



CapitalFarmCredit.com

877.944.5500



## *Growing and Prospering*

Dear Stockholder,

As a stockholder of Capital Farm Credit, you benefit when your financing cooperative has a good year. It is a pleasure to report that 2013 was indeed a good year for Capital Farm Credit, and the Farm Credit System as a whole.

One of the most appropriate measures of our cooperative's success is how much earnings we return to stockholders through our patronage program — last year we distributed a total of \$144.3 million. In addition, this year we've returned another \$65 million in cash, based on the strength of our 2013 net earnings.

It is our aim to be the go-to full-service lender in the farm and ranch real estate, agribusiness, production agriculture and rural home sectors. Capital Farm Credit's growing loan volume is positive affirmation of success in that regard. Bigger isn't automatically better — but, for our cooperative, growth has allowed for additional opportunities and resources, all of which benefit you.

At Capital Farm Credit, we've added to our service offerings by expanding our residential lending department to address regulatory changes in the rural home lending market, purchasing a successful crop insurance business, and introducing AgDirect equipment financing — to name a few. We also made an investment in our association's future when we moved into new corporate headquarters in Bryan, which ultimately improved efficiency and communication.



We have continuing partnerships with affiliate organizations supporting agriculture, land stewardship, marine conservation and youth. In addition, we've expanded the number of Next Generation Agricultural Conferences to provide educational and networking opportunities for beginning farmers and ranchers.

2014 is already shaping up as a prosperous year for our stockholders and our association. Your board of directors and association staff thank you for contributing to the success of Capital Farm Credit through your business in 2013, and wish you the very best in the future.

Sincerely,

*Ben R. Novosad*

Ben R. Novosad  
Chief Executive Officer

Follow us on  



**O**n a gray March morning, a sleepy newborn calf nestles in the hay near her mother in a cow pen at Halfmann Red Angus, a family-owned operation at Miles, Texas. Gently, brothers Chad and Cody Halfmann wrap a blue sling around the baby's middle. Then they lift her up and record her birth weight with a handheld digital scale.

From a beige knapsack, Cody, 33, grabs an ear-punch tagger and attaches a white electronic identification (EID) tag while Chad, 35, enters the calf's data on his smartphone. Released from the sling, the calf scrambles up on wobbly legs and totters to her mother's side.

"Our EID tags enable us to keep lifetime and statistical data on all our cattle," Chad explains. "Because our data is digitized, we can

back up everything from cattle data to precision guidance data from the tractor cab to the cloud."

Outside the corral, dad Glen Halfmann, 64, nods. "Ranching's sure different now," he says, grinning.

### **Agricultural Roots**

No doubt, ranching techniques have dramatically changed, but the Halfmanns' strong ties to agriculture have not.

"Our family has farmed continuously for 300 years, starting in Germany," Chad says. "Halfmanns are still farming the original

# **A Passion for Red Angus**

**Family Operation Thrives Using  
Modern Technology**



**Chad, Glen and Cody Halfmann**



land there. Our family immigrated to Texas in the 1880s, and we've been ranching here ever since."

In the 1950s, Glen's two older brothers took over the family operation from their parents, Otto and Amelia Halfmann.

"Clifford and Dennis bought their first registered Red Angus in 1964 after county agent C.T. Parker convinced them how efficient the breed was," Glen explains. "As a teenager, I showed Red Angus steers and heifers for 4-H. In 1968, my Red Angus steer was Reserve Champion Carcass of all breeds at the San Antonio Stock Show."

Glen's passion for Red Angus stuck. After serving in the U.S. Army, he earned bachelor's and master's degrees in agricultural education. After marrying his wife, Diane, in 1975, Glen worked three years for the Texas A&M Agricultural Experiment Station in Lubbock.

"Then we moved back to Miles and started our own registered herd of Red Angus with five head," he says. "I just couldn't get ranching out of my blood. I love raising Red Angus."

### A Family Affair

Eventually, Glen and Diane, who are customers of Capital Farm Credit in San Angelo, along with their children — Chad, Cody and Jessica — took over the family operation. Growing up, all three children participated in roundups hosted by the state and national Junior Red Angus Association.

"We attended sales with Dad, too," recalls Cody, a past president of the association. "As a little boy, I remember sitting real still in auctions. I'd see other people wink whenever they bid so I was scared to move even a little."

Raised by education-minded parents, all three younger Halfmanns have college degrees. Chad earned an industrial technology degree with a business minor from Tarleton State University. He worked in real estate and information technology before returning to the family operation, and was recently married to Tami Thorpe, who has a ranch management degree from Texas Christian University.

Photos by Sheryl Smith-Rodgers



At top, Chad, left, and Cody Halfmann weigh a newborn calf with a handheld digital scale.

Cody has a bachelor's degree in accounting and a master's in finance from Texas A&M University. He worked as an auditor with an accounting firm prior to rejoining the ranch, and is engaged to be married to Laura Transom in August. Jessica (Smith), a Texas Tech University graduate, is married with one son and one daughter.

### A Thriving Operation With a Strategic Plan

Today, Halfmann Red Angus has grown to 250 mother cows and 100 commercial Red Angus heifers. Annually, the operation sells 175 registered bulls. The family also farms 2,000 acres of wheat, cotton and forage, including sorghum and grass hay. The Halfmanns introduced no-till into their operation eight years ago to reduce wind and soil erosion and to optimize efficiency. They still plow some when needed to manage herbicide resistance.

Looking toward the future, in 2006 the Halfmanns put together a five-year strategic plan that also addressed how the ranch will pass to the next generation.

"We want to keep the farm in the family," Glen says, "especially because there are such large startup costs to begin farming these days. We have to help the next generation."

"Our strategic plan includes vision and mission statements," Cody says. "We used a 'SWOT analysis' (strengths, weaknesses, opportunities and threats) method to figure out where we want to go. Every year, we re-evaluate our plan, which keeps us focused."

### Top-Performing Breed

Summers in West Texas can be brutally hot and dry. But the Halfmanns' cattle don't mind. Thanks to their red coats, they tolerate heat with more ease than their black relatives. Genetically,





## Halfmann Family MISSION STATEMENT

**Sustain a family business for future generations with an emphasis in providing a high quality of life and continuous education.**



Photos by Sheryl Smith-Rodgers



though, Red and Black Angus are the same, except for a recessive red gene carried by some Black Angus.

“We breed our cattle for calving ease, easy fleshing ability, excellent maternal traits and moderate-size females,” Glen says. “I love Red Angus because they’re so functional. As a family, we also support the (Red Angus) founding fathers’ philosophy of reporting total herd performance, not just the good cattle. The Red Angus Association was the first to require total herd reporting of performance data for registration of cattle.”

“The association is very much focused on the commercial industry, which we appreciate,” Chad adds. “As far as I know, we’re the only breed showing growth during sell-off time in the drought.”

### Modern Technology Helps Boost Annual Sales

In the early days, the family sold bulls individually.

“That took a lot of time,” Cody says. “We decided it would be more beneficial to bring everyone here for satellite video production sales. So we held our first one in our facility in 2008. We prerecorded our cattle and aired the footage on three giant plasma televisions in our barn and live on the Internet. This gives everyone the same opportunity to purchase every bull we sell.”

In 2013, the Halfmanns joined with Beckton Red Angus of Wyoming in a combined bull sale in Miles. Owner Cam Forbes and his family have maintained the breed’s foundation herd, first developed by his father Waldo Forbes in the 1940s.

“The Halfmanns are longtime breeders in Texas, and we like them,” Cam says. “We also respect them as breeders.”

The two families, who have been friends since the 1950s, will partner for a second production sale in October. This year marks the Halfmanns’ 50th anniversary in the Red Angus business.

“We feel really honored that they think that much of our sale management, our cattle and our reputation to partner with us,” Glen says.

“Cody and I have become good videographers,” Chad adds. “We don’t film as a general service, but we help the Forbeses by videoing their cattle in Wyoming. Then we edit the video at home.”

### Working Together

The Halfmann men’s diverse skills enable them to work together well.

“We wear a lot of inside and outside hats,” Cody says. “Chad is more mechanical, so he takes care of our computer systems and other equipment. I love numbers, so I handle our finances, budgets and cattle data. Dad is our sales and people person. Outside, we all do tractor duty, feed the cattle and check fences.”

“Our priorities as a family are first God,” Chad adds, “then family and work. Sometimes we have to check our priorities and get them back in the right order. But at the end of every day, we always make sure that we’re all pushing the cart in the same direction.” ■ SSR



# Outstanding Achievements by Capital Staff

Capital Farm Credit is all about teamwork and perseverance. With a territory that spans across Texas, we have many experienced and talented employees who continually go beyond the call of duty. Following a strong 2013, several credit offices and their staffs were recognized for outstanding performance in the following categories.

## New Loan Production

- Conroe
- Crockett

## Increase in New PCA Loans Closed

- Snyder

## New PCA Customers/Relationships

- Edna

## Growth in Relationships — Net Increase in Number of Borrowers

- Austin
- New Braunfels

## Revenue Growth

- Fredericksburg
- Rosenberg

## Next Generation Program — Relationships Developed Into Loans

- Jason Fuchs, Temple and Taylor Offices

# Grow With Us

## Sharing Our Earnings — Capital Farm Credit's Patronage Program

When you do business with Capital Farm Credit, you become a member and a part owner of our lending cooperative, and that entitles you to share in our earnings.

Since 2006, Capital Farm Credit has returned over \$385 million to our stockholders — equating to an effective annual rate reduction of 1.10 percent on an average loan. Through our long-standing patronage program, we return almost 100 percent of Capital Farm Credit's net income to our customers. Our board of directors approved a record patronage declaration that returned \$144.3 million of our \$144.8 million in 2013 earnings to our members. The first \$65.5 million was distributed in cash, and the remainder will help maintain our solid capital position until it is distributed at a later date as allocated equities.

"Capital Farm Credit is committed to the cooperative principle of managing our capital, and our business in general, for the benefit of our customers," said Ben Novosad, chief executive officer. "Our ability to return patronage each year sets us apart from other financial institutions. We believe this is a benefit that strengthens customer relations and reinforces our mission to provide financing and related services to support Texas agriculture — while affording our membership lower net borrowing costs."

Our financial strength, efficiency and commitment to our cooperative business structure make our patronage program one of the best in the country — one more reason to choose Capital Farm Credit as your financial partner.

*Statements regarding Capital Farm Credit's past performance in declaring and distributing capital should not be interpreted as an indication of future performance.*





DIRECTOR SPOTLIGHT

# Dan Henard Jr.

Serving Farm Credit  
for 35 Years

*Dan and Shirley Henard*



**C**apital Farm Credit Director Dan Henard Jr. has farming and ranching in his blood. He grew up on his family's longtime operation on the banks of the Salt Fork of the Red River north of Wellington, Texas, where he learned to love the agricultural way of life. It was a time when ranch work was done 100 percent on horseback, and as a young boy, he was thrilled by the adventure of it all.

But Dan's ranching legacy goes even further back — in fact, all the way to 1842 during the Republic of Texas era, when his great-great-grandfather homesteaded in eastern Dallas County. Some of that original land is still owned by the Henard family.

In 1890, Dan's great-grandfather on his dad's side left home when he was 14 years old to work on Texas cattle drives. He finally settled and began his own farming and ranching operation in what is now Collingsworth County, Texas, in 1898.

### Choosing to Ranch

Dan began his own farming and ranching career as a sophomore in high school, when he rented wheat pasture from his dad and began his first Farm Credit relationship, with Memphis Production Credit Association. Keeping the tradition of family ownership alive, a few years later, Dan and his brother Joe borrowed more money to expand their operation and purchased a group of yearling calves.

After attending Texas A&M University for two years, Dan's granddad offered to rent him 150 acres of cotton farmland — and he was hooked.

Dan married Shirley Peters, a school-teacher, and after graduating with a range science degree, moved back home to farm and ranch full time. Then, faced with

the early passing of his father, Dan and a brother took over the entire operation, farming wheat and cotton and running a cow-calf herd.

### Farm Credit a Common Thread

Farm Credit continued to be a common thread throughout the Henard operation. In 1977, W.J. Boykin, chairman of the Rolling Plains PCA board of directors, pursued Dan about the possibility of being appointed to the board. On the advice of his uncle, who also was a Rolling Plains PCA stockholder, Dan accepted the appointment. Since then, he has been involved in a handful of mergers and currently boasts 35 years of service to the board of directors.

Dan is not only involved with Farm Credit. He has served as president of the Farmers Co-op Society No. 1, a local cotton gin, and as a member of the local ASCS county committee, the Collingsworth County Hospital Board and the Salt Fork Soil and Water Conservation District. Dan also has been president of the Panhandle Association of Conservation Districts and the Mesquite Groundwater Conservation District Board. Dan says that all this experience prepared him to serve as a director of Capital Farm Credit and the Farm Credit Council.

### Following in the Footsteps

Following graduation from Texas A&M University and Texas Tech University, Dan and Shirley's son Rex returned home to follow in his dad's footsteps. Rex, along with his wife, Amy, are full partners in the farming and ranching operation and have taken over much of the day-to-day activities — allowing Dan more time to devote to his Farm Credit responsibilities. Rex and Amy have three daughters. Dan and Shirley also have a daughter, Beki. She and her husband, Trent Mitchell, have a son and a daughter.

"Being a Capital Farm Credit board member has opened opportunities to meet people of the highest integrity that I can imagine," said Dan.

He values each and every friendship afforded him through his involvement with the Capital Farm Credit Board of Directors and the Farm Credit Council. As a director, Dan has also traveled across the United States, meeting with elected officials and other stakeholders, presenting a strong voice for agriculture and Farm Credit.

### Farm Credit Is Like Family

As both a board member and a stockholder, Dan appreciates the many benefits of doing business with Capital Farm Credit, including dealing with "down-to-earth, family-oriented people."

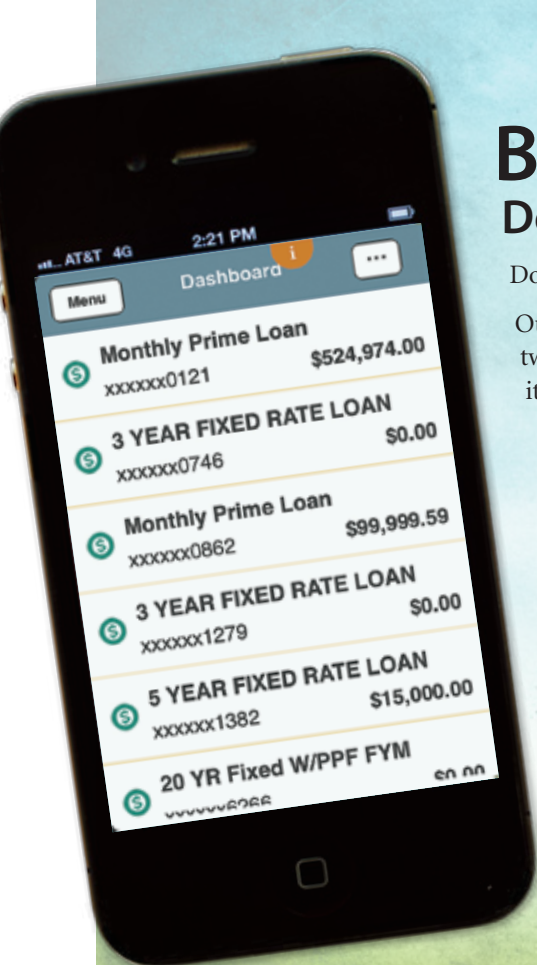
"I think the cooperative way of doing things cannot be beat. I think Capital Farm Credit has the staff and leadership to provide the best service in Farm Credit," said Dan.

Agriculture has changed immensely since the Henard family began ranching in the mid-1800s — from the size of the average farm to less dependence on working horses to technological advances. But one thing that hasn't changed is the importance of family.

Dan's advice to younger generations entering agriculture is to stick with a lender that will stick with you and enjoy your family while they are still young. He not only enjoys his family time but also likes driving a tractor, combine or cotton stripper. When he isn't farming or wrangling cattle, Dan enjoys motor-homing in the mountains with Shirley, and pursuing special off-road and fishing adventures with his brothers and grandson.







# Banking at Your Fingertips

## Download Our Mobile App

Doing business with Capital Farm Credit has never been easier!

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

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

If you already use Ag Banking Online, you can gain 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 register, simply go to our website at [www.capitalfarmcredit.com](http://www.capitalfarmcredit.com), where you will find an Ag Banking Online section with easy steps to follow.

Capital Farm Credit understands how busy you are and strives to provide fast, convenient service to meet your needs. Feel free to visit with your local credit office staff for more information about Ag Banking Online and the new Ag Banking mobile app.

## Born to Farm, But Not Sure Where to Start?

*Join Capital Farm Credit at a Next Generation Agricultural Conference*

These conferences provide educational and networking opportunities for beginning farmers and ranchers, and will feature useful topics, including:

- Farm/ranch financial management
- Agriculture economic forecasts
- Farm/ranch planning and budgeting
- Succession planning and management

### Conference locations and dates

- Waco:** Extraco Events Center  
Heart of Texas Pavilion  
**May 22**
- Lubbock:** TTU Frazier Alumni Pavilion  
**July 13**
- Wichita Falls:** MPEC (Multi-Purpose Events Center)  
**Nov. 13**

Event curriculum will be provided by Texas A&M AgriLife Extension. Each conference is free, and each attendee will receive a binder full of presentation and relevant educational material.

To register or find more information, visit [NextGenConferences.eventbrite.com](http://NextGenConferences.eventbrite.com) or call (877) 944-5500.



*Next Generation Ag Conferences*

May 22 | Waco July 13 | Lubbock November 13 | Wichita Falls  
[NextGenConferences.eventbrite.com](http://NextGenConferences.eventbrite.com) or 877.944.5500