

**AGTEXAS OFFICES**

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| <b>AMARILLO</b><br>5701 I-40 West<br>Amarillo, Texas 79106<br>(806) 376-4669        | <b>HILLSBORO</b><br>218 E. Franklin<br>Hillsboro, Texas 76645<br>(254) 582-2471                |
| <b>BROWNFIELD</b><br>121 W. Broadway<br>Brownfield, Texas 79316<br>(806) 637-3589   | <b>LEVELLAND</b><br>301 E. Highway 114<br>Levelland, Texas 79336<br>(806) 894-6119             |
| <b>BURLESON</b><br>117 S. Burleson Blvd.<br>Burleson, Texas 76028<br>(817) 293-6103 | <b>LUBBOCK</b><br>6901 Quaker Ave.,<br>Suite 300<br>Lubbock, Texas 79413<br>(806) 745-4575     |
| <b>DIMMITT</b><br>112 E. Jones<br>Dimmitt, Texas 79027<br>(806) 647-3169            | <b>PLAINVIEW</b><br>104 I-27 North<br>Plainview, Texas 79072<br>(806) 296-2782                 |
| <b>DUMAS</b><br>1315 E. First Street<br>Dumas, Texas 79029<br>(806) 935-6851        | <b>SEMINOLE</b><br>2015 Hobbs Highway<br>Seminole, Texas 79360<br>(432) 758-3201               |
| <b>FRIONA</b><br>1602 W. Highway 60<br>Friona, Texas 79035<br>(806) 250-2758        | <b>STEPHENVILLE</b><br>3145 West Washington St.<br>Stephenville, Texas 76401<br>(254) 965-3151 |

**INSURANCE OFFICES**

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|---|---|
| <b>AMARILLO</b><br>5701 I-40 West<br>Amarillo, Texas 79106<br>(806) 418-2641            | <b>MULESHOE</b><br>623 West American Blvd.<br>Muleshoe, Texas 79347<br>(806) 272-4271 |
| <b>BROWNFIELD</b><br>121 W. Broadway<br>Brownfield, Texas 79316<br>(806) 637-3589       | <b>PLAINVIEW</b><br>104 I-27 North<br>Plainview, Texas 79072<br>(806) 296-2782        |
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**WWW.AGTEXAS.COM**



**STRENGTH AND RESILIENCE**

Near the beginning of 2015, we were projecting optimistic economic conditions for our territory. Though still under a severe drought, we had received some moisture throughout 2014. How could we have ever imagined the rains that would come and heal our land?

Adequate rainfall has a remarkable effect on people. Optimism soars, hope is renewed and smiles are abundant. The committed producers we finance slogged through mud to plant their crops. The old joke is that farmers complain about the weather, but we heard no complaints about weeks of standing water and weeds as tall as trees. Expense projections were looking good, with many sprinklers remaining idle for months.

Your **SUCCESS.** Our **PURPOSE.**

You might say our work is purposeful when we see success in your future. Optimism translates into herd expansion, new equipment, a new lease and construction. AgTexas was up to the task when you needed capital. We are always happy to help!

Earlier this year, your board and management put into place a set of goals for the first time as the NEW AgTexas. We know the strength of our stockholders and territory, so we established a high standard and challenged our staff to grow the business. As I write this in early August, I am happy to report that AgTexas has grown — we are well on our way to achieving year-end goals, and we met and even surpassed some goals before the third quarter.

At AgTexas, we do our best to hire talented, experienced staff, and we know their capabilities. Having expert employees reflects our commitment to all regions of the association. Growth in our loan, insurance and leasing portfolios requires additional office space as we add staff to maintain our high standard of outstanding service. In this issue, you will read about our beautiful new building in Stephenville and the new construction in Amarillo. We are also making plans for a new office building in Hillsboro.

The real strength of this association, however, is our customers. We appreciate the careful planning and execution that you put into your operation. Strong stockholders equal a strong association, and that is why our loan portfolio has not only grown, but continues to improve in quality, as well.

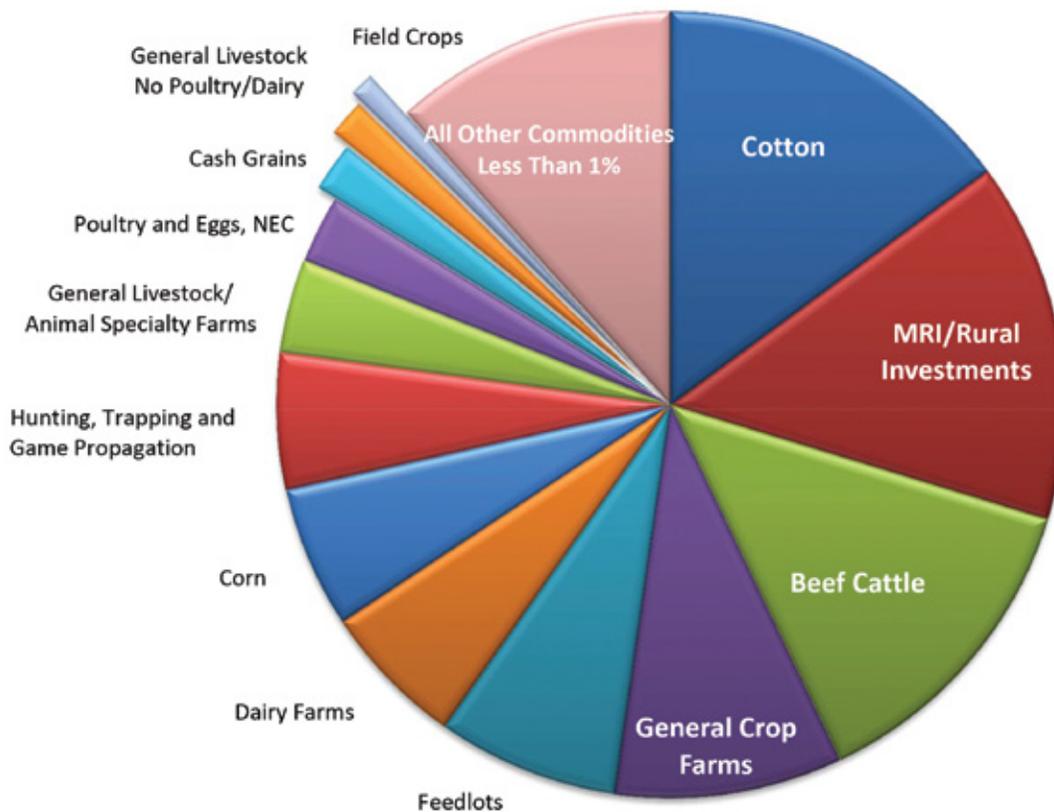
*Resilience and strength are all around us. Perhaps it's something in the water . . .*

Tim McDonald  
Chief Executive Officer

# DIVERSIFY TO AVOID RISK

## AGTEXAS PORTFOLIO COMPOSITION BY COMMODITY

as of June 30, 2015



Based on financial reporting as of 06/30/2015

**L**ending concentrations are defined as relatively high portfolio exposures to borrowers whose sources of repayment would be affected similarly by changes in economic conditions, policy or other factors. Concentrations occur at AgTexas by virtue of the statutory limitations that limit borrower eligibility — we are chartered to serve agriculture in a defined geographic territory. Even so, we work hard to not put all of our eggs in one basket.

Because Farm Credit strictly makes loans to agriculture and rural property owners, commodity concentrations pose a special risk to Farm Credit

# AKA THE PURPOSE OF MANY BASKETS

institutions. AgTexas does not make loans to purchase cars or finance non-ag commercial businesses; therefore, a single adverse event or economic development related to a major commodity can put an inordinate amount of the association's portfolio at risk, threatening its financial viability.

For example, if the price of cotton were to fall dramatically and an institution's loan portfolio consisted of 40 percent cotton loans, that institution could be placed under serious financial stress if enough of those loans failed to perform.

AgTexas gained diversity in our loan portfolio on Jan. 1, 2015, when Great Plains Ag Credit and AgTexas merged. Prior to the merger, each association had concentration risk — for Great Plains, the risk was in beef cattle and corn; for AgTexas, it was in cotton and rural investments.

The pie graph (on the left) shows that the dollar amount loaned on these commodities by the merged AgTexas accounts for slightly more than half of the loan portfolio. The other half of the portfolio is widely mixed and doing its part to balance the larger commodities.

Prior to the merger, each association managed commodity concentration risk through other means, and we continue to use the same tools today — most frequently the purchase of “participations,” which are loans that are shared by more than one lender.

One non-typical product in our territory on the commodity graph is poultry

and eggs. From time to time, we have purchased an interest in quality loans made to poultry farms in various regions of the southern United States. These purchases help provide additional diversity to the AgTexas portfolio and help balance the majority of products we finance in our territory.

Poultry and other good agricultural investments are subject to due diligence by our capital markets lending division on each loan we buy. And, when AgTexas buys a piece of a loan originated by another Farm Credit System association, the association earns patronage on the investment, which in turn adds to your patronage benefit.

Participations help AgTexas reduce the risk on large single-entity loans, too. We

may sell interests in large loans, thereby reducing our risk and, in turn, helping the participating associations diversify by commodity and geographic location.

The relationship we have with other Farm Credit associations and some commercial banks is mutually beneficial, especially for our members. It's all part of being a cooperative and following the sixth co-op principle — cooperation among cooperatives.

We have only listed a few ways we manage risk in our portfolio; there are many additional tools available to us. The most meaningful way that we manage risk, however, is by lending to successful producers and working with them to help them achieve their goals.



# NEW REGIONAL OFFICES SUPPORT GROWING

Following are some of the exciting changes going on at AgTexas.

*The new Stephenville location of AgTexas at 3145 W. Washington is 7,650 square feet. Stop by for a tour when you are in the area.*



## Stephenville Gets New Building

AgTexas employees in Stephenville moved into a newly constructed office building in May 2015. Prior to the move, employees were housed in two separate locations. There is now ample office space for the lending, credit, correspondent lending, IT and appraisal staff — with room to grow.

Member-owners in 14 counties frequent the Stephenville office, so a convenient location was of paramount importance in selecting the building site. The new office is on a well-traveled highway that is “on the road to everywhere” and has a large circular drive that is perfect for parking a truck and trailer.

The large 11-acre lot on the western edge of town boasts mature native oak trees that add beauty to the Austin stone and natural wood highlights on the building façade.

Working together as a team under the same roof creates a great working environment. Dave Cullins, senior vice president of appraisal, gave his take on the new location.

“Our Stephenville office relocation has been a great opportunity for two reasons,” said Cullins. “First, the move created significant marketing buzz that has corresponded well with the merger and rebranding efforts this year. And second, it has allowed our appraisal team to be conveniently located under one roof with the other divisions. We are enjoying the move, but ever since the relocation, I have had candy go missing from my office!”

# ASSOCIATION AND STAFF



Located at 2001 S. Soncy, the new Amarillo office will have a large meeting room and a center courtyard to provide space for stockholder appreciation events and training for staff.

## New Facility in Amarillo

For the past few years, the Amarillo office has been bulging at the seams. Credit analysts and insurance staff members were being housed in adjacent rental offices, even though these departments needed to work together as a team.

In 2014, the board authorized the purchase of land on which to build a new office just north of Interstate 40 on the west side of Amarillo. Eddie York, senior vice president of lending for the Panhandle region, was put in charge of the construction project. He said that his main goal was to get all departments under one roof in order “to meld the successful culture we have built in this area for all our staff.”

As plans were drawn, the stockholder viewpoint was incorporated through suggestions from members of the board. For instance, customers and employees needed easy access and generous parking for large vehicles.

A meeting room to accommodate stockholder meetings and staff training was a must-have; and of course, the building would have to be large enough to house all of the Amarillo staff, plus have space for growth. Very soon, you will be able to see how the architect met all the challenges and designed a building that is beautiful and will stand the test of time.

Previously the central office for Great Plains Ag Credit, the Amarillo office remains essential and integral to AgTexas, and serves as a regional hub in the area. The Panhandle region of AgTexas contains the top 10 Texas counties for total value of ag products sold.

“We are proud of the new Amarillo office,” said James Ray Schronk, a director from Hillsboro and a former AgTexas board chairman. “It stands as a tribute to agriculture in the Panhandle region of AgTexas. The building represents the strength of the stockholders it serves and their contribution to the Texas economy in total ag production.”

A noteworthy feature of the building plan is solar panels on the covered parking lot for employees. This green technology will pay for itself through energy production and tax savings — the very reasons that more and more farming and dairy operations are adopting solar technology. If you are interested in leasing solar equipment, our leasing department can set up a lease through Farm Credit Leasing. For more information on this type of lease and how it can help you, call Rachael Sharber in the Amarillo office at (806) 477-0027.

## Hillsboro Branch Moving Soon

The Hillsboro branch will soon have a new office building that will be a better location and offer room for staff previously located in Corsicana. We are excited to grow in Hillsboro!

Even if it is not your home office, please feel free to stop in and visit any branch location when you are traveling through. Regardless of where you live, you are at home in an office of AgTexas.

# CELEBRATE THE PAST, EMBRACE THE FUTURE



**E**xcitement is building at AgTexas in anticipation of the Farm Credit System's 100th anniversary in 2016.

We are eager to celebrate the day when President Woodrow Wilson signed the Farm Credit Act on July 17, 1916, creating the Farm Credit System. On that day, farmers and ranchers across the country gained a new source of financing that

would support agriculture in good times and bad.

The System's longevity has much to do with how it was structured by Congress nearly a century ago. Congressional lawmakers chose a cooperative structure, wherein members would have a say in how their lending institution is run and would share in its benefits.

AgTexas is proud to be a part of this System and to have been able to help agricultural producers, decade after decade.

Be on the lookout for future communications regarding our centennial plans.

We hope you will help us celebrate the Farm Credit centennial in 2016, and we look forward to working with you and future generations for another 100 years!

# NEW DIRECTOR JOINS AGTEXAS BOARD

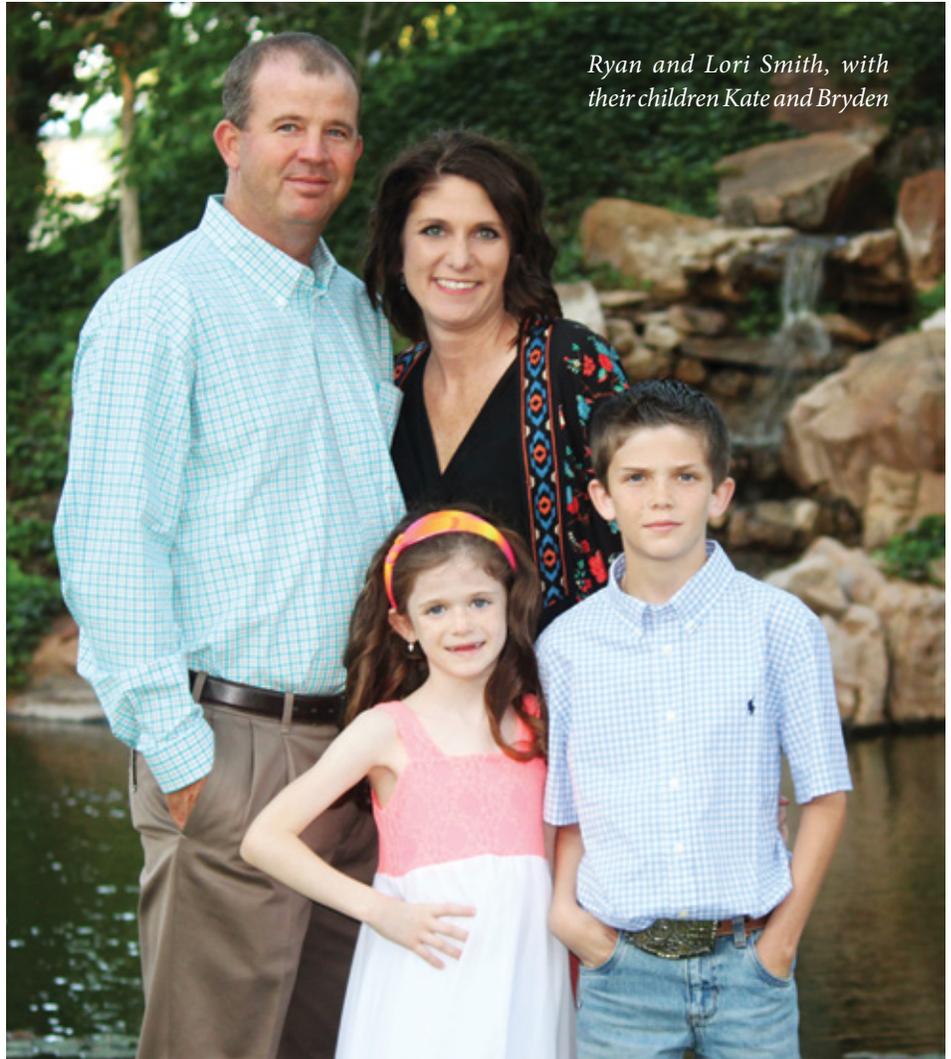
**R**yan and Lori Smith of Terry County know the meaning of a diversified farming operation. The couple earns revenue from a 200-head cow/calf operation; organic peanuts, cotton and watermelon; custom baling; alfalfa and hay; milo; and even a pump service company they operate with Ryan's dad — just to name a few!

The Smiths' ability to manage a 3,500-acre multiple-enterprise operation profitably, along with their involvement in the community of Meadow, made them an excellent selection to attend the Farm Credit Young Leaders program in 2012. It was during the program, which gave them an in-depth look at the Farm Credit System, that Ryan and Lori became more invested in the co-op that has provided their capital needs since 2002.

When presented with the opportunity to serve on the AgTexas Board of Directors, Ryan agreed without reservation.

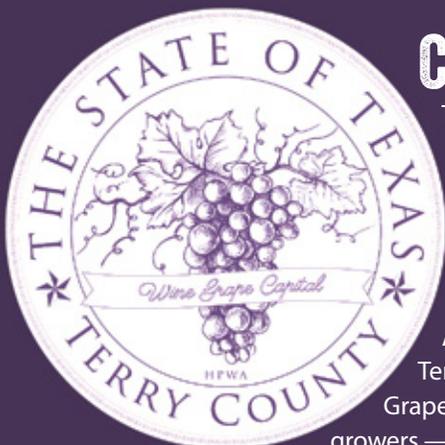
"It is an honor to serve on this board with these good people," Ryan remarked after attending his first meeting in July.

Ryan, 38, was appointed by the board to fill a vacant position until the next stockholders' annual meeting.



*Ryan and Lori Smith, with their children Kate and Bryden*

# TERRY COUNTY NAMED TEXAS GRAPE CAPITAL



AgTexas customers — also have been recognized in numerous publications, including the Wall Street Journal, for their production of world-class wine grapes.

**C**ongratulations to grape growers in Terry County for their contributions to the local economy and the Texas grape and wine industry.

On June 17, Gov. Greg Abbott proclaimed Terry County the official Grape Capital of Texas. The growers — several of whom are

Terry County grows more grapes than all the other counties in Texas combined. As many as 3,000 acres of grapes are expected to be planted in the county by the end of 2015 and 10,000 acres in the coming years.

The High Plains region of Texas endures many hot days, but at an altitude of over 3,600 feet, it has cool summer nights. This drop in temperature slows the pace of ripening and enables the grapes to mature over the growing season, producing a better juice for wine production. In addition, the winds reduce problems related to humidity, such as mildew, and the soil in the area has good drainage.

The business community in the county fully supports the grape-growing industry, and together with the marketing association, High Plains Winegrowers, welcomes visitors to the area.

# THE FLOW OF FARM CREDIT FUNDS

## Jeff Fairchild Participates in Farm Credit Leadership Program



*Farm Credit employees visited George Washington's Virginia home and plantation, Mount Vernon, on the trip. Jeff Fairchild is in the back row, far right.*

The funds that AgTexas lends to farmers and ranchers follow a unique path. This past summer, Jeff Fairchild, senior vice president and controller, met some of the bond dealers, financial experts, and policymakers responsible for the smooth and continuous flow of funds from Wall Street to your farm or ranch, when he participated in the Farm Credit Association Leadership Program.

Hosted by the Farm Credit Bank of Texas, the annual program takes Farm Credit employees to financial and policy

organizations in the New York City area and Washington, D.C., for four days.

Jeff has had an interesting journey with Farm Credit. He began as a member from Adrian, a small community west of Amarillo, where he farmed. He later returned to college and earned his CPA accreditation, working for a local firm conducting audits. When he learned of an opening with us, he definitely had the right credentials. Now, following his trip to the Federal Farm Credit Banks Funding Corporation (Funding Corp.), Jeff has been up close and personal with how Farm Credit works from all sides.

The highlight of the trip for Jeff was his visit to the Funding Corp. He was very interested in how System loans are funded and the sheer volume of loans that the relatively small office handles weekly.

“The whole trip helped me to understand the interrelationship between the Funding Corp., the national Farm Credit Council, the Farm Credit Administration and the associations,” Jeff noted. He also enjoyed interacting with staff from other associations in the Texas District.

To learn more about the Funding Corp., visit [farmcreditfunding.com](http://farmcreditfunding.com).