



THE MORE THINGS CHANGE, THE MORE THEY STAY THE SAME



The 100th anniversary of the Farm Credit System will be celebrated across the United States this summer in recognition of an event that changed rural America for the better: the signing of the Federal Farm Loan Act on July 17, 1916.

With the passage of this historic legislation, farmers and ranchers finally had the promise of a reliable source of credit to support agriculture and rural communities. Now they could establish, share ownership in and purchase stock in credit cooperatives like Capital Farm Credit that would offer loans at reasonable interest rates and terms.

The idea of farmer-owned lending co-ops caught on quickly. Farmers started forming associations in the spring of 1917, and by Nov. 30, 1918, a year and a half later, there were 3,365 Farm Credit associations operating across the country. Together, they had made 64,357 loans for a total of almost \$147.5 million by that date.

How times have changed. Today, Capital Farm Credit is one of just 74 Farm Credit associations nationwide, and our association alone has a loan portfolio of \$6.5 billion. As the largest cooperative agricultural lender in Texas, our strength and stability have enabled us to consistently return earnings to our members. Since 2007, we've returned more than half a billion dollars to our members through our patronage dividend program.

Over the years, our loan products and services have changed dramatically, too. Whereas the first Farm Credit cooperatives, known as National Farm Loan Associations, only made agricultural real estate loans, today we can meet all of our customers' rural financing needs — from operating loans to agribusiness financing to rural home mortgages, as well as leasing, crop insurance, credit life insurance and cash management services. We can even finance certain rural infrastructure projects.

Capital Farm Credit has evolved over the years to keep pace with our customers' changing credit needs. Yet the more we've changed, the more we've stayed the same. We're still dedicated to the success of our members and to the rural communities in which they live and work. We're still governed by a borrower-elected board of directors composed primarily of ag producers, and we continue to be a reliable source of rural financing regardless of the ups and downs in the economy.

As Farm Credit begins its second century, we look forward to supporting the children and grandchildren of the members we serve, as well as the new farmers who will choose to enter the agricultural arena in the years to come. Our cooperative has stood the test of time, but we have not stood still. We'll continue to change and grow along with agriculture and rural America.

Thank you for being a part of Capital Farm Credit.

Sincerely,

Ben R. Novosad

Ben R. Novosad
Chief Executive Officer

Purchasing a Piece of History

The Y.O. Ranch Welcomes New Owners



A giant state historical marker encased in limestone stands in front of the entrance gate to the legendary Y.O. Ranch, which spreads for miles across the Texas Hill Country. On its worn façade, the iron marker tells how Capt. Charles Schreiner in 1880 came to establish the cattle ranch, which at one time contained 550,000 acres and later became a popular tourist destination stocked with Longhorns and exotic wildlife.

Although Schreiner descendants still own large remnants of the original property, the famous ranch retreat recently changed hands. In early October 2015, Bryon and Sandra Sadler with their silent partners, Lacy and Dorothy Harber of Denison, Texas, bought nearly 5,400 acres of the Y.O. Ranch in Kerr County. The purchase included the retreat — renamed the Y.O. Ranch Headquarters.

The sale had no sooner closed than the Sadlers dove headfirst into reviving the ranch.

“Right away, we began clearing cedar and paving the entrance road,” Byron recalls. “That’s how serious we were about buying this historic place.”

A Vision Becomes a Reality

Under its new ownership, the Headquarters still offers overnight accommodations, wedding and meeting venues, hunting packages, horseback riding and exotic wildlife tours.

“We know the Schreiner family, and we’re native Texans, so we want to preserve the ranch and keep its legacy intact but modernize it, too,” Byron says.

However, purchasing the land and existing buildings wasn’t easy. For one thing, negotiations took nearly a year. Ultimately, support from Capital Farm Credit staff proved to be invaluable.

“When we finally struck up the deal, they stood behind us all the way,” Sandra recalls. “They came out here and listened to our plans and saw what our vision was for this place. Then they bought into it and made it happen.”

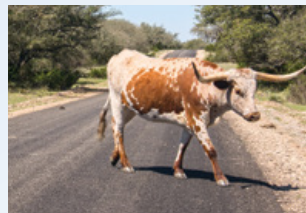
“Capital Farm Credit had the best interest rates, too,” Byron adds.



Byron and Sandra Sadler

Photos by Sheryl Smith-Rodgers

The ranch offers exotic species, such as wildebeests, giraffes, waterbucks and addax, seen at right. The lodge porch, middle. A longhorn crosses the recently paved entrance road, bottom.



safari mounts, including a rhinoceros and leopards.

International Flair With a Personal Touch

“We wanted to give The Lodge a more international flair,” Byron says. “Sandra and I have traveled all over the world, and we know what makes a first-class place. Since we’ve taken over, we try to greet guests ourselves and take them to their room, then show them where the ice machine is. That personal touch is important.”

Still, the Sadlers rely on their staff, which includes a hunting director, housekeepers and chefs, to keep the ranch running smoothly. As tourism director, Debbie Hagebusch, who remained on staff after the Sadlers took over, runs the office, schedules events, gives wildlife tours and looks after the wildlife.

“We have about 30 exotic species on the ranch,” she says. “We offer both private and bus tours to see wildebeests, giraffes, addax, waterbucks and other game animals in our two parks.”

Noted philanthropists, the Sadlers support many nonprofit organizations and have hosted hunts for more than 100 wounded warriors on their ranch.

“I never dreamed of owning this place,” Byron says. “I was raised in a little two-room house in East Texas with no electricity or running water. I’ve always worked hard under pressure and left nothing to chance. Sandra and I were running out of projects when this ranch came up for sale. Now we’ll have projects for the rest of our lives.” ■ SSR

Follow the Y.O. Ranch Headquarters on Facebook and Twitter. For more information, visit www.yoranchheadquarters.com.

As past customers, the Sadlers’ proven business savvy and stellar standing with Capital Farm Credit kept the process nearly stress-free. Starting in 2006, the couple partnered with Capital Farm Credit to purchase the adjoining Two Dot Ranch, which was divided from the original Y.O. Ranch. They run a corporate hunting operation and live on the 2,600-acre property, named after a spot on the ranch where cowboys once met up at a windmill and watering hole.

Avid hunters and conservationists, the Sadlers and Harbers have acquired game trophies from around the globe. The four are longtime members of Safari Club International, the National Rifle Association, the Exotic Wildlife Association and many other organizations dedicated to protecting wildlife.

For 32 years, the Sadlers owned and operated Industrial Specialists, a construction and maintenance company in the Brazosport area that served the petrochemical industry. They founded the business in 1976 and built up more than \$200 million in sales before selling it to their employees so they could move to the Texas Hill Country.

Teamwork With Their Lender

When they first approached Greg Durbin, vice president with Capital Farm’s Kerrville branch, about buying the Y.O. Ranch retreat, he listened. From there, a team of experts within Capital Farm Credit came up with the right financing terms that worked for everyone.

“The Sadlers’ business experience and ties to the Safari Club and hunters from around the world give them the opportunity to be successful and make the Y.O. Ranch Headquarters a destination for hunting and other recreational activities,” Durbin says. “After seeing what the Sadlers have done with the Two Dot, we knew they would be the perfect fit as new owners of this historic ranch.”

The Sadlers have known the Schreiners since 1989, when they first purchased

acreage from the family for use as a corporate hunting getaway. They even stayed overnight on the Y.O. Ranch in the limestone home of Charles Schreiner III, who passed in 2001 at the age of 74. In his honor, the Sadlers plan to turn his two-story residence, which perches atop a hill on their land and rents as a wedding venue, into a Schreiner museum.

Hands-On Owners

Right after buying the ranch retreat, the couple paved the caliche entrance road so that tour buses could easily make the 5-mile drive to the main headquarters. They put up high fences and brought in new genetics to boost white-tailed, fallow and axis herds. They also updated two 1800s cabins, four guest suites, meeting areas and the dining hall, known as the Chuckwagon. Barely two months later, they welcomed their first customers.

By no means, though, are they done with improvements and new projects. A new wing with 18 guest rooms will be completed later this year, and a restaurant is in the works, too. Both highly focused, Byron and Sandra handle much of the detail work themselves, such as selecting fixtures and appliances. Byron draws out architectural plans on graph paper, and together they furnish and decorate interiors.

Wherever possible, they incorporate old doors, barn wood and memorabilia collected by Charles III into renovations and new construction. In the Sam Houston cabin, once an 1850s homestead frequented as a stage stop, a worn oak desk graces a bedroom. In another guest room, an antique buggy seat serves as a luggage rack.

The couple’s own touches can be seen as well. On towering walls in The Lodge, a Western-style bar and lounge built by Charles III, the Sadlers hung many of their

A Born Mechanic

From antiques to new auto-steer versions, Cody Gruhlkey enjoys his tractors.

Sometimes the skills and lessons we learn early in life turn out to be the most valuable. That's certainly true in the case of West Texas farmer Cody Gruhlkey.

The Capital Farm Credit customer farms 8,000 acres in partnership with his father, Perry Gruhlkey, near Kress. He also operates several other businesses. Yet Cody, 42, points out that he acquired his most useful skills on a part-time job during high school.

From 4 to 6 p.m. for five years, Cody helped out at James Bros., a Massey Ferguson–Kubota dealership in Plainview, learning about mechanics and helping to service farm equipment.

“I learned so much working at that dealership,” says Cody. “What I learned there has probably helped me more in farming than anything else.”

After all, on a farm the size of the Gruhlkeys', there's always some piece of equipment that needs fixing, and Cody admits that his ability to handle basic repairs himself has saved him thousands of dollars.

A Young Entrepreneur

A natural-born mechanic, Cody's interest in farming and machinery began at an early age, when he played with toy implements. He didn't grow up on a farm, but spent summers happily plowing fields on his grandparents' farm near Adrian, west of Amarillo, starting at age 7. Recognizing his son's love of farming, Perry, who worked for Texas Farm Bureau Insurance, purchased a quarter-section of farmland near Kress, north of Plainview, when Cody was in the eighth grade.

But working that piece of land on weekends wasn't enough for Cody. At age 14, he persuaded his father to co-sign a \$12,000 loan for a second-hand combine.

Cody Gruhlkey
and his restored
1959 John Deere
Model 430

Glen Lifford

He soon started a custom-combining business, harvesting wheat from Abilene to Adrian — something that he still does today. By the end of the first summer, he had earned enough to pay for the combine. Four years later, after graduating from high school, the young entrepreneur rented land from a neighbor and launched his farming career.

Today, Cody and Perry, now retired from the Farm Bureau, farm about 6,000 dry-land acres and 2,000 irrigated acres, much of it rented. Traditionally, they rotated wheat, cotton and fallow land, but in recent years they have switched to a rotation of corn, grain sorghum and fallow.

When he's not farming, Cody operates two additional businesses that use his equipment skills — a business cleaning up abandoned properties, and another, Gruhlkey Dirt Works, which offers road-grading and brush-clearing services.

Antique Tractor Buff

Still, Cody makes time for his hobby of restoring antique farm equipment, which also began when he worked at the farm equipment dealership during high school.

Since buying his first antique tractor, a 1938 John Deere, at age 18 and restoring one at age 19, he has restored 30 tractors and currently owns 65.

"I built a complete paint booth with a down-draft system and do all of my own engine work, including sandblasting and sheet metal work," he explains proudly. And although he has restored tractors for others, including the Bayer Agricultural Museum, he has never sold one that he restored.

Antique tractor restoration is a hobby that Cody shares with Perry, and both father and son are active members of the South Plains Antique Tractor Association.

Their mutual interests extend to hunting and fishing, as well.

A Recreational Business

Four years ago, the pair started looking for a hunting ranch of their own in the area, and ended up buying a recreational business, Cottonwood Lake LLC, with a local partner. Located near Quitaque in

the rugged hills near Caprock Canyon, the property covers 1,500 acres and features a 17-acre spring-fed lake, with leases to 32 tenants, or members, who have cabins or mobile homes on the land.

Since then, the partners have improved the septic system and wildlife habitat. They also have had the lake surveyed by a wildlife biologist and stocked with bass, catfish, perch and hybrid stripers, which consume 32 pounds of feed daily. While members are restricted currently to catch-and-release fishing, they will be able to harvest as soon as the fish reach optimum weight.

To take advantage of the pasture on the property, the Gruhlkeys also purchased 46 mother cows for the ranch.

"This property is something we thought we could never own," says Cody, "but it has turned out to be a great investment. And I get to spend time here with my kids, hunting and chasing wild hogs."

The family members — Cody, his wife, Heather, and their children, Brennan, Austin and Laney — also appreciate the history of the scenic property, which features a 1916 ranch house.

"The Valley of Tears is on this ranch. And this property almost became Caprock Canyon State Park," Cody reports.

Farm Credit Dividends Make a Difference

As every farmer knows, it takes money to make money, and Cody doesn't hesitate to acknowledge the role that Capital Farm Credit has played in the success of the family farming operation, as well as the Cottonwood Lake business. A customer for more than 15 years, he has land, equipment and operating loans with Capital Farm Credit.

"About the first of the year, my phone starts ringing with bankers wanting my business," says Cody. But other lenders can't match Capital's patronage payments, he notes.

"Capital Farm Credit has really been good for us, especially with the dividends," he says.

\$56.7 MILLION IN CASH RETURNED TO CUSTOMERS

Capital Farm Credit returned \$56.7 million in cash to member-borrowers in March.

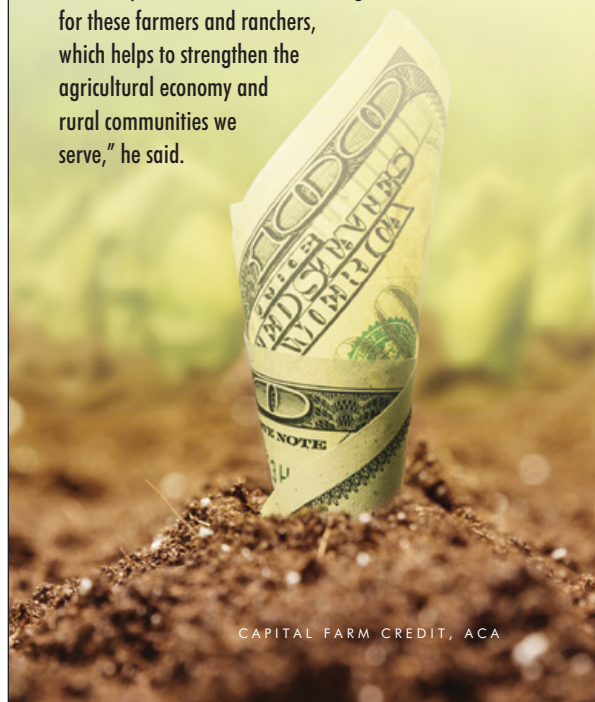
Based on continued strong earnings and a solid capital position, the cooperative's board of directors in December approved a \$137.6 million total patronage declaration on its 2015 net income of \$139.3 million. Borrowers received \$56.7 million of this amount in cash, and the remainder was set aside in their names until eligible for cash distribution in the future.

"Our patronage dividend program is what sets us apart from other lenders," said Ben Novosad, Capital's chief executive officer. "Since 2007, we have returned more than half a billion dollars to our member-borrowers through our patronage dividend program."

Borrowers who do business with Capital Farm Credit are members and owners of the cooperative, which entitles them to share in the co-op's earnings through patronage dividends — one of the unique benefits of this customer-owned cooperative.

"Our customers don't just do business with us, they are in business with us," added Novosad. "Our earnings and capital belong to our members, and we manage it to their benefit."

"We bring value to our customers by delivering credit and other financially related services to them effectively and efficiently. As we return the earnings through our patronage dividend program, we effectively lower the cost of borrowing for these farmers and ranchers, which helps to strengthen the agricultural economy and rural communities we serve," he said.





Below, Bob Martin, manager of Dalhart FLBA (now Capital Farm Credit) through 1959, in front of his office.



At left, this vintage Federal Land Bank sign graces the walls of Gruene Hall in the Gruene Historic District in New Braunfels, Texas.

Below left, a
borrower ledger
from 1936

Below, a 1974 national directory showing three branches of what would make up the current Farm Credit System

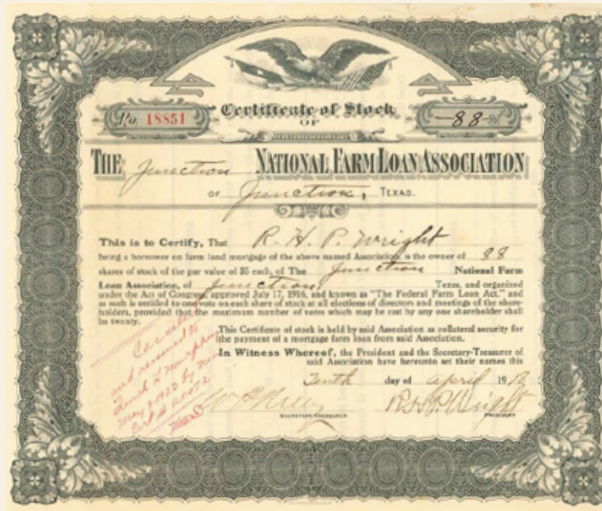
Pictured below is C.W. Allen, manager, who served from 1934 until 1950.

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A CENTURY OF SUPPORT FOR AGRICULTURE

At right, this 1918 stock certificate provided Mr. R.H.P. Wright membership in the Junction National Farm Loan Association, now Capital Farm Credit.

Below, Mrs. C.H.F. Moeller is pictured with her new stove, a prize awarded at the 1956 Stamford PCA Annual Meeting.



Below, a 1980s example of the bright red PCA blazer worn by association staff



At left, this 1967 article celebrates the Farm Credit System's 50th anniversary at the annual stockholders meeting of the Federal Land Bank Association of La Grange, now a Capital Farm Credit office.



At right, a boy and his dog rest on a cotton bale on a Runnels County farm in the late 1920s. (Source: Patricia Hohnsee)

1945 FEBRUARY FARM INCOME										RECORD														
FARM INCOME										FARM EXPENSE														
MILK AND CREAM		EGGS		LIVE STOCK		MISC.				FEED		SEED		MANURE		MIN.		FEED		QUILTING		MISC.		
DATE	Qty.	Re'd	Qty.	Re'd	No. Head	Qty.	Re'd	Item	Re'd	Item	Re'd	Item	Re'd	Item	Re'd	Item	Re'd	Item	Re'd	Item	Re'd	Item	Re'd	Item
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2																								
10																								
20																								
26																								
Totals																								

Above, a 1945 farm record from the Kuykendall family, members of our San Saba office

Below, the Certificate of Charter for the Canadian Valley Production Credit Association in 1934



At left, Bryan PCA Annual Stockholders' Meeting, Bryan, Texas, 1936