*Ag***Choice** *Farm Credit, ACA*

FIRST QUARTER 2022

TABLE OF CONTENTS

CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2022 quarterly report of *Ag***Choice** Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Darrell L. Curtis
Chief Executive Officer

Terry A. Davis
Chief Financial Officer

Richard A. Allen
Chairman of the Board

May 9, 2022

*Ag***Choice** *Farm Credit, ACA*

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and affected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2022. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of March 31, 2022, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2022.

Darrell L. Curtis
Chief Executive Officer

Terry A. Davis
Chief Financial Officer

May 9, 2022

*Ag***Choice** ***Farm Credit, ACA***

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of *Ag***Choice** Farm Credit ACA, (Association) for the period ended March 31, 2022. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements, and the 2021 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. Information in any part of this Quarterly Report may be incorporated by reference in answer or partial answer to any other item of the Quarterly Report.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short- and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities, including dairy, livestock, poultry, forest products, and various crops, and also includes part-time farm and rural home loans. Farm size varies, and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, impacts the level of dependency on a given commodity.

Loans at March 31, 2022 totaled $2,729,283 compared to $2,587,854 at December 31, 2021, an increase of $141,429 (5.5 percent). Allowance for loan losses increased $428 (3.0 percent) to $14,929 during the first three months of 2022, resulting in net loans (loans less allowance for loan losses) of $2,714,354 and $2,573,353 at March 31, 2022 and December 31, 2021, respectively. Nonaccrual loans decreased $376 (6.0 percent) from $6,230 at December 31, 2021 to $5,854 at March 31, 2022. The Association held no other property owned at March 31, 2022.

There is an inherent risk in the extension of any type of credit and, accordingly, the Association maintains an Allowance for loan losses consistent with the risk measured in the portfolio. Credit administration remains satisfactory and the overall credit quality of the Association's loan portfolio has remained acceptable. The Allowance for loan losses represented 0.55 percent of loans at March 31, 2022 and 0.56 percent of loans in December 31, 2021, and 255.02 and 232.76 percent of nonaccrual loans at March 31, 2022 and December 31, 2021, respectively. See also Note 2, *Loans and Allowance for Loan Losses*, in the Notes to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

For the three months ended March 31, 2022

Net income for the three months ended March 31, 2022 totaled $11,610, an increase of $834 (7.7 percent) compared to the three months ended March 31, 2021. Major changes in the components of net income are identified as follows:

- Net interest income increased $844 (5.8 percent) for the quarter ended March 31, 2022, compared to the same period in 2021. The increase in net interest income is primarily attributable to (a) a $689 increase in net interest income on accruing loans, (b) a $188 increase in the Association's earnings on loanable funds offset by (c) funds a $33 decrease in interest income on nonaccruing loans.

- The risks identified in the Association's Loan portfolio required a provision of allowance for loan losses of $428 in the first quarter of 2022, compared to a provision of allowance for loan losses of $254 in the same quarter of 2021. The Association's nonaccrual loans to total loans decreased to 0.21 percent at March 31, 2022, compared to 0.24 percent at December 31, 2021 and 0.38 percent at March 31, 2021. See also Note 2, *Loans and Allowance for Loan Losses*, in the Notes to the Consolidated Financial Statements.

- Patronage refunds from other Farm Credit institutions of $4,243 and $3,588 were accrued during the first quarter of 2022 and 2021, respectively, and management anticipates additional income for the remaining quarters in 2022. Since this income from AgFirst Farm Credit Bank (the Bank) is reasonably estimable and because there is a history of these earnings, management is of the opinion that including this income in quarterly operations provides shareholders with a more accurate forecast of annualized net income. The increase in the accrual in 2022 is due to the impact of an increase in loan volume.

- Total noninterest income increased in the first quarter by $850 (18.5 percent) including (a) an increase of $655 in patronage refunds from other Farm Credit institutions, (b) an increase of $67 in loan fees, (c) an increase of $17 in fees for financially related services, (d) an increase of $64 in sales of property and equipment and (e) an increase of $51 in gains on other transactions, offset by (f) a decrease of $4 in other noninterest income.

- Noninterest expense for the first quarter of 2022 was $8,741, an increase of $607 (7.5 percent) as compared to $8,134 for the first quarter of 2021.

  The decrease of $190 (3.6 percent) in Salaries and employee benefits includes a decrease of $354 (18.7 percent) in employee benefits offset by an increase in salaries of $113 (2.7 percent) and a decrease in deferred personnel costs of $51 (6.3 percent) in 2022 compared to 2021. See also Note 7, *Employee Benefit Plans*, in the Notes to the Consolidated Financial Statements.

  Insurance fund premium expense increased $111 (15.1 percent) due to an increase in Notes payable to the Bank. Farm Credit System Insurance Corporation (FCSIC) premium rates of 16 basis points remained unchanged year over year.

  Purchased services expense increased by $305 (70.6 percent). The Association recorded $370 in merger-related expenses for the quarter ended March 31, 2022, $308 of which was for purchased services. See also Note 9, *Merger Activity*, in the Notes to the Consolidated Financial Statements.

  Occupancy and equipment and Other operating expenses were $2,047 in 2022, an increase of $381 (22.9 percent) compared to $1,666 in 2021, which includes increases in directors, training, travel, occupancy and equipment, public relations and other expenses, offset by decreases in communication, data processing and advertising expenses.

- The Association recorded a Provision for income taxes of $169 and $90 for the first quarters of 2022 and 2021, respectively. The increase is due to higher ACA non-pat income from participations purchased and from fee income generated through our participation in the SBA PPP program.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. Total Notes payable to the Bank at March 31, 2022, were $2,218,903 as compared to $2,122,048 at December 31, 2021. This increase of $96,855 (4.6 percent) resulted from an increase in loans, offset by current year cash generated from operating activities and the receipt of prior year patronage refunds from AgFirst.

CAPITAL RESOURCES

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services.

The Association Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure that adequate capital is maintained for continued financial viability, to provide for growth necessary to meet the needs of members/borrowers, and to ensure that all stockholders are treated equitably. There were no material changes to the capital plan for 2022 that would affect minimum stock purchases or have an effect on the Association's ability to retire stock and distribute earnings.

Total members' equity at March 31, 2022 was $484,054 an increase of $11,730 (2.5 percent) compared to the December 31, 2021 total of $472,324. The increase is primarily attributed to year-to-date earnings.

Total capital stock and participation certificates were $9,795 on March 31, 2022, compared to $9,676 on December 31, 2021.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain certain minimum regulatory capital ratios.

As of March 31, 2022, the Association was well above the minimum regulatory ratios for all capital adequacy ratios:

Ratio	Minimum Requirement	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of March 31, 2022
Risk-adjusted ratios:			
CET1 Capital	4.50%	7.00%	15.68%
Tier 1 Capital	6.00%	8.50%	15.68%
Total Capital	8.00%	10.50%	16.20%
Permanent Capital Ratio	7.00%	7.00%	15.82%
Non-risk-adjusted:			
Tier 1 Leverage Ratio	4.0%	5.0%	17.10%
UREE Leverage Ratio	1.5%	1.5%	16.74%

If the capital ratios fall below the minimum regulatory 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.

FUTURE OF LIBOR

In 2017, the United Kingdom's Financial Conduct Authority (UK FCA), which regulates LIBOR, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021.

On March 5, 2021, ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) announced its intention to cease the publication of the one-week and two-month US dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining US dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. On the same day, the UK FCA announced that the IBA had notified the UK FCA of its intent, among other things, to cease providing certain US dollar LIBOR settings as of June 30, 2023. In its announcement, the UK FCA confirmed that all 35 LIBOR tenors (including with respect to US dollar LIBOR) will be discontinued or declared nonrepresentative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

The Association has exposure to LIBOR arising from loans made to customers and Systemwide Debt Securities that are issued by the Funding Corporation on the Bank's and Association's behalf. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held.

The FCA has issued guidelines with similar guidance as the U.S. prudential regulators but applicable for System institutions to follow as they prepare for the expected phase-out of LIBOR. The guidelines direct each System institution to develop a LIBOR transition plan designed to provide an orderly roadmap of actions that will reduce LIBOR exposure, stop the inflow of new LIBOR volume, and adjust operating processes to implement alternative reference rates.

On December 8, 2021, the FCA issued another informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable, and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

The Association has implemented LIBOR transition plans and continues to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks.

On July 26, 2021, the Alternative Reference Rates Committee (ARRC) announced it will recommend the CME Group's forward-looking SOFR term rates. The ARRC's formal recommendation of SOFR term rates is a major milestone and is expected to increase the volume of transactions quoted in SOFR, supporting the implementation of the transition away from LIBOR.

On October 20, 2021, the U.S. prudential regulators issued a joint statement emphasizing the expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR, reiterating that supervised institutions should, with limited exceptions, cease entering into new contracts that use US dollar LIBOR as a reference rate as soon as practicable, but no later than December 31, 2021. They further stated that entering into new contracts, including derivatives, after that date would create safety and soundness risks. The joint statement clarified that entering into such new contracts would include an agreement that (1) creates additional LIBOR disclosure or (2) extends the term of an existing LIBOR contract, but that a draw on an existing agreement that is legally enforceable, e.g., a committed credit facility, would not be a new contract. The joint statement also provided considerations when assessing the appropriateness of alternative reference rates used in lieu of LIBOR and the regulator expectation that new or updated LIBOR contracts include strong and clearly defined fallback rates for when the initial reference rate is discontinued.

REGULATORY MATTERS

On April 14, 2022, the FCA approved a final rule that amends certain regulations to address changes in accounting principles generally accepted in the United States. Such changes reflect the Current Expected Credit Losses (CECL) methodology that will replace the incurred loss methodology upon adoption. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's Tier 2 capital up to 1.25 percent of the System institution's total risk weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's Tier 2 capital. The regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. In addition, the regulation does not include an exclusion for the CECL day 1 cumulative effective adjustment from the "safe harbor" deemed prior approval provision. The final rule is effective on January 1, 2023.

On August 26, 2021, the FCA issued a proposed rule to revise its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The proposed rule would ensure that the FCA's rule remains comparable with the capital rule of other federal banking regulatory agencies and recognizes the increased risk posed by HVCRE exposures. The public comment period ended on January 24, 2022.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2021 Annual Report to Shareholders for recently issued accounting pronouncements. Additional information is provided in the following table.

The following ASU was issued by the Financial Accounting Standards Board (FASB):

Summary of Guidance	Adoption and Potential Financial Statement Impact
ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	
• Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management's estimate of current expected credit losses (CECL) over the entire remaining life of the financial assets. • Changes the present incurred loss impairment guidance for loans to an expected loss model. • Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit quality. • Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. • Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. • Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.	• Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance. • The new guidance is expected to result in a change in allowance for credit losses due to several factors, including: 1. The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, 2. An allowance will be established for estimated credit losses on any debt securities, 3. The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans. • The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts, at the adoption date. • The guidance is expected to be adopted January 1, 2023.

SHAREHOLDER INVESTMENT

Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745 ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-349-3568, ext. 6008 or writing Terry Davis, AgChoice Farm Credit, ACA, 300 Winding Creek Blvd., Mechanicsburg, PA, 17050, or accessing the website *www.agchoice.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

NOTICE OF SIGNIFICANT EVENTS

On August 31, 2021, the Board of Directors of MidAtlantic Farm Credit, ACA and AgChoice Farm Credit, ACA signed a letter of intent to merge the two associations and entered into an Agreement and Plan of Merger. Shareholders were provided written communication regarding the potential transaction. The merger has been approved by AgFirst and preliminarily approved by the FCA, and is now subject to shareholder approval. If approved by all required parties, the merger is expected to take effect upon the commencement of business on July 1, 2022.

AgChoice Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2022 *(unaudited)*	December 31, 2021 *(audited)*
Assets		
Cash	**$ 12**	$ 15
Loans	**2,729,283**	2,587,854
Allowance for loan losses	**(14,929)**	(14,501)
Net loans	**2,714,354**	2,573,353
Accrued interest receivable	**10,044**	8,646
Equity investments in other Farm Credit institutions	**22,431**	22,344
Premises and equipment, net	**14,559**	14,684
Accounts receivable	**4,748**	43,134
Other assets	**2,095**	1,340
Total assets	**$ 2,768,243**	$ 2,663,516
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 2,218,903**	$ 2,122,048
Accrued interest payable	**4,163**	3,925
Patronage refunds payable	**2,290**	50,447
Accounts payable	**3,168**	4,972
Other liabilities	**55,665**	9,800
Total liabilities	**2,284,189**	2,191,192
Commitments and contingencies (Note 8)		
Members' Equity		
Capital stock and participation certificates	**9,795**	9,676
Retained earnings		
Allocated	**161,489**	161,489
Unallocated	**312,860**	301,250
Accumulated other comprehensive income (loss)	**(90)**	(91)
Total members' equity	**484,054**	472,324
Total liabilities and members' equity	**$ 2,768,243**	$ 2,663,516

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

AgChoice Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2022	2021
Interest Income		
Loans	**$ 27,420**	$ 25,365
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	**11,923**	10,712
Net interest income	**15,497**	14,653
Provision for loan losses	**428**	254
Net interest income after provision for loan losses	**15,069**	14,399
Noninterest Income		
Loan fees	**357**	290
Fees for financially related services	**735**	718
Patronage refunds from other Farm Credit institutions	**4,243**	3,588
Gains (losses) on sales of premises and equipment, net	**64**	—
Gains (losses) on other transactions	**51**	—
Other noninterest income	**1**	5
Total noninterest income	**5,451**	4,601
Noninterest Expense		
Salaries and employee benefits	**5,111**	5,301
Occupancy and equipment	**364**	284
Insurance Fund premiums	**846**	735
Purchased services	**737**	432
Other operating expenses	**1,683**	1,382
Total noninterest expense	**8,741**	8,134
Income before income taxes	**11,779**	10,866
Provision for income taxes	**169**	90
Net income	**$ 11,610**	$ 10,776
Other comprehensive income net of tax		
Employee benefit plans adjustments	**1**	1
Comprehensive income	**$ 11,611**	$ 10,777

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

AgChoice Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 8,995	$ 161,489	$ 275,551	$ (97)	$ 445,938
Comprehensive income			10,776	1	10,777
Capital stock/participation certificates issued/(retired), net	146				146
Balance at March 31, 2021	$ 9,141	$ 161,489	$ 286,327	$ (96)	$ 456,861
Balance at December 31, 2021	**$ 9,676**	**$ 161,489**	**$ 301,250**	**$ (91)**	**$ 472,324**
Comprehensive income			**11,610**	**1**	**11,611**
Capital stock/participation certificates issued/(retired), net	**119**				**119**
Balance at March 31, 2022	**$ 9,795**	**$ 161,489**	**$ 312,860**	**$ (90)**	**$ 484,054**

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

*Ag***Choice** *Farm Credit, ACA*

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of *Ag***Choice** Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2021, are contained in the 2021 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Accounting Standards Updates (ASUs) Issued During the Period and Applicable to the Association

The following ASU was issued by the Financial Accounting Standards Board (FASB) since the most recent year-end:

- In March 2022, the FASB issued ASU 2022-02 Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. This Update responds to feedback received during the Post Implementation Review process conducted by the FASB related to Topic 326.
    1. Troubled Debt Restructurings (TDRs) by Creditors
       The amendments eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan.
    2. Vintage Disclosures—Gross Writeoffs
       For public business entities, the amendments in this Update require that an entity disclose current period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.

These amendments will be implemented in conjunction with the adoption of ASU 2016-13.

ASUs Pending Effective Date
For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- In June 2016, the FASB issued ASU 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This Update, and subsequent clarifying guidance issued, is intended to improve financial reporting by requiring timelier recording of credit losses on financial instruments. It requires an organization to measure all expected credit losses for financial assets held at the reporting date through the life of the financial instrument. Financial institutions and other organizations will use forward-looking information to estimate their credit losses. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies that are not SEC filers, it will take effect for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Evaluation of any possible effects the guidance may have on the statements of financial condition and results of operations is in progress.

Accounting Standards Effective During the Period
There were no changes in the accounting principles applied from the latest Annual Report.

Note 2 — Loans and Allowance for Loan Losses

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	March 31, 2022	December 31, 2021
Real estate mortgage	$ 1,427,916	$ 1,360,483
Production and intermediate-term	668,169	676,236
Loans to cooperatives	72,861	53,225
Processing and marketing	288,366	267,283
Farm-related business	70,859	58,655
Communication	103,354	99,297
Power and water/waste disposal	27,194	20,769
Rural residential real estate	28,950	29,243
International	37,452	18,440
Lease receivables	4,162	4,223
Total loans	$ 2,729,283	$ 2,587,854

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation or syndication interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present the principal balance of purchased and sold loans at periods ended:

	March 31, 2022							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 33,745	$ 9,388	$ 11,190	$ 10,712	$ –	$ –	$ 44,935	$ 20,100
Production and intermediate-term	59,172	4,132	47,107	5,521	–	–	106,279	9,653
Loans to cooperatives	3,550	–	69,453	–	–	–	73,003	–
Processing and marketing	61,271	47,654	100,322	7,053	67,656	–	229,249	54,707
Farm-related business	–	–	–	–	14,837	–	14,837	–
Communication	10,474	–	93,057	–	–	–	103,531	–
Power and water/waste disposal	684	–	26,579	–	–	–	27,263	–
International	–	–	37,500	–	–	–	37,500	–
Lease receivables	–	–	4,163	–	–	–	4,163	–
Total	$ 168,896	$ 61,174	$ 389,371	$ 23,286	$ 82,493	$ –	$ 640,760	$ 84,460

	December 31, 2021							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 31,781	$ 9,742	$ 9,170	$ 11,333	$ –	$ –	$ 40,951	$ 21,075
Production and intermediate-term	48,725	4,329	52,323	6,282	–	–	101,048	10,611
Loans to cooperatives	1,397	–	51,953	–	–	–	53,350	–
Processing and marketing	58,320	46,490	80,861	6,663	68,025	–	207,206	53,153
Farm-related business	–	–	–	–	9,875	–	9,875	–
Communication	7,493	–	92,014	–	–	–	99,507	–
Power and water/waste disposal	831	–	19,988	–	–	–	20,819	–
International	–	–	18,500	–	–	–	18,500	–
Lease receivables	–	–	4,223	–	–	–	4,223	–
Total	$ 148,547	$ 60,561	$ 329,032	$ 24,278	$ 77,900	$ –	$ 555,479	$ 84,839

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

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	March 31, 2022	December 31, 2021
Real estate mortgage:		
Acceptable	96.76%	96.49%
OAEM	1.57	1.71
Substandard/doubtful/loss	1.67	1.80
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	94.73%	94.60%
OAEM	2.58	2.47
Substandard/doubtful/loss	2.69	2.93
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	98.67%	98.62%
OAEM	1.33	1.38
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business:		
Acceptable	98.76%	98.60%
OAEM	0.88	1.26
Substandard/doubtful/loss	0.36	0.14
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	March 31, 2022	December 31, 2021
Power and water/waste disposal:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	97.14%	96.28%
OAEM	1.70	1.73
Substandard/doubtful/loss	1.16	1.99
	100.00%	100.00%
International:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Lease receivables:		
Acceptable	99.10%	99.05%
OAEM	–	–
Substandard/doubtful/loss	0.90	0.95
	100.00%	100.00%
Total loans:		
Acceptable	96.81%	96.52%
OAEM	1.64	1.74
Substandard/doubtful/loss	1.55	1.74
	100.00%	100.00%

The following tables provide an aging analysis of the recorded investment of past due loans as of:

	March 31, 2022				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest
Real estate mortgage	$ 1,235	$ 355	$ 1,590	$ 1,432,592	$ 1,434,182
Production and intermediate-term	602	604	1,206	669,373	670,579
Loans to cooperatives	–	–	–	72,928	72,928
Processing and marketing	–	–	–	289,132	289,132
Farm-related business	130	–	130	70,977	71,107
Communication	–	–	–	103,389	103,389
Power and water/waste disposal	–	–	–	27,289	27,289
Rural residential real estate	128	70	198	28,847	29,045
International	–	–	–	37,501	37,501
Lease receivables	5	–	5	4,170	4,175
Total	$ 2,100	$ 1,029	$ 3,129	$ 2,736,198	$ 2,739,327

	December 31, 2021				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest
Real estate mortgage	$ 4,133	$ 320	$ 4,453	$ 1,360,907	$ 1,365,360
Production and intermediate-term	1,609	579	2,188	676,514	678,702
Loans to cooperatives	–	–	–	53,360	53,360
Processing and marketing	–	–	–	267,842	267,842
Farm-related business	207	–	207	58,705	58,912
Communication	–	–	–	99,281	99,281
Power and water/waste disposal	–	–	–	20,808	20,808
Rural residential real estate	367	–	367	28,966	29,333
International	–	–	–	18,549	18,549
Lease receivables	86	–	86	4,267	4,353
Total	$ 6,402	$ 899	$ 7,301	$ 2,589,199	$ 2,596,500

Nonperforming assets (including related accrued interest as applicable) and related credit quality statistics at period end were as follows:

	March 31, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	$ 2,744	$ 2,826
Production and intermediate-term	2,961	3,318
Farm-related business	21	23
Rural residential real estate	128	63
Total	$ 5,854	$ 6,230
Accruing restructured loans:		
Total	$ –	$ –
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 5,854	$ 6,230
Other property owned	–	–
Total nonperforming assets	$ 5,854	$ 6,230
Nonaccrual loans as a percentage of total loans	0.21%	0.24%
Nonperforming assets as a percentage of total loans and other property owned	0.21%	0.24%
Nonperforming assets as a percentage of capital	1.21%	1.32%

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	March 31, 2022	December 31, 2021
Impaired nonaccrual loans:		
Current as to principal and interest	$ 4,558	$ 4,643
Past due	1,296	1,587
Total	$ 5,854	$ 6,230
Impaired accrual loans:		
Restructured	$ –	$ –
90 days or more past due	–	–
Total	$ –	$ –
Total impaired loans	$ 5,854	$ 6,230
Additional commitments to lend	$ –	$ –

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	March 31, 2022			Three Months Ended March 31, 2022	
Impaired loans:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Total	$ –	$ –	$ –	$ –	$ –
With no related allowance for credit losses:					
Real estate mortgage	$ 2,744	$ 3,517	$ –	$ 2,876	$ 59
Production and intermediate-term	2,961	3,825	–	3,104	63
Farm-related business	21	22	–	22	–
Rural residential real estate	128	145	–	134	3
Total	$ 5,854	$ 7,509	$ –	$ 6,136	$ 125
Total impaired loans:					
Real estate mortgage	$ 2,744	$ 3,517	$ –	$ 2,876	$ 59
Production and intermediate-term	2,961	3,825	–	3,104	63
Farm-related business	21	22	–	22	–
Rural residential real estate	128	145	–	134	3
Total	$ 5,854	$ 7,509	$ –	$ 6,136	$ 125

	December 31, 2021			Year Ended December 31, 2021	
Impaired loans:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Total	$ –	$ –	$ –	$ –	$ –
With no related allowance for credit losses:					
Real estate mortgage	$ 2,826	$ 3,559	$ –	$ 3,630	$ 769
Production and intermediate-term	3,318	4,239	–	4,262	902
Farm-related business	23	23	–	30	6
Rural residential real estate	63	78	–	81	$ 17
Total	$ 6,230	$ 7,899	$ –	$ 8,003	1,694
Total impaired loans:					
Real estate mortgage	$ 2,826	$ 3,559	$ –	$ 3,630	$ 769
Production and intermediate-term	3,318	4,239	–	4,262	902
Farm-related business	23	23	–	30	6
Rural residential real estate	63	78	–	81	$ 17
Total	$ 6,230	$ 7,899	$ –	$ 8,003	1,694

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Lease Receivables	Total
Activity related to the allowance for credit losses:									
Balance at December 31, 2021	$ 4,150	$ 5,309	$ 3,948	$ 705	$ 118	$ 70	$ 164	$ 37	$ 14,501
Charge-offs	–	–	–	–	–	–	–	–	–
Recoveries	–	–	–	–	–	–	–	–	–
Provision for loan losses	85	(106)	372	107	34	(5)	(56)	(3)	428
Balance at March 31, 2022	$ 4,235	$ 5,203	$ 4,320	$ 812	$ 152	$ 65	$ 108	$ 34	$ 14,929
Balance at December 31, 2020	$ 4,194	$ 5,749	$ 3,827	$ 849	$ 85	$ 73	$ 185	$ 217	$ 15,179
Charge-offs	–	–	–	–	–	–	–	–	–
Recoveries	–	–	–	–	–	–	–	–	–
Provision for loan losses	208	14	238	(62)	26	1	8	(179)	254
Balance at March 31, 2021	$ 4,402	$ 5,763	$ 4,065	$ 787	$ 111	$ 74	$ 193	$ 38	$ 15,433
Allowance on loans evaluated for impairment:									
Individually	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Collectively	4,235	5,203	4,320	812	152	65	108	34	14,929
Balance at March 31, 2022	$ 4,235	$ 5,203	$ 4,320	$ 812	$ 152	$ 65	$ 108	$ 34	$ 14,929
Individually	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Collectively	4,150	5,309	3,948	705	118	70	164	37	14,501
Balance at December 31, 2021	$ 4,150	$ 5,309	$ 3,948	$ 705	$ 118	70	$ 164	$ 37	$ 14,501
Recorded investment in loans evaluated for impairment:									
Individually	$ 1,513	$ 1,437	$ –	$ –	$ –	$ –	$ –	$ –	$ 2,950
Collectively	1,432,669	669,142	433,167	103,389	27,289	29,045	37,501	4,175	2,736,377
Balance at March 31, 2022	$ 1,434,182	$ 670,579	$ 433,167	$ 103,389	$ 27,289	$ 29,045	$ 37,501	$ 4,175	$ 2,739,327
Individually	$ 1,553	$ 1,547	$ –	$ –	$ –	$ –	$ –	$ –	$ 3,100
Collectively	1,363,807	677,155	380,114	99,281	20,808	29,333	18,549	4,353	2,593,400
Balance at December 31, 2021	$ 1,365,360	$ 678,702	$ 380,114	$ 99,281	$ 20,808	$ 29,333	$ 18,549	$ 4,353	$ 2,596,500

**Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.*

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. There were no new TDRs that occurred during the three months period ended March 31, 2022 and 2021.

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the periods presented. Payment default is defined as a payment that was thirty days or more past due.

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table.

	Total TDRs		Nonaccrual TDRs	
	March 31, 2022	**December 31, 2021**	**March 31, 2022**	**December 31, 2021**
Real estate mortgage	$ 619	$ 644	$ 619	$ 644
Production and intermediate-term	128	343	128	343
Total loans	$ 747	$ 987	$ 747	$ 987
Additional commitments to lend	$ –	$ –		

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions
Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 8.28 percent of the issued stock of the Bank as of March 31, 2022 net of any reciprocal investment. As of that date, the Bank's assets totaled $39.1 billion and shareholders' equity totaled $2.0 billion. The Bank's earnings were $113 million for the first three months of 2022. In addition, the Association held investments of $1,179 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

Changes in Accumulated Other Comprehensive Income by Component *(a)*

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Employee Benefit Plans:		
Balance at beginning of period	$ (91)	$ (97)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	1	1
Net current period other comprehensive income	1	1
Balance at end of period	$ (90)	$ (96)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Income Statement Line Item
Defined Benefit Pension Plans:			
Periodic pension costs	$ (1)	$ (1)	See Note 7.
Net amounts reclassified	$ (1)	$ (1)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 6 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

	March 31, 2022				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 119	$ 119	$ –	$ –	$ 119
Recurring Assets	$ 119	$ 119	$ –	$ –	$ 119
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ –	$ –	$ –	$ –	$ –
Other property owned	–	–	–	–	–
Nonrecurring Assets	$ –	$ –	$ –	$ –	$ –
Other Financial Instruments					
Assets:					
Cash	$ 12	$ 12	$ –	$ –	$ 12
Loans	2,714,354	–	–	2,627,062	2,627,062
Other Financial Assets	$ 2,714,366	$ 12	$ –	$ 2,627,062	$ 2,627,074
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 2,218,903	$ –	$ –	$ 2,155,001	$ 2,155,001
Other Financial Liabilities	$ 2,218,903	$ –	$ –	$ 2,155,001	$ 2,155,001

	December 31, 2021				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 118	$ 118	$ –	$ –	$ 118
Recurring Assets	$ 118	$ 118	$ –	$ –	$ 118
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ –	$ –	$ –	$ –	$ –
Other property owned	–	–	–	–	–
Nonrecurring Assets	$ –	$ –	$ –	$ –	$ –
Other Financial Instruments					
Assets:					
Cash	$ 15	$ 15	$ –	$ –	$ 15
Loans	2,573,353	–	–	2,555,106	2,555,106
Other Financial Assets	$ 2,573,368	$ 15	$ –	$ 2,555,106	$ 2,555,121
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 2,122,048	$ –	$ –	$ 2,109,091	$ 2,109,091
Other Financial Liabilities	$ 2,122,048	$ –	$ –	$ 2,109,091	$ 2,109,091

Uncertainty in Measurements of Fair Value

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

Note 7 — Employee Benefit Plans

The following table summarizes retirement and other postretirement benefit expenses for the Association:

	Three Months Ended March 31, 2022	2021
Pension	$ 272	$ 645
401(k)	301	300
Other postretirement benefits	97	98
Total	$ 670	$ 1,043

Expenses in the above table are computed using allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2022.

Further details regarding employee benefit plans are contained in the 2021 Annual Report to Shareholders.

Note 8 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is remote that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Merger Activity

On August 27, 2021, the Board of Directors of the Association and MidAtlantic Farm Credit, ACA signed a letter of intent to merge the two Associations and entered into an Agreement and Plan of Merger. Shareholders were provided written communication regarding the potential transaction. The merger has been approved by AgFirst and preliminarily approved by the FCA, and is now subject to shareholder approval. If approved by all required parties, the merger is expected to take effect upon the commencement of business on July 1, 2022.

Note 10 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through May 9, 2022, which was the date the financial statements were issued.