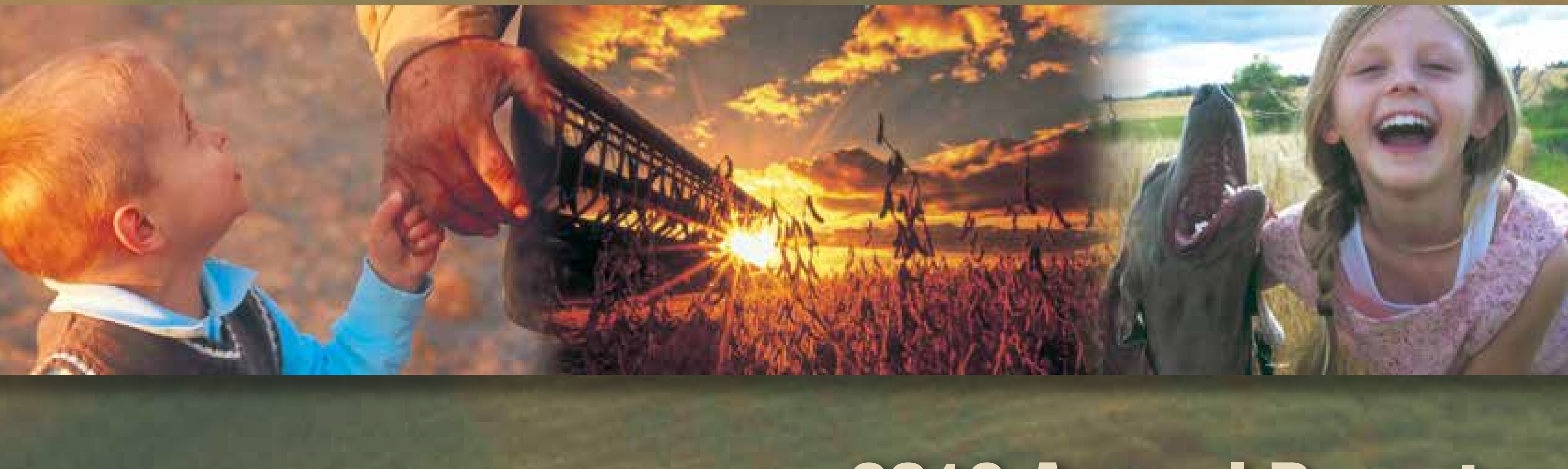


2019 Annual Report

AgCountry Farm Credit Services, ACA

AgCountry Farm Credit Services Board of Directors

Front Row Sitting: (left to right) Suzanne Allen, Greg Sabolik (Vice-Chair), Justin Dagen, William Oemichen, Kurt Elliott, Michael Zenker, Michael Long and Jack Hansen

Back Row Standing: (left to right) Mary Kay Van Der Geest, Dale Zahradka, Brad Sunderland, James Jarvis, Leif Aakre, Ed Hegland (Chair), Lynn Pietig, Scott Gerbig, Mark Ellison and Greg Nelson

Our role is to look forward and make decisions that position the organization to be viable, strong and in a position to provide value to our customers well into the future.

Left to right:

Marcus L. Knisely
President and
Chief Executive Officer

Edward J. Hegland
AgCountry Farm Credit Services
Board Chair

Our Farm Credit Journey

All journeys have to start somewhere. For Farm Credit, our journey began over a century ago. In the last 103 years we have provided reliable, constructive credit and financial services to farm families and rural communities. Guiding us throughout this time has been our compass, which always points towards meeting the needs of our member-owners.

Over time, the expectations and needs of our patrons change. Disruptions come in all different sizes and forms that can change the landscape of our industry. These can be good – like new seed and equipment technology. But they can also be bad, such as excess supply of commodities that lead to prolonged periods of depressed prices. If we are to meet our patron's needs, we, too, must continuously evolve alongside them.

This past year has been one of self-discovery here at AgCountry Farm Credit Services. We are a mission-based cooperative and we are becoming more intentional with the way we operate. We are led by our core values: to be responsible to each other and to our cooperative; to care for agriculture and rural America; and to advocate for our customers. Throughout this ongoing evolution, we will create greater value and grow AgCountry as the best total solution.

One of the more high-profile benefits associated with being a member of our cooperative is sharing in our success. We took a bigger, bolder step in 2019. The AgCountry Farm Credit Services Board of Directors increased the Association's annual cash patronage dividend to member-owners to one percent of eligible average daily loan balances. Going forward, assuming AgCountry continues to meets its financial goals and barring unforeseen events or significant changes in the environment, it is our intention to continue paying a one percent cash dividend on all eligible business.

We are grateful to return AgCountry's earnings to the member-owners who help build and maintain our strong and forward-thinking cooperative, so they can reinvest dollars back into the businesses, families and rural communities we serve.

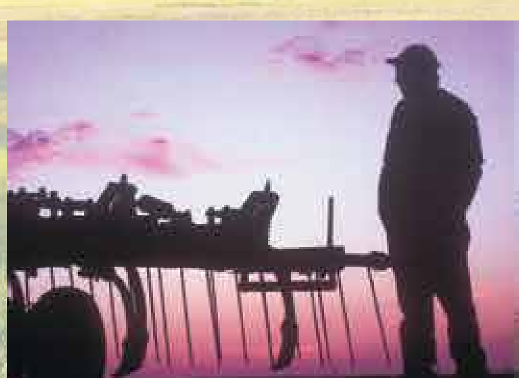
Everything we achieve here at AgCountry is possible due in large part to the hard work and dedication shown by our staff. It is not always easy to accept change. Our staff has embraced the evolutionary concept of our business and have the willingness to see it through. For that, we say thank you!

As our journey unfolds, we recognize that there will be obstacles, roadblocks and potential unexpected twists. Nevertheless, our mood is filled with excitement knowing that our best days are yet to come.

Thank you for being part of AgCountry Farm Credit Services

Edward J. Hegland, Board Chair
AgCountry Farm Credit Services, ACA

Marcus L. Knisely
President/CEO






AgCountry Farm Credit Services Executive Leadership Team

Standing: (left to right)

Brian McKay - Chief Financial Officer, Marcus L. Knisely - President/Chief Executive Officer, Jeni Strand - EVP Human Resources, and Randy Aberle - EVP Agribusiness and Capital Markets

Sitting: (left to right)

Jeffrey Schmidt - Chief Risk Officer, Howard Olson - SVP Government and Public Affairs, Becky Thibert - EVP Strategic Technology, Jessica Fyre - EVP General Counsel, Kim Zeltinger - Chief Credit Officer and Mark Rehovsky - Chief Marketplace Officer

TABLE OF CONTENTS

AgCountry Farm Credit Services, ACA

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

AgCountry Farm Credit Services, ACA

(in thousands)

As of December 31	**2019**	2018	2017	2016	2015
Statement of Condition Data					
Loans	**$ 7,774,194**	$ 7,249,804	$ 7,091,152	$ 5,056,593	$ 4,818,931
Allowance for loan losses	**26,974**	17,796	15,818	14,284	13,394
Net loans	**7,747,220**	7,232,008	7,075,334	5,042,309	4,805,537
Finance leases held for sale	**--**	--	--	70,356	--
Net loans	**7,747,220**	7,232,008	7,075,334	5,112,665	4,805,537
Investment in AgriBank, FCB	**201,655**	184,727	156,408	111,196	109,986
Other property owned	**140**	274	115	--	--
Other assets	**232,510**	224,177	211,024	238,609	277,815
Total assets	**$ 8,181,525**	$ 7,641,186	$ 7,442,881	$ 5,462,470	$ 5,193,338
Obligations with maturities of one year or less	**$ 135,314**	$ 117,311	$ 108,523	$ 4,293,754	$ 4,109,096
Obligations with maturities greater than one year	**6,246,387**	5,820,678	5,758,089	--	--
Total liabilities	**6,381,701**	5,937,989	5,866,612	4,293,754	4,109,096
Capital stock and participation certificates	**12,151**	12,587	12,451	7,370	7,516
Additional paid-in capital	**304,385**	304,385	304,385	--	--
Unallocated surplus	**1,488,700**	1,390,854	1,263,212	1,161,346	1,076,726
Accumulated other comprehensive loss	**(5,412)**	(4,629)	(3,779)	--	--
Total members' equity	**1,799,824**	1,703,197	1,576,269	1,168,716	1,084,242
Total liabilities and members' equity	**$ 8,181,525**	$ 7,641,186	$ 7,442,881	$ 5,462,470	$ 5,193,338

For the year ended December 31	**2019**	2018	2017	2016	2015
Statement of Income Data					
Net interest income	**$ 194,300**	$ 197,240	$ 165,129	$ 131,193	$ 120,906
Provision for (reversal of) credit losses	**11,553**	2,470	3,053	4,088	(1,235)
Other expenses, net	**24,901**	24,664	29,208	21,485	23,919
Net income	**$ 157,846**	$ 170,106	$ 132,868	$ 105,620	$ 98,222
Key Financial Ratios					
For the Year					
Return on average assets	**2.0%**	2.3%	2.1%	2.0%	2.0%
Return on average members' equity	**9.0%**	10.4%	9.7%	9.4%	9.5%
Net interest income as a percentage of average earning assets	**2.6%**	2.7%	2.7%	2.6%	2.7%
Net charge-offs as a percentage of average loans	**0.0%**	0.0%	0.0%	0.1%	0.0%
At Year End					
Members' equity as a percentage of total assets	**22.0%**	22.3%	21.2%	21.4%	20.9%
Allowance for loan losses as a percentage of loans	**0.4%**	0.2%	0.2%	0.3%	0.3%
Capital ratios effective beginning January 1, 2017:					
Common equity tier 1 ratio	**18.6%**	18.2%	17.2%	N/A	N/A
Tier 1 capital ratio	**18.6%**	18.2%	17.2%	N/A	N/A
Total capital ratio	**18.9%**	18.5%	17.5%	N/A	N/A
Permanent capital ratio	**18.6%**	18.3%	17.3%	N/A	N/A
Tier 1 leverage ratio	**20.8%**	20.5%	19.7%	N/A	N/A
Capital ratios effective prior to 2017:					
Permanent capital ratio	**N/A**	N/A	N/A	17.2%	16.6%
Total surplus ratio	**N/A**	N/A	N/A	17.1%	16.5%
Core surplus ratio	**N/A**	N/A	N/A	17.1%	16.5%
Net Income Distributed					
Patronage distributions payable to members	**$ 60,000**	$ 42,500	$ 34,530	$ 21,000	$ 15,000

The patronage distribution to members accrued for the year ended December 31, 2019, is distributed in cash during the first quarter of 2020. The patronage distributions accrued for the years ended December 31, 2018, 2017, 2016, and 2015, were distributed in cash during the first quarter of the subsequent year. The patronage distribution payable in 2017 included $31.0 million payable to AgCountry patrons and $3.5 million payable to United patrons, by resolution of the United Board prior to merger with United on July 1, 2017.

See Note 7 for an explanation of changes to capital ratios in the chart above.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AgCountry Farm Credit Services, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of AgCountry Farm Credit Services, ACA (the Association) and its subsidiaries, AgCountry Farm Credit Services, FLCA and AgCountry Farm Credit Services, PCA, 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 (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2020, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 68 customer-owned cooperative lending institutions (Associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the members the System serves.

AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District Associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). We are an Association in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) ensures the timely payment of principal and interest on Systemwide debt obligations and the retirement of protected borrower capital at par value.

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

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St. Paul, MN 55101
(651) 282-8800
www.agribank.com
financialreporting@agribank.com

Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports, contact us as stated above.

MERGER ACTIVITY

The merger between AgCountry Farm Credit Services, ACA (AgCountry) and United FCS, ACA (United) was effective July 1, 2017. The merged entity, AgCountry Farm Credit Services, ACA, is headquartered in Fargo, ND. The effects of the merger with United are included in our financial position at December 31, 2019, 2018, and 2017. Results of operations and equity reflect the results of AgCountry prior to July 1, 2017, and the merged Association after July 1, 2017.

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 from our expectations due to a number of risks and uncertainties beyond our control. These risks and uncertainties include, but are not limited to:

- political (including trade policies), legal, regulatory, financial markets, and economic conditions and developments in the United States (U.S.) and abroad,
- economic fluctuations in the agricultural, international, and farm-related business sectors,
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity,
- changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises, 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, and
- industry outlooks for agricultural conditions.

AGRICULTURAL AND ECONOMIC CONDITIONS

World Gross Domestic Product (GDP) is projected to grow 2.6% in 2019 compared to 3.2% in 2018. The U.S. is expected to be the main driver of the world economy. China's GDP is forecasted to continue to decline from 6.6% in 2018 to 6.1% in 2019 due to industrial production, fixed-asset investment, and housing activity slowing along with auto sales, exports, and imports declining. Chinese exports to the world and to the U.S. are declining. India's economic growth slowed from 5.8% in the first quarter to a six-year low of 5.0% in the second quarter of 2019. Despite this outcome, a 6.1% increase in India's GDP is expected for 2019. GDP growth of 0.5% is forecasted in Japan for 2019 compared with 0.8% in 2018. Political and policy uncertainties are hurting business sentiment and investment in Mexico, as the new administration stance continues to send signals pointing to government and centralized economic management. The Mexico economy avoided a recession in 2019 and GDP is not expected to grow in 2019. The Canadian forecasted economic growth rate is 1.5% for 2019 and is forecasted at 1.6% for 2020. GDP growth of 1.2% is forecasted for the Eurozone in 2019 compared with 1.9% in 2018.

Preliminary indications are for the U.S. economic fundamentals to end with slower expansion in 2019, with growth decreasing from 2.9% in 2018 to 2.4% in 2019. Uncertainty regarding trade policy actions under the current administration and trade retaliation continues. The unemployment rate was 3.5% in November, and the number of unemployed people was unchanged at 5.8 million.

Information received since the Federal Open Market Committee (Committee) last met in December, indicates the labor market remains strong and economic activity is rising at a moderate rate. Job gains are strong in recent months, and the unemployment rate remains low. Although household spending has been rising at a strong pace, business fixed investment and exports remain weak. On a 12-month basis, both overall inflation and inflation for items other than food and energy are running below 2.0%. Market-based measures of inflation compensation remain low and survey-based measures of longer-term inflation expectations are little changed.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee decided to maintain the target range for the federal funds rate to 1.50% to 1.75%. The Committee judges that the current stance of monetary policy is appropriate to support sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2.0% objective. The Committee will continue to monitor the implications of incoming information for the economic outlook, including global developments and muted inflation pressures, as it assesses the appropriate path of the target range for the federal funds rate.

In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2.0% inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

Net cash farm income for 2019 is forecasted to increase $7.6 billion to $112.6 billion, an increase of 7.3%. Net farm income is forecasted at $88.0 billion in 2019, an increase of $4.0 billion or 4.8%. If realized, inflation-adjusted net farm income in 2019 would be 35.5% below its highest level of $136.5 billion in 2013 and below its historical average from 2000-2018 of $90.1 billion.

Farm cash receipts for all commodities are forecasted to decrease $2.4 billion, or 0.6%, to $371.1 billion in 2019. Total animal/animal product receipts are forecasted to increase $0.9 billion or 0.5% but fall 1.3% when adjusted for inflation. Total crop receipts are forecasted to decrease $3.3 billion or 1.7% from 2018 forecasted levels due to anticipated decreases primarily in soybean receipts.

Specific Production Conditions

The 2019 harvest season in our local service area was difficult with persistent rain, wet conditions, and an October snowstorm that blanketed large areas with up to three feet of snow. While many producers were able to finish the small grain harvest, conditions for corn, soybeans, sugar beets, and potatoes were challenging. Many acres of corn are still standing and significant acres of potatoes and sugar beets were abandoned in the field.

Corn, soybeans, sugar beets, and wheat continue to be the primary cash crops produced in our territory.

Corn: U.S. corn production for 2019/20 is forecasted at 13.7 million bushels with ending stocks forecasted at 1.9 million bushels, a decrease from the prior year's estimated ending stocks of 2.1 million bushels. World ending stocks are forecasted at 300.6 million metric tons, a decrease from the prior year's estimated ending stocks of 319.2 million metric tons. The forecasted 2019/20 season average farm price for corn is $3.85 per bushel.

Soybeans: U.S. oilseed production for 2019/20 is forecasted at 107.6 million tons, a decrease from prior month estimates due to a small decrease in cottonseed. Ending stocks are forecasted at 475 million bushels, a decrease from the prior year's estimated ending stocks of 913 million bushels. World ending stocks are forecasted at 96.4 million metric tons, a decrease from the prior year's estimated ending stocks of 109.8 million metric tons. The forecasted season average soybean price for 2019/20 is $8.85 per bushel.

Sugar Beets: U.S. beet sugar production for 2019/20 is forecasted at 4.4 million short tons, raw value (STRV), a decrease of 220,625 STRV from the prior month's forecast. Beet pile shrink is forecasted at a relatively low 4.0% due to the shortened slice campaign, and the sucrose recovery is unchanged from the prior month's estimates. Ending stocks are forecasted at 1.7 million STRV with an estimated stocks-to-use ratio of 13.5%, a decrease from the prior year's estimated ending stocks of 1.8 million STRV and a stocks-to-use ratio of 14.5%. Imports from Mexico for 2019/20 are forecasted to increase 708,875 STRV to 1.8 million STRV. Both U.S. sugar exports and deliveries for human consumption remain steady from the prior month's forecast. Prices for #16 U.S. raw sugar have fluctuated in recent months, varying between $0.25 and $0.27 per pound. The average price for the 2019 calendar year, January through November, is estimated at $0.26 per pound, an increase from $0.25 per pound at the end of 2018.

Wheat: U.S. wheat production for 2019/20 is forecasted at 1.9 million bushels. Ending stocks are forecasted at 974 million bushels, a decrease from the prior year's estimated ending stocks of 1.1 million bushels. Global wheat production is forecasted at 765.4 million metric tons for 2019/20. Global ending stocks are forecasted at 289.5 million metric tons, an increase from the prior year's estimated ending stocks of 277.9 million metric tons. The forecasted season average wheat price received by producers is $4.55 per bushel.

Cattle: Fourth quarter beef production forecasts were raised to 27.1 billion pounds in December due to faster than the expected pace of fed and non-fed cattle slaughter in November and December. Forecasted production for 2020 decreased to 27.5 billion pounds due to anticipated lower fed cattle and cow slaughter early in the year. Fourth quarter 2019 feeder steer prices are forecasted at $147 per cwt. The 2020 annual price forecast for feeder steers is $144 per cwt. Fourth quarter 2019 fed steer prices are forecasted at $114 per cwt. The 2020 annual price forecast for fed steers is $117 per cwt.

Hogs: The U.S. Department of Agriculture's (USDA) Quarterly Hogs and Pigs report issued on December 23, 2019, indicates market hog inventory is at 70.9 million head, an increase of 3.0% from last year. The breeding inventory, at 6.5 million head, increased 2.0% from last year. The total all hogs and pigs inventory of 77.3 million head increased 3.0% from last year. The September to November 2019 pig crop of 35.1 million head increased 2.0% from last year.

Sows farrowing during this period totaled 3.2 million head, a decrease of 1.0% from last year. The average pigs saved per litter was a record high 11.1 for the September to November timeframe, an increase from 10.8 in last year.

Dairy: The milk production forecast for 2019 is 218.6 billion pounds, increasing to 222.4 billion pounds for 2020. Cheese and butter price forecasts have decreased while forecasts for nonfat dry milk (NDM) and whey have increased. The all-milk price forecast for 2019 is $18.60 per cwt and $19.40 per cwt for 2020, according to the USDA's Livestock, Dairy, and Poultry Outlook issued on December 16, 2019.

Ethanol: The Environmental Protection Agency (EPA) released its final ruling on Renewable Volume Obligations (RVOs) on December 19, 2019. RVOs are the gallons of ethanol that blenders must blend into the fuel supply to ensure compliance under the Renewable Fuels Standard (RFS). Blending requirements for 2020 increased for Cellulosic Biofuel and Advanced Biofuel from 5.3 to 5.7 billion gallons. Renewable fuel, defined as corn-based ethanol, remained unchanged at 15.0 billion gallons. Lower ethanol production from idled facilities reduced ethanol stocks to a three-year low of 20.5 million barrels in November, which has temporarily improved producer margins. Overall, 2019 producer margins remained low with ethanol production and storage exceeding demand. Trade wars and new policies, particularly with China, continue to limit ethanol and co-product exports, while Small Refinery Exemptions approved by the EPA, reduced domestic demand. Ethanol exports in 2019 have decreased 14.0% and dried distillers grains with soluble exports have decreased 8.0% compared to last year. Recent analysis suggests ethanol producers are anticipated to report breakeven results or marginal earnings for 2019.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $7.8 billion at December 31, 2019, an increase of $524.4 million from December 31, 2018.

Components of Loans

(in thousands)

As of December 31	**2019**	2018	2017
Accrual loans:			
Real estate mortgage	**$ 3,251,734**	$ 3,069,452	$ 2,866,146
Production and intermediate-term	**2,126,836**	2,043,317	2,265,578
Agribusiness	**1,779,826**	1,585,427	1,474,242
Other	**593,909**	522,118	458,164
Nonaccrual loans	**21,889**	29,490	27,022
Total loans	**$ 7,774,194**	$ 7,249,804	$ 7,091,152

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

The increase in total loans from December 31, 2018, was primarily due to growth in our real estate mortgage and agribusiness portfolios.

We have sold participation interests to AgriBank in certain loans as part of pool programs. 100% participation interest in production and intermediate-term loans associated with the ProPartners Financial (ProPartners) alliance was sold to AgriBank in December 2018. The total outstanding participation interests in these programs were $460.5 million, $492.0 million, and $350.2 million at December 31, 2019, 2018, and 2017, respectively.

We offer variable, fixed, indexed, and adjustable interest rate loans to our borrowers. We determine interest margins charged on each lending program based on cost of funds, credit risk, market conditions, and the need to generate sufficient earnings.

Portfolio Distribution

We are chartered to serve thirty-five counties in Minnesota, eighteen counties in North Dakota, and twelve counties in Wisconsin. Based upon volume, approximately 35.5%, 31.9%, and 6.7% of our loans are to borrowers in the states of Minnesota, North Dakota, and Wisconsin, respectively, at December 31, 2019. We purchase the remainder of our portfolio outside of Minnesota, North Dakota, and Wisconsin to support rural America and to diversify our portfolio risk.

Agricultural Concentrations

As of December 31	**2019**	2018	2017
Cash grains	**46.5%**	47.2%	50.2%
Sugar beets	**10.0%**	10.6%	10.0%
Dairy	**7.4%**	6.5%	6.7%
Livestock	**6.9%**	7.0%	6.5%
Fertilizer and farm supply	**5.4%**	5.9%	5.2%
Food and beverage	**3.9%**	3.5%	2.3%
Rural electric and utilities	**3.7%**	3.4%	2.9%
Forestry	**3.6%**	3.1%	3.1%
Ethanol	**2.9%**	3.2%	3.0%
Telecom	**1.8%**	1.9%	1.9%
Poultry and eggs	**1.1%**	1.1%	1.3%
Other	**6.8%**	6.6%	6.9%
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 the borrower's business decisions as a result of changes in weather, prices, input costs, and other circumstances.

Portfolio Credit Quality

The credit quality of our portfolio remained relatively stable from December 31, 2018. Adversely classified loans increased to 2.7% of the portfolio at December 31, 2019, from 2.6% of the portfolio at December 31, 2018.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. $312.6 million and $298.7 million of our loans were, to some level, guaranteed under these government programs at December 31, 2019, and 2018, respectively.

Risk Assets

Components of Risk Assets

(dollars in thousands)

As of December 31	**2019**	2018	2017
Loans:			
Nonaccrual	**$ 21,889**	$ 29,490	$ 27,022
Accruing restructured	**462**	503	30
Accruing loans 90 days or more past due	**512**	6,661	--
Total risk loans	**22,863**	36,654	27,052
Other property owned	**140**	274	115
Total risk assets	**$ 23,003**	$ 36,928	$ 27,167
Total risk loans as a percentage of total loans	**0.3%**	0.5%	0.4%
Nonaccrual loans as a percentage of total loans	**0.3%**	0.4%	0.4%
Current nonaccrual loans as a percentage of total nonaccrual loans	**68.6%**	70.4%	67.0%
Total delinquencies as a percentage of total loans	**0.3%**	0.3%	0.2%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased $13.9 million from December 31, 2018, and have remained at acceptable levels. Total risk loans as a percentage of total loans are within our established risk management guidelines.

The decrease in nonaccrual volume was primarily due to a resolution with a large relationship within our agribusiness portfolio.

The decrease in accruing loans 90 days or more past due was primarily due to full collection of a relationship within our real estate mortgage portfolio. Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

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 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.

Allowance Coverage Ratios

As of December 31	**2019**	2018	2017
Allowance as a percentage of:			
Loans	**0.4%**	0.2%	0.2%
Nonaccrual loans	**123.2%**	60.3%	58.5%
Total risk loans	**118.0%**	48.6%	58.5%
Net charge-offs as a percentage of average loans	**0.0%**	0.0%	0.0%
Adverse assets to total regulatory capital	**13.1%**	12.1%	13.5%

Allowance for loan losses totaled $27.0 million, $17.8 million, and $15.8 million in 2019, 2018, and 2017 respectively.

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2019.

Additional loan information is included in Notes 3, 10, 11, and 12 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31	**2019**	2018	2017
Net income	**$ 157,846**	$ 170,106	$ 132,868
Return on average assets	**2.0%**	2.3%	2.1%
Return on average members' equity	**9.0%**	10.4%	9.7%

Changes in the chart above relate directly to:

- changes in income discussed below,
- changes in assets discussed in the Loan Portfolio section, and
- changes in capital discussed in the Capital Adequacy section.

Changes in Significant Components of Net Income

	For the year ended December 31			(Decrease) increase in net income	
(in thousands)	**2019**	2018	2017	**2019 vs 2018**	2018 vs 2017
Net interest income	**$ 194,300**	$ 197,240	$ 165,129	**$ (2,940)**	$ 32,111
Provision for credit losses	**11,553**	2,470	3,053	**(9,083)**	583
Non-interest income	**89,662**	88,827	75,830	**835**	12,997
Non-interest expense	**115,904**	115,256	103,555	**(648)**	(11,701)
(Benefit from) provision for income taxes	**(1,341)**	(1,765)	1,483	**(424)**	3,248
Net income	**$ 157,846**	$ 170,106	$ 132,868	**$ (12,260)**	$ 37,238

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31	**2019 vs 2018**	2018 vs 2017
Changes in volume	**$ 8,269**	$ 30,566
Changes in interest rates	**(10,286)**	398
Changes in nonaccrual income and other	**(923)**	1,147
Net change	**$ (2,940)**	$ 32,111

Net interest income included income on nonaccrual loans that totaled $1.6 million, $2.5 million, and $1.4 million in 2019, 2018, and 2017, respectively. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered, or when the loan is paid in full.

Net interest margin (net interest income as a percentage of average earning assets) was 2.6%, 2.7%, and 2.7% in 2019, 2018, and 2017, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Provision for Credit Losses

The provision for credit losses in the Consolidated Statements of Comprehensive Income includes a provision for loan losses and a provision for credit losses on unfunded commitments. The provision for loan losses of $10.6 million at December 31, 2019, is primarily due to a larger loan portfolio and weaker loss given default ratings within our production and intermediate-term portfolio. During 2019, a $0.9 million provision for credit losses on unfunded commitments was recorded to increase the reserve on unfunded commitments. Additional discussion is included in Note 3 to the accompanying Consolidated Financial Statements.

Non-Interest Income

The change in non-interest income was primarily due to an increase in patronage income offset partially by a decrease in Allocated Insurance Reserve Accounts (AIRA) distribution. See below for further explanation for each of these changes.

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

Patronage Income

(in thousands)

For the year ended December 31		**2019**		2018		2017
Wholesale patronage	**$**	**33,367**	$	31,385	$	26,737
Pool program patronage		**11,839**		9,006		7,229
Other Farm Credit Institution patronage		**36**		277		120
Total patronage income	**$**	**45,242**	$	40,668	$	34,086
Form of patronage distributions:						
Cash	**$**	**29,197**	$	40,668	$	34,086
Stock		**16,045**		--		--
Total patronage income	**$**	**45,242**	$	40,668	$	34,086

Wholesale patronage income is based on the average balance of our note payable to AgriBank. The patronage rates were 55.9 basis points, 54.1 basis points, and 52.1 basis points in 2019, 2018, and 2017, respectively. AgriBank may distribute patronage in the form of stock or cash as determined by AgriBank's capital plan. A portion of the patronage in 2019 was paid in allocated stock. All patronage was paid in cash during 2018 and 2017. See the Relationship with AgriBank section for further discussion on patronage income.

We participate in pool programs in which we sell participation interests in certain loans to AgriBank. As part of these programs, we receive patronage income in an amount that approximated the net earnings of the loans, less certain expenses. Net earnings includes the net interest income associated with these loans adjusted for certain fees and costs specific to the related loans as well as adjustments deemed appropriate by AgriBank related to the credit performance of the loans, as applicable. The patronage recorded in 2019 and 2018 included $0.1 million and $0.3 million, respectively, of our share of distributions from the AIRA related to the participations sold to AgriBank.

Allocated Insurance Reserve Accounts Distribution: The fluctuation in AIRA was due to our share of distributions from AIRA of $1.7 million and $4.1 million in 2019 and 2018, respectively. The AIRA was established by the FCSIC when premiums collected increased the level of the Insurance Fund beyond the required secured base amount of 2.0% of insured debt. There were no AIRA distributions in 2017.

Non-Interest Expense

Components of Non-interest Expense

(dollars in thousands)

For the year ended December 31		2019		2018		2017
Salaries and employee benefits	**$**	**68,804**	$	67,289	$	59,407
Other operating expense:						
Purchased and vendor services		**14,470**		16,824		14,532
Communications		**1,201**		1,229		971
Occupancy and equipment		**10,957**		7,838		6,147
Advertising and promotion		**2,592**		2,312		1,711
Examination		**2,407**		2,306		1,800
Farm Credit System insurance		**5,495**		5,339		7,489
Other		**9,852**		10,850		9,079
Other non-interest expense		**126**		1,269		2,419
Total non-interest expense	**$**	**115,904**	$	115,256	$	103,555
Less: Related services and certain miscellaneous income, net		**39,912**		40,572		39,834
Net non-interest expense	**$**	**75,992**	$	74,684	$	63,721
Net Operating rate		**1.0%**		1.0%		1.1%

The calculation of net operating rate is operating expenses less financially related services and certain miscellaneous income as a percentage of average earning assets.

Occupancy and equipment increase is primarily due to the investment in new technology initiatives to better serve our customers.

(Benefit from) Provision for Income Taxes

The variance in (benefit from) provision for income taxes was related to our estimate of taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2019, 2018, and 2017. Additional discussion is included in Note 8 to the accompanying Consolidated Financial Statements.

FUNDING AND LIQUIDITY

We borrow from AgriBank under a note payable, in the form of a line of credit, as described in Note 6 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2019, we had $977.5 million available under our line of credit. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System and because we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

Note Payable Information

(dollars in thousands)

For the year ended December 31		2019		2018		2017
Average balance	**$**	**5,955,004**	$	5,792,936	$	4,891,355
Average interest rate		**2.7%**		2.4%		1.8%

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. However, we maintain some exposure to interest rates, including London Inter-bank 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 U.S. and worldwide have expressed their desire to phase out LIBOR, and other inter-bank 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 workgroup to provide leadership in addressing the LIBOR phase-out 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 have entered into a Standby Commitment to Purchase Agreement with the Farmer Mac, a System institution, to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, we have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed principal of loans subject to the purchase agreement was $117.4 million, $116.5 million, and $127.2 million at December 31, 2019, 2018, and 2017, respectively. We paid Farmer Mac commitment fees totaling $0.4 million, $0.4 million, and $0.3 million in 2019, 2018, and 2017, respectively. These amounts are included in other operating expense in the Consolidated Statements of Comprehensive Income. During 2019, no loans were sold to Farmer Mac under this agreement.

CAPITAL ADEQUACY

Total members' equity was $1.8 billion, $1.7 billion, and $1.6 billion at December 31, 2019, 2018, and 2017, respectively. Total members' equity increased $96.6 million at December 31, 2019, primarily due to net income for the year partially offset by patronage distribution accruals. Changes in accumulated other comprehensive loss are related to a pension adjustment, changes to the Pension Restoration Plan, and a reduction to our Investment in FPI related to its pension plan. Additional Pension Restoration Plan information is included in Note 9 to the accompanying Consolidated Financial Statements.

The FCA Regulations require us to maintain minimums for our common equity tier 1 (CET1), 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.

Regulatory Capital Requirements and Ratios

As of December 31	**2019**	2018	2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
CET1 ratio	**18.6%**	18.2%	17.2%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	**18.6%**	18.2%	17.2%	6.0%	2.5%*	8.5%
Total capital ratio	**18.9%**	18.5%	17.5%	8.0%	2.5%*	10.5%
Permanent capital ratio	**18.6%**	18.3%	17.3%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**20.8%**	20.5%	19.7%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**21.8%**	21.3%	20.4%	1.5%	N/A	1.5%

*The 2.5% capital conservation buffer over risk-adjusted ratio minimums was phased in over three years under the FCA 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, representing our reserve to capitalize our Association, future growth, and 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 7 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum CET1 target range. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. Our optimum CET1 target range is 10% to 18%, as defined in our 2020 capital plan.

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 FCA approval. We do not foresee any events that would result in this prohibition in 2020.

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as discussed in Note 6 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA include:

- a marginal cost of debt component,
- a spread component, which includes cost of servicing, cost of liquidity, and AgriBank 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 similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk. We may occasionally engage in funding strategies that result in limited interest rate risk within established policies.

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank surplus. During 2019, we were required by AgriBank to maintain an investment equal to 2.25% 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. Effective January 1, 2020, the required rate was increased to 2.50% with similar growth rate requirements as 2019.

We are also required to hold additional investment in AgriBank based on contractual agreements under pool programs.

As an AgDirect, LLP partnering Association, we are required to purchase stock in AgDirect, which purchases an equivalent amount of stock in AgriBank. Specifically, the AgDirect trade credit financing program is required to own stock in AgriBank in the amount of 6.0% of the AgDirect program's outstanding participation loan balance at quarter end plus 6.0% of the expected balance to be originated during the following quarter. We became an AgDirect, LLP partnering Association effective January 1, 2020.

Patronage

AgriBank's 2019 capital plan is intended to provide for adequate capital at AgriBank under capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank 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 the below types of discretionary patronage from AgriBank. Patronage income earned may be paid in cash and AgriBank stock. Patronage income for 2019 was paid in cash and AgriBank stock. Patronage income in 2018 and 2017 was paid in cash.

- Wholesale patronage includes:
    - Patronage on our note payable with AgriBank
    - Equalization patronage based on our excess stock in AgriBank
- Pool program patronage based on the net earnings of loan participation interests sold to AgriBank

Purchased Services

We purchase various services from AgriBank and SunStream Business Services (SunStream), a division of AgriBank. The services include certain financial reporting services, tax reporting services, technology services, and insurance services. The total cost of services we purchased from AgriBank was $0.5 million, $0.5 million, and $0.8 million in 2019, 2018, and 2017, respectively. In January 2020, the FCA provided regulatory approval for the formation of a separate service entity, SunStream. Effective April 1, 2020, we will be a partial owner and continue to purchase services from SunStream.

Impact on Members' Investment

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment.

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

AgCountry CFG: We are the facilitating Association for AgCountry CFG, an alliance with certain other Associations in the AgriBank District to better meet the financial needs of agricultural producers and agribusiness operations. AgCountry CFG is directed by representatives from participating Associations. The income, expense, and credit risks are allocated based on each Association's participation interest of the AgCountry CFG volume. Each Association determines its commitment for new volume opportunities based on its capacity and preferences. We had $2.0 billion, $1.7 billion, and $1.6 billion of AgCountry CFG volume at December 31, 2019, 2018, and 2017, respectively. We also had $869.0 million of available commitment on AgCountry CFG loans at December 31, 2019.

As the facilitating Association for AgCountry CFG, we assess the other owners a facilitation fee for various support functions. This includes human resources, accounting, payroll, reporting, and other finance functions. We also serve as the primary originating Association for AgCountry CFG participation purchases and sales.

ProPartners Financial: We participate in ProPartners Financial (ProPartners) with certain other Associations in the Farm Credit System to provide point of sale producer financing through agribusinesses that sell crop inputs. ProPartners is directed by representatives from participating Associations. Through November 30, 2018, the income, expense, and credit risks were allocated based on each Association's participation interest of the ProPartners volume. Each Association's allocation was established based on mutual agreement of the owners. We had $174.0 million of ProPartners volume at December 31, 2017. On December 1, 2018, we sold to AgriBank our entire interest in the loans associated with ProPartners. As part of this program we receive discretionary patronage income from AgriBank that approximates the net earnings of the loans. AgriBank purchases a 100% participation interest in all new ProPartners loans; therefore, we had no remaining ProPartners balance at December 31, 2019, or 2018.

Federal Agricultural Mortgage Corporation: We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac. This agreement allows us to sell loans identified under the agreement to Farmer Mac. Refer to the Funding and Liquidity section for further discussion of this agreement.

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

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $1.4 million, $1.5 million, and $1.4 million at December 31, 2019, 2018, and 2017, respectively.

Farm Credit Foundations: We have an ownership in Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource information systems, and benefit, payroll, and workforce management services. As of December 31, 2019, 2018, and 2017, our investment in Foundations was $0.1 million. The total cost of services we purchased from Foundations was $0.5 million, $0.5 million, and $0.4 million in 2019, 2018, and 2017, respectively.

Farm Credit Financial Partners, Inc.: Our customer relationship, reporting, internet, network security, loan accounting, loan origination, and general ledger systems are provided by Farm Credit Financial Partners, Inc. (FPI), a System service corporation, which provides technology and other operational services to its owners. We had an equity investment in FPI of $3.4 million, $4.0 million, and $4.8 million as of December 31, 2019, 2018, and 2017, respectively. The total cost of services we purchased from FPI was $10.5 million, $13.4 million, and $11.6 million in 2019, 2018, and 2017, respectively.

Rural Business Investment Company: We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Refer to Note 5 to the accompanying Consolidated Financial Statements for further discussion.

Unincorporated Business Entities (UBEs)

In certain circumstances, we may establish separate entities to acquire and manage complex collateral, primarily for legal liability purposes.

AgDirect, LLP: Effective January 1, 2020, we participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District Association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $0.5 million at December 31, 2019.

Programs

We are involved in a number of programs designed to improve our technology platform, credit delivery, related services, and marketplace presence.

AgDirect: Effective January 1, 2020, we have entered into agreements with certain dealer networks to provide alternative service delivery channels to borrowers. These trade credit opportunities create flexible and accessible financing options to borrowers through dealer point-of-purchase financing programs.

AgriSolutions: We have an alliance with AgriSolutions, a farm software and consulting company, to provide farm records, income tax planning and preparation services, farm business consulting, and producer education seminars.

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

REGULATORY MATTERS

Investment Securities Eligibility

On September 19, 2019, the FCA issued a proposed regulation regarding investment eligibility. The proposal regulation amends the January 1, 2019 regulation and would allow Associations to purchase and hold portions of certain loans that non-Farm Credit System institutions originate and sell in the secondary market, and that the USDA unconditionally guarantees as to the timely payment of principal and interest. The comment period for this proposed rulemaking ended on November 18, 2019, and the final regulation has not yet been issued.

REPORT OF MANAGEMENT

AgCountry Farm Credit Services, ACA

We prepare the Consolidated Financial Statements of AgCountry Farm Credit Services, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be 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 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. In addition, our independent auditors have audited our internal control over financial reporting as of December 31, 2019. 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 consults regularly with us and meets 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 we have reviewed the Association's Annual Report, which has been prepared in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

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

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

Brian S. McKay
Chief Financial Officer
AgCountry Farm Credit Services, ACA

March 2, 2020

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

AgCountry Farm Credit Services, ACA

The AgCountry Farm Credit Services, ACA (the 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2019. 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, 2019, the internal control over financial reporting was effective based upon the COSO criteria.

The Association's internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their accompanying report, which expresses an unqualified opinion on the effectiveness of the Association's internal control over financial reporting as of December 31, 2019.

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

Brian S. McKay
Chief Financial Officer
AgCountry Farm Credit Services, ACA

March 2, 2020

REPORT OF AUDIT COMMITTEE

AgCountry Farm Credit Services, ACA

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of AgCountry Farm Credit Services, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval, and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions 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 the preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America. Additionally, management is responsible for the design and operating effectiveness of internal control over financial reporting for the Consolidated Financial Statements. PwC is responsible for expressing opinions on the Consolidated Financial Statements and internal control over financial reporting based on its integrated audits, which are performed in accordance with generally accepted auditing standards in the United States of America. 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, 2019, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement 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 include the audited Consolidated Financial Statements in the Annual Report for the year ended December 31, 2019.

Suzanne Allen
Chairperson of the Audit Committee
AgCountry Farm Credit Services, ACA

Members of the Audit Committee:
Michael Long, Vice Chair
Justin Dagen
Kurt Elliott
Jack Hansen
Lynn Pietig
Brad Sunderland

March 2, 2020

Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of AgCountry Farm Credit Services, ACA and its subsidiaries (the "Company"), which comprise the consolidated statements of condition as of December 31, 2019, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in members' equity and of cash flows for the years then ended. We also have audited the Company's internal control over financial reporting as of December 31, 2019 based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for the Consolidated Financial Statements and Internal Control over Financial Reporting

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 effective internal control over financial reporting relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Report on Internal Control over Financial Reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements and an opinion on the Company's internal control over financial reporting 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements 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 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 company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements 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 financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depend on our judgment, including assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and those charged with governance; and (iii) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AgCountry Farm Credit Services, ACA and its subsidiaries as of December 31, 2019, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

PricewaterhouseCoopers LLP

March 2, 2020

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

CONSOLIDATED STATEMENTS OF CONDITION

AgCountry Farm Credit Services, ACA

(in thousands)

As of December 31		2019		2018		2017
ASSETS						
Loans	**$**	**7,774,194**	$	7,249,804	$	7,091,152
Allowance for loan losses		**26,974**		17,796		15,818
Net loans		**7,747,220**		7,232,008		7,075,334
Investment in AgriBank, FCB		**201,655**		184,727		156,408
Accrued interest receivable		**98,755**		92,671		85,697
Premises and equipment, net		**37,816**		42,612		45,768
Other property owned		**140**		274		115
Assets held for lease, net		**--**		1,815		6,900
Deferred tax assets, net		**1,117**		82		--
Other assets		**94,822**		86,997		72,659
Total assets	**$**	**8,181,525**	$	7,641,186	$	7,442,881
LIABILITIES						
Note payable to AgriBank, FCB	**$**	**6,246,387**	$	5,820,678	$	5,758,089
Accrued interest payable		**37,928**		38,304		27,414
Deferred tax liabilities, net		**--**		--		1,217
Patronage distribution payable		**60,000**		42,500		34,530
Other liabilities		**37,386**		36,507		45,362
Total liabilities		**6,381,701**		5,937,989		5,866,612
Contingencies and commitments (Note 11)						
MEMBERS' EQUITY						
Capital stock and participation certificates		**12,151**		12,587		12,451
Additional paid-in capital		**304,385**		304,385		304,385
Unallocated surplus		**1,488,700**		1,390,854		1,263,212
Accumulated other comprehensive loss		**(5,412)**		(4,629)		(3,779)
Total members' equity		**1,799,824**		1,703,197		1,576,269
Total liabilities and members' equity	**$**	**8,181,525**	$	7,641,186	$	7,442,881

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AgCountry Farm Credit Services, ACA

(in thousands)

For the year ended December 31	**2019**	2018	2017
Interest income	**$ 353,263**	$ 335,792	$ 254,426
Interest expense	**158,963**	138,552	89,297
Net interest income	**194,300**	197,240	165,129
Provision for credit losses	**11,553**	2,470	3,053
Net interest income after provision for credit losses	**182,747**	194,770	162,076
Non-interest income			
Patronage income	**45,242**	40,668	34,086
Financially related services income	**31,924**	32,069	31,884
Fee income	**7,368**	7,985	7,300
Allocated Insurance Reserve Accounts distribution	**1,679**	4,094	--
Other non-interest income	**3,449**	4,011	2,560
Total non-interest income	**89,662**	88,827	75,830
Non-interest expense			
Salaries and employee benefits	**68,804**	67,289	59,407
Other operating expense	**46,974**	46,698	41,729
Other non-interest expense	**126**	1,269	2,419
Total non-interest expense	**115,904**	115,256	103,555
Income before income taxes	**156,505**	168,341	134,351
(Benefit from) provision for income taxes	**(1,341)**	(1,765)	1,483
Net income	**$ 157,846**	$ 170,106	$ 132,868
Other comprehensive loss			
Employee benefit plans activity	**$ (783)**	$ (850)	$ --
Total other comprehensive loss	**(783)**	(850)	--
Comprehensive income	**$ 157,063**	$ 169,256	$ 132,868

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

AgCountry Farm Credit Services, ACA

(in thousands)

	Capital Stock and Participation Certificates	Additional Paid-in Capital	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance as of December 31, 2016	$ 7,370	$ --	$ 1,161,346	$ --	$ 1,168,716
Net income	--	--	132,868	--	132,868
Other comprehensive loss	--	--	--	(3,779)	(3,779)
Unallocated surplus designated for patronage distributions	--	--	(31,002)	--	(31,002)
Equity issued in connection with merger	5,037	304,385	--	--	309,422
Capital stock and participation certificates issued	494	--	--	--	494
Capital stock and participation certificates retired	(450)	--	--	--	(450)
Balance as of December 31, 2017	12,451	304,385	1,263,212	(3,779)	1,576,269
Net income	--	--	170,106	--	170,106
Other comprehensive loss	--	--	--	(850)	(850)
Unallocated surplus designated for patronage distributions	--	--	(42,464)	--	(42,464)
Capital stock and participation certificates issued	780	--	--	--	780
Capital stock and participation certificates retired	(644)	--	--	--	(644)
Balance as of December 31, 2018	12,587	304,385	1,390,854	(4,629)	1,703,197
Net income	**--**	**--**	**157,846**	**--**	**157,846**
Other comprehensive loss	**--**	**--**	**--**	**(783)**	**(783)**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(60,000)**	**--**	**(60,000)**
Capital stock and participation certificates issued	**692**	**--**	**--**	**--**	**692**
Capital stock and participation certificates retired	**(1,128)**	**--**	**--**	**--**	**(1,128)**
Balance as of December 31, 2019	**$ 12,151**	**$ 304,385**	**$ 1,488,700**	**$ (5,412)**	**$ 1,799,824**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

AgCountry Farm Credit Services, ACA

(in thousands)

For the year ended December 31		**2019**		2018		2017
Cash flows from operating activities						
Net income	**$**	**157,846**	$	170,106	$	132,868
Depreciation on premises and equipment		**2,588**		2,856		2,441
Gain on sale of premises and equipment, net		**(331)**		(141)		(22)
Depreciation on assets held for lease		**249**		1,699		4,632
Gain on disposal of assets held for lease, net		**(342)**		(370)		(759)
Amortization of (discounts) premiums on loans		**(2)**		40		111
Net Amortization of yield related to loans and notes payable acquired in merger		**(521)**		(1,168)		1,897
Provision for credit losses		**11,553**		2,470		3,053
Stock patronage received from Farm Credit Institutions		**(16,028)**		(70)		(262)
Loss on other property owned, net		**23**		67		--
Changes in operating assets and liabilities:						
Increase in accrued interest receivable		**(11,774)**		(12,301)		(10,294)
(Increase) decrease in other assets		**(8,950)**		(15,188)		135,176
(Decrease) increase in accrued interest payable		**(376)**		10,890		5,269
Increase (decrease) in other liabilities		**96**		(10,922)		(24,382)
Net cash provided by operating activities		**134,031**		147,968		249,728
Cash flows from investing activities						
Increase in loans, net		**(520,551)**		(152,672)		(369,178)
Purchases of investment in AgriBank, FCB, net		**(884)**		(28,319)		(1,239)
Redemptions (purchases) of investment in other Farm Credit Institutions, net		**78**		834		(2,002)
Sales of assets held for lease, net		**1,908**		3,756		8,928
Proceeds from sales of other property owned		**251**		10		--
Sales (purchases) of premises and equipment, net		**2,539**		441		(634)
Net cash used in investing activities		**(516,659)**		(175,950)		(364,125)
Cash flows from financing activities						
Increase in note payable to AgriBank, FCB, net		**425,568**		62,336		135,347
Patronage distributions paid		**(42,500)**		(34,494)		(21,002)
Capital stock and participation certificates (retired) issued, net		**(436)**		136		44
Net cash provided by financing activities		**382,632**		27,978		114,389
Net change in cash		**4**		(4)		(8)
Cash at beginning of year		**7**		11		19
Cash at end of year	**$**	**11**	$	7	$	11
Supplemental schedule of non-cash activities						
Interest transferred to loans	**$**	**5,690**	$	5,327	$	2,451
Loans transferred to other property owned		**140**		458		--
Patronage distributions payable to members		**60,000**		42,500		34,530
Financed sales of other property owned		**--**		222		--
Decrease in members' equity from employee benefits		**(783)**		(850)		(3,779)
Impact of merger transactions:						
Assets acquired		**--**		--		1,752,171
Liabilities assumed		**--**		--		1,442,749
Equity issued		**--**		--		309,422
Supplemental information						
Interest paid	**$**	**159,198**	$	127,409	$	77,281
Taxes paid, net		**3,312**		2,323		25,876

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AgCountry Farm Credit Services, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and Associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2020, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 68 customer-owned cooperative lending institutions (Associations). AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District Associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At January 1, 2020, the District consisted of 14 Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through its subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all Associations chartered within the 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. In addition, Associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution but have operations that are functionally similar to the activities of eligible borrowers.

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

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The 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 FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% 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 FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. Premiums are assessed based on debt outstanding with adjustments made for nonaccrual loans and impaired investment securities. Impaired investment securities are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

Association

AgCountry Farm Credit Services, ACA (the Association) and its subsidiaries, AgCountry Farm Credit Services, FLCA and AgCountry Farm Credit Services, PCA (subsidiaries) are lending institutions of the 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 counties of Becker, Beltrami, Big Stone, Chippewa, Clay, Clearwater, Douglas, Grant, Hubbard, Kandiyohi, Kittson, Koochiching, Lake of the Woods, Lac qui Parle, Lincoln, Lyon, Mahnomen, Marshall, Meeker, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Redwood, Renville, Roseau, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Yellow Medicine in the state of Minnesota; Barnes, Cass, Cavalier, Dickey, Grand Forks, Griggs, LaMoure, Nelson, Pembina, Ramsey, Ransom, Richland, Sargent, Steele, Stutsman, Towner, Traill, and Walsh in the state of North Dakota; and Clark, Forest, Langlade, Lincoln, Marathon, Oneida, Portage, Price, Taylor, Vilas, Waushara, and Wood in the state of Wisconsin.

We borrow from AgriBank 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 holds certain types of investments. The PCA makes short-term and intermediate-term loans for agricultural production or operating purposes. We also facilitate lease financing options through our alliance partner, Farm Credit Leasing (FCL).

We offer credit life, term life, credit disability, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow. We also offer farm accounting, fee appraisals, income tax planning and preparation services, retirement and succession planning, and producer education services to our members.

Merger Activity

Effective July 1, 2017, United FCS, ACA (United) merged into AgCountry Farm Credit Services, ACA (AgCountry). AgCountry acquired 100% of the assets and liabilities of United. The merged entity, AgCountry Farm Credit Services, ACA, is headquartered in Fargo, North Dakota. The primary reason for the merger was to strategically position the Associations to best serve member needs. The effects of the merger are included in the Association's results of operation, statement of condition, average balances and related metrics beginning July 1, 2017.

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Statements of Condition reflect the merged balances as of December 31, 2019, 2018, and 2017. The Consolidated Statements of

Comprehensive Income, the Consolidated Statements of Changes in Members' Equity, and the Consolidated Statements of Cash Flows reflect the results of AgCountry prior to July 1, 2017, and the merged Association after July 1, 2017. Information in the Notes to the Consolidated Financial Statements for 2019, 2018, and 2017 reflect balances of the merged Association as of December 31, or in the case of transactional activity, AgCountry prior to July 1, 2017, and the merged Association for the period July 1, 2017, to December 31, 2017.

As cooperative organizations, Farm Credit Associations operate for the mutual benefit of their members and other customers and not for the benefit of equity investors. Capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and the bylaws, the Associations can issue stock only at its par value of $5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. The shares of United stock were converted in the merger into shares of AgCountry stock with identical rights and attributes. For this reason, the conversion of United stock pursuant to the merger occurred at a one-for-one exchange ratio (i.e., each United share was converted into one share of AgCountry stock with an equal par value).

Management believes that because the stock in each Association is fixed in value (although subject to impairment), the AgCountry stock issued pursuant to the merger provided no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, AgCountry undertook a process to identify and estimate the acquisition-date fair value of United's equity interests instead of the acquisition-date fair value of AgCountry's equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed from United, were measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. Use of different estimates and judgments could yield materially different results.

The merger was accounted for as a business combination under the acquisition method of accounting. Pursuant to these rules, AgCountry acquired the assets and assumed the liabilities of United at their acquisition-date fair value. The fair value of the net identifiable assets acquired ($309.4 million) was substantially equal to the fair value of the equity interest exchanged in the merger. In addition, no material amounts of intangible assets were acquired. As a result, no goodwill was recorded. A net increase of $309.4 million was recorded in shareholders' equity related to the merger.

The following condensed statement of net assets acquired reflects the fair value assigned to United's net assets as of the acquisition date. There were no subsequent changes to the initial fair value measurements since the merger.

Condensed Statement of Net Assets Acquired

(in thousands)

As of July 1, 2017	United
Assets	
Net loans	$ 1,666,361
Accrued interest receivable	15,813
Other assets	69,997
Total assets	$ 1,752,171
Liabilities	
Notes payable	$ 1,420,902
Accrued interest payable	6,747
Other liabilities	15,100
Total liabilities	$ 1,442,749
Fair value of net assets acquired	$ 309,422

Fair value adjustments to United's assets and liabilities included a $3.4 million increase to loans and a $2.9 million increase to notes payable to reflect credit discounts and changes in interest rates and other market conditions since the time these instruments were issued. These differences are being accreted or amortized into net interest income over the remaining life of the respective loans and debt instruments on an effective yield basis. The Association expects to collect the substantial majority of the contractual amounts of the acquired loans not considered to be purchased credit-impaired, which totaled $1.7 billion at July 1, 2017. Refer to Note 2 for further discussion on purchased credit-impaired loans.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP 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 and 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.

Principles of Consolidation

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

Significant Accounting Policies

Loans: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans, and unamortized adjustments to fair value on loans acquired through merger. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Loan fees, net of direct loan origination costs, are deferred and recognized over the life of the loan as an adjustment to net interest income.

Generally, 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, current year accrued interest is reversed 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, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. 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. Loans are charged-off at the time they are determined to be uncollectible. 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 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 troubled debt restructurings are considered risk loans (as defined below).

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 have been surrendered and that all of the conditions have been met to be accounted for as a sale.

Purchased Credit-Impaired (PCI) Loans: Loans acquired through merger with evidence of credit deterioration since their origination and when it is probable that we will not collect all contractually required principal and interest payments are PCI loans. PCI loans are written down at acquisition to estimated fair value and an accretable yield may be established. The excess of cash flows expected to be collected over the carrying value is referred to as the accretable yield and is recognized in interest income using the effective yield method over the remaining life of the loan.

Evidence of credit quality deterioration as of the purchase date may include statistics such as past due and nonaccrual status. Acquired loans that meet our definition of risk loans are generally considered to be credit-impaired and are accounted for as individual loans. Accounting for PCI loans involves estimating fair value at acquisition using the cash flows expected to be collected. As we generally are unable to estimate the timing and amount of future cash flows, measurement is based on the net realizable value of the collateral underlying these loans.

Allowance for Loan Losses: The allowance for loan losses is our best estimate of the amount of losses on loans inherent in our portfolio as of the date of the financial statements. 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.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans, including purchased credit-impaired loans.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, 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 6-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 in provision for credit losses in the Consolidated Statements of Comprehensive Income, recoveries, and charge-offs.

For purchased loans acquired that are not deemed impaired at acquisition, credit discounts representing the principal losses expected over the life of the loan are a component of the initial fair value. Subsequent to the purchase date, the methods utilized to estimate the required allowance for credit losses for these loans is similar to originated loans. However, we record a provision for credit losses only when the required allowance exceeds any remaining credit discounts. The remaining differences between the purchase price and the unpaid principal balance at the date of acquisition are recorded in interest income over the life of the loans.

Investment in AgriBank: Our stock investment in AgriBank is on a cost plus allocated equities basis.

Other Property Owned: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon 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. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in other non-interest income in the Consolidated Statements of Comprehensive Income.

Other Investments: The carrying amount of the investments in the Rural Business Investment Companies, in which we are a limited partner and hold a non-controlling interest, are at cost and are included in other assets in the Consolidated Statements of Condition. The investments are assessed for impairment. If impairment exists, losses are included in net income in the Consolidated Statements of Comprehensive Income in the year of impairment. Income on the investments are limited to distributions received. In circumstances when distributions exceed our share of earnings after the date of the investment, these distributions are applied to reduce the carrying value of the investment and are not recognized as income.

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. Gains or losses on disposition are included in other non-interest income or other non-interest expense in the Consolidated Statements of Comprehensive Income. Depreciation and maintenance and repair expenses are included in other operating expense in the Consolidated Statements of Comprehensive Income and improvements are capitalized to the extent required by GAAP.

Leases: We are the lessee in operating leases. Leases with an initial term of 12 months or less are not recorded on the Consolidated Statements of Condition with lease expense recognized on a straight-line basis over the lease term. For operating leases with terms greater than 12 months the right-of-use (ROU) assets are included in other assets in the Consolidated Statements of Condition and the lease liabilities are included in other liabilities in the Consolidated Statements of Condition.

The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. Because most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease. The length of the lease term is modified to include the option when it is reasonably certain that we will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

As of December 31, 2019, we have sold all of our finance and operating leases. In prior periods, we were are the lessor in finance and operating leases. Under finance leases, unearned income from lease contracts represented the excess of gross lease receivables plus residual receivables over the cost of leased equipment. We amortized net unearned finance lease income to earnings using the interest method. The carrying amount of finance leases was included in loans in the Consolidated Statements of Condition and represents lease rent and residual receivables net of the unearned income. Under operating leases, property was recorded at cost and depreciated on a straight-line basis over the lease term to an estimated residual value. We recognized operating lease revenue evenly over the term of the lease and charged depreciation and other expenses against revenue as incurred in other non-interest income in the Consolidated Statements of Comprehensive Income. The amortized cost of operating leases is included in assets held for lease, net in the Consolidated Statements of Condition and represents the asset cost net of accumulated depreciation.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans, except for the AgriBank District Pension Restoration Plan, are included in salaries and employee benefits in the Consolidated Statements of Comprehensive Income.

Certain employees participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or on the final average pay formula. Benefits eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

Certain employees also participate in the AgriBank District Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. Beginning in 2017, the pension liability attributable to the Pension Restoration Plan at the Association and the related accumulated other comprehensive loss are included in the Consolidated Statements of Condition. The components of net periodic cost other than the service cost component, are included in the line item other operating expense on the Consolidated Statements of Comprehensive Income. Service costs are included in the line item salaries and employee benefits on the Consolidated Statements of Comprehensive Income.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees' active service period.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee's contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

Certain employees also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the Internal Revenue Service (IRS), are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Income Taxes: The ACA and PCA accrue federal and state income taxes. The ACA and PCA are exempt from Minnesota state income tax. 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 according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter in the following year.

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. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management's best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on our assessment, any reserve is recorded in other liabilities in the Consolidated Statements of Condition and a corresponding loss is recorded in provision for credit losses in the Consolidated Statements of Comprehensive Income.

Cash: For purposes of reporting cash flow, cash includes deposits in banks. The net cash position is recorded in other assets or other liabilities in the Consolidated Statements of Condition.

Fair Value Measurement: The accounting guidance 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:

- 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 the reporting entity's own judgments about 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.

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 February 2016, the FASB issued Accounting Standards Updated (ASU) 2016-02 "Leases." In July 2018, the FASB issued ASU 2018-11 "Leases (Topic 842): Targeted Improvements." The guidance was effective for public business entities in its first quarter of 2019 and early adoption was permitted.	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases. Upon adoption, a liability for lease obligations and a corresponding right-of-use asset is recognized on the Consolidated Statements of Condition for all lease arrangements spanning more than 12 months. The guidance includes an optional transition method where an entity is permitted to apply the guidance as of the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings.	We adopted this guidance on January 1, 2019. We elected the package of practical expedients permitted under the transition guidance, which among other things, allowed us to carry forward the historical lease classification. We also elected the hindsight practical expedient to determine the lease term for existing leases. The adoption of this guidance did not have a material impact on our financial condition, results of operations, and financial statement disclosures, and had no impact on cash flows.
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 that amends the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We are evaluating the deferral and have not yet determined if we will early adopt the standard. 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 by Type

(dollars in thousands)	**2019**		2018		2017[1]	
As of December 31	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 3,261,426**	**42.0%**	$ 3,079,351	42.4%	$ 2,882,177	40.7%
Production and intermediate-term	**2,131,112**	**27.4%**	2,049,893	28.3%	2,275,535	32.1%
Agribusiness	**1,784,023**	**22.9%**	1,594,142	22.0%	1,475,142	20.8%
Other	**597,633**	**7.7%**	526,418	7.3%	458,298	6.4%
Total	**$ 7,774,194**	**100.0%**	$ 7,249,804	100.0%	$ 7,091,152	100.0%

[1] As a result of the merger on July 1, 2017, we acquired $1.7 billion in loans, of which 96.4% were categorized as having acceptable credit quality and 99.6% were current in payment status. A portion of the acquired loans were considered to be credit-impaired, but they were not significant to the financial statements as a whole.

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

Portfolio Concentrations

Concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, which could cause them to be similarly impacted by economic conditions. We lend primarily within agricultural industries.

As of December 31, 2019, loan volume plus commitments to our ten largest borrowers totaled an amount equal to 5.1% of total loans and commitments.

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk. However, substantial portions of our lending activities are collateralized. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock. Long-term real estate loans are secured by the first liens on the underlying real property.

Participations

We may purchase or sell participation interests to other parties in order to diversify risk, manage loan volume, or comply with the limitations of the FCA Regulations or General Financing Agreement (GFA) with AgriBank.

Participations Purchased and Sold

	AgriBank		Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
(in thousands)	Participations		Participations		Participations		Participations	
As of December 31, 2019	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	**$ --**	**$ (291,025)**	**$ 263,718**	**$ (287,954)**	**$ 163**	**$ (10,705)**	**$ 263,881**	**$ (589,684)**
Production and intermediate-term	**--**	**(225,342)**	**501,294**	**(233,955)**	**87,741**	**(6,317)**	**589,035**	**(465,614)**
Agribusiness	**--**	**(8,189)**	**995,560**	**(1,208,668)**	**99,809**	**(1,040)**	**1,095,369**	**(1,217,897)**
Other	**--**	**(347)**	**1,136,847**	**(558,040)**	**63**	**--**	**1,136,910**	**(558,387)**
Total	**$ --**	**$ (524,903)**	**$ 2,897,419**	**$ (2,288,617)**	**$ 187,776**	**$ (18,062)**	**$ 3,085,195**	**$ (2,831,582)**

	AgriBank		Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations		Participations	
As of December 31, 2018	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (335,503)	$ 211,230	$ (257,921)	$ 242	$ (9,438)	$ 211,472	$ (602,862)
Production and intermediate-term	--	(207,260)	504,556	(216,690)	87,905	(4,279)	592,461	(428,229)
Agribusiness	--	(20,266)	893,714	(1,102,617)	193,187	(41,661)	1,086,901	(1,164,544)
Other	--	(517)	1,002,118	(499,443)	--	--	1,002,118	(499,960)
Total	$ --	$ (563,546)	$ 2,611,618	$ (2,076,671)	$ 281,334	$ (55,378)	$ 2,892,952	$ (2,695,595)

As of December 31, 2017	AgriBank Participations Purchased	AgriBank Participations Sold	Other Farm Credit Institutions Participations Purchased	Other Farm Credit Institutions Participations Sold	Non-Farm Credit Institutions Participations Purchased	Non-Farm Credit Institutions Participations Sold	Total Participations Purchased	Total Participations Sold
Real estate mortgage	$ --	$ (377,570)	$ 166,653	$ (211,385)	$ 41,016	$ (6,396)	$ 207,669	$ (595,351)
Production and intermediate-term	--	(17,014)	497,090	(191,119)	108,566	(3,186)	605,656	(211,319)
Agribusiness	--	(29,519)	887,370	(1,006,871)	128,462	(74,221)	1,015,832	(1,110,611)
Other	--	(663)	852,062	(416,156)	--	--	852,062	(416,819)
Total	$ --	$ (424,766)	$ 2,403,175	$ (1,825,531)	$ 278,044	$ (83,803)	$ 2,681,219	$ (2,334,100)

Information in the preceding chart excludes loans entered into under our mission related loans authority.

Credit Quality and Delinquency

We utilize the FCA Uniform Classification System to categorize loans into five credit quality categories. The categories are:

- Acceptable – loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other assets especially mentioned (Special Mention) – loans are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss – loans are considered uncollectible.

We had no loans categorized as loss at December 31, 2019, 2018, or 2017.

Credit Quality of Loans

(dollars in thousands) **As of December 31, 2019**	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	**$ 3,101,186**	**93.5%**	**$ 111,323**	**3.4%**	**$ 102,563**	**3.1%**	**$ 3,315,072**	**100.0%**
Production and intermediate-term	**2,047,267**	**94.4%**	**65,603**	**3.0%**	**56,242**	**2.6%**	**2,169,112**	**100.0%**
Agribusiness	**1,706,642**	**95.4%**	**46,920**	**2.6%**	**36,627**	**2.0%**	**1,790,189**	**100.0%**
Other	**568,273**	**94.9%**	**12,305**	**2.1%**	**17,998**	**3.0%**	**598,576**	**100.0%**
Total	**$ 7,423,368**	**94.3%**	**$ 236,151**	**3.0%**	**$ 213,430**	**2.7%**	**$ 7,872,949**	**100.0%**

As of December 31, 2018	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	$ 2,892,164	92.5%	$ 132,434	4.2%	$ 104,242	3.3%	$ 3,128,840	100.0%
Production and intermediate-term	1,960,895	94.0%	82,518	4.0%	42,004	2.0%	2,085,417	100.0%
Agribusiness	1,525,443	95.3%	36,841	2.3%	38,394	2.4%	1,600,678	100.0%
Other	502,497	95.2%	19,492	3.7%	5,551	1.1%	527,540	100.0%
Total	$ 6,880,999	93.7%	$ 271,285	3.7%	$ 190,191	2.6%	$ 7,342,475	100.0%

As of December 31, 2017	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	$ 2,742,960	93.8%	$ 71,565	2.4%	$ 111,395	3.8%	$ 2,925,920	100.0%
Production and intermediate-term	2,161,790	93.6%	83,488	3.6%	65,725	2.8%	2,311,003	100.0%
Agribusiness	1,462,280	98.7%	8,196	0.6%	10,126	0.7%	1,480,602	100.0%
Other	448,845	97.7%	4,401	1.0%	6,079	1.3%	459,325	100.0%
Total	$ 6,815,875	95.0%	$ 167,650	2.3%	$ 193,325	2.7%	$ 7,176,850	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

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

As of December 31, 2018	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 3,651	$ 10,269	$ 13,920	$ 3,114,920	$ 3,128,840	$ 6,661
Production and intermediate-term	6,773	4,105	10,878	2,074,539	2,085,417	--
Agribusiness	225	41	266	1,600,412	1,600,678	--
Other	--	16	16	527,524	527,540	--
Total	$ 10,649	$ 14,431	$ 25,080	$ 7,317,395	$ 7,342,475	$ 6,661

As of December 31, 2017	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 2,625	$ 2,033	$ 4,658	$ 2,921,262	$ 2,925,920	$ --
Production and intermediate-term	6,886	4,420	11,306	2,299,697	2,311,003	--
Agribusiness	294	41	335	1,480,267	1,480,602	--
Other	24	--	24	459,301	459,325	--
Total	$ 9,829	$ 6,494	$ 16,323	$ 7,160,527	$ 7,176,850	$ --

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which all principal and interest may not be collected according to the contractual terms. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands) As of December 31	**2019**	2018	2017
Nonaccrual loans:			
Current as to principal and interest	**$ 15,022**	$ 20,771	$ 18,112
Past due	**6,867**	8,719	8,910
Total nonaccrual loans	**21,889**	29,490	27,022
Accruing restructured loans	**462**	503	30
Accruing loans 90 days or more past due	**512**	6,661	--
Total risk loans	**$ 22,863**	$ 36,654	$ 27,052
Volume with specific allowance	**$ 9,208**	$ 14,331	$ 3,292
Volume without specific allowance	**13,655**	22,323	23,760
Total risk loans	**$ 22,863**	$ 36,654	$ 27,052
Total specific allowance	**$ 3,569**	$ 6,389	$ 1,730

For the year ended December 31	**2019**	2018	2017
Income on accrual risk loans	**$ 733**	$ 163	$ 88
Income on nonaccrual loans	**1,581**	2,504	1,358
Total income on risk loans	**$ 2,314**	$ 2,667	$ 1,446
Average risk loans	**$ 43,762**	$ 34,948	$ 29,110

Note: Accruing loans include accrued interest receivable.

Nonaccrual Loans by Loan Type

(in thousands)

As of December 31	2019	2018	2017
Real estate mortgage	**$ 9,693**	$ 9,899	$ 16,033
Production and intermediate-term	**4,276**	6,577	9,956
Agribusiness	**4,197**	8,715	900
Other	**3,723**	4,299	133
Total	**$ 21,889**	$ 29,490	$ 27,022

Additional Impaired Loan Information by Loan Type

	As of December 31, 2019			**For the year ended December 31, 2019**	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$ --**	**$ --**	**$ --**	**$ --**	**$ --**
Production and intermediate-term	**2,072**	**2,456**	**1,310**	**2,990**	**--**
Agribusiness	**3,413**	**3,769**	**904**	**14,507**	**--**
Other	**3,723**	**4,230**	**1,355**	**4,039**	**--**
Total	**$ 9,208**	**$ 10,455**	**$ 3,569**	**$ 21,536**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$ 10,149**	**$ 12,961**	**$ --**	**$ 17,469**	**$ 300**
Production and intermediate-term	**2,722**	**3,675**	**--**	**3,925**	**1,367**
Agribusiness	**784**	**1,911**	**--**	**764**	**647**
Other	**--**	**--**	**--**	**68**	**--**
Total	**$ 13,655**	**$ 18,547**	**$ --**	**$ 22,226**	**$ 2,314**
Total impaired loans:					
Real estate mortgage	**$ 10,149**	**$ 12,961**	**$ --**	**$ 17,469**	**$ 300**
Production and intermediate-term	**4,794**	**6,131**	**1,310**	**6,915**	**1,367**
Agribusiness	**4,197**	**5,680**	**904**	**15,271**	**647**
Other	**3,723**	**4,230**	**1,355**	**4,107**	**--**
Total	**$ 22,863**	**$ 29,002**	**$ 3,569**	**$ 43,762**	**$ 2,314**

	As of December 31, 2018			For the year ended December 31, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	2,917	3,044	1,601	5,065	--
Agribusiness	7,248	7,494	3,430	3,666	--
Other	4,166	4,386	1,358	3,422	--
Total	$ 14,331	$ 14,924	$ 6,389	$ 12,153	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 17,033	$ 18,917	$ --	$ 13,073	$ 209
Production and intermediate-term	3,690	4,595	--	6,408	2,083
Agribusiness	1,467	2,648	--	3,220	375
Other	133	133	--	94	--
Total	$ 22,323	$ 26,293	$ --	$ 22,795	$ 2,667
Total impaired loans:					
Real estate mortgage	$ 17,033	$ 18,917	$ --	$ 13,073	$ 209
Production and intermediate-term	6,607	7,639	1,601	11,473	2,083
Agribusiness	8,715	10,142	3,430	6,886	375
Other	4,299	4,519	1,358	3,516	--
Total	$ 36,654	$ 41,217	$ 6,389	$ 34,948	$ 2,667

	As of December 31, 2017			For the year ended December 31, 2017	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 8	$ 8	$ 8	$ 8	$ --
Production and intermediate-term	3,167	3,505	1,707	3,664	--
Agribusiness	25	26	5	11	--
Other	92	91	10	293	--
Total	$ 3,292	$ 3,630	$ 1,730	$ 3,976	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 16,025	$ 17,334	$ --	$ 16,265	$ 97
Production and intermediate-term	6,819	9,975	--	7,889	1,131
Agribusiness	875	2,141	--	563	199
Other	41	42	--	417	19
Total	$ 23,760	$ 29,492	$ --	$ 25,134	$ 1,446
Total impaired loans:					
Real estate mortgage	$ 16,033	$ 17,342	$ 8	$ 16,273	$ 97
Production and intermediate-term	9,986	13,480	1,707	11,553	1,131
Agribusiness	900	2,167	5	574	199
Other	133	133	10	710	19
Total	$ 27,052	$ 33,122	$ 1,730	$ 29,110	$ 1,446

Impaired loans include purchased credit-impaired loans.

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

Unpaid principal balance represents the contractual principal balance of the loan.

Other than those defined within this Note, we did not have any material commitments to lend additional money to borrowers whose loans were classified as risk loans at December 31, 2019.

Troubled Debt Restructurings (TDRs)

Included within our risk loans are TDRs. These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans are analyzed within our allowance for loan losses.

TDR Activity

(in thousands)

For the year ended December 31	**2019**		2018		2017	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ --**	**$ --**	$ 545	$ 545	$ --	$ --
Production and intermediate-term	**--**	**--**	502	502	327	327
Agribusiness	**22,240**	**22,240**	3,951	3,951	--	--
Total	**$ 22,240**	**$ 22,240**	$ 4,998	$ 4,998	$ 327	$ 327

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

The primary types of modification included extension of maturity, deferral of principal, and interest rate reduction below market.

TDRs that Occurred Within the Previous 12 Months that Subsequently Defaulted

(in thousands)	**2019**	2018	2017
Real estate mortgage	**$ --**	$ --	$ --
Production and intermediate-term	**--**	16	76
Agribusiness	**--**	3,492	--
Total	**$ --**	$ 3,508	$ 76

TDRs Outstanding

(in thousands)

As of December 31	**2019**	2018	2017
Accrual status:			
Real estate mortgage	**$ 456**	$ 472	$ --
Production and intermediate-term	**6**	31	30
Total TDRs in accrual status	**$ 462**	$ 503	$ 30
Nonaccrual status:			
Real estate mortgage	**$ 2,913**	$ 3,200	$ 3,670
Production and intermediate-term	**370**	440	510
Agribusiness	**3,341**	3,784	--
Total TDRs in nonaccrual status	**$ 6,624**	$ 7,424	$ 4,180
Total TDRs:			
Real estate mortgage	**$ 3,369**	$ 3,672	$ 3,670
Production and intermediate-term	**376**	471	540
Agribusiness	**3,341**	3,784	--
Total TDRs	**$ 7,086**	$ 7,927	$ 4,210

Additional commitments to lend to borrowers whose loans have been modified in a TDR were $1.1 million at December 31, 2019.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) For the year ended December 31	2019	2018	2017
Balance at beginning of year	**$ 17,796**	$ 15,818	$ 14,284
Provision for loan losses	**10,622**	2,684	2,473
Loan recoveries	**188**	486	560
Loan charge-offs	**(1,632)**	(1,192)	(1,499)
Balance at end of year	**$ 26,974**	$ 17,796	$ 15,818

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 provision for (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.

Credit Loss Information on Unfunded Commitments

(in thousands) For the year ended December 31	2019	2018	2017
Provision for (reversal of) credit losses	**$ 931**	$ (214)	$ 580
As of December 31	**2019**	2018	2017
Accrued credit losses	**$ 2,994**	$ 2,062	$ 2,276

Changes in Allowance for Loan Losses and Year End Recorded Investments by Loan Type

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2018	**$ 2,211**	**$ 3,649**	**$ 8,737**	**$ 3,199**	**$ 17,796**
Provision for loan losses	**396**	**8,337**	**1,485**	**404**	**10,622**
Loan recoveries	**65**	**111**	**12**	**--**	**188**
Loan charge-offs	**--**	**(456)**	**(1,176)**	**--**	**(1,632)**
Balance as of December 31, 2019	**$ 2,672**	**$ 11,641**	**$ 9,058**	**$ 3,603**	**$ 26,974**
Ending balance: individually evaluated for impairment	**$ --**	**$ 1,310**	**$ 904**	**$ 1,355**	**$ 3,569**
Ending balance: collectively evaluated for impairment	**$ 2,672**	**$ 10,331**	**$ 8,154**	**$ 2,248**	**$ 23,405**
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2019	**$ 3,315,072**	**$ 2,169,112**	**$ 1,790,189**	**$ 598,576**	**$ 7,872,949**
Ending balance: individually evaluated for impairment	**$ 10,149**	**$ 4,794**	**$ 4,197**	**$ 3,723**	**$ 22,863**
Ending balance: collectively evaluated for impairment	**$ 3,304,923**	**$ 2,164,318**	**$ 1,785,992**	**$ 594,853**	**$ 7,850,086**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2017	$ 2,304	$ 5,923	$ 4,590	$ 3,001	$ 15,818
(Reversal of) provision for loan losses	(158)	(1,491)	4,135	198	2,684
Loan recoveries	65	409	12	--	486
Loan charge-offs	--	(1,192)	--	--	(1,192)
Balance as of December 31, 2018	$ 2,211	$ 3,649	$ 8,737	$ 3,199	$ 17,796
Ending balance: individually evaluated for impairment	$ --	$ 1,601	$ 3,430	$ 1,358	$ 6,389
Ending balance: collectively evaluated for impairment	$ 2,211	$ 2,048	$ 5,307	$ 1,841	$ 11,407
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2018	$ 3,128,840	$ 2,085,417	$ 1,600,678	$ 527,540	$ 7,342,475
Ending balance: individually evaluated for impairment	$ 17,033	$ 6,607	$ 8,715	$ 4,299	$ 36,654
Ending balance: collectively evaluated for impairment	$ 3,111,807	$ 2,078,810	$ 1,591,963	$ 523,241	$ 7,305,821

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2016	$ 3,618	$ 3,563	$ 3,875	$ 3,228	$ 14,284
(Reversal of) provision for loan losses	(1,272)	3,277	695	(227)	2,473
Loan recoveries	14	526	20	--	560
Loan charge-offs	(56)	(1,443)	--	--	(1,499)
Balance as of December 31, 2017	$ 2,304	$ 5,923	$ 4,590	$ 3,001	$ 15,818
Ending balance: individually evaluated for impairment	$ 8	$ 1,707	$ 5	$ 10	$ 1,730
Ending balance: collectively evaluated for impairment	$ 2,296	$ 4,216	$ 4,585	$ 2,991	$ 14,088
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2017	$ 2,925,920	$ 2,311,003	$ 1,480,602	$ 459,325	$ 7,176,850
Ending balance: individually evaluated for impairment	$ 16,032	$ 9,987	$ 900	$ 133	$ 27,052
Ending balance: collectively evaluated for impairment	$ 2,909,888	$ 2,301,016	$ 1,479,702	$ 459,192	$ 7,149,798

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

NOTE 4: INVESTMENT IN AGRIBANK

During 2019, we were required by AgriBank to maintain an investment equal to 2.25% 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. Effective January 1, 2020, the required rate was increased to 2.50% with similar growth rate requirements as 2019.

We are also required to hold AgriBank 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's capital plan provides for annual retirement of AgriBank stock and optimizes capital at the Bank 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.

NOTE 5: OTHER INVESTMENTS

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Our total commitment is $14.0 million, with varying commitment end dates through November 2023. Certain commitments may have an option to extend under certain circumstances. Our investment in the RBICs totaled $9.5 million, $7.4 million, and $5.9 million at December 31, 2019, 2018, and 2017, respectively.

The investments were evaluated for impairment. For the years ended December 31, 2019, 2018, and 2017, we have not recognized any impairment on these investments.

NOTE 6: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and substantially all of our assets serve as collateral.

Note Payable Information

(dollars in thousands)

As of December 31	**2019**	2018	2017
Line of credit	**$ 7,250,000**	$ 7,250,000	$ 7,000,000
Outstanding principal under the line of credit	**6,248,820**	5,823,252	5,760,915
Interest rate	**2.4%**	2.6%	2.0%

Our note payable is scheduled to mature on June 30, 2021. The note payable will be renegotiated no later than the maturity date.

The GFA provides for 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, 2019, and throughout the year, we were not declared in default under any GFA covenants or provisions.

NOTE 7: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each member is required to invest in AgCountry as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, our Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less, or such greater amount of such member's aggregate outstanding loan balance as may be determined by the Board of Directors from time to time. The Board of Directors has established a stock requirement for loans of one thousand dollars at a customer level. The investment requirement for each lessee that is not a current stock or participation certificate holder is a single $5.00 participation certificate in the ACA. The ACA and its subsidiaries, PCA and FLCA, are also authorized by FCA to offer approved financial services to persons eligible to borrow from the System. The investment requirement for each purchaser of crop insurance that is not a stock or participation certificate holder is a single $5.00 participation certificate in the ACA. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws.

The member acquires ownership of the capital stock at the time the loan is made. We retain a first lien on the stock or participation certificates owned by customers. All loan customers are issued one thousand dollars of stock and an offsetting account is established. One participation certificate is issued to those customers required to own a participation certificate and an offsetting account is established.

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31	**2019**	2018	2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**18.6%**	18.2%	17.2%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	**18.6%**	18.2%	17.2%	6.0%	2.5%*	8.5%
Total capital ratio	**18.9%**	18.5%	17.5%	8.0%	2.5%*	10.5%
Permanent capital ratio	**18.6%**	18.3%	17.3%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**20.8%**	20.5%	19.7%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**21.8%**	21.3%	20.4%	1.5%	N/A	1.5%

*The 2.5% capital conservation buffer over risk-adjusted ratio minimums was phased in over three years under the FCA capital requirements. The phase in period ended December 31, 2019.

Risk-adjusted assets have been defined by the FCA 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 (referred herein as PCR risk-adjusted assets) 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 FCA Regulations and are calculated as follows (not all items below 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 7 years, allocated equities held for a minimum of 7 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 non-cumulative 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 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 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 PCR 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 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 FCA approval.

The regulatory capital requirements allow for allotment agreements for only the permanent capital ratio and, as such, any stock in excess of our AgriBank required investment was not included in the common equity tier 1, tier 1 capital, total capital, or leverage ratios. We had no allocated excess stock at December 31, 2019, 2018, or 2017.

Description of Equities

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

	Number of Shares		
As of December 31	**2019**	2018	2017
Class B common stock (at-risk)	**2,364,225**	2,455,081	2,434,213
Class E participation certificates (at-risk)	**65,878**	62,380	55,947

On July 1, 2017, United merged into AgCountry. All members of United received stock in AgCountry in exchange for their stock, which was then canceled. This exchange was made at the stock's par value and 1.0 million shares of capital stock were issued.

Under our bylaws, we are also authorized to issue Class C and Class D common stock. Each of these classes of common stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class B common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2019, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any assets remaining after payment or retirement of all liabilities shall be distributed pro rata to all holders of stock.

In the event of impairment, losses will be absorbed by concurrent impairment of all classes of stock.

All classes of stock are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

Patronage Distributions

We accrued patronage distributions of $60.0 million, $42.5 million, and $34.5 million at December 31, 2019, 2018, and 2017, respectively. Generally, the patronage distributions are paid in cash during the first quarter in the following year. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements. The patronage distribution payable in 2017 included $31.0 million payable to AgCountry patrons and $3.5 million payable to United patrons, by resolution of the United Board prior to merger with United on July 1, 2017.

The FCA Regulations prohibit patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. Additionally, patronage distributions may be restricted or prohibited without prior FCA approval if capital ratios fall below the total requirements, including the buffer amounts. Capital ratios exceeded the requirements and buffer amounts at December 31, 2019.

NOTE 8: INCOME TAXES

The Tax Cuts and Jobs Act (the Act) was enacted in December of 2017. This Act contained various tax law changes, including a federal statutory tax rate change to 21% from 35%, effective January 1, 2018. Because deferred tax assets and liabilities are expected to be recognized in the Association's tax return in a future year, when the new statutory tax rate would be applicable, the deferred tax assets and liabilities as of December 31, 2017, were valued using a blended federal/state effective tax rate based on the new federal statutory tax rate. The effect of this revaluation was recognized in our provision for (benefit from) income taxes for the year ended December 31, 2017.

(Benefit from) Provision for Income Taxes

(Benefit from) Provision For Income Taxes

(dollars in thousands)

For the year ended December 31		**2019**		2018		2017
Current:						
Federal	**$**	**(306)**	$	(465)	$	25,017
State		**--**		(1)		1,579
Total current	**$**	**(306)**	$	(466)	$	26,596
Deferred:						
Federal	**$**	**(829)**	$	(1,220)	$	(23,698)
State		**(206)**		(79)		(1,415)
Total deferred		**(1,035)**		(1,299)		(25,113)
(Benefit from) provision for income taxes	**$**	**(1,341)**	$	(1,765)	$	1,483
Effective tax rate		**(0.9%)**		(1.0%)		1.1%

Reconciliation of Taxes at Federal Statutory Rate to (Benefit from) Provision for Income Taxes

(in thousands)

For the year ended December 31		**2019**		2018		2017
Federal tax at statutory rates	**$**	**32,866**	$	35,352	$	47,023
State tax, net		**(162)**		(27)		45
Patronage distributions		**(3,772)**		(3,734)		(4,135)
Effect of non-taxable entity		**(31,290)**		(31,984)		(41,777)
Change in statutory tax rates due to the Tax Cuts and Jobs Act		**--**		--		218
Other		**1,017**		(1,372)		109
(Benefit from) provision for income taxes	**$**	**(1,341)**	$	(1,765)	$	1,483

Deferred Income Taxes

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Comprehensive Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition.

Deferred Tax Assets and Liabilities

(in thousands)

As of December 31		**2019**		2018		2017
Allowance for loan losses	**$**	**3,457**	$	926	$	568
Postretirement benefit accrual		**757**		747		758
Merger fair value adjustment		**235**		278		675
Net operating loss carryforward		**207**		--		--
Accrued incentive		**1,396**		1,232		1,070
Leasing related, net		**(2)**		(35)		(829)
Accrued patronage income not received		**(777)**		--		(905)
AgriBank 2002 allocated stock		**(1,124)**		(1,113)		(1,123)
Accrued pension asset		**(3,325)**		(2,101)		(1,389)
Depreciation		**(38)**		(211)		(74)
Other assets		**375**		376		282
Other liabilities		**(44)**		(17)		(250)
Deferred tax assets (liabilities), net	**$**	**1,117**	$	82	$	(1,217)
Gross deferred tax assets	**$**	**6,427**	$	3,559	$	3,353
Gross deferred tax liabilities	**$**	**(5,310)**	$	(3,477)	$	(4,570)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2019, 2018, or 2017.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $39.9 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $1.2 billion as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

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, 2019. In addition, we believe we are no longer subject to income tax examinations for years prior to 2016.

NOTE 9: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the AgriBank 2019 Annual Report.

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Because the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. No collective bargaining agreement is in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands)

As of December 31	2019	2018	2017
Unfunded liability	**$ 220,794**	$ 274,450	$ 352,516
Projected benefit obligation	**1,421,126**	1,272,063	1,371,013
Fair value of plan assets	**1,200,332**	997,613	1,018,497
Accumulated benefit obligation	**1,298,942**	1,125,682	1,184,550

For the year ended December 31	2019	2018	2017
Total plan expense	**$ 36,636**	$ 51,900	$ 44,730
Our allocated share of plan expenses	**5,151**	7,336	5,276
Contributions by participating employers	**90,000**	90,000	90,000
Our allocated share of contributions	**12,776**	12,631	12,447

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these Consolidated Financial Statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to its current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Our allocated share of plan expenses is included in salaries and employee benefits in the Consolidated Statements of Comprehensive Income.

Benefits paid to participants in the District were $68.8 million in 2019. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2020 is $90.0 million. Our allocated share of these pension contributions is expected to be $12.6 million. The amount contributed, the expense recognized, and the timing of those contributions and expenses are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

We also participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits.

Pension Restoration Plan Information

(in thousands)

As of December 31		2019		2018		2017
Our unfunded liability	**$**	**8,551**	$	8,586	$	8,689

For the year ended December 31		2019		2018		2017
Our allocated share of plan expenses	**$**	**1,006**	$	997	$	578
Our cash contributions		**1,393**		1,036		--

The nonqualified plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. The recognition of the unfunded liability includes the impact of prior service cost and unamortized gain/loss. The increase in the liability was offset against accumulated other comprehensive loss and had no impact to net income. The amount of the pension benefits funding status is subject to many variables including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to its participants in the plan. Our allocated share of the components of net periodic benefit cost other than the service cost component, are included in other operating expense in the Consolidated Statements of Comprehensive Income. Service costs related to the plan are included in salaries and employee benefits in the Consolidated Statements of Comprehensive Income. The Pension Restoration Plan is unfunded, and we make annual contributions to fund benefits paid to our retirees covered by the plan. Prior to 2019, we had a Rabbi Trust to fund our future liability under this plan. The funds in the Rabbi Trust were used in 2019 to pay benefits under the Pension Restoration Plan. Going forward, our cash contributions will be equal to the benefits paid.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status.

Retiree Medical Plan Information

(in thousands)

For the year ended December 31		2019		2018		2017
Postretirement benefit expense (income)	**$**	**18**	$	(28)	$	173
Our cash contributions		**219**		207		180

The 2018 postretirement benefit income was due to an actuarial gain. Postretirement benefit expense (income) is included in salaries and employee benefits in the Consolidated Statements of Comprehensive Income. Our cash contributions are equal to the benefits paid.

Defined Contribution Plans

We participate in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the defined contribution plan if it were not for certain IRS limitations.

Employer contribution expenses for the defined contribution plan, included in salaries and employee benefits in the Consolidated Statements of Comprehensive Income, were $3.2 million, $2.8 million, and $2.4 million in 2019, 2018, and 2017, respectively. These expenses were equal to our cash contributions for each year.

NOTE 10: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations 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. In our opinion, none of these loans outstanding at December 31, 2019, involved more than a normal risk of collectability.

Related Party Loans Information

(in thousands)

As of December 31		2019		2018		2017
Total related party loans	**$**	**40,947**	$	42,229	$	37,141
For the year ended December 31		**2019**		2018		2017
Advances to related parties	**$**	**39,273**	$	30,636	$	21,566
Repayments by related parties		**38,911**		23,360		17,479

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. Advances and repayments on loans and leases in the preceding chart are related to those considered related parties at year end.

As discussed in Note 6, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio. All interest expense, as shown on the Consolidated Statements of Comprehensive Income, was paid to AgriBank.

Total patronage received from AgriBank was $45.2 million, $40.7 million, and $34.0 million in 2019, 2018, and 2017, respectively. Patronage income for 2019 was paid in cash and AgriBank stock. Patronage income for 2018 and 2017 was paid in cash.

In addition, we received compensation from AgriBank for servicing loans of $0.6 million in 2019, 2018, and 2017.

Refer to Note 3 for information on participations sold to AgriBank and Note 4 for stock investment in AgriBank information.

Our customer relationship, reporting, internet, network, security, loan accounting, loan origination, online banking, mobile banking, and general ledger systems are provided by Farm Credit Financial Partners, Inc. (FPI), a System service corporation, which provides technology and other operational services to its owners. As part of this ownership, we had an equity investment in FPI of $3.4 million, $4.0 million, and $4.8 million as of December 31, 2019, 2018, and 2017, respectively. The total cost of services we purchased from FPI was $10.5 million, $13.4 million, and $11.6 million in 2019, 2018, and 2017, respectively.

We purchase various services from AgriBank and SunStream Business Services, a division of AgriBank. The services include financial reporting services, tax reporting services, technology services, and insurance services. The total cost of services we purchased from AgriBank was $0.5 million, $0.5 million, and $0.8 million in 2019, 2018, and 2017, respectively.

We also purchase human resource information systems, and benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). As of December 31, 2019, 2018, and 2017, our investment in Foundations was $0.1 million. The total cost of services purchased from Foundations was $0.5 million, $0.5 million, and $0.4 million in 2019, 2018, and 2017, respectively.

NOTE 11: CONTINGENCIES AND COMMITMENTS

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

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

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk that may be recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2019, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $2.5 billion. Additionally, we had $37.3 million of issued standby letters of credit as of December 31, 2019.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses, and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers, and we apply the same credit policies. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

We are among the limited partners in RBICs. Refer to Note 5 for additional discussion regarding this commitment.

NOTE 12: 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 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 December 31, 2019, 2018, or 2017.

Non-Recurring

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

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)

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

As of December 31, 2018	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 8,339	$ 8,339
Other property owned	--	--	285	285

As of December 31, 2017	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 1,640	$ 1,640
Other property owned	--	--	120	120

Valuation Techniques

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

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

NOTE 13: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 2, 2020, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2019 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

AgCountry Farm Credit Services, ACA
(Unaudited)

Description of Business

General information regarding the Association 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 section of this Annual Report.

Description of Property

Property Information

Location	Description	Usage
Ada, MN	Owned	Branch
Alexandria, MN	Owned	Branch
Antigo, WI	Owned	Branch
Cavalier, ND	Owned	Branch
Cooperstown, ND	Leased	Branch
Crookston, MN	Owned	Branch
Detroit Lakes, MN	Owned	Branch
Devils Lake, ND	Owned	Branch
Elbow Lake, MN	Owned	Branch
Fargo, ND	Owned	Headquarters/Branch
Fergus Falls, MN	Owned	Branch
Fosston, MN	Owned	Branch
Graceville, MN	Owned	Branch
Grafton, ND	Owned	Branch
Grand Forks, ND	Owned	Branch
Hallock, MN	Owned	Branch
Hillsboro, ND	Owned	Branch
Jamestown, ND	Owned	Branch
LaMoure, ND	Owned	Branch
Langdon, ND	Owned	Branch
Lisbon, ND	Owned	Branch
Litchfield, MN	Leased	Branch
Madison, MN	Owned	Branch
Marshall, MN	Owned	Branch
Marshfield, WI	Owned	Branch
Medford, WI	Owned	Branch
Morris, MN	Owned	Branch
Olivia, MN	Owned	Branch
Redwood Falls, MN	Owned	Branch
Roseau, MN	Owned	Branch
St. Louis Park, MN	Leased	AgCountry CFG
Stevens Point, WI	Owned	Branch
Thief River Falls, MN	Leased	Branch
Thorp, WI	Owned	Branch
Valley City, ND	Owned	Branch
Wahpeton, ND	Owned	Branch
Warren, MN	Owned	Branch
Wausau, WI	Owned	Branch
Willmar, MN	Owned	Branch

Legal Proceedings

Information regarding legal proceedings is discussed in Notes 11 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2019.

Additional Regulatory Capital Disclosure

Regulatory Capital Ratios Pursuant to FCA Regulation 620.5

As of December 31	2014	2013	2012
Permanent capital ratio	16.2%	15.8%	16.6%
Total surplus ratio	16.0%	15.7%	16.4%
Core surplus ratio	16.0%	15.7%	16.4%

Refer to the Consolidated Five-Year Summary of Selected Financial Data at the beginning of this Annual Report for capital ratio calculations for the past five years.

Description of Capital Structure

Information regarding our capital structure is discussed in Note 7 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is discussed in Notes 6, 7, 8, 9, and 11 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

Selected Financial Data

The Consolidated Five-Year Summary of Selected Financial Data is presented at the beginning of this Annual Report.

Management's Discussion and Analysis

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the Management's Discussion and Analysis section of this Annual Report.

Board of Directors

Our Board of Directors is organized into the following committees to carry out Board responsibilities:

- The **Audit Committee** fulfills oversight responsibilities in relation to the quality of financial reporting and internal controls including those relating to accounting and reporting practices of the Association; those relating to the internal and external auditor; and to serve as an independent and objective party to review the financial information presented by management to shareholders, regulators, and the general public. The Committee also oversees the adequacy of management's actions with respect to recommendations arising from auditing activities.

- The **Human Resources and Compensation Committee** assists the Board of Directors in fulfilling its responsibilities concerning evaluation, development, and compensation of the CEO. The Committee reviews and approves the overall compensation policy and programs for senior officers and reviews compensation programs for all other Association employees. The Committee also provides overall direction and/or recommendations concerning benefit programs and other human resource areas.

- The **Governance and Strategy Committee** addresses corporate governance issues and continuing efforts to strengthen and renew the Board and provides oversight of long-term strategy direction. The Committee assists the Board of Directors in fulfilling its fiduciary responsibilities relating to the director nomination and election process, membership representation, Board of Directors education and development, policies, bylaws, and standards of conduct/ethics development and review. Committee members also identify, attract, and recommend appointed director candidates as openings occur. The Committee also assists the Board of Directors in fulfilling its oversight responsibilities relating to long-term strategy and strategic direction for the Association, including risk and opportunities relating to such strategy and its alignment with the mission of the Farm Credit System.

Board of Directors as of December 31, 2019, including business experience during the last five years

Name	Term	Principal occupation and other business affiliations
Edward Hegland Chair of the Board	July 2017 - 2020	**Principal occupation:** Self-employed grain farmer
Greg Sabolik Vice Chairperson of the Board	2017 - 2021	**Principal occupation:** Self-employed grain and dairy farmer President: Bred and Butter Dairy Vice President: Sabolik Brothers, a grain farm
Leif Aakre	2019 - 2023	**Principal occupation:** Self-employed grain farmer
Suzanne Allen Appointed Director Financial Expert	2019-2023	**Principal occupation:** CFO of Unity Holdings, Inc., a holding company (May 2019-Present) CFO of Compudyne, a technology company (September 2016-May 2019) VP and Treasurer of Otter Tail Corporation, a diversified publicly traded company (June 2016-August 2016; May 2015-January 2016) VP Finance and Accounting of TO Plastics, Thermoformed Products and Packaging Solutions Company (February 2016-May 2016) VP Finance and Accounting of Avenia Inc, an electrical construction company (September 2013-May 2015) **Other affiliations:** Director: Coffee House Press, a publishing company
Justin Dagen	2018 - 2022	**Principal occupation:** Self-employed grain and sugar beet farmer **Other affiliations:** Board Chair: Karlstad Farmers Elevator, grain marketing
Kurt Elliott	2016 - 2020	**Principal occupation:** Self-employed grain and livestock farmer **Other affiliations:** Commissioner: Traill County Commission, a political subdivision Director: Lake Agassiz Regional Development Board, a nonprofit economic development organization
Mark Ellison	2016 - 2020	**Principal occupation:** Self-employed grain farmer President: Ellison Farm, Inc. General Partner: Ellison Farm Ltd. Partnership **Other affiliations:** Director: Farm Credit Council, the national trade association of the Farm Credit System Director: FCC Services, Inc., an education and insurance company
Scott Gerbig	2017 - 2021	**Principal occupation:** Self-employed dairy farmer
Jack Hansen Appointed Director Financial Expert	2016 - 2020	**Principal occupation:** Retired Prior to retirement he was the President and CEO of Norwest Bank in Hillsboro, ND
James Jarvis	2019 - 2023	**Principal occupation:** Self-employed grain, timber, and hay farmer Manager of a seasonal vegetable plant distribution and sales operation Owner of a campground **Other affiliations:** Board Member: Waushara County Human Services, a county department that provides human services to local residents Board Member: Waushara County Farm Bureau Board, an agricultural organization Committee Member: Mt. Morris Township Land Use Committee, a political subdivision
Michael Long	2017 - 2021	**Principal occupation:** Self-employed grain and livestock farmer
Greg Nelson	2018 - 2022	**Principal occupation:** Self-employed grain farmer

Name	Term	Principal occupation and other business affiliations
William Oemichen Appointed Director	2017 - 2021	**Principal occupation:** Senior Research Fellow in Food Systems Security and Preparedness, University of Wisconsin-Madison (2018-present) Governance Consultant to Alberta Community and Cooperative Association and British Columbia Co-op Association (2018-present) Director, Office of Preparedness & Emergency Health Care, Wisconsin Department of Health Services (2016-2017) President and CEO, Cooperative Network (2001-2015) **Other affiliations:** Treasurer: Group Health Cooperative of South Central Wisconsin, a health care insurance company Board of Trustees Chair: $5.7 billion Wisconsin College Savings Program state 529 Board Chair: Slipstream, formerly SeventhWave, an energy conservation company Board Member: FCC Services, Inc., an education and insurance company Board Member: U.S. Selective Service Board for Wisconsin Board Member: New Glarus Board of Education Principal: Jahn Research Group
Lynn Pietig	2019 - 2023	**Principal occupation:** Owner of Pietig Book-Works, an accounting and tax practice Self-employed grain and livestock farmer **Other affiliations:** Treasurer: Morgan Memorial Foundation Inc., a nursing home and assisted living facility
Bradley Sunderland	July 2017 - 2020	**Principal occupation:** Self-employed grain and livestock farmer **Other affiliations:** Director: Hanley Falls Cooperative Elevator, a feed, grain and seed cooperative
Mary Kay Van Der Geest	2018 - 2022	**Principal occupation:** Advisor of Van Der Geest Dairy Cattle, a dairy and cropping farming operation **Other affiliations:** Advisor of Van Der Geest Maine Dairy Inc, a dairy farming operation Advisor of Van Der Geest Dairy Sales, a cattle sales organization
Dale Zahradka	2018 - 2022	**Principal occupation:** Self-employed grain farmer
Michael Zenker	2019 - 2023	**Principal occupation:** Self-employed grain farmer Seed dealer

Pursuant to our bylaws, directors are paid for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for expenses incurred in connection with such meetings or assignments. In 2019, each director received an annual base retainer of $37,200. In addition, the Board Chairperson received an additional $7,800, the Vice Chairperson and the Audit Committee Chairperson received an additional $4,800, the Human Resources and Compensation Committee Chairperson and Governance Committee Chairperson received an additional $2,800, and each Audit Committee member, other than the Chairperson, received an additional $1,300. All retainer fees were paid monthly. All directors also received travel time compensation of $0.50 per mile for regular meetings.

Information regarding compensation paid to each director who served during 2019 follows:

	Number of Days Served				
Name	Board Meetings	Other Official Activities	On a Committee	Name of Committee	Total Compensation Earned in 2019
Leif Aakre	11.50	19.50	1.50	Governance	$ 45,358
Suzanne Allen	11.50	9.25	4.00	Audit	39,386
Justin Dagen	11.50	14.75	3.00	Audit	39,900
Kurt Elliott	11.50	23.75	4.00	Audit	49,179
Mark Ellison	11.50	20.75	2.50	Compensation	43,824
Scott Gerbig	11.50	5.25	1.50	Governance	40,593
Jack Hansen	11.50	11.50	4.00	Audit	42,000
Edward Hegland	10.50	19.00	1.50	Governance	47,195
James Jarvis	11.50	13.25	2.50	Compensation	41,510
Michael Long	11.50	17.75	4.00	Audit	39,976
Greg Nelson	11.50	9.00	1.50	Governance	38,375
William Oemichen	11.50	11.00	2.50	Compensation	43,724
Lynn Pietig	11.50	11.50	3.75	Audit	40,827
Greg Sabolik	11.50	13.00	1.50	Governance	38,930
Bradley Sunderland	11.50	15.75	4.00	Audit	40,488
Mary Kay Van Der Geest	11.50	8.25	2.50	Compensation	40,797
Dale Zahradka	11.50	8.25	1.50	Governance	41,187
Michael Zenker	10.50	13.25	2.50	Compensation	38,517
					$ 751,766

Senior Officers

Senior Officers as of December 31, 2019, business experience during the last five years is as follows

Name and Position	Business experience and other business affiliations
Marcus L. Knisely Chief Executive Officer	**Business experience:** Association Chief Executive Officer since 1998 **Other business interests:** Board Chairperson of Farm Credit Financial Partners, Inc., a related entity discussed on page 11 Board member of Minnesota AgriGrowth Council, a non-profit organization representing the agriculture and food systems industry
Brian S. McKay Chief Financial Officer	**Business experience:** Chief Financial Officer from April 2019 to present Chief Financial Officer-Elect from October 2018 to March 2019 SVP Controller from July 2017 to September 2018 VP Controller from October 2013 to June 2017
Kim Zeltinger Chief Credit Officer	**Business experience:** Chief Credit Officer from August 2018 to present Chief Credit Officer-Elect from June 2018 to July 2018 SVP of Credit from July 2017 to May 2018 VP of Credit from January 1999 to June 2017
Mark Rehovsky Chief Marketplace Officer	**Business experience:** Chief Marketplace Officer from March 2012 to present
Jeffrey A. Schmidt Chief Risk Officer	**Business experience:** Chief Risk Officer from August 2018 to present SVP Credit from July 2017 to July 2018 Chief Credit Officer, United FCS from July 2008 to June 2017

Name and Position	Business experience and other business affiliations
Randy Aberle EVP Agribusiness and Capital Markets	**Business experience:** EVP Agribusiness and Capital Markets from November 2011 to present **Other business affiliations:** Board Chairperson for ProPartners Financial, a related alliance discussed on page 10
Jessica Fyre EVP General Counsel	**Business experience:** EVP General Counsel from July 2013 to present
Howard Olson SVP Government and Public Affairs	**Business experience:** SVP Government and Public Affairs from January 2020 to present SVP Insurance and Communications from August 2016 to December 2019 SVP Financial Services from January 2007 to July 2016 **Other business affiliations:** Secretary for ULTRA Snowmobile Club Board of Directors, a club serving snowmobile enthusiasts in Becker County, Minnesota
Jeni Strand EVP Human Resources	**Business experience:** EVP Human Resources from July 2017 to present VP Human Resources from January 2008 to June 2017
Becky Thibert EVP Strategic Technology	**Business experience:** EVP Strategic Technology from July 2017 to present VP Strategic Technology from June 2014 to June 2017

Senior Officer Compensation

Compensation Risk Management: We believe the design and governance of our CEO and senior officer compensation program is consistent with and promotes the accomplishment of our key business objective of ensuring sound risk management for the benefit of our shareholders. The philosophy underlying our program is to provide a total compensation package that attracts and retains highly qualified senior officers who are incented to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. The Human Resources and Compensation Committee of the Board of Directors has established a compensation program that focuses on achieving both annual and long-term business results that are consistent with the best interests of our shareholders. The design of our senior officer compensation program supports our goals through a set of checks and balances, including (1) a balanced mix of base and variable pay, (2) a balanced mix of short-term and long-term incentives, (3) a balanced use of financial, credit, and marketplace performance measures that are risk-adjusted where appropriate, and (4) individual pay awards based on results. The program is further designed to (1) reward successful business year results through annual short-term incentives, (2) foster the advancement of strategic business plans and goals and long-term financial growth and stability through the long-term incentives; and (3) contribute to the retention of the CEO and senior officers.

Elements of Compensation: The CEO and senior officers are compensated with salary and variable pay in the form of direct cash, short-term incentives, long-term incentives, as well as retirement plans generally available to all employees. The variable pay and retirement plans are not available to part-time employees working less than an average of 20 hours per week. Our Board of Directors determines the appropriate balance of base salary, short-term incentives, and long-term incentives, which are intended to be competitive.

Base Salary: The CEO and senior officer base salaries reflect the market, individual performance results, officer's experience, and level of responsibility. Association performance relative to objectives established in the annual business plan is reflected in base salary adjustments, varying consistent with the responsibility of each position. The CEO and each senior officer are compensated consistent with achievement of individual and Association key business objectives. The base salary for the CEO is approved by our Board of Directors and the base salaries for other senior officers are approved by the CEO subject to the terms of the compensation program approved by the Human Resources and Compensation Committee of the Board of Directors. Salaries are also subject to adjustment based on changes in responsibilities and/or competitive market conditions.

Long-term Incentives: Starting in 2019, certain senior officers, including the CEO, are eligible to receive long-term incentive compensation through a Long-term Incentive Plan. The Long-term Incentive Plan defers payment of compensation during a three year plan cycle. The payout of the long-term incentive award occurs at the end of the three year plan cycle and is conditioned upon successful performance of the participant(s) and the Association exceeding the threshold of plan performance metrics. The performance metrics align with long-term performance objectives and goals and are established by the AgCountry Board Human Resources and Compensation Committee and approved by the Board of Directors. Plan participation is contingent on signing a non-solicitation and non-disclosure agreement.

Short-term Incentives: The CEO and senior officer incentives are paid annually based on performance criteria established by our Board of Directors. The criteria related to the overall Association performance provides a balanced approach that includes: pre-tax net income, efficiency ratio, credit administration rating, and marketplace measured by average daily balance change for loans. Additionally, criteria related to personal performance include attainment of personal objectives and individual performance ratings. The CEO and senior officer short-term incentive is based 70% on the overall Association performance and 30% on individual performance measures. The Board of Directors establishes the CEO's individual performance measures and ratings. The CEO establishes the senior officers performance measures and ratings. Incentives are calculated after the end of the plan year (the plan year is the calendar year) and are paid within 90 days of year end. In addition, any employee who achieves performance levels above and beyond the criteria in the short-term incentive plan may be awarded an additional bonus as approved by their supervisor, the EVP Human Resources, and the CEO, or by the Board of Directors if the bonus is for the CEO.

Retirement Plans: We have various post-employment benefit plans, which are generally available to all Association employees, including the CEO and senior officers, based on dates of service to the Association and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Notes 2 and 9 of this Annual Report.

Other Components of Compensation: Additionally, compensation associated with any company-paid vehicles, group term life insurance premiums, disability insurance premiums, years of service awards for retirees, or other taxable reimbursements may be made available to the CEO and senior officers based on job criteria or similar plans available to all employees.

Compensation to the CEO and Senior Officers

(in thousands) Name	Year		Salary		Variable Pay		Deferred/ Perquisites		Other		Total
Marcus L. Knisely, CEO	**2019**	**$**	**650**	**$**	**415**	**$**	**71**	**$**	**1,494**	**$**	**2,630**
Marcus L. Knisely, CEO	2018		625		363		7		444		1,439
Robert C. Bahl, CEO*	2017		638		363		22		3,278		4,301
Aggregate Number of Senior Officers, excluding CEO											
Ten**	**2019**	**$**	**2,299**	**$**	**898**	**$**	**21**	**$**	**5,180**	**$**	**8,398**
Eleven***	2018		2,393		878		25		1,512		4,808
Ten****	2017		2,148		1,150		29		3,585		6,912

*Robert C. Bahl retired effective December 31, 2017 and Marcus L. Knisely became Chief Executive Officer effective January 1, 2018. Compensation for 2017 was updated from the 2017 annual report to include a final retention payment paid in 2018.

**Includes 1 Senior Officer that retired in August, 2019.

***Includes 1 Senior Officer that retired and 2 new Senior Officers in 2018.

****Includes compensation for 2 former United employees that became Senior Officers for AgCountry as of July 1, 2017.

Members may request information on the compensation to the individuals included in the preceding table during 2019.

The amount in the "Other" category in the preceding table primarily includes:

- Employer match on defined contribution plans available to all employees.
- Changes in the value of pension benefits. The change in value of the pension benefits is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Pension Plan and the Pension Restoration Plan as disclosed in Note 9 to the Consolidated Financial Statements in this Annual Report. This change in value does not represent cash payments made by the Association during the year, but rather is an estimate of the change in the Association's future obligations under the pension plans. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.
- Amounts related to retention, retirement, and relocation for Senior Officers.

No tax reimbursements are made to the CEO and senior officers.

The value of the pension benefits increased from December 31, 2018, to December 31, 2019, primarily due to the decrease in interest rates year over year. The value of the pension benefits was also impacted to a lesser extent by the accumulation of an additional year of credited service by plan participants and updates to actuarial assumptions.

Pension Benefits Attributable to the CEO and Senior Officers

(dollars in thousands) **2019** Name	Plan	Years of Credited Service		Present Value of Accumulated Benefits		Payments Made During the Reporting Period
Marcus L. Knisely, CEO	AgriBank District Retirement Plan	**41.4**	**$**	**3,276**	**$**	**--**
	AgriBank District Pension Restoration Plan	**41.4**		**3,191**		**--**
Aggregate Number of Senior Officers, excluding CEO						
Seven	AgriBank District Retirement Plan	**31.9**	**$**	**14,688**	**$**	**68**
Three	AgriBank District Pension Restoration Plan	**38.5**		**1,077**		**--**

Senior officers in the above table includes those who retired during the year.

The change in composition of the aggregate senior officers can have a significant impact on the calculation of the accumulated pension benefits.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Employees starting employment with the AgriBank District after that date are not eligible to be in the plan.

The AgriBank District Pension Restoration Plan restores retirement benefits to certain highly compensated employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. Not all senior officers are eligible to participate in this plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is discussed in Note 10 to the Consolidated Financial Statements in this Annual Report.

Travel, Subsistence, and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

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

The total directors' travel, subsistence, and other related expenses were $0.3 million, $0.4 million, and $0.2 million in 2019, 2018, and 2017, respectively.

Involvement in Certain Legal Proceedings

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2020, or at any time during 2019.

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

Relationship with Qualified Public Accountant

There were no changes in independent auditors since the last Annual Report to members, and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2019 were $0.3 million. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses incurred for travel. In addition, we incurred $7,000 for tax services and $3,000 for non-audit services related to accounting for customer stock.

Financial Statements

The Report of Management, Report on Internal Control over Financial Reporting, Report of Audit Committee, Report of Independent Auditors, Consolidated Financial Statements, and Notes to Consolidated Financial Statements are presented prior to this portion of the Consolidated Financial Statements in this Annual Report.

Our Commitment to Serving Young, Beginning, and Small Farmers and Ranchers

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is discussed in an addendum to this Annual Report.

Our Commitment to Serving Young, Beginning and Small Farmers

(Unaudited)

Serving our young, beginning and small farmer customers is a priority at AgCountry.

Young, Beginning and Small Farmers Defined

Young Farmer: A farmer or rancher who is 35 years of age or less as of the loan transaction date.

Beginning Farmer: A farmer or rancher who has 10 years or less of farming or ranching experience as of the loan transaction date.

Small Farmer: A farmer or rancher who normally generates less than $250,000 in annual gross sales of agricultural products.

Our Mission for Serving Young, Beginning and Small Farmers

Our mission is to serve agriculture and rural America.

For young, beginning farmers, this means…
We support the successful entry of young and beginning farmers into production agriculture through specialized credit underwriting, educational/informational programs and other activities.

For small farmers, this means…
We provide convenient, easy and cost-effective access to our products and services at competitive prices.

Our Objectives for Serving Young, Beginning Farmers

1. To identify individuals with the personal management skills and drive to build a full-scale, full-time operation.

2. To apply alternative credit standards to the young, beginning farmer market segment, invest the specialized skills of our staff in serving this segment and provide subsidies for interest rates and financial services.

3. To closely monitor the business transition plans of our young, beginning farmers with growing and larger operations to ensure that from a customer value, service and monitoring standpoint, we are positioned with the next generation of owner/operators.

Our Progress in Achieving These Objectives

AgCountry markets to young and beginning farmer prospects. We monitor the farm business transition plans of customers and prospects including offering Succession and Retirement Planning consulting. Customer information for underwriting is streamlined and often relies on credit scoring tools. Our young and beginning credit underwriting allows exceptions to established underwriting standards, provides for defined interest rate pricing exceptions and subsidies on eligible financial services. Scholarships and numerous educational opportunities are also provided.

Our Objectives for Serving Small Farmers

1. To establish small farmer delivery and processing systems that are streamlined and efficient using technology and branch offices to achieve cost-effective access and competitive prices.

2. To pursue decision-making methodology that streamlines the credit process, along with processes that maximize disbursement and payment alternatives (such as revolving loans, scorecards, online loan applications, purchase or debit cards and online banking).

3. To identify customers within the small farmer segment that have the capacity and the goal to become a larger farm operation and provide them with more loan officer and financial services interaction that brings us closer to the people-intensive portion of our value proposition provided for larger, full-scale farm operations.

Our Progress in Achieving these Objectives

AgCountry has 37 offices to serve this segment as well as access through dealer retail financing. Customer information for underwriting is streamlined and often relies on credit scoring tools. All financial services are made available and we provide additional support to those units with a business expansion strategy.

Quantitative Goals and Status -
Annual, Three-Year, and Actual

Goal: 25% of producer loan customers will be coded young or beginning.

Status: Annual: 25%
Three-Year: 25%
Actual: 26.6%

Goal: 25% of all producer relationships will be young or beginning.

Status: Annual: 25%
Three-Year: 25%
Actual: 22.6%

Goal: YBSF volume will remain above 35% of ongoing producer credit branch operations volume.

Status: Annual: 35%
Three-Year: 35%
Actual: 33.1%

Goal: Educational/informational opportunities provided to YBFs annually.

Status: Annual: 350
Three-Year: reduces to 300 in year three
Actual: 420

Goal: The YBF portfolio will be maintained at or above 85% acceptable credit quality. The small farmer portfolio will be maintained at or above 94% acceptable credit quality.

Status: Annual: 85% and 94%
Three-Year: 85% and 94%
Actual: Young and beginning: 97%
Small: 99.1%

Goal: 25% of our new loan volume will go to YBFs annually.

Status: Annual: 25%
Three-Year: 25%
Actual: 24.08%

Goal: Small farmer customer numbers will be greater than 50% of all producer loan relationships.

Status: Annual: 50%
Three-Year: 50%
Actual: 45.71%

Qualitative Goals and Status

Goal: The capacity to use Farm Service Agency (FSA) and state programs will be maintained as a tool for a YBF operator.

Status: FSA assisted in providing 33 new loans. Bank of North Dakota and Minnesota Rural Finance Authority were not utilized in 2019.

Goal: Succession and retirement/transition planning consultative services will be provided to young and beginning farmers.

Status: These services were provided to 108 young and beginning farmers.

Goal: AgCountry's full spectrum of financial services will be made available to young and beginning farmers.

Status:

Services	# Served
Tax	912
Farm Accounting	247
Succession & Retirement	108
Crop Insurance	763

Goal: Educational and informational opportunities will be provided to young and beginning farmers.

Status: The following educational and informational opportunities were provided to young and beginning farmers:

- Seminars on "MFP and the 2018 Farm Bill" and "Marketing Strategies: next year and beyond" were presented free-of-charge at the Big Iron Farm Show in September, along with a section of our display booth dedicated to YBF information and materials. 155 YBFs visited our booth.
- A marketing education workshop, "Navigating the Crosswinds of Agriculture" was held in January (114 YBFs attended).
- A presentation was given to 43 YBFs on February 20 at a YBF breakfast with a presentation by Jolene Brown.
- A Young Farmer Learning Conference on February 26 featuring Dr. David Kohl attracted a total of 26 YBFs.
- Marketing education meetings
- Risk & Opportunity Analysis meetings
- Multi peril and crop insurance consultations
- Succession & retirement planning meetings
- Farm accounting update meetings
- Pre-harvest meetings
- FSA Guarantee loan counseling sessions
- Marketing club presentations
- The AgCountry Young Farmer Advisory Committee, consisting of 10 YBF families, met in January and July to discuss challenges and opportunities for young farm families.

Goal: Focus group meetings will be held periodically with select groups of young and beginning or small farmers.

Status: Four meetings were held with 7 young, beginning or small farmers in attendance.

Goal: Financial and in-kind support will be provided to programs that foster the development of young farmers, such as 4H and FFA.

Status:

- More than $133,000 was donated to such programs, including 4H, FFA, Farm Management/Leadership Programs, Farm Safety camps and educational seminars offered through county Extension Service offices.
- 1,237 FFA handbooks and 465 official FFA manuals were distributed in our LSA.
- $11,286 in scholarships was awarded to YBF customers to attend the "Navigation the Crosswinds of Agriculture" marketing education workshop in January.
- $15,278 in scholarships was awarded to YBF customers to attend The Executive Program for Agricultural Producers (TEPAP) at Texas A&M University.
- $36,000 in scholarships was awarded to 36 high school seniors pursuing careers in agriculture and $9,000 to 9 college upperclassmen.
- Scholarships of $17,000 were awarded to 17 NDSU students in the Farm Credit Fellows program.

Goal: Information about special exceptions to credit standards, special pricing options and other services available to young and beginning farmers will be distributed through branch offices, trade shows and focus group meetings and our website.

Status: This continues to be accomplished.

Young, Beginning and Small Farmer Demographics in Our Service Area	Census 2017	AgCountry Producer Loan and Lease Portfolio
35 years of age or less	14.2%	22%
10 years or less of experience farming	24%	25.12%
Farms less than $250,000 Value Farm Sales	75.2%	45.71%

Data Differences:

- The age and farmer experience is as of the date of the ag census, while AgCountry compiled as of the date the loan was made.
- Small farmers is by farm entity from the ag census data, while AgCountry data is compiled as of the date of the loan and the total value of sales of closely related entities rather than individual entities.
- Census data reflects all farms whether they use debt or not. The Census reflects only 46.4% of farms have debt.
- Of the farms reporting to the Census report, 42.3% of the farms had sales less than $10,000.

Safety and Soundness of the Program:

Goals are established for loan quality of these customer segments. The association is well above these goals at this time. The Starting Gate program, which is a subset of the young and beginning farmer program, also limits the size of individual transactions and an overall dollar amount available for this program because of the increased risk.

Contact Us:

In the office, online or on your farm, our teams of specialists are ready to help you.

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In the 2019 Annual Report we are revisiting some of our all-time favorite photos submitted by AgCountry customers in the annual photo calendar contest.

AgCountry® Farm Credit Services®