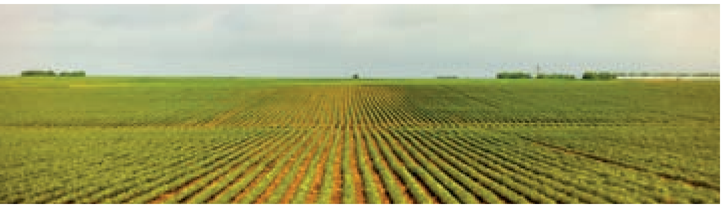

YOUR COOPERATIVE WORKS FOR YOU

2020 ANNUAL REPORT

Farm Credit Services of America

$32.2 BILLION in Loans

$6.2 BILLION in Members' Equity

$695 MILLION in Net Income

$339 MILLION in Cash-Back Dividends (Estimated)

$**375,000**
donated to help local non-profit organizations with hunger relief during the pandemic

$**100,000**
Derecho relief assistance to the Red Cross and other non-profits to help communities impacted by the storm

Awarded **32 land grant scholarships** and **46 community college scholarships** to students pursuing a career in agriculture

Financial Highlights	**2020**	**2019**	**2018**
Loans	$32.2 billion	$29.7 billion	$28.4 billion
Members' Equity	$6.2 billion	$5.9 billion	$5.5 billion
Net Income	$695.0 million	$672.0 million	$633.0 million
Cash-Back Dividends	$339.0 million (estimated)	$262.0 million (estimated)	$230.0 million

We never stopped **working** for you.

LOAN CONVERSIONS

More than **25,500 loans converted** to save customer interest costs, reduce payments or both

Already favorable interest rates hit historic lows in 2020, and Farm Credit Services of America (FCSAmerica) customer-owners benefited. This once-in-a-lifetime opportunity to refinance debt at record low rates is one of many ways our financial team worked to not only help customers through the challenges of 2020, but also to position their operations for long-term financial success.

"We appreciate the lowering of our operating expense interest during these tough times."

– Part-time rancher

CASH FLOW RELIEF

14% of eligible customers participated in Cash Flow Relief

FCSAmerica leveraged its financial strength to offer a Cash Flow Relief program that, at a time of economic uncertainty, allowed customers to defer payments for six months or the equivalent on eligible loans. Having a lender that understands and responds to the needs of producers is part of the value of doing business with your financial cooperative.

"The COVID-19 relief program you gave our cattle company and our ranch was over and beyond anything any other financial institution offered." **– Cattle operator**

PAYCHECK PROTECTION PROGRAM (PPP)

Nearly **2,500 PPP loans** processed to give customers access to **$93.7 million** in federal aid

As COVID-19 disrupted supply chains and off-farm income, FCSAmerica went to work to give our farmer and rancher customers access to the Paycheck Protection Program. That work continued into 2021, with the PPP applications in January nearly surpassing the roughly 2,500 applications processed in all of 2020. This and other ad hoc government programs have proven critical to cash flows and profitability.

"Thank you for your offer to help on the PPP loan application. … Once again, I appreciate working with FCSAmerica because of the people who work there – courteous, willing to help where they can and personable." **– Farmland owner**

CROP INSURANCE

More than **$267 million** in crop insurance claims completed through mid-December

Wind, hail, drought and poorly timed rains compounded the challenges of an already difficult year for producers in our territory. Mindful of the social-distancing requirements of COVID-19, our crop insurance teams relied heavily on technology to ensure customers had the support they needed throughout the claims process. Our investments over the years in technology and expert advisors has never been more important to our customers.

> **“Farm Credit understands the impact of weather, trade agreements and legislative and environmental effects on the industry, and is willing to stand with you during those tough times.”**
>
> **– Grain producer**

DISASTER ASSISTANCE PROGRAM

In response to the derecho, one of the worst natural disasters Iowa has ever experienced, we mobilized our resources to provide the most comprehensive Disaster Assistance Program in our cooperative’s history.

Designed to help producers move forward, the program addresses both immediate cash flow and longer-term working capital needs. It also provides specialized loans for the replacement of infrastructure or breeding livestock.

EDUCATION

47 educational webinars reaching more than 7,470 registrants

19 in-person customer education events hosted pre-COVID for more than 2,400 attendees

48 on-demand videos covering top-of-mind topics in 2020

Education is important to FCSAmerica’s efforts to help customers achieve their financial goals. Virtual events, webinars and videos allowed us to both continue and expand our educational offerings in 2020.

Financial Information

> **“I have never been more proud of our teammates or more optimistic about your cooperative’s future.”**
>
> **– Mark Jensen, President and CEO**

More than any other year, 2020 drove home just how essential U.S. agriculture is to our daily lives. It also highlighted the unique value that comes from the Farm Credit System’s cooperative model. At Farm Credit Services of America, every decision we make is based on what is best for our customer-owners. That was especially important in 2020.

Agriculture kept working through the COVID-19 pandemic and so did FCSAmerica.

- Our teams found innovative ways to ensure we remained open for business to keep credit flowing, especially as the supply chain disrupted producers and their operations.

- We offered a special payment deferral program to free up cash flow and helped our customers access millions in forgivable Paycheck Protection Program loans.

- We advocated on behalf of producers to ensure legislators in Washington understood the needs of our customers and the agricultural industry.

- We leveraged historically low interest rates to convert loans and save customers millions in interest payments. Only a cooperative would make that investment on behalf of its borrowers.

- This year, many of our Iowa customers faced the additional challenge of a hurricane-like windstorm so rare most of us had to learn its name – derecho. Our crop insurance teams immediately went to work to help customers with lost and damaged crops and infrastructure. We also activated our Disaster Assistance Program to help customers move forward with recovery plans.

Despite the many challenges within the marketplace as well as our workplace, I am pleased to announce that FCSAmerica’s net income for 2020 increased 3.4% to $695 million and members’ equity increased 4.5% to $6.2 billion. Our success is your success. For the 17th consecutive year, we shared a portion of our net earnings with you through our cash-back dividend program.

Our 2020 regular cash-back dividend of more than $275 million was equal to 1% of the average daily balance on eligible loans.

Our commitment to agriculture means the earnings we retain are invested in growing our Association for the benefit of customers. Through 2020, FCSAmerica continued offering customer education programs via webinars and virtual events. We continued to support non-profits in rural communities. And we introduced FarmLend®, an online channel that provides a new way to apply for farmland financing anytime and from anywhere.

As agriculture evolves, we are evolving with it to remain a leader in serving our industry.

As we look back at your cooperative’s 2020 results and look ahead at the investments we’re making to be your most valued financial partner, I have never been more proud of our teammates or more optimistic about your cooperative’s future. On behalf of all of us at FCSAmerica, thank you for your continuing trust as we work hard to help you succeed.

Mark Jensen

Mark Jensen
President and CEO

"We want to do business with lenders who understand and respond to our needs, and this is evident in FCSAmerica's growth during 2020."

– Steve Henry, 2020 Board Chair

As agricultural producers, we work to shockproof our businesses for potential disruption. But nobody could have anticipated the events of 2020 and their impact on commodity markets and supply chains. Fortunately, FCSAmerica was there for us, as customer-owners, with the financial strength we expect in the face of these volatile disruptions, providing dependable credit and excellent services.

FCSAmerica has built its financial strength for times like these. We benefit from initiatives and programs designed to meet unique challenges, like those of 2020. The technology investments that FCSAmerica has made through the years ensures uninterrupted access to capital and the expertise and services of our cooperative.

As customer-owners, we expect this level of dedication from our cooperative and its employees. It's what Farm Credit is all about. We want to do business with lenders who understand and respond to our needs, and this is evident in FCSAmerica's growth during 2020.

Financial strength is critical for serving producers today and moving this cooperative forward to serve an ever-changing agriculture. FCSAmerica's financial success adds value in many ways to our lending relationships, including through cash-back dividends. FCSAmerica has paid a cash-back dividend for each of the past 17 years and the Board has approved a dividend for 2021. Cash-back dividends are a value customer-owners can count on.

Your Board of Directors and leadership team have worked hard to position FCSAmerica to be a leading lender in our territory. It has been gratifying to see this work make such a difference for farmers and ranchers when they most needed a lender they could depend on.

On behalf of your Board of Directors, I thank you for choosing to do business with agriculture's most dependable lender.

Steve R Henry

Steve Henry
2020 Board Chair

FCSAmerica, ACA Directors

Phil Bamesberger / Indianola, Nebraska
Bamesberger owns and operates Good Shepherd, LLC, a family farming operation that includes a variety of crops and hay, a cow-calf herd, feedlot and hog confinement business. He serves as a member of the Red Willow County Farm Bureau Board, the Nebraska Farm Bureau State Legislative Policy Committee, the Red Willow Board of Adjustments and Peace Lutheran Church Board of Elders. Bamesberger was elected to the FCSAmerica Board effective April 1, 2019; his current term ends March 31, 2023.

Jeff Burg / Wessington Springs, South Dakota
Burg is president of Firesteel Ranch Corporation, which includes calving and beef feedlot operations and raising corn, soybeans, small grains and alfalfa. He serves on the South Dakota Corn Growers Association Board and is the organization's delegate for the U.S. Meat Export Federation. He is also a director on the Wessington Springs Township Board. Burg was appointed to fill a vacancy on the FCSAmerica Board effective May 1, 2019; his current term ends March 31, 2021.

Tom Farwell / Humboldt, Nebraska
Farwell operates Farwell Farm, a family farm that raises corn, soybeans, wheat and brome hay. An Angus cow-calf herd supplies feeders and additional feeders are purchased for finishing. He also serves on the Humboldt United Methodist Church Pastor Parish Committee and as treasurer of the Nebraska Gideon's Southeast Camp. Farwell was elected to the FCSAmerica Board effective April 1, 2018; his current term ends March 31, 2022.

Steve Henry / Nevada, Iowa
Henry is an owner and partner in LongView Farms, a farming partnership, the owner and manager of Henry Land II, LLC, the owner and president of Henry Corp., and an agent for SLV Farms, a farming and land ownership business. He also serves on the AgriBank District Farm Credit Council. Henry was elected to the FCSAmerica Board effective January 1, 2011; his current term ends March 31, 2023.

Nicholas Hunt / Atlantic, Iowa
Hunt is president of Hunt Bros., Inc., a family farm corporation, and Clan Farms, Inc., a beef cattle feedlot. He is manager and a partner in Hunt Land, LC, a family agricultural land-holding company; a partner in Hunt Investment, LC, a holding company for family investments in stocks and bonds; and Horizons Partnership, a family agricultural business. Hunt also serves on the CattleFax Board, the Atlantic Community School District Board of Education and Cass County Hospital Foundation Board. Hunt was elected to the FCSAmerica Board effective January 1, 2007; his current term ends March 31, 2021.

Nick Jorgensen / Ideal, South Dakota
An appointed stockholder Director, Jorgensen owns and operates Jorgensen Land and Cattle Partnership with his father, cousin and uncle. The family grows multiple crops, has a registered Angus cow herd and commercial Angus bull operation, and provides guided pheasant hunts. Jorgensen was appointed to the FCSAmerica Board effective April 1, 2016; his current term ends March 31, 2024.

Jim Kortan / Brookings, South Dakota
An appointed Director, Kortan is a retired partner with Deloitte and has a background in information technology, strategic planning, risk management, internal control, regulatory compliance and business process improvement. He is president of LJK Investment Group. He was appointed to the FCSAmerica Board effective April 1, 2015; his current term ends March 31, 2023.

Rick Maxfield / Lyman, Wyoming
Maxfield is a general partner in Maxfield Ranch. The multigenerational family business includes a cow-calf and backgrounding operation. The family also grows hay. Maxfield serves on the AgriBank District Farm Credit Council and the Bridger Valley Electric Association Board. He was elected to the FCSAmerica Board effective April 1, 2015; his current term ends March 31, 2023. Maxfield previously served on the FCSAmerica Board from 2004 to 2006.

Cris Miller / Spearfish, South Dakota
Miller is president of Miller's Crow Creek Ranch, LLC, a family ranching business with a commercial cow-calf operation, a backgrounding operation and feed crops. He serves on the AgriBank District Farm Credit Council, is the chairman of the Butte Electric Cooperative Board, and serves on the Lawrence County Ag Committee. He was elected to the FCSAmerica Board effective January 1, 2012; his current term ends March 31, 2024.

Dana Morgan / Corning, Iowa
Morgan is the commercial-ingredient manager for New Balance Commodities, a division of BALANCE4WARD, a cattle feeding company that provides ingredient solutions and business management systems. He and his wife operate Morgan Land & Cattle Company, a cow-calf and cattle feeding operation. He is co-owner of Morgan Brothers, LLC, a land holding company, and owns Bragg & Morgan, LLC, a rental property business. He also has a farming partnership with Turner Farms Partnership. He currently serves on the Southwest Iowa Rural Electric Cooperative Board and is a trustee for St. Timothy's Catholic Church. Morgan was appointed to fill a vacancy on the Board effective July 1, 2020; his current term ends March 31, 2022.

John Reisch / Howard, South Dakota
As president of Reisch Farms, Inc., Reisch raises corn, wheat, soybeans and alfalfa, and has cattle feeding and cow-calf enterprises. He serves as treasurer on the Boards of Howard Township and Howard Industries, Inc., and is a member of the South Dakota Cattlemen's Cattle Feeder Council. Reisch was elected to the FCSAmerica Board effective January 1, 2008; his current term ends March 31, 2022.

Jon Van Beek / Primghar, Iowa
Van Beek has a family farm operation raising corn and soybean seed and is a partner in D-Nine, Inc., custom feeding hogs. He is an elder for Zion Lutheran Church. Van Beek was elected to the FCSAmerica Board effective January 1, 2009; his current term ends March 31, 2024. Van Beek previously served on the FCSAmerica Board from 1995 to 1997 and from 2001 to 2003.

Susan Voss / North English, Iowa
Voss is secretary and treasurer of BS Farms, Inc., a family corn, soybean and cow-calf operation, president of BS Lands, LLC, which holds real estate, and a certified public accountant at TDT CPAs and Advisors, providing advisory, accounting and tax services. She currently heads their Ag Group and previously held the following positions: vice president, executive committee member and business unit director. She serves on the Farm Credit Foundations Board. Voss was elected to the FCSAmerica Board effective April 1, 2014; her current term ends March 31, 2022.

Mark Weiss / Omaha, Nebraska
An appointed Director, Weiss is an executive with Smart Energy Water, a technology company serving the utility industry. His background is in information technology and risk management, and he is a Certified Information Systems Security Professional (CISSP). Additionally, Weiss completed the National Association of Corporate Directors (NACD) Cyber-Risk Oversight Program and earned the CERT Certificate in Cybersecurity Oversight. He previously served as chief information officer for Solutionary, Inc., and NTT Security (U.S.), Inc. Weiss was appointed to the FCSAmerica Board effective April 1, 2014; his current term ends March 31, 2022.

Jennifer Zessin / Madison, Nebraska
Zessin and her husband have a farm operation raising corn and soybeans and own Zessin Farms, LLC, and 3Z Equipment, LLC, of which both are family farming entities. She has past business experience in banking, human resources and internal auditing. Zessin serves on the AgriBank District Farm Credit Council, the Farm Credit Council Board of Directors and the Farm Credit Council Services Board of Directors. She was elected to the FCSAmerica Board effective January 1, 2009; her current term ends March 31, 2024.

Farm Credit Services of America, ACA

Consolidated Five-Year Summary of Selected Financial Data

(Dollars in thousands)

	2020	2019	2018	2017	2016
Balance Sheet Data					
Loans	**$32,206,504**	$29,748,180	$28,386,634	$26,652,660	$25,171,427
Less allowance for loan losses	**152,000**	163,000	157,000	130,000	104,000
Net loans	**32,054,504**	29,585,180	28,229,634	26,522,660	25,067,427
Investment in AgriBank, FCB	**710,310**	651,643	569,657	532,576	509,580
Investment in AgDirect, LLP	**74,087**	59,710	54,914	59,164	66,110
Cash	**57,690**	56,064	108,956	94,002	87,090
Other property owned	**10,271**	25,677	33,615	3,776	2,922
Other assets	**771,363**	890,291	852,494	745,612	639,358
Total assets	**$33,678,225**	$31,268,565	$29,849,270	$27,957,790	$26,372,487
Obligations with maturities greater than one year	**$26,876,605**	$24,780,931	$23,812,109	$22,403,041	$21,296,054
Other liabilities	**624,686**	575,455	539,838	468,323	396,559
Total liabilities	**27,501,291**	25,356,386	24,351,947	22,871,364	21,692,613
At-risk capital stock	**95,845**	89,629	84,672	76,838	52,757
Less: capital stock receivable (Note 8)	**(95,845)**	–	–	–	–
Retained earnings	**6,176,934**	5,822,550	5,412,651	5,009,588	4,627,117
Total members' equity	**6,176,934**	5,912,179	5,497,323	5,086,426	4,679,874
Total liabilities and members' equity	**$33,678,225**	$31,268,565	$29,849,270	$27,957,790	$26,372,487
Statement of Income Data					
Net interest income	**$777,034**	$770,244	$741,697	$702,217	$677,054
Provision for credit losses	**3,294**	10,723	29,865	30,912	49,464
Noninterest income	**345,261**	281,849	268,208	245,175	193,506
Noninterest expense	**412,552**	363,410	340,051	329,068	307,288
Provision for income taxes	**11,571**	5,937	6,951	4,959	3,688
Net income	**$694,878**	$672,023	$633,038	$582,453	$510,120
Key Financial Ratios					
For the year					
Return on average assets	**2.16%**	2.23%	2.22%	2.17%	2.02%
Return on average total members' equity	**11.37%**	11.60%	11.83%	11.84%	11.25%
Net interest income as a percentage of average earning assets	**2.52%**	2.68%	2.72%	2.74%	2.80%
Net charge-offs as a percentage of average loans	**0.04%**	0.01%	0.01%	0.02%	0.03%
At year-end					
Members' equity as a percentage of total assets	**18.34%**	18.91%	18.42%	18.19%	17.75%
Allowance for loan losses as a percentage of total loans	**0.47%**	0.55%	0.55%	0.49%	0.41%
Capital ratios effective beginning January 1, 2017:					
Permanent capital ratio	**16.13%**	16.81%	16.21%	15.80%	N/A
Common equity Tier 1 ratio	**16.06%**	16.70%	16.10%	15.71%	N/A
Tier 1 capital ratio	**16.06%**	16.70%	16.10%	15.71%	N/A
Total capital ratio	**16.55%**	17.24%	16.63%	16.21%	N/A
Tier 1 leverage ratio	**17.32%**	17.90%	17.29%	16.97%	N/A
Capital ratios effective prior to January 1, 2017:					
Permanent capital ratio	**N/A**	N/A	N/A	N/A	15.59%
Total surplus ratio	**N/A**	N/A	N/A	N/A	15.40%
Core surplus ratio	**N/A**	N/A	N/A	N/A	15.40%
Other					
Cash patronage distribution payable to members	**$339,000**	$262,000	$230,000	$200,000	$160,000

Farm Credit Services of America, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Services of America, ACA (FCSAmerica) and its subsidiaries, Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA (the subsidiaries), and provides additional specific information. The accompanying consolidated financial statements and notes to the consolidated financial statements also contain important information about our financial condition and results of operations.

The Farm Credit System is a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2021, the Farm Credit System consisted of three Farm Credit Banks, one Agricultural Credit Bank and 67 customer-owned cooperative lending institutions (Associations). The Farm Credit System serves all 50 states, Washington, D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the Farm Credit System serves – the American farmer and rancher.

AgriBank, FCB, a Farm Credit System bank, and its District Associations are collectively referred to as the AgriBank Farm Credit District. FCSAmerica, ACA is one of the affiliated Associations in the AgriBank Farm Credit District.

The Farm Credit Administration is authorized by Congress to regulate the Farm Credit System. The Farm Credit System Insurance Corporation administers the Farm Credit System Insurance Fund. The Insurance Fund ensures the timely payment of principal and interest on Systemwide debt obligations and the retirement of protected borrower capital at par or stated value and for other specified purposes.

To request a free copy of our annual or quarterly reports, contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905, via email to $sr@fcsamerica.com or view them on our website, fcsamerica.com. The annual report is available on our website no later than 75 days after the end of the calendar year, and shareholders are provided a copy of the report no later than 90 days after the end of the calendar year. The quarterly reports are available on our website no later than 40 days after the end of each calendar quarter.

Forward-Looking Information

This annual report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipate," "believe," "estimate," "may," "expect," "intend," "outlook" and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties that may be beyond our control. These risks and uncertainties include, but are not limited to:

- political (including trade policies), legal, regulatory, financial markets, economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, international and farm-related business sectors;
- unfavorable weather, disease and other adverse climatic or biological conditions that periodically occur and impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and the Farm Credit System as a government-sponsored enterprise (GSE), as well as investor and rating-agency actions relating to events involving the United States government, other GSEs and other financial institutions;
- actions taken by the Federal Reserve System in implementing monetary policy;
- credit, interest rate and liquidity risks inherent in our lending activities;
- changes in our assumptions for determining the allowance for loan losses and fair value measurements;
- industry outlooks for agricultural conditions;
- changes in interest rate benchmarks utilized in our lending.

Commodity Review and Outlook

United States net farm income is forecasted to increase 43.0 percent to $119.6 billion for 2020, which if realized and when adjusted for inflation, would be the highest since 2014. Nationally, cash receipts project to decrease with livestock receipts down 5.5 percent, more than offsetting crop receipt growth of 3.3 percent. Total production expenses are forecasted to decrease 1.5 percent. Net income was fueled by $32.4 billion from government supplemental and ad hoc disaster assistance payments, largely from Coronavirus Food Assistance Program (CFAP1 and CFAP 2) and the Paycheck Protection Program (PPP).

The COVID-19 pandemic had a major impact on operations across our four-state lending territory. While profitability was impacted in nearly all sectors, protein producers were the most severely impacted, as livestock processors shut down for extended periods and product distribution channels were interrupted. Market

Farm Credit Services of America, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

prices dropped significantly during the spring and summer months but did recover in the fourth quarter. Overall, dairy producers were profitable while cattle, hog and egg producers experienced negative margins; however, operating losses were variably offset by the Coronavirus Food Assistance Program and PPP depending on the industry as well as the size and scale of operations.

Cash grain profitability was enhanced by a large post-harvest price rally that has carried over into 2021. The rally was welcomed by grain producers, as they had been challenged by thin margins due to relatively stable commodity prices over the past five years. Near-term profit margins are strong; however, they could be muted by dry to drought conditions across a large section of our territory.

The average December monthly prices received by farmers and ranchers for the past five years are reflected in the table below:

	Averages for the Month of December:				
Commodity	**2020**	2019	2018	2017	2016
Corn	**$3.97**	$3.71	$3.54	$3.23	$3.33
Soybeans	**$10.50**	$8.70	$8.57	$9.30	$9.64
Wheat	**$5.43**	$4.64	$5.28	$4.51	$3.91
Beef cattle (all)	**$108.00**	$118.00	$117.00	$118.00	$111.00
Hogs (all)	**$49.10**	$47.30	$43.40	$48.60	$43.10
Milk (all)	**$18.50**	$20.70	$16.40	$17.20	$18.80
Eggs (all)	**$0.73**	$0.93	$1.17	$1.34	$1.21

We monitor, compile and report real estate sales information for FCSAmerica's four-state territory. We also monitor 63 benchmark farms in the four states, which are updated each January and July.

The following table compiled by our appraisal team reflects average value changes for each state over the past six-month, one-year, five-year and ten-year periods as of January 1, 2021. The current number of benchmark farms is shown in parentheses after each state.

State	Six-Month	One-Year	Five-Year	Ten-Year
Iowa (21)	3.5%	3.8%	0.6%	45.6%
Nebraska (18)	3.7%	3.2%	(11.5)%	71.2%
South Dakota (22)	2.4%	0.1%	(14.3)%	72.6%
Wyoming (2)	2.4%	2.7%	28.2%	60.3%

Farmland prices increased across the Association's territory compared to a year ago. The recent increase in grain commodity prices, continued low interest rates, increased government payments and limited supply of available cropland tracts have contributed to strength in the market for good quality farms. The overall availability of dry cropland has decreased as reflected by lower sale numbers in all states when compared to 2019.

Crops: The Omaha area average annual cash corn price was down modestly to $3.51 per bushel but ramped up sharply in the fourth quarter following yield-reduction estimates from wind damage as well as increased export activity for United States cash grains. The corn price increased nearly $1.00 per bushel to $4.80 per bushel at year-end compared to a year ago. Based on a bullish January crop report, the price has since moved above $5.00 per bushel. The higher post-harvest prices provide strong profit margins with total average costs estimated at $3.25–$3.75 per bushel, noting costs were down about 5.0 percent compared to 2019 led by lower chemical and fuel prices. Iowa average cash rental rates have been relatively constant for the past four years with 2020 rates ticking back up to $222 per acre to match 2018.

The 2020 United States corn production was 14.2 billion bushels, up 4.0 percent from 2019 as yields improved along with a 1.0 percent increase in harvested acres. United States year-end corn stocks were estimated to be down slightly at 11.3 billion bushels with a tighter carryover forecasted at 1.55 billion bushels. National average yields were up 4.5 bushels per acre to 172 bushels per acre. Iowa average yields were significantly impacted by a late summer derecho that reduced likely record yields to 178 bushels per acre, a drop of 20 bushels per acre from a year earlier. The high winds flattened nearly mature crops in central to eastern Iowa. Nebraska yields held constant at 181 bushels per acre, and South Dakota yields were up 18 bushels per acre to 162 bushels per acre. South Dakota production was up 31.0 percent due to the yield improvement along with 16.0 percent additional harvested acres following a year when extremely wet conditions prevented planting in a wide area.

Soybeans were profitable in 2020 as prices strengthened throughout the year and operating costs were down about 3.0 percent. Prices ended the year close to $3.00 per bushel higher than 2019 at $13.00 per bushel. The increase was driven by tightening supply, as soybeans in storage at year-end were down 10.0 percent to 2.93 billion bushels with an expected carryover of 140 million bushels, down from 909 million bushels for the 2018–2019 crop year. The 2020 United States production of 4.14 billion bushels was up 16.6 percent from 2019; however, it remained well short of the record 4.54 billion bushels in 2018. National yields were up 2.8 bushels per acre to 50.2 bushels per acre and harvested acres were up 10.0 percent.

Iowa 2020 soybean production decreased 1.5 percent, as average yields were down from 55 to 53 bushels per acre partially offset by 200,000 more harvested acres. Nebraska yields dropped one bushel per acre to 57 with production increasing 3.9 percent based on 320,000 additional harvested acres. South Dakota yields likewise improved by three bushels per acre to 45.5 with production increasing 53.0 percent due to harvested acres up 43.0 percent to 4.92 million acres.

Beef: In concert with the rest of the protein industries, cattle producers were subjected to high levels of price volatility because of the COVID-19 pandemic. Fat cattle cash prices ranged from a high of $124 per cwt. to start the year to a low of $94 per cwt. The pandemic caused packing plants to significantly slow their harvests, and many worked at half capacity for portions of the first quarter into the second quarter. The result was approximately one million head of cattle becoming backed up. The cattle were not able to be pushed through until December when the front-end supply became more current. The backlog of cattle caused carcass weights to increase by 21 pounds over the prior year and were at record large weights in 2020. Even in the face of all the adversity in 2020, cattle feeders in general were profitable for the year propped up by the Coronavirus Food Assistance Program and PPP payments. Strong demand also helped, with consumers increasing overall dollars spent on meat proteins by 11.0 percent; 44.0 percent of the increase was used to buy beef product. Exports, while down about 3.0 percent from 2019, were still historically strong. Total 2020 exported pounds were only eclipsed by 2017 through 2019 as the pandemic led to record-high boxed beef prices in the second quarter.

Beef cow inventories were down 300,000 head in 2020, and since the start of 2019 are down 680,000 head. This increases leverage for the cow-calf operator; however, the liquidation phase is only in the beginning stages. 2020 proved to be slightly profitable for the cow-calf producer. The pandemic caused softer calf values for 2020 and when combined with dry pasture conditions limited upside earnings potential. Moving forward, beef cow inventories are expected to decrease another 50,000 head in 2021. Further declines may occur due to drought conditions that currently exist across major areas of cow-calf production.

Pork: For the second year in a row, swine producers entered 2020 with tempered optimism as hog futures reflected good profit opportunity. First-quarter prices were in line with the past year and expectations, but then prices crashed as packing plants closed and product distribution channels were interrupted due to COVID-19 concerns. For the normally profitable period from April through August, carcass prices fell below $40 per cwt. ($30 live), substantially below average break-even live costs of $50 to $52 per cwt., and weaned pig prices ranged from $6 to $15 per head. Prices did rally in the fourth quarter as African swine fever (ASF) was found in Germany, improving United States export potential to China and Southeast Asian countries. In addition, hog numbers declined, and processing capacity utilization reached 98.0 percent in December. For the year, hog prices again averaged near $46 per cwt., resulting in operating losses of $15+ per head. The losses do not take into consideration hedging gains or government-support payments, which helped limit the loss or result in profits for some producers.

The United States swine industry had been in growth mode since the second half of 2014 and was on pace to increase another 2.0 to 3.0 percent in 2020. The large supply weighed on markets as the pandemic and continued unresolved trade issues severely limited the ability to move product. Many producers lowered feedstuff energy levels to limit weight gains and some market hogs were euthanized. Swine expansion ground to a halt and some producers exited the industry or cut back sow numbers. As a result, the year-end United States Department of Agriculture Quarterly Hogs and Pigs report reflected a 1.0 percent year-over-year decline in total hog numbers and a 3.0 percent decline in sow numbers to 6.28 million. The breeding herd is still larger than two years ago, and sow production has remained constant at just over 11 pigs saved per litter.

Producers face uphill challenges in 2021 despite reduced numbers, current strong export demand and restored marketing and distribution channels. Significantly higher feedstuff prices are likely to increase production costs to offset anticipated higher hog prices. In addition, China is building back its breeding herd after ASF wiped out most of its herd over the past two years. This could potentially reduce United States hog exports in an industry heavily dependent (25.5 percent of production) on exports.

Dairy: The COVID-19 pandemic created a volatile year for milk prices. The United States Department of Agriculture monthly All Milk Price fell to a low of $12.14 per cwt. in May and rebounded to a high of $24.54 per cwt. in July. The average 2020 All Milk Price is estimated at $18.30 per cwt., close to 2019's average of $18.63 per cwt. Higher milk prices in the second half of the year plus government-support payments due to the pandemic will result in most producers being profitable this year with average net earnings estimated at $350 per cow.

The United States dairy herd increased 62,000 head to 9.41 million cows. Annual 2020 milk production is estimated at 222.9 billion pounds, a year-over-year increase of 2.1 percent.

Milk prices for 2021 are bolstered by announcements of government-spending programs on milk and dairy products from new COVID-19 relief packages. The United States Department of Agriculture projected All Milk Price for 2021 is $17.65 per cwt. on 226.6 billion pounds. The forecast for lower milk prices and higher feed prices will reduce net margins for dairy producers.

Eggs: COVID-19 also created significant demand swings in the egg industry. Shoppers filled their carts with shell eggs during the infancy of the pandemic resulting in record-high graded prices during April when Urner Barry's Midwest graded price reached $3.09 per dozen. Urner Barry's Midwest graded price averaged $2.05 and $1.80 during March and April, respectively, before supply lines transitioned to accommodate increased retail demand. The graded price quickly declined to $0.98 per dozen during May and struggled to gain a price lift the remainder of the year. As holiday gatherings were downsized or eliminated, there was a lack of seasonal support during the fourth quarter, pressuring graded prices lower. For the year, helped by the March and April price hike, Urner Barry's Midwest graded price averaged $1.14 per dozen compared to $0.96 per dozen during 2019, generating break-even to small losses per dozen for shell egg producers.

The egg industry's breaking stock and egg products suffered demand destruction as a result of the food service sector shutting down. Producers cut back hen numbers and processors attempted to clear some of their breaking stock surplus through shell egg sales, while others added to dried inventories. Breaking stock prices averaged $0.39 per dozen during 2020, yielding losses in excess of $0.10 per dozen for most breaking stock producers.

Hen inventories were near record levels to begin 2020 with 342 million layers. There was a rapid decrease in hen inventories starting during the first quarter of 2020 driven by COVID-19. By the end of

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August, hen inventories had been reduced by nearly 28 million to 314 million. As the food service sector saw better demand during the second half of 2020 and in anticipation of a seasonal profitable fourth quarter, hen inventories steadily increased to 325.2 million at year-end. Cage-free hens accounted for 80 million of the egg industry's total hen inventory.

The egg industry continues to face a challenge of balancing food service needs as the COVID-19 vaccination potentially returns consumption back to normal patterns during 2021. While supply adjusts to meet consumer demand, it continues to challenge the industry, as feed cost components will likely provide more influence on production in 2021 than has been the case in recent years. Furthermore, producers continue to take steps to meet the expected future demand for cage-free eggs, as a growing number of states have passed legislation requiring cage-free eggs by specified future dates.

Ethanol: Ethanol producers followed a challenging 2019 with another difficult year in 2020. Most ethanol plants operated in the red during the first four months of 2020. The industry entered the year with excess production capacity and high inventories. In March, the situation worsened as the COVID-19 outbreak resulted in a major reduction in fuel consumption. Ethanol demand collapsed, falling over 40.0 percent in a matter of weeks and ethanol prices fell sharply. Many ethanol plants closed, some permanently, while others reduced production. Ethanol demand rebounded by May with monthly production typically at 85.0 to 90.0 percent of 2019 levels for the remainder of 2020. With this rationalized production and lower feedstock prices, ethanol crush margins were favorable from May through October. In November, ethanol prices declined as corn prices rallied. This created tight or negative operating margins for the last two months of the year. According to Iowa State University, return over operating costs (operating revenues less variable input costs) averaged $11.8 cents per gallon in 2020, compared to $8.5 cents per gallon in 2019. Even with this modest improvement in margins, only the most efficient ethanol plants generated profits in 2020.

In 2020, ethanol production of 13.9 BG (billion gallons) was down 1.9 BG from 2019. Production utilization fell from 87.8 percent in 2019 to 75.8 percent in 2020. Exports fell for the second consecutive year impacted by low worldwide gasoline prices. The United States Environmental Protection Agency also continued to grant small-refinery exceptions to renewable fuels mandates.

The outlook for 2021 is again challenging as excess capacity is still an issue. Demand for ethanol is projected to improve as the country recovers from the impact of COVID-19 and increases E85 usage. However, the year began with high feedstock costs and continued low ethanol prices, resulting in negative operating margins.

Refer to the "Other Matters – COVID-19" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report for further analysis.

Loan Portfolio

Our loan volume experienced another solid year of growth and increased $2.5 billion during 2020, an increase of 8.3 percent. The majority of the loan volume increase came from long-term agricultural mortgage loans and agribusiness loans while the production and intermediate term loans experienced a decrease due to lower utilization of operating loans.

Our loan portfolio consists primarily of agricultural real estate loans, production operating loans, intermediate-term installment loans and credit facilities to agricultural businesses. A high percentage of real estate loan installments are due in the December-to-March period. Most operating loans mature and are refinanced after the fall harvest and before spring planting. Operating loan volume tends to peak late in the fall, decline toward January and trend upward during the remainder of the year. Equipment loans generally have annual installments that correlate to customer commodity sales.

The following table summarizes our loan portfolio by major category (includes related accrued interest receivable, amounts are in thousands):

	December 31,					
	2020		2019		2018	
	Amount	**Percentage**	Amount	Percentage	Amount	Percentage
Long-term agricultural mortgage	**$19,615,255**	**60.1%**	$17,326,432	57.3%	$16,749,341	58.0%
Production and intermediate term	**6,778,232**	**20.8**	7,199,996	23.8	6,987,764	24.2
Agribusiness loans to:						
Cooperatives	**536,319**	**1.7**	396,619	1.3	362,563	1.3
Processing and marketing	**2,606,716**	**8.0**	2,297,161	7.6	2,062,455	7.2
Farm-related business	**437,543**	**1.3**	400,333	1.3	296,067	1.0
Communication	**517,037**	**1.6**	370,502	1.2	274,210	1.0
Energy loans	**337,441**	**1.0**	273,013	0.9	238,171	0.8
Water/Wastewater	**22,603**	**0.1**	12,327	0.1	2,444	–
Rural residential real estate	**1,153,932**	**3.5**	1,387,467	4.6	1,469,694	5.1
Mission-related investments	**520,991**	**1.6**	472,994	1.6	329,771	1.1
Agricultural export finance	**98,596**	**0.3**	89,900	0.3	82,074	0.3
Total loans	**$32,624,665**	**100.0%**	$30,226,744	100.0%	$28,854,554	100.0%

We have no single customer or group of related customers who comprise more than 10.0 percent of our volume or who would have a material effect if they no longer did business with us.

	December 31,		
	2020	2019	2018
Grain	**38.8%**	39.4%	41.3%
Landlords/investors	**10.8**	9.9	9.9
Beef feedlot	**8.3**	8.9	9.1
Swine	**7.6**	7.8	7.6
Cow-calf	**6.6**	6.7	6.8
Dairy	**3.8**	4.2	3.9
Farm supply	**2.2**	2.0	1.8
Forest products	**2.1**	1.9	1.8
Poultry	**1.7**	1.9	1.7
Meat/proteins processing	**1.6**	1.7	1.6
General livestock	**1.1**	1.1	1.3
Renewable fuels	**0.7**	0.9	0.9
Other	**14.7**	13.6	12.3
Total	**100.0%**	100.0%	100.0%

Commodities are based on the borrower's primary intended commodity at the time of loan origination and may change due to borrower business decisions as a result of changes in weather, prices, input costs and other circumstances.

Our chartered territory includes Iowa, Nebraska, South Dakota and Wyoming. The geographic distribution of loan volume follows:

	December 31,		
State	**2020**	2019	2018
Iowa	**35%**	36%	36%
Nebraska	**26**	26	27
South Dakota	**17**	17	18
Wyoming	**2**	2	2
Other states	**20**	19	17
	100%	100%	100%

A loan is impaired when it is probable that all amounts due under the contractual terms of the loan agreement will not be collected. All risk loans are considered to be impaired loans. Risk loans include nonaccrual loans, formally restructured loans, and loans that are 90 days or more past due and still accruing interest.

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The following table summarizes risk asset and delinquency information (amounts are in thousands):

	December 31,		
	2020	2019	2018
Risk loans:			
Nonaccrual	**$167,524**	$239,933	$162,529
Restructured	**31,503**	41,549	36,739
90 days past due still accruing interest*	**2,338**	1,099	6,645
Total risk loans	**201,365**	282,581	205,913
Other property owned, net	**10,271**	25,677	33,615
Total risk assets	**$211,636**	$308,258	$239,528
Risk loans as a percentage of total loans	**0.62%**	0.93%	0.71%
Nonaccrual loans as a percentage of total loans	**0.51%**	0.79%	0.56%
Current nonaccrual loans as a percentage of total nonaccrual loans	**65.7%**	70.2%	65.1%
Total delinquencies as a percentage of total loans	**0.41%**	0.59%	0.64%

**Accruing loans include accrued interest receivable.*

Total risk loans and other property owned have both decreased since the end of 2019. The decrease in risk loans primarily results from a decrease in nonaccrual and restructured loans. Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection. Risk loans as a percentage of total loans remain at manageable levels.

Our adversely classified assets decreased during 2020, ending the year at 5.95 percent of the portfolio compared to 8.47 percent of the portfolio at December 31, 2019. Adversely classified assets are assets that 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.

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

Comparative allowance coverage of various loan categories follows:

	December 31,		
	2020	2019	2018
Allowance as a percentage of:			
Total loans	**0.47%**	0.55%	0.55%
Nonaccrual loans	**90.73%**	67.94%	96.60%
Total risk loans	**75.48%**	57.68%	76.25%
Net charge-offs as a percentage of average loans	**0.04%**	0.01%	0.01%
Adverse assets to risk funds*	**34.90%**	47.94%	53.91%

**Risk funds include permanent capital and allowance for loan losses.*

In our opinion, the allowance for loan losses at December 31, 2020, is adequate to provide for probable and estimable losses in the loan portfolio.

Results of Operations

The following table provides profitability information:

	December 31,		
	2020	2019	2018
Net income (in thousands)	**$694,878**	$672,023	$633,038
Return on average assets	**2.16%**	2.23%	2.22%
Return on average members' equity	**11.37%**	11.60%	11.83%

Changes to our return on average assets and return on average members' equity are related directly to the changes in assets discussed in the "Loan Portfolio" section, and the changes in members' equity are discussed in the "Members' Equity" section.

Major components of the changes in net income for 2020, 2019 and 2018 are outlined in the following table (in thousands):

	December 31,		
	2020	2019	2018
Net income prior year	**$672,023**	$633,038	$582,453
Increase (decrease) in net income attributable to changes in:			
Net interest income	**6,790**	28,547	39,480
Provision for credit losses	**7,429**	19,142	1,047
Noninterest income	**64,497**	13,641	22,741
Noninterest expense	**(50,227)**	(23,359)	(10,691)
Provision for income taxes, net	**(5,634)**	1,014	(1,992)
Net income for the year	**$694,878**	$672,023	$633,038

The effects on net interest income from changes in average volumes and rates are presented in the following table (in thousands):

	2020 vs. 2019	2019 vs. 2018
Change in volume	**$53,672**	$42,626
Change in rates	**(44,506)**	(13,576)
Change in nonaccrual income	**(2,376)**	(503)
Net change	**$ 6,790**	$28,547

The average lending rate was 3.96 percent for 2020 compared to 4.91 percent for 2019 and 4.77 percent for 2018. The average cost of debt was 1.75 percent for 2020 compared to 2.70 percent for 2019 and 2.46 percent for 2018. The net interest margin was 2.52 percent for 2020 compared to 2.68 percent in 2019 and 2.72 percent in 2018.

Net interest income included income on nonaccrual loans that totaled $2.2 million in 2020, $4.6 million in 2019 and $5.1 million in 2018. Nonaccrual income is recognized when:

- received in cash,
- collection of the recorded investment is fully expected, and
- prior charge-offs have been recovered.

We recorded a $3.3 million provision for credit losses in 2020 compared to a $10.7 million provision for credit losses for 2019 and a $29.9 million provision for credit losses for 2018. The provision for credit losses includes the provision for loan losses and the provision for unfunded lending commitments. Provision expense was lower in 2020 compared to 2019 due primarily to the improvement of credit quality. Improvement was experienced in all loan types.

The reserve for unfunded lending commitments is based on our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement were utilized in determining this contingency. The reserve for unfunded commitments was $14 million at December 31, 2020, compared to $11 million at December 31, 2019, and $10 million at December 31, 2018.

We recorded net charge-offs of $11.3 million in 2020 (0.04 percent of average loans), $3.7 million in 2019 (0.01 percent of average loans) and $3.9 million in 2018 (0.01 percent of average loans).

The increase in noninterest income is primarily due to an increase in AgriBank, FCB patronage, loan fees from significant conversion activity based on lower long-term interest rates and AgDirect® program fees, which are more fully described under "AgriBank, FCB Patronage Income" and "AgDirect, LLP" respectively, later in this section of the annual report. The increase is also due to Rural 1st program fees. The increase in noninterest expense is primarily due to salary, benefits and other expenses for increased staffing levels to support business initiatives.

Patronage Program

Our Board adopted a patronage program for eligible customers in 2020. The patronage program has been in place for more than a decade. The 2020 program is based on each customer's average daily balance of eligible loans outstanding during the year. The patronage program is a distribution of earnings to our eligible stockholders and is a qualified (cash) distribution referred to as cash-back dividends. We recorded an estimated patronage liability of $339 million in December 2020 to be paid in 2021.

The 2019 and 2018 patronage programs were also based on each customer's average daily balance of eligible loans outstanding during the year. We recorded a patronage liability of $262 million in December 2019 and $230 million in December 2018.

Our Board also has adopted a patronage program for 2021. The 2021 patronage program will once again be based on each customer's average daily balance of eligible loans outstanding during 2021 to be paid in 2022.

AgriBank, FCB Patronage Income

We receive three different types of discretionary patronage from AgriBank, FCB. AgriBank, FCB's Board of Directors sets the level of patronage for each of the following:

- wholesale patronage, which includes patronage on our note payable with AgriBank, FCB,
- pool program patronage based on the net earnings of loan participation interests sold to AgriBank, FCB, and
- distributions based on our share of the net earnings of the loans in the AgDirect trade credit financing program, adjusted for required return on capital and servicing and origination fees.

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AgriBank, FCB's capital plan is intended to provide for adequate capital at AgriBank, FCB under capital regulations as well as create a path to long-term capital optimization within the AgriBank, FCB District. The plan optimizes capital at AgriBank, FCB, distributing their available earnings in the form of patronage, either cash or AgriBank, FCB stock, which is at the sole discretion of the AgriBank, FCB Board of Directors. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

We received patronage income based on the average balance of our note payable to AgriBank, FCB. We recorded patronage income of $146.9 million in cash in 2020; and $72.2 million and $61.9 million in cash and stock patronage, respectively, in 2019 for a total of $134.1 million in 2019. We received $123.5 million in cash patronage in 2018.

We also received pool program patronage income related to our sale of participation interests in certain real estate, commercial and adverse asset loans to AgriBank, FCB. We recorded pool patronage income of $9.2 million in cash patronage. We recorded $7.5 million and $0.6 million cash and stock patronage, respectively, in 2019 for a total of $8.1 million. We received $9.7 million in cash patronage in 2018.

The partnership distribution on our share of net earnings of the loans in the AgDirect trade credit financing program is described under "AgDirect, LLP" later in this section of the annual report.

Funding and Liquidity

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with AgriBank, FCB. At December 31, 2020, we had a $30 billion revolving line of credit with AgriBank, FCB. We generally apply excess cash to this line of credit.

As described in Note 7 to the consolidated financial statements, "Notes Payable," this line of credit is governed by a General Financing Agreement and is collateralized by a pledge of substantially all our assets and is also subject to regulatory borrowing limits. The line of credit will be renegotiated prior to the maturity date of June 30, 2022. We expect this line of credit to be sufficient to fund our operations. The note payable related to this line of credit reprices monthly. Our average cost of funds is variable and may fluctuate based on the current interest rate environment.

At December 31, 2020, the direct loan balance was $26.9 billion compared to $24.8 billion at December 31, 2019, and $23.8 billion at the end of 2018.

The interest rate risk inherent in our loan portfolio is substantially mitigated through this funding relationship. AgriBank, FCB manages interest rate risk through its direct loan pricing and asset/liability management processes. The direct loan pricing mechanism simulates matching the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to customers. The primary risks we manage include pipeline risk and basis risk. Pipeline risk occurs when we commit a fixed interest rate to a customer in advance of the loan's closing date and is effectively mitigated through the use of rate-lock agreements. Basis risk occurs when the interest rate on a loan reprices according to one index, while the debt supporting that loan reprices according to another index.

However, we maintain some exposure to interest rates, including London InterBank Offered Rate (LIBOR), primarily from loans to customers that may not have a component of our line of credit with an exact repricing attribute. Regulators in the United States and worldwide have expressed their desire to phase out LIBOR and other interbank offered rates by the end of 2021. They have indicated that the reliability and stability of LIBOR as a benchmark rate after 2021 cannot be assured. The Farm Credit System has established a LIBOR transition work group to provide leadership in addressing the LIBOR phaseout across system entities. While many factors can impact our net interest income, we expect that financial performance will remain relatively consistent under most interest rate environments over the next 12 months.

We provide financing to eligible customers with various interest rate programs. New loans are priced with consideration given to local competitive conditions, the cost of debt that will be incurred to fund the loan, the individual risk elements of the loan and profit objectives. Interest on real estate loans is generally paid in full annually, while interest on agricultural production loans is generally paid in full at the annual renewal date of the loan.

We offer variable-rate loan products that include variable-rate loans repriced at our discretion, as dictated by market conditions, and market-indexed variable-rate loans that provide customers with the option of indexing their interest rate to external market indices such as LIBOR or the prime rate.

We also offer fixed-rate operating loans for up to 14.99 months, fixed-rate installment loans for up to 10 years and fixed-rate mortgage loans in yearly increments from five to 35 years.

Additionally, we offer real estate adjustable-rate loans that are indexed to one-, three- or five-year United States Department of the Treasury rates. The loans reprice at one-, three- or five-year intervals at a rate equal to the corresponding United States Department of the Treasury rate plus a contractual spread. The one-, three- or five-year adjustable-rate loans are generally subject to periodic caps ranging from 2.0–2.5 percent with a 6.0 percent life cap. The cost of debt supporting these loans is capped accordingly.

We also offer a prepayment-restricted loan product. This is a fixed-rate product with a prepayment penalty provision if prepayments are made during the initial three, five or seven years of the loan term. For agreeing to restricted prepayments, the customer receives a reduced interest rate that remains in effect for the entire loan term.

A breakdown of the loan portfolio by rate type, as a percentage of total volume at December 31, is shown in the following table:

	December 31,		
	2020	2019	2018
Variable rate	**38.7%**	39.8%	38.9%
Fixed rate	**61.3**	60.2	61.0
Adjustable rate	**0.0**	0.0	0.1
	100.0%	100.0%	100.0%

Our other source of lendable funds is unallocated surplus.

Members' Equity

Our equity structure is described in Note 8 to the consolidated financial statements, "Members' Equity." Members' equity increased to $6.18 billion at December 31, 2020, compared to $5.91 billion at December 31, 2019, and $5.50 billion at December 31, 2018. The increase in 2020 was due to net income recorded in 2020 offset by patronage payable.

Members' equity as a percentage of total assets decreased to 18.3 percent at December 31, 2020, compared to 18.9 percent at December 31, 2019, and 18.4 percent at December 31, 2018.

In January 2020, we implemented the Farm Credit Administration's exclusion of at-risk capital stock that is financed with a noninterest-bearing obligation from Tier 1/Tier 2 regulatory capital; the impact of the change on our regulatory capital ratios was immaterial. Additionally, the balance sheet treatment of the noninterest-bearing receivable was reclassified to contra equity in the amount of $90.9 million. This change did not have a material impact on our financial condition, results of operations, cash flows or financial statement disclosures.

The Farm Credit Administration 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 Farm Credit Administration requires us to maintain minimums for our non-risk-adjusted ratios of Tier 1 leverage and unallocated retained earnings and equivalents (UREE) leverage.

	As of December 31,			Regulatory Minimums	Minimums with Buffers
	2020	2019	2018		
Risk-adjusted ratios:					
Common equity Tier 1	**16.06%**	16.70%	16.10%	**4.5%**	**7.0%***
Tier 1 capital	**16.06%**	16.70%	16.10%	**6.0%**	**8.5%***
Total capital	**16.55%**	17.24%	16.63%	**8.0%**	**10.5%***
Permanent capital	**16.13%**	16.81%	16.21%	**7.0%**	**7.0%**
Non-risk-adjusted ratios:					
Tier 1 leverage	**17.32%**	17.90%	17.29%	**4.0%**	**5.0%***
UREE leverage	**18.35%**	18.53%	17.88%	**1.5%**	**1.5%**

**The 2.5 percent capital conservation buffers over risk-adjusted ratio minimums was phased in over three years under the Farm Credit Administration capital requirements. The phase-in period ended December 31, 2019.*

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

Capital ratios are directly impacted by changes in capital, assets and off-balance sheet commitments. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional discussion of regulatory ratios and members' equity information is included in Note 8 to the consolidated financial statements, "Members' Equity" and off-balance sheet commitments are discussed in Note 12, "Commitments and Contingencies."

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Relationship with AgriBank, FCB

We borrow from AgriBank, FCB to fund our lending operations in accordance with the Farm Credit Act of 1971, as amended. Approval from AgriBank, FCB is required for us to borrow elsewhere. A General Financing Agreement, as discussed in Note 7 to the consolidated financial statements, "Notes Payable," governs this lending relationship. Cost of funds under the General Financing Agreement includes:

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

In the periods presented, we were not subject to the risk-premium component. Certain factors may impact our cost of funds, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost-of-debt approach simulates matching the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to borrowers. This methodology substantially protects us from market interest rate risk.

We are required to invest in AgriBank, FCB capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank, FCB surplus. As of December 31, 2020, we were required by AgriBank, FCB to maintain an investment equal to 2.5 percent of the average quarterly balance of our note payable, with an additional amount required on Association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate.

We are also required to hold AgriBank, FCB stock related to our participation in pool programs. The required investment amount varies by pool program and is generally a percentage of the loan balance in the pool.

At December 31, 2020, and 2019, $369.4 million of our investment in AgriBank, FCB consisted of stock representing distributed AgriBank, FCB surplus. At December 31, 2020, $340.9 million and at December 31, 2019, $282.2 million consisted of purchased investment. For the periods presented in this report, we have received no dividend income on this stock investment, and we do not anticipate any in future years.

Although it is not a direct Association investment in AgriBank, FCB, AgDirect, LLP, which facilitates the AgDirect trade credit financing program, is required to own stock in AgriBank, FCB in the amount of 6.0 percent of the AgDirect program's outstanding participation loan balance at quarter-end, plus 6.0 percent of the expected balance to be originated during the following quarter. AgriBank, FCB's capital plan is intended to provide for adequate capital at AgriBank, FCB under capital regulations as well as create a path to long-term capital optimization within the AgriBank, FCB District. The plan optimizes capital at AgriBank, FCB, distributing available AgriBank, FCB earnings in the form of patronage, either cash or stock. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

We receive different types of discretionary patronage from AgriBank, FCB as set by its Board of Directors. Patronage income earned was paid in cash in 2020 and AgriBank, FCB stock and cash in 2019. Patronage income for 2018 was paid in cash.

We receive the following types of discretionary patronage from AgriBank, FCB:

- wholesale patronage, which includes patronage on our note payable with AgriBank, FCB,
- pool program patronage based on the net earnings of loan participation interests sold to AgriBank, FCB, and
- distributions based on our share of the net earnings of the loans in the AgDirect trade credit financing program, adjusted for required return on capital, and servicing and origination fees.

Due to the nature of our financial relationship with AgriBank, FCB, the financial condition and results of operations of AgriBank, FCB materially impact our stockholders' investments in FCSAmerica. To request a free copy of the combined AgriBank, FCB financial reports, contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via email to $sr@fcsamerica.com. You may also contact AgriBank, FCB at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800 or via email to financialreporting@agribank.com. The reports are also available through AgriBank, FCB's website at agribank.com. Annual reports are available no later than 75 days after the end of the calendar year, and quarterly reports are available no later than 40 days after the end of each calendar quarter.

Relationship With Frontier Farm Credit, ACA

A strategic alliance between FCSAmerica and Frontier Farm Credit, ACA (Frontier Farm Credit) was implemented on January 1, 2015. The alliance is designed to benefit the farmers and ranchers who own and support the two financial services cooperatives by ensuring that both Associations have the strength and capacity to serve agricultural customers' needs for years to come.

FCSAmerica and Frontier Farm Credit continue to exist as separate Associations while integrating their day-to-day business operations, technology systems and leadership teams. Each Association continues to have its own Board, with representatives participating in a coordinating committee to facilitate Board governance between the two organizations.

Under the alliance agreement, FCSAmerica and Frontier Farm Credit have agreed to share current-year income and expenses based generally on the average total assets of each entity for the prior calendar year. For the year ending December 31, 2020, pretax net income was shared on fixed percentages of 93.7 and 6.3 percent for FCSAmerica and Frontier Farm Credit, respectively. For the year ending December 31, 2020, FCSAmerica recorded $17.2 million of net operating expense credits under the income- and expense-sharing provisions of the alliance agreement primarily due to the recovery of salary and related expenses incurred by FCSAmerica for former Frontier Farm Credit employees added to the FCSAmerica payroll. The net operating expense credits recorded by FCSAmerica were $14.4 million for the year ended December 31, 2019, and $11.4 million for the year ended December 31, 2018. The net operating expenses specifically attributable to salaries and employee benefits, and occupancy and equipment expense are recorded in their respective accounts on our Consolidated Statements of Income. The remainder of the allocation is a net recording to other operating expenses on our Consolidated Statements of Income. Depending on the activity in each Association, this allocation can result in the recording of an operating expense credit.

FCSAmerica has $33.7 billion in assets and serves the states of Iowa, Nebraska, South Dakota and Wyoming. Frontier Farm Credit has $2.4 billion in assets and serves multiple counties in eastern Kansas.

AgDirect®, LLP

We have entered into agreements with 15 other Farm Credit System Associations inside and outside of the AgriBank, FCB District to provide access to our AgDirect trade credit financing program. The AgDirect program includes origination and refinancing of agricultural equipment loans and leases through independent equipment dealers. The Farm Credit Administration has approved requests from these Associations to invest in a limited liability partnership (LLP) that facilitates this collaborative AgDirect trade credit financing program and allows us to leverage the AgDirect program for the mutual benefit of our Associations, and the farmers and ranchers we collectively serve. Our investment is reflected as "Investment in AgDirect, LLP" on our Consolidated Balance Sheets. The LLP is an unincorporated business entity and purchases participations in AgDirect loans from us that were originated under the agreements described earlier. The LLP subsequently sells a like amount of loan participations to AgriBank, FCB. The LLP pays us a fee for originating these loans. Total outstanding participations sold to the LLP at December 31, 2020, were $4.6 billion compared to $3.7 billion at the end of 2019 and $3.3 billion at the end of 2018. AgriBank, FCB, at the discretion of its Board of Directors, pays patronage on these loan participations to AgDirect, LLP. Any patronage declared is accrued quarterly and paid by AgriBank, FCB in the first month of the subsequent quarter. AgDirect, LLP distributes any patronage paid by AgriBank, FCB as partnership distributions to the AgDirect, LLP partners. At December 31, 2020, our investment in AgDirect, LLP was $74.1 million.

Purchased Services

We purchased various services from AgriBank, FCB until the formation of SunStream Business Services (SunStream) on April 1, 2020, at which time we began purchasing these services from SunStream. The services include tax-reporting services; cash management; customer, travel and expense credit card programs; and expense and invoice reporting tools. For further discussion on our relationship with SunStream see Note 11, "Related Party Transactions."

Farm Credit Foundations

We purchase human resource information systems and benefit and payroll services from Farm Credit Foundations. The Farm Credit System entities using Farm Credit Foundations' services contributed an investment into the service corporation when it was formed as a separate service corporation. For further discussion on our relationship with Farm Credit Foundations see Note 11, "Related Party Transactions."

Rural 1st®

In 2019, we entered into an agreement with Farm Credit Mid-America to offer home lending through Rural 1st. Rural 1st is a division of Farm Credit Mid-America offering a program that delivers specialized products and services to customers looking to make a move to rural living through recreation land and home purchases, and home-equity and construction projects. We receive noninterest income from Farm Credit Mid-America for loan volume originated in our territory via Rural 1st. For further discussion on our relationship with Rural 1st see Note 11, "Related Party Transactions."

ProPartners Financial

During 2020 we began participating in ProPartners Financial (ProPartners) with certain Farm Credit System institutions to provide producer financing through agribusinesses that sell crop inputs. ProPartners is directed by representatives from participating Associations. We sell to AgriBank, FCB our entire interest in the loans associated with ProPartners. As part of this program we receive patronage income at the sole discretion of the AgriBank, FCB Board of Directors. AgriBank, FCB immediately purchases a 100 percent participation interest in all new ProPartners loans. For further discussion on our relationship with ProPartners Financial see Note 11, "Related Party Transactions."

Farm Credit Services of America, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

Farm Credit Leasing Services Corporation

We have an agreement with Farm Credit Leasing Services Corporation, a Farm Credit System service corporation, that specializes in leasing products and provides industry expertise. Leases are originated and serviced by Farm Credit Leasing Services Corporation, and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise. For further discussion on our relationship with Farm Credit Leasing Services Corporation see Note 11, "Related Party Transactions."

Rural Business Investment Companies

We and other Farm Credit System institutions are among the limited partners invested in seven Rural Business Investment Companies (RBICs). The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. Certain commitments may have an option to extend under specific circumstances. For further discussion see Note 12, "Commitments and Contingencies."

Other Matters – COVID-19

The COVID-19 pandemic created a global public heath crisis in 2020. It caused widespread economic impacts, significant unemployment impacts, and it disrupted global supply and demand chains.

The Association has not seen a material adverse impact from the COVID-19 pandemic. While various geographic locations continue to see elevated rates of infection and hospitalization, the primary recessionary pressures are showing signs of easing, and federal aid to both agriculture and the general economy has provided financial support and assistance to partially mitigate the financial impact. Commodity prices for the primary industries financed have recovered with near-term forecasts reflecting breakeven to positive profit margins for most producers.

The United States 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 $660.0 billion under the Paycheck Protection Program (PPP), which is a guaranteed loan program administered by the U.S. Small Business Administration (SBA). 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 are eligible to receive financing under the Farm Credit Act and the Farm Credit Administration (FCA) regulations are able to 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. Since beginning the program, we have successfully processed $93.7 million in PPP loans for customers with production and intermediate-term loans. At December 31, 2020, $22.5 million loans have been forgiven. At the end of December 2020, additional legislation was passed to extend the PPP by approximately $280.0 billion, which modified and expanded eligibility to borrowers and will be available through March 31, 2021. We have had requests for loans under this expanded program.

Despite volatility and uncertainty in the market, we have weathered the significant initial challenges presented by the current operating environment and our operations are fully functioning. Our business continuity response has allowed us to continue to serve our customers, and the remote work environment has allowed us to continue to maintain the health of our employees and operate without loss of key functions due to illness. We have not had any significant changes to internal controls over financial reporting due to working remotely or due to limited staff.

We do not anticipate additional material deterioration in overall credit quality levels while delinquency and provision expense levels are projected to be stable.

Regulatory Matters

The Farm Credit Administration 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, which became effective on October 21, 2020. 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; and
- update existing terminology and make other grammatical changes.

The Farm Credit Administration Board approved a final rule to amend the investment eligibility regulation. The final rule became effective on December 4, 2020, and allows Associations to purchase portions of loans in the secondary market that are fully and unconditionally guaranteed by the United States Department of Agriculture. We currently do not have investment securities on our Consolidated Balance Sheets but do hold loans that are purchased under this investment regulation.

For both final rules we have updated our policies, procedures and other documentation to ensure compliance with the amended regulations. The amendments did not have a material impact to our financial statements.

Farm Credit Services of America, ACA

Report of Management

We prepare the consolidated financial statements of Farm Credit Services of America, ACA (Association) and are responsible for their integrity and objectivity, including amounts that must be necessarily based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute, assurance that assets are safeguarded, and that transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the consolidated financial statements. They also consider internal controls to the extent necessary to design audit procedures that comply with generally accepted auditing standards in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness, as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consult regularly with us and meet periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify that we have reviewed the Association's annual report and it has been prepared in accordance with all applicable statutory or regulatory requirements, and the information contained herein is true, accurate and complete to the best of our knowledge and belief.

Mark Jensen
President and CEO
March 3, 2021

Craig P. Kinnison
Executive Vice President – CFO
March 3, 2021

Steve Henry
Chairperson, Board of Directors
March 3, 2021

Farm Credit Services of America, ACA

Report on Internal Control Over Financial Reporting

Farm Credit Services of America, ACA's (Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining effective internal control over financial reporting for the Association's consolidated financial statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its consolidated financial statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2020. In making the assessment, management used the 2013 framework in Internal Control – Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2020, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2020.

Mark Jensen
President and CEO
March 3, 2021

Craig P. Kinnison
Executive Vice President – CFO
March 3, 2021

Farm Credit Services of America, ACA

Report of Audit Committee

The consolidated financial statements of Farm Credit Services of America, ACA (Association) were prepared under the oversight of the Audit Committee. The Audit Committee is composed of four individuals from the Association Board of Directors. In 2020, the Audit Committee met four times. The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as our independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue its report based on its audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2020, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statements on Auditing Standards AU-C 260, "The Auditor's Communication With Those Charged With Governance," and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors includes the audited consolidated financial statements in the annual report for the year ended December 31, 2020.

Jim Kortan
Chair, Audit Committee
Farm Credit Services of America, ACA
March 3, 2021

Audit Committee Members:
Nicholas Hunt
Jon Van Beek

pwc

Report of Independent Auditors

To the Board of Directors of Farm Credit Services of America, ACA,

We have audited the accompanying consolidated financial statements of Farm Credit Services of America, ACA and its subsidiaries (the Association), which comprise the consolidated balance sheets as of December 31, 2020, 2019 and 2018, and the related consolidated statements of income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Farm Credit Services of America, ACA and its subsidiaries as of December 31, 2020, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 3, 2021

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
T: (612) 596 6000, F: (612) 373 7160, www.pwc.com

Farm Credit Services of America, ACA

Consolidated Balance Sheets

(Dollars in thousands)

	December 31,		
	2020	2019	2018
Assets			
Loans	**$32,206,504**	$29,748,180	$28,386,634
Less allowance for loan losses	**152,000**	163,000	157,000
Net loans	**32,054,504**	29,585,180	28,229,634
Cash	**57,690**	56,064	108,956
Accrued interest receivable	**418,161**	478,564	467,920
Investment in AgriBank, FCB	**710,310**	651,643	569,657
Investment in AgDirect, LLP	**74,087**	59,710	54,914
Premises and equipment, net	**243,615**	227,579	189,454
Other property owned	**10,271**	25,677	33,615
Investment in RBICs	**25,797**	19,614	13,617
Deferred tax asset, net	**5,731**	4,776	4,120
Other assets	**78,059**	159,758	177,383
Total assets	**$33,678,225**	$31,268,565	$29,849,270
Liabilities			
Notes payable	**$26,876,605**	$24,780,931	$23,812,109
Accrued interest payable	**93,089**	154,522	156,539
Patronage payable	**339,000**	262,000	230,000
Reserve for unfunded lending commitments	**14,000**	11,000	10,000
Other liabilities	**178,597**	147,933	143,299
Total liabilities	**27,501,291**	25,356,386	24,351,947
Commitments and contingencies (Note 12)			
Members' Equity			
At-risk capital:			
Class D common stock	**92,081**	85,997	81,426
Class E common stock	**3,764**	3,632	3,246
Less: capital stock receivable (Note 8)	**(95,845)**	–	–
Retained earnings	**6,176,934**	5,822,550	5,412,651
Total members' equity	**6,176,934**	5,912,179	5,497,323
Total liabilities and members' equity	**$33,678,225**	$31,268,565	$29,849,270

The accompanying notes are an integral part of these consolidated financial statements.

Farm Credit Services of America, ACA

Consolidated Statements of Income

(Dollars in thousands)

	Year Ended December 31,		
	2020	2019	2018
Net Interest Income			
Interest income	**$1,228,004**	$1,419,428	$1,303,132
Interest expense	**450,970**	649,184	561,435
Net interest income	**777,034**	770,244	741,697
Provision for credit losses	**3,294**	10,723	29,865
Net interest income after provision for credit losses	**773,740**	759,521	711,832
Noninterest Income			
Patronage income from AgriBank, FCB	**156,059**	142,239	133,243
Loan fees	**34,037**	20,111	18,247
Insurance services	**53,540**	47,655	46,985
AgDirect program fees	**66,197**	43,782	34,707
FCSIC insurance refund	**6,359**	6,753	16,215
Patronage income from AgDirect, LLP	**8,717**	9,271	10,659
Servicing fee income from AgriBank, FCB	**890**	586	683
Gain (loss) on other property owned	**475**	(1,085)	(1,612)
Other noninterest income	**18,987**	11,452	7,469
Total noninterest income	**345,261**	280,764	266,596
Noninterest Expense			
Salaries and employee benefits	**266,026**	230,994	217,969
Occupancy and equipment expense	**42,582**	33,398	28,014
Insurance fund premiums	**25,176**	22,488	21,483
Other operating expenses	**75,617**	72,204	69,269
Loss on investment in RBICs	**3,151**	3,241	1,704
Total noninterest expense	**412,552**	362,325	338,439
Income before income taxes	**706,449**	677,960	639,989
Provision for income taxes	**11,571**	5,937	6,951
Net income	**$ 694,878**	$ 672,023	$ 633,038

The accompanying notes are an integral part of these consolidated financial statements.

Farm Credit Services of America, ACA

Consolidated Statements of Changes in Members' Equity

(Dollars in thousands)

	At-Risk Capital		
	Capital Stock	Retained Earnings	Total Members' Equity
Balance at December 31, 2017	$76,838	$5,009,588	$5,086,426
Net income		633,038	633,038
Patronage distribution accrued		(230,000)	(230,000)
Patronage accrual adjustment		25	25
Capital stock:			
Issued	20,124		20,124
Retired	(12,290)		(12,290)
Balance at December 31, 2018	84,672	5,412,651	5,497,323
Net income		672,023	672,023
Patronage distribution accrued		(262,000)	(262,000)
Patronage accrual adjustment		(124)	(124)
Capital stock:			
Issued	14,347		14,347
Retired	(9,390)		(9,390)
Balance at December 31, 2019	89,629	5,822,550	5,912,179
Net income		**694,878**	**694,878**
Patronage distribution accrued		**(339,000)**	**(339,000)**
Patronage accrual adjustment		**(1,494)**	**(1,494)**
Capital stock:			
Capital stock and participation certificates issued	**16,518**		**16,518**
Capital stock and participation certificates retired	**(10,302)**		**(10,302)**
Capital stock and participation certificates receivable, net	**(95,845)**		**(95,845)**
Balance at December 31, 2020	**$ –**	**$6,176,934**	**$6,176,934**

The accompanying notes are an integral part of these consolidated financial statements.

Farm Credit Services of America, ACA

Consolidated Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31,		
	2020	2019	2018
Cash Flows from Operating Activities:			
Net income	**$ 694,878**	$672,023	$633,038
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	**3,294**	10,723	29,865
(Gain) loss on sales of other property owned	**(2,144)**	(385)	1,593
Gain on sales of premises and equipment	**(2,492)**	(736)	(314)
Carrying value write-down on premises and equipment	**1,182**	2,140	–
Depreciation on premises and equipment	**20,732**	17,874	15,958
Decrease (increase) in accrued interest receivable	**60,403**	(10,644)	(55,690)
(Decrease) increase in accrued interest payable	**(61,433)**	(2,017)	44,197
(Increase) decrease in deferred tax asset	**(955)**	(656)	159
(Increase) decrease in other assets	**(7,930)**	10,520	(24,069)
Income recognized on deferred AgDirect program fees	**8,116**	7,106	6,923
Increase (decrease) in other liabilities	**22,548**	4,634	(8,605)
Total adjustments	**41,321**	38,559	10,017
Net cash provided by operating activities	**736,199**	710,582	643,055
Cash Flows from Investing Activities:			
Increase in loans, net	**(2,471,790)**	(1,369,888)	(1,771,830)
Purchases of investment in AgriBank, FCB	**(58,667)**	(81,986)	(37,081)
(Increase) decrease in investment in AgDirect, LLP	**(14,377)**	(4,796)	4,250
Purchases of premises and equipment, net	**(38,301)**	(58,990)	(43,301)
Purchases of investment in RBICs	**(6,183)**	(5,998)	(1,644)
Proceeds from sales of other property owned	**18,540**	10,802	2,559
Proceeds from sales of premises and equipment	**4,025**	3,727	2,019
Net cash used in investing activities	**(2,566,753)**	(1,507,129)	(1,845,028)
Cash Flows from Financing Activities:			
Increase in notes payable, net	**2,095,674**	968,822	1,409,068
Patronage paid in cash	**(263,494)**	(230,124)	(199,975)
At-risk capital stock issued	**–**	14,347	20,124
At-risk capital stock retired	**–**	(9,390)	(12,290)
Net cash provided by financing activities	**1,832,180**	743,655	1,216,927
Net increase (decrease) in cash	**1,626**	(52,892)	14,954
Cash at beginning of year	**56,064**	108,956	94,002
Cash at end of year	**$ 57,690**	$ 56,064	$108,956
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Cash patronage distribution declared	**$339,000**	$262,000	$230,000
Supplemental Cash Flow Information:			
Interest paid on notes payable	**$512,402**	$651,201	$517,238
Income taxes paid (net of refunds)	**$8,062**	$7,344	$(216)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 – Organization and Operations

Farm Credit System and District

Farm Credit System Lending Institutions

The Farm Credit System is a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2021, the Farm Credit System consisted of three Farm Credit Banks, one Agricultural Credit Bank and 67 customer-owned cooperative lending institutions (Associations). The Farm Credit System serves all 50 states, Washington, D.C., and Puerto Rico. This network of financial cooperatives is owned and operated by the rural customers the Farm Credit System serves – the American farmer and rancher.

AgriBank, FCB and its affiliated Associations are collectively referred to as the AgriBank Farm Credit District. At January 1, 2021, the AgriBank Farm Credit District consisted of 14 Agricultural Credit Associations that each has wholly owned Federal Land Credit Association and Production Credit Association subsidiaries.

Federal Land Credit Associations are authorized to originate long-term real estate mortgage loans. Production Credit Associations are authorized to originate short-term and intermediate-term loans. Agricultural Credit Associations are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments, including mission-related investments. AgriBank, FCB provides funding to all Associations chartered within the AgriBank Farm Credit District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related service businesses. Additionally, Associations can participate with other lenders in loans to similar entities. Similar entities are parties who are not eligible for a loan from a Farm Credit System lending institution but have operations that are functionally similar to the activities of eligible borrowers.

Farm Credit System Regulator

The Farm Credit Administration is authorized by Congress to regulate the Farm Credit System banks and Associations. We are examined by the Farm Credit Administration, and certain Association actions are subject to the prior approval of the Farm Credit Administration and/or AgriBank, FCB.

Farm Credit System Insurance Fund

The Farm Credit System Insurance Corporation administers the Farm Credit System Insurance Fund. The Farm Credit System Insurance Fund is used to ensure the timely payment of principal and interest on Farm Credit Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the Farm Credit System Insurance Corporation, the Farm Credit System Insurance Fund also is available to provide assistance to certain troubled Farm Credit System institutions and for the operating expenses of the Farm Credit System Insurance Corporation. Each Farm Credit System bank is required to pay premiums into the Farm Credit System Insurance Fund until the assets in the Farm Credit System Insurance Fund equal 2.0 percent of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the Farm Credit System Insurance Corporation, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities, which are assessed a surcharge, while guaranteed loans and investment securities are deductions from the premium base. AgriBank, FCB, in turn, assesses premiums to its related Associations each year based on similar factors.

Association

Farm Credit Services of America, ACA (ACA) and its subsidiaries, Farm Credit Services of America, FLCA (FLCA) and Farm Credit Services of America, PCA (PCA), collectively referred to as FCSAmerica, are lending institutions of the Farm Credit System. We are a member-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the states of Iowa, Nebraska, South Dakota and Wyoming. We borrow from AgriBank, FCB and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans and provides lease financing options in collaboration with Farm Credit Leasing Services Corporation and CoBank, ACB. The PCA makes short-term and intermediate-term loans for agricultural production or operating purposes and provides lease financing options in collaboration with Farm Credit Leasing Services Corporation and CoBank, ACB. We offer risk management services, including crop insurance and crop hail insurance, for borrowers and those eligible to borrow.

Relationship With Frontier Farm Credit, ACA

A strategic alliance between FCSAmerica and Frontier Farm Credit, ACA (Frontier Farm Credit) was implemented January 1, 2015. The alliance is designed to benefit the farmers and ranchers who own and support the two financial services cooperatives by ensuring that both Associations have the strength and capacity to serve agricultural customers' needs for years to come.

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Notes to Consolidated Financial Statements

FCSAmerica and Frontier Farm Credit continue to exist as separate Associations while integrating their day-to-day business operations, technology systems and leadership teams. Each Association continues to have its own Board, with representatives participating in a coordinating committee to facilitate Board governance between the two organizations.

Under the alliance agreement, FCSAmerica and Frontier Farm Credit have agreed to share current-year income and expenses based generally on the average total assets of each entity for the prior calendar year. For the year ending December 31, 2020, pretax net income was shared on fixed percentages of 93.7 and 6.3 percent for FCSAmerica and Frontier Farm Credit, respectively. For the year ending December 31, 2020, FCSAmerica recorded $17.2 million of net operating expense credits under the income- and expense-sharing provisions of the alliance agreement primarily due to the recovery of salary and related expenses incurred by FCSAmerica for former Frontier Farm Credit employees added to the FCSAmerica payroll. The net operating expense credits recorded by FCSAmerica were $14.4 million for the year ended December 31, 2019, and $11.4 million for the year ended December 31, 2018. The net operating expense specifically attributable to salaries and employee benefits, and occupancy and equipment expenses are recorded in their respective accounts on our Consolidated Statements of Income. The remainder of the allocation is a net recording to other operating expenses on our Consolidated Statements of Income. Depending on the activity in each Association, this allocation can result in the recording of an operating expense credit.

FCSAmerica has $33.7 billion in assets and serves the states of Iowa, Nebraska, South Dakota and Wyoming. Frontier Farm Credit has $2.4 billion in assets and serves multiple counties in eastern Kansas.

Relationship with Rural 1st

In 2019, we entered into an agreement with Farm Credit Mid-America to offer home lending through Rural 1st. Rural 1st is a division of Farm Credit Mid-America offering a program that delivers specialized products and services to customers looking to make a move to rural living through recreation land and home purchases, and home-equity and construction projects. We receive noninterest income from Farm Credit Mid-America for loan volume originated in our territory via Rural 1st. During 2020, we received $6.0 million in noninterest income for these originations. During 2019, we received $1.2 million in noninterest income for these originations.

Relationship with ProPartners Financial

During 2020 we began participating in ProPartners Financial (ProPartners) with certain Farm Credit System institutions to provide producer financing through agribusinesses that sell crop inputs. ProPartners is directed by representatives from participating Associations. We sell to AgriBank, FCB our entire interest in the loans associated with ProPartners. As part of this program we receive patronage income at the sole discretion of the AgriBank, FCB Board of Directors. AgriBank, FCB immediately purchases a 100 percent participation interest in all new ProPartners loans.

Relationship with Farm Credit Leasing Services Corporation

We have an agreement with Farm Credit Leasing Services Corporation, a Farm Credit System service corporation, that specializes in leasing products and provides industry expertise. Leases are originated and serviced by Farm Credit Leasing Services Corporation, and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

Note 2 – Summary of Significant Accounting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America and prevailing practices within the financial services industry.

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Certain amounts in prior years' financial statements have been reclassified to conform to the current year's presentation. The consolidated financial statements present the consolidated financial results of Farm Credit Services of America, ACA (the parent) and Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA (the subsidiaries), collectively referred to as FCSAmerica. All material intercompany transactions and balances have been eliminated in consolidation.

The following are our significant accounting policies:

Loans

Mortgage loan terms range from five to 35 years at origination. Almost all commercial loans are made for agricultural production or operating purposes with original terms of 10 years or less.

Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based on the daily principal amount outstanding.

We place loans in nonaccrual status when:

- principal or interest is delinquent for 90 days or more (unless the loan is well secured and in the process of collection), or
- circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. Nonaccrual loans may be returned to accrual status when:

- principal and interest are current,
- prior charge-offs have been recovered,
- the ability of the borrower to fulfill the contractual repayment terms is fully expected,
- the borrower has demonstrated payment performance, and
- the loan is not classified as doubtful or loss.

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 formally restructured loan for regulatory purposes. A concession is generally granted 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 troubled debt restructurings are considered risk loans. There may be modifications made related to the COVID-19 pandemic or in the normal course of business that would not be considered troubled debt restructurings (TDRs).

Loans are charged off at the time they are determined to be uncollectible.

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets or participating interests has been surrendered and that all conditions have been met to be accounted for as a sale.

Allowance for Loan Losses and Reserve for Unfunded Lending Commitments

The allowance for loan losses is an estimate of incurred losses on loans 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,
- changes in credit risk classifications,
- changes in collateral values,
- changes in risk concentrations, and
- changes in economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance for impaired loans or are analyzed on a pool basis if they have similar risk characteristics. A loan is impaired when it is probable that all amounts due under the contractual terms of the loan agreement will not be collected. We generally measure impairment based on the net realizable value of the collateral. All risk loans are considered to be impaired loans. Risk loans include:

- nonaccrual loans,
- formally restructured loans, and
- loans that are 90 days or more past due and still accruing interest.

We record a specific allowance to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral. When collection is unlikely, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate six-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded as "Provision for credit losses" on the Consolidated Statements of Income, charge-offs and recoveries.

The reserve for unfunded lending commitments is based on our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement were utilized in determining this contingency. Changes in the reserve for unfunded commitments consist of provision activity, recorded as "Provision for credit losses" on the Consolidated Statements of Income.

Investment in AgriBank, FCB

Accounting for our investment in AgriBank, FCB is on a cost plus allocated equities basis.

Investment in AgDirect, LLP

Accounting for our investment in AgDirect, LLP is on a cost basis.

Other Property Owned

We record other property owned, consisting of real and personal property acquired through a collection action, at fair value, less estimated selling costs at the time of acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses.

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Revised estimates of the fair value, less estimated selling costs, are reported as adjustments to the carrying amount of the asset, provided that the adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations, carrying value adjustments and realized gains or losses on sales are recorded as “Gain (loss) on other property owned” on the Consolidated Statements of Income.

Investment in Rural Business Investment Companies

The carrying amount of the investments in the Rural Business Investment Companies, in which we are a limited partner and hold noncontrolling interests, are accounted for under the equity method. The investments are assessed for impairment. If impairment exists, losses are included in other noninterest expense, net in the Consolidated Statements of Income in the year of impairment.

Premises and Equipment

The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets, which are normally five to 40 years for buildings and improvements and three to 10 years for furniture and equipment. Gains and losses on premises and equipment dispositions are reflected in current-year income or expense. Maintenance and repairs are included in operating expense, and improvements are capitalized.

Leases

We operate under an agreement with CoBank, ACB where we purchase a participation in loans made by CoBank, ACB to Farm Credit Leasing Services Corporation to fund capital markets leases, agricultural equipment leases and agricultural facilities leases that we originate. Under provisions of this agreement, Farm Credit Leasing Services Corporation participates approximately 50.0 percent funding for these leases to CoBank, ACB, and CoBank, ACB participates a similar amount to us. Lease participations purchased under this agreement are included in “Loans” on the Consolidated Balance Sheets.

Advance Conditional Payments

We are authorized under the Farm Credit Act to accept advance conditional payments from customers. We net the advance conditional payments against the customer’s related loan balance to the extent the real estate customer’s loan balance exceeds the advance payments. Real estate funds held were $6.0 million at December 31, 2020, $6.4 million at December 31, 2019, and $7.8 million at December 31, 2018. The amount of commercial advance conditional payments accepted cannot exceed the commitment amount of the customer’s note. We classify commercial advance conditional payments as “Other liabilities” on the Consolidated Balance Sheets because the limit on commercial advance conditional payments is based on note commitments. Commercial advance conditional payments under the program totaled $10 thousand at December 31, 2020, $3 thousand at December 31, 2019, and $3 thousand at December 31, 2018. We pay interest on advance conditional payments and they are not insured. Advance conditional payments are primarily for customers who are required to maintain them as part of their loan agreement.

Employee Benefit Plans

Our employees participate in a defined contribution plan. Benefit plans are described in Note 9, “Employee Benefit Plans.” The costs of the defined contribution plan are funded as accrued. Additionally, we provide a retiree health care benefit to retired employees who met specific hire-date and years-of-service requirements.

Income Taxes

The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Patronage Program

We accrue patronage distributions as declared by the Board of Directors, normally in December of each year. We pay the accrued patronage before September 15 of each subsequent year. Cash patronage distributions are referred to as cash-back dividends.

Statement of Cash Flows

For purposes of reporting cash flow, cash includes cash on hand and on deposit at commercial banks.

Off-Balance Sheet Credit Exposures

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions.

Fair Value Measurement

The Financial Accounting Standards Board guidance on "Fair Value Measurements" describes three levels of inputs that may be used to measure fair value.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Observable inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly;
- inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and
- inputs derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect our own assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

We currently have no material financial statement items required to be accounted for within the consolidated financial statements at fair value on a recurring basis.

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Notes to Consolidated Financial Statements

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 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 Farm Credit System institutions.

Standard and Effective Date	Description	Financial Statement Impact
In June 2016, the Financial Accounting Standards Board issued ASU 2016-13 "Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non–United States Securities and Exchange Commission filers for our first quarter of 2021. In November 2019, the Financial Accounting Standards Board 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 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 3 – Loans and Allowance for Loan Losses

Loans, including participations purchased and nonaccruals, consisted of the following (in thousands):

	December 31,					
	2020		2019		2018	
	Amount	**Percentage**	Amount	Percentage	Amount	Percentage
Long-term agricultural mortgage	**$19,321,012**	**60.0%**	$17,022,050	57.2%	$16,450,204	58.0%
Production and intermediate term	**6,732,401**	**20.8**	7,101,243	23.9	6,849,333	24.1
Agribusiness	**3,561,409**	**11.1**	3,077,450	10.3	2,705,832	9.5
Rural residential real estate	**1,145,324**	**3.6**	1,377,520	4.6	1,458,512	5.1
Rural infrastructure	**870,928**	**2.7**	650,202	2.2	512,843	1.8
Mission-related investments	**477,332**	**1.5**	430,357	1.5	328,405	1.2
Agricultural export finance	**98,098**	**0.3**	89,358	0.3	81,505	0.3
Total loans	**$32,206,504**	**100.0%**	$29,748,180	100.0%	$28,386,634	100.0%

We have concentrations with individual borrowers within various agricultural commodities that could cause them to be similarly impacted by economic conditions. At December 31, 2020, loans outstanding plus commitments to our 10 largest borrowers, net of participations sold, totaled an amount equal to 16.5 percent of members' equity. No single borrower's loans outstanding plus commitments exceeds 5.0 percent of members' equity.

While the amounts represent our maximum potential credit risk related to recorded loan principal, a substantial portion of our lending activities is collateralized, which reduces our exposure to credit loss associated with lending activity. We include an estimate of our credit risk exposure in determining the allowance for loan losses.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. Collateral held varies by loan type but typically includes agricultural real estate, equipment, crop inventory and livestock. Long-term real estate loans are secured by a first lien on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85.0 percent of the property's appraised value (97.0 percent if guaranteed by a government agency). However, internal lending procedures require a more conservative loan-to-value ratio, which results in an average loan-to-value ratio in the real estate portfolio of less than 50.0 percent of current market values.

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We may purchase or sell participation interests with other parties to diversify risk, manage loan volume or comply with the limitations of the Farm Credit Administration regulations or the General Financing Agreement with AgriBank, FCB. The following table presents information regarding participations purchased and sold (participations purchased do not include syndications; amounts are in thousands):

	AgriBank, FCB Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
As of December 31, 2020								
Long-term agricultural mortgage	$ –	$367,377	$ 753,067	$ 925,073	$ 1,837	$ 7,313	$ 754,904	$1,299,763
Production and intermediate term	–	188,800	1,481,999	616,028	3,323,131	4,617,254	4,805,130	5,422,082
Agribusiness	–	63,721	1,726,428	935,888	54,270	–	1,780,698	999,609
Rural infrastructure	–	–	873,919	52,884	32,893	–	906,812	52,884
Mission-related investments	–	–	–	–	462,069	–	462,069	–
Agricultural export finance	–	–	104,666	6,567	–	–	104,666	6,567
Total	$ –	$619,898	$4,940,079	$2,536,440	$3,874,200	$4,624,567	$8,814,279	$7,780,905
As of December 31, 2019								
Long-term agricultural mortgage	$ –	$435,632	$ 694,478	$ 522,689	$ 27,703	$ 8,381	$ 722,181	$ 966,702
Production and intermediate term	–	136,877	1,450,008	624,114	2,759,877	3,714,820	4,209,885	4,475,811
Agribusiness	–	65,449	1,420,836	713,398	51,082	–	1,471,918	778,847
Rural infrastructure	–	–	666,077	41,334	26,760	–	692,837	41,334
Mission-related investments	–	–	–	–	414,629	–	414,629	–
Agricultural export finance	–	–	94,955	5,596	–	–	94,955	5,596
Total	$ –	$637,958	$4,326,354	$1,907,131	$3,280,051	$3,723,201	$7,606,405	$6,268,290
As of December 31, 2018								
Long-term agricultural mortgage	$ –	$395,364	$ 672,645	$ 507,008	$ 30,098	$ 2,023	$ 702,743	$ 904,395
Production and intermediate term	–	115,657	1,344,324	581,356	2,458,486	3,349,806	3,802,810	4,046,819
Agribusiness	–	61,493	1,246,038	801,907	60,223	26	1,306,261	863,426
Rural infrastructure	–	–	541,959	31,018	–	–	541,959	31,018
Mission-related investments	–	–	–	–	284,642	–	284,642	–
Agricultural export finance	–	–	90,955	9,450	–	–	90,955	9,450
Total	$ –	$572,514	$3,895,921	$1,930,739	$2,833,449	$3,351,855	$6,729,370	$5,855,108

Participations purchased increased $1.2 billion in 2020, and participations sold increased by $1.5 billion. The increases are primarily due to increased purchase activity in production and intermediate term, agribusiness and rural infrastructure portfolios.

On October 1, 2008, we sold a pool of approximately $1.9 billion of real estate loans to AgriBank, FCB. AgriBank, FCB established a separate patronage pool for these assets. Patronage declared on this pool is solely at the discretion of the AgriBank, FCB Board of Directors. We anticipate our net income after patronage from the pool will not be materially affected by the sale of these assets. We will continue to provide servicing for the loans in the pool, and AgriBank, FCB will pay us a fee for this servicing. As part of this transaction, we purchased additional common stock in AgriBank, FCB equal to 8.0 percent of the pool assets. The volume in this pool of assets at December 31, 2020, was $198 million. In 2020, we received $6.6 million of asset pool patronage in cash. In 2019, we received $7.5 million of asset pool patronage in cash and $657 thousand in asset pool patronage in stock related to this participation. In 2018, we received cash patronage of $9.7 million related to this participation.

On December 1, 2019, we sold a pool of approximately $104 million of real estate loans to AgriBank, FCB. The sale was intended to enhance our portfolio credit quality. AgriBank, FCB has established a separate patronage pool for these assets and intends to pay the net earnings adjusted for certain costs on the pool to us as patronage. We anticipate our net income after patronage from the pool will not be materially affected. Patronage declared on this pool is solely at the discretion of the AgriBank, FCB Board of Directors. We will continue to provide servicing for the loans in the pool, and AgriBank, FCB will pay us a fee for this servicing. As part of this transaction, we purchased additional common stock in AgriBank, FCB. The volume in this pool of assets at December 31, 2020, was $79.9 million. We have received $720 thousand of asset pool cash patronage in 2020. At December 31, 2019, the volume was $102 million, and we received $50 thousand of asset pool cash patronage in 2019.

In December 2020, we participated approximately $273.2 million of long-term agricultural mortgage loans to CoBank, ACB. We continue to be the lead lender and servicer of the loans, and we receive a servicing fee from CoBank, ACB based on average daily balance of the participated loans.

Risk loans (accruing loans include accrued interest receivable) are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following table presents information concerning the recorded investment in risk loans (in thousands):

	December 31,		
	2020	2019	2018
Nonaccrual loans:			
Current as to principal and interest	**$110,129**	$168,412	$105,853
Past due	**57,395**	71,521	56,676
Total nonaccrual loans	**167,524**	239,933	162,529
Impaired accrual loans:			
Restructured	**31,503**	41,549	36,739
90 days or more past due	**2,338**	1,099	6,645
Total risk loans	**$201,365**	$282,581	$205,913

Total risk loans have decreased since the end of 2019. The decrease in risk loans primarily results from a decrease in nonaccrual and restructured loans. The decrease in nonaccrual loans is mostly driven by a decrease in grain, sugar and beef feedlot industries. Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection. Risk loans as a percentage of total loans remain at manageable levels.

At December 31, 2020, there were approximately $6.4 million in commitments to lend additional funds to customers whose loans were at risk.

Interest income is recognized and cash payments are applied on nonaccrual loans as described in Note 2, "Summary of Significant Accounting Policies." The following table sets forth interest income recognized on risk loans (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Interest income recognized on nonaccrual loans	**$2,237**	$4,556	$5,059
Interest income recognized on risk accrual loans	**2,180**	3,197	2,929
Interest income recognized on risk loans	**$4,417**	$7,753	$7,988

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Risk assets by loan type are as follows (accruing volume includes accrued interest receivable; amounts are in thousands):

	December 31,		
	2020	2019	2018
Nonaccrual loans:			
Long-term agricultural mortgage	**$107,179**	$115,087	$ 82,231
Production and intermediate term	**41,477**	72,728	39,901
Agribusiness	**9,443**	33,409	21,534
Rural residential real estate	**9,425**	11,145	10,046
Rural infrastructure	**–**	7,564	8,817
Total nonaccrual loans	**$167,524**	$239,933	$162,529
Accruing restructured loans:			
Long-term agricultural mortgage	**$21,228**	$30,505	$23,968
Production and intermediate term	**10,225**	10,994	11,677
Agribusiness	**–**	–	913
Rural residential real estate	**50**	50	181
Total accruing restructured loans	**$31,503**	$41,549	$36,739
Accruing loans 90 days or more past due:			
Long-term agricultural mortgage	**$ 360**	$ 47	$ 296
Production and intermediate term	**393**	1,052	1,790
Rural residential real estate	**–**	–	242
Mission-related investments	**1,585**	–	4,317
Total accruing loans 90 days or more past due	**$2,338**	$1,099	$6,645
Total risk loans	**201,365**	282,581	205,913
Other property owned	**10,271**	25,677	33,615
Total risk assets	**$211,636**	$308,258	$239,528

All risk loans are considered to be impaired loans. The following table provides additional impaired loan information (in thousands):

	As of December 31, 2020			For the Period Ended December 31, 2020	
	Recorded Investment [1]	Unpaid Principal Balance [2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Long-term agricultural mortgage	$ 7,415	$ 7,409	$4,960	$ 5,563	$ (49)
Production and intermediate term	9,806	10,040	3,229	6,840	4
Agribusiness	5,088	5,195	1,057	18,421	1,734
Total	$22,309	$22,644	$9,246	$30,824	$1,689
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	$121,352	$134,883	$ –	$147,275	$ 676
Production and intermediate term	42,289	57,251	–	75,743	1,584
Agribusiness	4,355	6,010	–	13,367	(5)
Rural residential real estate	9,475	11,035	–	11,880	(21)
Rural infrastructure	–	–	–	7,371	18
Mission-related investments	1,585	1,509	–	7,735	476
Total	$179,056	$210,688	$ –	$263,371	$2,728
Total impaired loans:					
Long-term agricultural mortgage	$128,767	$142,292	$4,960	$152,838	$ 627
Production and intermediate term	52,095	67,291	3,229	82,583	1,588
Agribusiness	9,443	11,205	1,057	31,788	1,729
Rural residential real estate	9,475	11,035	–	11,880	(21)
Rural infrastructure	–	–	–	7,371	18
Mission-related investments	1,585	1,509	–	7,735	476
Total	$201,365	$233,332	$9,246	$294,195	$4,417

[1] *The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous write-down of the investment.*
[2] *Unpaid principal balance represents the contractual principal balance of the loan.*

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	As of December 31, 2019			For the Period Ended December 31, 2019	
	Recorded Investment [(1)]	Unpaid Principal Balance [(2)]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Long-term agricultural mortgage	$ 1,043	$ 1,053	$ 394	$ 952	$–
Production and intermediate term	31,747	33,398	5,723	16,350	(183)
Agribusiness	24,381	25,377	11,082	20,716	42
Rural infrastructure	7,564	8,867	2,404	9,077	–
Total	$64,735	$68,695	$19,603	$47,095	$(141)
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	$144,597	$155,187	$ –	$137,901	$4,021
Production and intermediate term	53,027	65,719	–	81,858	2,989
Agribusiness	9,027	9,777	–	7,567	165
Rural residential real estate	11,195	12,556	–	11,985	454
Mission-related investments	–	–	–	4,142	265
Total	$217,846	$243,239	$ –	$243,453	$7,894
Total impaired loans:					
Long-term agricultural mortgage	$145,640	$156,240	$ 394	$138,853	$4,021
Production and intermediate term	84,774	99,117	5,723	98,208	2,806
Agribusiness	33,408	35,154	11,082	28,283	207
Rural residential real estate	11,195	12,556	–	11,985	454
Rural infrastructure	7,564	8,867	2,404	9,077	–
Mission-related investments	–	–	–	4,142	265
Total	$282,581	$311,934	$19,603	$290,548	$7,753

(1) The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous write-down of the investment.

(2) Unpaid principal balance represents the contractual principal balance of the loan.

	As of December 31, 2018			For the Period Ended December 31, 2018	
	Recorded Investment [1]	Unpaid Principal Balance [2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Long-term agricultural mortgage	$ 120	$ 145	$ 120	$ 1,874	$ –
Production and intermediate term	2,785	2,889	930	8,767	–
Agribusiness	18,302	18,302	11,330	7,388	413
Rural infrastructure	8,817	9,160	2,404	5,545	–
Total	$30,024	$30,496	$14,784	$23,574	$413
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	$106,376	$113,733	$ –	$ 81,689	$ 656
Production and intermediate term	50,582	64,056	–	44,469	260
Agribusiness	4,145	5,768	–	5,329	499
Rural residential real estate	10,469	11,456	–	7,559	59
Mission-related investments	4,317	3,860	–	840	55
Total	$175,889	$198,873	$ –	$139,886	$1,529
Total impaired loans:					
Long-term agricultural mortgage	$106,496	$113,878	$ 120	$ 83,563	$ 656
Production and intermediate term	53,367	66,945	930	53,236	260
Agribusiness	22,447	24,070	11,330	12,717	912
Rural residential real estate	10,469	11,456	–	7,559	59
Rural infrastructure	8,817	9,160	2,404	5,545	–
Mission-related investments	4,317	3,860	–	840	55
Total	$205,913	$229,369	$14,784	$163,460	$1,942

[1] The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous write-down of the investment.
[2] Unpaid principal balance represents the contractual principal balance of the loan.

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The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Classification System as a percentage of total loans and related accrued interest receivable by loan type (in thousands):

	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
As of December 31, 2020							
Long-term agricultural mortgage	**$17,234,691**	**87.87%**	**$1,130,440**	**5.76%**	**$1,250,124**	**6.37%**	**$19,615,255**
Production and intermediate term	**5,593,153**	**82.52%**	**625,256**	**9.22%**	**559,823**	**8.26%**	**6,778,232**
Agribusiness	**3,272,644**	**91.40%**	**236,122**	**6.59%**	**71,812**	**2.01%**	**3,580,578**
Rural residential real estate	**1,057,558**	**91.65%**	**40,003**	**3.47%**	**56,371**	**4.88%**	**1,153,932**
Rural infrastructure	**866,475**	**98.79%**	**7,993**	**0.91%**	**2,613**	**0.30%**	**877,081**
Mission-related investments	**520,991**	**100.00%**	**–**	**–**	**–**	**–**	**520,991**
Agricultural export finance	**98,596**	**100.00%**	**–**	**–**	**–**	**–**	**98,596**
Total	**$28,644,108**	**87.80%**	**$2,039,814**	**6.25%**	**$1,940,743**	**5.95%**	**$32,624,665**
As of December 31, 2019							
Long-term agricultural mortgage	$14,709,824	84.90%	$1,120,910	6.47%	$1,495,698	8.63%	$17,326,432
Production and intermediate term	5,566,496	77.31%	719,913	10.00%	913,587	12.69%	7,199,996
Agribusiness	2,964,502	95.81%	61,768	2.00%	67,843	2.19%	3,094,113
Rural residential real estate	1,262,182	90.97%	50,096	3.61%	75,189	5.42%	1,387,467
Rural infrastructure	618,983	94.38%	29,295	4.47%	7,564	1.15%	655,842
Mission-related investments	472,994	100.00%	–	–	–	–	472,994
Agricultural export finance	89,900	100.00%	–	–	–	–	89,900
Total	$25,684,881	84.97%	$1,981,982	6.56%	$2,559,881	8.47%	$30,226,744
As of December 31, 2018							
Long-term agricultural mortgage	$14,163,020	84.56%	$1,056,063	6.30%	$1,530,258	9.14%	$16,749,341
Production and intermediate term	5,365,256	76.78%	643,034	9.20%	979,474	14.02%	6,987,764
Agribusiness	2,606,507	95.79%	28,815	1.06%	85,763	3.15%	2,721,085
Rural residential real estate	1,344,315	91.47%	55,431	3.77%	69,948	4.76%	1,469,694
Rural infrastructure	484,879	94.18%	21,129	4.11%	8,817	1.71%	514,825
Mission-related investments	329,771	100.00%	–	–	–	–	329,771
Agricultural export finance	82,074	100.00%	–	–	–	–	82,074
Total	$24,375,822	84.48%	$1,804,472	6.25%	$2,674,260	9.27%	$28,854,554

Our adversely classified assets decreased during 2020, ending the year at 5.95 percent of the portfolio compared to 8.47 percent of the portfolio at December 31, 2019.

One credit quality indicator we utilize is the Farm Credit Administration Uniform Classification System that categorizes loans into five categories. The categories are defined as follows:

- acceptable — assets are expected to be fully collectible and represent the highest quality;
- other assets especially mentioned (OAEM) — assets are currently collectible but exhibit some potential weakness;
- substandard — assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- doubtful — assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- loss — assets are considered uncollectible.

We had no loans categorized as loss at December 31, 2020, 2019 or 2018.

The following table provides an aging analysis of past due loans by loan type (accruing volume includes accrued interest receivable; amounts are in thousands):

	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 Loans	90 Days or More Past Due and Accruing
As of December 31, 2020						
Long-term agricultural mortgage	**$29,239**	**$23,782**	**$ 53,021**	**$19,562,234**	**$19,615,255**	**$ 360**
Production and intermediate term	**31,001**	**14,381**	**45,382**	**6,732,850**	**6,778,232**	**393**
Agribusiness	**98**	**5,633**	**5,731**	**3,574,847**	**3,580,578**	**–**
Rural residential real estate	**2,299**	**2,178**	**4,477**	**1,149,455**	**1,153,932**	**–**
Rural infrastructure	**–**	**–**	**–**	**877,081**	**877,081**	**–**
Mission-related investments	**24,354**	**1,585**	**25,939**	**495,052**	**520,991**	**1,585**
Agricultural export finance	**–**	**–**	**–**	**98,596**	**98,596**	**–**
Total	**$86,991**	**$47,559**	**$134,550**	**$32,490,115**	**$32,624,665**	**$2,338**
As of December 31, 2019						
Long-term agricultural mortgage	$ 19,169	$34,123	$ 53,292	$17,273,140	$17,326,432	$ 47
Production and intermediate term	29,979	25,977	55,956	7,144,040	7,199,996	1,052
Agribusiness	896	6,644	7,540	3,086,573	3,094,113	–
Rural residential real estate	4,527	2,262	6,789	1,380,678	1,387,467	–
Rural infrastructure	–	–	–	655,842	655,842	–
Mission-related investments	54,577	–	54,577	418,417	472,994	–
Agricultural export finance	–	–	–	89,900	89,900	–
Total	$109,148	$69,006	$178,154	$30,048,590	$30,226,744	$1,099
As of December 31, 2018						
Long-term agricultural mortgage	$ 17,199	$19,762	$ 36,961	$16,712,380	$16,749,341	$ 296
Production and intermediate term	92,812	23,948	116,760	6,871,004	6,987,764	1,790
Agribusiness	5,472	2,468	7,940	2,713,145	2,721,085	–
Rural residential real estate	5,790	2,749	8,539	1,461,155	1,469,694	242
Rural infrastructure	–	–	–	514,825	514,825	–
Mission-related investments	4,644	4,317	8,961	320,810	329,771	4,317
Agricultural export finance	–	–	–	82,074	82,074	–
Total	$125,917	$53,244	$179,161	$28,675,393	$28,854,554	$6,645

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A restructuring of a loan constitutes a troubled debt restructuring if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. Concessions vary by program and borrower, and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. As a restructured loan constitutes a troubled debt restructuring, these loans are included within our risk loans. All risk loans are analyzed within our allowance for loan losses.

The following table presents information regarding troubled debt restructurings that occurred during the year ended December 31 (in thousands):

	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
2020		
Long-term agricultural mortgage	**$ –**	**$ –**
Production and intermediate term	**431**	**354**
Agribusiness	**–**	**–**
Total	**$431**	**$354**
2019		
Long-term agricultural mortgage	$ 8,046	$ 8,084
Production and intermediate term	2,446	1,047
Agribusiness	1,240	1,240
Total	$11,732	$10,371
2018		
Long-term agricultural mortgage	$ 2,295	$ 2,331
Production and intermediate term	6,055	5,160
Agribusiness	18,067	18,007
Total	$26,417	$25,498

Premodification represents the outstanding recorded investment just prior to restructuring, and postmodification represents the outstanding recorded investment 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 or acquisition costs, and may also reflect a previous direct write-down of the investment.

The following table presents information regarding troubled debt restructurings that occurred within the previous 12 months and for which there was a subsequent payment default during the respective reporting period (in thousands):

	2020	2019	2018
Troubled debt restructurings that subsequently defaulted:			
Agribusiness	**$ –**	$ –	$17,049

Troubled debt restructurings outstanding at December 31, 2020, totaled $44.7 million, of which $13.2 million were in nonaccrual status, compared to December 31, 2019, which totaled $65.1 million, $23.5 million of which was in nonaccrual status, and to a December 31, 2018, total of $64.1 million, $27.4 million of which was in nonaccrual status. Additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring were $2.4 million at December 31, 2020.

The "Provision for credit losses" on the Consolidated Statements of Income includes a provision for loan losses and a provision for unfunded lending commitments.

A summary of changes in the allowance for loan losses and reserve for unfunded lending commitments follows (in thousands):

	December 31,		
Allowance for Loan Losses	**2020**	2019	2018
Balance at beginning of year	**$163,000**	$157,000	$130,000
Provision for loan losses	**294**	9,723	30,865
Loans charged off	**(13,711)**	(8,018)	(5,764)
Recoveries	**2,417**	4,295	1,899
Balance at end of year	**$152,000**	$163,000	$157,000

	December 31,		
Reserve for Unfunded Lending Commitments	**2020**	2019	2018
Balance at beginning of year	**$11,000**	$10,000	$11,000
Provision for (reversal of) unfunded lending commitments	**3,000**	1,000	(1,000)
Balance at end of year	**$14,000**	$11,000	$10,000

A summary of changes in the allowance for loan losses and period-end recorded investments in loans by loan type is as follows (in thousands):

	Balance at December 31, 2019	**Loan Recoveries**	**Loan Charge-Offs**	**Provision for Loan Losses**	**Balance at December 31, 2020**
Long-term agricultural mortgage	$102,017	**$ 259**	**$ (629)**	**$3,939**	**$105,586**
Production and intermediate term	30,101	**1,871**	**(5,539)**	**(2,196)**	**24,237**
Agribusiness	22,303	**161**	**(5,717)**	**(1,193)**	**15,554**
Rural residential real estate	4,029	**27**	**(76)**	**(794)**	**3,186**
Rural infrastructure	4,198	**99**	**(1,750)**	**538**	**3,085**
Mission-related investments	64	**–**	**–**	**6**	**70**
Agricultural export finance	288	**–**	**–**	**(6)**	**282**
Total	$163,000	**$2,417**	**$(13,711)**	**$ 294**	**$152,000**

	Balance at December 31, 2018	Loan Recoveries	Loan Charge-Offs	Provision for Loan Losses	Balance at December 31, 2019
Long-term agricultural mortgage	$ 99,950	$ 141	$ (397)	$2,323	$102,017
Production and intermediate term	27,929	3,442	(7,399)	6,129	30,101
Agribusiness	20,815	681	(127)	934	22,303
Rural residential real estate	4,010	31	(95)	83	4,029
Rural infrastructure	4,067	–	–	131	4,198
Mission-related investments	41	–	–	23	64
Agricultural export finance	188	–	–	100	288
Total	$157,000	$4,295	$(8,018)	$9,723	$163,000

	Balance at December 31, 2017	Loan Recoveries	Loan Charge-Offs	Provision for Loan Losses	Balance at December 31, 2018
Long-term agricultural mortgage	$ 86,607	$ 351	$ (331)	$13,323	$ 99,950
Production and intermediate term	28,317	1,404	(5,299)	3,507	27,929
Agribusiness	8,026	104	(69)	12,754	20,815
Rural residential real estate	3,825	40	(65)	210	4,010
Rural infrastructure	3,132	–	–	935	4,067
Mission-related investments	30	–	–	11	41
Agricultural export finance	63	–	–	125	188
Total	$130,000	$1,899	$(5,764)	$30,865	$157,000

Adversely classified assets are assets that 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.

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

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	Allowance for Credit Losses Ending Balance at December 31, 2020		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2020	
	Individually Evaluated for Impairment	**Collectively Evaluated for Impairment**	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**
Long-term agricultural mortgage	**$4,960**	**$100,626**	**$128,767**	**$19,486,488**
Production and intermediate term	**3,229**	**21,008**	**52,095**	**6,726,137**
Agribusiness	**1,057**	**14,497**	**9,443**	**3,571,135**
Rural residential real estate	**–**	**3,186**	**9,475**	**1,144,457**
Rural infrastructure	**–**	**3,085**	**–**	**877,081**
Mission-related investments	**–**	**70**	**1,585**	**519,406**
Agricultural export finance	**–**	**282**	**–**	**98,596**
Total	**$9,246**	**$142,754**	**$201,365**	**$32,423,300**

	Allowance for Credit Losses Ending Balance at December 31, 2019		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2019	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Long-term agricultural mortgage	$ 394	$101,624	$145,639	$17,180,793
Production and intermediate term	5,723	24,378	84,774	7,115,222
Agribusiness	11,082	11,220	33,409	3,060,704
Rural residential real estate	–	4,029	11,195	1,376,272
Rural infrastructure	2,404	1,794	7,564	648,278
Mission-related investments	–	64	–	472,994
Agricultural export finance	–	288	–	89,900
Total	$19,603	$143,397	$282,581	$29,944,163

	Allowance for Credit Losses Ending Balance at December 31, 2018		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2018	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Long-term agricultural mortgage	$ 120	$ 99,830	$106,494	$16,642,847
Production and intermediate term	930	26,999	53,367	6,934,397
Agribusiness	11,330	9,485	22,447	2,698,638
Rural residential real estate	–	4,010	10,469	1,459,225
Rural infrastructure	2,404	1,663	8,817	506,008
Mission-related investments	–	41	4,318	325,453
Agricultural export finance	–	188	–	82,074
Total	$14,784	$142,216	$205,912	$28,648,642

Note 4 – Investment in AgriBank, FCB

As of December 31, 2020, we were required by AgriBank, FCB to maintain an investment equal to 2.5 percent of the average quarterly balance of our note payable, with an additional amount required on Association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate.

We are also required to hold AgriBank, FCB stock related to our participation in pool programs. The required investment amount varies by pool program and is generally a percentage of the loan balance in the pool.

AgriBank, FCB's capital plan provides for annual retirement of AgriBank, FCB stock and optimizes capital at AgriBank, FCB by distributing all available Bank earnings in the form of patronage, either in cash or stock. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of allocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

At December 31, 2020, our investment in AgriBank, FCB was $710.3 million of which $369.4 million consisted of stock representing distributed AgriBank, FCB surplus and $340.9 million consisted of purchased investment. For the periods presented in this report, we have received no dividend income on this stock investment, and we do not anticipate any in future years.

The balance of our investment in AgriBank, FCB was $710.3 million, $651.6 million and $569.7 million at December 31, 2020, 2019 and 2018 respectively.

Note 5 – Investment in AgDirect, LLP

We have entered into agreements with 15 other Farm Credit System Associations inside and outside the AgriBank, FCB District to provide access to our AgDirect trade credit financing program. The AgDirect program includes origination and refinancing of agricultural equipment loans and leases through independent equipment dealers. The Farm Credit Administration has approved requests from these Associations to invest in a limited liability partnership (LLP) that facilitates this collaborative AgDirect trade credit financing program and allows us to leverage the AgDirect program for the mutual benefit of our Associations and the farmers and ranchers we collectively serve. Our investment is reflected as "Investment in AgDirect, LLP" on our Consolidated Balance Sheets. The LLP is an unincorporated business entity and purchases participations in AgDirect loans from us that were originated under the agreements described earlier. The LLP subsequently sells a like amount of loan participations to AgriBank, FCB. The LLP pays us a fee for originating these loans. Total outstanding participations sold to the LLP at December 31, 2020, were $4.6 billion compared to $3.7 billion at December 31, 2019, and $3.3 billion at the end of 2018. AgriBank, FCB, at the discretion of its Board of Directors, pays patronage on these loan participations to AgDirect, LLP. Any patronage declared is accrued quarterly and paid by AgriBank, FCB in the first month of the subsequent quarter. AgDirect, LLP distributes any patronage paid by AgriBank, FCB as partnership distributions to the AgDirect, LLP partners. At December 31, 2020, our investment in AgDirect, LLP was $74.1 million.

Note 6 – Premises and Equipment

Premises and equipment consisted of the following (in thousands):

	December 31,		
	2020	2019	2018
Land, buildings and improvements	**$277,513**	$214,836	$198,798
Construction/ improvements in progress	**57**	43,622	20,377
Furniture and equipment	**80,718**	122,804	108,973
	358,288	381,262	328,148
Less accumulated depreciation	**114,673**	153,683	138,694
Premises and equipment, net	**$243,615**	$227,579	$189,454

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Note 7 – Notes Payable

The notes payable to AgriBank, FCB represents borrowings to fund our net assets. This indebtedness is collateralized by a pledge of substantially all our assets and is governed by a General Financing Agreement. AgriBank, FCB has established a $30 billion revolving line of credit for us that is renegotiated prior to the maturity date of June 30, 2022. The interest rate is periodically adjusted by AgriBank, FCB, and at December 31, 2020, was 1.35 percent for the ACA, 1.55 percent for the FLCA and 0.62 percent for the PCA. The consolidated notes payable balance is presented in the following table (in thousands):

	December 31,		
	2020	2019	2018
Notes payable to AgriBank, FCB	**$26,876,605**	$24,780,931	$23,812,109

Under the Farm Credit Act, we are obligated to borrow only from AgriBank, FCB unless AgriBank, FCB approves borrowing from other funding sources. AgriBank, FCB, consistent with Farm Credit Administration regulations, has established limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. At December 31, 2020, we were within the specified limitations.

Note 8 – Members' Equity

A description of our capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities follows.

Capital Stock

In accordance with the Farm Credit Act of 1971, as amended, each borrower is required to invest in us as a condition of obtaining a loan. Our capitalization bylaws require a customer to invest in capital stock equal to $1 thousand or 2.0 percent of the amount of the loan, whichever is less. Our Board of Directors may increase the amount of investment, if necessary, to meet capital needs. Under the current Board of Directors–approved program, the stock requirement for loan customers is generally $1 thousand, and stock is issued to each loan co-maker (includes primary borrower and any co-borrowers; does not include guarantors). Non-loan customers purchasing financially related services from the Association continue to purchase one $5 share of stock.

The member acquires ownership of capital stock or participation certificates at the time the loan is made. Loan co-makers who do not currently own stock will acquire stock when a new loan is originated, or a loan servicing action takes place. Members 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 and will only be due in the unlikely event that the Association does not meet regulatory capital requirements.

The capital stock and participation certificates are at-risk investments as described in our capital bylaws. We retain a first lien on common stock or participation certificates owned by our members. Stock is retired in accordance with our bylaws. Members are responsible for payment of the cash investment upon demand by us.

Effective January 1, 2020, there was a change in the regulatory interpretation related to the accounting for capital stock and participation certificates for us, along with other Farm Credit Associations. The capital stock and participation certificates are included within members' equity on the Consolidated Balance Sheets, and a new contra line item titled "Less: capital stock receivable" has been added for the same amount. This change has no impact on the capital stock or participation certificates owned by our members, as members retain all rights afforded to them by the Farm Credit Act. In addition, this change had no material impact on our capital ratios.

Regulatory Capitalization Requirements and Restrictions

	As of December 31,			Regulatory Minimums	Minimums With Buffers
	2020	2019	2018		
Risk-adjusted ratios:					
Common equity Tier 1	**16.06%**	16.70%	16.10%	**4.5%**	**7.0%***
Tier 1 capital	**16.06%**	16.70%	16.10%	**6.0%**	**8.5%***
Total capital	**16.55%**	17.24%	16.63%	**8.0%**	**10.5%***
Permanent capital	**16.13%**	16.81%	16.21%	**7.0%**	**7.0%**
Non-risk-adjusted ratios:					
Tier 1 leverage	**17.32%**	17.90%	17.29%	**4.0%**	**5.0%***
UREE leverage	**18.35%**	18.53%	17.88%	**1.5%**	**1.5%**

**The 2.5 percent capital conservation buffers over risk-adjusted ratio minimums was phased in over three years under the Farm Credit Administration capital requirements. The phase-in period ended December 31, 2019.*

Risk-adjusted assets has been defined by the Farm Credit Administration regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

Risk-adjusted assets is calculated differently for the permanent capital ratio compared to the other risk-based capital ratios. The primary difference is the inclusion of the allowance for loan losses as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with Farm Credit Administration regulations and are calculated as follows (not all items may be applicable to our Association):

- Common equity Tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of seven years, allocated equities held for a minimum of seven years or not subject to retirement, unallocated retained earnings as regulatorily prescribed, paid-in capital, less certain regulatory-required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity Tier 1 plus noncumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is Tier 1 capital plus other required member stock held for a minimum of five years, allocated equities held for a minimum of five years, subordinated debt and limited-life preferred stock greater than five years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for credit losses subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings as regulatorily prescribed, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by permanent capital ratio risk-adjusted assets.
- Tier 1 leverage ratio is Tier 1 capital, including regulatory deductions, divided by average assets, less regulatory deductions subject to Tier 1 capital.
- Unallocated retained earnings and equivalents (UREE) leverage ratio is unallocated retained earnings as regulatorily prescribed, paid-in capital, allocated surplus not subject to retirement, less certain regulatory-required deductions including the amount of allocated investments in other System institutions, divided by average assets, less regulatory deductions subject to Tier 1 capital.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior Farm Credit Administration approval.

Farm Credit Services of America, ACA
Notes to Consolidated Financial Statements

Description of Equities

The following table presents information regarding the classes and number of shares of stock outstanding as of December 31. All shares are at-risk and have a par or stated value of $5 per share.

	Shares Outstanding as of December 31,		
	2020	2019	2018
Class D common stock	**18,416,056**	17,199,379	16,285,226
Class E common stock	**752,850**	726,395	649,131

Our bylaws authorize us to issue an unlimited number of shares of Class D common stock and Class E common stock with a par value of $5 per share.

Class D common stock is voting and is issued solely to a farmer, rancher, or producer or harvester of aquatic products. Class E common stock has no voting rights and is issued to customers to capitalize rural home and farm-related business loans or to become eligible for financial services. Class D common stock and Class E common stock may be retired at the discretion of the Board of Directors, at book value not to exceed par, provided we meet minimum capital adequacy standards under Farm Credit Administration regulations.

Subject to our policies, Class D and Class E common stock are transferable to any person eligible to hold the respective class of stock. Class D common stock and Class E common stock cannot be transferred when we do not meet capital adequacy standards under Farm Credit Administration regulations.

At any time within two years after the loan of a customer is repaid in full, any voting stock held by the customer is converted to nonvoting stock. The nonvoting stock may be converted back to voting stock if the owner of the stock borrows additional funds.

As determined by the Board of Directors, we may declare dividends in stock, cash or any combination, provided we meet capital adequacy standards under Farm Credit Administration regulations and no stock is impaired. Losses that result in impairment of stock and participation certificates will be allocated ratably to stock and participation certificates. In the event we would liquidate or dissolve, any assets remaining after payment or retirement of all liabilities would be distributed to the holders of stock in the following order of priority:

- first, to the holders of common stock and participation certificates, equally and pro rata in proportion to the number of shares or units of common stock and participation certificates issued and outstanding, until an amount equal to the aggregate par value of all common stock and participation certificates has been distributed;
- second, to the holders of allocated surplus pro rata, on the basis of oldest allocations first, until an amount equal to the total account has been distributed; and
- third, any remaining assets would be distributed among current and former stockholders in the proportion that the aggregate patronage of each stockholder bears to the total patronage of all current and former stockholders, to the extent practicable and as determined by the Board unless otherwise provided by law.

Patronage Distributions

For 2020, the Board of Directors declared cash patronage distributions, referred to as cash-back dividends, based on each customer's average daily balance of eligible loans outstanding during the year. Our patronage program is a distribution of earnings to our eligible stockholders and is a qualified (cash) distribution referred to as a cash-back dividend. We accrued $339 million in December 2020 to be paid in 2021. In 2019, we accrued a total of $262 million and $230 million in 2018.

We are prohibited from distributing earnings on a patronage basis to the extent that they would reduce our permanent capital ratio below the Farm Credit Administration's minimum permanent capital adequacy requirements. We do not foresee any events that would result in this prohibition in 2021.

Note 9 – Employee Benefit Plans

We participate in the benefits plans administered by Farm Credit Foundations, a service corporation for Farm Credit System entities. The Farm Credit Foundations Plan Sponsor and Trust Committees provide governance and oversight for the benefit plans. The governance committees are either elected or appointed representatives (senior leadership or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for decisions regarding benefits at the direction of the participating employers. The Trust Committee is responsible for fiduciary and plan administration functions. The Association has a senior officer who serves on each committee and a director who serves on the Plan Sponsor Committee.

Under the alliance agreement described in Note 1, "Organization and Operations," the 2020 benefits expense of $61.0 million was shared between the Association and Frontier Farm Credit on a 93.7 percent and 6.3 percent basis respectively, which excluded any Frontier Farm Credit pension plans expense in excess of the Association's retirement programs. The employee benefits expense is included in the 'Salaries and employee benefits' on the Consolidated Statements of Income.

Defined Contribution Plan

The Association participates in the Farm Credit Foundations 401(k)/Defined Contribution Retirement Plan for benefits-eligible employees. The plan is a qualified plan up to the limits provided under the Internal Revenue Code.

The Association matches the employee's contributions dollar for dollar up to a maximum of 6.0 percent of the employee's compensation on both pretax and post-tax contributions. Additionally, the Association contributes a fixed 3.0 percent of the employee's compensation to the plan. For employees hired prior to January 1, 1991, the percentage is based on the employee's years of service and is a fixed contribution that does not change from year to year.

For employees hired prior to January 1, 2007, an additional amount known as the Integrated Employer Non-Elective Contribution is made to the plan for the portion of compensation exceeding the Federal Insurance Contributions Act tax base (Social Security tax limit).

Nonqualified Deferred Compensation Plan

The Farm Credit Foundations Nonqualified Deferred Compensation Plan serves two purposes. The plan provides for employer-matching or fixed contributions that exceed the Internal Revenue Code limits of the Defined Contribution Plan. Additionally, eligible employees may defer a portion of their base salary, variable pay and other compensation into this plan. Under the plan, eligible participants include the Chief Executive Officer and other employees who meet certain compensation thresholds as determined by the Internal Revenue Code.

Pre-409A Frozen Nonqualified Deferred Compensation Plan

We also participate in the Farm Credit Foundations Pre-409A Frozen Nonqualified Deferred Compensation Plan. This plan serves the same purposes as the Nonqualified Deferred Compensation Plan. However, the plan was frozen effective January 1, 2007. As such, no additional participants are eligible to enter the plan and no additional employer contributions are made to the plan.

Retiree Health Care

The Association participates in the Farm Credit Foundations Retiree Medical Plan. The plan benefits are available to retired employees who met specific age and service requirements. Employees hired January 1, 2002, or later are not eligible for the subsidy. The anticipated costs of these benefits were accrued during the period of the employee's active service. The related expense is not considered material to our financial position.

Defined Benefit Pension Plan

The Association does not have any defined benefit pension plan or supplemental pension plans for the Chief Executive Officer, senior officers or any employees; therefore, there is no current or future liability for such plans.

Note 10 – Income Taxes

Our provision for (benefit from) income taxes follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Current:			
Federal	**$10,073**	$5,203	$5,617
State	**2,453**	1,390	1,175
Total current	**$12,526**	$6,593	$6,792
Deferred:			
Federal	**$ (997)**	$ (521)	$ 150
State	**42**	(135)	9
Total deferred	**$ (955)**	$ (656)	$ 159
Total provision for income taxes	**$11,571**	$5,937	$6,951

The following table calculates the differences between the provision for income taxes and income taxes at the statutory rates (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Federal tax at statutory rate	**$148,354**	$142,372	$134,398
State tax, net	**1,801**	776	858
Tax effect of:			
Exempt FLCA earnings	**(118,649)**	(112,676)	(105,511)
Deferred tax valuation allowance	**(657)**	1,252	364
Tax rate change	**–**	–	–
Patronage distribution	**(20,228)**	(25,495)	(24,528)
Other	**950**	(292)	1,370
Provision for income taxes	**$ 11,571**	$ 5,937	$ 6,951

Farm Credit Services of America, ACA
Notes to Consolidated Financial Statements

The following table provides the components of deferred tax assets and liabilities (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Allowance for loan losses	**$ 7,747**	$ 9,431	$ 8,907
Nonaccrual loan interest	**3,450**	3,105	2,249
AgDirect servicing fee	**4,953**	3,960	3,520
Vacation-leave liability	**1,502**	1,355	1,318
Post-retirement benefit liability	**59**	59	99
Other	**1,341**	844	753
Deferred tax asset	**19,052**	18,754	16,846
Deferred tax asset valuation allowance	**(13,321)**	(13,978)	(12,726)
Net deferred tax asset	**$ 5,731**	$ 4,776	$ 4,120

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions regarding future taxable earnings, including the amount of nonpatronage income and patronage income retained. The expected future tax rates are based on enacted tax laws.

Our effective tax rate was 1.64 percent, 0.88 percent and 1.09 percent in 2020, 2019 and 2018 respectively.

Deferred income taxes have not been provided on patronage distributions from AgriBank, FCB prior to January 1, 1993, the adoption date of the Financial Accounting Standards Board guidance on "Income Taxes." Our intent is:

- to permanently invest these and other undistributed earnings in AgriBank, FCB, which indefinitely postpones their conversion to cash, or
- to pass through any distribution related to pre-1993 earnings to our borrowers through qualified patronage allocations.

We also have not recorded deferred income taxes on amounts allocated to us that relate to AgriBank, FCB's post-1992 earnings to the extent that these earnings will be passed through to our borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on AgriBank, FCB's post-1992 unallocated earnings. AgriBank, FCB currently has no plans to distribute unallocated earnings to us, and we do not contemplate circumstances that, if distributions were made under our current structure, would result in taxes being paid.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2020. Additionally, we believe we are no longer subject to income tax examinations for years prior to 2017.

Note 11 – Related Party Transactions

In the ordinary course of business, we may enter into loan transactions with our directors, senior officers, their immediate family members and other organizations with whom such persons may be associated. These transactions may be subject to special approval requirements contained in the Farm Credit Administration regulations and/or our policy, and are made on the same terms, including interest rates, amortization schedules and collateral, as those prevailing at the time for comparable transactions with other persons. The related parties can be different each year-end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. In our opinion, loans outstanding to directors and senior officers at December 31, 2020, did not involve more than a normal risk of collectability.

Loan information to related parties for the years ended December 31 is shown below (in thousands):

Related Party Loans and Leases	As of December 31,		
	2020	2019	2018
Total related party loans and leases	**$59,505**	$48,530	$39,995

Related Party Loans and Leases	For the year ended December 31,		
	2020	2019	2018
New and advances on loans and leases	**$36,716**	$38,158	$20,586
Repayments and other	**$25,741**	$29,623	$24,335

We purchased various services from AgriBank, FCB until the formation of SunStream Business Services (SunStream) on April 1, 2020, at which time we began purchasing these services from SunStream. The services include tax-reporting services; cash management; customer, travel and expense credit card programs; and expense and invoice reporting tools. The total cost of services we purchased from AgriBank, FCB was $1.2 million, $1.4 million and $1.1 million in 2020, 2019 and 2018, respectively.

We purchase human resource information systems and benefit and payroll services from Farm Credit Foundations. The Farm Credit System entities using Farm Credit Foundations' services contributed an investment into the service corporation when it was formed as a separate service corporation. Our investment was $0.1 million at December 31, 2020, December 31, 2019, and December 31, 2018. The total cost of services purchased from Farm Credit Foundations was $1.5 million in 2020 and 2019 and $1.4 million in 2018.

In 2019, we entered into an agreement with Farm Credit Mid-America to offer home lending through Rural 1st. Rural 1st is a division of Farm Credit Mid-America offering a program that delivers specialized products and services to customers looking to make a move to rural living through recreation land and home purchases, and home-equity and construction projects. We receive noninterest income from Farm Credit Mid-America for loan volume originated in our territory via Rural 1st. During 2020, we received $6.0 million in noninterest income for these originations. In 2019, we received $1.2 million.

During 2020 we began participating in ProPartners Financial (ProPartners) with certain Farm Credit System institutions to provide producer financing through agribusinesses that sell crop inputs. ProPartners is directed by representatives from participating Associations. We sell to AgriBank, FCB our entire interest in the loans associated with ProPartners. As part of this program we receive patronage income at the sole discretion of the AgriBank, FCB Board of Directors. AgriBank, FCB immediately purchases a 100 percent participation interest in all new ProPartners loans. No income was received in 2020.

We have an agreement with Farm Credit Leasing Services Corporation, a Farm Credit System service corporation, that specializes in leasing products and provides industry expertise. Leases are originated and serviced by Farm Credit Leasing Services Corporation, and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

Note 12 – Commitments and Contingencies

In the normal course of business, we have various outstanding commitments and contingent liabilities, such as commitments to extend credit, which may not be reflected in the consolidated financial statements. Commitments to extend credit are agreements to lend to a customer as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments may expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis using the same credit policies as for on-balance-sheet financial instruments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the counterparty. Collateral held upon exercise of commitments varies but may include accounts receivable, inventory, property, plant and equipment, and agricultural real estate. We had remaining commitments for additional borrowing at December 31, 2020, of approximately $8.6 billion, approximately $7.2 billion at December 31, 2019, and approximately $6.9 billion at December 31, 2018.

We also participate in standby letters of credit to satisfy the financing needs of customers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2020, $118.8 million of standby letters of credit were outstanding, $133.5 million at December 31, 2019, and $114.6 million at December 31, 2018. Outstanding standby letters of credit have expiration dates ranging to 2036. The maximum potential amount of future payments we are required to make under the guarantees is equal to the total amount of the letters of credit outstanding.

We and other Farm Credit System institutions are among the limited partners invested in seven Rural Business Investment Companies (RBICs). Our total current commitment is $100 million with varying commitment end dates through December 2030. Certain commitments may have an option to extend under specific circumstances. At December 31, 2020, we had funded $25.8 million of the $100 million total current commitment. Our funded totals were $19.6 million and $13.6 million at December 31, 2019, and 2018, respectively. The investments were evaluated for impairment. No impairments were recognized on this investment during 2020, 2019 or 2018.

In the normal course of business, we may be subject to a variety of legal matters that may result in contingencies. Actions are pending against us in which claims for money damages are asserted. In our opinion, based on current information, the ultimate liability, if any, would not have a material impact on our financial position.

Farm Credit Services of America, ACA

Notes to Consolidated Financial Statements

Note 13 – Fair Value Measurement

The Financial Accounting Standards Board guidance on "Fair Value Measurements" defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. See Note 2, "Summary of Significant Accounting Policies" for a more complete description of the three input levels.

We do not have any assets or liabilities measured at fair value on a recurring basis. We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. The following tables provide information on assets measured at fair value on a nonrecurring basis (in thousands):

As of December 31, 2020	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Loans	**–**	**–**	**$20,268**	**$20,268**
Other property owned	**–**	**–**	**$10,271**	**$10,271**

As of December 31, 2019	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	–	–	$68,701	$68,701
Other property owned	–	–	$25,677	$25,677

As of December 31, 2018	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	–	–	$17,836	$17,836
Other property owned	–	–	$39,957	$39,957

The amount of loans in the previous tables represents the fair value of certain loans that were evaluated for impairment based on the estimated appraised value of the underlying collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on our knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the carrying value of the loan, a specific reserve is established.

The amount of 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.

Note 14 – Subsequent Events

We have evaluated subsequent events through March 3, 2021, which is the date the consolidated financial statements were available to be issued and have determined that there are no other events requiring disclosure.

Farm Credit Services of America, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the Consolidated Financial Statements in this annual report.

The description of significant business developments, if any, is incorporated herein by reference from the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this annual report.

Description of Property

Our corporate office is located in Omaha, Nebraska, and is owned. The locations of our retail offices are incorporated herein by reference to the last page of this annual report to stockholders. All retail office locations are owned except for the office in Powell, Wyoming, which is a leased office.

During 2020, the previous office in Kearney, Nebraska, was sold.

The construction of a new retail office in Kearney, Nebraska, and a retail office addition in Manchester, Iowa, were completed in 2020. The construction of a new office building and addition to existing buildings in Omaha, Nebraska, began in 2017, with completion and occupancy at the end of 2020.

Legal Proceedings

Information required to be disclosed in this section is incorporated herein by reference from Note 12 to the consolidated financial statements, "Commitments and Contingencies," included in this annual report to stockholders.

Additional Regulatory Capital

Pursuant to Farm Credit Administration regulation 620.5, the permanent capital ratio, total surplus ratio and core surplus ratios were 15.38 percent, 15.19 percent and 15.19 percent as of December 31, 2015; 15.20 percent, 14.99 percent and 14.99 percent as of December 31, 2014; 14.81 percent, 14.58 percent and 14.58 percent as of December 31, 2013; and 14.86 percent, 14.60 percent and 14.60 percent as of December 31, 2012. Refer to the "Consolidated Five-Year Summary of Selected Financial Data" for capital ratio calculations for the past five years.

Description of Capital Structure

Information required to be disclosed in this section is incorporated herein by reference from Note 8 to the consolidated financial statements, "Members' Equity," included in this annual report to stockholders.

Description of Liabilities

The description of debt outstanding required to be disclosed in this section is incorporated herein by reference from Note 7 to the consolidated financial statements, "Notes Payable," included in this annual report to stockholders.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Note 12 to the consolidated financial statements, "Commitments and Contingencies," included in this annual report to stockholders.

Member Privacy

The Farm Credit Administration regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association to our members not normally contained in published reports or press releases.

Customer Privacy

Customer privacy is important to us. We hold customer financial and other personal information in strict confidence. We do not sell or trade customers' personal information to marketing companies or information brokers for their use. By Farm Credit Administration regulations, we are required to provide a list of current stockholders to any stockholder who requests such information for defined purposes. Additional information regarding this Farm Credit Administration rule governing the disclosure of customer information can be obtained by contacting the Farm Credit Administration or our Legal team at PO Box 2409, Omaha, NE 68103-2409.

Farm Credit Services of America, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Financial and Supervisory Relationship with the Association's Funding Bank

Information required to be disclosed in this section is incorporated herein by reference from the "Relationship with AgriBank, FCB" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" and from Note 7 to the consolidated financial statements, "Notes Payable."

Selected Financial Data

The selected financial data for the five years ended December 31, 2020, required to be disclosed in this section is incorporated herein by reference from the "Consolidated Five-Year Summary of Selected Financial Data" included in this annual report to stockholders.

Management's Discussion and Analysis of Financial Condition and Results of Operations

"Management's Discussion and Analysis of Financial Condition and Results of Operations," which appears in this annual report to stockholders and is required to be disclosed in this section, is incorporated herein by reference.

Directors and Compensation of Directors

The listing of directors, term of office, business experience during the past five years, principal occupation and employment during the past five years, and any other business interests, which are required to be disclosed in this section, are incorporated herein by reference from the "Farm Credit Services of America, ACA Directors" section in this annual report to stockholders.

Our bylaws permit compensation of directors for service on the Board. Compensation is provided for attendance at meetings, special assignments, training and development, and travel time associated with these responsibilities. The per diem rate for 2020 was $600. Monthly retainers for January 1, 2020, through April 30, 2020, were $2,800 for the Board Chairperson, $2,550 for the Board Vice-Chairperson and Committee Chairpersons, and $2,290 for all other directors,

Beginning May 1, 2020, the monthly retainer for a director was $4,090 with additional monthly compensation for leadership positions as follows.

- Board Chairperson – $830
- Board Vice-Chairperson – $620
- Chairperson of a coordinating committee subcommittee who is not a Board Chairperson or Vice-Chairperson – $410
- Chairperson of a coordinating committee subcommittee who is also the Chairperson or Vice-Chairperson of the Board – $210

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Compensation information for each director who served in 2020 follows:

Director	2020 Committees	Board Days	Other Days	Total 2020 Compensation
Phil Bamesberger	Human Capital	8.0	11.0	**$53,280**
Bob Bruxvoort[1]	Business Risk	1.5	13.5	**$15,870**
Jeff Burg[2,3]	Business Risk	8.0	16.0	**$59,560**
Tom Farwell	Governance	8.0	7.5	**$51,180**
Steve Henry, Board Chairperson[3]		8.0	33.0	**$75,840**
Nicholas Hunt	Audit	8.0	10.5	**$52,980**
Nick Jorgensen, Board Vice-Chairperson	Human Capital	8.0	8.5	**$57,780**
Jim Kortan[2]	Audit	8.0	17.0	**$57,920**
Rick Maxfield	Human Capital	8.0	17.0	**$56,880**
Cris Miller	Business Risk	8.0	12.0	**$53,880**
Dana Morgan[4]	Business Risk	4.0	4.5	**$29,640**
John Reisch[2]	Governance	8.0	17.5	**$58,220**
Jon Van Beek	Audit	8.0	15.5	**$55,980**
Susan Voss[2,3]	Human Capital	8.0	13.0	**$57,760**
Mark Weiss	Business Risk	8.0	16.5	**$56,580**
Jennifer Zessin	Governance	8.0	12.5	**$56,220**
			Total Compensation	**$849,570**

(1) Resigned in March 2020 due to election to the AgriBank, FCB Board of Directors
(2) Board Committee Chairperson
(3) Chairperson of a Farm Credit Services of America and Frontier Farm Credit Subcommittee
(4) Term began July 1, 2020

Total compensation is rounded to the nearest dollar and includes retainers and all per diems paid in 2020.

Farm Credit Services of America, ACA
Disclosure Information
Required by Farm Credit Administration Regulations (Unaudited)

Compensation of CEO and Senior Officers

The CEO and senior officers as of December 31, 2020, are shown below. The CEO and senior officers provide joint management for Farm Credit Services of America (Association) and Frontier Farm Credit.

Name	Current Position	Date Started in Current Position	Previous Position(s) During Past Five Years
Mark Jensen	President and CEO	November 2017	Senior Vice President – Chief Risk Officer
Scott Binder	Executive Vice President – Chief Operating Officer	January 2020	President and CEO, FCC Services
Robert Campbell	Senior Vice President – Business Development	January 2020	Senior Vice President
Wes Chambers	Senior Vice President – Business Development	March 2020	Regional Vice President – Business Development; Regional Vice President
Scott Coziahr	Executive Vice President – General Counsel	January 2020	Senior Vice President – General Counsel
Jason Edleman	Senior Vice President – Business Development	March 2020	Regional Vice President – Business Development; Regional Vice President
Shane Frahm	Senior Vice President – Agribusiness Capital	February 2017	Vice President – Agribusiness Credit
Chad Gent	Senior Vice President – Retail Credit	January 2017	Vice President – Retail Credit
Marshall Hansen	Senior Vice President – Agribusiness Capital	January 2017	Vice President – Agribusiness Finance
David Hoyt	Senior Vice President – Treasury	March 2020	Vice President – Finance and Treasurer
Anthony Jesina	Senior Vice President – Insurance	January 2020	Senior Vice President – Related Services
Kenneth Keegan	Executive Vice President – Business Development	January 2020	Executive Vice President
Dallas Kime	Senior Vice President – Retail Commercial Lending	January 2020	Vice President – Commercial Lending
Craig Kinnison	Executive Vice President – Chief Financial Officer	January 2020	Senior Vice President – Chief Financial Officer
Dennis Kirlin	Senior Vice President – Chief Applications Officer	January 2017	Vice President – Chief Applications Officer
Jim Knuth	Senior Vice President – Business Development	January 2020	Senior Vice President
Timothy Koch	Executive Vice President – Chief Credit Officer	January 2020	Senior Vice President – Chief Credit Officer; Senior Vice President – Specialized Lending
Brian Legried	Senior Vice President – AgDirect	April 2017	Vice President – Refined Fuels Sales & Energy Services, CHS Inc.
Duane Maciejewski	Senior Vice President – Emerging Markets	February 2020	Senior Vice President – Specialized Lending; Senior Vice President – AgDirect; Vice President – AgDirect
Gary Mazour	Senior Vice President – Agribusiness Capital Credit	February 2017	Vice President – Capital Markets
Krista McDonald	Executive Vice President – Chief Strategy Officer	January 2020	Vice President – Sales Enablement; Vice President – Innovation and Strategy
Narayanan Nair	Senior Vice President – Chief Data Officer	June 2020	Director – Operations Strategy, TD Ameritrade; Director – Product, D3 Banking Technologies; Director – Information Technologies, Union Pacific Railroad
James Roberge	Senior Vice President – Lending Operations	March 2020	Senior Vice President – Commercial Lending
Greg Salton	Senior Vice President – Chief Risk Officer	January 2018	Senior Vice President – Risk Management; Vice President – Business Risks Insights
Fallon Savage	Senior Vice President – Agribusiness Capital Credit	February 2017	Vice President – Agribusiness Finance Operations
Robert Schmidt	Senior Vice President – Retail	January 2020	Senior Vice President – Business Development; Senior Vice President
Russell Wagner	Executive Vice President – Chief Information Officer	January 2020	Senior Vice President – Chief Technology Officer; Vice President – Chief Technology Officer
Angie Winegar	Senior Vice President – Centralized Business Solutions	April 2019	Vice President – Consumer Lending; Vice President – Country Home Loans

Other business interests of senior officers are shown below.

Name	Other Business Interests
Mark Jensen	• Board of Directors, Omaha Chamber of Commerce. • Advisory Council, University of Nebraska Clayton Yeutter Institute of International Trade and Finance.
Scott Binder	• Board of Directors and Plan Sponsor Committee, Farm Credit Foundations, a provider of benefits and payroll services for Farm Credit System organizations.
Robert Campbell	• Board of Directors, Nebraska Farm Bureau Foundation, a non-profit organization promoting an understanding of the vital importance of agriculture in the state of Nebraska. • Advisory Council, University of Nebraska Center for Ag Profitability.
Wes Chambers	• Board of Directors, South Dakota Corn Growers Association, a non-profit organization promoting corn profitability, education and usage. • President, Yankton Youth Soccer Association, a non-profit organization that promotes the advancement of soccer in the community.
Scott Coziahr	• Managing member of JDI Properties, LLC, a residential real estate management company.
Jason Edleman	• Managing member of JAE Properties, LLC, a real estate management company. • Managing member of Mud Duck, LLC, a real estate management company. • President of Walkers Inc., a retail service business.
Shane Frahm	• Managing member of Frahm Brothers Partnership, a production farming company. • Co-manager of Hollertz Farms, LLC, a production farming company.
Chad Gent	• Managing member of Double Summit, LLC, a real estate tax lien investment company.
Marshall Hansen	• Board member, Nebraska Career Education & Innovation Foundation, an advocate for innovative career education opportunities for Nebraskans. • Director, FarmHouse Fraternity Association Board, a social fraternity committed to the development of young men on the campus of the University of Nebraska-Lincoln since its founding in 1911.
Kenneth Keegan	• Board of Directors, The Durham Museum, a non-profit regional learning and cultural center organization.
Dallas Kime	• President, J.H. Kime and Sons Company, a production ranching company. • President, J.H. Kime & Sons Cattle Co., a production ranching company.
Craig Kinnison	• Trust Committee, Farm Credit Foundations, a provider of benefits and payroll services for Farm Credit System organizations. • Board Member of the Farm Credit System Captive Insurance Company, a provider of insurance coverage to System organizations. • Board of Directors, Food Bank for the Heartland, a non-profit organization that distributes emergency and supplemental food to people in Nebraska and western Iowa.
Dennis Kirlin	• Board Vice President, Smart GEN Society, a non-profit organization empowering smart choices in the digital world.
Krista McDonald	• Board of Directors, ProPartners Financial (PPF), a provider of credit programs for the direct sellers of crop inputs and seed in the United States. PPF is a collaboration of Farm Credit System institutions.
James Roberge	• Board of Directors, Child Saving Institute, a non-profit organization serving children and families in the Omaha area.
Fallon Savage	• Board of Directors, Four Points Federal Credit Union, a financial services cooperative offering banking products and services to members.
Robert Schmidt	• Board of Governors, South Dakota State University Foundation, a non-profit organization supporting private funding for the University.

Compensation Overview: The Association's compensation programs are market-based and designed to provide competitive compensation, including base salary, incentives and benefits that attract, retain, motivate and reward an engaged and talented workforce while achieving business results aligned with the best interests of our shareholders.

The design and governance of our CEO and senior officer compensation program are consistent with prudent risk management standards and provide total compensation that promotes our mission to ensure a safe, sound and dependable source of credit and related services for agriculture and rural America. The design of the compensation program supports our risk management goals and includes (1) a competitive mix of base salary and variable pay, (2) a pay-for-performance process that allocates individual awards based on individual performance and contributions, (3) a balanced use of variable pay performance measures that are risk-adjusted where appropriate, and (4) a long-term portion of variable pay to align with the strategic direction of the Association, which provide for competitive market-based compensation and align with shareholder interests.

Compensation for the CEO and senior officers includes base salary, short-term incentive plan opportunity and long-term incentive plan opportunity. Compensation for all other employees includes base salary and short-term incentive plan opportunity. The CEO and senior officers participate in benefit plans generally available to all employees. Under the alliance agreement described in Note 1, "Organization and Operations," the 2020 compensation and benefits expense for the CEO, senior officers, and all Association

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and Frontier Farm Credit employees was shared between the Association and Frontier Farm Credit on a 93.7 percent and 6.3 percent basis respectively, excluding any Frontier Farm Credit pension plans expense in excess of the Association's retirement programs.

The CEO, Mr. Mark Jensen, does not have an employment agreement. Any CEO employment agreement is at the discretion of the Board of Directors.

Base Salaries: Base salaries for all employees, including the CEO and senior officers, are determined based upon position, experience and responsibilities, performance and market-based compensation data. The CEO base salary is reviewed and approved by the Board of Directors. The Board of Directors approves the merit and market-adjustment pools available for senior officers' base salaries. Employer expense for base salaries is included in "Salaries and employee benefits" on the Consolidated Statements of Income, which was shared by the Association and Frontier Farm Credit as part of the overall allocation of salaries and benefits.

Short-Term Incentive: The Board of Directors approves the annual short-term incentive plan, including the performance measures. The 2020 short-term incentive plan performance measures included combined results for the Association and Frontier Farm Credit. The senior officers participate in the annual short-term incentive plan along with other eligible Association employees. Select employees must sign an assignment, nonsolicitation and nondisclosure agreement to participate in the short-term incentive plan. Payouts under the short-term incentive plan are based on financial and business results and credit performance measures and are approved by the Board of Directors. Payouts are not provided unless specific levels of performance are achieved.

No more than one-half of the short-term incentive-plan award opportunity may be paid in the fourth quarter of the plan year (first award payout), and the remainder of the award payout (final award payout) is paid no later than March 15 after the end of the plan year. The first award payout is based on the results achieved as of September 30 for select performance measures. The final award payout is based upon the year-end results net of the first award payout. The first payout under the 2020 short-term incentive plan occurred in November 2020. The second and final payout occurred in February 2021 and was net of the November 2020 payout.

The CEO's short-term incentive opportunity is established by the Board of Directors. The Board has full discretion as to the amount of any payout to the CEO under the short-term incentive plan and has historically and for 2020 used the results from the short-term incentive plan to determine the payout amount.

The expense for the annual short-term incentive plan included the payout of $43.2 million, plus costs of $6.4 million for a total of $49.6 million, which was shared by the Association and Frontier Farm Credit as part of the overall allocation of salaries and benefits.

Long-Term Incentive: The CEO and senior officers are eligible for long-term senior officer incentive plans. The long-term incentive plans were approved by the Board of Directors to align CEO and senior officer compensation with the strategic business plan and the goals of the Association while providing the opportunity for competitive market-based compensation at a level that will attract, retain and reward key staff for the accomplishment of Association goals. The CEO and senior officers must sign an assignment, nonsolicitation and nondisclosure agreement to participate. The plans are nonqualified performance unit plans that are effective January 1, 2018, through December 31, 2020; January 1, 2019, through December 31, 2021; and January 1, 2020, through December 31, 2022.

The plans have independent performance goals measured over the three-year term of the plans that include core return on assets, customer experience index, employee engagement, loan growth, adverse assets to risk funds and nonaccrual loans to total classified assets. The results included in the plans were combined results for the Association and Frontier Farm Credit.

The Board of Directors approves the total dollars available for the long-term incentive plans, which are then converted into units. The value of each unit is determined by the results achieved toward the established goals. The CEO has discretion as to the distribution of the units to the senior officers for each three-year plan, which is based on consideration of market compensation and individual contributions and performance. The CEO's long-term incentive opportunity is established by the Board of Directors. The Board has full discretion as to the amount of any payout to the CEO under the long-term incentive plan and has historically used the results from the long-term senior officer incentive plan to determine the unit value for the payout amount.

Payments are made no later than March 15 after the end of each three-year plan's term. The payout for the 2018–2020 plan occurred in February 2021 and is reflected in the Summary Compensation Table in the "Long-Term Incentive" column for the calendar year 2020. The payouts for the 2016–2018 and 2017–2019 plans were paid in the first quarter of 2019 and the first quarter of 2020 respectively and are reflected in the Summary Compensation Table in the "Long-Term Incentive" column for the calendar years 2018 and 2019.

A liability and salary and benefits expense of $3.9 million was recorded in 2020 for the long-term incentive plans. The expense was shared by the Association and Frontier Farm Credit as part of the overall allocation of salaries and benefits.

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

The following Summary Compensation Table includes compensation paid to the CEO and the senior officers during fiscal years 2020, 2019 and 2018.

Name of CEO	Year (1)	Salary (2)	Short-Term Incentive (3)	Long-Term Incentive (4)	Deferred (5)	Other (6)	Total
Mark Jensen, CEO	**2020**	**$700,000**	**$525,000**	**$519,600**	**$237,475**	**$15,095**	**$1,997,170**
Mark Jensen, CEO	2019	$650,000	$469,235	$330,000	$182,417	$6,064	$1,637,716
Mark Jensen, CEO	2018	$600,000	$415,410	$227,540	$151,733	$5,733	$1,400,416

Aggregate No. of Sr. Officers in Year Excluding CEO (7)	Year (1)	Salary (2)	Short-Term Incentive (3)	Long-Term Incentive (4)	Deferred (5)	Other (6)	Total
29	**2020**	**$6,883,716**	**$4,712,596**	**$2,968,085**	**$1,743,494**	**$1,504,136**	**$17,812,027**
22	2019	$5,691,726	$3,737,203	$2,946,240	$1,320,750	$147,238	$13,843,157
22	2018	$5,416,138	$3,087,248	$2,270,053	$1,306,434	$446,526	$12,526,399

(1) The Association paid 93.7 percent, 93.6 percent and 93.1 percent of the compensation expense for 2020, 2019 and 2018 respectively. Frontier Farm Credit paid 6.3 percent, 6.4 percent and 6.9 percent of the compensation expense for 2020, 2019 and 2018 respectively.
(2) Salary earned in the fiscal year.
(3) Incentive earned in the fiscal year.
(4) Incentive earned at the end of the respective three-year, long-term incentive plan. For 2019, the number includes long-term incentive for retired CEO Mr. Doug Stark based upon his employment agreement.
(5) Association contributions to the Defined Contribution Plan and Nonqualified Deferred Compensation Plan during the fiscal year.
(6) Executive physicals, sign-on bonus, special recognition bonus, retirement gift, severance, taxable moving expense, vacation-leave payout, recognition and referral awards, health and fitness account payouts, health incentives, taxable vehicle use, long-term disability premiums and group life insurance imputed income incurred during the fiscal year. For 2020, this number includes severance payouts for executive departure.
(7) Employees designated as senior officers during the fiscal year. At year end of 2020 there were 27 Senior Leaders. There were two Senior Leaders who retired in 2020.

Disclosure of the total compensation paid during 2020 to any senior officer included in the Summary Compensation Table is available to our stockholders upon written request to Farm Credit Services of America, PO Box 2409, Omaha, NE 68103-2409.

Details of the benefit plans are described in Note 9 to the consolidated financial statements, “Employee Benefit Plans.”

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Travel, Subsistence and Other Related Expenses

Director and employee reimbursements for travel, subsistence and other related expenses are set forth in the Board's Governance Guidelines and Human Resources Manual, respectively. Each provides authority for and control over reimbursement of travel and subsistence expenses for authorized individuals traveling on official business. Copies of the related Governance Guidelines and Human Resources Manual provisions are available to our stockholders upon written request to Farm Credit Services of America, PO Box 2409, Omaha, NE 68103-2409.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all our directors was $298 thousand in 2020, $773 thousand in 2019 and $499 thousand in 2018.

Transactions with Directors, Senior Officers and Employees

Directors and certain employees may obtain loans from us, provided they meet all eligibility requirements and provided that such loans are made on the same terms available to other customers. Approval of AgriBank, FCB is required for loans to our directors and employees, and for loans to any customer if a director or employee is to receive more than $100 thousand of the loan proceeds, has a significant personal interest in the loan or its security, may exercise control over the customer, or guarantees or cosigns a loan in excess of $100 thousand. Further, directors and employees are required to refrain from taking any part in the consideration or decision on any loan in which they or their relatives have an interest.

Our bylaws and policies require that directors' loans be maintained at a high level of credit quality. Any director whose loan is classified as "substandard" must prepare and obtain approval of a plan to improve and upgrade the loan within a specified period of time. For directors, failure to comply with our bylaws and policies would result in the director's position being vacated. Directors whose loans are classified "doubtful" or "loss," or have any portion of a loan charged off, must resign immediately.

The Farm Credit Act and Farm Credit Administration regulations require certain disclosures to stockholders concerning loans to directors and employees, their relatives, organizations with which they are affiliated or entities that they may control. Disclosure is required where such loans were made on terms other than those available to other customers, or where such loans are considered to have more than a normal risk of collectability. None of our loans made to directors or employees, their relatives, or affiliated organizations or entities they may control was made on terms other than those available to all customers, nor were any such loans considered to have more than a normal risk of collectability.

Director, senior officer and employee non-loan transactions with us are regulated by our policy.

Concerning property that was mortgaged or pledged as security for Farm Credit System debt within the preceding 12 months, the policy requires that senior officers and employees obtain approval from the Standards of Conduct officer for purchase of the property.

Concerning property acquired within the preceding 12 months in satisfaction of Farm Credit System debt, this policy:

- prohibits lease, purchase or acquisition except through inheritance by senior officers and employees; and
- prohibits lease, purchase or acquisition except through inheritance, public auction or other open competitive bidding process by directors.

The policy does permit directors, senior officers and employees to purchase furniture and equipment owned by us provided that any item having a value of greater than $5 thousand must be purchased through an open, competitive bidding process.

The Farm Credit Act and Farm Credit Administration regulations also require certain disclosures to stockholders concerning non-loan transactions a director or senior officer, or any of his or her relatives, affiliated organizations or entities he or she may control, has with us. Such disclosure is required if such transactions did not involve competitive bidding, involved amounts in excess of $5 thousand or provided a special benefit to the director or senior officer. No such transactions took place during 2020.

Involvement in Certain Legal Proceedings

There were no material legal proceedings or enforcement actions involving FCSAmerica, our directors or senior officers that require disclosure in this section.

Relationship with Qualified Public Accountant

PricewaterhouseCoopers LLP serves as our qualified public accountant. There were no changes in our qualified public accountant since the prior annual report to stockholders, and there were no material disagreements on any matter of accounting principles or financial statement disclosures during this period. Expenses recognized in the 2020 consolidated financial statements for services provided by PricewaterhouseCoopers LLP were approved by the Board Audit Committee and include $256 thousand for audit services and $8 thousand for tax-review services.

Financial Statements

The "Consolidated Financial Statements," "Notes to Consolidated Financial Statements," "Report of Management," "Report on Internal Control Over Financial Reporting," "Report of Audit Committee" and "Report of Independent Auditors" required to be disclosed in this section are incorporated herein by reference from this annual report to stockholders.

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Credit and Services to Young, Beginning and Small Producers

We have specific programs in place to serve the credit and related needs of young, beginning and small producers in our territory. Programs focus on providing sound financial services, education and networking opportunities. The definitions of young, beginning and small producers follow:

Definitions

- Young – producers age 35 and under.
- Beginning – producers with 10 years or less of production agriculture as their primary source of income.
- Small – producers who generate less than $250,000 in annual gross sales of agricultural products.

Program Elements

Our program for serving young, beginning and small producers includes the following:

Conventional Loans: Producers age 35 and under, or with 10 years or less of farming or ranching experience, may have sufficient capacity, credit history or financial backing to meet our traditional loan-approval standards.

AgStart Loans: Producers age 35 and under, or with 10 years or less experience, can benefit from modified credit approval standards to help them gain access to debt capital. It is the goal of the program to help facilitate the financial growth of the customer and graduate participating producers from the AgStart program into conventional product offerings over time.

Development Fund: This program assists young, beginning and small producers who are beginning, growing or enhancing an agricultural-based operation by providing them business planning assistance and includes three loan products: Working Capital Loan, Breeding Livestock Loan and Contract Finish Loan. As of December 31, 2020, we had 231 customers enrolled in the program, with a total commitment of $29.1 million in Development Fund lending.

Youth in Agriculture Loans for Breeding Livestock: The Breeding Livestock Loan program for youth provides loans for terms of one to five years, up to $10,000, for the purpose of purchasing breeding livestock. These loans require a cosigner of legal age and are approved based on the strength and credit scores of the cosigner.

Education and Finance Sponsorships: We provide donations and sponsor state and local FFA activities and conventions, state 4-H activities and conventions, and agricultural leadership programs.

College Scholarships: In 2020, we offered $2,500 scholarships to 32 qualified students studying agriculture at land-grant universities within our four-state territory. Additionally, we offered $2,000 scholarships to 46 qualified students studying agriculture at selected community colleges within our four-state territory.

Small Producer Financing: Small producers are served primarily through three loan programs: Rural 1st Home Loans, AgDirect, and the full line of products and services offered through our retail marketplaces. All these programs are designed to meet the needs of small producers, part-time farmers or rural residents with a convenient and efficient delivery of financial services. Small producers who also meet the definition of young or beginning are eligible for the young and beginning program.

Credit Underwriting Standards

Young and beginning producers who do not meet traditional credit standards are considered under an outreach loan program called AgStart. Through this program, applicants' requests are analyzed and assessed based primarily on character and capacity credit factors. Farm Service Agency guarantees are used as deemed necessary, with additional support provided by our payment of the first $2,500 of external fees.

As of December 31, 2020, AgStart customers accounted for 5,705 loans to 2,909 customers with a loan commitment of $837 million. AgStart loan volume grew by 17.3 percent in 2020.

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Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Results and Goals

As of December 31, 2020, we had 22,818 unique young, beginning and small customers, with total loan volume of $6.3 billion. These include:

- 4,942 customers who qualify as young, with total loan volume of $1.5 billion.
- 7,263 customers who qualify as beginning, with total loan volume of $1.8 billion.
- 19,224 customers who qualify as small, with total loan volume of $5.1 billion.

Young and Beginning Segment: The 2017 United States Department of Agriculture Census of Agriculture reports operators who meet the criteria for young, beginning and small, as well as farms with any operators meeting the criteria, including farms with debt. A significant change to the 2017 Census of Agriculture is the elimination of the "principal operator," making it difficult to compare numbers to previous Census of Agriculture years. In our territory, there are 13,335 farms with debt with a young operator. There are 19,889 farms with debt with a beginning operator. As of December 31, 2020, we had 4,942 young customers and 7,263 beginning customers, some of whom are counted in both categories. This equates to a young market share of 37.1 percent and a beginning market share of 36.5 percent. Total loan volume to young and beginning customers was $2.45 billion.

Small Producer Segment: According to 2017 United States Department of Agriculture Census of Agriculture data, 128,519 farms representing 73.7 percent of all farms in our four-state territory meet the definition of small (less than $250,000 in annual gross sales of agricultural products). The 2017 Census of Agriculture includes any operation with farm income in its definition of a farm.

	Potential Customers*	FCSAmerica Customers	Market Share***
Young	13,335	4,942	37.1%
Beginning	19,889	7,263	36.5%
Small**	31,466	19,224	61.1%

** 2017 United States Department of Agriculture Census of Agriculture data of farms with debt.*

*** Potential customers in the small category are those who reported annual gross sales between $10,000 and $249,999.*

**** Market share was computed by comparing the number of producers in the young, beginning or small categories maintaining a loan relationship with FCSAmerica to the total number of producers with debt in those categories.*

Young, Beginning and Small Producer New Customer Growth

	2021 Goals	2022 Goals	2023 Goals
Young	593	640	686
Beginning	955	978	1,002
Small	1,398	1,421	1,444

Special Program Goal (AgStart): This program goal will positively affect all three young, beginning and small producer categories. Use of this outreach loan program is seen as a critical component of long-term success in the marketplace.

The Association's goal is to increase AgStart loan commitments by 8.0–12.0 percent annually.

Related Services

Young and Beginning Producer Conference: Due to COVID-19, the annual Side by Side Conference was converted to virtual delivery. The Side by Side Digital program launched in October 2020 and continues into 2021 with monthly webinars, recorded videos and tutorials. Producers benefited from the opportunity to learn from speakers on topics tailored to young and beginning producers and have access to educational materials to help them become better-informed business managers.

Education and Finance Sponsorships: We awarded $169,000 in college scholarships for 77 students in 2020. We donated nearly $419,000 for state and local FFA and 4-H activities and provided additional funding and resources for young and beginning producer education, leadership development programs and community grants.

Awareness

Young and Beginning Team: The Association launched a cross-functional team in 2020 that researched and recommended an evolution to the program strategy and structure for the future of the Association's young, beginning and small program. This is an enhancement to the ongoing young and beginning producer team that has been in place previously.

Farm Credit Services of America Retail Office Locations

4835 Sixth Avenue SE
Aberdeen, SD 57401

2390 Highway 2
Alliance, NE 69301

4101 N. Sixth Street
Beatrice, NE 68310

2555 South E Street
Broken Bow, NE 68822

919 Bella Vista Drive
Carroll, IA 51401

1401 Wilkins Circle
Casper, WY 82601

7419 Nordic Drive
Cedar Falls, IA 50613

4865 Old Monastery Road
Columbus, NE 68601

2328 Millennium Road
Decorah, IA 52101

1621 11th Street
DeWitt, IA 52742

3675 450th Avenue
Emmetsburg, IA 50536

3333 W. Faidley Avenue
Grand Island, NE 68803

1812 Hawkeye Avenue
Harlan, IA 51537

1525 Boyson Road
Hiawatha, IA 52233

81 33rd Street SW
Huron, SD 57350

686 E 3rd Street
Imperial, NE 69033

4070 East 56th Street
Kearney, NE 68847

855 Fallbrook Blvd.
Lincoln, NE 68521

1301 W. Main Street
Manchester, IA 52057

203 W. Merle Hibbs Blvd.
Marshalltown, IA 50158

4056 Fourth Street SW
Mason City, IA 50401

1700 N. Highway 83
McCook, NE 69001

401 Cabela Drive
Mitchell, SD 57301

322 First Avenue E
Mobridge, SD 57601

2216 James Avenue
Mount Pleasant, IA 52641

2125 W. 20th Street S
Newton, IA 50208

207 N. 34th Street
Norfolk, NE 68701

3021 E. Philip Avenue
North Platte, NE 69101

507 E. Highway 20
O'Neill, NE 68763

1902 D Avenue W
Oskaloosa, IA 52577

105 Theater Circle
Perry, IA 50220

2505 E. 4th Street
Pierre, SD 57501

152 N. Absaroka #D
Powell, WY 82435*

2510 N. Plaza Drive
Rapid City, SD 57702

700 Senate Avenue
Red Oak, IA 51566

411 Valley View Drive
Scottsbluff, NE 69361

3000 E. Park Street
Sheldon, IA 51201

4512 S. Lakeport Street
Sioux City, IA 51106

5011 S. Broadband Lane
Sioux Falls, SD 57108

1015 590th Street
Storm Lake, IA 50588

1114 29th Street SE
Watertown, SD 57201

345 Fairmeadow Drive
Webster City, IA 50595

3808 Broadway Avenue
Yankton, SD 57078

Open by appointment only.

Farm Credit Services of America strives to be environmentally conscious. If you would like to receive an additional copy of our 2020 annual report, please contact us at 1-800-884-FARM (1-800-884-3276).

Farm Credit Services of America

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