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Proud to Be a Cooperative

The United Nations has declared 2012 as the International Year of Cooperatives. The slogan chosen to commemorate the year explains the reason: "Cooperative Enterprises Build a Better World." It's clear that they recognize something we have known all along: The cooperative model works and is beneficial for its member-owners.

The U.N. chose to celebrate cooperatives because they are a people-centered approach to economic development around the world. People are always at the center of the cooperative model.

The same is true at AgTexas. Our customer-owners are the reason we exist. We have a mission to provide reliable financing to creditworthy borrowers in agriculture and rural America. It's a commitment we take very seriously, because we value the role that our farmers and ranchers play in feeding our nation and the world.

As I mentioned in the last issue of Landscapes, this year marks the 95th anniversary of the Farm Credit System. The System was based on the co-op model, and that unique, member-owned approach has proven strong and resilient for almost a century now. It will continue to serve us well as we face new challenges, such as the drastic weather-related difficulties many of our customers encountered this year.

Despite extreme drought and range fires in our territory, AgTexas is on pace for the strongest earnings in its history. This should have a positive impact on key patronage distribution and financial ratios. Credit quality is improving, as high-risk assets are being materially reduced. Furthermore, our customers are receiving additional value from the association by choosing to effectively manage risk through sound cost-control decisions and timely marketing decisions, and by maximizing multi-peril crop insurance.

I encourage you to visit AgTexas.com for up-to-date financial information and news on the cooperative, and to continue to refer quality business to our lending officers and crop insurance specialist. Referrals are a great way to enhance your AgTexas patronage program.

No matter what we face, we can trust that our cooperative structure will serve us all well. We will join with other co-ops to celebrate cooperatives next year, but we don't need a U.N. declaration to give us reason to be proud of our history and our structure. We know that it works, and we look forward to always sharing our triumphs and success with each of our customer-owners. Thank you for the role you play in making our co-op great!

Sincerely,

Mitchell Harris
Chief Executive Officer



Part of the Farm Credit System

Lending Our Neighbors



In last year's summer Landscapes issue, we highlighted the community volunteer efforts of various AgTexas employees. This year, we would like to recognize similar efforts of some of our present and past customers. Because it would be impossible to acknowledge all the good works performed by our thousands of members, in this issue we highlight a specific group that includes numerous AgTexas members in the small community of Comanche. Their inspiring story is evidence that there are no limits to the good that can come when a group of caring people stops saying, "We ought to do something," and they actually start.

As the sun peeks over the horizon, the parking lot at Comanche High School begins to fill with a variety of vehicles. A sign located near the front door to the cafeteria identifies the reason for this early morning summer gathering — Community Rehab Project. Inside, the cafeteria is quiet except for some good-natured ribbing from the kitchen crew, who will feed up to 400 people per day — breakfast, lunch on-site and a hot evening meal. A group of organizers gather at a table, drinking coffee and discussing plans for the day.

The weeklong Community Rehab Project began 12 years ago with an idea and a single home. The idea came from World Changers, a youth service project in which church student groups travel

out of state to rehabilitate homes and churches. Folks from Comanche who had participated in this project returned from service in Casper, Wyo., and asked, "Why don't we do this in our hometown?" Thus, the project was conceived, and in its first year, one home was rehabilitated. By the second year, the program had expanded to include four houses, followed by nine the subsequent year.

In 2011, more than 210 volunteers from across the state, along with more than 100 support and food-service volunteers, completed rehabilitation projects on 18 homes in Comanche County. The typical project consisted of roofing, installation of energy-efficient windows, general exterior repairs, installation of ramps and exterior paint. Over the past 12 years, Community Rehab has transformed 199 homes — and the lives of more than 2,750 volunteers.

Hang around the cafeteria for a while, and sleepy teenagers slowly begin to emerge from the school hallways. They line up for breakfast, becoming more and more vocal as they wake up and work the kinks out from the previous day's tasks. Church youth groups from around the state gather here for the project once a year, paying a fee to work hard, worship together and give something back to the community.

a Helping Hand



Kitchen crew members, from left to right, former AgTexas member Debbie Johnston, AgTexas Vice President Brett Keith, Gale Easley and Penny Hamilton

“Several of us have prepared meals for the rehab project since its inception,” says former AgTexas customer **Debbie Johnston**, who is one of many cooks during the project. “We love the camaraderie and look forward to returning every year. I personally cannot imagine not doing this.”

After breakfast, the crews — with names like Ladder Leaners, Level Heads and Window Pains — load ice chests and water coolers, gather tools and gloves, and depart for work sites. Each crew is led by adult coordinators, and consists of students and adults from different churches. Groups have come from as far away as Washington state and Alabama, but most are from Texas. **Jayce Waller**, from First Baptist Church, Seminole, brought 31 students this year. He has participated in Community Rehab since 2004 and plans to continue to do so well into the future.

A project of this magnitude does not happen without a lot of preparation culminating in the week’s work by volunteers. AgTexas member **Charles Carroll** serves on the steering committee and assists in gathering supplies and donations during the year, as well as assisting with the difficult task of selecting which homesites to update. The committee gathered over \$52,000 in donations from the area, organized the distribution of needed materials from donations and other sources, screened applications (only one in three applicants is accepted), and inspected project homes to plan for necessary work.

AgTexas employee **Brett Keith** helps to cook breakfast and prepares refreshing Gatorade for the day, while **Doylene Evans** and **Beverly Keith** deliver food to some of the crews across the county. **Barbara Carroll** serves as a runner for materials, and **Gary Lacy**, **Doug Sparkman** and **Tim Beaty** are crew chiefs at individual houses. **Judy Lacy** works on various crews and coordinates with homeowners. **Roland Collins**, a former customer, puts his time in at the barbecue pit, preparing burgers for hungry work crews. His wife, **Mary Collins**, is in charge of selecting and preparing lunch and dinner for all participants each day. **Labin Scott** helps crews with any electrical requirements, and **Brenda Kay Scott** helps prepare meals.

“Community Rehab is what God has laid on our hearts to do for Him,” says Mary Collins, summarizing how many volunteers feel about the project. “The entire program is based on Christians reaching out to help others. It is a wonderful blessing to work with volunteers, young and old, helping their fellow man.”

All of us at AgTexas — members, former members and employees — are thankful to be part of an organization that is filled with people willing to give of themselves to make the world a better place.

Your Cooperative and the U.S. Government Credit Ratings Downgrade

Does the change in the long-term sovereign credit rating on the United States to AA+ from AAA have an impact on the Farm Credit System or the owners and stockholders of AgTexas?

The Standard and Poor's (S&P) downgrade was not a surprise. S&P stated in July that unless Congress approved a significant deficit reduction package, there was potential for a downgrade. In their assessment, S&P noted that their ratings for institutions with direct links to the U.S. government, including government-sponsored entities (GSEs), would probably move in lockstep with the ratings action on the U.S.

The Farm Credit System is a GSE. Since its inception in 1916, it has been favored with at least an implied federal guarantee for its bond issuances. The sale of Farm Credit bonds to investors provides the funding for the loans to the System and AgTexas stockholders. Thus far, funding levels have not been adversely affected by the downgrade. For 95 years, the Federal Farm Credit Banks Funding Corporation has never failed to provide needed funds for farmers and ranchers through some fairly critical global, terrorist and economic adverse events. The Farm Credit System currently funds more than one-third of the credit used by those who live and work in rural America.

The bond investors look first to the health of the System and second at the GSE status for safety of the bond investments. The System remains in a position of financial strength, and the capacity to repay debt maturities and interest payments remains strong. Farm Credit System capital is robust, with a capital-to-assets ratio at 15.2 percent as of June 30, 2011. Our ability to react to potential market disruptions that may be caused by ratings actions is strong, with 195 days of liquidity to cover maturing debt obligations. The System continues to enjoy strong profitability. Nationally, Farm Credit reported net income of \$1.986 billion for the six months that ended June 30, 2011, compared with \$1.684 billion for the same period of the prior year.

The Farm Credit System has been financing agriculture and rural America for more than 95 years, and AgTexas is committed to continuing to meet that mission in the future by being the first choice for your financial needs. AgTexas remains dedicated to serving the needs of its customer-borrowers and is confident that our financial stability will allow us to continue fulfilling our important mission of support to rural America.



LEVELLAND OFFICE MOVES TO NEW LOCATION

The AgTexas Levelland office moved to a new location at **301 E. Highway 114** earlier this fall. The phone and fax numbers remain the same.

Levelland office employees Doug Hoelscher and Shelley Samsel are very excited about the new and more convenient location, and encourage their customers to watch their mailboxes for details about an open house happening soon.