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## Staying the Course in Uncertain Times



Dear Stockholder,

At AgTexas Farm Credit Services, you are more than just a customer — you are a stockholder, an owner and the reason for our existence. We always work to keep that top of mind, and it's never been more important than right now. During uncertain times, it is important to stay focused on the fundamentals and remember to put first things first. At AgTexas, our first priority is you, our customer.

Since Farm Credit was established in 1917, we have always had a mission to provide creditworthy agricultural producers and rural Americans with reliable access to competitive credit. We are as focused on that mission today as we were in the beginning. We believe that fulfilling that mission requires a dedication to the people who use our services and own our business.

We are committed to making sound business decisions that are in your best interest. For example, we are paying close attention to credit analysis and review, pricing and structuring loans to the market, and closely servicing our existing portfolio. By staying true to these basics of lending, we feel confident that we will successfully navigate through today's stormy financial waters.

AgTexas' commitment to our customers was reinforced recently by the board of directors' decision to distribute patronage to our member-stockholders. The board reserved a portion of the earnings, so that we can continue to serve our members well during tough economic times. The remainder was returned as patronage. This year, we returned \$1.975 million in earnings to borrowers based on our financial performance in 2008. The patronage payment consisted of \$1.2 million in cash and \$775,000 as a qualified allocated surplus eligible for future distribution. The cash portion of the patronage payment reduced borrowers' average interest rate by 30 basis points in 2008.

Doing business with Farm Credit is about more than just getting a loan; it is entering into a relationship with your lender. We recognize that, for many borrowers, times are tough right now. Some customers will face financial hardships in the year ahead; others might have questions about the stability of your co-op association.

Fortunately, the Farm Credit System is still strong, despite the recent downturn in the financial markets. Also, we are blessed to live in Texas. So far, our state has fared better than many other areas of the nation. However, we are not immune to the effects of a recession of large magnitude. It will undoubtedly impact our regional economy and many of our borrowers in 2009.

We want to encourage you to call us if you have any questions or concerns. It is important that we maintain communication with you in order to best serve you at this time.

Mitchell Harris  
Chief Executive Officer



Part of the Farm Credit System

# MEET OUR REGIONAL

AgTexas is fortunate to have a great team to serve our members. Every employee brings unique strengths to the organization. In this issue of Landscapes, we'd like to introduce four outstanding individuals who head up our regional service areas.

In addition to their lending duties, these regional managers provide a vital link to the overall AgTexas team, helping to institute the board of directors' and management's policies and procedures. Smoothly implementing these goals into daily operations is a big challenge, and these four have proved to be up to the task.

If you have any questions about AgTexas or wish to visit regarding any aspect of your relationship with our organization, please feel free to give them a call.



**Gary Jones,  
Brownfield**

I have been partnering with Texans for 25 years. After graduating from Tarleton State University

in 1983, I was hired as a loan officer in the Tahoka office, and in 1990, I moved to the Brownfield office as the branch manager. I currently serve as the regional vice president of lending services for the South Plains region.

I grew up on a cotton and cattle farm in Crosby County, where hard work and enjoyment of rural living was fixed in my life. My roots are embedded in West Texas agriculture.

Our employees are experienced in agriculture and are dedicated to helping our members with any type of loan, including real estate financing, operating credit, capital loans with terms that will fit your needs, or crop insurance to protect your investment.

We have been a cooperative from the very beginning; every one of our members has a vote on the issues that affect them. We are committed to agriculture and the farming community since we exclusively serve those involved in agriculture. We were chartered to serve members when the banks were not willing to loan to the agriculture community. We are committed to that mission and will continue to serve our members. We have been available for our members in the good times and the not-so-good.

As I look back on 25 years of helping Texans achieve their dreams, I realize it is the people and the relationships that keep me coming to work and allow me to find the value of my job. Life happens one person at a time, and each relationship adds value to our lives.

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**Joe Bob  
Huddleston,  
Stephenville**

I have been with AgTexas for the past 28 years, since my graduation from Tarleton

State University in 1981. I served first as a loan officer in the Fort Worth branch office before moving back to Stephenville in 1983. In 1992, I was named branch manager for the Stephenville office. Most recently, I was promoted to regional vice president of lending services for the Cross Timbers region, where I serve today.

I've found that my background and my education complement my job with AgTexas. My family has an agricultural operation in Comanche County, near DeLeon, consisting of peanuts, cattle, small grains and forage production. My bachelor's degree is in business administration with emphasis in accounting and finance.

I enjoy meeting people and working with my customers to assist them in meeting their financial goals and objectives. I have a true appreciation for those engaged in agriculture and for those who appreciate the outdoors and owning a piece of Texas. My personal goal as a lender is to benefit those I come in contact with and to provide them with quality service. It also is important to me to stay abreast of the current issues facing agriculture and to serve the industry as a spokesperson or ambassador.

On a personal level, my family is very important to me, and my two beautiful daughters are the diamonds in my eye. The arrival of my first grandchild, Kamryn June Kolb, on Jan. 10, 2009, added even a new level of love and appreciation for my family. I also consider the wonderful people at AgTexas to be part of my extended family.

I love the outdoors and enjoy fishing and playing golf. I have been a member of the Stephenville Optimist Club since

# MANAGERS

1984 and have served on the athletic advisory board at Tarleton State since 1994. I am currently the chairman of the Stephenville Chamber of Commerce Ag Committee, and I enjoy living and working in the Stephenville community and taking part in activities to make this an even better place to live. Contact information: (254)965-3151, joe.huddleston@agtexas.com



**Kevin Canaday,  
Burleson**

I graduated from Colorado State University with a degree in ag business, and in 1995, I started my lending career with Farm Credit Services in northeast Colorado. In 2006, my family moved to Texas, and currently I serve as the regional vice president of lending services in the Burleson office.

After growing up on cow and sheep ranches in northwest Colorado near Steamboat Springs, I looked forward to a career in agriculture. However, I did not have a family ranch to go back to after college, so I did the next best thing, which, in my mind, was to help others achieve their goals in agriculture.

I have been lending money for agriculture for 14 years, 12 of which have been within the Farm Credit System. I have been around AgTexas just long enough to realize how dedicated this association is to agriculture and to our members. The main reason I do what I do is to work with the same kind of people I grew up with — whether you are in Colorado or in Texas, the people who work or live in rural America have a lot

in common. I feel blessed to be able to assist these people to achieve their goals under the brand of AgTexas.

My family and I have traveled to many places in this great state. In these travels, we have found a common theme: Texans are proud of where they live. I, too, am proud to say I live in Texas, but most of all, I am proud to be a part of AgTexas. Contact information: (817)293-6103, kevin.canaday@agtexas.com



**Rodney Keeton,  
Lubbock**

My roots have grown deep in West Texas. I was born in Levelland, graduated from Hale Center High School and received a bachelor of business administration degree in finance from Texas Tech University in 1982. I have lived in Sundown, Hale Center, Brownfield and Lubbock. Although sometimes the wind blows in West Texas, I have never had a big desire to venture off the South Plains.

After graduating from Tech, I started my banking career in Lubbock. Five years later, I moved to Brownfield and worked for two commercial banks, focusing mainly on agricultural lending. In July 2005, I accepted a job with AgTexas.

At AgTexas, our purpose is “Helping Texans achieve their dreams.” We fulfill our purpose by partnering with rural Texans, enabling them to own a comfortable home, a successful business or a piece of Texas. With dedicated employees and strategic business alliances, we are able to provide service beyond expecta-

tions. Our actions are driven by integrity, commitment, prudence and the desire to succeed, and our code of conduct includes character, conduct, commitment, communication, customer service and cooperation.

The main thing that keeps me coming to work every day is seeing people achieve their dreams. I have built great business and personal relationships with many farmers in West Texas during my 20 years of financing agriculture. I cannot imagine dealing with a better group of people than farmers and people that respect rural America. Farmers and rural Texans love the land — that is why they stay, even with the risks, knowing that all of their work could be taken away in one 20-minute hailstorm. What better way is there to describe the word commitment?

The current economic crisis has affected my family, as well as many people that I know. However, we are fortunate that AgTexas has customers that continue to prosper during this economic downturn. Our customers’ prudence and loyalty have played a large part in the success of AgTexas. I value the relationship I have with our customers, and I still believe today that the handshake is the most important part of the loan transaction. Contact information: (806)745-4575, rodney.keeton@agtexas.com

# Market Risk Drives Shorter Loan Terms

**N**ext time you are shopping for a loan, you may find that many lenders are hesitant to offer long terms. And if they do, they'll probably charge significantly higher rates for the longer terms. Contrast that to just one year ago, when 30-year fixed-rate mortgages were commonplace in the home-lending business.

As you might expect, this change in lending practices is the result of the volatility that has occurred in the global financial markets since the summer of 2008.

Loans are priced based on the amount of risk or uncertainty involved in the loan. Longer-term loans are inherently more risky than shorter-term loans. With a 30-year loan versus a five-year loan, there is more time for market conditions to change and for the borrower to default on the obligation. Given the fact that nobody can predict the market's future, lenders today are generally less willing to risk making long-term loans.

A lender's cost of funds is also a factor in loan pricing. In the case of AgTexas FCS, we obtain our funding from the Farm Credit Bank of Texas, which receives its funds from the sale of bonds and securities in the nation's money markets. The bank's cost to issue this debt is more expensive for longer yields. To the extent that the loan terms can be shortened, the cost of the debt moves down the pricing curve, resulting in lower interest rates on the loan. This shortening can be in the form of a shorter fixed-rate period, a long-term amortization with a short balloon payment or a shorter amortization period.

Shorter terms often work to a customer's advantage. Over time, the interest charges are significantly less for a shorter- than a longer-term loan, because the loan amortizes more quickly. The shorter the term, the quicker the borrower accumulates equity and gains the ability to withstand adversity. For example, a five-year amortizing loan that starts off with a loan-to-value ratio of 80 percent will improve to a level of approximately 50 percent after two years of payments. With a 30-year loan, it will take more than 20 years to achieve that same level of collateral protection.

As a lending cooperative that is owned by our customers, AgTexas must stay focused on the long-term viability of the organization. We have an obligation to price loans appropriately so we can weather the risks involved, in order to maintain our earnings performance. Then, in the future, we can pay back our customer-stockholders through patronage.

At AgTexas, you and your loan officer choose the loan characteristics that are best for you — level principal or standard amortization term, interest-only payments, payment frequency, balloon payments, etc. While we need to ensure that loan pricing is commensurate to the risk present in the transaction, you can rest assured that we always consider your best interests when structuring your loan.