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We Owe Our Success to Our Customers

Dear Stockholder:

On behalf of the entire staff of AgTexas, I want to offer sincere thanks to you, our customer, for the many ways you contribute to this cooperative organization. Without you, AgTexas would not exist or be as successful as it is today.

As a customer and part-owner, you are the reason we're in business. Unlike investor-owned corporations, cooperatives like ours are owned by members. Your ownership in the co-op entitles you to vote in board elections and in other important business matters. If you exercise your right to vote in AgTexas elections or are willing to serve on our board, we offer an additional thank you. Your involvement is welcome and encouraged. This is your co-op, and we appreciate it when you let your voice be heard.

I also want to thank you for recommending new, high-quality business to us. Although we live in an electronic world, where consumers can find a lender with the click of a mouse, research shows that a personal recommendation by a friend or family member has a big impact when people are making a buying decision. At AgTexas, we take pride in how much of our new business comes from referrals by other customers. You play an important role in our success when you recommend other creditworthy borrowers to us, and through our patronage program, you benefit from that success.

The combined efforts of our members, the board, management and our employees resulted in your association recording net income of \$9.4 million for the year ended Dec. 31, 2010. This record profit is attributed largely to a reduction in the cooperative's cost of funding, as well as improved weather and market conditions for many AgTexas customers. These results have allowed our board to declare \$3.1 million in patronage to our customers, \$2.2 million of which has been distributed in cash.

To maintain this level of performance, we at AgTexas will continue to work hard, providing you with competitive loan packages, cash management tools, and crop and life insurance services to meet your needs.

All of our achievements translate to more value for our customer-members. The Farm Credit System celebrates its 95th anniversary in 2011, and the nationwide System continues to be the largest provider of credit for agriculture and rural America. I believe our cooperative structure and our extensive expertise in ag lending create a powerful combination that is good for our customers.

Ultimately, however, our success lies with our customer-owners. When you achieve your goals, we celebrate. Together with other agricultural producers and rural landowners, you own this System and you benefit from it. Thanks to you, Farm Credit is still strong after almost a century.

Sincerely,



Mitchell Harris
Chief Executive Officer



Part of the Farm Credit System

Miller Ranch

The Miller Ranch has been in continuous operation under one family name for more than 100 years.

In the early 1900s, Rich Miller loaded up his family and their few possessions to relocate from Aspermont, Texas, to a remote ranch between Justiceburg and Gail, almost 100 miles east. Likely, the family had no idea that, as they traveled slowly along in horse-drawn wagons driving their cattle across the open range, they were starting a ranching legacy that would span five generations and more than 100 years.

If you've driven from Snyder to Post on Highway 84, you've seen the ranch, which includes a goodly section of the mesas south of Justiceburg. The original ranch was composed of six sections.

Today, the Miller Ranch is run by Rich's grandson, 81-year-old Riley Miller, and his wife, Mary; their son, Ben, and his wife, Paula; and Riley's brother, Ralph, and his wife, Dewey Feye. Their family keeps the ranch's history alive.

Memories From Yesteryear

Friends for more than 80 years and married for more than 60, Riley and Mary have a lot of shared memories. Their home is filled with mementos, from Mary's collection of over 100 syrup pitchers to trophy mounts to a collection of incredible bronze artworks that their son Ben has sculpted over the years.

"When we moved here it was just a little cabin," Mary explains. "Riley used to train working horses, and did pretty good selling those horses to ropers and other ranchers. I always joke that when Riley sold a horse, we'd add another room to the house. It was a good thing, too, because we sure needed the room as we added kids."

Thinking back to his own childhood, Riley remembers the family's struggle to hold the ranch together during severe drought and the Great Depression. He recalls stories of government officials shooting cattle at the top of a mesa, and pushing the carcasses over the cliff. Riley recounts: "Dad said that cattle prices were way cheap due to the depression. To reduce supply, Mr. Roosevelt



Riley and Mary Miller, left, with their son Ben and grandson Clay

ordered the killing of livestock to reduce the herds. They paid us \$11 per head. Two years later, bone pickers returned to gather the bleached bones for fertilizer, hauling them away in wagons."

Growing the Ranch

Eventually, circumstances improved, and Rich's son, Clyde, was able to add significant acreage to the ranch, as well as purchase additional ranches in New Mexico, Colorado and South Dakota. Family records confirm that much of the land was purchased for \$3.50 to \$5 per acre. Most of the land is still "in the family." Riley and Ralph's sister, Elizabeth, inherited the New Mexico and Colorado ranches, and they are still being operated today.

Riley remembers driving cattle from the ranch's gathering pastures near Gail to the Justiceburg rail station livestock yards. The yearlings would be loaded onto trains and shipped either to the family's northern ranches or directly to the major markets in Kansas City, depending on prices and range conditions.

Riley appreciates Farm Credit's role in helping the family operations expand. "The Miller Ranch would not be where it is today if it was not for Farm Credit. The old Sweetwater PCA, staffed in the 1940s by loan officer O.H. Berry and later by Mr. Schlingburg,



Family members are buried inside the rock-fenced Miller Family Cemetery, while favored horses that provided years of faithful service are buried just outside.

provided us operating capital and the ability to grow the ranch,” Riley says.

Benefits of Modern Technology

Today’s operation is run much as it was years ago — with some modern improvements.

“Pushing a button on the dashboard to feed sure makes it easier on these old joints on those extra cold mornings,” says Ben, who remembers feeding from horse-drawn wagons as a child. “We also have a little Super Cub that I use to fly the pastures. Checking cows and water holes on horseback takes a full day, a half day with a pickup, but I can do it in an hour with the plane. It is a tremendous time-saver.”

A major change occurred on area ranches, including the Miller Ranch, around 2003, when windmills started dotting the landscape. The mesas provide an ideal topography to channel the prevailing winds up to drive the giant mills. Whether they should be criticized as despoilers of the land’s natural beauty or praised as providers of green energy is a debate for another day, but stand they do, generating megawatts of electricity for Texas. Riley’s wife, Mary, humorously comments, “At least after 50 years, now I don’t mind when the wind blows.”

Restoring Wildlife

Over the years, the family also has worked to re-establish the wild-life population of the ranch. Between overhunting and the 1950s drought, the whitetail population of the ranch was decimated. In 1956, to start rebuilding the herds, Riley imported white-tailed deer from Aransas Pass.

Ben added a supplemental income source to the livestock operation in 1977, when he established a commercial hunting guide service. In 1983, Ben introduced 31 Aoudad sheep to the

ranch. There are more than 400 Aoudads on the ranch today, and they have proven to be a major draw for hunters throughout Texas and surrounding states.

The family generally runs between 750 and 800 tiger-striped and black Angus mother cows. “We could run more, but we want to maintain sufficient range cover to support the deer, turkey and other wildlife,” Ben said. In recognition of their efforts, the Millers received the Outstanding Conservation Ranch of the Year Award in 1999.

Looking Ahead to Future Generations

Already in the wings is another two generations of Millers. Ben and Paula have three sons, Clay, Clint and Colt. Ben’s sister, Jenny, and her husband, Brent, have a son, Clell, who lives in Montana with his wife, Ashley, and daughter, Selma.

Clay and his wife, Vanessa, have four daughters and live a few miles north of the ranch in Post. Clay has worked for AgTexas for the past five years, as office manager in Ralls. While not involved in the daily operations of the ranch, Clay stays in close touch. “My girls are aged 1, 3, 8 and 13. Our oldest, Channing, loves to ride, and our 8-year-old, Camree, lives to fish. So we spend many weekends out at the ranch visiting grandparents and great grandparents — and riding and fishing.”

Clay concludes, “No one knows what the future will bring, but it would be hard to imagine this place without the Miller name over the gate. I certainly hope it never happens as long as I’m alive.”

With the family’s obvious love of the land and more than 100 years of ranching heritage behind them, it is easy to imagine that someday a 200-year recognition award will be placed alongside

the 100-year plaque currently displayed with pride on their wall of memories.



A major change occurred in 2003 when windmills started dotting the landscape.

Your AgTexas Team –

Managing Risk and Preparing for the Unknown

The past few years have presented challenging times to lenders serving agriculture and rural America. While real estate issues have captured media attention since 2008, agriculture has seen tough times too, with particular challenges rocking the livestock and dairy industries as the result of escalating feed costs.

AgTexas has not been immune to these challenges. However, two factors have allowed the association to remain focused on growth. The AgTexas lending philosophy, coupled with an experienced staff, has helped to maintain excellent credit quality, while strong earnings have provided the ability to boost reserves, should they be needed.

As the following table shows, AgTexas continues to increase loss reserves despite a two-thirds reduction in high-risk loans from 2009. These additions do not represent a concern regarding the current association portfolio, but are designed to provide an added level of safety in the event that unforeseen shocks from outside influences strike our industry and customer base.

	2010	2009	2008
Nonaccrual	\$3,792,543	\$7,871,016	\$6,069,477
Accrual, but 90 Days Past Due	–	\$4,736,077	\$385,922
Other Property Owned	\$901,170	\$142,200	–
Total	\$4,693,713	\$12,749,293	\$6,455,399
Percent of Total Portfolio	0.7%	2.4%	1.2%
Allowance for Loan Losses	\$3,666,664	\$3,115,006	\$950,003
Percent Allowance to Loans	0.7%	0.6%	0.2%

AgTexas remains well positioned to capitalize on growth opportunities as the economy improves. We will continue to focus on our mission of serving rural America through agricultural production and real estate loans, financial services, and crop and life insurance products.

