



(800) 530-1252
LoneStarAgCredit.com

Building lifetime relationships through financial solutions

Cooperative Structure Proves Strong and Resilient

Lone Star Ag Credit is a cooperative that works to benefit its customer-owners. You 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. Our cooperative structure 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.

Lone Star Ag Credit ended 2010 with a \$1 million loss. Thanks to hard work and a dedicated staff, we were able to show a \$3.9 million net income at the end of our second quarter of 2011. This turnaround was made possible largely by the efforts of our board and staff. I praise everyone for their commitment to making Lone Star a success.

No matter what we face, we can trust that our cooperative structure will serve agriculture and our borrowers well in both good times and bad. 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,

Steve Fowlkes
Chief Executive Officer



Part of the Farm Credit System

USFRA Aims to Educate Americans About the Food System

This message from the U.S. Farmers and Ranchers Alliance (USFRA) explains the newly formed organization's mission and goals.

For too long the voices of farmers and ranchers have often been missing in the conversation about where food in America comes from. That is changing now. USFRA is inviting all farmers and ranchers to join in leading the conversation with Americans. Raise your voice and share your story. Together, we can begin a dialogue with Americans about where their food comes from, the importance of today's agriculture and our commitment to continuous improvement.

What is USFRA?

U.S. Farmers and Ranchers Alliance is a newly formed alliance consisting of a wide range of prominent farmer- and rancher-led organizations and agricultural partners. This is the first time that agricultural groups at the national, regional and state levels have collaborated to lead the dialogue and answer Americans' questions about how we raise our food — while being stewards of the environment, responsibly caring for our animals and maintaining strong businesses and communities.

Will you fight back against all of the attacks made against agriculture? If so, how?

We want to turn the current culture wars on the good food/bad food debate into a constructive dialogue. This movement will help farmers and ranchers lead a discussion in America about how our food is grown or raised. The purpose of USFRA is to give farmers and ranchers a chance to proactively address issues and lead, not just react, to misinformation, attacks and confusion. We hope to invite many parties to the conversation, to listen and to focus on solutions.

We will take actions to correct misinformation and rumors. But most of our communications will be about facilitating positive discussions about the future of food.

Will you correct false information about farmers and ranchers?

Yes, when appropriate. But most of our communications will be about leading a discussion on the future of food.

When will the campaign start? What public activities will be launched?

We expect the public movement to launch in the fall of 2011. It will be an ongoing, long-term effort. Watch for developments and visit our website for more updates.

Is this campaign in response to a particular issue or crisis?

This is the beginning of a long-term movement about doing the right things to fix the growing distrust of today's agriculture. We want to answer Americans' many questions about how their food is grown or raised — and listen to their concerns. These questions span many topics.

This movement is about giving farmers and ranchers a voice in the huge amount of discussion and chatter about our food.

What results do you expect from this campaign?

This movement will create a more balanced discussion about agricultural issues — giving farmers and ranchers a chance to raise our voices.

Our success will be measured by:

- Increasing the share of the voice in key media (national and state, traditional and social)
- Increasing the number of policymakers and government officials (at all levels) who accept the value of modern agriculture production
- Engaging key customer decision-makers in the dialogue about the value of modern food production
- Working with leading national influencer organizations (medical, cultural, dietary, environmental, etc.) to create partnerships in support of today's agriculture
- Increasing the role of farmers and ranchers as the voice of animal and crop agriculture on local, state and national food issues

Where can I find a list of affiliates for USFRA?

www.usfraonline.org

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As Farmers and Ranchers, We've Raised Pretty Much Everything. Except Our Voices.

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Join us in leading a conversation about the importance of today's agriculture and our commitment to answering Americans' questions about how we raise our food.
Begin by sharing your voice at www.USFRAonline.org.

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U.S. FARMERS & RANCHERS ALLIANCE

LONE STAR AG CREDIT

Risky Business

Consider Hedging and Options to Help Manage Risk

Agriculture is a risky business. Supply, demand and prices hinge on variables such as weather, livestock health, crop yields and many other factors. But when markets are volatile, agricultural producers can mitigate some of their risk by using the tools available through commodities trading.

“From my perspective, winners and losers are determined by their ability to understand and adopt sound risk management strategies,” says Jim Bob Reynolds, Lone Star senior vice president of commercial credit. “At Lone Star Ag Credit, we believe it is crucial to help producers adopt sound risk management strategies to capture margins when they are available.”

Recently, Lone Star Ag Credit commercial credit loan officers, chattel appraisers and credit analysts worked with Producers Trading Company in Fort Worth, to consider how Lone Star Ag Credit stockholders can protect their investments by using hedging strategies. Paul Hicks and Jason Sanders of Producers Trading Company conducted the training, which included discussions on hedging and option strategies and chattel evaluation procedures.

“Lone Star is looking for ways to help producers to secure a profit in spite of unfavorable conditions,” Reynolds explains. “Hedging and options are tools that some producers may want to consider.”



Lone Star staff attend risk management training in Fort Worth.

A Primer on Futures Contracts

- A futures contract is a standardized agreement stating the commodity, quantity, quality and delivery point or cash settlement.
- Price is discovered in futures trading by the interaction of buyers and sellers, representing supply and demand, from all over the country and around the world.
- Sellers remove their obligation to deliver on a sold contract by buying back the contract before the delivery date.
- Buyers remove the obligation to take delivery of a purchased contract by selling back the contract before the delivery date.
- A short hedge protects the seller of a commodity against falling prices.
- A long hedge protects the buyer of a commodity against rising prices.
- Operations that may benefit from these strategies include:
 - Cattle segments: stocker, feedlot, cows and calves
 - Crops, such as corn, cotton and wheat

Note: Before purchasing a futures contract, it is critical for producers and lenders to know the producer's break-even or expected return per head or acre.

— From the CME Group

Lone Star Ag Credit Tenure Awards

5 YEARS

Katy Crockett, loan administrator, Sherman

Shelley Gilliland, loan administrator, Stephenville

Lanell Guinn, loan administrator, Stephenville

Marta Hanks, loan administrator, Abilene

Rustin Watson, loan officer, New Boston

Seth Wharton, senior credit operations analyst, Fort Worth

10 YEARS

Vicki Hayden, loan administrator, Sherman

Janet Mathis, controller, Weatherford

15 YEARS

Audra Berna, senior loan administrator, Stephenville

Wilma Jo Brown, loan administrator, Sweetwater

25 YEARS

M'Lissa Kiel, chief financial officer, Fort Worth

30 YEARS

Letha Carmichall, senior loan administrator, Cleburne

Don Poole, vice president/branch manager, Denton