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2020 Northwest FCS



# 2020 Annual Report

ANNUAL REPORT

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## Chair Message

As we reflect on 2020, I'm incredibly grateful for the perseverance and patience demonstrated by our customer-members and employees. In the first few months of the pandemic, like most business owners, we weren't certain how to navigate the challenges to protect the health of our employees and customers. However, we relied on our experiences navigating through volatile periods in agriculture, which gave us peace of mind as we faced the challenges together.

Since the beginning of the pandemic, the Northwest FCS management team has been responsive, proactive and innovative as leaders in the Farm Credit System. As a board, we met virtually with them every other week to stay apprised of the issues and monitor changes in the marketplace. We adapted quickly to a new way of communicating virtually from every corner of the Northwest. I believe the new skill sets we learned in 2020 will greatly enhance our ability to deal with changes in the future.

Northwest FCS was well positioned going into 2020. With a solid financial foundation – strong capital and liquidity – we were able to meet our customers' borrowing needs, despite disruption and volatility. The investments made over the years in operational improvements paid off and added to our resilience in meeting the heightened needs of our customer-members.

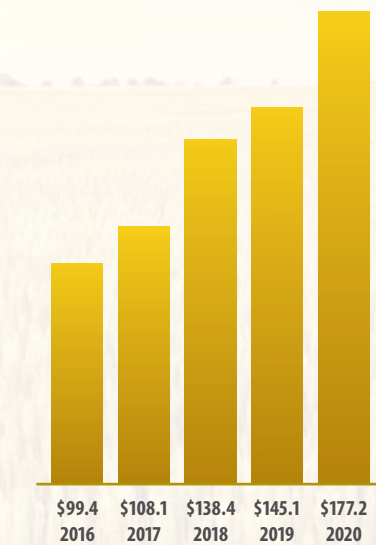
Cash patronage is an important, foundational value of being a cooperative member. Given the exceptional challenges our customers faced in 2020, the board approved a special increase in cash patronage dividends from 1.25% to 1.50% of our customers' eligible average daily loan balances. For 2020, this totals a record \$177.2 million in patronage paid to help our customer-members enhance their liquidity and navigate these uncertain times.

Looking back, we don't often get the opportunity to put ourselves to the test like we did in 2020. I'm incredibly grateful for the association's dedication to agriculture, forestry and fisheries and our commitment to be a consistent, dependable lender through uncertain times. In 2020 we never lost sight of our purpose to enhance the lives of customers, employees and the communities where we work and raise our families.

On behalf of the board, I want to thank the employees and leadership team at Northwest FCS for their devotion and dedication to this association. And thank you to our customer-members. Your resilience is the cornerstone of our exceptional results in 2020.



Greg Hirai  
Board Chair



Cash Patronage Paid  
(\$ in millions)



**Phil DiPofi**  
*President and CEO*

## CEO Insights

2020 was a year of unexpected challenges and disruptions as we adapted to the coronavirus pandemic and other adversities. Against the headwinds of these extraordinary events, we are extremely grateful for the resiliency and flexibility shown by our customer-members and employees. As we've seen time and again in the midst of crisis, you are rising to the occasion, working through the challenges and positioning for a changed future.

Overall, most customer-members experienced favorable business outcomes in 2020, due in part to historically low interest rates, fiscal stimulus and favorable conditions for most segments of agriculture, forestry and fisheries. While the economic and personal challenges have been significant, many customers are finding new opportunities and innovating at a faster pace.

We are extremely pleased with our association's performance in 2020 as we pivoted to a predominantly work-from-home environment, while sustaining high levels of customer and employee engagement. With strong capital and liquidity, we were able to meet our customers' heightened needs, sustain support for our struggling communities and achieve impressive financial results.

Our multi-year investments in the four core areas of our business were instrumental in helping us persevere and thrive through the challenges in 2020. We continue to make important progress in these areas to deepen customer-member relationships, develop talented employees, maximize operational efficiencies and deliver strong financial performance.

### Customer Capacity

Being a dependable lender through economic uncertainties and business cycles is a vital part of our mission. In response to 2020 events, we provided numerous COVID-19 assistance programs to support customers impacted by the pandemic. The low interest rate environment, coupled with dynamic market conditions related to the pandemic, fueled strong loan demand from new and existing customers as evidenced by our average daily loan balance growth of approximately 6% in 2020 compared to 2019.

Farm Credit's mission is to serve the entire spectrum of agriculture, forestry and fisheries. We know challenges abound for young, beginning and small (YBS) producers, especially those without a legacy operation providing financial support. Amidst the challenges of 2020, we remained committed to supporting young, beginning and small producers and increased the number of new YBS loans by 11% and increased total new YBS loan volume by 25%.

We know our performance as a cooperative depends on the success of our customer-members. Helping you navigate your businesses through volatility is why we continue to invest in customer learning through our Business Management Center. In 2020 we quickly pivoted our in-person BMC programs to deliver effective, timely content virtually, while protecting the health of our customers and employees. While we all missed our face-to-face connections with you, the response to remote learning has been positive.

In 2020, stewardship investments in our communities and industries were significantly expanded to address the challenging impact of COVID-19, wildfires and extreme weather events. We doubled our support for local food banks and directed Rural Community Grant dollars to organizations providing essential services. The board also approved a special \$10 million investment directed towards education

and research programs supporting our customers, communities, industries and students across the Northwest. These investments support 15 universities, community colleges and trade programs, bringing our total 2020 stewardship contributions to more than \$13 million.

### Human Resource Capacity

We are very pleased with how our employees adjusted quickly to working from home, many while caring for their families, to assure uninterrupted service to our customer-members. Strong relationships are often forged in times of adversity, and we are particularly pleased that our employee engagement scores continue to increase. In 2020 Northwest FCS was recognized by Gallup with an Exceptional Workplace Award, one of only 38 companies worldwide to achieve this level of engagement based on employee and customer surveys and corresponding business results.

Like our customers, we continue to focus on attracting, developing and retaining the best and brightest talent. In 2020, staffing continued without interruption by pivoting to virtual interviews and adapting our new-hire onboarding process to a work-from-home environment. To better serve customers, we also realigned all direct lending and insurance staff together into one business unit.

### Operational Capacity

The resiliency of our operational capacity was displayed in 2020 as our technology helped employees navigate a sweeping transition to a predominantly work-from-home environment. This transition was effective in almost every measure, prioritizing the health and safety of our customers and employees while supporting robust business activity and accomplishing our strategic initiatives. Working through challenges helped drive employee engagement and made us more agile in delivering and adapting to change.

In 2020 we continued to transition and update our technology systems. Though the pandemic caused delays in certain projects, we made progress in a number of operational areas. Most notable was implementation of a new loan origination platform. This was a significant project impacting most job functions throughout the organization. We continue to optimize and improve the system, and the lessons learned are providing insights and direction for continual technology and process improvements.

### Financial Capacity

In 2020, the association performed exceptionally well in almost every financial and credit metric. This is a true testament to the strength of our customer-members and your ability to manage through volatility.

The association's earnings were \$315.7 million compared to \$291.5 million in 2019. Capital increased from \$2.7 billion in 2019 to \$2.8 billion in 2020, which allowed us to be a source of strength for our customer-members facing adversity. The Northwest FCS Board of Directors also approved a special increase in patronage dividends for 2020 from 1.25% to 1.50% of our customers' eligible average daily loan balances. Eligible customers received a portion of their patronage payment in mid-2020 to help them navigate these challenging times. At this time, we plan to return to a stable patronage level of 1.25% for 2021.

### Looking ahead

Our purpose as a cooperative is to improve the lives of our customers, employees, communities and the industries we serve – especially in a year like 2020. The pandemic has been an economic and management challenge for everyone, and we will likely see ongoing volatility and uncertainty in 2021. Yet, we're increasingly impressed with your ingenuity and flexibility during these unprecedented times.

Thank you for your patience as we serve you during COVID-19 conditions, and for your continued support of our cooperative.



# Local Advisors

## IDAHO

Luke Adams  
Logan Alder  
Jeff Bartschi  
Jeff Blanksma Jr.  
Chris Brannan  
Connie Christensen  
Brent Clayton  
Joseph Clayton  
Craig Corbett  
Coy Crapo  
Jack Faulkner  
Bruce Foster  
Darin Harper  
Brantly Hatch  
Burke Hillman  
Brian Huettig  
Josh Jones  
Kryst Krein  
Spencer Larsen  
Derek Larson  
Ron Lockwood  
Brent Lott  
Eric Maupin  
Joe Miller  
Adam Nielsen  
Nathan Noah  
Lisa Patterson  
Greg Payne  
Kay Riley  
Jade Searle  
Scott Searle  
Chad Stibal  
Jeanne Stubbers  
Allan Swainston  
Gerald Tews  
Camellia Thurgood  
Justin Tindall  
Ritchey Toevs  
Jennifer Traughber  
Greg Troost  
Garth VanOrden  
Shane Webster  
Jordan Whittaker  
Pete Wittman  
Jared Zito

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Malad  
Montpelier  
Hammett  
Craigmont  
Blackfoot  
Ammon  
Eagle  
Grace  
St. Anthony  
Gooding  
Aberdeen  
Declo  
Bancroft  
Hamer  
Hazelton  
Troy  
American Falls  
Blackfoot  
Burley  
Filer  
Idaho Falls  
Ashton  
Jerome  
Jackson  
Cambridge  
Heyburn  
Caldwell  
Fruitland  
Shelley  
Shelley  
Blackfoot  
Kamiah  
Preston  
Filer  
Nampa  
Bruneau  
Aberdeen  
Jerome  
Parma  
Blackfoot  
Rexburg  
Leadore  
Lapwai  
Hammett*

## MONTANA

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David Bell  
Roger Berg  
Bill Bergin, Jr.  
Mark Bergstrom  
Dusty Berwick  
Shawna Billmeyer  
Ryan Bogar  
Jonathan Bolstad  
Rich Bronec  
Shilo Capp  
Sandy Carey  
Mark Coverdell  
Nate Finch  
Brandon Flynn  
Kristin Gasvoda  
Scott Glasscock  
Jackie Grimrud  
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Colleen Gustafson  
Courtney Herzog  
Jared Holzrichter  
Blaine Hoversland  
Michael Huber  
Tony Johnson  
Tyler Judisch  
Kelly Kehler  
Steve Lackman  
Sherwin Leep  
Andrew Maki  
Jim McCabe  
Jared Miller  
Kurt Myllymaki  
Ken Olson  
Miles Passmore  
Tracey Pearce  
Trudi Peterson  
Ryan Pfeifle  
Bruce Richter  
Jeff Schafer  
Shon Simonson  
Jim Stampfel  
Kathy Starkel  
Carma Steffes  
Lacey Sutherland  
Kurt Swanson  
Lori Swanson  
Duane Talcott  
Jayme Tash  
Carla Tihista  
Mark Tombre  
Lee Van Dyke  
Patrick Verlanic

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Sheridan  
Big Timber  
Great Falls  
Hilger  
Melstone  
Brady  
Bainville  
Hogeland  
Vida  
Homestead  
Carter  
Volborg  
Boulder  
Fairfield  
Dillon  
Townsend  
Big Sandy  
Angela  
Roy  
Conrad  
Browning  
Rapelje  
Frazer  
Wolf Point  
Great Falls  
Dell  
Ledger  
St. Xavier  
Miles City  
Bozeman  
Corvallis  
Ekalaka  
Gildford  
Stanford  
Richey  
Kalispell  
Twin Bridges  
Judith Gap  
Great Falls  
Joplin  
Denton  
Loring  
Absarokee  
Ronan  
Plevna  
Stevensville  
Valier  
Chinook  
Hammond  
Dillon  
Nashua  
Savage  
Manhattan  
Drummond*

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K.C. Bare  
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Wade Bingaman  
Gorham Blaine  
Alex Blosser  
Daniel Boyajian  
Ryan Boyle  
Jason Chapman  
Dan Corn  
Tim Dahle  
Paul Denfeld  
Tori Dennis  
Karl Dettwyler  
Mike DeWall  
Amy Doerfler  
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Kenneth Jensen  
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Kyle Kenagy  
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Randy Perkins  
Nathan Rea  
John Reerslev  
Stephen Roth  
Shannon Rust  
Grant Simpson  
Marc Staunton  
Eric White  
Walter Woodhouse

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Cove  
Klamath Falls  
Culver  
Hood River  
Imbler  
Parkdale  
Dayton  
Williams  
Madras  
Klamath Falls  
Ontario  
The Dalles  
Hillsboro  
Prineville  
Silverton  
Harrisburg  
Aumsville  
Mt. Angel  
Cornelius  
Roseburg  
North Powder  
Wallowa  
Baker City  
Montague, CA  
Pilot Rock  
Vale  
Etna, CA  
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Aumsville  
Langlois  
Boardman  
Portland  
Tillamook  
Central Point  
Joseph  
Tangent  
Roseburg  
Heppner  
Adams  
Milton Freewater  
Junction City  
Brothers  
Echo  
Moro  
Merrill  
Nyssa  
Merrill*

## WASHINGTON

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Austin Allred  
Justin Andrews  
Loren Beale  
Ed Blok  
Caleb Boettcher  
April Clayton  
Scott Crawford  
Ravinder Dhaliwal  
Adam Dolsen  
Kevin Dorsing  
Chris Eckhart  
Patrick Escure  
Steve Fish  
Alan Groff  
Taryn Hartley  
David Hubbard  
Ian Jefferds  
Russell Kehl  
Evan Konshuk  
Leanne Krainick  
Mike Lowe  
Dan McClure  
Thomas Merkle  
Zach Miller  
Kyle Morscheck  
Rosella Mosby  
Jerry Nelson  
Brian O'Leary  
Edward Poulsen  
Robert Ricci  
Brenton Roy  
Michael Roy  
Jason Salvo  
Court Stanley  
Jim Stone  
Lori Stonecipher  
Doug Swinney  
Keith Tiegs  
John Tillman  
Nick Weber  
Daniel Westacott  
Bill Wirth  
Matt Zeiler

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Royal City  
Prosser  
Pomeroy  
Lynden  
Eatonville  
Orondo  
Kennewick  
Lynden  
Yakima  
Royal City  
Deer Park  
Quincy  
Sitka, AK  
Wenatchee  
Prosser  
Davenport  
Coupeville  
Quincy  
Spangle  
Enumclaw  
Ellensburg  
Walla Walla  
Moses Lake  
Pasco  
Clarkston  
Auburn  
Burlington  
Seattle  
Shoreline  
Snohomish  
Prosser  
Moxee  
Duvall  
Centralia  
Lakewood  
Walla Walla  
Palouse  
Pasco  
Elma  
Cotton  
Farmington  
East Wenatchee  
Odessa*

As of 1.21.2021

## (BEGIN) 2020 Annual Report to Stockholders



## (END) 2020 Annual Report to Stockholders

### Purpose Driven

To improve the lives of customers and employees, the communities where we work and raise our families, and the Northwest agriculture, food and fiber industries that perform a vital role in the United States and around the world.

