Farm Credit Services of Western Arkansas, ACA

Quarterly Report
June 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Services of Western Arkansas, ACA (the Association) and its subsidiaries, Farm Credit Services of Western Arkansas, FLCA and Farm Credit Services of Western Arkansas, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2020 (2020 Annual Report).

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

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2020 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

COVID-19 PANDEMIC

As domestic public health measures have been implemented to limit the spread of the virus, including the availability of vaccines, many locations across the United States (U.S.) have been able to lift many or all restrictions. While the emergence of COVID-19 variants may negatively impact economic conditions, the overall economy continues to recover, and the outlook is positive for many sectors, including agriculture.

The extent to which the COVID-19 pandemic continues to impact the Association will depend on future developments that are highly uncertain and cannot be predicted. However, we have weathered the significant challenges presented to date. Our business continuity response has allowed us to continue to serve our mission, and a remote work environment 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.

AGRICULTURAL AND ECONOMIC CONDITIONS

At the end of June 2021, no counties in the state had drought conditions. April temperatures were slightly cooler than the mean temperature, 59.7 degrees compared to the normal of 61.4 degrees. April precipitation was 4.2 inches on average in Little Rock, which is down 1.57 inches from the normal value. May temperatures were cooler than normal values with a mean temperature of 68.5 degrees, which is 0.6 degrees cooler than the normal. Precipitation in May was 4.48 inches in Little Rock, versus a normal value of 5.08 inches. June temperatures were warmer than normal with the mean temperature at 78.7 degrees compared to the normal 78 degrees. Precipitation was 7.11 inches which was double the normal for the month of June in Little Rock. Rainfall in the first quarter of 2021 was a total of 15.61 inches at Little Rock.

Specific Production Conditions

The application deadline for Paycheck Protection Program (PPP) loans ended on May 31, 2021, but existing borrowers may be eligible for loan forgiveness. Requirements for loan forgiveness includes: loan proceeds are spent on payroll costs and other eligible expenses, employee and compensation levels are maintained, and at least 60% of the proceeds are spent on payroll costs.

Row Crops: U.S. agricultural exports in fiscal year 2021 are projected at $164.0 billion, which is up $7.0 billion from the forecast in February. Corn, soybeans, livestock, poultry, and dairy products lead the increase. Soybean exports projections increased by $1.5 billion to $28.9 billion as volumes are at record levels and demand from China remains strong. While soybean crush volumes are reduced, domestic demand for vegetable oils and other oil seeds continues to remain high, with a slight increase in soybean oil price comes a dramatic decline in soybean oil exports. The 130 million pounds of soybean oil exported in the month of April are the lowest volume since January 2020. Total U.S. supplies for rice remain forecasted at 292.4 million hundredweight (cwt), which is up more than 9% from 2020 levels, this is the highest rice forecast since 2016/2017. For 2020/2021 corn exports are estimated at 2,850 million bushels, which is a 75 million bushel increase from the previous month due to the recent pace of official exports reported by the U.S. Census Bureau through April 2021 and grain inspections reports from the United States Department of Agriculture's Agricultural Marketing Service through early June. Much of the increased pace of corn exports is due to higher shipments to China. Domestic corn use has also increased, due primarily to recent trends to the gasoline market, food, seed, and industrial use is estimated at 5,700 million bushels with 5,050 million bushels being used for fuel ethanol. Corn production for 2021/2022 is projected to be 14,990 million bushels based on 91 million acres of planted area and weather-adjusted-trend-yield forecast of 179.5 bushels per acre.

Poultry: In April, broiler production totaled 3.696 billion pounds, the second month of 2021 to be above 2020 levels, and is slightly above April 2019 levels. This increase is driven by a 1.3% increase in both number of broilers slaughtered and average weight. Based on this increase, the second-quarter production was revised up to 11.3 billion pounds which results in anticipated total production for 2021 to be forecasted at 44.9 billion pounds. The 2022 broiler production forecast is 45.3 billion pounds. April broiler exports totaled 615 million pounds, which is an increase of 5% over April 2020. Markets with large increases included Mexico, Cuba, and the Philippines. The market with the largest decrease was China whose export share decreased from 13% to 5%. In May, national composite wholesale broiler prices averaged 105.41 cents per pound. In the week ending May 21 weekly prices reached a peak of 106.23 cents per pound. Wholesale prices for boneless/skinless breasts and chicken wings continued climbing in May, for the month breast prices averaged 212.97 cents per pound with wing prices averaging 325 cents per pound. Large poultry integrators saw a decrease in volume in the second quarter 2021 as result of lower production throughput, severe winter weather, decline in hatch rate and a challenging labor environment. This declining volume affects poultry growers in Western Arkansas requiring longer out times, although production is beginning to steadily increase.

Cattle: Livestock, poultry, and dairy are forecasted up $1.6 billion from February to $34.2 billion as increases in beef, pork, dairy, and poultry offset a decline in hides, skins, and furs. Beef is forecasted up $200 million to $7.6 billion on higher unit values and volumes, primarily to China and South Korea. Due to a cyber-attack at JBS Foods (the world's largest meatpacker) cattle slaughter was disrupted for 2 days in June, the Memorial Day week finished above 2020 levels but were well below 2019. In May 2021, the average price for all grades of live steers sold in the 5-area marketing region was $119.37 per cwt which is up 7% from 2020. Feeder steers weighing 750-800 pounds that were sold in the Oklahoma City National Stockyards had an estimated average price of $137.16 per cwt for May, up almost $10 per cwt from May 2020. In April, U.S. beef exports were 287 million pounds, 22% above a year earlier and 18% above 2019 levels. Larger year-over-year shipments to China, South Korea, and Mexico more than offset reduced exports to Japan, Canada, and Hong Kong. Exports to China reached over 49 million pounds in April, the second month in a row with shipments over 40 million pounds. Total exports to China January through April 2021 totaled 140 million pounds. Lower U.S. exports to Japan in April were likely a temporary result of reduced shipments to avoid the higher tariffs due to the safeguard that began March 18 and ended April 16. On April 17, 2021, the import tariff on U.S. beef dropped 25% as prescribed in the tariff reduction schedule of year 3 of the U.S.-Japan Trade Agreement.

Timber: At the end of the second quarter of 2021, the state average for stumpage on pine sawtimber was $26.39 per ton with pine pulpwood at $4.93 per ton, mixed hardwood sawtimber was $36.55 per ton, and hardwood pulpwood $7.59 per ton. When compared to last year pine sawtimber for the second quarter of 2021 was up $2.77 per ton, pine pulpwood was down $1.03 per ton, mixed hardwood sawtimber was up $0.70 per ton, and hardwood pulpwood was down $0.64 per ton. There was slight movement between the second quarter of 2021, and the first quarter of 2021, with pine sawtimber, and pine chip-n-saw decreasing less than $1.00 per ton. Both hardwood pulpwood and pine pulpwood has increased less than $1.00 per ton between the second quarter of 2021 and the first quarter of 2021. In the second quarter, south-wide average stumpage prices at the end of the second quarter 2021, increased for both pine sawtimber and pine chip-n-saw, both reached the highest levels in over 5-years. Softwood lumber prices increased marginally in the second quarter, which spiked a new record high in May but retreated just above April levels in June. The June random lengths Southern Pine Composite $937 per thousand board feet was up $6 quarter over quarter and $432 year over year. U.S. residential building construction continued to hold strong in the first half of 2021. Improvements and remodeling activity was the highest on record and annual housing starts reached the highest level since 2006.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $1.6 billion at June 30, 2021, an increase of $19.0 million from December 31, 2020. The increase was primarily due to normal growth in our loan portfolio and opportunities to support our customers.

The PPP is a guaranteed loan program administered by the U.S. Small Business Administration (SBA) created in response to the COVID-19 pandemic. We obtained approval from the SBA in 2020 to participate as a lender in the PPP. The PPP provides for payment deferral, and when certain requirements are fulfilled, loan forgiveness. As of June 30, 2021, we had successfully processed $10.1 million in PPP loans for customers with production and intermediate-term type loans, of which $9.2 million were processed during the first half of 2021. We are working with our customers gathering documentation and submitting applications for the forgiveness of the PPP loans and $5.5 million has been forgiven as of June 30, 2021.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2020. Adversely classified loans increased to 1.4% of the portfolio at June 30, 2021, from 1.1% of the portfolio at December 31, 2020. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At June 30, 2021, $49.7 million of our loans were, substantially, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:		**June 30, 2021**		December 31, 2020
Loans:				
Nonaccrual	**$**	**6,677**	$	6,986
Accruing restructured		**2,830**		3,094
Accruing loans 90 days or more past due		**--**		--
Total risk loans		**9,507**		10,080
Other property owned		**374**		573
Total risk assets	**$**	**9,881**	$	10,653
Total risk loans as a percentage of total loans		**0.6%**		0.6%
Nonaccrual loans as a percentage of total loans		**0.4%**		0.4%
Current nonaccrual loans as a percentage of total nonaccrual loans		**41.4%**		30.6%
Total delinquencies as a percentage of total loans		**0.5%**		0.4%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2020, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

Allowance for Loan Losses

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

Allowance Coverage Ratios

As of:	**June 30, 2021**	December 31, 2020
Allowance as a percentage of:		
Loans	**0.2%**	0.1%
Nonaccrual loans	**39.1%**	32.2%
Total risk loans	**27.5%**	22.3%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2021.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30		**2021**		2020
Net income	**$**	**15,844**	$	14,950
Return on average assets		**1.9%**		1.9%
Return on average members' equity		**9.6%**		9.6%

Changes presented in the profitability information chart relate directly to:

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

Changes in Significant Components of Net Income

(in thousands) For the six months ended June 30	2021	2020	Increase (decrease) in net income
Net interest income	$ 23,114	$ 21,761	$ 1,353
Provision for credit losses	349	406	57
Non-interest income	6,851	5,791	1,060
Non-interest expense	13,503	12,082	(1,421)
Provision for income taxes	269	114	(155)
Net income	$ 15,844	$ 14,950	$ 894

Non-Interest Income

The change in non-interest income was primarily due to an increase in fee income. The fee income increase was primarily due to fees collected from the SBA for originating PPP loans. During the first half of 2021, SBA PPP fees totaled $1.4 million, as compared to $31 thousand during the same period of 2020.

Non-Interest Expense

The change in non-interest expense was primarily related to increases in Farm Credit System insurance expense and salaries and employee benefits expense.

The Farm Credit System insurance expense increased in 2021 primarily due to a higher premium rate charged by FCSIC on accrual loans. The premium rate, which is primarily impacted by System growth, was 16 basis points for the first half of 2021, compared to a premium rate of 8 basis points during the same period in 2020. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

The increase in salary is mainly due to merit increases and filling open positions.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on May 31, 2023. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

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

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

We were not subject to a risk premium at June 30, 2021, or December 31, 2020.

Total members' equity increased $10.4 million from December 31, 2020, primarily due to net income for the period, which was partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 6 in our 2020 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	June 30, 2021	December 31, 2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	18.2%	18.5%	4.5%	2.5%	7.0%
Tier 1 capital ratio	18.2%	18.5%	6.0%	2.5%	8.5%
Total capital ratio	18.4%	18.6%	8.0%	2.5%	10.5%
Permanent capital ratio	18.3%	18.5%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	17.9%	18.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	18.3%	18.4%	1.5%	N/A	1.5%

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

CERTIFICATION

The undersigned have reviewed the June 30, 2021, Quarterly Report of Farm Credit Services of Western Arkansas, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Kenny Brixey

Kenny Brixey
Chairperson of the Board
Farm Credit Services of Western Arkansas, ACA

Brandon Haberer

Brandon Haberer
President and Chief Executive Officer
Farm Credit Services of Western Arkansas, ACA

Lori Schumacher

Lori Schumacher
Senior Vice President of Finance and Chief Financial Officer
Farm Credit Services of Western Arkansas, ACA

August 3, 2021

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of Western Arkansas, ACA

(in thousands)

(Unaudited)

As of:		June 30, 2021		December 31, 2020
ASSETS				
Loans	**$**	**1,624,845**	$	1,605,846
Allowance for loan losses		**2,613**		2,251
Net loans		**1,622,232**		1,603,595
Investment in AgriBank, FCB		**37,684**		36,342
Accrued interest receivable		**10,388**		9,823
Other assets		**23,570**		23,758
Total assets	**$**	**1,693,874**	$	1,673,518
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**1,335,275**	$	1,318,159
Accrued interest payable		**5,338**		5,445
Deferred tax liabilities, net		**541**		355
Patronage distribution payable		**5,600**		6,215
Other liabilities		**11,735**		18,340
Total liabilities		**1,358,489**		1,348,514
Contingencies and commitments (Note 3)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**5,986**		5,950
Unallocated surplus		**329,538**		319,333
Accumulated other comprehensive loss		**(139)**		(279)
Total members' equity		**335,385**		325,004
Total liabilities and members' equity	**$**	**1,693,874**	$	1,673,518

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Services of Western Arkansas, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30	**2021**	2020	**2021**	2020
Interest income	**$ 16,975**	$ 18,002	**$ 33,898**	$ 36,866
Interest expense	**5,338**	6,999	**10,784**	15,105
Net interest income	**11,637**	11,003	**23,114**	21,761
Provision for credit losses	**62**	93	**349**	406
Net interest income after provision for credit losses	**11,575**	10,910	**22,765**	21,355
Non-interest income				
Patronage income	**2,067**	1,945	**3,945**	3,642
Financially related services income	**3**	5	**18**	9
Fee income	**1,458**	959	**2,836**	1,519
Allocated Insurance Reserve Accounts distribution	**--**	--	**--**	282
Other non-interest income	**39**	243	**52**	339
Total non-interest income	**3,567**	3,152	**6,851**	5,791
Non-interest expense				
Salaries and employee benefits	**3,977**	3,797	**7,978**	7,616
Other operating expense	**2,878**	2,405	**5,522**	4,463
Other non-interest (income) expense	**(37)**	--	**3**	3
Total non-interest expense	**6,818**	6,202	**13,503**	12,082
Income before income taxes	**8,324**	7,860	**16,113**	15,064
Provision for income taxes	**201**	68	**269**	114
Net income	**$ 8,123**	$ 7,792	**$ 15,844**	$ 14,950
Other comprehensive income				
Employee benefit plans activity	**$ 70**	$ 69	**$ 140**	$ 139
Total other comprehensive income	**70**	69	**140**	139
Comprehensive income	**$ 8,193**	$ 7,861	**$ 15,984**	$ 15,089

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Western Arkansas, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2019	$ 5,570	$ 299,884	$ (556)	$ 304,898
Net income	--	14,950	--	14,950
Other comprehensive income	--	--	139	139
Unallocated surplus designated for patronage distributions	--	(5,225)	--	(5,225)
Capital stock and participation certificates issued	409	--	--	409
Capital stock and participation certificates retired	(239)	--	--	(239)
Balance at June 30, 2020	$ 5,740	$ 309,609	$ (417)	$ 314,932
Balance at December 31, 2020	$ 5,950	$ 319,333	$ (279)	$ 325,004
Net income	**--**	**15,844**	**--**	**15,844**
Other comprehensive income	**--**	**--**	**140**	**140**
Unallocated surplus designated for patronage distributions	**--**	**(5,639)**	**--**	**(5,639)**
Capital stock and participation certificates issued	**455**	**--**	**--**	**455**
Capital stock and participation certificates retired	**(419)**	**--**	**--**	**(419)**
Balance at June 30, 2021	**$ 5,986**	**$ 329,538**	**$ (139)**	**$ 335,385**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim Consolidated Statements of Condition and Consolidated Statements of Comprehensive Income. Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the six months ended June 30, 2021, are not necessarily indicative of the results to be expected for the year ending December 31, 2021. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2020 (2020 Annual Report).

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

Significant Accounting Policies

Effective March 2021, a change in accounting policy was elected to use the fair value method for calculating the market-related value of assets for the fixed-income pension assets. This change in accounting principle did not have a material impact on the financial statements.

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

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In March 2020, the FASB issued Accounting Standards Update (ASU) 2020-04 “Reference Rate Reform, Topic 848.” In January 2021, the FASB issued ASU 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time from March 12, 2020, through December 31, 2022, as reference rate reform activities occur.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	During March 2021, we adopted this standard. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We expect to adopt the standard as of January 1, 2023. We are currently assessing the impact this guidance will have on our financial statements upon adoption, which will be impacted by the composition of our portfolio and asset quality at the adoption date, as well as economic conditions and forecasts at the time of adoption. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	June 30, 2021			December 31, 2020		
		Amount	%		Amount	%
Real estate mortgage	**$**	**1,104,587**	**68.0%**	$	1,072,737	66.8%
Production and intermediate-term		**198,571**	**12.2%**		202,622	12.6%
Agribusiness		**215,511**	**13.3%**		226,380	14.1%
Other		**106,176**	**6.5%**		104,107	6.5%
Total	**$**	**1,624,845**	**100.0%**	$	1,605,846	100.0%

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

Delinquency

Aging Analysis of Loans

(in thousands) **As of June 30, 2021**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total
Real estate mortgage	**$ 3,855**	**$ 2,112**	**$ 5,967**	**$ 1,105,919**	**$ 1,111,886**
Production and intermediate-term	**909**	**448**	**1,357**	**199,754**	**201,111**
Agribusiness	**--**	**--**	**--**	**215,920**	**215,920**
Other	**35**	**--**	**35**	**106,281**	**106,316**
Total	**$ 4,799**	**$ 2,560**	**$ 7,359**	**$ 1,627,874**	**$ 1,635,233**

As of December 31, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total
Real estate mortgage	$ 2,442	$ 2,106	$ 4,548	$ 1,075,169	$ 1,079,717
Production and intermediate-term	343	1,248	1,591	203,331	204,922
Agribusiness	--	--	--	226,831	226,831
Other	--	--	--	104,199	104,199
Total	$ 2,785	$ 3,354	$ 6,139	$ 1,609,530	$ 1,615,669

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at June 30, 2021, or December 31, 2020.

Risk Loans

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

Risk Loan Information

(in thousands) As of:	**June 30, 2021**	December 31, 2020
Volume with specific allowance	**$ 1,062**	$ 1,267
Volume without specific allowance	**8,445**	8,813
Total risk loans	**$ 9,507**	$ 10,080
Total specific allowance	**$ 464**	$ 193
For the six months ended June 30	**2021**	2020
Income on accrual risk loans	**$ 65**	$ 83
Income on nonaccrual loans	**201**	214
Total income on risk loans	**$ 266**	$ 297
Average risk loans	**$ 9,825**	$ 13,247

Note: Accruing loans include accrued interest receivable.

We had no material commitments to lend additional money to borrowers whose loans were classified as risk loans at June 30, 2021.

Troubled Debt Restructurings (TDRs)

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

There were no TDRs that occurred during the six months ended June 30, 2021, or 2020. In addition, there were no TDRs that defaulted during the six months ended June 30, 2021, or 2020 in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	**June 30, 2021**	December 31, 2020
Accrual status:		
Real estate mortgage	**$ 683**	$ 688
Production and intermediate-term	**400**	574
Agribusiness	**1,747**	1,832
Total TDRs in accrual status	**$ 2,830**	$ 3,094
Nonaccrual status:		
Real estate mortgage	**$ 754**	$ 771
Production and intermediate-term	**514**	580
Agribusiness	**--**	--
Total TDRs in nonaccrual status	**$ 1,268**	$ 1,351
Total TDRs:		
Real estate mortgage	**$ 1,437**	$ 1,459
Production and intermediate-term	**914**	1,154
Agribusiness	**1,747**	1,832
Total TDRs	**$ 4,098**	$ 4,445

There were no commitments to lend to borrowers whose loans have been modified in a TDR at June 30, 2021.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Six months ended June 30	**2021**	2020
Balance at beginning of period	**$ 2,251**	$ 2,571
Provision for loan losses	**354**	444
Loan recoveries	**30**	29
Loan charge-offs	**(22)**	(89)
Balance at end of period	**$ 2,613**	$ 2,955

The "Provision for credit losses" in the Consolidated Statements of Comprehensive Income includes a provision for loan losses as presented in the previous chart, as well as a reversal of credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in "Other liabilities" in the Consolidated Statements of Condition. Typically, accrued credit losses are relieved and replaced with an allowance for loan loss as the related commitments are funded.

Credit Loss Information on Unfunded Commitments

(in thousands) For the six months ended June 30	**2021**	2020
Reversal of credit losses	**$ (5)**	$ (38)
As of:	**June 30, 2021**	December 31, 2020
Accrued credit losses	**$ 43**	$ 48

NOTE 3: CONTINGENCIES AND COMMITMENTS

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

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

In June 2021, we signed an agreement guaranteeing the amounts borrowed by SunStream on their line of credit with AgriBank, up to $40.0 million. The term of the line of credit is 36 months and may be extended. The guarantee is in effect until any outstanding balance is paid in full. While we are primarily liable for our pro-rata portion of SunStream's indebtedness to AgriBank, we are jointly and severally liable with certain other owners of SunStream. In the event of default by SunStream, we are responsible for the prompt and full payment of amounts outstanding. However, we may seek reimbursement from the remaining owners of SunStream subject to the guarantee agreement. There was no outstanding balance on the SunStream line of credit at June 30, 2021. At this time we believe it is unlikely that we will be required to make payment under this guarantee.

We and other Farm Credit Institutions are among the limited partners for a Rural Business Investment Company (RBIC). As of June 30, 2021, our total commitment was $2.0 million of which $795 thousand was unfunded. The original commitment period was through December 2020, with an option to extend the commitment through April 2023.

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2020 Annual Report for a more complete description of the three input levels.

We did not have any material assets or liabilities measured at fair value on a recurring basis at June 30, 2021, or December 31, 2020.

Non-Recurring Basis

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

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of June 30, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 628**	**$ 628**
Other property owned	**--**	**--**	**430**	**430**

As of December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$ 1,128	$ 1,128
Other property owned	--	--	659	659

Valuation Techniques

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

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

NOTE 5: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 3, 2021, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.