2020
Annual Report

Delta Agricultural Credit Association

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Delta Agricultural Credit Association

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Delta Agricultural Credit Association

(dollars in thousands)

As of December 31	**2020**	2019	2018	2017	2016
Statement of Condition Data					
Loans	**$ 40,507**	$ 42,477	$ 48,988	$ 49,709	$ 50,458
Allowance for loan losses	**76**	104	104	105	105
Net loans	**40,431**	42,373	48,884	49,604	50,353
Investment in AgriBank, FCB	**1,300**	1,300	1,196	1,196	1,196
Other assets	**1,733**	1,356	1,467	1,433	1,550
Total assets	**$ 43,464**	$ 45,029	$ 51,547	$ 52,233	$ 53,099
Obligations with maturities of one year or less	**$ 33,383**	$ 35,146	$ 41,976	$ 41,446	$ 43,144
Total liabilities	**33,383**	35,146	41,976	41,446	43,144
Protected members' equity	**7**	7	7	12	12
Capital stock and participation certificates	**150**	155	158	1,857	1,760
Unallocated surplus	**9,924**	9,721	9,406	8,918	8,183
Total members' equity	**10,081**	9,883	9,571	10,787	9,955
Total liabilities and members' equity	**$ 43,464**	$ 45,029	$ 51,547	$ 52,233	$ 53,099
For the year ended December 31	**2020**	2019	2018	2017	2016
Statement of Income Data					
Net interest income	**$ 1,650**	$ 1,622	$ 1,844	$ 1,929	$ 1,928
Provision for loan losses	**--**	--	--	--	5
Other expenses, net	**1,312**	1,207	1,186	1,113	987
Net income	**$ 338**	$ 415	$ 658	$ 816	$ 936
Key Financial Ratios					
For the Year					
Return on average assets	**0.7%**	0.8%	1.2%	1.5%	1.7%
Return on average members' equity	**3.4%**	4.2%	6.4%	7.8%	9.7%
Net interest income as a percentage of average earning assets	**3.7%**	3.3%	3.5%	3.6%	3.6%
Net charge-offs as a percentage of average loans	**0.1%**	--	0.0%	--	0.0%
At Year End					
Members' equity as a percentage of total assets	**23.2%**	21.9%	18.6%	20.7%	18.7%
Allowance for loan losses as a percentage of loans	**0.2%**	0.2%	0.2%	0.2%	0.2%
Capital ratios effective beginning January 1, 2017:					
Common equity tier 1 ratio	**26.8%**	24.8%	21.2%	20.0%	N/A
Tier 1 capital ratio	**26.8%**	24.8%	21.2%	20.0%	N/A
Total capital ratio	**27.0%**	25.1%	21.5%	20.3%	N/A
Permanent capital ratio	**27.3%**	25.2%	21.4%	24.3%	N/A
Tier 1 leverage ratio	**18.9%**	18.0%	15.1%	14.6%	N/A
Capital ratios effective prior to 2017:					
Permanent capital ratio	**N/A**	N/A	N/A	N/A	22.5%
Total surplus ratio	**N/A**	N/A	N/A	N/A	17.8%
Core surplus ratio	**N/A**	N/A	N/A	N/A	17.7%
Net Income Distributed					
For the Year					
Patronage distributions:					
Cash	**$ 100**	$ 170	$ 81	$ 140	$ 110

MANAGEMENT'S DISCUSSION AND ANALYSIS

Delta Agricultural Credit Association

The following commentary reviews the consolidated financial condition and consolidated results of operations of Delta Agricultural Credit Association (the Association) and its subsidiaries, Delta Agricultural Credit Association, FLCA and Delta Agricultural Credit Association, 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 federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2021, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 67 borrower-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 rural customers 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) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

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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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. The 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.

FORWARD-LOOKING INFORMATION

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

- Political (including trade and environmental policies), legal, regulatory, financial markets, and economic conditions and developments in the United States (U.S.) and abroad
- Length and severity of an epidemic or pandemic
- Economic fluctuations in the agricultural, international, rural and farm-related business sectors
- Weather-related, disease, and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry (including government support payments) and the System as a government-sponsored enterprise, as well as 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
- Industry outlooks for agricultural conditions
- Changes in interest rate indices utilized in our lending

COVID-19 PANDEMIC

The spread of COVID-19 has created a global public-health crisis that has stifled the world-wide economy, decreased liquidity in fixed income and equity markets, significantly increased unemployment levels and disrupted global supply and demand chains. Unprecedented actions are being taken by governments, businesses, and individuals to slow or contain the spread of COVID-19, including quarantines, stay-at-home orders, school closings, and travel bans that have substantially restricted daily activities and forced many businesses to curtail or cease operations. The impact of COVID-19 on companies is evolving rapidly and its future effects are uncertain.

The extent to which the COVID-19 pandemic impacts the Association will depend on future developments that are highly uncertain and cannot be predicted such as the duration, extent and severity of the pandemic, the continued response by the U.S. government, and how quickly "normal" daily activities resume.

Despite volatility and uncertainty in the market, we have weathered the significant initial challenges presented by the current operating environment and the operations of our Association are fully functioning. Our Association followed state directives to limit person-to-person contact by closing our lobby and allowing in person visits by appointment only.

This outbreak puts the economy and agriculture sector in uncharted territory. The overall impact of COVID-19 on U.S. agriculture will depend on the severity and duration of the outbreak. Overall, agriculture will adjust, providing an "essential service" to the U.S. and global consumer.

AGRICULTURAL AND ECONOMIC CONDITIONS

Delta ACA territory is located in rural southeast Arkansas. Crop production and poultry production are the primary agricultural enterprises that influence this association's portfolio. The major stress in our Farm Credit territory is in field crop enterprises, which has been mitigated significantly by the current Farm Bill, Coronavirus Food Assistance Program (CFAP) payments, and recent commodity price increases. The current Farm Bill will provide support for local crop enterprises.

Corn, rice and soybean prices have recently received a boost from market forces, which should help field crop enterprises. During fourth quarter, field crop commodities grown in this area experienced some increase in value. Most farmers had already pre-sold a portion of their crops and did not capture all of the benefits of the strong markets.

The crop land rents, which are primarily share rents, are stable. The predominant share is one quarter of all crops and government payments, or that equivalent, in cash rent. Although there is intermittent economic pressure in crop production, crop rents are still attractive to both land owners and investors (the majority of the farmland buyers).

Non-farm income has seen the greatest economic impact from the COVID-19 pandemic situation. A very small portion of our portfolio relies on non-farm income for repayment, and that portion has not significantly impacted our portfolio volumes.

Poultry production continues to show profitable margins; however, new grower contracts and new poultry facility construction have declined significantly from the peak seven years ago.

Beef cattle prices are adequate in comparison to the cost of production, and the prices provide for profitability for the average producer. Due to the loss of demand, pine timber pricing has returned to its weak position after temporarily increasing in early 2019.

Although most nation-wide commodities are being negatively affected by the current U.S. tariffs and COVID-19 pandemic pressures, the overall local field crops, livestock, poultry and timber economies remain sustainable. Given the cyclical nature of crop and poultry production, in addition to the continuously changing effects of the COVID-19 pandemic, our regional commerce has not weakened. Our Farm Credit Association is experiencing an acceptable economic environment at this time.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $40.5 million at December 31, 2020, a decrease of $2.0 million from December 31, 2019.

Components of Loans

(in thousands) As of December 31	**2020**	2019	2018
Accrual loans:			
Real estate mortgage	**$ 27,142**	$ 28,678	$ 32,181
Production and intermediate-term	**13,365**	13,776	16,754
Agribusiness	**--**	23	53
Total loans	**$ 40,507**	$ 42,477	$ 48,988

The decrease in total loans from December 31, 2019, was primarily due to lower real estate mortgage volume than 2019 as a result of annual repayments and minimal new growth. In addition, our production and intermediate-term loan volume is lower than 2019 due to annual repayments prior to December 31, 2020.

We offer variable, fixed, and adjustable interest rate loan programs 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 certain counties in Arkansas. Approximately 96.8% of our total loan portfolio was in Drew, Ashley, Bradley, Desha, Chicot, and Lincoln counties at December 31, 2020.

Agricultural Concentrations

As of December 31	2020	2019	2018
Poultry and eggs	**40.0%**	40.9%	44.8%
Cash grains	**36.3%**	33.5%	33.2%
Farm supplies	**7.1%**	6.8%	6.3%
Forestry	**5.7%**	5.4%	5.1%
Beef	**5.4%**	6.4%	5.7%
Other	**5.5%**	7.0%	4.9%
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 borrower business decisions as a result of changes in weather, prices, input costs, and other circumstances.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2019. Adversely classified loans decreased to 1.3% of the portfolio at December 31, 2020, from 5.5% of the portfolio at December 31, 2019. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At December 31, 2020, $21.0 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands)

As of December 31	2020	2019	2018
Loans:			
Nonaccrual	**$ --**	$ --	$ --
Accruing restructured	**373**	320	353
Accruing loans 90 days or more past due	**--**	--	--
Total risk loans	**373**	320	353
Other property owned	**445**	--	--
Total risk assets	**$ 818**	$ 320	$ 353
Total risk loans as a percentage of total loans	**0.9%**	0.7%	0.7%
Nonaccrual loans as a percentage of total loans	**--**	--	--
Current nonaccrual loans as a percentage of total nonaccrual loans	**--**	--	--
Total delinquencies as a percentage of total loans	**0.2%**	--	--

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2019, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

Our other property owned increased from December 31, 2019, due to having a real estate loan that went to other property owned.

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	2020	2019	2018
Allowance as a percentage of:			
Loans	**0.2%**	0.2%	0.2%
Total risk loans	**20.4%**	32.5%	29.5%
Net charge-offs as a percentage of average loans	**0.1%**	--	0.0%
Adverse assets to capital and allowance for loan losses	**9.6%**	23.8%	13.5%

The decrease in our allowance for loan losses was due to one loan moving to other property owned. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2020.

Additional loan information is included in Notes 3, 9, 10, and 11 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31	**2020**	2019	2018
Net income	**$ 338**	$ 415	$ 658
Return on average assets	**0.7%**	0.8%	1.2%
Return on average members' equity	**3.4%**	4.2%	6.4%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income

	For the year ended December 31			Increase (decrease) in net income	
(in thousands)	**2020**	2019	2018	**2020 vs 2019**	2019 vs 2018
Net interest income	**$ 1,650**	$ 1,622	$ 1,844	**$ 28**	$ (222)
Non-interest income	**253**	266	283	**(13)**	(17)
Non-interest expense	**1,565**	1,471	1,469	**(94)**	(2)
Provision for income taxes	**--**	2	--	**2**	(2)
Net income	**$ 338**	$ 415	$ 658	**$ (77)**	$ (243)

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31	**2020 vs 2019**	2019 vs 2018
Changes in volume	**$ (135)**	$ (134)
Changes in interest rates	**165**	(88)
Changes in nonaccrual income and other	**(2)**	--
Net change	**$ 28**	$ (222)

Net interest income included a reversal of previously accrued interest on loans in nonaccrual status that totaled $2 thousand in 2020. There was no income on nonaccrual loans included in net interest income in 2019 or 2018. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered. See the Regulatory Matters section for discussion regarding revised criteria to reinstate nonaccrual loans to accrual status.

Net interest margin (net interest income as a percentage of average earning assets) was 3.7%, 3.3%, and 3.5% in 2020, 2019, and 2018, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Non-Interest Income

The change in non-interest income was primarily due to patronage income.

Patronage Income: We may 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	**2020**	2019	2018
Patronage from AgriBank	**$ 218**	$ 234	$ 243
Other patronage	**13**	5	4
Total patronage income	**$ 231**	$ 239	$ 247
Form of patronage distributions:			
Cash	**$ 231**	$ 134	$ 247
Stock	**--**	105	--
Total patronage income	**$ 231**	$ 239	$ 247

Patronage from AgriBank primarily includes wholesale patronage. All patronage payments are at the sole discretion of the AgriBank Board of Directors and are determined based on actual financial results, projections, and long-term capital goals.

Non-Interest Expense

Components of Non-interest Expense

(dollars in thousands)

For the year ended December 31	**2020**	2019	2018
Salaries and employee benefits	**$ 900**	$ 865	$ 909
Other operating expense:			
Purchased and vendor services	**489**	418	351
Communications	**16**	20	22
Occupancy and equipment	**28**	34	32
Advertising and promotion	**20**	26	31
Examination	**24**	23	22
Farm Credit System insurance	**20**	21	22
Other	**55**	64	80
Other non-interest expense	**13**	--	--
Total non-interest expense	**$ 1,565**	$ 1,471	$ 1,469
Operating rate	**3.5%**	3.0%	2.8%

Salaries and employee benefits expense increased primarily due to an increase in health insurance and pension expenses. In addition, purchased and vendor services increased due to higher consulting fees.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 5 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, 2020, we had $27.0 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 as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

Note Payable Information

(dollars in thousands)

For the year ended December 31	**2020**	2019	2018
Average balance	**$ 37,065**	$ 40,648	$ 44,360
Average interest rate	**1.9%**	2.8%	2.6%

Our average cost of funds is variable and may fluctuate based on the current interest rate environment.

In 2017, the United Kingdom's Financial Conduct Authority, which regulates the London Inter-bank Offer Rate (LIBOR), announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it is expected, but not certain, that LIBOR will no longer be quoted after 2021. In late 2020, ICE Benchmark Administration (IBA), the administrator of LIBOR, announced its intention to publish major USD LIBOR indexes through June 30, 2023. The FCA issued a response and guidance that the IBA proposal is not in any way intended to slow down the transition.

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 LIBOR, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. At this time, it remains uncertain when LIBOR will cease to be available or if the Secured Overnight Financing Rate (SOFR) will become the benchmark to replace LIBOR.

The Farm Credit System has established a LIBOR transition workgroup to provide leadership in addressing the LIBOR phase-out across System entities. In coordination with this group, we have developed a comprehensive project plan to address the issues surrounding a transition away from LIBOR. This plan is consistent with regulatory guidance from the FCA, and it incorporates actions to address risk identification and reporting, mitigation strategies, development or adoption of products utilizing alternative reference rates, operational and system impacts, a process for monitoring regulatory and industry developments, as well as communication to stakeholders. While many factors can impact our net interest income, we do not expect a significant impact due to the LIBOR transition at this time.

CAPITAL ADEQUACY

Total members' equity was $10.1 million, $9.9 million, and $9.6 million at December 31, 2020, 2019, and 2018, respectively. Total members' equity increased $198 thousand from December 31, 2019, primarily due to net income for the year partially offset by patronage distribution accruals.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage.

Regulatory Capital Requirements and Ratios

As of December 31	**2020**	2019	2018	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**26.8%**	24.8%	21.2%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**26.8%**	24.8%	21.2%	6.0%	2.5%	8.5%
Total capital ratio	**27.0%**	25.1%	21.5%	8.0%	2.5%	10.5%
Permanent capital ratio	**27.3%**	25.2%	21.4%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**18.9%**	18.0%	15.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.7%**	17.7%	14.8%	1.5%	N/A	1.5%

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

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional discussion of regulatory ratios and members' equity information is included in Note 6 to the accompanying Consolidated Financial Statements and off-balance sheet commitments are discussed in Note 10 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum common equity tier 1 (CET1) target. 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 is 10.0%, as defined in our 2021 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 2021.

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 5 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 bank profit
- A risk premium component, if applicable

We were subject to a risk premium totaling 8 basis points in the second quarter of 2020 and 6 basis points in the third quarter of 2020 triggered by declines in our risk score. Our risk score subsequently improved such that we were able to earn back the risk premium charge. We were not subject to a risk premium in the first and fourth quarters of 2020 or at any point in 2019. We were subject to a 3 basis points risk premium in 2018.

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 with approval by AgriBank's Asset/Liability Committee.

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. As of December 31, 2020, we were required by AgriBank to maintain an investment equal to 2.5% 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.

Patronage

AgriBank's 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 AgriBank stock, which is at the sole discretion of the AgriBank Board of Directors. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

Purchased Services

As of December 31, 2020, we purchased certain business services from AgriBank. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, and insurance services from AgriBank. These services are now offered by SunStream. For further discussion on our relationship with SunStream see the Other Relationships and Programs section. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

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

CentRic Technology Collaboration: We participate in CentRic Technology Collaboration (CTC) with certain other AgriBank District associations. The CTC facilitates the development and maintenance of certain retail technology systems essential to providing credit and other services to our members. The CTC operations are governed by representatives of each participating association. The expenses of CTC are allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

SunStream Business Services: We have a relationship with SunStream, which involves purchasing financial and retail systems, financial reporting services, technology services, and insurance services. SunStream was a division of AgriBank prior to April 1, 2020, when SunStream formed a separate System service corporation, of which we are a partial owner. Our entire investment in SunStream was called on April 1, 2020, at which time $8 thousand was paid in cash and the remainder was paid in January 2021. As of December 31, 2020, our investment in SunStream was $15 thousand. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2020, 2019, and 2018, our investment in Foundations was $7 thousand. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Governance

The Board of Directors (the Board) of the Association is pursuing various strategic initiatives, which may impact our structure. The Board has been in discussions with AgriBank regarding these opportunities and has retained counsel to advise the Association on these matters and to represent the Association in its interactions with AgriBank, the FCA, and potential partners.

REGULATORY MATTERS

Criteria to Reinstate Nonaccrual Loans

The FCA Board approved a final rule to revise how high-risk loans for System banks and associations are classified by clarifying the factors used to place loans in nonaccrual status and revising reinstatement criteria, which became effective October 21, 2020. The stated objectives of the revised requirements are to:

- Enhance the usefulness of high-risk loan categories
- Replace the subjective measure of "reasonable doubt" used for reinstating loans to accrual status with a measurable standard
- Improve the timely recognition of a change in a loan's status
- Update existing terminology and make other grammatical changes

Investment Securities Eligibility

The FCA Board approved a final rule to amend the investment eligibility regulation. The final rule became effective December 4, 2020, and allows associations to purchase portions of loans in the secondary market that are fully and unconditionally guaranteed by the United States Department of Agriculture. We currently do not have investment securities on our Consolidated Statements of Condition.

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

REPORT OF MANAGEMENT

Delta Agricultural Credit Association

We prepare the Consolidated Financial Statements of Delta Agricultural Credit Association (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. They also consider internal controls to the extent necessary to design audit procedures that comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee 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.

Mike Norris

Mike Norris
Chairperson of the Board
Delta Agricultural Credit Association

Mark Kaufman

Mark W. Kaufman
Chief Executive Officer
Delta Agricultural Credit Association

Mary Ann Johnson

Mary Ann Johnson
Chief Financial Officer
Delta Agricultural Credit Association

March 9, 2021

REPORT OF AUDIT COMMITTEE

Delta Agricultural Credit Association

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of the entire Board of Directors of Delta Agricultural Credit Association (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 internal controls and the preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2020, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by 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, 2020.

Mike Norris

Mike Norris
Chairperson of the Audit Committee
Delta Agricultural Credit Association

Members of the Audit Committee are:
Bruce Bond
C. Randall Cox
Lathan Hairston
Joe Mencer
John Mitchell

March 9, 2021

Report of Independent Auditors

To the Board of Directors of Delta Agricultural Credit Association,

We have audited the accompanying Consolidated Financial Statements of Delta Agricultural Credit Association and its subsidiaries (the Association), which comprise the consolidated statements of condition as of December 31, 2020, 2019, and 2018, and the related consolidated statements of income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

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

PricewaterhouseCoopers LLP

March 9, 2021

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

CONSOLIDATED STATEMENTS OF CONDITION

Delta Agricultural Credit Association

(in thousands)

As of December 31		2020		2019		2018
ASSETS						
Loans	**$**	**40,507**	$	42,477	$	48,988
Allowance for loan losses		**76**		104		104
Net loans		**40,431**		42,373		48,884
Investment in AgriBank, FCB		**1,300**		1,300		1,196
Accrued interest receivable		**604**		781		924
Other property owned		**445**		--		--
Other assets		**684**		575		543
Total assets	**$**	**43,464**	$	45,029	$	51,547
LIABILITIES						
Note payable to AgriBank, FCB	**$**	**32,933**	$	34,665	$	41,390
Accrued interest payable		**133**		254		329
Patronage distribution payable		**135**		100		170
Other liabilities		**182**		127		87
Total liabilities		**33,383**		35,146		41,976
Contingencies and commitments (Note 10)						
MEMBERS' EQUITY						
Protected members' equity		**7**		7		7
Capital stock and participation certificates		**150**		155		158
Unallocated surplus		**9,924**		9,721		9,406
Total members' equity		**10,081**		9,883		9,571
Total liabilities and members' equity	**$**	**43,464**	$	45,029	$	51,547

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

CONSOLIDATED STATEMENTS OF INCOME

Delta Agricultural Credit Association

(in thousands)

For the year ended December 31		2020		2019		2018
Interest income	**$**	**2,340**	$	2,741	$	3,007
Interest expense		**690**		1,119		1,163
Net interest income		**1,650**		1,622		1,844
Provision for loan losses		**--**		--		--
Net interest income after provision for loan losses		**1,650**		1,622		1,844
Non-interest income						
Patronage income		**231**		239		247
Financially related services income		**1**		2		2
Fee income		**14**		15		13
Allocated Insurance Reserve Accounts distribution		**6**		7		19
Other non-interest income		**1**		3		2
Total non-interest income		**253**		266		283
Non-interest expense						
Salaries and employee benefits		**900**		865		909
Other operating expense		**652**		606		560
Other non-interest expense		**13**		--		--
Total non-interest expense		**1,565**		1,471		1,469
Income before income taxes		**338**		417		658
Provision for income taxes		**--**		2		--
Net income	**$**	**338**	$	415	$	658

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Delta Agricultural Credit Association

(in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance as of December 31, 2017	$ 12	$ 1,857	$ 8,918	$ 10,787
Net income	--	--	658	658
Unallocated surplus designated for patronage distributions	--	--	(170)	(170)
Capital stock and participation certificates issued	--	471	--	471
Capital stock and participation certificates retired	(5)	(2,170)	--	(2,175)
Balance as of December 31, 2018	7	158	9,406	9,571
Net income	--	--	415	415
Unallocated surplus designated for patronage distributions	--	--	(100)	(100)
Capital stock and participation certificates issued	--	8	--	8
Capital stock and participation certificates retired	--	(11)	--	(11)
Balance as of December 31, 2019	7	155	9,721	9,883
Net income	**--**	**--**	**338**	**338**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(135)**	**(135)**
Capital stock and participation certificates issued	**--**	**12**	**--**	**12**
Capital stock and participation certificates retired	**--**	**(17)**	**--**	**(17)**
Balance as of December 31, 2020	**$ 7**	**$ 150**	**$ 9,924**	**$ 10,081**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Delta Agricultural Credit Association

(in thousands)

For the year ended December 31		2020		2019		2018
Cash flows from operating activities						
Net income	**$**	**338**	$	415	$	658
Depreciation on premises and equipment		**7**		6		7
Stock patronage received from AgriBank, FCB		**--**		(105)		--
Loss on other property owned, net		**1**		--		--
Changes in operating assets and liabilities:						
Decrease in accrued interest receivable		**145**		141		52
Increase in other assets		**(89)**		(31)		(93)
(Decrease) increase in accrued interest payable		**(121)**		(75)		66
Increase (decrease) in other liabilities		**55**		40		(67)
Net cash provided by operating activities		**336**		391		623
Cash flows from investing activities						
Decrease in loans, net		**1,526**		6,512		593
Redemptions of investment in AgriBank, FCB, net		**--**		1		--
Purchases of investment in other Farm Credit Institutions, net		**(15)**		--		--
Purchases of premises and equipment, net		**(12)**		(7)		--
Net cash provided by investing activities		**1,499**		6,506		593
Cash flows from financing activities						
(Decrease) increase in note payable to AgriBank, FCB, net		**(1,732)**		(6,725)		442
Patronage distributions paid		**(100)**		(170)		(81)
Capital stock and participation certificates retired, net		**(3)**		(2)		(1,577)
Net cash used in financing activities		**(1,835)**		(6,897)		(1,216)
Net change in cash		**--**		--		--
Cash at beginning of year		**--**		--		--
Cash at end of year	**$**	**--**	$	--	$	--
Supplemental schedule of non-cash activities						
Stock financed by loan activities	**$**	**11**	$	6	$	315
Stock applied against loan principal		**13**		7		442
Interest transferred to loans		**32**		2		--
Loans transferred to other property owned		**447**		--		--
Supplemental information						
Interest paid	**$**	**811**	$	1,194	$	1,097
Taxes paid, net		**--**		2		--

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Delta Agricultural Credit Association

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2021, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 67 borrower-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, 2021, 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 their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. 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 System Insurance Corporation (FCSIC) administers 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. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

Association

Delta Agricultural Credit Association (the Association) and its subsidiaries, Delta Agricultural Credit Association, FLCA and Delta Agricultural Credit Association, PCA (subsidiaries) are lending institutions of the System. We are a customer-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Ashley, Bradley, Chicot, Desha, Drew, and part of Lincoln in the state of Arkansas.

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.

We offer credit life insurance to borrowers and those eligible to borrow.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

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

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of Delta Agricultural Credit Association 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 premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Origination fees, net of related 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 adequately secured and in the process of collection) or circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan, 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 certain other criteria are met. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments.

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). There may be modifications made related to the COVID-19 pandemic or in the normal course of business that would not be considered troubled debt restructurings (TDRs).

Loans 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.

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.

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 loan losses" in the Consolidated Statements of Income, recoveries, and charge-offs.

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 expense" in the Consolidated Statements of Income.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in "Other assets" in the Consolidated Statements of Condition. 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 Income. Depreciation and maintenance and repair expenses are included in "Other operating expense" in the Consolidated Statements of Income and improvements are capitalized.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans, are included in "Salaries and employee benefits" in the Consolidated Statements of 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.

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.

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

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

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Any reserve for unfunded lending commitments 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 would be recorded in "Other liabilities" in the Consolidated Statements of Condition and a corresponding loss would be recorded in "Provision for credit losses" in the Consolidated Statements of Income. However, no such reserve was necessary as of December 31, 2020, 2019, or 2018.

Cash: For purposes of reporting cash flow, cash includes cash on hand 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
- 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 March 2020, the FASB issued guidance, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The optional amendments are effective for all entities as of March 12, 2020, through December 31, 2022.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	We are currently evaluating the impact of this guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amends the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We expect to adopt the standard as of January 1, 2023. We are currently assessing the impact this guidance will have on our financial statements upon adoption, which will be impacted by the composition of our portfolio and asset quality at the adoption date, as well as economic conditions and forecasts at the time of adoption. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)	**2020**			2019			2018		
As of December 31		Amount	%		Amount	%		Amount	%
Real estate mortgage	**$**	**27,142**	**67.0%**	$	28,678	67.5%	$	32,181	65.7%
Production and intermediate-term		**13,365**	**33.0%**		13,776	32.4%		16,754	34.2%
Agribusiness		**--**	**--**		23	0.1%		53	0.1%
Total	**$**	**40,507**	**100.0%**	$	42,477	100.0%	$	48,988	100.0%

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, 2020, volume plus commitments to our ten largest borrowers totaled an amount equal to 23.2% 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 may include real estate, equipment, inventory, livestock, and income-producing property. Long-term real estate loans are secured by the first liens on the underlying real property.

Participations

We may purchase or sell participation interests with 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 Sold

(in thousands)	Other Farm Credit Institutions Total Participations Sold		
As of December 31	**2020**	2019	2018
Real estate mortgage	**$ (772)**	$ (921)	$ (647)
Production and intermediate-term	**(3,076)**	(3,999)	(4,052)
Total	**$ (3,848)**	$ (4,920)	$ (4,699)

We did not have any participation interests purchased as of December 31, 2020, 2019, or 2018.

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, 2020, 2019, or 2018.

Credit Quality of Loans

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2020	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 27,015**	**98.0%**	**$ 460**	**1.7%**	**$ 83**	**0.3%**	**$ 27,558**	**100.0%**
Production and intermediate-term	**11,963**	**88.3%**	**1,142**	**8.4%**	**448**	**3.3%**	**13,553**	**100.0%**
Agribusiness	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Total	**$ 38,978**	**94.8%**	**$ 1,602**	**3.9%**	**$ 531**	**1.3%**	**$ 41,111**	**100.0%**

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2019	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 27,212	93.1%	$ 985	3.4%	$ 1,018	3.5%	$ 29,215	100.0%
Production and intermediate-term	11,555	82.4%	1,107	7.9%	1,357	9.7%	14,019	100.0%
Agribusiness	24	100.0%	--	--	--	--	24	100.0%
Total	$ 38,791	89.7%	$ 2,092	4.8%	$ 2,375	5.5%	$ 43,258	100.0%

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2018	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 31,104	94.8%	$ 794	2.4%	$ 933	2.8%	$ 32,831	100.0%
Production and intermediate-term	14,426	84.7%	2,224	13.1%	376	2.2%	17,026	100.0%
Agribusiness	55	100.0%	--	--	--	--	55	100.0%
Total	$ 45,585	91.4%	$ 3,018	6.0%	$ 1,309	2.6%	$ 49,912	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) **As of December 31, 2020**	30-89 Days Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	**$ 98**	**$ 98**	**$ 27,460**	**$ 27,558**
Production and intermediate-term	**--**	**--**	**13,553**	**13,553**
Agribusiness	**--**	**--**	**--**	**--**
Total	**$ 98**	**$ 98**	**$ 41,013**	**$ 41,111**

As of December 31, 2019	30-89 Days Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	$ --	$ --	$ 29,215	$ 29,215
Production and intermediate-term	--	--	14,019	14,019
Agribusiness	--	--	24	24
Total	$ --	$ --	$ 43,258	$ 43,258

As of December 31, 2018	30-89 Days Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	$ --	$ --	$ 32,831	$ 32,831
Production and intermediate-term	--	--	17,026	17,026
Agribusiness	--	--	55	55
Total	$ --	$ --	$ 49,912	$ 49,912

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at December 31, 2020, 2019, or 2018.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. 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	**2020**	2019	2018
Nonaccrual loans:			
Current as to principal and interest	**$ --**	$ --	$ --
Past due	**--**	--	--
Total nonaccrual loans	**--**	--	--
Accruing restructured loans	**373**	320	353
Accruing loans 90 days or more past due	**--**	--	--
Total risk loans	**$ 373**	$ 320	$ 353
Volume with specific allowance	**$ --**	$ --	$ --
Volume without specific allowance	**373**	320	353
Total risk loans	**$ 373**	$ 320	$ 353
Total specific allowance	**$ --**	$ --	$ --
For the year ended December 31	**2020**	2019	2018
Income on accrual risk loans	**$ 26**	$ 20	$ 15
Reversal on nonaccrual loans	**(2)**	--	--
Total income on risk loans	**$ 24**	$ 20	$ 15
Average risk loans	**$ 688**	$ 327	$ 282

Note: Accruing loans include accrued interest receivable.

Additional Impaired Loan Information by Loan Type

	As of December 31, 2020			**For the year ended December 31, 2020**	
(in thousands)	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$ --**	**$ --**	**$ --**	**$ --**	**$ --**
Production and intermediate-term	**--**	**--**	**--**	**--**	**--**
Total	**$ --**	**$ --**	**$ --**	**$ --**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$ --**	**$ --**	**$ --**	**$ 253**	**$ --**
Production and intermediate-term	**373**	**392**	**--**	**435**	**24**
Total	**$ 373**	**$ 392**	**$ --**	**$ 688**	**$ 24**
Total impaired loans:					
Real estate mortgage	**$ --**	**$ --**	**$ --**	**$ 253**	**$ --**
Production and intermediate-term	**373**	**392**	**--**	**435**	**24**
Total	**$ 373**	**$ 392**	**$ --**	**$ 688**	**$ 24**

	As of December 31, 2019			For the year ended December 31, 2019	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	--	--	--	--	--
Total	$ --	$ --	$ --	$ --	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	320	326	--	327	20
Total	$ 320	$ 326	$ --	$ 327	$ 20
Total impaired loans:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	320	326	--	327	20
Total	$ 320	$ 326	$ --	$ 327	$ 20

	As of December 31, 2018			For the year ended December 31, 2018	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	--	--	--	35	--
Total	$ --	$ --	$ --	$ 35	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	353	359	--	247	15
Total	$ 353	$ 359	$ --	$ 247	$ 15
Total impaired loans:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	353	359	--	282	15
Total	$ 353	$ 359	$ --	$ 282	$ 15

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

[2]Unpaid principal balance represents the contractual principal balance of the loan.

We had no commitments to lend additional money to borrowers whose loans were classified as risk loans at December 31, 2020.

Troubled Debt Restructurings (TDRs)

Included within our 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, including TDRs, are analyzed within our allowance for loan losses.

There were no TDRs that occurred during the years ended December 31, 2020, or 2019. We completed TDRs of certain production and intermediate-term loans during the year ended December 31, 2018. Our recorded investment in these loans just prior to restructuring was $450 thousand and immediately following the restructuring was $341 thousand during the year ended December 31, 2018. 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, and acquisition costs and may also reflect a previous direct charge-off of the investment.

The primary type of modification was deferral of principal. There were no TDRs that defaulted during the years ended December 31, 2020, 2019, or 2018, in which the modification was within twelve months of the respective reporting period.

TDRs outstanding in the production and intermediate-term loan category totaled $373 thousand, $320 thousand and $353 thousand, all of which were in accrual status at December 31, 2020, 2019, and 2018, respectively.

There were no commitments to lend to borrowers whose loans have been modified in a TDR at December 31, 2020.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) For the year ended December 31	**2020**	2019	2018
Balance at beginning of year	**$ 104**	$ 104	$ 105
Loan charge-offs	**(28)**	--	(1)
Balance at end of year	**$ 76**	$ 104	$ 104

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

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Total
Allowance for loan losses:				
Balance as of December 31, 2019	**$ 53**	**$ 51**	**$ --**	**$ 104**
Provision for (reversal of) loan losses	**12**	**(12)**	**--**	**--**
Loan recoveries	**--**	**--**	**--**	**--**
Loan charge-offs	**(28)**	**--**	**--**	**(28)**
Balance as of December 31, 2020	**$ 37**	**$ 39**	**$ --**	**$ 76**
Ending balance: individually evaluated for impairment	**$ --**	**$ --**	**$ --**	**$ --**
Ending balance: collectively evaluated for impairment	**$ 37**	**$ 39**	**$ --**	**$ 76**
Recorded investment in loans outstanding:				
Ending balance as of December 31, 2020	**$ 27,558**	**$ 13,553**	**$ --**	**$ 41,111**
Ending balance: individually evaluated for impairment	**$ --**	**$ 373**	**$ --**	**$ 373**
Ending balance: collectively evaluated for impairment	**$ 27,558**	**$ 13,180**	**$ --**	**$ 40,738**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Total
Allowance for loan losses:				
Balance as of December 31, 2018	$ 69	$ 35	$ --	$ 104
(Reversal of) provision for loan losses	(16)	16	--	--
Loan recoveries	--	--	--	--
Loan charge-offs	--	--	--	--
Balance as of December 31, 2019	$ 53	$ 51	$ --	$ 104
Ending balance: individually evaluated for impairment	$ --	$ --	$ --	$ --
Ending balance: collectively evaluated for impairment	$ 53	$ 51	$ --	$ 104
Recorded investment in loans outstanding:				
Ending balance as of December 31, 2019	$ 29,215	$ 14,019	$ 24	$ 43,258
Ending balance: individually evaluated for impairment	$ --	$ 320	$ --	$ 320
Ending balance: collectively evaluated for impairment	$ 29,215	$ 13,699	$ 24	$ 42,938

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Total
Allowance for loan losses:				
Balance as of December 31, 2017	$ 82	$ 23	$ --	$ 105
(Reversal of) provision for loan losses	(13)	13	--	--
Loan recoveries	--	--	--	--
Loan charge-offs	--	(1)	--	(1)
Balance as of December 31, 2018	$ 69	$ 35	$ --	$ 104
Ending balance: individually evaluated for impairment	$ --	$ --	$ --	$ --
Ending balance: collectively evaluated for impairment	$ 69	$ 35	$ --	$ 104
Recorded investment in loans outstanding:				
Ending balance as of December 31, 2018	$ 32,831	$ 17,026	$ 55	$ 49,912
Ending balance: individually evaluated for impairment	$ --	$ 353	$ --	$ 353
Ending balance: collectively evaluated for impairment	$ 32,831	$ 16,673	$ 55	$ 49,559

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

Other Property Owned

Other property owned is real and personal property acquired through foreclosure or deed in lieu of foreclosure. Other property owned was $445 thousand at December 31, 2020. There was no other property owned at December 31, 2019, or 2018.

NOTE 4: INVESTMENT IN AGRIBANK

As of December 31, 2020, we were required by AgriBank to maintain an investment equal to 2.5% 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.

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: 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	**2020**	2019	2018
Line of credit	**$ 60,000**	$ 60,000	$ 60,000
Outstanding principal under the line of credit	**32,933**	34,665	41,390
Interest rate	**1.4%**	2.6%	2.8%

Our note payable is scheduled to mature on May 31, 2021. We intend to renegotiate the note payable no later than the maturity date.

We were subject to a risk premium totaling 8 basis points in the second quarter of 2020 and 6 basis points in the third quarter of 2020 triggered by declines in our risk score. Our risk score subsequently improved such that we were able to earn back the risk premium charge. We were not subject to a risk premium in the first and fourth quarters of 2020 or at any point in 2019. We were subject to a 3 basis points risk premium in 2018.

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, 2020, and throughout the year, we were not declared in default under any GFA covenants or provisions.

NOTE 6: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the 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. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan or lease is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers. During the third quarter of 2018, stock in excess of the 2.0% or one thousand dollars requirement was retired.

Protection Mechanisms

Under the Farm Credit Act, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that were outstanding as of January 6, 1988, or were issued prior to October 6, 1988, as a requirement for obtaining a loan. If we were to be unable to retire protected borrower equity at par value or stated value, the FCSIC would provide the amounts needed to retire this equity.

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31	**2020**	2019	2018	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**26.8%**	24.8%	21.2%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**26.8%**	24.8%	21.2%	6.0%	2.5%	8.5%
Total capital ratio	**27.0%**	25.1%	21.5%	8.0%	2.5%	10.5%
Permanent capital ratio	**27.3%**	25.2%	21.4%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**18.9%**	18.0%	15.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.7%**	17.7%	14.8%	1.5%	N/A	1.5%

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 the 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.

Description of Equities

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

	Number of Shares		
As of December 31	**2020**	2019	2018
Class A common stock (protected)	**1,435**	1,435	1,435
Class B common stock (at-risk)	**79**	79	79
Class C common stock (at-risk)	**30,121**	31,106	31,590

Under our bylaws, we are also authorized to issue Class D and Class E common stock, Series 2 participation certificates, and Class F preferred stock. Each of these classes of 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 C 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, 2020, 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 remaining assets after payment or retirement of all liabilities will be distributed first, pro rata to holders of Class F preferred stock, and second pro rata to all holders of common stock and participation certificates.

In the event of impairment, losses will be absorbed first, pro rata by holders of all classes of common stock and participation certificates and then pro rata by holders of Class F preferred stock. However, protected stock will be retired at par value regardless of impairment.

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

Patronage Distributions

We accrued patronage distributions of $135 thousand, $100 thousand, and $170 thousand at December 31, 2020, 2019, and 2018, respectively. Generally, the patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

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.

NOTE 7: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands)

For the year ended December 31	**2020**	2019	2018
Current:			
Federal	**$ --**	$ 2	$ --
State	**--**	--	--
Total current	**$ --**	$ 2	$ --
Deferred:			
Federal	**$ 3**	$ 8	$ (5)
State	**--**	--	--
(Decrease) increase in valuation allowance	**(3)**	(8)	5
Total deferred	**--**	--	--
Provision for income taxes	**$ --**	$ 2	$ --
Effective tax rate	**0.0%**	0.5%	0.0%

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(in thousands)

For the year ended December 31	**2020**	2019	2018
Federal tax at statutory rates	**$ 71**	$ 88	$ 138
State tax, net	**1**	1	3
Patronage distributions	**(28)**	(21)	(36)
Effect of non-taxable entity	**(38)**	(63)	(91)
(Decrease) increase in valuation allowance	**(3)**	(8)	5
Other	**(3)**	5	(19)
Provision for income taxes	**$ --**	$ 2	$ --

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 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		2020		2019		2018
Allowance for loan losses	**$**	**13**	$	13	$	13
Postretirement benefit accrual		**15**		16		17
Other assets		**1**		3		10
Total deferred tax assets		**29**		32		40
Valuation allowance		**(29)**		(32)		(40)
Deferred tax asset	**$**	**--**	$	--	$	--
Gross deferred tax assets	**$**	**29**	$	32	$	40

A valuation allowance for the deferred tax assets was necessary at December 31, 2020, 2019, and 2018, because we determined that the deferred tax asset was not completely realizable due to our minimal current tax liability over the past several years, caused primarily by the patronage program.

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. With respect to the AgriBank stock distributed in 2002, the Board of Directors has passed a resolution that, should this stock ever be converted to cash, creating a tax liability, an equal amount will be distributed to patrons at that time under our patronage program. Our total permanent investment in AgriBank is $1.2 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $5.5 million 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, 2020. In addition, we believe we are no longer subject to income tax examinations for years prior to 2017.

NOTE 8: 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 2020 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). As 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. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands)

As of December 31		2020		2019		2018
Unfunded liability	**$**	**169,640**	$	220,794	$	274,450
Projected benefit obligation		**1,563,421**		1,421,126		1,272,063
Fair value of plan assets		**1,393,781**		1,200,332		997,613
Accumulated benefit obligation		**1,426,270**		1,298,942		1,125,682
For the year ended December 31		**2020**		2019		2018
Total plan expense	**$**	**42,785**	$	36,636	$	51,900
Our allocated share of plan expenses		**97**		78		95
Contributions by participating employers		**90,000**		90,000		90,000
Our allocated share of contributions		**190**		169		157

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 their 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 Income.

Benefits paid to participants in the District were $70.9 million in 2020. 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 2021 is $90.0 million. Our allocated share of these pension contributions is expected to be $203 thousand. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as 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.

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. Net periodic benefit cost is included in “Salaries and employee benefits” in the Consolidated Statements of Income. Postretirement benefit costs related to the retiree medical plans were not considered material for any of the years presented. Our cash contributions were 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%.

Employer contribution expenses for the defined contribution plan, included in “Salaries and employee benefits” in the Consolidated Statements of Income, were $36 thousand, $36 thousand, and $34 thousand in 2020, 2019, and 2018, respectively. These expenses were equal to our cash contributions for each year.

NOTE 9: 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, 2020, involved more than a normal risk of collectability.

Related Party Loans Information

(in thousands)

As of December 31	**2020**	2019	2018
Total related party loans	**$ 2,446**	$ 2,800	$ 3,865
For the year ended December 31	**2020**	2019	2018[1]
Advances to related parties	**$ 6,523**	$ 5,353	$ 9,024
Repayments by related parties	**6,903**	7,240	8,682

[1]The Association revised "Advances to related parties" from $12,261 to $9,024 and "Repayments by related parties" from $12,746 to $8,682 to correct misstatements identified which overstated these transactions as originally presented in 2018.

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 in the preceding chart are related to those considered related parties at each respective year end.

As discussed in Note 5, 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 Income was paid to AgriBank.

Total patronage received from AgriBank was $218 thousand, $234 thousand, and $243 thousand in 2020, 2019, and 2018, respectively. Patronage income for 2019 was paid in cash and AgriBank stock. Patronage income for 2020 and 2018 was paid in cash.

Refer to Note 4 for stock investment in AgriBank information.

As of December 31, 2020, we purchased certain business services from AgriBank. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, and insurance services from AgriBank. These services are now offered by SunStream. We also purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in each of these institutions.

Additional Related Party Information

(in thousands)

As of December 31	**2020**	2019	2018
Investment in AgriBank	**$ 1,300**	$ 1,300	$ 1,196
Investment in SunStream	**15**	--	--
Investment in Foundations	**7**	7	7
For the year ended December 31	**2020**	2019	2018
AgriBank District purchased services	**$ 199**	$ 177	$ 164

NOTE 10: 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 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. At December 31, 2020, we had commitments to extend credit of $10.9 million.

Commitments to extend credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend 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 will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. 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.

NOTE 11: 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, 2020, 2019, or 2018.

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, 2020	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Other property owned	**$ --**	**$ --**	**$ 463**	**$ 463**

As of December 31, 2019	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Other property owned	$ --	$ --	$ --	$ --

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

Valuation Techniques

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

NOTE 12: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 9, 2021, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2020 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Delta Agricultural Credit Association

(Unaudited)

Description of Business

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

The description of significant business developments, if any, is incorporated herein by reference from the Management's Discussion and Analysis section of this Annual Report.

Description of Property

Property Information

Location	Description	Usage
Dermott, AR	Owned	Headquarters
Monticello, AR	Leased	Branch

Legal Proceedings

Information regarding legal proceedings is discussed in Note 10 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2020.

Additional Regulatory Capital Disclosure

Regulatory Capital Ratios Pursuant to FCA Regulation 620.5

As of December 31	2015	2014	2013	2012
Permanent capital ratio	21.0%	23.3%	23.5%	23.2%
Total surplus ratio	16.5%	17.8%	17.8%	17.3%
Core surplus ratio	16.3%	16.8%	16.8%	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 6 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is discussed in Notes 5, 6, 7, 8, and 10 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

Board of Directors as of December 31, 2020, including business experience during the last five years

Name	Term	Principal occupation and other business affiliations
Bruce Bond Service Began: 2014	3/2020 - 3/2023	**Principal occupation:** Self-employed cotton and grain farmer **Other business affiliations:** Director: Lake Village Seed and Tire, a farm supply store Director: Crooked Bayou Watershed, involved in drainage management Director: Eudora Western Drainage District, involved in drainage management
C. Randall Cox Vice Chairperson Service Began: 1997	3/2018 - 3/2021	**Principal occupation:** Retired cotton and grain farmer
Lathan Hairston Outside Director Service Began: 2020	10/2020 - 10/2023	**Principal occupation:** Self-employed livestock farmer Retired Certified Public Accountant (CPA) **Other business affiliations:** Director: Bradley County Medical Center, Hospital
Joe Mencer Service Began: 2011	3/2018 - 3/2021	**Principal occupation:** Self-employed cotton and grain farmer **Other business affiliations:** Director: USA Rice Federation, involved in rice promotion Director: Arkansas Rice Federation, involved in rice promotion Director: Arkansas Boll Weevil Eradication Foundation, involved in boll weevil eradication Director: Chicot County Farm Bureau, involved in insurance sales Director: Lake Village Seed and Tire, a farm supply store Director: Chicot County Conservation District, involved in soil and water conservation Director: Agricultural Council of Arkansas, involved in Arkansas agricultural promotions
John Mitchell Service Began: 2019	3/2019 - 3/2022	**Principal occupation:** Self-employed poultry broiler farmer **Other business affiliations:** Director: Drew County Farm Service Agency, an agency of the United States Department of Agriculture Director: Yorktown Water Association, public water authority
Mike Norris Chairperson Service Began: 2002	3/2018 - 3/2021	**Principal occupation:** Self-employed landlord and livestock farmer

Pursuant to our bylaws, directors are paid a per diem of $125 per day for attendance at board meetings and other special meetings. Directors serving on the loan committee are paid a per diem of $75 per day. Directors are also provided with $100 thousand 24-hour Accidental Death and Dismemberment insurance coverage while traveling on association business. The annual premium cost to us is $20 per director.

Information regarding compensation paid to each director who served during 2020 follows:

Name	Number of Days Served: Board Meetings	Number of Days Served: Other Official Activities	Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2020
Al Beaty, Outside Director[2]	1.0	1.0	$ --		$ 250
Bruce Bond	4.0	4.0	--		1,000
C. Randall Cox, Vice Chairperson	5.0	10.0	450	Loan	1,575
Lathan Hairston, Outside Director[1]	2.0	1.0	--		375
Joe Mencer	4.0	4.0	--		1,000
John Mitchell	5.0	2.0	--		875
Mike Norris, Chairperson	5.0	10.0	450	Loan	1,575
					$ 6,650

[1]Appointed to the Board in October 2020.

[2]Resigned in July 2020.

Senior Officers

Senior Officers as of December 31, 2020, including business experience during the last five years

Name and Position	Business experience and other business affiliations
Mark W. Kaufman	**Business experience:** Chief Executive Officer (CEO) since June 2002
Kerry Hartness	**Business experience:** Chief Credit Officer (CCO) since April 2017 Loan Officer for Delta Agricultural Credit Association from December 2015 to April 2017 **Other business affiliations:** President: Drew County Farm Bureau, involved in insurance sales
Keith Hunter	**Business experience:** Vice President (VP) since January 2005 **Other business affiliations:** Director: Chicot County Conservation District, involved in soil and water conservation
Mary Ann Johnson	**Business experience:** Chief Financial Officer (CFO) since January 1990

Senior Officer Compensation

We believe the design and governance of our CEO, senior officers, and highly compensated individuals compensation program is consistent with the highest standards of risk management and provides total compensation that promotes our mission to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America.

The CEO, senior officers, and highly compensated individuals are compensated with a mix of direct cash and retirement plans generally available to all employees. We do not offer any short-term or long-term incentives to our CEO, senior officers, or highly compensated individuals.

Base Salary: The CEO, senior officers, and highly compensated individuals base salaries reflect the individual's experience and level of responsibility. Base salaries are subject to review and approval by our Board of Directors and are subject to adjustment based on changes in responsibilities or competitive market conditions.

Retirement Plans: We have various post-employment benefit plans which are generally available to all Association employees, including the CEO, senior officers, and highly compensated individuals 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 8 to the accompanying Consolidated Financial Statements in this Annual Report.

Other Components of Compensation: Additionally, compensation associated with any group term life insurance premiums, disability insurance premiums, or other taxable reimbursements may be made available to the CEO, senior officers, and highly compensated individuals based on job criteria or similar plans available to all employees.

Compensation to the CEO, Senior Officers, and Highly Compensated Individuals

(in thousands) Name	Year	Salary	Bonus	Deferred/ Perquisites	Other	Total
Mark W. Kaufman, CEO	**2020**	**$ 120**	**$ --**	**$ 1**	**$ 114**	**$ 235**
Mark W. Kaufman, CEO	2019	118	--	1	169	288
Mark W. Kaufman, CEO	2018	115	--	1	(16)	100
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO						
Four	**2020**	**$ 357**	**$ --**	**$ 1**	**$ 192**	**$ 550**
Four	2019	350	--	1	237	588
Four	2018	340	--	1	61	402

Members may request information on the compensation to the individuals included in the preceding table during 2020.

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, as disclosed in Note 8 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 plan. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.

No tax reimbursements are made to the CEO, senior officers, or highly compensated individuals.

The value of the pension benefits increased from December 31, 2019, to December 31, 2020, 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, Senior Officers, and Highly Compensated Individuals

(dollars in thousands) **2020** Name	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
Mark W. Kaufman, CEO	AgriBank District Retirement Plan	**44.2**	**$ 1,202**	**$ --**
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO				
Three	AgriBank District Retirement Plan	**27.2**	**$ 1,213**	**$ --**

The change in composition of the aggregate senior officers and highly compensated individuals 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. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is discussed in Note 9 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:

P.O. Box 750
Dermott, AR 71638
(870) 538-3258
www.deltaaca.com

The total directors' travel, subsistence, and other related expenses were $11 thousand, $7 thousand, and $22 thousand in 2020, 2019, and 2018, 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, 2021, or at any time during 2020.

Member Privacy

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 2020 were $60 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel.

Financial Statements

The Report of Management, 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.

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.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Delta Agricultural Credit Association
(Unaudited)

We have specific programs in place to serve the credit and related needs of young, beginning, and small farmers and ranchers (YBS) in our territory. The definitions of YBS as developed by the Farm Credit Administration (FCA) follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

Our Demographic Study Revision for farmers, ranchers, and producers of aquatic products is based on our information from the end of fourth quarter 2020. The source of YBS information for the comparison of Young, Beginning, and Small Farmers in our territory is the 2017 United States Department of Agriculture Census and the Chicot County Extension Service. Our portfolio statistics are based on number of loans, while the census data is based on number of farms and/or producers. While the numbers are fairly similar, the difference in methodology should be taken into consideration. In addition, note that our Association includes Ashley, Bradley, Chicot, Desha, Drew, and Lincoln counties. Only 30% of Lincoln County is in our territory.

The total number of Young, Beginning, and Small farmers in our territory was 189 young farmers, 657 beginning farmers, and 292 small farmers. Our Young, Beginning, and Small farmer program consisted of 60 young farmers, which is 32% of the market, 132 beginning farmers, which is 20% of the market, and 127 small farmers, which is 43% of the market in our territory.

There are approximately 30 agricultural lending institution offices in our territory. We make up 7% of the business of these agricultural lending agencies. Our market share of the YBS producers exceeds our physical presence in the community. It is very difficult for a YBS operation to become a viable operation with today's economic, environmental, governmental, and social forces. Efforts have succeeded in creating a larger percentage of YBS numbers in our portfolio than exists in our territory. We will continue to emphasize YBS portfolio growth.

Mission Statement

Our mission is to provide support for the YBS farmers. As a farmer-owned cooperative, we will promote and assist these farmers with their careers by providing a competitive and dependable source of constructive credit.

Quantitative Goals

Annual quantitative goals for loans in the YBS category were to maintain our new loan volume and our total percentage of share in our territory for 2020 due to current economic cycles and pandemic conditions. Considering these factors, as well as the over-chartered territory in which we operate, the year end results of our YBS borrower new loan growth were quite uncommon. We had greater-than-expected volume growth in new loans, although there were less loan requests. The majority of the requests were for larger amounts in comparison to 2019. Some unexpected loan payoffs before year end affected both numbers and volume totals as well. Our overall new loan numbers were slightly less than 2019, and our overall new loan volume was 183% greater than last year. While we did not meet our goal of increased territory percentages, the new loans volume far exceeded our goal.

The following results are our year end YBS gross new loan numbers and volumes results compared to 2019:

Young – loan numbers down by 5 (56% decrease); volume increased 268%.
Beginning – loan numbers down by 4 (24% decrease); volume increased 275%.
Small – loan numbers down by 8 (31% decrease); 98% increase in volume.

Portfolio percentages and territory share percentages were slightly less than 2019, partly due to the changed census reporting formats. Year end loan volumes (excluding new loan volume) were lower also. This is mainly due to year end pay downs and some loan maturities for existing YBS loans.

Qualitative Goals and Outreach Programs

Annual qualitative goals for YBS farmers are to maintain our current borrowers as well as attract new YBS borrowers with acceptable credit classification. Our YBS qualitative goal for 2020 was to have 90% of the new and existing loans in the YBS category with an acceptable credit classification. We did maintain current YBS borrowers and gained new YBS borrowers and our goal was met with 93% of our YBS loans having acceptable credit classifications.

We have developed lending methodologies for YBS farmers. Credit factors have been specifically developed and are in use by the lending staff. The Farm Service Agency (FSA) Guarantee Program is used in many cases to offset credit risk associated with the inadequate collateral or capital exhibited by many YBS farmers.

Safety and Soundness of the Program

We will review any loan request with the intent to make the loan if the credit and eligibility criteria can be met. We will use the FSA Guarantee Program to reduce risk associated with YBS loans, if applicable. The credit and services offered to YBS farmers are provided in a safe and sound manner.

FUNDS HELD PROGRAM

Delta Agricultural Credit Association
(Unaudited)

Purpose

The purpose of this policy is to establish standardized documentation and procedures on the uses of the Funds Held feature.

Policy

Funds Held Account Purpose. It is the intention of the Association to make available the Funds Held feature to borrowers for the purpose of escrowing available funds to be applied to future scheduled payments of principal, interest payable, and other collateral expenses such as property taxes and insurance.

Funds Held Account Balance Maximum. Funds Held principal balance cannot exceed the related loan's outstanding principal balance. Recommended maximum balance not to exceed the equivalent of 50% of the current outstanding principal loan balance.

Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan. Interest rates are currently reported on each customer’s loan statement.

A 1099-INT Form will be sent to borrowers and reported to the IRS in accordance with IRS regulations. Funds Held interest income will be reported on an "accrual basis", as opposed to 1098 Interest Paid reporting which is on a "cash basis".

Availability of Funds Held Balances for Withdrawal. The Association wishes to avoid potential abuse of this feature. The Association is not a chartered depository institution. Therefore, a Funds Held account cannot be treated as a deposit account from which funds can be withdrawn on demand.

Customers can withdraw funds upon approval by one loan officer after receipt of a written customer request. Withdrawals must be for an eligible purpose under the Funds Held program.

Borrowers shall be provided adequate disclosures regarding:

- The fact that Funds Held balances are uninsured, including an explanation of the risk in the event of liquidation of the institution;
- Limits on amounts that can be paid into Funds Held;
- Interest rates that will be paid; and
- Withdrawal guidelines or restrictions.

Responsibility

The management will be responsible for monitoring and approving Funds Held withdrawals. The management may delegate Funds Held withdrawal approvals to branch managers.

Association management shall report to the Board of Directors, on an annual basis, information concerning customer's use of the Funds Held account.

The Board of Directors will periodically review the adequacy of the provisions of this policy.

Delta Agricultural Credit Association

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