

# 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.