

Committed to Agriculture, Proud to Be Different



At Capital Farm Credit, we often talk about how Farm Credit supports rural communities and agriculture. It's our mission, and we're proud to fulfill it every day. But what does that really mean?

As a cooperative, we're owned by you and our many other stockholders. Our board members are borrowers themselves, who are voted into office by their fellow borrowers. They provide important direction and ensure the safety

and soundness of our finances.

Capital Farm Credit has a long tradition of strong earnings, which accrues to the benefit of our members. We bring value to our members by delivering credit and other financially related services to them effectively and efficiently. As we return the earnings through our patronage dividend program, we effectively lower the cost of doing business for these farmers and ranchers, which helps strengthen the agricultural economy and rural communities we serve.

Capital Farm Credit returned a \$77.5 million cash patronage to its members in March. In addition, we're setting aside \$86.3 million in allocated equities for future distribution to our members, for a total 2018 patronage declaration of \$163.8 million.

We return almost all of our earnings back to our members, and we've returned more than \$750 million over the past decade.

That isn't the only thing that makes Capital Farm Credit different. Our staff is focused on providing the best possible service to our customers. We'll come to your farm or business to touch base, talk about your operation and see if we can provide additional support. What's more, our deep understanding of agriculture is genuine. Most of us grew up in rural areas, and



some of us still have a hand in farming or ranching, so we personally understand the business decisions you face.

We try to make a difference in your life and your ag business by offering specialized services and loan products. Some of these include financing for farm and ranch property; livestock and equipment; operating capital; agribusiness operations and facilities; and crop and livestock insurance.

Ultimately, however, what makes the Farm Credit difference is personal relationships — such as relationships that are formed when you become a customer-owner of the co-op, or when our loan officers literally take their expertise to your farm or business. We are truly committed to rural America and supporting the men and women who produce our food, fiber and fuel.

Thank you for choosing Capital Farm Credit as your lending partner.

Ben R. Novosad

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Chief Executive Officer

Summer Stampede

Keeping Up the Tradition of Ranch Gatherings

Gatherings have always been a part of ranch life. Births, deaths, church tent meetings and weddings were reasons for ranch families to load up on horseback or in wagons and gather together. Word would spread with line riders making their circles through the open range or as ranchers traveled to get supplies and drive cattle to market.

Regardless of how the word carried, the speed at which the word of a ranch gathering could spread was remarkable, even in the days when early ranchers might go months without seeing a neighbor.

Get-togethers continue to be a part of the ranching tradition. While cell phones and combustible engines make it easier for ranchers to stay in touch, nothing replaces coming into town for a great celebration.

The National Ranching Heritage Center (NRHC) in Lubbock, Texas, holds one of the greatest celebrations in ranch country: the Summer Stampede Western Art & Gear Show presented by Capital Farm Credit. Summer Stampede gives members of the NRHC and ranching enthusiasts a chance to view almost 100 pieces from 33

celebrated Western artists and gear makers. The pieces range from handmade knives and spurs to original oils, watercolors and photographs.

Western Art and Handmade Gear

"It's truly a unique Western art and gear show," said Jim Bret Campbell, executive director of the NRHC. "We have collectors who come from all over the West to purchase art from some of the top contemporary Western artists. Some of these artists release very few pieces, but they participate in our show because it's authentic and supports the continuation of the NRHC. In addition, we have great gear that resonates with working cowboys."

But Summer Stampede is more than an art and gear show. It's a unique opportunity for the ranching community to come together for a traditional gathering. Families travel from across ranch country to the NRHC and honor the ranching tradition. In some cases, ranching families


have been represented by four generations at Summer Stampede.

Just as in the old days, the celebration is a chance to greet old friends and make new ones. The event showcases classic Western swing music, where dancers keep the dance floor heated up and the band plays well past the summer twilight.

The event takes place at the NRHC on the campus of Texas Tech University each June. Proceeds from art and ticket sales support the mission of the NRHC, which is to preserve and interpret the history of ranching in North America and address contemporary ranching issues.

Established in 1976, the NRHC houses the largest collection of ranching structures anywhere in the country, with more than 50 historic structures that have been preserved to tell the story of ranching.

In addition, the NRHC tells the story of ranching through seven main galleries that



"Some of these artists release very few pieces, but they participate in our show because it's authentic and supports the continuation of the National Ranching Heritage Center."

— Jim Bret Campbell



Top: Visitors dance to Western swing music at the Summer Stampede Western Art & Gear Show. Bottom: Spurs and artwork by celebrated Western artists are on display at the show.

feature rotating exhibits dedicated to telling the story of the men and women who ventured west of the Mississippi and the unique contributions that ranching has made to culture, values and history.

Supported by Capital Farm Credit

Capital Farm Credit has sponsored the event since its beginning in 2014 and has enabled Summer Stampede to become a tradition in ranch country in only a few short years.

“It’s been such a great honor for me to be a part of Capital Farm Credit’s partnership with Summer Stampede,” said Tanya Foerster, director of advertising for Capital Farm Credit. “It brings people together from all over the state and enables everyone to work for the same cause. I’m proud that Capital Farm Credit has had the opportunity to be a partner in supporting the National Ranching Heritage Center.”

– Article contributed by Jim Bret Campbell

2018 Summer Stampede Artists and Gear Makers

Billy Albin – knives/leatherwork

JaNeil Anderson – sculpture/paint

Toni Arnett – painting

Brian Asher – knives/sketches

Wayne Baize – painting

Mary Baxter – painting

Mary Ross Buchholz – pencil/charcoal sketches

Mike Capron – bits/spurs

Wilson Capron – painting

Doug Clark – sculpture

Beau Compton – silversmith

Rex Crawford – spurs

Tanner Crow – silversmith

Tyler Crow – painting

Baru Forell – jewelry

David Griffin – painting

Matt Humphreys – spurs

Jayson Jones – bits/spurs

Billy Klapper – spurs

Buddy Knight – spurs

Kim Mackey – painting

Jan Mapes – painting

Emily McCartney – photography

Bob Moline – sketches/paintings

Dustin Payne – sculpture

Peter Robbins – photography

Jason Scull – sculpture

Edgar Sotelo – painting

Michael Tittor – silversmith

Herman Walker – painting

Garland Weeks – sculpture

Stewart Williamson – spurs/bits

Russell Yates – spurs/bits

A Partnership That Really Pays

Members Reap Benefits of Patronage Program

Capital Farm Credit is a cooperative, meaning that you as a borrower are also an owner and share in our earnings. Profits are returned to you through our patronage dividend program. In fact, Capital Farm Credit has returned more than \$750 million to borrowers over the past decade.

In spring 2018, Capital Farm Credit returned \$77.5 million in cash to our members in the form of patronage dividends, based on last year's income. In addition, the association is setting aside \$86.3 million in allocated equities for future distribution to our members, for a total 2018 patronage declaration of \$163.8 million.

We have a long tradition of strong earnings, which adds to the benefit of our members. As our earnings are returned through our patronage dividend program, the association lowers the cost of doing business for our members, and in turn helps to strengthen the agricultural economy and rural communities we serve.

We've put together the following Q&A to help you better understand our patronage dividend program and how it benefits you.

Q: What is a patronage dividend?

A: A patronage dividend is a return of a cooperative's earnings back to patrons like you who use the cooperative's services. All members who have a loan relationship with Capital Farm Credit receive a patronage refund, as long as their loans are in good standing.

Q: What determines how much a borrower receives?

A: At our association, our board of directors makes an annual decision regarding our patronage dividend program based on a number of factors, including financial performance of the association. A borrower's refund amount is determined by the total earnings generated by the association, and is allocated based upon the interest accrued on his or her loan. Each individual borrower's patronage amount will depend on that borrower's interest rate and loan volume. Simply put, patronage is based on the amount of business the borrower does with Capital Farm Credit.

Q: How do patronage dividends benefit customers?

A: The patronage refund is a refund of a portion of the interest the member paid, which ultimately lowers the effective rate and reduces their borrowing cost. Capital Farm Credit charges a market interest rate on loans, but our customers get

money back through a patronage refund, which reduces the cost of lending.

Q: How do patronage dividends benefit the cooperative?

A: Earnings that are not returned to members in cash are reinvested in the cooperative to provide financial stability and generate future earnings for its members.

In addition, a cooperative's earnings distributed as qualified patronage are not taxed to the association. Instead, the refunded earnings are taxed only once — to the member when they are distributed as a patronage refund.

Q: What sets Capital Farm Credit's patronage program apart?

A: We're one of very few associations that truly allocates nearly 100 percent of our earnings to our members. Regulations prevent allocating 100 percent of earnings, but by and large, we distribute all of our member-sourced income in patronage.

In 2017, the cash portion of our patronage dividend program represented 46 percent of our earnings, while the nonqualified allocated equities represented 51 percent of earnings. This means we returned 97 percent of our earnings back to our members through the program.

Cooperatives are formed by their members to offer services that

Loan Example:

For a customer who borrowed \$250,000 in 2017 at a 5 percent interest rate, the total interest accrued on that loan would have been \$12,500.

Total interest accrued for the association was almost \$347 million. That customer's share of the refund would be \$12,500 divided by \$347 million, then multiplied by the total patronage refund of \$77.5 million, or about \$2,791, which is approximately 1.1 percent of the loan balance, in this particular example, for 2017.

benefit or enhance their operations. As an extension of their operation, Capital Farm Credit puts the resources our members give us — their capital, which is their member stock, plus the interest they pay on their loans — to use for their benefit. We return some of that capital in a cash patronage refund each year, and retain some for a period of time to capitalize the association. As a healthy cooperative grows, it generates new capital and is able to retire older capital from previous years.

Capital Farm Credit allocates (or puts a name on) its earnings. These earnings are called nonqualified allocated equities. By allocating these earnings, we guarantee that when a borrower pays off his or her loan and retires his or her stock, those earnings rightfully belong to that member and will be paid out to him or her at a point in the future.

Not every cooperative allocates its earnings. If earnings aren't allocated, then a cooperative can just use that capital, and would not have to rightfully return it to the patron who contributed to those earnings. We believe customers shouldn't have to capitalize the association after they cease to be members. That's why we retire allocated equities as we are able, and distribute to members in cash.

Q: Is the patronage dividend program sustainable?

A: Absolutely. Capital Farm Credit has a 10-year capitalization plan to ensure our philosophy is sustainable. Continuing our patronage philosophy is important to us, and we manage our business with this in mind. We've paid cash patronage and returned nonqualified allocated equities since 2004.





A New Life FOR AN OLD GIN

The 93-year-old Kitalou Gin finds new purpose as a rural event venue and education center on the South Plains of West Texas.

Abandoned cotton gins sadly recall a bygone era when close-knit communities supported their own ginning operations. Thanks to a West Texas farming family, however, one of those skeletal remains, the Kitalou Gin, has been transformed into a vibrant event venue that's also a working farm and educational center.

Built in 1925 and named for the daughter of a railroad vice president, the Kitalou Gin closed in 1975, after a half-century of service in one of the world's top cotton-producing regions. Left abandoned to the whims of nature, the building became a haven for nuisance birds and broken-down equipment — until two years ago. That's when Shelley Heinrich and her daughter Lauren Heinrich of Slaton purchased the property, located northeast of Lubbock.

The Heinrichs' gin project started when Shelley needed a warehouse for her growing pumpkin business.

"Whenever Lauren commuted to West Texas A&M University in Canyon, she'd notice old gins," Shelley says. "She suggested the idea of buying one as a place to store my pumpkins and host farmers' markets."

Shelley's husband, Burt, a cotton farmer from Slaton, knew of



Courtesy of Kitalou Gin



Kristin Bednarz

The Kitalou Gin is seen during renovations, top photo, and following its transformation into a spacious event center, left. Above, the Heinrich family, a longtime Capital Farm Credit customer, includes, left to right: Burt and Shelley Heinrich; Kody Bessent, fiancé of Lauren Heinrich; and the four Heinrich siblings, Lauren, Heath, Aubry and Reagan.

the abandoned Kitalou Gin, which adjoins cotton fields and a cattle pasture. Driving out to see the property, the family found a rundown structure surrounded by a junkyard. Despite the dismal conditions, they liked what they saw.

"The gin faced east and had plenty of storage for my pumpkins," Shelley recalls. "We knew the family who owned it, so we reached out to them, and they agreed to work with us."

Refurbishing and Repurposing

After purchasing the gin in December 2016, the Heinrichs worked tirelessly to clean up the site. Altogether, they hauled off 80 loads of outdated equipment and debris.

"As we began cleaning up the property, we saw more of its unique charm. The more we worked, the more we envisioned. We found treasures like an old receipt book that had names of families that used to gin there," Lauren says. "During the cleanup, we received inquiries from folks curious about what we were planning to do with Kitalou. One woman sent us a photograph of herself as a little girl on a swing and her father at the gin."

The public interest and links to the past inspired Shelley and Lauren to think beyond a pumpkin farm. In February 2017, they obtained an improvement loan from Capital Farm Credit to refurbish and ultimately repurpose the gin.

“The Heinrichs, who’ve been excellent customers with us, are some of the best farmers on the Southern Plains,” says Jason Gandy, vice president and Lubbock branch manager. “If they have a vision, I trust them.”

Throughout renovations, the Heinrichs sought to preserve the gin’s original structure and features, such as interior metal beams, windows, pulleys, and even a ceiling-high ladder once used to check a seed auger.

Between the gin and seed barn, the Heinrichs built a catering kitchen, lobby and ample restrooms. An attached concrete patio provided more space for guests to mingle. The gin office, located on the gin yard, was converted into a shabby-chic bridal suite, offering three dressing rooms and a bathroom.



The gin’s rural setting offers a casual atmosphere and plenty of indoor and outdoor space for weddings, parties, reunions and other gatherings.

Last October, less than a year after the family bought the property, the Kitalou Gin hosted its first wedding and reception. The celebration was followed by Christmas parties, a prom and many more private events.

Teaching Visitors About Agriculture

But the property is not just a place for parties and events. The family also tends to a pumpkin and cotton farm on the site.

“As agriculturists, it’s our responsibility to teach guests about agriculture and preserve our past, and we plan to do that here,” Shelley says.

“We’re a farming family, and throughout our own careers, we are each heavily involved within the agriculture industry — it is our passion.” says

Lauren. “With Kitalou, we saw an opportunity to preserve a piece of the West Texas heritage. This allows the gin to continue serving the community and West Texans as it has done since 1925.” ■ SSR

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