Farm Credit Services of Western Arkansas, ACA

Quarterly Report
September 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 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 COVID-19, including the availability of vaccines, many or all restrictions have been lifted across the United States. 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. Most recently, the federal government has announced a vaccine mandate for certain employers and we expect this mandate will apply to our Association.

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 September, 26 counties were in the abnormally dry classification with 6 additional counties classified as moderately dry. Compared with June in which no counties in the state had drought conditions. July temperatures were slightly cooler than the mean temperature, 80.2 degrees compared to the normal of 81.4 degrees. July precipitation was 3.48 inches on average in Little Rock, which is down .44 inches from the normal value. August temperatures were warmer than normal values with a mean temperature of 81.4 degrees, which is .7 degrees warmer than the normal. Precipitation in August was 1.75" in Little Rock, which is less than half the normal value of 3.57". September temperatures were warmer than normal with the mean temperature at 75.9 degrees compared to the normal 73.9 degrees. Precipitation was 1.84", which is significantly less than the average of 3.05". Rainfall in the third quarter of 2021 was a total of 7.07" versus an average of 10.54" at Little Rock. Drier weather conditions could affect cattle producers as grazing pastures may be shorter and hay supplies may not be as plentiful. The majority of Association borrowers should not be affected by slightly abnormal dryer conditions.

Specific Production Conditions

Since the Small Business Administration (SBA) Paycheck Protection Program (PPP) Direct Borrower Forgiveness Portals launch in August 2020 the SBA has received applications for over $17.0 billion of relief for more than one million of America's smallest businesses. In fewer than 45 days, 91.0% of all loans eligible for direct forgiveness in the 2020 PPP portfolio have been submitted. The number of direct forgiveness participating lenders has more than doubled from 600 when the portal opened to over 1,400 today. Significant progress has been made on the 2021 PPP Loans with 65.0% of all loans eligible for direct forgiveness already submitted.

Row Crops: The United States Department of Agriculture National Agricultural Statistics Service's (NASS) September crop production report indicates a higher soybean yield forecast of 50.6 bushels per acre, which is 0.6 bushels per acre higher than last month's projection. The U.S. soybean crop production forecast for 2021/2022 is raised 35.0 million bushels this month to 4.4 billion bushels because of the higher yield estimate. Planted and harvested soybean acres are down approximately 0.3 million acres to 87.2 million and 86.4 million acres respectively. Total supplies for 2021/2022 are at 40.0 million bushels higher this month to 4.6 billion bushels.

In the NASS September Crop Production Report the U.S. corn forecast is expected to be 15.0 billion bushels for 2021/2022 which is a 246.0 million bushel increase from its August forecast, if realized this increase would be the second-largest corn crop on record, behind the 2016/2017 crop that totaled 15.1 billion bushels. The U.S. is expected to export more corn to Canada and Mexico due to the availability of rail-car transportation as damages caused by Hurricane Ida to the U.S. exports infrastructure have slowed exportation. For the 2020/2021 trade year, U.S. corn exports are reduced 3.0 million tons as declining price competitiveness and a subsequent lower export pace in August were exacerbated by Hurricane Ida at the end of that month with the lower pace expected to last through September, the end of the 2020/2021 international trade year.

The 2021/2022 U.S. rice production was reduced 6.9 million hundredweight (cwt) to 190.5 million which is 16% smaller than a year earlier. At 2.5 million acres, rice harvested area is 4.5% below the previous forecast and more than 16% below a year earlier. Despite the revision, harvested area is still above 2019/2020 harvested area.

Poultry: Broiler production in July 2021 was nearly even with 2020 levels at 3.7 billion pounds. Broiler live weights in July 2021 were 2% heavier than the same month a year prior. Third quarter 2021 production estimates were adjusted up by 50 million pounds to 11.5 billion pounds. Weekly broiler chick placements have been below 2019 levels since the first week of August, which has driven production forecasts for the fourth quarter of 2021 to be adjusted down by 20 million pounds to 11.2 billion pounds. In 2021, total production is forecasted to be fractionally higher than 2020, the forecast for 2022 production has been adjusted up to 45.3 billion pounds (1% growth) over the 2021 forecast due to expectations of stronger broiler prices and lower feed costs. Broiler exports totaled 596 million pounds in July, a 1% year-over-year increase from July 2020. This total is near historical levels after a very strong second quarter. Shipments to Mexico in July were stronger than last July but fell from 199 million pounds in June to 133 million pounds. The August national composite whole broiler price remained elevated at 104.8 cents per pound, which is 39 cents above August 2020 levels. Chicken wings averaged 317.4 cents per pound in August, which is a more than a dollar higher than the same month a year prior.

Cattle: Beef trend prices fell in September and October; however, this fall in relative price strength, is expected to persist as demand for beef remains strong. The fourth quarter forecast for the fed steer price was increased by $4 to $131 per cwt from a month prior based on current price strength and firm demand. In August, Oklahoma City National Stockyards feeder steers weighing 750-800 pounds averaged $156.48/cwt, $14.94 above a year prior. The third quarter forecast was raised by $1.00 per ton to $154.00 per cwt, while the fourth quarter forecast was increased $2.00 to $155.00 per cwt. Beef imports in July totaled 307 million pounds, down from last year 19% or 70 million pounds, however July 2020 imports were the second largest on record. Compared to July 2019, July 2021 imports were up 15% or 40 million pounds. When compared to a 5-year average from 2016 to 2020, July 2021 imports were up 2%. In July, U.S. beef exports totaled 297 million pounds, exceeding last July's exports by 17.9% or 45 million pounds. This increase is due in large part to the largest U.S. beef exports to China ever recorded, totaling almost 45 million pounds more than the previous year. Total beef exports for January-July in 2021 were up 21% over the first 7 months of 2020 with 14.4% being shipped to China.

Timber: At the end of the third quarter of 2021, the state average stumpage price on pine sawtimber was $25.75 per ton with pine pulpwood at $5.09 per ton, mixed hardwood sawtimber was $38.98 per ton, and hardwood pulpwood $7.14 per ton. When compared to last year, the stumpage price on pine sawtimber for third quarter 2021 was down $0.49 a ton, pine pulpwood was down $5.00 per ton, mixed hardwood sawtimber was up $7.71 per ton, and hardwood pulpwood was down $2.31 per ton. There was slight movement between third quarter 2021, and third quarter of 2020, with pine sawtimber, and pine chip-n-saw increased less than $2.49 and $1.96 per ton, respectively. Both hardwood pulpwood and pine pulpwood have decreased less than $1.00 per ton between third quarter 2021 and third quarter 2020. Softwood lumber prices decreased more than 50% in the third quarter after setting record highs in May; however, prices are still up more than 20% when compared to pre-COVID-19 levels. The September Random Lengths Southern Pine Composite at $444 per thousand board feet was down $493 quarter over quarter and $439 year over year. U.S. residential building construction continued to hold strong in the third quarter of 2021. Improvements and remodeling activity was the highest on record year to date August and annual housing starts reached the highest level since 2006.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $1.6 billion at September 30, 2021, an increase of $27.4 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. 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 May 31, 2021, when the PPP ended, we had successfully processed $10.1 million in PPP loans for customers with primarily production and intermediate-term type loans. We are working with our customers gathering documentation and submitting applications for the forgiveness of the PPP loans and $9.0 million has been forgiven as of September 30, 2021.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2020. Adversely classified loans were 1.1% of the portfolio at September 30, 2021, and 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 September 30, 2021, $44.3 million of our loans were, substantially, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**September 30, 2021**	December 31, 2020
Loans:		
Nonaccrual	**$ 6,543**	$ 6,986
Accruing restructured	**2,813**	3,094
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**9,356**	10,080
Other property owned	**387**	573
Total risk assets	**$ 9,743**	$ 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	**43.5%**	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:	**September 30, 2021**	December 31, 2020
Allowance as a percentage of:		
Loans	**0.2%**	0.1%
Nonaccrual loans	**37.9%**	32.2%
Total risk loans	**26.5%**	22.3%

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

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the nine months ended September 30	**2021**	2020
Net income	**$ 23,337**	$ 22,760
Return on average assets	**1.8%**	1.9%
Return on average members' equity	**9.4%**	9.7%

Changes presented in the profitability information chart relate directly to:

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

Changes in Significant Components of Net Income

(in thousands) For the nine months ended September 30		2021		2020		Increase (decrease) in net income
Net interest income	$	**34,751**	$	33,062	$	**1,689**
Provision for credit losses		**225**		166		**(59)**
Non-interest income		**9,395**		8,607		**788**
Non-interest expense		**20,323**		18,628		**(1,695)**
Provision for income taxes		**261**		115		**(146)**
Net income	$	**23,337**	$	22,760	$	**577**

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 September 30, 2021, or December 31, 2020.

Total members' equity increased $15.2 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:	September 30, 2021	December 31, 2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**18.5%**	18.5%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**18.5%**	18.5%	6.0%	2.5%	8.5%
Total capital ratio	**18.7%**	18.6%	8.0%	2.5%	10.5%
Permanent capital ratio	**18.6%**	18.5%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**18.4%**	18.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.8%**	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 September 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.

Cody Jones
Chairperson of the Board
Farm Credit Services of Western Arkansas, ACA

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

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

November 4, 2021

CONSOLIDATED STATEMENTS OF CONDITION

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

As of:	September 30, 2021	December 31, 2020
ASSETS		
Loans	**$ 1,633,204**	$ 1,605,846
Allowance for loan losses	**2,481**	2,251
Net loans	**1,630,723**	1,603,595
Investment in AgriBank, FCB	**37,684**	36,342
Accrued interest receivable	**10,772**	9,823
Other assets	**24,938**	23,758
Total assets	**$ 1,704,117**	$ 1,673,518
LIABILITIES		
Note payable to AgriBank, FCB	**$ 1,340,589**	$ 1,318,159
Accrued interest payable	**5,291**	5,445
Deferred tax liabilities, net	**533**	355
Patronage distribution payable	**8,399**	6,215
Other liabilities	**9,125**	18,340
Total liabilities	**1,363,937**	1,348,514
Contingencies and commitments (Note 3)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**6,018**	5,950
Unallocated surplus	**334,231**	319,333
Accumulated other comprehensive loss	**(69)**	(279)
Total members' equity	**340,180**	325,004
Total liabilities and members' equity	**$ 1,704,117**	$ 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		Nine Months Ended	
For the period ended September 30	**2021**	2020	**2021**	2020
Interest income	**$ 16,928**	$ 17,085	**$ 50,826**	$ 53,951
Interest expense	**5,291**	5,784	**16,075**	20,889
Net interest income	**11,637**	11,301	**34,751**	33,062
(Reversal of) provision for credit losses	**(124)**	(240)	**225**	166
Net interest income after (reversal of) provision for credit losses	**11,761**	11,541	**34,526**	32,896
Non-interest income				
Patronage income	**1,763**	1,994	**5,708**	5,826
Financially related services income	**6**	8	**24**	17
Fee income	**685**	768	**3,521**	2,287
Allocated Insurance Reserve Accounts distribution	**--**	--	**--**	282
Other non-interest income	**90**	46	**142**	195
Total non-interest income	**2,544**	2,816	**9,395**	8,607
Non-interest expense				
Salaries and employee benefits	**4,007**	3,893	**11,985**	11,509
Other operating expense	**2,721**	2,645	**8,243**	7,108
Other non-interest expense	**92**	8	**95**	11
Total non-interest expense	**6,820**	6,546	**20,323**	18,628
Income before income taxes	**7,485**	7,811	**23,598**	22,875
(Benefit from) provision for income taxes	**(8)**	1	**261**	115
Net income	**$ 7,493**	$ 7,810	**$ 23,337**	$ 22,760
Other comprehensive income				
Employee benefit plans activity	**$ 70**	$ 70	**$ 210**	$ 209
Total other comprehensive income	**70**	70	**210**	209
Comprehensive income	**$ 7,563**	$ 7,880	**$ 23,547**	$ 22,969

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	--	22,760	--	22,760
Other comprehensive income	--	--	209	209
Unallocated surplus designated for patronage distributions	--	(7,811)	--	(7,811)
Capital stock and participation certificates issued	670	--	--	670
Capital stock and participation certificates retired	(392)	--	--	(392)
Balance at September 30, 2020	$ 5,848	$ 314,833	$ (347)	$ 320,334
Balance at December 31, 2020	$ 5,950	$ 319,333	$ (279)	$ 325,004
Net income	**--**	**23,337**	**--**	**23,337**
Other comprehensive income	**--**	**--**	**210**	**210**
Unallocated surplus designated for patronage distributions	**--**	**(8,439)**	**--**	**(8,439)**
Capital stock and participation certificates issued	**654**	**--**	**--**	**654**
Capital stock and participation certificates retired	**(586)**	**--**	**--**	**(586)**
Balance at September 30, 2021	**$ 6,018**	**$ 334,231**	**$ (69)**	**$ 340,180**

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 accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the nine months ended September 30, 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:	**September 30, 2021** Amount	%	December 31, 2020 Amount	%
Real estate mortgage	**$ 1,104,066**	**67.6%**	$ 1,072,737	66.8%
Production and intermediate-term	**194,121**	**11.9%**	202,622	12.6%
Agribusiness	**220,437**	**13.5%**	226,380	14.1%
Other	**114,580**	**7.0%**	104,107	6.5%
Total	**$ 1,633,204**	**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 September 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	**$ 4,110**	**$ 1,807**	**$ 5,917**	**$ 1,105,781**	**$ 1,111,698**
Production and intermediate-term	**899**	**779**	**1,678**	**194,948**	**196,626**
Agribusiness	**--**	**--**	**--**	**220,926**	**220,926**
Other	**6**	**--**	**6**	**114,720**	**114,726**
Total	**$ 5,015**	**$ 2,586**	**$ 7,601**	**$ 1,636,375**	**$ 1,643,976**

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 September 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:	**September 30, 2021**	December 31, 2020
Volume with specific allowance	**$ 963**	$ 1,267
Volume without specific allowance	**8,393**	8,813
Total risk loans	**$ 9,356**	$ 10,080
Total specific allowance	**$ 452**	$ 193
For the nine months ended September 30	**2021**	2020
Income on accrual risk loans	**$ 95**	$ 120
Income on nonaccrual loans	**368**	277
Total income on risk loans	**$ 463**	$ 397
Average risk loans	**$ 9,700**	$ 12,740

Note: Accruing loans include accrued interest receivable.

We had no material commitments to lend additional money to borrowers whose loans were classified as risk loans at September 30, 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 in the normal course of business that would not be considered TDRs.

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

TDRs Outstanding

(in thousands) As of:	**September 30, 2021**	December 31, 2020
Accrual status:		
Real estate mortgage	**$ 668**	$ 688
Production and intermediate-term	**406**	574
Agribusiness	**1,739**	1,832
Total TDRs in accrual status	**$ 2,813**	$ 3,094
Nonaccrual status:		
Real estate mortgage	**$ 620**	$ 771
Production and intermediate-term	**514**	580
Agribusiness	**--**	--
Total TDRs in nonaccrual status	**$ 1,134**	$ 1,351
Total TDRs:		
Real estate mortgage	**$ 1,288**	$ 1,459
Production and intermediate-term	**920**	1,154
Agribusiness	**1,739**	1,832
Total TDRs	**$ 3,947**	$ 4,445

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

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Nine months ended September 30	**2021**	2020
Balance at beginning of period	**$ 2,251**	$ 2,571
Provision for loan losses	**234**	329
Loan recoveries	**30**	36
Loan charge-offs	**(34)**	(816)
Balance at end of period	**$ 2,481**	$ 2,120

The "(Reversal of) 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 nine months ended September 30	**2021**	2020
Reversal of credit losses	**$ (9)**	$ (163)
As of:	**September 30, 2021**	December 31, 2020
Accrued credit losses	**$ 39**	$ 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 Business Services (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 September 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 September 30, 2021, our total commitment was $2.0 million of which $697 million 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 assets or liabilities measured at fair value on a recurring basis at September 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 September 30, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 536**	**$ 536**
Other property owned	**--**	**--**	**445**	**445**

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 November 4, 2021, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.