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## Looking Ahead to a Brighter 2010



Dear Stockholder:

There's a common saying about the weather that also applies to the economy. If you don't like it right now, wait a while and it will change.

We're experiencing a little of that feeling right now. Last year presented AgTexas Farm Credit Services with a lot of challenges, because of the worldwide financial crisis and volatile ag markets. After years of enjoying a positive lending environment and consistently solid earnings and loan volume, our progress slowed significantly last year. The negative lending environment took a toll on our bottom line. We recognize that unfortunately the economic conditions created hardship for some of our customers, too.

It was a good thing that, after more than 75 years in the business, we had experience weathering the ups and downs in the economy. We held steady, thanks in large part to the solid, conservative lending culture of our lending team and the support and solid direction of our board of directors. The cooperative business model upon which Farm Credit is founded also proved to be resilient during tough times.

Thankfully, several months into 2010, the situation shows signs of improvement. Industries that rely on grain prices, such as livestock feeding operations, dairies and ethanol, suffered from a tight financial squeeze caused by extremely high corn prices last year. Now, input costs have stabilized at manageable levels, and market prices have increased, bringing some much-needed relief for many producers. Pork, cattle, poultry and ethanol producers are looking up right now. Unfortunately, much of this relief will come at the expense of grain producers, but commodity prices should also remain at profitable levels. Adverse weather patterns in the Central and South Plains of Texas resulted in weaker performance for a number of commodities, including cotton. Fortunately, the prospects for higher cotton prices are reflected in the market for 2010.

The situation has improved for dairy producers. For a while, the price of milk was lower than the cost of production. Under those conditions, even the best dairy producers could not turn a profit. Fortunately, milk prices are on the rise, so there appears to be some improvement in the dairy industry, although it will be months before that improvement is fully realized.

At AgTexas, we look forward to better days ahead and the opportunity to share our success with you, our customer-stockholders. As always, we thank you for your business and will strive to meet all of your rural financing needs. We hope that 2010 will be a better year, both for AgTexas and for each of our customers.

Sincerely,

Mitchell Harris  
Chief Executive Officer



Part of the Farm Credit System

# AgTexas in the Community



*Jay Kidwell, far left, coaches the team of his daughter Kay, bottom right, with the help of his oldest daughter, Autumn, top right.*



*Lori Hurford, bottom right, listens as instructions are given on the job site of a Habitat for Humanity home.*

**W**ith 59 employees and nine offices serving 23 Texas counties, AgTexas has the ability to touch many communities in one way or another. If we were to list every employee who was active in his or her community, the list would be extensive. Many employees serve on school boards or as deacons in their churches, while others actively support their local schools by attending every athletic event or arts performance.

Following are a few examples of specific ways in which AgTexas' employees carry out their mission to make their communities better places.

**Terry Jones**, a loan officer, serves on the Eastland Economic Development Board, as well as on other local boards and organizations. He takes pride in actively advocating for his city and working to ensure a robust, thriving community for its residents and for future generations. Terry feels that it is always important to volunteer and be civic-minded, particularly in smaller communities with fewer people.

**Alan Watson**, a member of the management team in the administrative office,

works at the Ronald McDonald Family Room at Covenant Women & Children's Hospital in Lubbock. While the Ronald McDonald House offers long-term lodging for families with ill children in the hospital, the Family Room offers a "getaway" within the hospital itself. The rooms provide a place where family members can take a shower, do laundry, have a cup of coffee, eat or just escape the hospital room for a few minutes.

"We have been blessed to get to know families with incredible strength and faith as they care for their loved ones," Alan says. "We've seen the tragedy of a family who lost a daughter after completing six months of chemotherapy only to succumb to pneumonia. We've also seen the joy of a mom and dad feeding their baby for the first time six weeks after a premature birth."

**Rheda Jones**, loan administrator in the Hillsboro branch, is a cancer survivor, so it is only natural that Relay for Life, an organization established to raise cancer awareness and fund research, would be near and dear to her heart. Rheda is part of a team

called Hot to Trot that will be competing in May's upcoming relay.

**Jay Kidwell**, a loan officer in Stephenville, has coached his daughter Kay's soccer team for several years. "It has been a great time spent with my family, and it has given me the opportunity to get to know many families," Jay says.

**Paul Fowler**, assistant vice president and title examiner in the administrative office, is a volunteer with Big Brothers Big Sisters of Lubbock. Big Brothers Big Sisters pairs boys and girls from the community with mentors who commit to spend quality time with them, building friendships and demonstrating responsible living and decision making.

**Lori Hurford**, a loan administrator in the Stephenville branch, is active in many community organizations. She acts as an ambassador for the Stephenville Chamber of Commerce, and is active in the Optimist Club, which raises money for various youth causes. She also serves as board secretary for the area Habitat for Humanity organization, which builds houses for less fortunate people in the community.





*Clay Miller, right, along with Terrie Acker, Ralls Chamber of Commerce manager, center, present the Citizen of the Quarter award to Judy Pelkey, left. Judy received the honor for her involvement with the volunteer fire department and Ralls EMS.*



*Hudon White removes an identification tag used to tabulate race results from a runner's bib at the Cowboy Capital 5k.*



*Harold Castillo coaches the Lubbock Pirates.*

**Clay Miller** and **Judy Pelkey**, loan officer and loan administrator, respectively, in the Ralls branch, not only work together to make their branch run smoothly, they also partner in their community to make it a better place to live and work. They both serve on the Chamber of Commerce, as well as on the Crosby County Leadership Advisory Board. Clay has been the Chamber president since 2008. Both devote a great deal of time to organizing events that are important to the community, such as the Annual Cotton Boll Festival, Chamber of Commerce Rodeo Parade and other fundraisers that benefit the city and county residents.

**Hudon White**, vice president of technology, is an active member of the Stephenville Lions Club. The Lions are involved in a great deal of charitable work in their communities, but

Hudon is particularly invested in two activities. He is responsible for setting American flags on one of several routes in Stephenville on seven national holidays, including Flag



*Cowboy Capitol 5K Stampede brings together participants from the community.*

Day, Memorial Day and the 4th of July. This activity is important because it promotes national pride and honors one of our national treasures — our veterans.

Hudon also chairs the Lions Club committee that organizes the Cowboy Capitol 5K Stampede. The event raises money that al-

lows the Lions to carry on all of the activities in which they are involved year-round. Hudon hopes to expand this year's race by adding 10K and half marathon divisions.

**Harold Castillo**, loan officer in Brownfield and resident of Lubbock, coaches the Lubbock Pirates, a select baseball team of players 8 years old and under, of which his oldest son is a member. Harold believes that his responsibilities go far beyond teaching the game of baseball.

"I get to interact with these kids . . . as they go through their accomplishments and their defeats, teaching them to keep their spirit at the highest level at every turn in their lives

and to lend a helping hand to their teammates and fellow classmates," Harold says.

# Huffaker Retires After 20 Years

*Thanks, Beth, for 20 years of tremendous service!*

If you've ever purchased your crop insurance through AgTexas, you've worked with Beth Huffaker, and you'll understand why she will be missed so much after she retires.

Beth has been a model of exemplary customer service for 20 years. She started her AgTexas career as a secretary in the Tahoka office in 1990, handling insurance on the side. However, because of her dedication and hard work, that sideline soon developed into a full-time position. She ultimately became the association's insurance specialist and assistant vice president, serving the crop insurance needs of hundreds of our members.

For Beth, handling crop insurance was not simply a matter of logging production records and collecting premiums. "For me, writing crop insurance was like riding a roller coaster. The highs and lows from year to year, depending on weather and pests, made my job interesting," she says. "Often you are working with individuals who have suffered a disaster and are dependent on insurance to survive financially for another year. It's the knowledge that I have helped farm families that made my job most rewarding.

"My customers, my friends, have been the best in the world, and they have been most important to me through the years. We discuss their crop insurance needs and always seem to end our discussions with a friendly exchange of family news," Huffaker says.

Mitchell Harris, AgTexas chief executive officer, commends Beth for her dedicated service to the association and her customers. "Beth has been a loyal employee and fully committed to service beyond expectation for her members. We wish her and her family the very best in her retirement years," Harris says.

Huffaker says she will miss her co-workers and customers, too. "AgTexas is a great place to work. I appreciate the opportunities that I had to always learn how to be my best in the workplace and in the insurance industry. To work with a great team like AgTexas made going to work every day a joy. I will miss those people and my customers most of all. Thanks, AgTexas, for a great time and a great life for 20 years."

During a recent retirement reception held in Tahoka, AgTexas' chief operations officer, Alan Watson, asked Beth what her plans were for the future. "I look forward to playing with our grandkids, visiting with friends, working in my yard, putting together a family cookbook and doing some volunteer work — and [my husband] Mike already has a pair of leather work gloves decorated for me — maybe I'll get to ride the tractor with him!"



*Beth Huffaker, center, celebrates with her daughter Katy and husband, Mike, at her AgTexas retirement party. Her other daughter Betsy is not pictured.*