AgCountry Farm Credit Services, ACA

Quarterly Report
September 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of AgCountry Farm Credit Services, ACA and its subsidiaries, AgCountry Farm Credit Services, FLCA and AgCountry Farm Credit Services, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2019 (2019 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

AgCountry Farm Credit Services, ACA
Post Office Box 6020
Fargo, ND 58108-6020
(701) 282-9494
www.agcountry.com
acndinternet@agcountry.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.AgriBank.com
FinancialReporting@AgriBank.com

NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

Effective October 1, 2020, Becky Thibert relinquished her role as Chief Technology Officer and Acting CFO to be appointed Chief Financial Officer.

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2019 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

The economic outlook improved in the third quarter, with improved unemployment metrics and expected improvement in Gross Domestic Product. The Federal Reserve left the Fed Funds rate unchanged at 0.00% to 0.25% at its September 15th – 16th meeting, and economic projections suggest that the rate will remain unchanged well into 2021. Low interest rates, significant economic stimulus, and proactive servicing and rate conversions have helped mitigate the economic impact of the pandemic on AgCountry customers. We pay close attention to global, national, and local events, and continue to evaluate the impact of those events on our customers and our cooperative as we fulfill our mission to serve agriculture and rural America.

AgCountry serves a broad range of commodities and agricultural industries across its territory. The summaries below provide a high-level summary of conditions and outlook for the primary commodities. See www.agcountry.com/resources for a more comprehensive discussion.

Specific Production Conditions

Corn: Corn became the follower as soybeans took over ownership of market direction. United States Department of Agriculture (USDA) yield estimates declined modestly and the Pacific Northwest export program ramped up, giving some reprieve from the poor fundamental outlook the market has suffered from for the past seven months. Chinese demand has been better than expected, but so far not reflected in USDA's World Agricultural Supply and Demand Estimates (WASDE) reports.

Soybeans: Third quarter soybeans saw a remarkable counter-seasonal rally that attracted more positive attention than the market has seen in a long time. The buying was sparked by consistent, large, export sales and a heavy fund short that looked for cover amid the rally. While the rally did appear to taper off by mid-September, both technical and fundamental outlooks have improved. Attention will shift to U.S. harvest and South American plantings for the fourth quarter.

Wheat: Wheat markets saw a significant pick up in volatility with the Minneapolis December harvest contract hitting new lows in mid-July before climbing back to an intermediate high matching the peak from mid-June. While the rally brought a reprieve and improved pricing opportunity, flat fundamentals and harvest pressure ultimately ruled. The more heavily traded Chicago market, however, remains strong due to attention from outside money flow.

Cattle: Both Fed and Feeder cattle markets continue to improve from this spring when COVID-19 caused severe processing chain disruptions. USDA raised its estimate on U.S. beef slaughter for the year, indicating that processing should continue at a good clip.

Pork: Third quarter of 2020 saw lean hog contracts go from contract lows to contract highs and pork cutout values do their best impression of a rocket. Faster chain speeds and decreasing weights are the exact opposite of what we saw in the second quarter. Spring's overloaded, backed up cash market is giving way to healthy export demand amid Germany's exit from exporting to major markets.

Dairy: Modest pressure on this market with USDA raising its estimate for milk production due to better than expected growth in September. Class III price projections declined by 15 cents due to soft cheese and whey markets; the All Class forecasts fell to $17.75, down 20 cents. Regardless, milk and product price forecasts for 2020 at this point remain higher than what was seen in 2018 and 2019. Outlooks for 2021 are soft for Class III and the All Class prices, with some strength in Class IV due to butter prices.

Dry Beans: Dry bean markets were fairly quiet and steady for most of the third quarter, although some pickup in activity was seen in September as uncontracted new crop production began to roll in. Prices in general remain strong on the dealer side, but some slight softness is showing up to the grower. August crop production estimates from USDA showed estimated yield for all types in North Dakota at 1,800 pounds/acre, up 400 pounds from last year. Projections for Minnesota were up 440 pounds/acre to 2,480 pounds/acre.

Sugar: Prelift has started and has gone smoothly for the three processors in the AgCountry trade territory. USDA's WASDE report made some reporting adjustments for the Tariff Rate Quotas that are more bookkeeping than market altering. Total U.S. Sugar production was raised by 27,095 tons – notably beet sugar production took a hit of 33,889 short tons with the difference made up by better than expected cane sugar production out of Texas. Stocks to use ratio fell on strong consumption, indicating price support going forward.

Ethanol: The ethanol market has found some sort of equilibrium after the crash seen in the second quarter. Total U.S. gasoline consumption remains depressed due to social distancing directives and increased work from home policies. At present, U.S. gasoline consumption is down about 10% compared to last year and ethanol demand is similarly down. Environmental and political policy will also have an impact.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $8.2 billion at September 30, 2020, an increase of $464.0 million from December 31, 2019. The increase was primarily due to growth in our real estate mortgage and agribusiness portfolios.

The U.S. government has instituted various programs in support of the COVID-19 economic recovery. In early 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Among other provisions, the CARES Act and congressional approval made available for small businesses approximately $794.0 billion under the Paycheck Protection Program (PPP), which is a guaranteed loan program administered by the U.S. Small Business Administration (SBA). SBA funded approximately $660.0 billion of the amount authorized. We obtained approval from the SBA in April 2020 to participate as a lender in the PPP. Loan applicants with 500 or fewer employees or who fit within the revenue-based size standard and who are eligible to receive financing under the Farm Credit Act and the Farm Credit Administration (FCA) Regulations were able to borrow from our association under this program. The PPP provided for loan forgiveness under limited circumstances and loan payments were initially deferred up to six months. The Flexibility Act (June 2020) amended deferrals to 10 months after the covered period. AgCountry has successfully processed $32.1 million in PPP loans for customers with production and intermediate-term type loans. Loan payments have been deferred as provided for in the program, and the forgiveness process became available in August 2020. We are accepting applications for forgiveness and submitting to SBA as applications are complete. To date, we have received forgiveness on a few loans.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2019. Adversely classified loans decreased to 1.8% of the portfolio at September 30, 2020, from 2.7% of the portfolio at December 31, 2019. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At September 30, 2020, $375.1 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**September 30, 2020**	December 31, 2019
Loans:		
Nonaccrual	**$ 23,595**	$ 21,889
Accruing restructured	**1,883**	462
Accruing loans 90 days or more past due	**44**	512
Total risk loans	**25,522**	22,863
Other property owned	**--**	140
Total risk assets	**$ 25,522**	$ 23,003
Total risk loans as a percentage of total loans	**0.3%**	0.3%
Nonaccrual loans as a percentage of total loans	**0.3%**	0.3%
Current nonaccrual loans as a percentage of total nonaccrual loans	**51.8%**	68.6%
Total delinquencies as a percentage of total loans	**0.2%**	0.3%

Note: Accruing loans include accrued interest receivable.

Our risk assets have not changed significantly from December 31, 2019, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to a few loans in the production and intermediate-term portfolios moving to nonaccrual. Nonaccrual loans remained at an acceptable level at September 30, 2020, and December 31, 2019.

The increase in accruing restructured loans was primarily due to one loan in the production and intermediate-term portfolio.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of:	**September 30, 2020**	December 31, 2019
Allowance as a percentage of:		
Loans	**0.3%**	0.4%
Nonaccrual loans	**103.1%**	123.2%
Total risk loans	**95.3%**	118.0%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2020.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the nine months ended September 30	**2020**	2019
Net income	**$ 131,665**	$ 106,730
Return on average assets	**2.1%**	1.8%
Return on average members' equity	**9.6%**	8.2%

Changes presented in the profitability information chart relate directly to:

- changes in income discussed in this section,
- changes in assets discussed in the Loan Portfolio section,
- changes in capital discussed in the Funding, Liquidity, and Capital section.

Changes in Significant Components of Net Income

(in thousands) For the nine months ended September 30	2020	2019	Increase (decrease) in net income
Net interest income	$ 153,161	$ 145,465	$ 7,696
(Reversal of) provision for credit losses	(873)	11,075	11,948
Non-interest income	65,028	56,573	8,455
Non-interest expense	87,397	85,770	(1,627)
Benefit from income taxes	--	(1,537)	(1,537)
Net income	$ 131,665	$ 106,730	$ 24,935

Net Interest Income

Changes in Net Interest Income

(in thousands) For the nine months ended September 30	2020 vs 2019
Changes in volume	$ 13,520
Changes in interest rates	(6,646)
Changes in nonaccrual income and other	822
Net change	$ 7,696

(Reversal of) Provision for Credit Losses

The change in the (reversal of) provision for credit losses was related to our estimate of losses in our portfolio for the applicable years.

Non-Interest Income

The change in non-interest income was primarily due to patronage income and fee income.

Fee Income: The increase in fee income was primarily due to PPP loan program fees.

Patronage Income: We may receive patronage from AgriBank and other Farm Credit Institutions. Patronage distributions from AgriBank and other Farm Credit Institutions are declared solely at the discretion of each institution's Board of Directors.

Patronage Income

(in thousands) For the nine months ended September 30	2020	2019
Wholesale patronage	$ 27,344	$ 22,394
Pool program patronage	8,384	7,881
Other patronage	987	--
Total patronage income	$ 36,715	$ 30,275
Form of patronage distributions:		
Cash	$ 36,715	$ 16,321
Stock	--	13,954
Total patronage income	$ 36,715	$ 30,275

The increase in patronage income was primarily due to an increase in wholesale patronage, which is largely a result of a higher patronage rate, and an increase in the note payable for the first nine months of 2020 compared to the same period of 2019.

Benefit from Income Taxes

The benefit from income taxes was primarily related to our estimate of taxable income and book tax differences.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on June 30, 2021. To provide additional capacity for increased loan volume, it was renewed effective June 1, 2020, for $10.0 billion with a maturity date of June 30, 2023. The note payable will be renegotiated no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and because we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- a marginal cost of debt component,
- a spread component, which includes cost of servicing, cost of liquidity, and AgriBank profit,
- a risk premium component, if applicable.

We were not subject to a risk premium at September 30, 2020, or December 31, 2019.

Total members' equity increased $72.6 million from December 31, 2019, primarily due to net income for the period partially offset by patronage distribution accruals and reclassification of capital stock and participation certificates receivable. Changes in accumulated other comprehensive loss are related to a pension adjustment, changes to the Pension Restoration Plan, and a reduction to the Investment in FPI related to its pension plan. Refer to Note 9 in the 2019 Annual Report for more information on the Pension Restoration Plan.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 7 in our 2019 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**September 30, 2020**	December 31, 2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**17.7%**	18.6%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.7%**	18.6%	6.0%	2.5%	8.5%
Total capital ratio	**18.0%**	18.9%	8.0%	2.5%	10.5%
Permanent capital ratio	**17.8%**	18.6%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**19.9%**	20.8%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**21.1%**	21.8%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section and Note 4, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as discussed in Note 11 in our 2019 Annual Report.

REGULATORY MATTERS

Criteria to Reinstate Nonaccrual Loans

In August 2020, the FCA Board approved a final rule to revise how high-risk loans for Farm Credit System banks and associations are classified by clarifying the factors used to place loans in nonaccrual status and revising reinstatement criteria. The stated objectives of the revised requirements are to:

- enhance the usefulness of high-risk loan categories,
- replace the subjective measure of "reasonable doubt" used for reinstating loans to accrual status with a measurable standard,
- improve the timely recognition of a change in a loan's status,
- update existing terminology and make other grammatical changes.

The final rule became effective October 21, 2020. We are updating our policies, procedures, and other documentation to ensure compliance with the amended regulation. The impact of the revisions has not impacted our financial statements.

Investment Securities Eligibility

In August 2020, the FCA Board approved a final rule to amend the investment eligibility regulation. The final rule allows associations to purchase portions of loans in the secondary market that are fully and unconditionally guaranteed by the USDA. The final rule is not yet effective, but will take effect 30 days after publication in the Federal Register during which either body of Congress is in session. Notice of the effective date will be published in the Federal Register. We are updating our policies, procedures, and other documentation to ensure compliance with the amended regulation. We currently do not have investment securities on our Consolidated Statements of Condition.

OTHER MATTERS

COVID-19

AgCountry's objective is to ensure sound credit administration without significant disruption to our member base as various segments of agribusiness, producer, and consumer loans are likely to experience interruptions in their cash-flows due to COVID-19. AgCountry has implemented servicing options for loans to members disrupted by the effects of COVID-19 through August 30, 2020. Members began utilizing the benefits of these programs on April 1, 2020. The programs allowed different options to members, including loan extensions, payment deferrals, and re-amortizations of interest over the remaining loan period with no maturity date change. Interest payments may be deferred then capitalized prior to the start date of repayment of principal and interest. The programs also allowed refinancing, bridge loans to fund payments, and interest only payment options. AgCountry's standard loan modification fees were waived as part of this program. Utilization was limited due to improvements in the supply chain, government support, and commodity price recovery. Members continue to have access to all of our servicing options and should conditions change, we will reinstate our streamlined processes.

AgCountry does not anticipate a material increase in the number or volume of risk loans or a material impact to interest income. This is dependent on the duration of shutdowns and the economic recovery, and this is based on information available at this point in time and may change in the future months. Loans will be monitored and evaluated for credit deterioration. If the financial condition deteriorates to the level viability becomes in question or the loan defaults to 90 days past due without execution of a borrower written plan, the loan will follow the normal process and be moved to nonaccrual and/or evaluated for troubled debt restructuring.

CERTIFICATION

The undersigned have reviewed the September 30, 2020, Quarterly Report of AgCountry Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Edward Hegland
Chair of the Board
AgCountry Farm Credit Services, ACA

Marcus L. Knisely
Chief Executive Officer
AgCountry Farm Credit Services, ACA

Rebecca A. Thibert
Chief Financial Officer
AgCountry Farm Credit Services, ACA

November 3, 2020

CONSOLIDATED STATEMENTS OF CONDITION

AgCountry Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:	September 30, 2020	December 31, 2019
ASSETS		
Loans	**$ 8,238,163**	$ 7,774,194
Allowance for loan losses	**24,328**	26,974
Net loans	**8,213,835**	7,747,220
Investment in AgriBank, FCB	**212,294**	201,655
Accrued interest receivable	**102,969**	98,755
Premises and equipment, net	**37,047**	37,816
Deferred tax assets, net	**985**	1,117
Other assets	**87,338**	94,962
Total assets	**$ 8,654,468**	$ 8,181,525
LIABILITIES		
Note payable to AgriBank, FCB	**$ 6,678,228**	$ 6,246,387
Accrued interest payable	**21,205**	37,928
Patronage distribution payable	**47,250**	60,000
Other liabilities	**35,344**	37,386
Total liabilities	**6,782,027**	6,381,701
Contingencies and commitments (Note 5)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**11,822**	12,151
Capital stock and participation certificates receivable	**(11,822)**	--
Additional paid-in capital	**304,385**	304,385
Unallocated surplus	**1,573,114**	1,488,700
Accumulated other comprehensive loss	**(5,058)**	(5,412)
Total members' equity	**1,872,441**	1,799,824
Total liabilities and members' equity	**$ 8,654,468**	$ 8,181,525

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AgCountry Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
For the period ended September 30	**2020**	2019	**2020**	2019
Interest income	**$ 74,107**	$ 90,220	**$ 238,054**	$ 266,491
Interest expense	**21,276**	40,587	**84,893**	121,026
Net interest income	**52,831**	49,633	**153,161**	145,465
(Reversal of) provision for credit losses	**(522)**	2,945	**(873)**	11,075
Net interest income after (reversal of) provision for credit losses	**53,353**	46,688	**154,034**	134,390
Non-interest income				
Patronage income	**13,417**	10,822	**36,715**	30,275
Financially related services income	**11,384**	10,489	**17,426**	16,937
Fee income	**2,258**	1,979	**8,383**	5,385
Allocated Insurance Reserve Accounts distribution	**--**	--	**1,554**	1,679
Other non-interest income	**155**	924	**950**	2,297
Total non-interest income	**27,214**	24,214	**65,028**	56,573
Non-interest expense				
Salaries and employee benefits	**16,940**	16,694	**52,898**	51,669
Other operating expense	**11,609**	10,934	**34,451**	33,980
Other non-interest expense	**44**	1	**48**	121
Total non-interest expense	**28,593**	27,629	**87,397**	85,770
Income before income taxes	**51,974**	43,273	**131,665**	105,193
Benefit from income taxes	**--**	(267)	**--**	(1,537)
Net income	**$ 51,974**	$ 43,540	**$ 131,665**	$ 106,730
Other comprehensive income				
Employee benefit plans activity	**$ 111**	$ 100	**$ 354**	$ 307
Total other comprehensive income	**111**	100	**354**	307
Comprehensive income	**$ 52,085**	$ 43,640	**$ 132,019**	$ 107,037

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

AgCountry Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates and Receivable, Net	Additional Paid-in Capital	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2018	$ 12,587	$ 304,385	$ 1,390,854	$ (4,629)	$ 1,703,197
Net income	--	--	106,730	--	106,730
Other comprehensive income	--	--	--	307	307
Unallocated surplus designated for patronage distributions	--	--	(33,751)	--	(33,751)
Capital stock and participation certificates issued	510	--	--	--	510
Capital stock and participation certificates retired	(491)	--	--	--	(491)
Balance at September 30, 2019	$ 12,606	$ 304,385	$ 1,463,833	$ (4,322)	$ 1,776,502
Balance at December 31, 2019	$ 12,151	$ 304,385	$ 1,488,700	$ (5,412)	$ 1,799,824
Net income	**--**	**--**	**131,665**	**--**	**131,665**
Other comprehensive income	**--**	**--**	**--**	**354**	**354**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(47,251)**	**--**	**(47,251)**
Capital stock and participation certificates issued	**660**	**--**	**--**	**--**	**660**
Capital stock and participation certificates retired	**(989)**	**--**	**--**	**--**	**(989)**
Additions to capital stock and participation certificates receivable, net (Note 4)	**(11,822)**	**--**	**--**	**--**	**(11,822)**
Balance at September 30, 2020	**$ --**	**$ 304,385**	**$ 1,573,114**	**$ (5,058)**	**$ 1,872,441**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim Consolidated Statements of Condition and Consolidated Statements of Comprehensive Income. Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the nine months ended September 30, 2020, are not necessarily indicative of the results to be expected for the year ending December 31, 2020. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2019 (2019 Annual Report).

Certain amounts in prior periods' financial statements have been reclassified to conform to the current period's presentation.

The Consolidated Financial Statements present the consolidated financial results of AgCountry Farm Credit Services, ACA and its subsidiaries AgCountry Farm Credit Services, FLCA and AgCountry Farm Credit Services, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law.	Section 4013 of the CARES act gives entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not need to be classified as TDRs.	We have adopted this relief for qualifying loan modifications. However, modifications of this nature have not been material.
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 "Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amends the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We expect to adopt the standard as of January 1, 2023. We have reviewed the accounting standard, selected and implemented our system, and are in the process of validating quarterly data and drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**September 30, 2020**			December 31, 2019		
		Amount	%		Amount	%
Real estate mortgage	**$**	**3,547,724**	**43.0%**	$	3,261,426	42.0%
Production and intermediate-term		**2,098,546**	**25.5%**		2,131,112	27.4%
Agribusiness		**1,927,467**	**23.4%**		1,784,023	22.9%
Other		**664,426**	**8.1%**		597,633	7.7%
Total	**$**	**8,238,163**	**100.0%**	$	7,774,194	100.0%

The other category is primarily composed of energy, communication, agricultural export finance, wastewater, and rural residential real estate related loans.

Delinquency

Aging Analysis of Loans

(in thousands) **As of September 30, 2020**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 2,345**	**$ 5,719**	**$ 8,064**	**$ 3,604,812**	**$ 3,612,876**	**$ --**
Production and intermediate-term	**5,636**	**5,195**	**10,831**	**2,119,704**	**2,130,535**	**--**
Agribusiness	**950**	**63**	**1,013**	**1,931,227**	**1,932,240**	**44**
Other	**--**	**--**	**--**	**665,481**	**665,481**	**--**
Total	**$ 8,931**	**$ 10,977**	**$ 19,908**	**$ 8,321,224**	**$ 8,341,132**	**$ 44**

As of December 31, 2019	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 6,490	$ 2,820	$ 9,310	$ 3,305,762	$ 3,315,072	$ --
Production and intermediate-term	8,078	4,034	12,112	2,157,000	2,169,112	512
Agribusiness	630	41	671	1,789,518	1,790,189	--
Other	--	--	--	598,576	598,576	--
Total	$ 15,198	$ 6,895	$ 22,093	$ 7,850,856	$ 7,872,949	$ 512

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which all principal and interest may not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of:	**September 30, 2020**	December 31, 2019
Volume with specific allowance	**$ 7,491**	$ 9,208
Volume without specific allowance	**18,031**	13,655
Total risk loans	**$ 25,522**	$ 22,863
Total specific allowance	**$ 2,492**	$ 3,569
For the nine months ended September 30	**2020**	2019
Income on accrual risk loans	**$ 104**	$ 353
Income on nonaccrual loans	**1,821**	999
Total income on risk loans	**$ 1,925**	$ 1,352
Average risk loans	**$ 28,047**	$ 43,088

Note: Accruing loans include accrued interest receivable.

We had no material commitments to lend additional money to borrowers whose loans were classified as risk loans at September 30, 2020.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral. There may be modifications made related to the COVID-19 pandemic or in the normal course of business that would not be considered TDRs.

TDR Activity

(in thousands) Nine months ended September 30	**2020** Pre-modification	**2020** Post-modification	2019 Pre-modification	2019 Post-modification
Real estate mortgage	**$ 264**	**$ 264**	$ --	$ --
Production and intermediate-term	**1,400**	**1,400**	--	--
Agribusiness	**37**	**37**	21,970	21,970
Total	**$ 1,701**	**$ 1,701**	$ 21,970	$ 21,970

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment in the loan is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, acquisition costs, and unamortized adjustments to fair value on loans acquired through merger and may also reflect a previous direct charge-off of the investment.

The primary types of modification included deferral of principal and extension of maturity.

There were no TDRs that defaulted during the nine months ended September 30, 2020 in which the modification was within twelve months of the respective reporting period. We had TDRs in the real estate mortgage loan category of $0.3 million and TDRs in the production and intermediate-term loan category of $0.5 million that defaulted during the nine months ended September 30, 2019, in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	**September 30, 2020**	December 31, 2019
Accrual status:		
Real estate mortgage	**$ 474**	$ 456
Production and intermediate-term	**1,409**	6
Agribusiness	**--**	--
Total TDRs in accrual status	**$ 1,883**	$ 462
Nonaccrual status:		
Real estate mortgage	**$ 1,759**	$ 2,913
Production and intermediate-term	**317**	370
Agribusiness	**2,702**	3,341
Total TDRs in nonaccrual status	**$ 4,778**	$ 6,624
Total TDRs:		
Real estate mortgage	**$ 2,233**	$ 3,369
Production and intermediate-term	**1,726**	376
Agribusiness	**2,702**	3,341
Total TDRs	**$ 6,661**	$ 7,086

There were no commitments to lend to borrowers whose loans have been modified in a TDR at September 30, 2020.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Nine months ended September 30	**2020**	2019
Balance at beginning of period	**$ 26,974**	$ 17,796
(Reversal of) provision for loan losses	**(1,553)**	10,320
Loan recoveries	**269**	172
Loan charge-offs	**(1,362)**	(1,176)
Balance at end of period	**$ 24,328**	$ 27,112

The "(Reversal of) provision for credit losses" in the Consolidated Statements of Comprehensive Income includes a (reversal of) provision for loan losses as presented in the previous chart, as well as a provision for credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in "Other liabilities" in the Consolidated Statements of Condition.

Credit Loss Information on Unfunded Commitments

(in thousands)

For the nine months ended September 30	2020	2019
Provision for credit losses	**$ 680**	$ 755

As of:	September 30, 2020	December 31, 2019
Accrued credit losses	**$ 3,674**	$ 2,994

NOTE 3: OTHER INVESTMENTS

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Our total commitment is $14.0 million with varying commitment end dates through November 2023. Certain commitments may have an option to extend under certain circumstances. Our investment in the RBICs are recorded in “Other assets” in the Consolidated Statements of Condition, and totaled $10.3 million at September 30, 2020, and $9.5 million at December 31, 2019.

The investments were evaluated for impairment. No investments were impaired at September 30, 2020, or December 31, 2019.

NOTE 4: CAPITAL

Capitalization Requirements

In accordance with the Farm Credit Act and AgCountry’s capitalization bylaws, each borrower is required to acquire capital stock or participation certificates in AgCountry as a condition of borrowing. Borrowers acquire ownership of capital stock or participation certificates at the time the loan is made. Borrowers are not currently required to make a cash investment to acquire capital stock or participation certificates; however, their obligation to pay for the capital stock or participation certificates is maintained as an interest free obligation with AgCountry. The capital stock and participation certificates are at-risk investments as described in the AgCountry capitalization bylaws. AgCountry retains a first lien on common stock or participation certificates owned by its borrowers. Stock is retired in accordance with AgCountry bylaws. Borrowers are responsible for payment of the cash investment upon demand by AgCountry. Effective January 1, 2020, there was a change in the regulatory interpretation related to the accounting for capital stock and participation certificates at AgCountry, along with other Farm Credit Associations. The capital stock and participation certificates are included within members’ equity on the Consolidated Statements of Condition and a new contra line item titled “Capital stock and participation certificates receivable” has been added for the same amount. This change has no impact on the capital stock or participation certificates owned by AgCountry borrowers, borrowers retain all rights afforded to them by the Farm Credit Act. In addition this change had no material impact on our capital ratios.

NOTE 5: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

NOTE 6: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2019 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2020, or December 31, 2019.

Non-Recurring

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)

As of September 30, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 5,249**	**$ 5,249**
Other property owned	**--**	**--**	**--**	**--**

As of December 31, 2019	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Impaired loans	$ --	$ --	$ 5,921	$ 5,921
Other property owned	--	--	147	147

Valuation Techniques

Impaired Loans: Represents the carrying amount of loans that were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 3, 2020, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.