



The *First Choice* in ag lending

[www.AgTexas.com](http://www.AgTexas.com)

**Headquarters**

6901 Quaker Ave., Suite 300  
Lubbock, Texas 79413  
(806) 687-4068

**Brownfield Field Office**

121 W. Broadway  
Brownfield, Texas 79316  
(806) 637-3589

**Burleson Field Office**

117 S. Burleson Blvd.  
Burleson, Texas 76028  
(817) 293-6103

**Hillsboro Field Office**

218 E. Franklin  
Hillsboro, Texas 76645  
(254) 582-2471

**Levelland Field Office**

301 East Hwy. 114  
Levelland, Texas 79336  
(806) 894-6119

**Lubbock Field Office**

6901 Quaker Ave., Suite 300  
Lubbock, Texas 79413  
(806) 745-4575

**Ralls Field Office**

820 Fourth St.  
Ralls, Texas 79357  
(806) 253-2506

**Seminole Field Office**

2015 Hobbs Hwy.  
Seminole, Texas 79360  
(432) 758-3201

**Stephenville Field Office**

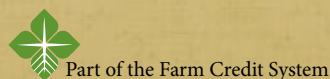
1197 W. South Loop  
Stephenville, Texas 76401  
(254) 965-3151

**Lubbock Appraisal Department**

6901 Quaker Ave., Suite 300  
Lubbock, Texas 79413  
(806) 745-4631

**Stephenville Appraisal Department**

150 N. Harbin Drive, Suite 307  
Stephenville, Texas 76401  
(254) 965-5348, ext. 219



Part of the Farm Credit System



## A BANNER YEAR FOR YOUR COOPERATIVE

As a customer of AgTexas Farm Credit Services, you benefit when your financing cooperative has a good year. It is a pleasure to report that 2013 was indeed a good year for AgTexas.

As we begin our 80th year of serving rural Texas, I would encourage you to review the financial results in your copy of the cooperative's annual report or online at [agtexas.com](http://agtexas.com).

The report highlights strong earnings and an exceptional risk profile. Additionally, the annual report highlights our cooperative's strong commitment to corporate citizenship, as recognized by the national Farm Credit Council, which awarded AgTexas the 2013 Phelps-Martin Award for Community Service.

As a result of the cooperative's strong financial performance last year, AgTexas continued a proud history of returning profits to our member-borrowers for the 20th consecutive year. This spring we distributed a cash patronage payment of \$3.165 million that effectively reduced members' 2013 interest rate by an average of 0.7 percentage point, or 70 basis points. And this fall, we will revisit rolling out additional allocated equity.

The employee team grew our loan volume by \$217 million in 2013, and our pipeline of new relationship opportunities in the first quarter of 2014 was more vibrant than last year. This growth will facilitate stronger earnings, more efficient operations and an enhanced patronage program.

With our rapid growth, strong earnings, sound equity and a quality, diverse portfolio, our board is considering the potential to offer our stockholders the opportunity to invest in AgTexas preferred stock. This offering will position your cooperative to gain market share, earnings, and an enhanced capital position, while rewarding our member-stockholders with an exceptional yield on their investment. The option to issue preferred stock has been a part of AgTexas' capital plan for a number of years, and 2014 may be the year we exercise that option, subject to stockholder approval. We will keep you advised of developments.

Your board of directors and association staff thank you for contributing to the success of AgTexas in 2013, and we wish you the very best in 2014.

Mitchell Harris  
Chief Executive Officer

**Committed to the success of agriculture and rural America through dependable financial services and lasting relationships. This statement sums up the mission of AgTexas Farm Credit.**

# Growing the Cooperative, Minimizing Risk

## AgTexas Pursues New Income-Earning Activities

As a cooperative, AgTexas exists for the benefit of our stockholders. Our primary mission is to be a dependable source of financing for production agriculture, farm-related businesses and rural real estate.

To continue to fulfill this mission, the AgTexas board and management believe we must grow the cooperative while keeping risk at a minimum. Maintaining the ideal balance of growth and risk can be challenging. However, AgTexas has implemented a strategy — to increase existing revenue streams and add nontraditional investments — that is laying the foundation for a bright future for the cooperative.

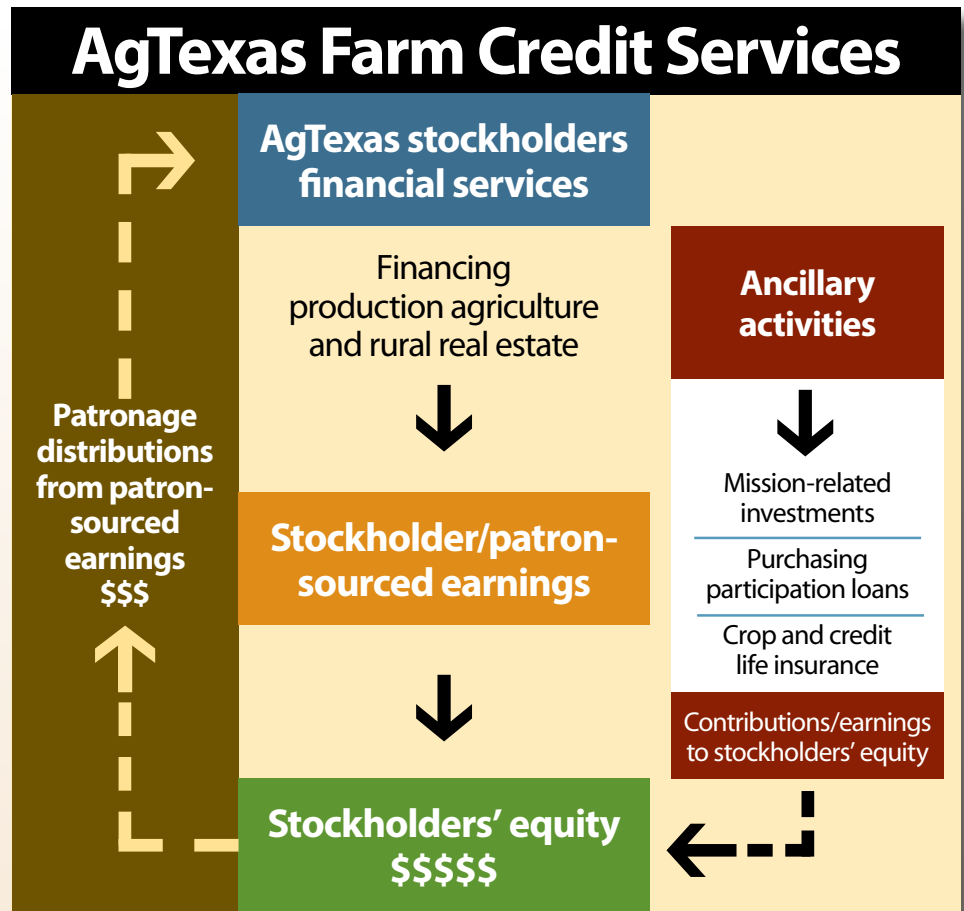
Currently, AgTexas is involved in three ancillary types of activities that are helping to improve operating efficiencies, diversify our loan portfolio and increase earnings for stockholders' equity, all while supporting our mission. These additional non-patron activities are:

- mission-related investments
- purchasing loan participations
- providing crop and credit life insurance for customer-stockholders

### Mission-Related Investments: Supporting Rural Communities

The term mission-related investments (MRIs) refers to investments in rural community infrastructure and facilities. Examples are rural hospitals, rural charter schools, rural community colleges and university projects such as student housing.

MRIs also may include purchases of 100-percent USDA-guaranteed portions of loans made to rural businesses and industries and originated by other financial institutions. Approximately 95 percent of AgTexas' mission-related investments are the result of partnerships with commercial banks. These loans benefit both parties: The initial lender



continues to provide fee-based services to the customer, while AgTexas purchases the guaranteed portion of the loan and gains a stable, low-risk, long-term income stream.

MRIs allow AgTexas to continue to fulfill its mission by providing funds to stimulate economic growth and development in rural areas. These projects create job opportunities and help revitalize the rural communities that support agriculture, while helping to keep existing producers on the land and encourage new producers to enter agriculture.

Financing MRIs is a win-win-win situation for all parties. The funds support local communities, help producers sustain a stronger local economy, and contribute to

AgTexas' long-term strength and stability through additional earnings and portfolio diversification.

### Purchased Participations: Growing and Diversifying the Loan Portfolio

In 2013, AgTexas expanded its scope of participation lending with other financial institutions, both within and outside the Farm Credit System, as a way to:

- diversify the loan portfolio
- reduce loan portfolio risk
- increase total loan volume

*Continues on next page*





*One way AgTexas serves rural America is by investing in community infrastructure and facilities, such as Memorial Hospital in Seminole. Above, artist's rendering of the hospital and grounds.*

Previously, the cooperative did not have the dedicated resources to maximize this growth opportunity beyond investments in the guaranteed portion of rural America bonds (of the former rural America bond program) and similar instruments. Recognizing the potential in this area, however, the AgTexas board and senior management last year established a new department specializing in loan participations.

Joe Huddleston, a 30-year lending veteran, was promoted to senior vice president of correspondent lending, responsible for heading up this new department.

Participation loans are usually much larger than most retail credits. For that reason, there is a need to spread the total financial commitment among several commercial banks and Farm Credit institutions. Huddleston's initial focus was to expand the association's network of working relationships with other lenders, including commercial banks as well as other Farm Credit institutions, both locally and nationwide.

Because of those efforts, AgTexas is now partnering on loans with institutions in several states. Expanding into a broader trade area and financing different types of agricultural operations mitigates AgTexas' portfolio risk by offsetting potential losses caused by circumstances beyond our control, such as the current Texas drought.

As of March 31, 2014, the AgTexas portfolio of participation and capital markets loans totaled approximately \$111 million. While we remain committed to financing production agriculture and rural real estate, adding participation loans and investment pools to our portfolio mix will allow AgTexas to continue to grow and maximize capital and earnings potential, while reducing risk through diversification.

## Insurance Services: Earning Income While Mitigating Risk

For both AgTexas and our customers, using income and production protection is a good business practice. The reasons are simple:

- **Weather** — In production agriculture, farmers assume a great deal of risk before the first seed is in the ground. Of the many variables that contribute to a farmer's success or failure in any given year, weather is a constant factor. Texas has a long history of drought, and as we've seen recently, its effects can be devastating.

- **Decrease in Support Payments** — There is increasing political pressure to reduce federal agricultural budgets, resulting in decreased support payments and possible elimination of emergency disaster relief programs. The broad use of crop insurance products can help lower the risk exposure of AgTexas' loan portfolio, which is heavily influenced by crops, especially cotton.

Two of the most valuable risk mitigation tools available to farmers are multiperil crop insurance and crop hail insurance. These products can protect against losses due to drought, summer storms and early freezes. Without these management tools, farmers would bear the impact of weather-related losses. Over time, accumulated losses could impact both the ability of the association to continue financing some customers as well as reduce the overall financial strength of our organization.

AgTexas agents offer credit life, multi-peril and crop hail insurance products to our members. These products benefit the borrower and generate a notable income stream for the association. This ancillary income reduces the association's risk, not only by providing premiums to supplement



*The Memorial Hospital sign in Seminole.*



*This AgTexas sign was posted during construction of Memorial Hospital.*

association income, but by giving our members the ability to repay their loan obligations should disaster strike.

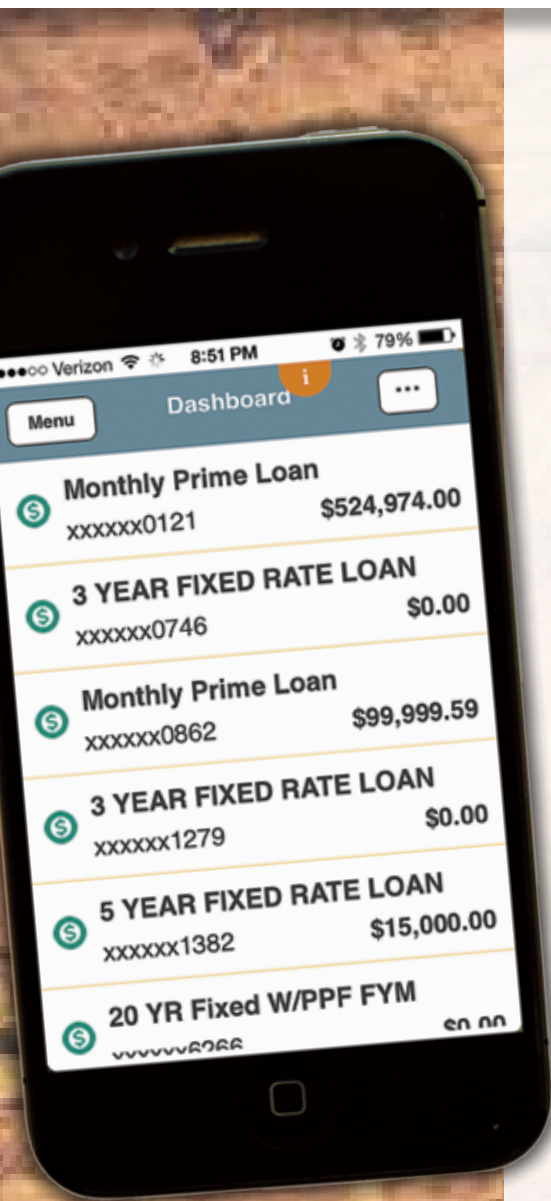
In 2013, the gross commissions from our insurance services exceeded \$1.25 million — approximately 10 percent of the association's entire earnings.

## Summary

The combination of traditional financing, mission-related investments, participations and insurance products provides a level of income diversification that assures that AgTexas can take full advantage of growth opportunities. Expanding our portfolio through different avenues provides a stable earnings base that keeps the association financially sound and enhances our patronage dividend program to our stockholders, as we fulfill our mission.

# Banking at Your Fingertips

## Download Our Mobile App



Doing business with AgTexas Farm Credit has never been easier!

Our **Ag Banking Online** service and new **Ag Banking mobile application** offer two great ways to manage your accounts 24/7, whenever it's most convenient. All it takes is a computer or an Apple or Android smartphone or tablet to:

- **Make loan payments** from your business or personal checking account
- **Transfer funds** from your AgTexas loan accounts to your business or personal checking account, or transfer funds internally between your AgTexas accounts
- Set up **real-time, future or recurring transactions**
- Track your **account history**, including your loan payments, online transactions, patronage and stock in the association
- Send and receive **secure messages** regarding your accounts
- See **branch locations and hours**

If you already use Ag Banking Online, you can get access to the same features on your mobile device by downloading our free app at the iTunes App Store or the Google Play Store. To use either service for the first time, simply request access through your branch office or online at [www.agtexas.com](http://www.agtexas.com).

### More Tools to Help You Manage Your Cash Flow

AgTexas understands how important your cash flow is to the success of your business. That's why we offer several other convenient services to help you manage your financial transactions.

If you are not already using our cash management products, give us a call to discuss how they might benefit you and your business.

**AgriLine+** – Accessing your AgTexas line of credit is as easy as writing a check. When you use AgriLine+ convenience checks to purchase goods or services, you draw on your available funds, and the check amounts are added to your loan balance.

**AgSweep** – AgSweep eliminates your worries about overdrafts and idle balances. Offered in partnership with Wells Fargo, this product links your Wells Fargo bank account to your AgTexas line of credit. If you do not have enough funds in the account to cover your expenses, Wells Fargo will automatically draw money from your line of credit loan with AgTexas. If you have excess cash that day, it will pay money toward your loan. AgSweep allows you to pay bills; view your account activity, bank statements and check images; link personal accounts; receive market alerts; make deposits via remote deposit scanner; and download QuickBooks, if applicable.

**FastCa\$h** – With just one phone call, you can make a loan payment or request money from your loan without leaving your home, office or tractor cab. The money will be

automatically transferred to or from your bank checking or savings account. Call today, and the money will be in your account tomorrow.

**GFX** – A wire transfer is the electronic movement of funds with same-day settlement. AgTexas has the ability to send a fast, secure GFX wire transfer to your or your designee's bank account.

**Lock-box accounts** – Receiving and clearing your checks will be more efficient if you make your payments through a lock box, which in turn reduces the operating expenses of your association. Lock boxes provide a company with a special ZIP code and quicker deliveries from regional post offices. Lock-box payments are excellent for term loans.

**Pre-Authorized Installment Drafting (P.A.I.D.)** – Save money on stamps and make your loan payments on time, every time, by setting up this automatic withdrawal service. An electronic draft will draw on your bank account. If the interest rate on your loan changes, you will be notified on a billing notice, and the installment amount will be updated automatically.