AgTexas Farm Credit Services

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Primary Contact

John Orsatti, CFA
New York
1-212-438-0268
john.orsatti
@spglobal.com

Secondary Contact

Catherine C Mattson
New York
1-212-438-7392
catherine.mattson
@spglobal.com

This report does not constitute a rating action.

Ratings Score Snapshot

SACP: bbb

Anchor	bbb+	
Business position	Constrained	-2
Capital and earnings	Very Strong	2
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: 0

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0

Holding company ICR
BBB/Stable/--

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Robust capital position.	Highly concentrated geographic footprint.
Stable access to low-cost matched funding through Farm Credit Bank of Texas.	Concentrated exposure to agricultural sector.
History of stable profitability.	Limited scale compared with peers.

AgTexas Farm Credit Services (AgTexas), an agricultural lender operating within the Farm Credit Bank of Texas (FCBT) district, has a history of stable operating performance. The association has a record of low credit losses, stable earnings, strong capital ratios, and access to low-cost funding from the FCBT.

AgTexas has very limited geographic diversity and concentrated loan exposures to the agricultural industry. The association's district is limited to certain regions in Texas, and its loan exposure is substantially in the livestock and dairy sectors. We view these factors negatively because they create additional risk that could negatively impact loan performance due to cyclicality and loan concentrations. Although asset quality metrics have worsened somewhat in the first half of 2025, they remain good, with adjusted nonperforming assets (NPAs) averaging well below 1% over the last five years.

Our ratings on AgTexas incorporate the benefit it receives as a member of the Farm Credit System (FCS), including ready access to stable, low-cost funding through its credit line with the FCBT. AgTexas' primary funding source is its credit line with the FCBT. Although we view on-balance-sheet liquidity as thin, we do not expect AgTexas will lose access to its FCBT funding. The association can match-fund its loans with low-cost borrowings, largely neutralizing its interest rate risk and helping maintain a stable net interest margin (NIM).

Although our rating incorporates the funding benefit AgTexas receives as a Farm Credit System member, we think the likelihood the U.S. government would provide extraordinary support directly to AgTexas, if it were in financial stress, is low. In our view, AgTexas' role is of limited importance to the government, and another entity could assume AgTexas' business should it come under significant stress. In addition, there is no history of the government providing direct support to associations like AgTexas, which limits its link to the U.S. government. Therefore, we do not include any rating uplift for potential government support.

Outlook

The stable outlook indicates our expectation that the association will maintain a strong capital position, including an S&P Global Ratings risk-adjusted capital (RAC) ratio above 15%, good loan performance, and access to low-cost funding from the FCBT over at least the next two years.

Downside scenario

We could lower the ratings if AgTexas' RAC ratio declines below 15% on a sustained basis, asset quality deteriorates meaningfully, or in the unlikely event the association were to lose its access to low-cost funding from the FCBT. However, we think it is very unlikely that AgTexas would lose its FCBT funding.

Upside scenario

While less likely over the next two years, we could raise our ratings if AgTexas expands its geographic reach and further diversifies its loan portfolio while maintaining a very strong RAC ratio.

Anchor: Equal To That Of U.S. Banks

Our starting point--or anchor--for our rating on AgTexas is 'bb+', in line with that for other U.S. companies that we rate under our nonbank financial institutions criteria. Because of AgTexas' public policy role, access to government-related entity (GRE) funding, and regulated status, we raise its anchor to 'bbb+', three notches above our anchor for other finance companies and equal to that of U.S. banks. This is to account for the Farm Credit Administration's regulatory oversight and the company's favorable funding through its position in the FCS.

Business Position: Limited Geographic Reach And Concentrated Exposure To The Agricultural Industry

Our assessment of AgTexas' business position is based on its limited geographic footprint in Texas and concentrated exposure to agricultural lending, particularly in livestock and dairy. These factors are partially offset by its solid market share and reasonably good revenue diversification.

AgTexas operates through two wholly owned subsidiaries, AgTexas PCA (PCA) and AgTexas FCLA (FCLA). The company has four main lines of business: loans, lease programs, insurance programs, and treasury management services. PCA focuses on short- and intermediate-term loans for agricultural production and operating purposes, while FCLA focuses on secured long-term agricultural real estate and rural home mortgage loans.

We think AgTexas' experienced management team and organic growth strategy support its stability, as indicated by its history of solid loan performance, consistent earnings, and low credit losses.

The association operates in 43 counties in the Panhandle, and to a lesser extent in the Central and the South Plains regions of Texas, with around 24% of total loans in Texas counties outside of those areas as of year-end 2024. The remaining loan exposure is in participations from other FCS entities around the U.S., which provides some geographic diversification. AgTexas' charter prevents it from expanding operations outside of Texas and limits loan exposure to the agricultural industry. However, we still view the agricultural exposure somewhat negatively given the volatility inherent in agricultural commodities.

Capital And Earnings: Very Strong Capital Ratios Supported By Stable Earnings

AgTexas' stable profitability and strong regulatory capital ratios supports its capital and earnings, in our view. We project that its RAC ratio (15.2% at mid-year 2025) will remain around 15% over the next 12 months. AgTexas' regulatory Tier 1 capital ratio was 12.43% as of Sept. 30, 2025, down 0.29% year over year. We expect AgTexas will maintain its capital ratios, supported by solid earnings, modest annual loan growth of around 5% over the next few years, and patronage remaining about 50% of earnings.

We expect AgTexas' earnings to remain healthy, with revenue growth in line with loan growth; well-managed expenses and provisions; and stable net interest margins. The association's significant portion of noninterest revenue, around 27% of total revenue in the first nine months of 2025 (historically above peers averaging above 30%), contributed to AgTexas' stable earnings. Around 71% of the association's noninterest income in the first nine months of 2025 was from patronage dividends AgTexas received based on its direct note balance with the FCBT and the amount of loan volume that it sold to its funding bank.

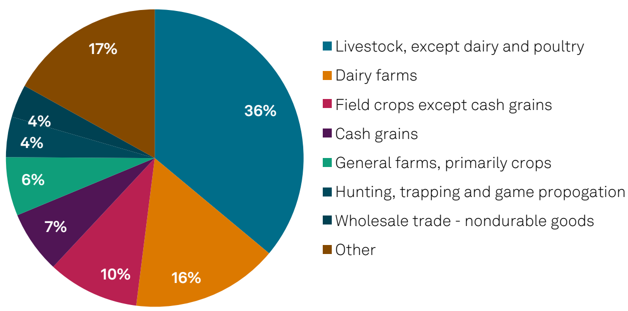
The association's efficiency ratio has been fairly stable, with operating expenses around 39% of operating revenues in the first nine months of 2025, in line with its average over the past few years. Although earnings are not the association's sole objective given its co-op structure, we view certain profitability metrics such as return on adjusted assets (ROAA) as healthy. ROAA averaged 1.9% during the first nine months of 2025.

Based on our view of the stability of AgTexas's earnings and its generally conservative financial policies, we think it's positioned to continue its current patronage policy without straining its capital ratios. The association pays patronage to its current members of approximately 50% of earnings each year. Since 2021, AgTexas has shifted to paying all cash patronage plus allocated surplus, with no stock patronage. However, to remain competitive with peers, we believe it could decide to resume paying a portion of its patronage in stock at some point in the future.

Risk Position: Solid Credit Quality With Agricultural Industry Loan Concentration

AgTexas' risk position benefits from its long history of low credit losses and conservative lending practices, offset by the limited geographic diversity of its loan portfolio, which we think could make the company more susceptible to regional or sector volatility. The association's largest exposures include livestock at roughly 36% and dairy at around 16% of total loans (see loan composition chart). To offset concentration risks, the association uses stress testing and concentration limits as a percent of capital to limit and assess exposures. To date, no material losses have been identified or limits violated.

AgTexas Farm Credit Services--Loan composition as of year-end 2024



Source: S&P Global Ratings.

AgTexas continues to have good asset quality, although nonperformers increased somewhat in the first nine months of 2025. For example, the ratio of nonperforming assets to customers loans plus other real estate owned as of Sept. 30, 2025, was 0.6%, up from 0.3% at year-end 2024. Similarly, credit losses have been minimal in recent years, although its net charge-off ratio has risen to 0.07% in the first nine months of 2025, up from just 0.02% in 2024. These asset quality measures continue to compare well with rated peers, including to that of Capital Farm Credit, American AgCredit, and Compeer Financial.

We believe AgTexas has little asset-sensitivity risk because of the matched funding it receives as part of its General Funding Agreement (GFA) with FCBT. This type of funding significantly reduces the probability of asset-liability mismatch. AgTexas is required to remain compliant with certain covenants of the GFA and has no history of noncompliance with the requirements.

Funding And Liquidity: Stable, Though Concentrated, Access To Low-Cost Matched GRE Funding

In our view, AgTexas' funding and liquidity are adequate to meet its short- and long-term needs. As a farm cooperative member of the FCBT district, AgTexas satisfies all its funding needs through a wholesale note with FCBT. The note is governed by a GFA with a three-year term. This is AgTexas' sole source of funding and is accessible by complying with certain performance covenants and submission of a borrowing base, which are reviewed monthly. Despite the concentrated nature of its funding, we think the likelihood of disruption is low, and the association can maintain access to its note with FCBT based on historical financial performance and consistent compliance with the GFA requirements. The expiration of the current GFA is Sept. 30, 2026.

We view AgTexas' liquidity less favorably than that of some peers, largely owing to its limited on-balance-sheet liquidity, consisting of minimal cash balances and a small investment portfolio. As of Sept. 30, 2025, the association's investment portfolio consisted mostly of Small Business Administration (SBA) securities and totaled $247 million or 6.9% of total assets. The shortfall in on-balance-sheet liquidity is reflected in our calculation of its broad liquid assets to short-term wholesale funding, which has historically been very low and was 0.25X as of midyear 2025.

While we expect it to maintain low on-balance-sheet liquidity, we also think AgTexas' GFA with FCBT will provide it with sufficient liquidity. As of Sept. 30, 2025, AgTexas had around 22% of unused capacity under its existing $3.9 billion credit line.

Support: No Uplift For Government Support

While the rating incorporates the ongoing funding benefits the association receives as a member of the FCS, we think the likelihood of the U.S. federal government providing extraordinary support directly to AgTexas in the event of financial distress is low.

Our assessment is that AgTexas' individual role is of limited importance to the federal government, creating a limited government link. Its members privately own AgTexas, and the government has no history of providing extraordinary government support directly to similar associations. Therefore, the issuer credit rating does not incorporate any uplift for extraordinary government support.

Environmental, Social, And Governance

Social factors are a positive consideration in our credit rating analysis of AgTexas. As an association in the FCS, AgTexas benefits from low-cost funding, which helps it support rural communities and agriculture. In addition, its cooperative structure prioritizes access and benefits for its member-owners and leads it to maintain strong risk-adjusted capital with less focus on short-term profitability.

Additionally, AgTexas' members/borrowers are exposed to risks associated with climate, including weather and drought-related challenges, which we view somewhat negatively. We consider governance factors as neutral to the rating because we think governance and disclosure practices are adequate and comparable with peer institutions.

Key Statistics

AgTexas Farm Credit Services Key Figures

Mil. $	2025*	2024	2023	2022	2021
Adjusted assets	3,340	3,420	3,265	2,996	2,927
Customer loans (gross)	2,951	3,045	2,921	2,747	2,709
Adjusted common equity	413	384	350	320	296
Operating revenues	57	114	108	105	87
Noninterest expenses	22	41	42	41	37
Core earnings	32	68	58	57	49

*2025 data is for the 6 months to end-June.

AgTexas Farm Credit Services Business Position

(%)	2025*	2024	2023	2022	2021
Return on average common equity	16.2	18.4	17.3	18.5	16.9

*2025 data is for the 6 months to end-June. N.M.--Not meaningful.

AgTexas Farm Credit Services Capital And Earnings

(%)	2025*	2024	2023	2022	2021
Tier 1 capital ratio	12.7	12.7	12.7	12.6	13.2
S&P Global Ratings' RAC ratio before diversification	15.2	14.5	14.0	14.3	14.6
Adjusted common equity/total adjusted capital	83.8	82.7	81.4	80.0	78.7
Net interest income/operating revenues	71.0	71.3	70.4	63.2	66.3
Fee income/operating revenues	3.7	4.6	7.8	9.6	5.4
Market-sensitive income/operating revenues	0.0	0.5	0.1	0.2	0.5
Cost to income ratio	39.5	36.1	38.7	39.4	42.3
Preprovision operating income/average assets	2.0	2.2	2.1	2.2	1.9
Core earnings/average managed assets	1.9	2.0	1.9	1.9	1.8

*2025 data is for the 6 months to end-June. N.M.--Not meaningful.

AgTexas Farm Credit Services Risk Position

(%)	2025*	2024	2023	2022	2021
Growth in customer loans	(6.2)	4.3	6.3	1.4	24.0
Total diversification adjustment/S&P Global Ratings' RWA before diversification	45.1	46.0	48.9	49.7	51.2
Total managed assets/adjusted common equity (x)	8.1	8.9	9.3	9.4	9.9
New loan loss provisions/average customer loans	0.1	0.0	0.1	0.0	(0.0)
Net charge-offs/average customer loans	0.2	0.0	0.0	(0.0)	(0.0)
Gross nonperforming assets/customer loans + other real estate owned	0.5	0.3	0.3	1.2	0.6
Loan loss reserves/gross nonperforming assets	84.0	143.1	123.5	24.6	45.4

*2025 data is for the 6 months to end-June.

AgTexas Farm Credit Services Funding And Liquidity

(%)	2025*	2024	2023	2022	2021

AgTexas Farm Credit Services Funding And Liquidity

Long-term funding ratio	71.9	71.6	71.5	71.5	71.5
Stable funding ratio	75.4	74.0	74.1	72.2	72.5
Short-term wholesale funding/funding base	33.0	33.0	33.0	33.0	32.7
Broad liquid assets/short-term wholesale funding (x)	0.3	0.2	0.2	0.2	0.2
Broad liquid assets/total assets	6.9	6.3	5.8	4.3	4.1
Short-term wholesale funding/total wholesale funding	32.1	32.1	32.1	32.0	31.7

*2025 data is for the 6 months to end-June. N.M.--Not meaningful.

Rating Component Scores

Issuer Credit Rating	BBB/Stable/--
SACP	bbb
Anchor	bbb+
Business position	Constrained (-2)
Capital and earnings	Very Strong (2)
Risk position	Moderate (-1)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021,
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 24, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- AgTexas Farm Credit Services, Oct. 17, 2024
- Federal Farm Credit Banks, Oct. 2, 2024

Ratings Detail (as of November 10, 2025)*	
AgTexas Farm Credit Services	
Issuer Credit Rating	BBB/Stable/--
Preferred Stock	BB
Issuer Credit Ratings History	
23-Sep-2021	BBB/Stable/--
Sovereign Rating	
United States	AA+/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.