

INNOVATING FOR THE FUTURE

2019 ANNUAL REPORT





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.....○ **REGGIE HOLT**

Chief Executive Officer

FROM THE PRESIDENT'S DESK

As we embark on a new decade, it's normal to think about what the future will hold. Being in agriculture, we wonder, what will farming look like in the future? Farmers and Ranchers must remain forward thinkers. Innovation and technological changes are advancing our industry to help productivity and profitability. In the midst of these changes, one thing remains constant for our members, which is, our commitment to serve the Central Florida farming and rural communities by providing reliable consistent credit and financial services.

The commitment to serve the Central Florida market was rewarded, as your Association was able to achieve solid asset growth, maintain excellent credit quality and generate solid earnings during 2019. As a result of the favorable operating performance, our cooperative model was able to function as designed with \$6.5 million in patronage refunds to you, our borrower-owners.

The results achieved are a testament to the hard work, innovation and success of our farmers, ranchers, growers and the rural communities we serve, as well as to the staff of your Association that works tirelessly to support our borrower-owners.

As noted in our 2018 Annual Report, one of the primary areas of focus for us in 2019 was to improve your customer

experience. Our plans to deliver on this objective included the following:

- Complete implementation of new loan platform.
- Reduce the number of days from loan application to decision.
- Improve communication with members through the use of surveys to track results.
- Utilize Member Advisory Committee to identify, understand and provide input on current and future customer needs.

By implementing the above objectives, we have seen an improvement in our customer satisfaction ratings. However, we believe that there remains additional room for improvement. During 2020, we will continue our focus on improving your customer experience by further capitalizing on the efficiencies gained from the new loan platform. As a result of this new system, we are able to more quickly identify existing or potential bottlenecks in our process and take quick action to resolve. Further, because of the ability to more effectively track our processes, 2020 will see a further emphasis on improving our communications with applicants on the status of their loan requests.

With the rapid changes coming from the technology sector, we will continue to evaluate opportunities to meet

OUR MISSION: TO BE THE PREMIER PARTNER WITH FARMERS AND RURAL COMMUNITIES THROUGHOUT ALL OF CENTRAL FLORIDA BY PROVIDING RELIABLE, CONSISTENT CREDIT AND FINANCIAL SERVICES.

customers needs as efficiently as possible, whether that is through the use of an online lending application, social media posts or through the use of more relevant and value added content, we want to meet the needs of our customers where and when they have a need.

2019 marked my 12th year leading the Farm Credit of Central Florida team, and I couldn't be more proud of their accomplishments. I am always amazed at the innovative ways in which they strive to meet the needs of our members.

In this Annual Report, you will find three stories that discuss the innovative approaches our members employ in their business to help ensure continued success. I hope you

enjoy reading their passion-filled stories as much as I do.

Farm Credit of Central Florida remains committed to serving our market and will continue to seek innovative products and services that will enhance relationships and bring value to our members.

Thank you for allowing us to serve you in 2019 and beyond!



Reggie Holt



*Dollar amounts in millions

OUR BOARD OF DIRECTORS ARE DEDICATED TO
ENSURING YOUR PROSPERITY BY ALWAYS KEEPING
YOUR INTERESTS IN MIND.

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OUR STRONG TEAM OF LEADERS MAKE SUPPORTING
YOU, THE AGRICULTURE INDUSTRY AND ITS
STAKEHOLDERS OUR NUMBER-ONE PRIORITY.

PEOPLE WHO WORK FOR YOU

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DAWN TUTEN
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MARK MCRAE
Chief Sales Officer



DAVID MCDONALD
Regional Market Manager



From left: Kyle Story (Vice-Chair), Mallory Lykes Dimmitt, Ty Strode, C. Dennis Carlton, Jr, Madison Astin, Tim Schaal, Leigh Ann Wynn (Chair), Matthew Roberts, Hilda Castillo, Maxwell Mercer and Deeley Hunt and Erin Archey (not pictured).

MEMBER ADVISORY COMMITTEE

During 2019, Farm Credit of Central Florida formed a new Member Advisory Committee with the goal of engaging the next generation of leaders in our territory. While serving on the Committee, members are provided educational and leadership opportunities to enhance their existing abilities. These opportunities build them into brand ambassadors for the Association and the Farm Credit System as well as prepare them to be prospective board of director candidates should the opportunity arise.

To ensure that the Committee is comprised of the next generation of leaders as well as a diverse cross section of the territory, the committee consists of 12 members, all of whom are elected by the board from the Association's membership utilizing the following criteria:

- Four members from each of the Association's shareholder voting Area / Regions, of which two shall be young farmers or ranchers (<40 years old).
- At least five members shall be small or lifestyle farmers.
- Members will be age 50 years or less.
- No more than three members shall be related to or have a financial or business relationship with any member of the Association's board of directors.

The committee is engaged two to three times a year and provides ongoing grassroots feedback to the board and management on specific market needs and recommendations on how to meet these needs, as well as recommendations for improving the customer experience. In 2019, the committee was engaged in the Association's strategic business planning process and was able to provide valuable input in all business areas, especially as it relates to customer expectations and how the Association can work to improve the customer experience.

BY THE NUMBERS

Farm Credit of Central Florida is committed to the future of agriculture by supporting young, beginning and small farmers. YBS includes farmers who are 35 or younger ("young"), have been farming for 10 years or less ("beginning") and whose gross annual farm sales are less than \$250,000 ("small"). In 2019, Farm Credit of Central Florida increased their overall lending to YBS Farmers both in terms of number of new loans and total volume. The largest increases were in total loan volumes.

YBS = YOUNG BEGINNING SMALL



YOUNG = 35
OR YOUNGER



BEGINNING = 10
YEARS OR LESS



SMALL = 250K
LESS THAN
GROSS ANNUAL SALES

2019



**INCREASED
OVERALL
LENDING
TO YBS**

NEW MEMBERS

YOUNG	47
BEGINNING	102
SMALL	189

TOTAL CURRENT MEMBERS

YOUNG	115
BEGINNING	327
SMALL	657

NET VOLUME CLOSED

YOUNG	\$5,792,344
BEGINNING	\$18,937,083
SMALL	\$15,281,407

Farm Credit of Central Florida participated in 25 Young, Small and Beginning farmer programs and activities that assist YBS. We also committed \$26,387 toward sponsoring and supporting these programs across our territory.

In June 2019, Farm Credit of Central Florida hosted several workshops at the 91st Florida FFA Convention & Expo focusing on financial concepts. The workshops included "Making money on the Farm: What's your net worth?", "Financial Literacy for a Comprehensive Agriculture Program" and "Building Strong Credit." FFA Advisors and students alike had the opportunity to learn through interactive sessions led by Farm Credit employees.



25
PROGRAMS



\$26,387
IN SPONSORSHIP AND SUPPORT



Ed Pines of EIP Citrus (Left), Steven Callaham of Dundee Citrus Growers Association (Center) and Shane Platt (Right)

INNOVATION IS KEY TO FUTURE OF FLORIDA CITRUS

Florida and citrus groves have a long history together, with citrus being commercially farmed in Florida since the mid-1800s. In the mid-2000s Huanglongbing (HLB), or commonly known as citrus greening disease, entered the state, resulting in a significant decline in production and a fight for survival. To combat this decline and ensure a future for fresh Florida citrus, growers are turning to an innovative approach.

In 2014, Dr. Arnold Schumann from the University of Florida began researching Citrus grown Under Protective Screen, CUPS for short.

“CUPS may reduce insecticide use and further improve premium HLB-free fruit marketability by providing consumers with lower pesticide residues than equivalent outdoor fruit and with less impact on the environment,” says Dr. Schumann.

After learning of Dr. Schumann’s CUPS research, Ed Pines, a Dundee Citrus Growers Association (DCGA) board of director and President of EIP Citrus Management, LLC, brought it to the attention of DCGA in an attempt to commercialize the technology. In 2017, DCGA and EIP Citrus Management broke ground to develop 150 acres of CUPS. Today the project includes 10 individually owned, 11-acre structures

WITH ALL OF THE CHALLENGES FACED BY FLORIDA CITRUS GROWERS IT IS EXCITING TO SEE THE INNOVATIVE APPROACHES GROWERS ARE TAKING TO SECURE A STRONG VIABLE INDUSTRY FOR FUTURE GENERATIONS.



Aerial view of CUPS facility

which are fully managed by DCGA. The inside of a CUPS facility looks like a conventional citrus grove, but from the outside it looks like a series of large greenhouses.

The centrally located design of the CUPS complex allows the owners of the individual structures to take advantage of economies of scale. Specialized equipment including tractors, spraying equipment and high-tech irrigation and fertigation systems are shared throughout the CUPS complex. DCGA takes responsibility for general structure upkeep throughout the entire complex minimizing grower costs and preventing cross contamination.

“Have you been in a citrus grove today?” Steven Callaham, CEO of DCGA, asks visitors before entering the new CUPS facility. Callaham explains, “Quality control is a big concern when it comes to growing CUPS.”

DCGA implemented stringent protocols to keep the Asian citrus psyllid known to carry HLB out. Those protocols include ensuring all specialized care-taking equipment stays onsite.

Brian Nisula of PM Citrus, a participant in the CUPS project, says “Seeing the quality of the trees and fruit that CUPS could produce led us to take an in-depth look into the commercial application of the CUPS growing systems.” Nisula continues, “Given the challenges of conventional

growing methods in the current HLB environment in Florida and the consumer preference for high quality fresh fruit, we decided to deploy the CUPS growing system on our latest grove developments. The controlled environment of the CUPS system makes it an optimal choice for producing high quality citrus in Florida.”

Kyle Story of Story Companies adds, “The CUPS investment is another way for my family to diversify within the citrus industry. This gives us the opportunity to grow high quality fresh fruit in the HLB/ citrus greening era.”

The initial CUPS project has been completely built out and is now in the growing phase with a first harvest expected in 2020. Given the success of the CUPS complex and the interest in the project from industry participants, DCGA is currently in the process of a second phase of the CUPS project.

With all of the challenges faced by Florida citrus growers, it is exciting to see the innovative approaches growers are taking to secure a strong viable industry for future generations. Farm Credit supports Florida agriculture in many ways through these challenges and looks forward to partnering with growers as they develop new, innovative technologies and practices.



CUPS Facility close-up



John Sizemore of Sizemore Farms (Left) and Sam Astin of Astin Farms (Right)

INNOVATION COMBATS STRUGGLES FACED BY STRAWBERRY INDUSTRY

Innovation creates efficiency and saves resources while improving a process or adopting new processes.

With increased pressures due to higher production costs, lower earnings and competition from Mexico, the Florida strawberry industry has searched for new ways to do business. One of the ways growers John Sizemore of Sizemore Farms and Sam Astin of

Astin Farms have adapted is through implementation of innovative technology. Highland Precision Ag has developed technologies such as an online farm management system and advanced weather and soil-monitoring tools to help growers like Sizemore and Astin conquer the industry's issues.

Highland Precision Ag developed Highland Hub, an online farm

NOW, BOTH IN THEIR SECOND FULL SEASON USING HIGHLAND PRECISION AG, SIZEMORE AND ASTIN RELY ON THESE ADVANCED TECHNOLOGIES TO INCREASE THEIR RESPECTIVE EFFICIENCIES.



management system. This technology allows growers to study the past, see the present and plan for the future. It is a combination of food safety programs, digital record keeping, a place to monitor control points, and measure and analyze crop production usage and input costs.

Highlights of Highland Hub include farm details with planting maps, water sources, as well as weather stations and soil probes with advanced systems to track temperature, rainfall, wind speed, humidity, soil moisture and salinity. Food safety manuals, records for fields and/or packinghouses and internal audits are stored virtually on the system available via website or app. CropIQ allows growers to additionally track and measure chemicals and costs associated with the field(s).

Sizemore and Astin rely on Highland Hub to compile all data so it is available in one place. Both growers enjoy biweekly field visits by scouts that include GPS located lab results and details to help support and recommend treatments and suggest picking/pricing times for growers. With the touch of a button, they can see spray records, lab results, internal audits, a food safety manual, information from field scouts, and notifications of deadlines and best practices based on historical data.

“The unique thing about it is all of these services are available somewhere. But with this you can come to one spot and look at everything,” Sizemore says of the benefit of the system. “It’s basically a one stop shop. If it wasn’t in one place, you would have to have an employee that gathered the information and put it in one place so you can use it as a management tool,” Sizemore says.

“Before, you couldn’t finish looking at all the reports located in different places because you were too busy and had to get back to work,” Astin added.

Astin and Sizemore are able to identify diseases and potential problems quickly thanks to scouts, lab work and monitoring systems in place.

“The scouts come out every two weeks and tell us what the status is on disease issues and insects. They take tissue and soil samples that help me dial in my treatments,” Astin continues. “You can take a look at the Hub and see what one field may be lacking and one field has too much of, which helps you adjust your rates.”

Now, both in their second full season using Highland Precision Ag, Sizemore and Astin rely on these advanced technologies to increase their respective efficiencies “It improves our processes, bottom line and increases efficiency,” Sizemore says of the benefits he is seeing in using the technology.

While labor is a hot topic in Florida agriculture, growers can agree that when you have labor, you make the most of the time you have. Having a tool that predicts patterns, reports data at the field level and senses changes or challenges before they are apparent helps Astin and Sizemore make quick decisions and plan around the needs of the field.

“The cost of labor is high, so when you have labor, you have to make the most of the time,” Astin said, “Highland Hub allows me to see real time data which helps me plan ahead on how to use the time I have my labor force.”

The implementation of Highland Hub tools, combined with the use of GPS monitored tractors that have set boundaries to tell the systems to speed up, slow down, fumigate or pause, helps growers like Sizemore and Astin further push the industry and their operations while securing a safer and more efficient future.

“We just want to grow strawberries,” Sizemore says.

Farm Credit proudly supports the strawberry industry and growers like John Sizemore and Sam Astin. The innovative tools and techniques the industry is starting to see will be the future of the industry. We look forward to continuing to collaborate with those in the industry and to support the innovations of tomorrow.



Leon (Left) , Andrea (Center) and Daniel McClellan (Right)

M&B PRODUCTS IS NO STRANGER TO INNOVATION

A successful business understands the value of continuous improvement and innovation. In fact, innovation might just be the most important component to meeting the ever-changing consumer demands. M&B Products and its founder Dale McClellan are no strangers to innovation.

The McClellan's story began in the 1950s, when Dale's grandfather, Earl Lovelace, operated Sunny Brook as a dairy farm and glass bottling plant. After Sunny Brook closed, Dale and Mary McClellan started M&B Products (M&B) in 1987 as a continuation of their family

dairy farm and processing plant. This family run business spans over four generations. M&B began originally as a juice company but later diversified by also packaging and selling milk products. Today, the McClellan family has their own proprietary blends of juice drinks, milk, yogurt and water that is sold primarily to institutional users such as schools, state intuitions and nursing homes.

Throughout the years, M&B Products has continually and successfully sought new innovative ways to improve their business and make their delicious beverage products unique. When asked how

"AT M&B PRODUCTS, WE LOOK FOR A SOLUTION, NOT A REASON TO QUIT"



M&B is able to consistently generate new ideas and products, Dale McClellan says, "we try a lot of things, and they don't all work." One of the keys to M&B's success is its desire to meet and exceed its customers' needs at every opportunity.

Dale recalled that one of the first innovative things that M&B did as a company was to offer their products in a "mini sip pouch." The introduction of these small plastic pouches came about as a way to improve efficiency for M&B and its customers. By switching to the pouch, M&B and its customers could reduce cooler storage space requirements by 40 percent in comparison to milk cartons. Furthermore, it has the added benefit of reducing the company's carbon footprint as there are fewer shipments required and less handling of the product. Finally, the plastic pouches also reduce school waste volume by up to 70 to 80 percent, which also saves the schools money as there are fewer pickups required.

The next major breakthrough for M&B was brought about partially by the Lets Move! campaign introduced in 2010 with a focus on encouraging healthier foods in schools, better food labeling and more physical activity for children. The campaign's primary aim is to reduce childhood obesity and encourage a healthy lifestyle in children. The McClellan family believes that milk is a healthy option, but still wanted to see how they could improve their products and be part of the solution. After discussions with several school districts M&B decided to focus their efforts on offering a healthier flavored milk product. Specifically, M&B was looking to produce a flavored milk product that was fat free and lower in sugar. This idea was sparked by Dr. Beverly Girard, the school nutrition director of Sarasota County Schools. In 2011, after multiple attempts, M&B was able to bring to market a flavored milk product that was nutrition packed, fat free, lower sugar and tasty. After perfecting the mix, all schools purchasing milk from M&B were transitioned over to the reduced sugar and fat free flavored milk.

"We want to be part of the solution," said Andrea McClellan, general manager responsible for office functions, contract negotiation and vendor/customer relationships.

In 2016, customer requests for a Florida produced, no preservatives, all-natural yogurt product with a longer shelf life led M&B Products to its next product innovation. While delivering a Florida based yogurt would not have been a big challenge, delivering one that had no preservatives and a longer shelf life was. After several attempts, M&B was able to develop and bring to market a yogurt that satisfied all of the customer requests. Developing any new products can be a frustrating process with many challenges but passion and perseverance has led to M&B's successes. Dale said, "At M&B, we look for a solution, not a reason to quit."

Not one to get complacent, M&B continues to look at innovative ways to move their business forward for future generations. Recently M&B completed building a 24,550-square-foot pallet position freezer that allows their operation to run more efficiently. M&B is also in the process of moving forward with installing an automatic palletization machine that streamlines stacking and productivity.

Additionally, in April 2020, M&B will conduct a test run of a new strawberry-flavored milk product aimed at serving that portion of the market that has a sensitivity to consuming milk. The new product will be both lactose free and produced by cows with only the A2 casein protein, which is easier to digest. "Milk is the most perfect beverage there is," Andrea said. "It should be able to be consumed by anyone."

The McClellan's desire to be part of the solution is evident in all that they do and in the way they seek to meet changing consumer preferences. Andrea McClellan noted, "It takes a team to be successful including the help and support we have received from Farm Credit." "We wouldn't be able to do what we do without the help of Farm Credit."

Farm Credit of Central Florida is proud to support the dairy farmers and companies like M&B Products. We enjoy hearing all the ways dairy farmers are being innovative and ensuring a future for the industry.



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