AgCountry Farm Credit Services, ACA

Quarterly Report
March 31, 2021

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, 2020 (2020 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:

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NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

Under a memorandum of understanding, the Boards of Directors of AgCountry Farm Credit Services, ACA and Farm Credit Services of North Dakota, ACA recently made a strategic decision to pursue a merger of the two organizations. The consolidated association would be named AgCountry Farm Credit Services, ACA and would be headquartered in Fargo, ND. Upon completion of the merger, our Association would serve over 25,000 customers in 82 counties in Minnesota, North Dakota, and Wisconsin, and have assets of over $10 billion. We are in the beginning stages of exploring this opportunity. If the outcome of due diligence is satisfactory and related approvals are received from AgriBank and the Farm Credit Administration (FCA), customer-owners would vote on the merger in late 2021. If approved, the merger would be effective no earlier than January 1, 2022.

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 2020 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.

COVID-19 PANDEMIC

The Association has not seen a material adverse impact from the COVID-19 pandemic even though various segments of agribusiness, producer, and consumer loans experienced interruptions in their cash-flows due to COVID-19. These interruptions were offset by various fiscal and monetary plans and programs instituted by the United States government and Federal Reserve including the American Rescue Plan (ARP) and Coronavirus Relief and Economic Security (CARES) Act. Among other provisions, the CARES Act and congressional approval provided approximately $666 billion in guaranteed loans for small businesses, administered by the U.S. Small Business Administration (SBA) as the Paycheck Protection Plan (PPP). We obtained approval from 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 are eligible under the Farm Credit Act and the Farm Credit Administration (FCA) regulations can borrow from our Association under this program. The PPP provided for loan forgiveness under limited circumstances and loan payments were deferred up to six months. At the end of December 2020, additional legislation was passed to extend the PPP by approximately $280 billion and modify and expand eligibility to borrowers. The program will be available until May 30, 2021.

AgCountry does not anticipate material decreases in overall credit quality levels and delinquency levels are expected to remain stable at this time due to the COVID-19 pandemic.

AgCountry initiated business continuity responses to the pandemic to protect customers and employees from the effects of COVID-19. AgCountry continues to provide all products and services to customers without interruption and has not had any significant changes to internal controls over financial reporting due to remote work. AgCountry will continue to monitor the impact of the pandemic across our region and adjust as needed to provide safe work environments for customers and employees.

AGRICULTURAL AND ECONOMIC CONDITIONS

The nation's economic outlook has continued to improve during the first quarter of 2021, primarily due to the increased number of vaccinations and additional fiscal stimulus. U.S. Gross Domestic Product rebounded sharply in the third quarter and grew modestly in the fourth quarter of 2020, and both Bloomberg and Moody's Analytics are forecasting increases of 5.5% or higher in 2021. The unemployment rate edged down to 6.0% in March from 6.7% as of January 8, 2021, and is predicted to reach the pre-pandemic rate of 3.5% by the end of 2023. The pace of vaccine distribution accelerated throughout the first quarter, reaching over three million shots per day by early April with 33.1% of the population receiving at least one dose.

The Federal Open Market Committee (FOMC) left the Fed Funds rate unchanged at 0.00% to 0.25% at its March 16 – 17 meeting. Actions by the Fed continue to be guided by their mandate to promote maximum employment and stable prices while maintaining the stability of the financial system. FOMC expects to maintain the current target range until labor market conditions have reached levels consistent with FOMC's assessment of maximum employment and inflation is on track to moderately exceed 2.0% for some time. While forecasts from FOMC participants have been revised up since December, projections still indicate employment and inflation conditions won't be met until the end of 2023.

The combination of low interest rates, an estimated $5.0 trillion in fiscal policy measures since the start of the pandemic, and proactive servicing continue to help 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 of current economic conditions and impact on commodities.

Specific Production Conditions

Corn: U.S. old crop corn continues to see strong export demand with several daily sales announcements in the month of March. The South American corn crop was put in the ground rather late, raising some questions about production potential, while U.S. prospective plantings were below trade expectations.

Soybeans: The U.S. soybean market found some equilibrium in March as export business made its seasonal switch to South America. United States Department of Agriculture (USDA) made no changes to the old crop balance sheet in its monthly supply and demand report. Quarterly grain stock estimates at the end of March were right in line with trade estimates and reinforced current ending stock projections, while prospective plantings for the 2021 growing season are low.

Wheat: As rains fell across much of the Southern Plains, wheat markets saw little of the direct interest that corn and soybeans experienced. Drought in most of Kansas and Oklahoma was eliminated, and crop conditions there look average to slightly better. USDA also revised winter wheat planting estimates higher compared to the January prospective number. Quarterly grain stocks were higher than expected, with a new marketing year starting June 1.

Sugarbeets: USDA's World Agricultural Supply and Demand Estimates report tightened down the projected carryout. This was achieved primarily by reducing imports, as actual 2020 U.S. sugar production was revised higher. Projected carryout for U.S. sugar remains higher year over year, but further word on Mexican export limits is expected in the near future. Planted area for 2021 is expected to increase 7,000 acres from 2020.

Dry Beans: The market for 2020 dry beans remains stable with the USDA Agricultural Marketing Service reporting little change in grower prices over the month of March. USDA prospective plantings reflect reduced interest in dry beans due to stronger prices for major crops, resulting in anticipated acres around 200,000 acres lower than last year. Much of this reduction will come from AgCountry's territory.

Ethanol: Gasoline demand continues to recover, with the Energy Information Administration estimating total demand down just 2.63% from pre-COVID-19 levels. Increased demand for gasoline has allowed inventory of ethanol to fall and ethanol prices to rise. High corn and natural gas prices continue to limit profitability and the industry remains at breakeven to small losses for many plants.

Lean Hogs: Lean hog prices are at historic highs as seasonal demand starts to increase and exports remain strong. Freezer stocks remain low with packer chain speeds moving quickly but unable to outpace demand. Quarterly hog and pig numbers were smaller than expected with planned farrowing through August much lower than the trade anticipated.

Feeder Cattle/Fat Cattle: The cattle industry continues to be somewhat disconnected from the rest of the ag industry. Futures prices for both feeders and fats have increased but are disproportionate to changes in feed costs. Further, cash prices themselves have not followed futures moves, creating risk management challenges at all levels. Beef freezer supplies are at their highest level in the past three years.

Dairy: Dairy markets have been similar to cattle; while futures prices have increased, the margin over feed has decreased. Farm Service Agency's Dairy Margin Coverage program calculated the February margin (a national measure of milk price over feed costs) for U.S. producers at $6.22/cwt, the lowest since May of 2020. Stocks of butter and cheese remain above recent historical norms.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $8.5 billion at March 31, 2021, an increase of $50.4 million from December 31, 2020. The increase was primarily due to growth in the agribusiness portfolio.

The Paycheck Protection Program (PPP) is a guaranteed loan program administered by the U.S. Small Business Administration (SBA) created in response to the COVID-19 pandemic. We obtained approval from the SBA in 2020 to participate as a lender in the PPP. The PPP provides for payment deferral, and under limited circumstances, loan forgiveness. As of March 31, 2021, we had successfully processed $80.0 million in PPP loans for customers with primarily production and intermediate-term type loans, of which $48.0 million were processed during the first quarter of 2021. We are working with our customers gathering documentation and submitting applications for the forgiveness of the PPP loans and $20.1 million has been forgiven as of March 31, 2021.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2020. Adversely classified loans increased to 1.7% of the portfolio at March 31, 2021, from 1.6% of the portfolio at December 31, 2020. 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, Federal Agricultural Mortgage Corporation and other government agency guarantee programs are used to reduce the risk of loss. At March 31, 2021, $385.6 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**March 31, 2021**	December 31, 2020
Loans:		
Nonaccrual	**$ 11,939**	$ 14,349
Accruing restructured	**3,507**	1,982
Accruing loans 90 days or more past due	**3,122**	2,097
Total risk loans	**18,568**	18,428
Other property owned	**--**	--
Total risk assets	**$ 18,568**	$ 18,428
Total risk loans as a percentage of total loans	**0.2%**	0.2%
Nonaccrual loans as a percentage of total loans	**0.1%**	0.2%
Current nonaccrual loans as a percentage of total nonaccrual loans	**55.6%**	34.3%
Total delinquencies as a percentage of total loans	**0.1%**	0.2%

Note: Accruing loans include accrued interest receivable.

Our risk assets have not changed significantly from December 31, 2020, 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 accruing restructured loans was primarily due to the addition of one loan in the real estate mortgage 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:	**March 31, 2021**	December 31, 2020
Allowance as a percentage of:		
Loans	**0.3%**	0.3%
Nonaccrual loans	**190.1%**	155.7%
Total risk loans	**122.2%**	121.3%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2021.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the three months ended March 31	**2021**	2020
Net income	**$ 41,097**	$ 37,979
Return on average assets	**1.8%**	1.9%
Return on average members' equity	**8.6%**	8.4%

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 three months ended March 31	**2021**	2020	**Increase (decrease) in net income**
Net interest income	**$ 51,708**	$ 49,386	**$ 2,322**
Provision for (reversal of) credit losses	**608**	(308)	**(916)**
Non-interest income	**21,139**	19,444	**1,695**
Non-interest expense	**31,210**	29,881	**(1,329)**
(Benefit from) provision for income taxes	**(68)**	1,278	**1,346**
Net income	**$ 41,097**	$ 37,979	**$ 3,118**

Net Interest Income

Changes in Net Interest Income

(in thousands) For the three months ended March 31	**2021 vs 2020**
Changes in volume	**$ 4,370**
Changes in interest rates	**(2,266)**
Changes in nonaccrual income and other	**218**
Net change	**$ 2,322**

Provision for (Reversal of) Credit Losses

The change in the provision for (reversal of) 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 fee income and Allocated Insurance Reserve Accounts distribution.

Fee Income: The increase from 2020 to 2021 was primarily due to fees collected from the SBA for originating PPP loans. We recorded $3.4 million in net loan fees from the SBA for PPP loans in the first three months of 2021 while no SBA PPP loan fees had been collected in the first three months of 2020.
The change in the Allocated Insurance Reserve Accounts (AIRA) distribution received from the Farm Credit System Insurance Corporation (FCSIC) was due to our share of the distribution from AIRA of $1.6 million during the three months ended March 31, 2020, and no distribution during the same period of 2021. The AIRA was established by FCSIC when premiums collected increased the level of the Farm Credit Insurance Fund beyond the required secured base amount of 2% of insured debt. Refer to the 2020 Annual Report for additional information about the FCSIC.

(Benefit from) Provision for Income Taxes

The change in (benefit from) provision for income taxes was primarily related to our estimate of taxes based on taxable income.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on June 30, 2023. We intend to renegotiate the note payable 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 as 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 bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at March 31, 2021, or December 31, 2020.

Total members' equity increased $24.1 million from December 31, 2020, primarily due to net income for the period partially offset by patronage distribution accruals**.**

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 6 in our 2020 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**March 31, 2021**	December 31, 2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**17.5%**	18.1%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.5%**	18.1%	6.0%	2.5%	8.5%
Total capital ratio	**17.8%**	18.4%	8.0%	2.5%	10.5%
Permanent capital ratio	**17.6%**	18.1%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**19.8%**	20.4%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**21.1%**	21.7%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 10 in our 2020 Annual Report.

CERTIFICATION

The undersigned have reviewed the March 31, 2021, 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 J. Hegland
Board Chair
AgCountry Farm Credit Services, ACA

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

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

May 4, 2021

CONSOLIDATED STATEMENTS OF CONDITION

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

As of:		**March 31, 2021**		December 31, 2020
ASSETS				
Loans	**$**	**8,522,506**	$	8,472,145
Allowance for loan losses		**22,695**		22,344
Net loans		**8,499,811**		8,449,801
Investment in AgriBank, FCB		**213,876**		212,294
Accrued interest receivable		**67,656**		80,693
Premises and equipment, net		**35,449**		35,937
Deferred tax assets, net		**195**		127
Other assets		**96,089**		90,670
Total assets	**$**	**8,913,076**	$	8,869,522
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**6,898,934**	$	6,830,857
Accrued interest payable		**20,127**		19,582
Patronage distribution payable		**17,250**		64,050
Other liabilities		**49,637**		51,998
Total liabilities		**6,985,948**		6,966,487
Contingencies and commitments (Note 3)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**11,856**		11,936
Capital stock and participation certificates receivable		**(11,856)**		(11,936)
Additional paid-in capital		**304,385**		304,385
Unallocated surplus		**1,632,160**		1,608,312
Accumulated other comprehensive loss		**(9,417)**		(9,662)
Total members' equity		**1,927,128**		1,903,035
Total liabilities and members' equity	**$**	**8,913,076**	$	8,869,522

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	
For the period ended March 31	**2021**	2020
Interest income	**$ 71,933**	$ 85,714
Interest expense	**20,225**	36,328
Net interest income	**51,708**	49,386
Provision for (reversal of) credit losses	**608**	(308)
Net interest income after provision for (reversal of) credit losses	**51,100**	49,694
Non-interest income		
Patronage income	**11,044**	11,174
Financially related services income	**3,995**	3,694
Fee income	**6,121**	2,150
Allocated Insurance Reserve Accounts distribution	**--**	1,554
Other non-interest income	**(21)**	872
Total non-interest income	**21,139**	19,444
Non-interest expense		
Salaries and employee benefits	**18,404**	17,600
Other operating expense	**12,792**	12,280
Other non-interest expense	**14**	1
Total non-interest expense	**31,210**	29,881
Income before income taxes	**41,029**	39,257
(Benefit from) provision for income taxes	**(68)**	1,278
Net income	**$ 41,097**	$ 37,979
Other comprehensive income		
Employee benefit plans activity	**$ 245**	$ 132
Total other comprehensive income	**245**	132
Comprehensive income	**$ 41,342**	$ 38,111

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, 2019	$ 12,151	$ 304,385	$ 1,488,700	$ (5,412)	$ 1,799,824
Net income	--	--	37,979	--	37,979
Other comprehensive income	--	--	--	132	132
Unallocated surplus designated for patronage distributions	--	--	(15,750)	--	(15,750)
Capital stock and participation certificates issued	233	--	--	--	233
Capital stock and participation certificates retired	(75)	--	--	--	(75)
Capital stock and participation certificates receivable, net	(12,309)	--	--	--	(12,309)
Balance at March 31, 2020	$ --	$ 304,385	$ 1,510,929	$ (5,280)	$ 1,810,034
Balance at December 31, 2020	$ --	$ 304,385	$ 1,608,312	$ (9,662)	$ 1,903,035
Net income	**--**	**--**	**41,097**	**--**	**41,097**
Other comprehensive income	**--**	**--**	**--**	**245**	**245**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(17,249)**	**--**	**(17,249)**
Capital stock and participation certificates issued	**259**	**--**	**--**	**--**	**259**
Capital stock and participation certificates retired	**(339)**	**--**	**--**	**--**	**(339)**
Reductions to capital stock and participation certificates receivable, net	**80**	**--**	**--**	**--**	**80**
Balance at March 31, 2021	**$ --**	**$ 304,385**	**$ 1,632,160**	**$ (9,417)**	**$ 1,927,128**

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 three months ended March 31, 2021, are not necessarily indicative of the results to be expected for the year ending December 31, 2021. 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, 2020 (2020 Annual Report).

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.

Significant Accounting Policies

Effective March 2021, a change in accounting policy was elected to use the fair value method for calculating the market related value of assets for the fixed-income pension assets. This change in accounting principle requires retrospective application. However, the financial statement impact was deemed immaterial to historical and current periods. Therefore, the change was recorded through earnings in the first quarter of 2021.

There have been no other changes in our accounting policies as disclosed in our 2020 Annual Report, except as described in the Recently Issued or Adopted Accounting Pronouncements.

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 FASB issued Accounting Standards Update (ASU) 2020-04 “Reference Rate Reform, Topic 848.” In January 2021, the FASB issued 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time from March 12, 2020, through December 31, 2022, as reference rate reform activities occur.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	Prior to issuance of these financial statements, we adopted this standard. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued 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 that 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 are currently assessing the impact this guidance will have on our financial statements upon adoption, which will be impacted by the composition of our portfolio and asset quality at the adoption date, as well as economic conditions and forecasts at the time of adoption. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of 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:	March 31, 2021			December 31, 2020		
		Amount	%		Amount	%
Real estate mortgage	**$**	**3,677,320**	**43.2%**	$	3,659,953	43.2%
Production and intermediate-term		**1,926,437**	**22.6%**		2,058,139	24.3%
Agribusiness		**2,166,012**	**25.4%**		2,030,071	24.0%
Other		**752,737**	**8.8%**		723,982	8.5%
Total	**$**	**8,522,506**	**100.0%**	$	8,472,145	100.0%

The other category is primarily composed of communication, energy, agricultural export finance, and water and wastewater related loans.

Delinquency

Aging Analysis of Loans

(in thousands) **As of March 31, 2021**	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	**$ 323**	**$ 5,950**	**$ 6,273**	**$ 3,712,249**	**$ 3,718,522**	**$ 1,956**
Production and intermediate-term	**828**	**2,928**	**3,756**	**1,942,777**	**1,946,533**	**1,166**
Agribusiness	**14**	**--**	**14**	**2,171,011**	**2,171,025**	**--**
Other	**--**	**32**	**32**	**754,050**	**754,082**	**--**
Total	**$ 1,165**	**$ 8,910**	**$ 10,075**	**$ 8,580,087**	**$ 8,590,162**	**$ 3,122**

As of December 31, 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	$ 587	$ 6,623	$ 7,210	$ 3,700,605	$ 3,707,815	$ 1,490
Production and intermediate-term	3,776	5,079	8,855	2,076,287	2,085,142	607
Agribusiness	50	--	50	2,035,031	2,035,081	--
Other	32	--	32	724,768	724,800	--
Total	$ 4,445	$ 11,702	$ 16,147	$ 8,536,691	$ 8,552,838	$ 2,097

Note: Accruing loans include accrued interest receivable.

Risk Loans

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

Risk Loan Information

(in thousands) As of:	**March 31, 2021**	December 31, 2020
Volume with specific allowance	**$ 4,161**	$ 1,585
Volume without specific allowance	**14,407**	16,843
Total risk loans	**$ 18,568**	$ 18,428
Total specific allowance	**$ 1,679**	$ 1,013
For the three months ended March 31	**2021**	2020
Income on accrual risk loans	**$ 75**	$ 37
Income on nonaccrual loans	**424**	206
Total income on risk loans	**$ 499**	$ 243
Average risk loans	**$ 18,697**	$ 25,954

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 March 31, 2021.

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 TDR, also known as a formally restructured loan for regulatory purposes. 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)

Three months ended March 31	**2021**		2020	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ 1,601**	**$ 1,601**	$ 213	$ 213
Production and intermediate-term	**--**	**--**	1,400	1,400
Agribusiness	**--**	**--**	37	37
Total	**$ 1,601**	**$ 1,601**	$ 1,650	$ 1,650

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 is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

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

There were no TDRs that defaulted during the three months ended March 31, 2021, or 2020 in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	**March 31, 2021**	December 31, 2020
Accrual status:		
Real estate mortgage	**$ 2,030**	$ 515
Production and intermediate-term	**1,477**	1,467
Agribusiness	**--**	--
Total TDRs in accrual status	**$ 3,507**	$ 1,982
Nonaccrual status:		
Real estate mortgage	**$ 1,541**	$ 1,666
Production and intermediate-term	**209**	248
Agribusiness	**17**	19
Total TDRs in nonaccrual status	**$ 1,767**	$ 1,933
Total TDRs:		
Real estate mortgage	**$ 3,571**	$ 2,181
Production and intermediate-term	**1,686**	1,715
Agribusiness	**17**	19
Total TDRs	**$ 5,274**	$ 3,915

There were no commitments to lend to borrowers whose loans have been modified in a TDR at March 31, 2021.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Three months ended March 31	**2021**	2020
Balance at beginning of period	**$ 22,344**	$ 26,974
Provision for (reversal of) loan losses	**348**	(512)
Loan recoveries	**4**	253
Loan charge-offs	**(1)**	(4)
Balance at end of period	**$ 22,695**	$ 26,711

The “Provision for (reversal of) credit losses” in the Consolidated Statements of Comprehensive Income includes a provision for (reversal of) 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. Typically, accrued credit losses are relieved and replaced with an allowance for loan loss as the related commitments are funded.

Credit Loss Information on Unfunded Commitments

(in thousands)

For the three months ended March 31	**2021**	2020
Provision for credit losses	**$ 260**	$ 204
As of:	**March 31, 2021**	December 31, 2020
Accrued credit losses	**$ 4,098**	$ 3,838

NOTE 3: 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.

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). As of March 31, 2021, our total commitment is $14.0 million of which $2.2 million is unfunded, with varying commitment end dates through November 2023. Certain commitments may have an option to extend under certain circumstances.

NOTE 4: 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 2020 Annual Report for a more complete description of the three input levels.

We did not have any material assets or liabilities measured at fair value on a recurring basis at March 31, 2021, or December 31, 2020.

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 March 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 2,606**	**$ 2,606**

As of December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$ 601	$ 601

Valuation Techniques

Impaired Loans: Represents the carrying amount of loans which 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.

NOTE 5: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 4, 2021, 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.