the total cash receipts (11). Ely believes that it is the middle group of farmers that need to grow, as they have successfully left the small farming operation, but have yet to become a large farming operation.

Ely's studies point out that today's banking institutions are able to meet the needs of farmers as previous loan restrictions have been lifted (13). A study conducted by CUNA revealed the top reasons why current members chose their primary financial institution (CUNA 8).

1. Checking account used to pay greatest number of household expenditures at institution
2. Payroll check directly deposited to checking account at institution
3. Most accounts with institution

4. Majority of deposit dollars with institution
5. Rely upon institution for personal services

These results highly suggest that customers are looking for a one-stop banking experience, where they can complete multiple transactions. This information is relevant to FCS as members have an average of two relationships or accounts. Although FCS cannot offer checking or savings accounts to members, it can build stronger relationships by offering services customers demand.

Happenings

A momentous change nearly happened in 2004, when Rabobank Group, a Dutch-based lending cooperative, attempted purchasing Farm Credit Services of America (FCSAmerica). FCSAmerica is part of the Farm Credit System and lends to farmers and ranchers in Nebraska, Iowa, South Dakota, and Wyoming (Henderson 2). This was the first occurrence of a private company purchasing an institution with a GSE status.

Rabobank was looking for a way to increase its share of the United States agricultural lending market share, as its goal was to become the world's leading food and agriculture bank (Henderson 3). By purchasing FCSAmerica it would have a foothold in the Midwestern agriculture lending market, which with success could help it expand further.

The offer was initially accepted by FCSAmerica in July 2004, which included a cash distribution of \$600 million to stockholders and an \$800 million exit fee to leave the Farm Credit System, according to a press release from RaboBank (Rabobank). This cash distribution was later increased as opposition arose from the FCSys, members and other financial institutions.

FCSAmerica did accept this offer as it would allow it access to Rabobank's products, services, knowledge, and financial resources.

The day FCSAmerica accepted the proposal Mr. Krutza voiced his opposition in a press release stating, "There is more to be gained by directing energy and resources into fixing the underlying causes behind their decision to exit FCS and not the exit itself." He continued to state that, "customers in rural America continue to emphasize their changing and expanding financial services needs, and the rural financial system needs to be able to keep pace with those needs," (Krutza).

AgStar Financial Services, part of the Agricultural Credit Association also opposed the acquisition proposal and in turn offered FCSAmerica a proposal of its own, restated in a press release. The proposal offered FCSAmerica cash distributions of \$650 million, future patronage dividends based on profitability, and preservation of stockholders ownership and control (AgStar). In addition, AgStar proposed that FCSAmerica remain in the Farm Credit System, where members can retain borrower rights and protections they currently have. The proposal would remain in the Midwest and would benefit from AgStar's full range of financial products and services, which are valued by farmers and ranchers (AgStar).

Another source of opposition was AgriBank, a financial intermediary, providing products and services to Farm Credit Services Associations in 15 states. In a press release from AgriBank it was argued that FCSAmerica's shareholders would be better served by pursuing a merge with AgStar, which would allow it to continue conducting business as they currently do while remaining owners of the cooperatives (AgriBank). Due to strong opposition and belief that this acquisition would go against the interests of 90 years of FCSAmerica values, AgriBank would (Strength to Change):

- encourage FCSAmerica board members to reconsider the proposal
- support AgStar's merger proposal
- communicate with FCSAmerica the implications of exiting
- support removal of the regulatory exit provision
- provide any needed financial support

Although there was fierce opposition to the proposal, it did offer benefits to FCSAmerica, such as the ability to reach more farmers and ranchers, with greater financial resources. It would be able to offer members more products and services, as well as realize a financial gain. However, FCSAmerica listened to those opposing the acquisition, eventually declining the offer proposed by Rabobank (Strength to Change).

Banks

Commercial banks are the main player in farm finance today, with 40% of all farm business in 2002 (Final Report 17). During an interview with Mrs. Wiff, it was revealed that in the 12 FCS counties there were 226 commercial banks serving approximately 100,000 residents, as of March 2005 (Wiff). The main products of banks are checking and savings accounts, followed by vehicle and mortgage loans. The capital ratio of these banks is slightly lower, 8.9%, than the U.S. average of 10.0% (Wiff).

Banks are typically categorized according to the amount of deposits they have; normally the higher the deposits the higher percentage of the market share that bank has. The average deposit per county is \$605,558 (Summary of Deposits). Marathon, the largest of the 12 counties, has the highest total deposits as well as the most banks. It is also interesting to note that the two

largest banks in this county make up 36% of the market share, while the remaining 19 banks all account for less than 10% of the market share (Summary of Deposits). This was common in most of the counties, many banks fighting for 1% of the market.

Although there is considerable competition among banks in the 12 counties, there are advantages to operating a bank. The rewards of an established community bank include a growing investment. On average, a well-managed bank can expect to return between 10-15% on equity. Also, a strong bank could see a purchase price of two to three times the shareholder's equity during an acquisition or merger (Greenspan Speaks 22). Involvement in a bank also leads to community recognition as well as benefits from an expanding network of contacts. A study done in 2002 found that 77% of 18 to 29 year-olds had a savings account and 81% of the same age group had checking accounts (CUNA 4). The demand for financial accounts is not likely to decrease in the future, and will continue to thrive as long as these counties continue to grow.

In a document prepared for FCS regarding financial institutions in rural Wisconsin, a report was written describing several success factors of community banks. One of the reasons for the success of rural banks is that many banks have specialized or niche marketing, allowing them to focus on areas that are not effectively served by larger banks. Another reason for success among rural banks is that community banks typically hold less than 15% of the total deposits available, leaving a large market for others to enter and compete (Greenspan Speaks 44).

When banks have six key elements in place it tends to outperform those missing one or more of these elements. The six key elements taken from a private report created for FCS, described by Mr. Krutza are:

- Adequate capital
- Organizers who are successful in their own field
- Experienced and knowledgeable Senior Officers
- A viable market in which to operate
- A large number of diversified, supportive shareholders
- A qualified market-maker for the stock's after-market

These may seem like common knowledge but are imperative to the success of financial institutions. Lacking one or more of these key elements could be an expensive mistake any financial institution would not want to make.

Credit Unions

Credit unions, similar to banks in that they offer financial services to members, are also present in the 12 FCS counties, therefore are competitors of some products and services. According to an E-Scan report, conducted by CUNA, products and services currently offered by Wisconsin Credit Unions include (pg 6):

- Credit cards
- Share draft/checking accounts
- Unsecured loans
- Certificates of deposit
- New vehicle loans
- Used vehicle loans
- IRAs
- Money market shares
- 1st and 2nd mortgage loans
- Regular shares
- Savings account

As of June 2004, there were 30 Wisconsin credit unions that on average had seven branch offices. Another six credit unions had opened by March of 2005 (Wisconsin Banks). All have set up informational websites for members to access. These credit unions all offer access to electronic banking services as well, while only 26.7% have drive up windows at branch offices (CUNA 7).

Another important aspect of Credit Unions is the relationships it has with members. According to a study in Credit Union Magazine, Members Today & Tomorrow, nearly two-thirds of primary credit union members rate their satisfaction as "very satisfied" (Peterson 67). This can also be seen by the number of services purchased from customer's primary credit unions, on average 3.4 products (Peterson 69). According to Share Drafts Remain the Cornerstone Service, written in 1998, "credit union members with share draft accounts are four times as likely to name their credit union as their primary financial institution" (Mazanet 13). It can be seen that financial institutions offering a variety of products and services have more relationships with their customers as well as hold the role of primary financial institutions.

A relatively new concept being adopted in credit unions is prepaid cards, which hold stored-value to be used for phone calls, gifts, and payroll or travel expenses. These prepaid cards could be Visa or MasterCard branded, so it would be accepted nearly everywhere. The cards are funded through a checking, savings or credit card account, and may be revalued once the card has been fully used (CUNA 45). Similar to gift certificates, but could be given to employees for traveling expenses while on a business trip, providing more flexibility than giving cards that are only good at specific stores or restaurants.

The “fastest growing segment of the payments industry” is the debit card, which has the highest performance of any payment types (CUNA 46). This card is similar to a credit card but draws money directly from a savings or share draft account. Debit cards are also practical as they are accepted nearly everywhere.

Technology also has its place within the typical credit union. The technology employed by credit unions is driven by customer demands and trends as well as, “changing consumer attitudes and behaviors, new laws and regulations, and standards” (CUNA 27). The internet, one example of technology, can be used for transactional processes because consumers are continually becoming more comfortable using a variety of internet features. Internet users who shop online have increased by nearly 10% since 2001 (CUNA 28). Young adults are growing up conducting banking activities via computer, and may not consider a credit union or banking institution that doesn’t offer online banking. As more and more banking is done online, it is expected that new credit unions will also incorporate this feature. Banking online is a convenience factor, as customers can pay bills, check accounts and transfer money without leaving their computer desks. “A technology vision first and foremost must be holistic and member-centric, foreseeing how technology changes member behavior and modifies the shape and definition of quality service” (CUNA 29).

Credit unions and banks are similar in many ways which makes each a competitor of FCS. When analyzing competitive threats it is important FCS acknowledge the tactics and efforts local credit unions are successfully using, as well as learning from their mistakes.

Recognizing a Need for Change

It is estimated that in 2010, 20 FCS associations will be serving 120 communities (Krutza). This strategy of merging into larger institutions has resulted in consolidations formed in counties and even across states. This strategy does provide benefits including a more competitive cost structure. Associations are able to receive volume discounts on services providing cost savings for members and higher profit margins for the company.

However, this strategy is not beneficial to all members of the associations, as branch offices will be closed, forcing members to travel greater distances to receive services. This would have a large impact in rural Wisconsin due to the large population of Mennonites, who are not likely to travel greater distances than local towns to conduct business. They are also not likely to take part in internet related business, because face-to-face interactions are very important to them.

To avoid the trap other association have fallen into, FCS needs to make a change as to how it is currently operating. It has many options, ranging from small short-term changes to significant long-term changes. The changes considered as well as a brief description of their advantages and disadvantages are presented below.

Options for FCS

Options for FCS			
Advantages	<ul style="list-style-type: none"> • Cost effective • Easy for employees and members to adopt 	<ul style="list-style-type: none"> • Serve more needs • Minimal adjustments easy on employees and members 	<ul style="list-style-type: none"> • More services offered • Retain current employees and members • Increase amount of technology used
Disadvantages	<ul style="list-style-type: none"> • Ignores members needs • Association consolidation continues 	<ul style="list-style-type: none"> • Requires regulatory changes • May be worse off than it is now 	<ul style="list-style-type: none"> • Member disapproval • Geographic needs/beliefs

Survive As Is

In this option, FCS has a few alternatives such as continuing as it currently is without modifications or merging with another Farm Credit Association. This option of maintaining current business functions and vision includes conducting business how it is until it's forced to close or run out of money. This option sounds economically desirable; no changes imply cash isn't invested. It is also easy for members to continue doing business with FCS as they have in the past. However, this option is ultimately ignoring the changing needs of members and its mission to promote rural, social and economic growth. This option is also subject to the inevitable time when FCS will be bought out and forced to close branch offices. Unless the merging of Farm Credit Associations ceases, this alternative will eventually happen resulting in farmers leaving the system and finding other ways to obtain financing. The goal of FCS is not to ride the wave as it is now, until it's forced to close. It wants to continue supporting local communities in rural areas for years to come.

Another alternative that requires minimal changes is to merge with another Farm Credit Services office. A positive aspect is that business will be conducted in the same manner as it always has, allowing for greater reach of farmers and ranchers and potentially sharing financial resources. However, this is likely to result in being acquired by another association, which is what FCS wants to avoid.

Incremental Changes

Another option FCS has is to implement incremental changes with small effects on the way it conducts business. There are different changes that could be examined, all requiring regulatory changes.

The first alternative to consider is expanding the existing regulations regarding the services FCS is allowed to offer. Currently it is only permitted to provide “closely related services” to members, meaning most associations within the Farm Credit System can lend only to “farmers, ranchers and those operating small businesses directly related to production agriculture” (Knisely and Krutza). This regulation also restricts the communities in which FCS can conduct business by placing a population cap of 2,500 per city. In a phone interview with Mike Krutza, it was explained that the process of removing the regulation could take years, and wouldn’t allow them to offer all the products and services needed to serve rural Wisconsin. However, regulation change would mean FCS could add incremental services to its existing product lines. A downside is if this were fully achieved, the connection to agriculture would still remain a limiting factor, therefore excluding rural residents who don’t farm. Additionally, more services could be offered, but not the full range allowed by most other financial institutions.

Thus this alternative is very limited as FCS is in business to serve the needs of rural communities, not solely farmers or ranchers.

Similar to the previous alternative would be to attempt amending the regulation to broaden the "closely-related services" definition. This process would be similar to expanding the definition, but could include broadening the rule allowing it to conduct business in areas according to the size or population of the town, not where it is geographically or strictly in an agricultural area. This process would likely take a long time to be evaluated and may only slightly expand the area in which FCS is allowed to conduct business. If approved, it would not be enough of a change to sustain business activities for years to come; FCS would need to find a more aggressive way to remain in rural communities.

Another similar alternative would be to try redefining eligibility by geography rather than by occupation. This option would also need to be approved and undergo considerable time within the regulatory system before any decisions were made. If approved it would increase its market from two million to 56 million according to Mike Krutza (Krutza). However, by increasing the geographic area, it may be tempting to try serving as many community members as possible, straying from the mission of providing services for rural needs. Also, if geographic lending were increased, it would be necessary to change the extent to which FCS is able to lend. If it were able to become a lending authority for agricultural businesses, small businesses, consumers and non consumers, it would be able to serve a greater rural need.

The fourth incremental change to be considered is to remove the current "exit provision" which prevents any Farm Credit Association from leaving the Farm Credit System to become a financial institution of another type, such as a commercial bank. This would require tremendous effort convincing regulating agencies to change what has always been. Mr. Krutza suggested that

this would be a long battle that would not likely end in their favor, instead taking up a considerable amount of time and energy. In the slim chance that the exit provision was removed, Farm Credit Associations would have no choice but to merge with another association, creating a larger association. This wouldn't help, and is in fact what is already happening throughout the system.

Another alternative involving incremental change would be to expand into new areas via "mission-related investments." This option could include expanding geographically into new rural communities not currently served by FCS. Other mission-related investments include purchase of government guaranteed loans offered under USDA programs, or purchase of government obligation that fund rural development (Wiff). The benefit is that FCS could gain greater market growth, especially by serving more communities. There are downsides however; this would likely require increased training of current employees or adding staff members to involved branch offices. Currently there is no FCA regulation for this type of investment; approval would be needed for each venture, which could be a long arduous process. This process would be made even more difficult by opposition of local banks. Having to gain approval for each investment is an inefficient process, taking up time that could be used for more rewarding options.

If FCS is looking to increase its member base and provide customers with more financial services, it could look to form an alliance with a non-Farm Credit entity. This partnership, if created with a financial institution, would allow members to obtain checking and savings accounts at an FCS branch office. Another benefit of this arrangement would be split investment and marketing costs. Each business would contribute to the partnership, reducing the costs typically incurred by FCS, such as building and land rent and marketing campaign costs. There is

a negative side to this arrangement, such as the potential for culture conflicts when the partnership forms. FCS has a very strong, open, caring culture that is a very prominent factor of why members do business with them. The partnership would need to consider the type of people it would go into business with, and what factors will make both successful. If the new partner wanted the culture to change to an uninviting, high technology focus, fast interaction time business, it would likely see refusal among the current FCS member base. FCS would also need to consider the possibility that a new partner could come in, sign up current FCS customers for banking services, and then leave. It would be better off not getting into a partnership in the first place, if this is how it would end.

In order to begin addressing some of the rural communities needs, FCS would have to consider expanding the Farm Credit Association current limitations on lending authority and eligibility of borrowers. Michael Boehlje and Allan Gray, authors of Restructuring of the Ag Lending Markets: The FCS Dilemma, comment on the option of expanding lending authority, "if the Farm Credit System were to obtain expanded lending and financial service authority, would be the elimination of GSE status and favorable tax treatment" (Boehlje and Gray). They are saying that if approved it will not see government help if it has a crisis such as the real estate bubble burst of the 1980's. There are obstacles to this alternative as well, and there would be little ease of use, if it were approved, as financial institutions would likely show a strong opposition.

Privatization

The privatization idea was partly derived from the goals Sallie Mae defined when it considered restructuring and privatization of its business. Four goals were outlined during a task force meeting by Mike Krutza and repeated to me during an interview. The goals are as follows:

- To remove potential government exposure off the books.
- Once achieved, to open up the potential for new business directly with the government.
- To ensure stability in student loan process.
- To allow Sallie Mae to pursue other opportunities for business within the market.

Privatization represents a process and strategy for not only the individual associations within the Farm Credit Services system, but also for the system itself. As with previous options there are a few levels to which privatization can be pursued. The first is to maintain the exit provision, which has increased in support since the proposed sale of FCSAmerica to Rabobank. This alternative provides the only choice to individual Farm Credit Associations. Another advantage of this option is that many Farm Credit Associations are eager to gain control over territory lost during acquisitions and mergers. Although this alternative sounds nice, there is a drawback. The exit provision removal would need to be passed each time an association wanted to leave the system.

The second alternative is to create a cooperative bank, with a specific charter to serve rural America. This would maintain the current FCS mission of serving rural producers, but would open doors to providing services to rural communities and nearby cities that are currently not served by FCS. This removes the GSE status and would be governed by members. By choosing to privatize this way, the system would also retain its capital and would not need to pay

the Farm Credit Association an exit fee. The downside of this alternative is that it is difficult to grasp the political reality of the FCS Association's willingness to leave GSE status.

The final privatization alternative is to privatize the Farm Credit System entirely. This is the most difficult alternative to achieve; Congress would need to be involved with setting timelines and boundaries for the Farm Credit System and associations to move towards an independent financial system. An advantage of this alternative is that it provides Farm Credit Associations the opportunity to privatize, not forcing it into any decisions, or restricting it from doing so. However, the Farm Credit System currently opposes this alternative, making it less desirable and feasible.

Objective of Study

The objective of this study is to determine which of member's needs are not being met, and how FCS can restructure its processes to meet those needs. In order to determine unmet needs of customers, a survey was created by a third party and distributed to 3,175 current members to measure their opinions and future needs. The survey was also created to determine how important specific services were to current customers, such as on-line banking and savings accounts. The results of the survey will aid in deciding what changes should be implemented.

Executives at FCS were also interested in finding out whether voting and nonvoting members had different views or needs. In previous surveys voting members conducted more business with them and were also more willing to discuss future needs. To discover these differences the surveys were distinguishable between the two groups.

The results of the survey were compared and compiled with a survey distributed in 2003, asking members to describe how they felt about FCS employees and the services provided to them. Both surveys served to identify consistencies in responses as well as an additional measure of unmet needs. Both surveys will serve to more clearly identify the needs members are looking for and how FCS can serve those needs.

Methodology

As previously mentioned, the survey was created by a third party to capture views and opinions of current FCS members. I created a list of questions based on topics described during a brainstorming session with management members. The questions were then sent to FCS executives, who chose those most closely reflecting what they needed to know. The third party then formatted the questions in a very basic format, so members could fill out the survey without difficulties.

Once written, the surveys were sorted into 12 piles, two for each branch; the two piles representing voting and nonvoting members. The 3,175 surveys were printed on different colored paper so they would be easy to sort and identify which branch and voting group they belonged to. Members were to return the surveys within three weeks. In an effort to help increase the return percentage, branch members reminded customers to fill out their surveys as they came to the branches.

Once the surveys were returned, I sorted them into their respective groups and began inputting data. I first created a database in Excel, because I was most familiar with this program. The database included worksheets for each of the 13 questions on the survey, as well as sheets that encompassed data from an entire branch, voting and nonvoting members of each branch, and a master file, containing all surveys. I did this in case results varied by branches or voting status of members.

Once all data was incorporated, summary tables and charts were created. They were then analyzed for patterns or differences. The basic data was presented to executives as progress was made, to keep them updated and so they could think of additional reports they would like to see.

Following are results from the survey along with analysis of the data. With the data in an Excel file, I was then able to transfer the files to SPSS. I ran various scenarios looking for data and patterns that would be of interest to FCS executives.

Results

Of the 3,175 surveys sent to current FCS members, nearly 23% were returned. It is important to note the summary data may not be representative of all members as each has their own thoughts and opinions, which are not necessarily consistent with everyone else.

During a previous survey conducted with members, response rates were 17.8%, possibly indicating a stronger interest in the content of this survey. It could also have been a more convenient time for members to fill out the survey or possibly a stronger feeling of commitment and willingness to help FCS (Wiff 110). The smallest branch office had the lowest return rate of 16.07%, while the third largest branch returned 27.8% of its surveys, the highest percentage of all branches. Table 1 displays the percentage of surveys returned for each branch, as well as the return percentages for voting and nonvoting members of each branch.

As the table shows and was predicted by executives, nonvoting members were less likely than voting members to return surveys. Although the reason is not known, it can be hypothesized this occurred because nonvoting members tend to have fewer services from FCS and therefore do not rely on it as heavily as voting members. It could also be the case that voting members feel more involved in the company because they have a vote, and believe their voice is important to FCS.

Table 1: Response rates for survey by branch

Branch	Number of Responses	% of Total Responses
Wausau – Total	590	23.39%
Voting	390	26.67%
Nonvoting	200	17.00%
Thorp – Total	666	23.87%
Voting	363	32.51%
Nonvoting	303	13.53%
Stevens Point - Total	510	20.98%
Voting	331	25.08%
Nonvoting	179	13.14%
Antigo – Total	224	16.07%
Voting	83	32.53%
Nonvoting	141	6.38%
Medford – Total	595	20.84%
Voting	391	24.55%
Nonvoting	204	13.73%
Marshfield – Total	590	27.80%
Voting	350	30.86%
Nonvoting	240	23.33%

Findings

Previous Surveys and Research

During previous surveys and research of members it was discovered that they are more likely to conduct business with FCS the closer they live to branch offices. The percentage of services sold per branch within a specific number of miles can be found in Table 2 below. Much of the data was derived during internship projects in 2003 to 2004.

Table 2: Percentage of Services Within Given Mileage from Branch Office

Wausau	9	501	83.1	25
Thorp	6	369	64.8	25
Stevens Point	11	393	78.4	25
Antigo	4	143	67.6	20
Medford	9	580	68.9	35
Marshfield	10	469	79.6	35
Average	8.2	409	73.7	27.5

The table strongly illustrates the importance of local branch offices. On average, nearly 74% of the total services a branch office sells/performs are to customers that live within 30 miles of an office. This may also be a result of the demographic profile for this Wisconsin region. The central portion of the state has a large population of Mennonites, who can often be seen taking horse drawn carriages to their desired destinations. This mode of transportation does not favorably lend itself to traveling hundreds of miles or on busy highways. It is important that this market have access to branch offices as they would rather speak with personnel in person rather than over the phone. Also it is not typical to see Mennonites using computers let alone internet.

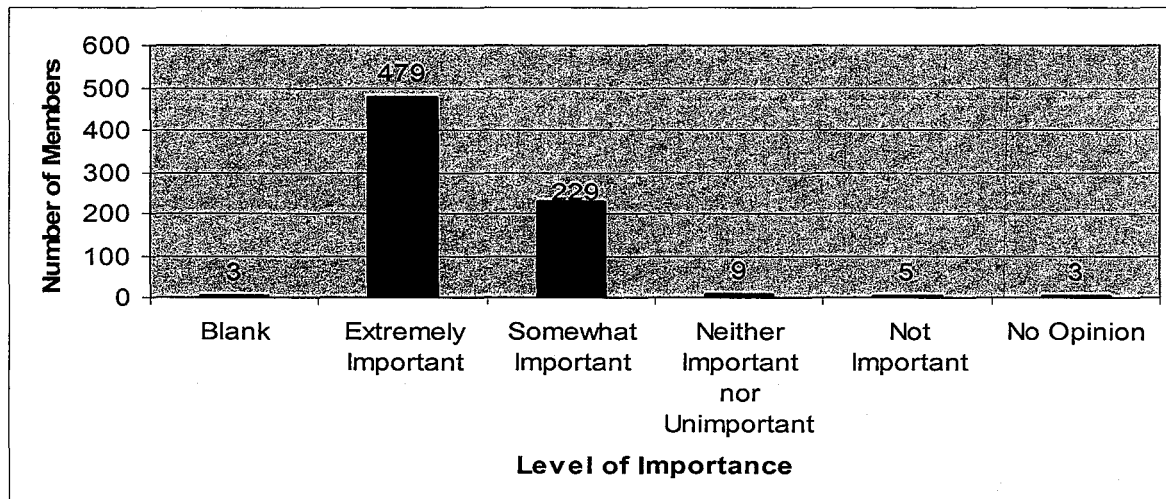
2005 Survey

As previously mentioned, the survey asked respondents to answer up to 12 questions, depending on previous responses. (See Appendix A for a copy of the questionnaire.) Each of the answered questionnaires was then recorded and had an analysis performed that was submitted to FCS executives. After reviewing the data, these executives asked to pay special attention to the questions relating to branch office locations, future growth, and specific services. There are six questions that related to these areas, which are reviewed in this section. Frequency charts and cross tabulations can be found in Appendix B for all survey questions.

Branch Location

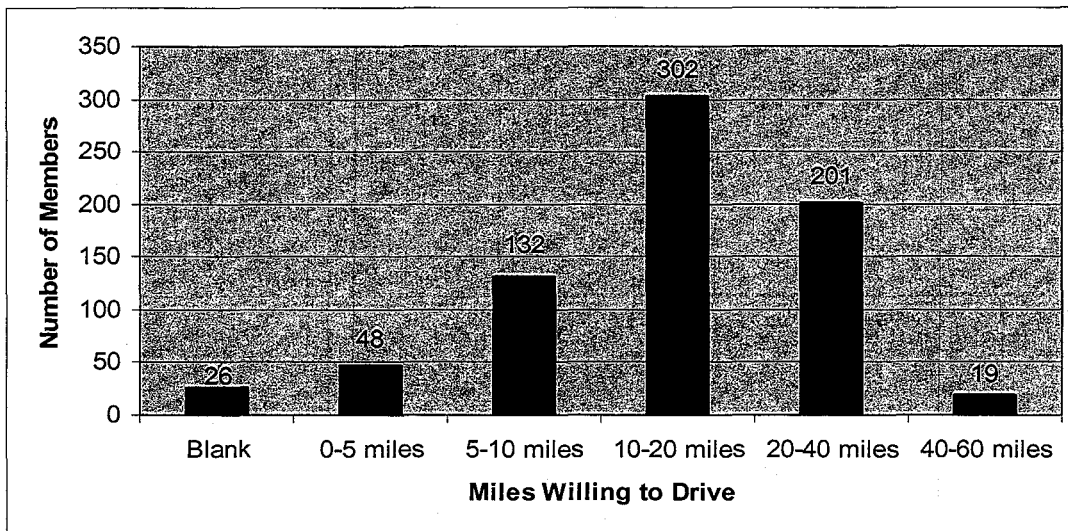
The second question pertained to the importance of having a local office or branch near them. Of the 728 respondents, 479 said a local office is extremely important to them. Chart 1 illustrates how important each member ranked the importance of a local branch office.

Chart 1: Importance of Local Office or Branch



As predicted, a local office is very important to current members. The survey also asked those who answered extremely or somewhat important to have a local office or branch, to provide the distance an office needs to be from their homes or farming operation. Chart 2, depicts the results of how far members are willing to travel to an FCS branch office.

Chart 2: Distance FCS Members are Willing to Travel to Branch Offices



This information is very useful for FCS; as it decides which changes it should make to its business. If it were thinking about changes that would remove or consolidate current offices, it would likely lose members. This chart shows the majority of members are willing to or would travel less than 20 miles to the nearest FCS office. Related to previous research and findings already mentioned; more services are sold to members who live within 27.7 miles from a branch office.

The correlation between questions 2 and 2a was analyzed using SPSS, resulting in Table 3 below. To understand this table, you look at the distance importance in the first column, and then follow the row of importance to see how far members would be willing to travel. For example, there are 212 members who find a local office extremely important and would be willing to travel between 10 and 20 miles.

Table 3: Importance of Distance and Mileage Cross Tabulation

		Blank	0-5 miles	5-10 miles	10-20 miles	20-40 miles	40-60 miles	
Distance Importance	Blank	2	0	1	0	0	0	3
	1 Extremely Important	2	43	90	212	121	11	479
	2 Somewhat Important	8	5	41	88	80	7	229
	3 Neither Important nor Unimportant	7	0	0	2	0	0	9
	4 Not Important	5	0	0	0	0	0	5
	5 No Opinion	2	0	0	0	0	1	3
Total		26	48	132	302	201	19	728

I then ran the data separating voting from nonvoting members to see if either group was more or less likely to travel a greater distance, however, results were similar to Table 3. About 70% of members are willing to travel up to 20 miles to reach a branch office, whether they live in town or not. Table 4 depicts the percentage of members willing to travel up to 20 miles to each branch as related to their status, voting or nonvoting.

Table 4: Branch % willing to Travel up to 20 Miles

Antigo	78%	78%	78%
Marshfield	58%	63%	60%
Medford	53%	71%	62%
Stevens Pt	83%	75%	79%
Thorp	80%	80%	80%
Wausau	68%	71%	69%
Average	70%	73%	71%

The table above indicates that slightly more nonvoting members are willing to travel only up to 20 miles, suggesting voting members would be willing to travel farther distances than nonvoting members. FCS executives had guessed voting members would be much more willing to travel even greater distances as they tend to conduct more business with FCS and have ownership in the company. If voting members typically conduct more business with FCS they can make multiple transactions in a single visit versus traveling to multiple businesses to make transactions.

Future Growth

The next area analyzed was future growth of FCS. This was captured in question number six of the survey, asking how important it was for local FCS offices to grow and offer additional services. Respondents answered on a scale ranging from extremely important to not important with no opinion also an option. The results were important to FCS as it faces the question of where to go from here. It realizes changes must be made in order to remain in rural communities;

however, it is very important that its members also see a need for change. If members do not see a need for change or are resistant to change, they may not support FCS changing, hurting FCS in the long run.

Table 5 shows responses to the importance of FCS growth by respondent age. It is interesting to note that the importance of FCS growth and the offering of additional services increases as members age. Members in the first age category who answered extremely or somewhat important accounted for 66% of that age group. The next three age groups answering extremely or somewhat accounted for 71%, 73%, and 78% respectively. Finally, 82% those over the age of 60 found it extremely or somewhat important that FCS grow or offer additional services.

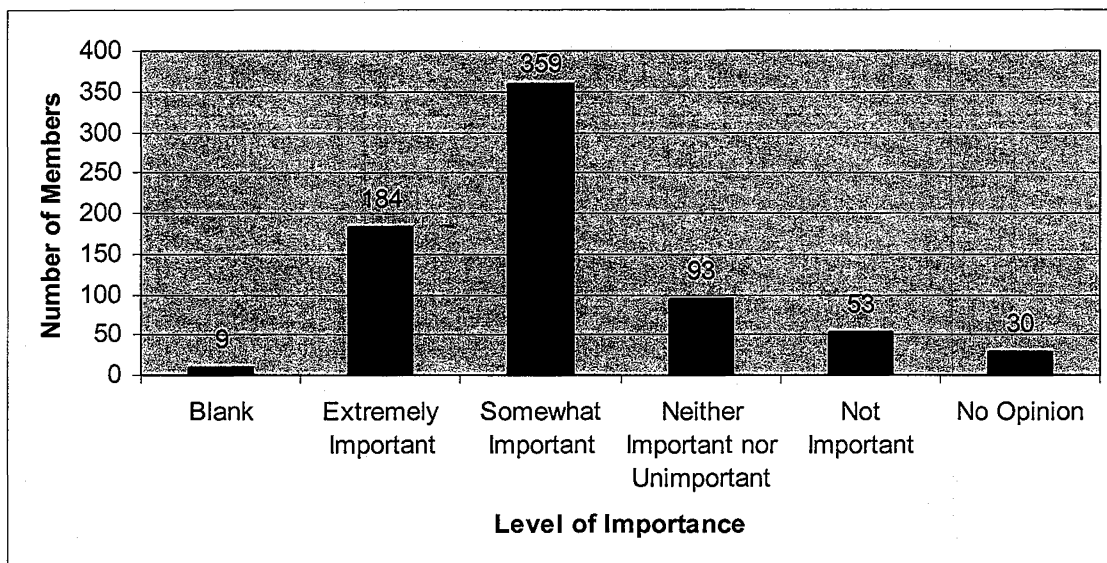
Table 5: Growth Importance vs. All Ages

		Blank	18-30	31-40	41-50	51-60	Over 60	
Growth Importance	0. Blank	3	0	0	3	1	2	9
	1. Extremely Important	0	16	31	49	41	47	184
	2. Somewhat Important	2	35	56	94	96	76	359
	3. Neither Important nor Unimportant	0	14	21	26	21	11	93
	4. Not Important	0	6	13	17	10	7	53
	5. No Opinion	0	6	2	8	7	7	30
Total		5	77	123	197	176	150	728

The above table also indicates that nearly 76% of all members found it at least somewhat important that FCS continue to grow and offer additional services in the future. Had members not found it important to grow, they may be resistant to any changes FCS makes, or not understand why a change has to occur.

Chart 3 provides a visualization of the large number of respondents favoring growth and additional services at FCS. This favorable response allows FCS to proceed with some degree of change and know its members understand the need to grow in a changing business world.

Chart 3: Indicated Importance of FCS Growth

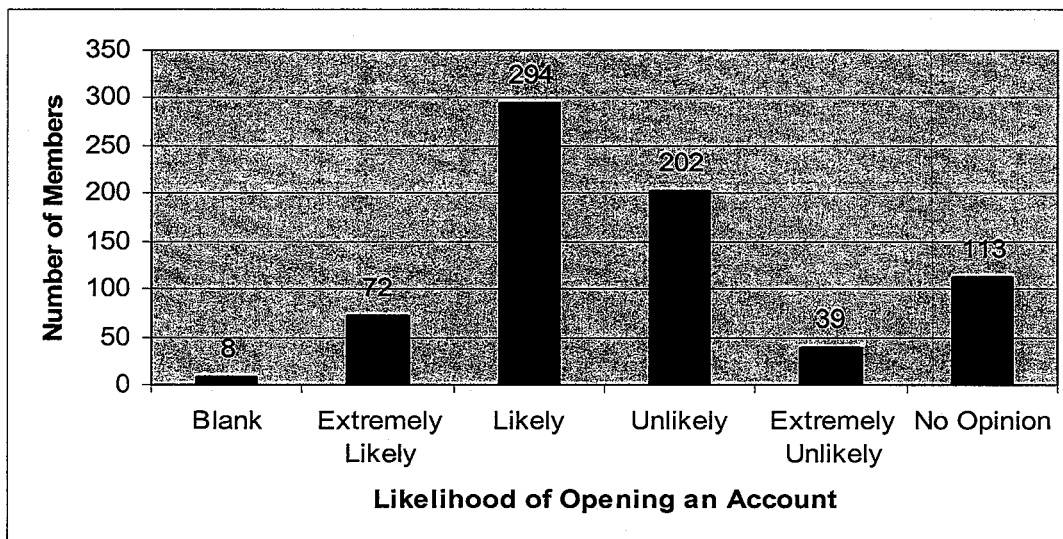


Specific Services

The final area I was asked to pay special attention to regarded specific services such as checking and savings accounts and on-line banking services or accounts. These questions were asked of members as they were possible services FCS was considering at the time and wanted to understand how they would be received if offered.

In question seven, members were asked how likely they would be to open a checking or savings account with FCS if it were offered. This option would only be feasible if FCS implemented one of the privatization changes, as it is not legally permitted to perform banking functions now. Below, in Chart 4, are the responses of members to opening a checking or savings account with FCS, if offered. Just over 51% responded with extremely likely or likely to open a financial account. It should also be noted that there were eight respondents without answers and 16% without an opinion. Perhaps these undecided members need more information about potential FCS changes before they make a decision.

Chart 4: Member's Likelihood of Opening a Banking Account

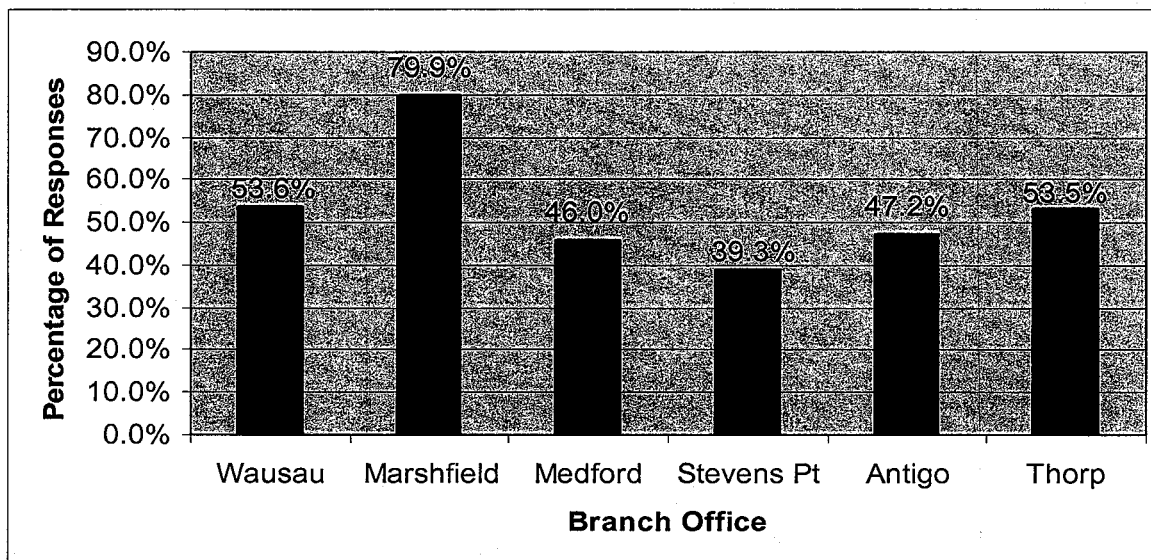


Although only half of respondents were likely to open a banking account with FCS, it shouldn't be viewed as a negative thing. It is very possible to capture an even larger portion of the market if it offered these new accounts. One aspect that should appeal to those who do not want to travel far is the convenience of conducting more of their business at one location. FCS

would become a one-stop shop, allowing members to talk with tax preparers, conduct financial transactions, as well as pay mortgage or loan payments.

After running frequencies and cross tabulations I pulled information for each branch office. This data is presented in Chart 5 below; percentages are based on respondents who were extremely likely or likely to open a new account. These percentages may not be completely representative as this question in the survey turned out to be confusing for members as well as for myself trying to compile data. Difficulties with this question will be addressed later in this section.

Chart 5: Individual Branch Response to Banking Accounts



Another analysis regarding checking and savings accounts was based on the age of respondents. Table 6 presents data regarding respondents' age categories and likelihood of opening a banking account with FCS.

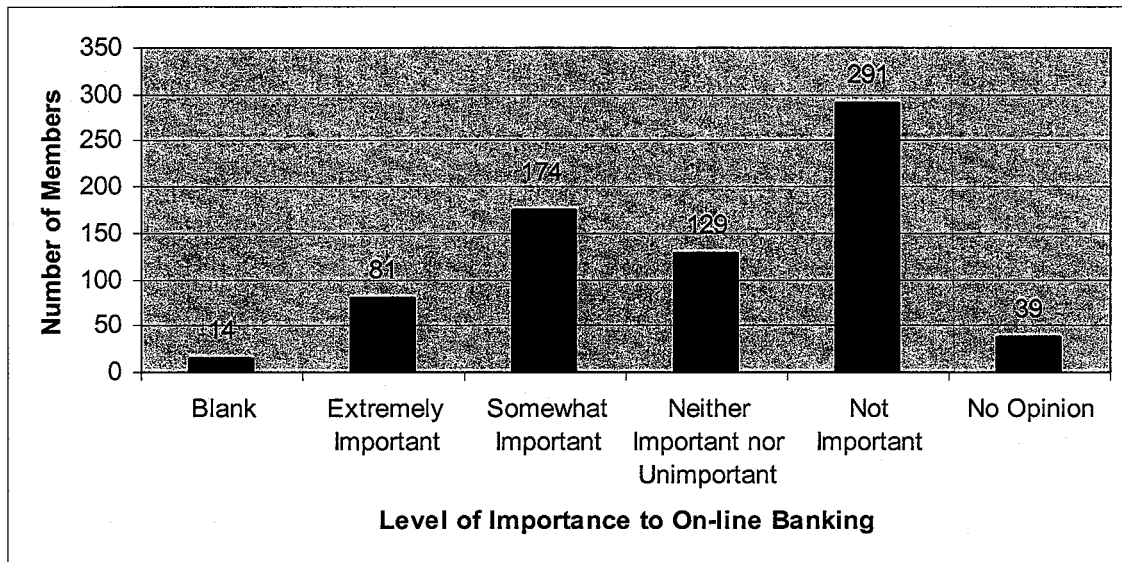
Table 6: Cross Tabulation of Age and Likelihood of Opening a New Account

		Blank	18-30	31-40	41-50	51-60	Over 60	
Checking	0. Blank	3	0	0	1	1	3	8
	1. Extremely Likely	0	10	15	22	16	9	72
	2. Likely	1	33	59	80	64	57	294
	3. Unlikely	0	18	30	58	56	40	202
	4. Extremely Unlikely	0	5	7	12	7	8	39
	5. No Opinion	1	11	12	24	32	33	113
Total		5	77	123	197	176	150	728

The above table was broken down even further to calculate the percentages in each age group that responded extremely likely or likely. It was found that members in the first two age categories were more likely to open accounts with FCS at 56% and 60% respectively. As members age they weren't as likely to open new accounts with responses totaling 52%, 45%, and 44% respectively. One reason for this result may be that older members have already established accounts and relationships with their current banks. In question 7a, members were asked reasons for being likely or unlikely to open a financial account with FCS. A common response given to this question was members feeling uneasy having many financial 'eggs' all in one basket. Another common response to not opening an account was that many of their current banks were closer than FCS to member's homes.

The last question on the survey relating to additional services asked the importance of on-line banking. Members were asked how important on-line services were to them. The results are presented in Chart 6.

Chart 6: Importance of On-Line Access to Members



It is apparent from the chart above that members do not feel strongly about having on-line services. This result was not surprising as many community members within the sales area do not own computers. However, this question was asked because FCS is looking for ways to serve its communities, therefore offering services high in demand or not offered by other institutions. Nearly 60% of members felt on-line services were not important or neither important nor unimportant. There are a few members that find on-line services important, however FCS would need to find a cost effective way to justify offering it.

Survey Changes

As mentioned earlier, the survey created in 2005 was not perfect, containing questions that were not easily understood by members. The problem was seen while recording data into a database. In question #7 of the survey, members were asked how likely they would be to obtain a checking or savings account if offered through FCS. This question resulted in many adding their own comments to the survey, or answering "Not Important" but noting they would if FCS

offered competitive interest rates or free checking for example. The problem grew in question 7a, as members were asked their primary reasons for considering or not considering obtaining those accounts. Many members contradicted their answer to question #7. For example, a member indicated they were "Unlikely" to obtain a checking or savings account with FCS, however, also described they would consider it if an ATM machine were available or interest rates were comparable to other financial institutions. This type of response seems to indicate they would consider opening a checking or savings account if FCS were competitive with local institutions.

After identifying this problem, I informed Mr. Krutza and his management team of this contradiction in responses. However, I entered the data as members responded, without considering written responses to question #7a. This was done so the resulting graphs and charts for question #7 would include only those that initially responded favorably to a new account. If FCS were competitive with other financial institutions, offering free checking, comparable interest rates and no fees for savings accounts, it would likely attract more than the 51% who were likely to open a new account with FCS.

Although questions #7 and #7a presented a little problem of trying to understand the member, it also presented the FCS management team with a list of desirable features members are looking for, or would need in order to bring their business to FCS. Nearly 20% of respondents were over 60 years old and they had a common response to question #7a. This age group thought it would be too much work to move checking and savings accounts over to FCS. This type of analysis helps FCS to understand the different needs each age group requires. For this group FCS would want to explain the process of switching financial institutions, along with the benefits of conducting more of their business in one location, thus saving gas and time. If

FCS were to offer its customers new services, such as checking and savings accounts, it would need to look at responses to question #7a in order to attract as much business as possible.

Recommendations

There is no doubt that the Farm Credit System is changing rapidly, and any association that cares about its members and employees needs to see those changes happening and take action to cut off any negative effects they may have. FCS cares about its members and employees, both of whom look to FCS as a source of strength and guidance. It is an important part of rural Wisconsin, and its demise would hurt many communities where it conducts business. It is therefore recommended that it take action; although the Farm Credit System has fallen to consolidation as a last resort, it does have the option to deviate from this pattern.

Based on the options presented earlier and the vision Mr. Krutza has for his company, surviving as is will not be enough to outrun the consolidation cloud that is headed its way. Also, because it's important in the communities it serves; members are open to and understand the need to adjust to changing times. With the support of its members, it can pursue other options that will help FCS thrive for years to come.

Implementing incremental changes will help FCS add additional business, possibly attract new members, and even bring in more revenue. Small changes would be easy on employees as well as members, as business would remain essentially the same. However, changes are limited by current laws and regulations, which mean these incremental changes, would require a lot of time to be approved.

The final option, privatization, is the best bet for FCS, as well as the most difficult to achieve. It is recommended it choose the privatization option which creates a cooperative bank, allowing it to offer additional services and serve a larger market. The key with this option is to focus on the future and see the silver lining that awaits FCS after the difficult work has been

finished. Privatization would allow FCS to offer its members more services that are not limited by a definition; ultimately extending the life of FCS. This option would allow it to work with a financial institution, offering members a wider variety of products and services, serving even more needs.

This option has its disadvantages also, including a long tedious timeframe in which the project needs to be accepted by the board of directors. As mentioned previously, it is also difficult to know how other Farm Credit Associations will react and the level of support they will lend. Feasibility studies need to be done identifying areas that need addressing, finding a banking partner who has similar visions as FCS, and gaining the acceptance of members, who need to be informed about the benefits of this restructuring process.

It is also recommended that FCS conduct further studies to learn about potential traps it may face during this process, gain member, system and personnel support, and keep its eyes on the end result. This will not be a quick project, and will require many hours analyzing decisions and how it relates to the vision and mission of the company. This is a bold step for a Farm Credit Association, but necessary if it does not want to consolidate and leave rural Wisconsin communities.

Privatization is the most promising option for ensuring FCS remains in the communities it is currently serving, while remaining true to its mission of serving rural needs. This option allows it greater flexibility to offer additional products, including checking and savings accounts. This option would move FCS to a level playing field with the local banks and credit unions; offering similar products and services. Not only does this option allow a wider product range, but it also increases the longevity of FCS. With more services it can attract more members, increasing profitability and avoiding the consolidation cloud. Although it will be fighting long

battles, its strong management team believes in its employees support and is looking to find the best solution for everyone at stake.

Another positive aspect of this route is that after successful implementation, it will have a road map for other Farm Credit Associations to consider, ultimately helping to sustain the Farm Credit Services name for years to come.

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Appendices

Appendix A: 2005 Survey to FCS Members



611 S. 32nd Avenue • P.O. Box 1089 • Wausau, Wisconsin 54402-1089 • (715) 842-4631 • Fax: (715) 842-9561

April 13, 2005

Dear FCS Financial Member,

Another growing season is upon us and farm fields will soon be busy with activity. For casual observers, it seems that planting marks the start of the season. What they may not know, however, is that farmers spend months considering markets, government programs, seed selection, growing conditions and so on before the first seed is sown. This careful research is vital to give their operation the best chance for success.

At FCS Financial Services, we also do our research before we act. We know our future success is based on our continuing ability to serve rural Wisconsin as a locally controlled and community-based organization. And our best chance to meet this single-minded goal is by routinely communicating with members like you.

That's why we are asking for your help. We'd like your opinions to help us understand how we can best serve your needs in the future, and we've enclosed a short survey for you to complete. Please give us your honest answers, as your opinions are vital in determining the future direction of FCS Financial Services. Rest assured, your answers will remain confidential. But do please let us know if you wish to speak with us further about this survey or any other issue.

We appreciate you taking time from your busy schedule to provide us with your input. We look forward to your response and wish you the best for the season ahead!

Sincerely,

A handwritten signature in black ink that reads "Mike Krutza". The signature is written in a cursive, slightly slanted style.

Mike Krutza
CEO

Enc.

Farm Credit Services of North Central WI, FLCA/PCA are subsidiaries of United FCS, ACA operating under the tradename as FCS Financial Services.

Please complete and return the following survey in the enclosed envelope by no later than **April 22, 2005**. Thank you for your timely response!

1. When considering a financial services professional, such as a loan officer, tax preparer, or insurance specialist, how important is it that they have expertise in agriculture?

Extremely important *Somewhat important*
 Neither important or unimportant *Not important* *No opinion*

2. When you work with a financial services company (insurance, banking, tax preparation), how important is it to have a local office or branch near you?

Extremely important *Somewhat important*
 Neither important nor unimportant *Not important* *No opinion*

- 2a. If you answered extremely or somewhat important in Question 2, how close does the office need to be?

0-5 miles *5-10 miles* *10-20 miles* *20-40 miles* *40-60 miles*

3. When you work with FCS, how important is it that we take an active role in the community?

Extremely important *Somewhat important*
 Neither important or unimportant *Not important* *No opinion*

4. When thinking about why you do business with FCS Financial Services, how important is it that FCS makes its commitment to rural America its primary mission?

Extremely important *Somewhat important*
 Neither important or unimportant *Not important* *No opinion*

5. When thinking about why you do business with FCS Financial Services, how important is it that it is a cooperative?

Extremely important *Somewhat important*
 Neither important or unimportant *Not important* *No opinion*

** Continued on Backside **

6. Looking to the future, how important is it for your local FCS office to grow and offer additional services?

- Extremely important* *Somewhat important*
 Neither important or unimportant *Not important* *No opinion*

7. If you were able to obtain checking and savings accounts through an FCS Financial Services branch location, how likely would you be to open an account?

- Extremely likely Likely Unlikely Extremely unlikely No opinion

7a. What are the primary reasons you would or wouldn't consider utilizing checking and savings accounts at an FCS branch?

8. How important is it to have on-line access to your financial accounts and/or do on-line banking?

- Extremely important* *Somewhat important*
 Neither important or unimportant *Not important* *No opinion*

9. What is your age?

- 18-30* *31-40* *41-50* *51-60* *Over 60*

10. Are there any comments or ideas you'd like to share that will help FCS Financial as we look to the future?

OPTIONAL: *Name, Address, Phone #, email*

I'd like someone from FCS Financial Services to contact me.

Appendix B: Frequencies/Cross Tabulations For all Survey Questions

1. Frequency of responses to question #1, importance of expertise

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0. Blank	3	.4	.4	.4
	1. Extremely Important	502	69.0	69.0	69.4
	2. Somewhat Important	148	20.3	20.3	89.7
	3. Neither Important nor Unimportant	23	3.2	3.2	92.9
	4. Not Important	36	4.9	4.9	97.8
	5. No Opinion	16	2.2	2.2	100.0
	Total	728	100.0	100.0	

Importance of professionals having expertise (question #1) compared to age of member (question #9)

		Age						Total
		Blank	18-30	31-40	41-50	51-60	Over 60	
Expertise	0. Blank	0	0	1	0	0	2	3
	1. Extremely Important	3	51	80	122	130	116	502
	2. Somewhat Important	0	15	27	49	34	23	148
	3. Neither Important nor Unimportant	1	4	8	5	4	1	23
	4. Not Important	1	4	7	15	6	3	36
	5. No Opinion	0	3	0	6	2	5	16
Total		5	77	123	197	176	150	728

2. Frequency of responses to question #2, importance of a local office

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0. Blank	3	.4	.4	.4
	1. Extremely Important	479	65.8	65.8	66.2
	2. Somewhat Important	229	31.5	31.5	97.7
	3. Neither Important nor Unimportant	9	1.2	1.2	98.9
	4. Not Important	5	.7	.7	99.6
	5. No Opinion	3	.4	.4	100.0
	Total	728	100.0	100.0	

Importance of driving distance (question #2) versus miles willing to drive (question #2a)

		Willing To Drive						Total
		Blank	0-5 miles	5-10 miles	10-20 miles	20-40 miles	40-60 miles	
Distance Importance	Blank	2	0	1	0	0	0	3
	1. Extremely Important	2	43	90	212	121	11	479
	2. Somewhat Important	8	5	41	88	80	7	229
	3. Neither Important nor Unimportant	7	0	0	2	0	0	9
	4. Not Important	5	0	0	0	0	0	5
	5. No Opinion	2	0	0	0	0	1	3
Total		26	48	132	302	201	19	728

2a. Responses to mileage willing to drive, if member responded extremely or somewhat important to question #2.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0. Blank	26	3.6	3.6	3.6
	0-5 Miles	48	6.6	6.6	10.2
	5-10 Miles	132	18.1	18.1	28.3
	10-20 Miles	302	41.5	41.5	69.8
	20-40 Miles	201	27.6	27.6	97.4
	40-60 Miles	19	2.6	2.6	100.0
	Total	728	100.0	100.0	

Comparison between miles willing to travel (question #2a) and age of respondents (question #9)

		Age						Total
		Blank	18-30	31-40	41-50	51-60	Over 60	
Miles	Blank	1	2	4	7	8	4	26
	0-5 Miles	0	8	9	12	9	10	48
	5-10 Miles	1	24	32	28	21	26	132
	10-20 Miles	3	27	49	73	82	68	302
	20-40 Miles	0	14	28	68	51	40	201
	40-60 Miles	0	2	1	9	5	2	19
Total		5	77	123	197	176	150	728

3. Frequency of responses to importance of community role (question #3)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0. Blank	2	.3	.3	.3
	1. Extremely Important	189	26.0	26.0	26.2
	2. Somewhat Important	396	54.4	54.4	80.6
	3. Neither Important nor Unimportant	78	10.7	10.7	91.3
	4. Not Important	39	5.4	5.4	96.7
	5. No Opinion	24	3.3	3.3	100.0
	Total	728	100.0	100.0	

Level of importance regarding community role (question #3) versus age of respondents (question #9)

		Age						Total
		Blank	18-30	31-40	41-50	51-60	Over 60	
Community	0. Blank	1	0	0	0	0	1	2
	1. Extremely Important	1	22	25	42	49	50	189
	2. Somewhat Important	2	33	74	114	95	78	396
	3. Neither Important nor Unimportant	1	15	14	21	16	11	78
	4. Not Important	0	3	6	12	12	6	39
	5. No Opinion	0	4	4	8	4	4	24
Total		5	77	123	197	176	150	728

4. Frequency for level of importance respondents felt that FCS remain committed to rural America (question #4)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0. Blank	4	.5	.5	.5
	1. Extremely Important	410	56.3	56.3	56.9
	2. Somewhat Important	244	33.5	33.5	90.4
	3. Neither Important nor Unimportant	45	6.2	6.2	96.6
	4. No Important	9	1.2	1.2	97.8
	5. No Opinion	16	2.2	2.2	100.0
	Total	728	100.0	100.0	

Importance of FCS commitment to rural America (question #4) versus age of respondent (question #9)

		Age						Total
		Blank	18-30	31-40	41-50	51-60	Over 60	
Rural	0. Blank	1	0	0	1	0	2	4
	1. Extremely Important	1	37	67	111	97	97	410
	2. Somewhat Important	3	26	40	67	65	43	244
	3. Neither Important nor Unimportant	0	9	10	14	5	7	45
	4. Not Important	0	1	2	2	4	0	9
	5. No Opinion	0	4	4	2	5	1	16
Total		5	77	123	197	176	150	728

5. Level of importance that FCS remain a cooperative (question #5)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0. Blank	3	.4	.4	.4
	1. Extremely Important	183	25.1	25.1	25.5
	2. Somewhat Important	319	43.8	43.8	69.4
	3. Neither Important nor Unimportant	115	15.8	15.8	85.2
	4. Not Important	81	11.1	11.1	96.3
	5. No Opinion	27	3.7	3.7	100.0
	Total	728	100.0	100.0	

Importance of FCS remaining a cooperative (question #5) versus age of respondent (question #9)

		Age						Total
		Blank	18-30	31-40	41-50	51-60	Over 60	
Cooperative	0. Blank	1	0	0	1	0	1	3
	1. Extremely Important	1	17	25	42	40	58	183
	2. Somewhat Important	2	28	51	99	78	61	319
	3. Neither Important nor Unimportant	1	19	25	26	28	16	115
	4. Not Important	0	8	15	25	23	10	81
	5. No Opinion	0	5	7	4	7	4	27
Total		5	77	123	197	176	150	728

6. Frequency of responses to importance of future growth (question #6)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0. Blank	9	1.2	1.2	1.2
	1. Extremely Important	184	25.3	25.3	26.5
	2. Somewhat Important	359	49.3	49.3	75.8
	3. Neither Important nor Unimportant	93	12.8	12.8	88.6
	4. Not Important	53	7.3	7.3	95.9
	5. No Opinion	30	4.1	4.1	100.0
	Total	728	100.0	100.0	

Growth Importance (question #6) versus ages of members (question #9)

		All Ages						Total
		Blank	18-30	31-40	41-50	51-60	Over 60	
Growth Importance	0. Blank	3	0	0	3	1	2	9
	1. Extremely Important	0	16	31	49	41	47	184
	2. Somewhat Important	2	35	56	94	96	76	359
	3. Neither Important nor Unimportant	0	14	21	26	21	11	93
	4. Not Important	0	6	13	17	10	7	53
	5. No Opinion	0	6	2	8	7	7	30
Total		5	77	123	197	176	150	728

7. Likelihood of members opening a checking or savings account if available (question #7)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0. Blank	8	1.1	1.1	1.1
	1. Extremely Likely	72	9.9	9.9	11.0
	2. Likely	294	40.4	40.4	51.4
	3. Unlikely	202	27.7	27.7	79.1
	4. Extremely Unlikely	39	5.4	5.4	84.5
	5. No Opinion	113	15.5	15.5	100.0
	Total	728	100.0	100.0	

Comparison of age (question #9) and likelihood of opening a checking and/or savings account with FCS if offered (question #7)

		Age						Total
		Blank	18-30	31-40	41-50	51-60	Over 60	
Checking	0. Blank	3	0	0	1	1	3	8
	1. Extremely Likely	0	10	15	22	16	9	72
	2. Likely	1	33	59	80	64	57	294
	3. Unlikely	0	18	30	58	56	40	202
	4. Extremely Unlikely	0	5	7	12	7	8	39
	5. No Opinion	1	11	12	24	32	33	113
Total		5	77	123	197	176	150	728

Likelihood of opening a banking account (question #7) compared with distance members are willing to travel to office (question #2a)

		Miles						Total
		Blank	0-5 Miles	5-10 Miles	10-20 Miles	20-40 Miles	40-60 Miles	
Checking	0. Blank	2	0	1	3	1	1	8
	1. Extremely Likely	0	3	12	36	21	0	72
	2. Likely	11	27	57	116	77	6	294
	3. Unlikely	5	13	36	78	62	8	202
	4. Extremely Unlikely	3	2	4	16	13	1	39
	5. No Opinion	5	3	22	53	27	3	113
Total		26	48	132	302	201	19	728

8. Responses to importance of on-line access to financial accounts and banking (question #8)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0. Blank	14	1.9	1.9	1.9
	1. Extremely Important	81	11.1	11.1	13.0
	2. Somewhat Important	174	23.9	23.9	37.0
	3. Neither Important nor Unimportant	129	17.7	17.7	54.7
	4. Not Important	291	40.0	40.0	94.6
	5. No Opinion	39	5.4	5.4	100.0
	Total	728	100.0	100.0	

Importance of on-line banking (question #8) compared to age of respondents (question #9)

		Age						Total
		Blank	18-30	31-40	41-50	51-60	Over 60	
On-line	0. Blank	3	0	0	1	3	7	14
	1. Extremely Important	2	10	17	25	12	15	81
	2. Somewhat Important	0	14	38	55	42	25	174
	3. Neither Important nor Unimportant	0	9	19	45	32	24	129
	4. Not Important	0	39	47	65	80	60	291
	5. No Opinion	0	5	2	6	7	19	39
Total		5	77	123	197	176	150	728

9. Table of respondents age (question #9)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Blank	5	.7	.7	.7
	18-30	77	10.6	10.6	11.3
	31-40	123	16.9	16.9	28.2
	41-50	197	27.1	27.1	55.2
	51-60	176	24.2	24.2	79.4
	Over 60	150	20.6	20.6	100.0
	Total	728	100.0	100.0	

