Annual Report 2021

Part of the Farm Credit System

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REPORT OF MANAGEMENT

The consolidated financial statements of Ag New Mexico, Farm Credit Services, ACA (Association) are prepared by management, who is responsible for the statements' 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. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded, and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who also conduct a review of internal controls to the extent necessary to comply with auditing standards solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent, and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the Association's systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

The undersigned certify that we have reviewed this annual report, that it has been prepared in accordance with all applicable statutory and regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge or belief.

Brett Valentine

Brett Valentine, Chief Executive Officer

March 11, 2022

Linda Miller Brown

Linda Brown, Chairman, Board of Directors

March 11, 2022

Will Fisher

Will Fisher, Chief Financial Officer

March 11, 2022

REPORT OF AUDIT COMMITTEE

The Audit Committee (committee) is composed of Larry Hammit, Linda Miller Brown, Ted McCollum, and Billy Rucker. In 2021, 12 committee meetings were held. The committee oversees the scope of Ag New Mexico, Farm Credit Services, ACA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Ag New Mexico, Farm Credit Services, ACA's website. The committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2021.

Management is responsible for Ag New Mexico, Farm Credit Services, ACA's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the committee. PwC is responsible for performing an independent audit of Ag New Mexico, Farm Credit Services, ACA's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The committee's responsibilities include monitoring and overseeing these processes.

In this context, the committee reviewed and discussed Ag New Mexico, Farm Credit Services, ACA's audited consolidated financial statements for the year ended December 31, 2021 (audited consolidated financial statements) with management and PwC. The committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and Ag New Mexico, Farm Credit Services, ACA's internal auditors directly provide reports on significant matters to the committee.

The committee discussed with PwC its independence from Ag New Mexico, Farm Credit Services, ACA. The committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The committee has discussed with management and PwC such other matters and received such assurances from them as the committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the committee recommended that the board of directors include the audited consolidated financial statements in Ag New Mexico, Farm Credit Services, ACA's Annual Report to Stockholders for the year ended December 31, 2021.

Audit Committee Members

Larry Hammit, Chairman, Audit Committee
Linda Miller Brown, Chairman, Board of Directors
Ted McCollum, Vice Chairman, Board of Directors
Billy Rucker

March 11, 2022

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2021	2020	2019	2018	2017
Balance Sheet Data					
Assets					
Loans	**$ 328,608**	$ 293,066	$ 265,801	$ 241,118	$ 220,353
Less: allowance for loan losses	**932**	891	676	521	457
Net loans	**327,676**	292,175	265,125	240,597	219,896
Investment in and receivable from the Farm Credit Bank of Texas	**9,305**	7,702	7,483	6,464	5,665
Other property owned, net	**3**	3	106	481	394
Other assets	**7,077**	6,599	7,743	6,999	6,364
Total assets	**$ 344,061**	$ 306,479	$ 280,457	$ 254,541	$ 232,319
Liabilities					
Obligations with maturities of one year or less	**$ 4,947**	$ 10,863	$ 4,068	$ 3,164	$ 2,820
Obligations with maturities greater than one year	**288,760**	248,683	232,713	210,446	190,933
Total liabilities	**293,707**	259,546	236,781	213,610	193,753
Members' Equity					
Capital stock and participation certificates	**411**	448	450	473	436
Unallocated retained earnings	**50,444**	46,964	43,552	40,650	38,496
Accumulated other comprehensive loss	**(501)**	(479)	(326)	(192)	(366)
Total members' equity	**50,354**	46,933	43,676	40,931	38,566
Total liabilities and members' equity	**$ 344,061**	$ 306,479	$ 280,457	$ 254,541	$ 232,319
Statement of Income Data					
Net interest income	**$ 7,381**	$ 6,963	$ 6,393	$ 5,950	$ 5,436
(Provision for loan losses) or loan loss reversal	**(34)**	(218)	(200)	(71)	207
Income from the Farm Credit Bank of Texas	**3,283**	2,817	2,232	1,761	1,607
Other noninterest income	**513**	621	772	690	1,420
Noninterest expense	**(6,985)**	(6,163)	(5,714)	(5,558)	(5,786)
Benefit from (provision for) income taxes	**22**	42	40	(32)	(213)
Net income	**$ 4,180**	$ 4,062	$ 3,523	$ 2,740	$ 2,671
Key Financial Ratios for the Year					
Return on average assets	**1.2%**	1.4%	1.3%	1.1%	1.2%
Return on average members' equity	**8.5%**	8.9%	8.3%	6.6%	7.0%
Net interest income as a percentage of average earning assets	**2.3%**	2.6%	2.5%	2.6%	2.6%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.0%	0.0%

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2021	2020	2019	2018	2017
Key Financial Ratios at Year End*					
Members' equity as a percentage of total assets	**14.6%**	15.3%	15.6%	16.1%	16.6%
Debt as a percentage of members' equity	**583.3%**	553.0%	542.1%	521.9%	502.4%
Allowance for loan losses as a percentage of loans	**0.3%**	0.3%	0.3%	0.2%	0.2%
Common equity tier 1 ratio	**12.5%**	12.7%	13.7%	14.5%	15.4%
Tier 1 capital ratio	**12.5%**	12.7%	13.7%	14.5%	15.4%
Total capital ratio	**12.8%**	13.0%	14.0%	14.7%	15.7%
Permanent capital ratio	**12.5%**	12.8%	13.7%	14.3%	15.5%
Tier 1 leverage ratio	**12.1%**	13.3%	13.5%	14.3%	15.0%
UREE leverage ratio	**13.3%**	14.6%	14.7%	15.2%	16.0%
Net Income Distribution					
Patronage dividends:					
Cash	**650**	620	586	532	495

*Effective January 1, 2017, the new regulatory capital ratios were implemented by the Association. The Association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2021. For more information, see Note 10 in the accompanying consolidated financial statements, "Members Equity" included in this annual report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Ag New Mexico, Farm Credit Services, ACA, including its wholly owned subsidiaries, Ag New Mexico, Farm Credit Services, PCA and Ag New Mexico, Farm Credit Services, FLCA (Association) for the years ended December 31, 2021, 2020, and 2019, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's Audit Committee.

Forward-Looking Information:

This annual information statement contains 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 "anticipates," "believes," "could," "estimates," "may," "should," "will" or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory, and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- technology and cyber security threats;
- weather-related, disease-related, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government and government-sponsored enterprises; and
- actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

In December 2021, the Association received a direct loan patronage of $1,980,595 from the Bank, representing 69 basis points on the average daily balance of the Association's direct loan with the Bank. During 2021, the Association received $101,153 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $435,940 from the Bank, representing 97 basis points on the Association's average balance of participations in the Bank's participation pool program. Additionally, the Association received a capitalized participation pool patronage of $738,446 and $26,332 for loans and agricultural mortgage-backed securities (AMBS) investments, respectively, for the year ended December 31, 2021.

The United States has been operating under a presidentially declared emergency since March 13, 2020, due to the Coronavirus Disease 2019 (also referred to as COVID-19). COVID-19 cases reported in the U.S. have fluctuated widely in recent months due to several factors, including the emergence of new variants and associated governmental responses. Throughout this unprecedented time, the Association has continued to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit.

The U.S. Bureau of Economic Analysis, in its December 22, 2021 release, estimated that real GDP increased at an annual rate of 2.3 percent in the third quarter, down from 6.7 percent in the second quarter of 2021. The deceleration of GDP growth occurred due to lower personal consumption expenditures, which were likely influenced by the ongoing COVID-19 pandemic. As of January 10, the Federal Reserve Bank of Atlanta estimates that real GDP growth was about 6.8 percent during the fourth quarter of 2021. The International Monetary Fund's latest World Economic Outlook released in October 2021 estimates that U.S. real GDP growth will be 5.2 percent during 2022.

Inflationary pressures persisted during the fourth quarter. The Consumer Price Index for All Urban Consumers increased by 6.8 percent for the 12 months ending November 2021, the largest 12-month increase since the period ending June 1982.

According to the U.S. Bureau of Labor Statistics, the U.S. unemployment rate declined to 3.9 percent in December, the lowest level observed since February 2020. As of November 2021, the unemployment rates in New Mexico have come down to 6.2 percent.

The U.S. Department of Agriculture (USDA) estimates that net farm income reached about $116.82 billion in 2021, an increase of about 23.2 percent year-over-year. The increase in net farm income is anticipated to have been driven by higher cash receipts for both crop and livestock products compared to the prior year. Increased cash receipts were partially offset by lower government payments and higher farm production expenses. Direct government payments, which more than doubled in 2020 to $45.7 billion, fell to an estimated $27.2 billion in 2021. Despite the significant year-over-year decline, direct government payments remain elevated relative to historical standards.

During 2021, the New Mexico agriculture economy remained sound. Moisture and precipitation varied across the state from either near to below average, with winter forage conditions considered good. Most of New Mexico is considered to be in a drought.

Agricultural real estate values continued to trend positively, with strong demand for irrigated farm ground and water rights. Ranch land values in New Mexico continue to see upward pressure, with the remainder of dry crop land stable to improving. New Mexico agriculture continues to remain diversified, resilient, and resourceful. This is evidenced in our customer base that appears to be financially sound and our credit risk remains at historically low levels.

During 2022, agricultural producers may be negatively affected by several factors, including volatile commodity prices, export market disruptions, a recovering global economy, and weather-related challenges. The Association's loan portfolio is well-supported by industry diversification and conservative advance rates.

For more than 80 years, the Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners, and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, index-based, and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of $328,607,772, $293,066,480, and $265,801,658 as of December 31, 2021, 2020, and 2019, respectively, is described more fully in detailed tables in Note 3 to the consolidated financial statements, "Loans and Allowance for Loan Losses" included in this annual report.

Purchase and Sales of Loans:

During 2021, 2020, and 2019, the Association was participating in loans with other lenders. As of December 31, 2021, 2020, and 2019, these participations totaled $100,298,851, $101,035,054, and $78,873,940, or 30.5 percent, 34.5 percent, and 29.7 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $307,191, $0, and $0, or 0.1 percent, 0.0 percent, and 0.0 percent of loans, respectively. The Association has also sold participations of $102,747,213, $91,709,151, and $80,138,873 as of December 31, 2021, 2020, and 2019, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans, and other property owned, net.

The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2021		2020		2019	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 1,975,861**	**89.2%**	$ 2,097,655	95.4%	$ 176,102	55.1%
90 days past due and still accruing interest	**236,366**	**10.7%**	99,364	4.5%	37,880	11.8%
Other property owned, net	**2,775**	**0.1%**	2,775	0.1%	105,850	33.1%
Total	**$ 2,215,002**	**100.0%**	$ 2,199,794	100.0%	$ 319,832	100.0%

At December 31, 2021, 2020, and 2019, loans that were considered impaired were $2,212,227, $2,197,019, and $213,982, representing 0.7 percent, 0.7 percent, and 0.1 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

The Association is not affected to any material extent by any seasonal characteristics. This is due in part to the fact that true production loans comprise a small part of the Association's total loan portfolio and in part to the diversification in the portfolio, both in geographic distribution and in sources of repayment. In addition, the Association is not dependent upon any single customer, commodity, or industry because of loan size or commodity concentration, due to lack of very large loans in the portfolio and the diversity present in the loan portfolio. No loans in the portfolio have any inherent special features that would have a material impact on the expected collectability.

Allowance for Loan Losses:

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	2021	2020	2019
Allowance for loan losses	**$ 931,501**	$ 891,494	$ 676,426
Allowance for loan losses to total loans	**0.3%**	0.3%	0.3%
Allowance for loan losses to nonaccrual loans	**47.1%**	42.5%	384.1%
Allowance for loan losses to impaired loans	**42.1%**	40.6%	316.1%
Net charge-offs to average loans	**0.0%**	0.0%	0.0%

The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowance for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences.

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of $931,501, $891,494, and $676,426 at December 31, 2021, 2020, and 2019, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates. The allowance report is prepared on a quarterly basis; however, individual adjustments are considered on an "as needed" basis if prior to quarter end. Each quarterly allowance report includes a detailed discussion of its adequacy and reasons thereof. Each report is prepared by management and final approval given by the Association's audit committee and board. As detailed in the report, various factors are considered, and management approval is documented that the allowance is believed to be materially adequate.

Results of Operations:

The Association's net income for the year ended December 31, 2021, was $4,180,050 as compared to $4,061,553 for the year ended December 31, 2020, reflecting an increase of $118,497, or 2.9 percent. The Association's net income for the year ended December 31, 2019 was $3,522,803. Net income increased $538,750, or 15.3 percent, in 2020 versus 2019.

Net interest income for 2021, 2020, and 2019 was $7,381,125, $6,963,326, and $6,392,652, respectively, reflecting increases of $417,799, or 6.0 percent, for 2021 versus 2020 and $570,674, or 8.9 percent, for 2020 versus 2019. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2021		2020		2019	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 324,052,293**	**$ 11,860,862**	$ 271,279,895	$ 11,878,705	$ 257,830,123	$ 13,189,049
Interest-bearing liabilities	**286,121,879**	**4,479,737**	236,817,851	4,915,379	226,328,028	6,796,397
Impact of capital	**$ 37,930,414**		$ 34,462,044		$ 31,502,095	
Net interest income		**$ 7,381,125**		$ 6,963,326		$ 6,392,652

	2021 Average Yield	2020 Average Yield	2019 Average Yield
Yield on loans	**3.66%**	4.38%	5.12%
Cost of interest-bearing liabilities	**1.57%**	2.08%	3.00%
Interest rate spread	**2.09%**	2.30%	2.12%

	2021 vs. 2020			2020 vs. 2019		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 2,310,798**	**$ (2,328,641)**	**$ (17,843)**	$ 688,010	$ (1,998,354)	$ (1,310,344)
Interest expense	**1,023,354**	**(1,458,996)**	**(435,642)**	314,999	(2,196,017)	(1,881,018)
Net interest income	**$ 1,287,444**	**$ (869,645)**	**$ 417,799**	$ 373,011	$ 197,663	$ 570,674

Interest income for 2021 decreased by $17,843, or 0.2 percent, compared to 2020, primarily due to a decrease in yield on loans offset by an increase in volume. Interest expense for 2021 decreased by $435,642, or 8.9 percent, compared to 2020 primarily due to a decrease in cost of funds offset by an increase in volume. The interest rate spread decreased by 21 basis points to 2.09 percent in 2021 from 2.30 percent in 2020, primarily because of a decrease in the yield on loans offset by a decrease in the cost of funds. The interest rate spread increased by 18 basis points to 2.30 percent in 2020 from 2.12 percent in 2019, primarily because of a decrease in the cost of funds.

Noninterest income for 2021 increased by $412,843, or 12.2 percent, compared to 2020, due primarily to an increase in patronage income. Noninterest income for 2020 increased by $379,266, or 12.6 percent, compared to 2019, due primarily to an increase in patronage income.

Provisions for loan losses decreased by $183,702, or 84.3 percent, compared to 2020, due primarily to a decrease in general reserves. Provisions for loan losses increased by $17,930, or 9.0 percent in 2020, compared to 2019, due primarily to an increase in general reserves.

Operating expenses consist primarily of salaries, employee benefits, and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting, and loan processing, among others. Salaries and employee benefits for 2021 increased by $132,046, or 3.2 percent, compared to 2020. Salaries and employee benefits for 2020 increased by $607,477, or 17.4 percent, compared to 2019. These increases were related to an increase in loan volume at all locations resulting in additional staffing needs. Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $435,691, $461,084, and $267,713 for 2021, 2020, and 2019, respectively, in origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits totaling $486,558, $484,086, $325,026 for 2021, 2020, and 2019 related to the origination of loans. The $875,988 increase in operating expenses included an increase of $218,053 in premiums to the Insurance Fund.

For the year ended December 31, 2021, the Association's return on average assets was 1.2 percent, as compared to 1.4 percent and 1.3 percent for the years ended December 31, 2020, and 2019, respectively. For the year ended December 31, 2021, the Association's return on average members' equity was 8.5 percent, as compared to 8.9 percent and 8.3 percent for the years ended December 31, 2020, and 2019, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

In July 2017, the United Kingdom's Financial Conduct Authority, the authority regulating the London Inter-Bank Offered Rate (LIBOR) announced that it will stop persuading or compelling banks to submit rates for the calculation of the LIBOR after 2021. Since this announcement, central banks around the world, including the Federal Reserve, have commissioned working groups with the goal of finding suitable replacements for LIBOR. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee (ARRC) of the Federal Reserve Board and the Federal Reserve Bank of New York. Specifically, the ARRC has proposed the Secured Overnight Financing Rate (SOFR) as the recommended alternative to LIBOR. SOFR is based on a broad segment of the overnight Treasury repurchase market and is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The Bank and its affiliated associations are currently evaluating the impacts of a potential phase-out of the LIBOR benchmark interest rate, including the possibility of using SOFR as an alternative to LIBOR. The transition from LIBOR to SOFR is expected to be complex and to include the development of term and credit adjustments to minimize, to the extent possible, discrepancies between LIBOR and SOFR. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR-based instruments, including certain of the Farm Credit Systemwide debt securities, the Bank's borrowings, loans, investments, derivatives, and other Bank assets and liabilities that are indexed to LIBOR.

The Bank established a LIBOR Workgroup, with cross-functional representation from the finance, operations, credit, and legal departments. The LIBOR Workgroup is progressing in implementing its transition plan to an alternative benchmark rate. The LIBOR Workgroup coordinates outreach to the Association and with other Farm Credit System institutions, especially the Funding Corporation.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $288,391,354, $248,320,942, and $232,170,886 as of December 31, 2021, 2020, and 2019, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.5 percent, 1.7 percent, and 2.7 percent at December 31, 2021, 2020, and 2019, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2020, is due to continued growth in the loan portfolio. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $39,995,028, $44,644,696, and $33,638,073 at December 31, 2021, 2020, and 2019, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2021, was $330,016,115 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023 unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2022. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years, and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $50,354,063, $46,932,433, and $43,675,613 at December 31, 2021, 2020, and 2019, respectively. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. The permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The core surplus ratio measures available core surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the quality of capital that exists to maintain stable earnings and financial strength. The total surplus ratio measures available surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the reserves existing to protect borrowers' investments in the Association. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted.

These new requirements replaced the core surplus and total surplus requirements with common equity tier 1, tier 1 capital, and total capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a tier 1 leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The permanent capital ratio continues to remain in effect; however, the risk-adjusted assets are calculated differently than the past.

The following table reflects the Association's capital ratios at December 31:

	2021	2020	2019	2018	2017	Regulatory Minimum
Permanent capital ratio	12.53%	12.78%	13.74%	14.30%	15.50%	7.00%
Common equity tier 1 ratio	12.50%	12.74%	13.71%	14.50%	15.40%	7.00%
Tier 1 capital ratio	12.50%	12.74%	13.71%	14.50%	15.40%	8.50%
Total capital ratio	12.80%	13.04%	13.96%	14.70%	15.70%	10.50%
Tier 1 leverage ratio	12.12%	13.29%	13.51%	14.30%	15.00%	5.00%
UREE leverage ratio	13.34%	14.58%	14.65%	15.20%	16.00%	1.50%

Significant Recent Accounting Pronouncements:

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021 and the impact was not material to the Association's financial condition or its results of operations.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships 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 contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the Association's financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2021 and the impact of adoption was not material to the Association's financial condition or results of operations.

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act gives entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not need to be classified as TDRs. System entities have adopted this relief for qualifying loan modifications. In response to the CARES Act, the Farm Credit Administration issued guidance allowing for temporary relief from accounting and disclosure requirements for TDRs. This TDR guidance applied to modifications made beginning March 1, 2020 and terminated on December 31, 2020.

In December 2019, the FASB issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements, and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted, and the Association adopted this guidance on January 1, 2020. The adoption of this guidance did not impact the Association's financial condition or its results of operations; nor did the guidance impact the presentation of taxes for prior periods in the year 2021 interim or year-end financial statements.

In August 2018, the FASB issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance became effective for fiscal years ending after December 15, 2020. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying, or adding to the disclosures. This guidance became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted, and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the fair value measurements disclosures.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." 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. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of operations, with planned adoption for interim and reporting periods beginning after December 15, 2022.

Regulatory Matters:

At December 31, 2021, the Association was not under written agreements with the Farm Credit Administration.

On January 5, 2021, the FCA posted an informational memorandum providing guidance to the Farm Credit System on managing challenges associated with COVID-19. The informational memorandum provided supplements on flood insurance requirements, consumer financial protection, and electronic delivery of borrower rights notices. On January 12, 2021, the FCA posted a supplement to its January 5, 2021, informational memorandum, which provided updated guidance to Farm Credit System institutions on issues related to COVID-19. The supplement covers regulatory capital requirements for Paycheck Protection Program loans. On January 28, 2021, the FCA posted a supplement to its January 5, 2021, informational memorandum, which provided updated guidance to Farm Credit System institutions on issues related to COVID-19. The supplement discusses matters related to Association annual meetings and elections during the 2021 calendar year.

On February 5, 2021, the FCA posted an informational memorandum on maintaining and using stockholder lists. The informational memorandum provides institutions with guidance on maintaining the lists and using them to establish who should receive voting and financial information.

On June 30, 2021, the FCA posted an advance notice of proposed rulemaking to seek public comments on how to amend or restructure bank liquidity regulations. The FCA is considering whether to amend the existing liquidity regulatory framework so banks can better withstand crises that adversely impact liquidity. The comment period ended on November 27, 2021.

On August 26, 2021, the FCA published a proposed rule in the Federal Register on defining and establishing risk-weightings for high-volatility commercial real estate (HVCRE) exposures. The comment period ended on January 24, 2022.

On September 9, 2021, the FCA adopted a final rule on the tier 1/tier 2 capital framework. The rule clarifies the regulations, simplifies certain requirements, and changes the lending and leasing limit base calculation to be computed using total capital instead of permanent capital. It also codifies guidance provided in FCA Bookletter 068. On October 1, 2021, the FCA published the final rule on the tier 1/tier 2 capital framework in the Federal Register. The final rule became effective on January 1, 2022.

On December 8, 2021, the FCA posted an informational memorandum on managing the LIBOR transition. The informational memorandum provides institutions with guidance on the transition away from LIBOR, clarifies the meaning of new LIBOR contracts, and provides guidance on using alternative reference rates.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 9 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank's ability to access capital of the Association is discussed in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Bank."

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 9 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank provides computer systems to support the critical operations of all District associations. In addition, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 13 to the consolidated financial statements, "Related Party Transactions," included in this annual report, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems, and accounting services. Additionally, the Bank bills District expenses to the associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 88 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Report of Independent Auditors

To the Board of Directors of Ag New Mexico, Farm Credit Services, ACA

Opinion

We have audited the accompanying consolidated financial statements of Ag New Mexico, Farm Credit Services, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2021, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2021, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2021 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Austin, Texas
March 11, 2022

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED BALANCE SHEET

	December 31,		
	2021	2020	2019
Assets			
Loans	**$ 328,607,772**	$ 293,066,480	$ 265,801,658
Less: allowance for loan losses	**931,501**	891,494	676,426
Net loans	**327,676,271**	292,174,986	265,125,232
Accrued interest receivable	**3,663,740**	3,008,000	3,748,894
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**8,783,705**	6,917,190	6,485,875
Other	**521,203**	784,507	997,088
Deferred taxes, net	**410,088**	389,277	346,380
Other property owned, net	**2,775**	2,775	105,850
Premises and equipment	**2,481,036**	2,581,927	3,091,389
Other assets	**521,950**	619,773	556,646
Total assets	**$ 344,060,768**	$ 306,478,435	$ 280,457,354
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 288,391,354**	$ 248,320,942	$ 232,170,886
Advance conditional payments	**441,427**	361,872	223,877
Accrued interest payable	**367,977**	362,159	542,633
Drafts outstanding	**27,028**	5,496	157,808
Patronage distributions payable	**700,000**	650,000	620,000
Other liabilities	**3,778,919**	9,845,533	3,066,537
Total liabilities	**293,706,705**	259,546,002	236,781,741
Members' Equity			
Capital stock and participation certificates	**411,220**	447,640	449,660
Unallocated retained earnings	**50,443,896**	46,963,846	43,552,293
Accumulated other comprehensive loss	**(501,053)**	(479,053)	(326,340)
Total members' equity	**50,354,063**	46,932,433	43,675,613
Total liabilities and members' equity	**$ 344,060,768**	$ 306,478,435	$ 280,457,354

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2021	2020	2019
Interest Income			
Loans	**$ 11,860,862**	$ 11,878,705	$ 13,189,049
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**4,479,737**	4,915,379	6,796,397
Net interest income	**7,381,125**	6,963,326	6,392,652
Provision for Loan Losses	**34,132**	217,834	199,904
Net interest income after provision for losses	**7,346,993**	6,745,492	6,192,748
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**3,282,876**	2,816,918	2,232,102
Loan fees	**164,778**	204,506	164,795
Financially related services income	**20,074**	23,742	2,125
Gain (loss) on sale of premises and equipment, net	**88,791**	(54,641)	68,837
Other noninterest income	**239,502**	392,653	536,053
Total noninterest income	**3,796,021**	3,383,178	3,003,912
Noninterest Expenses			
Salaries and employee benefits	**4,231,899**	4,099,853	3,492,376
Directors' expense	**169,349**	135,224	199,646
Purchased services	**435,557**	437,399	486,216
Travel	**249,299**	185,146	275,985
Occupancy and equipment	**761,527**	416,431	401,083
Communications	**78,084**	85,911	84,376
Advertising	**37,099**	28,268	28,471
Public and member relations	**101,781**	97,085	96,357
Supervisory and exam expense	**116,964**	107,558	99,740
Insurance Fund premiums	**477,914**	259,861	246,110
Loss on other property owned, net	**1,929**	16,569	27,501
Other noninterest expense	**323,225**	239,334	276,006
Total noninterest expenses	**6,984,627**	6,108,639	5,713,867
Income before income taxes	**4,158,387**	4,020,031	3,482,793
Benefit from income taxes	**(21,663)**	(41,522)	(40,010)
NET INCOME	**4,180,050**	4,061,553	3,522,803
Other comprehensive income:			
Change in postretirement benefit plans	**(22,000)**	(152,713)	(134,620)
COMPREHENSIVE INCOME	**$ 4,158,050**	$ 3,908,840	$ 3,388,183

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2018	$ 472,355	$ 40,649,490	$ (191,720)	$ 40,930,125
Comprehensive income	-	3,522,803	(134,620)	3,388,183
Capital stock/participation certificates issued	55,040	-	-	55,040
Capital stock/participation certificates and allocated retained earnings retired	(77,735)	-	-	(77,735)
Patronage declared	-	(620,000)	-	(620,000)
Balance at December 31, 2019	449,660	43,552,293	(326,340)	43,675,613
Comprehensive income	-	4,061,553	(152,713)	3,908,840
Capital stock/participation certificates issued	55,235	-	-	55,235
Capital stock/participation certificates and allocated retained earnings retired	(57,255)	-	-	(57,255)
Patronage declared	-	(650,000)	-	(650,000)
Balance at December 31, 2020	447,640	46,963,846	(479,053)	46,932,433
Comprehensive income	-	4,180,050	(22,000)	4,158,050
Capital stock/participation certificates issued	49,830	-	-	49,830
Capital stock/participation certificates and allocated retained earnings retired	(86,250)	-	-	(86,250)
Patronage declared	-	(700,000)	-	(700,000)
Balance at December 31, 2021	**$ 411,220**	**$ 50,443,896**	**$ (501,053)**	**$ 50,354,063**

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income	**$ 4,180,050**	$ 4,061,553	$ 3,522,803
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**34,132**	217,834	199,904
Provision for acquired property	**-**	1,518	19,167
Loss on sale of other property owned, net	**-**	6,848	-
Depreciation	**248,057**	184,969	227,339
(Gain) loss on sale of premises and equipment, net	**(88,791)**	54,641	(68,837)
(Increase) decrease in accrued interest receivable	**(655,740)**	740,894	(633,234)
Decrease in other receivables from the Farm Credit Bank of Texas	**263,304**	212,581	122,452
Increase in deferred tax assets	**(20,811)**	(42,897)	(48,848)
(Increase) decrease in other assets	**(20,432)**	(49,710)	171,870
Increase (decrease) in accrued interest payable	**5,818**	(180,474)	15,937
(Decrease) increase in other liabilities	**(5,970,359)**	6,612,866	283,055
Net cash (used in) provided by operating activities	**(2,024,772)**	11,820,623	3,811,608
Cash flows from investing activities:			
Increase in loans, net	**(35,449,447)**	(27,197,573)	(24,774,903)
Cash recoveries of loans previously charged off	**-**	13,030	-
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(1,866,515)**	(431,315)	(1,141,835)
Purchases of premises and equipment	**(238,695)**	(308,254)	(222,197)
Proceeds from sales of premises and equipment	**94,350**	495,061	76,800
Proceeds from sales of other property owned	**-**	94,709	456,884
Net cash used in investing activities	**(37,460,307)**	(27,334,342)	(25,605,251)

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2021	2020	2019
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**40,070,412**	16,150,056	22,252,111
Increase (decrease) in drafts outstanding	**21,532**	(152,312)	95,046
Increase in advance conditional payments	**79,555**	137,995	55,181
Issuance of capital stock and participation certificates	**49,830**	55,235	55,040
Retirement of capital stock and participation certificates	**(86,250)**	(57,255)	(77,735)
Patronage distributions paid	**(650,000)**	(620,000)	(586,000)
Net cash provided by financing activities	**39,485,079**	15,513,719	21,793,643
Net increase in cash	**-**	-	-
Cash at the beginning of the year	**-**	-	-
Cash at the end of the year	**$ -**	$ -	$ -
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**-**	-	100,717
Loans charged off	**13,213**	12,030	26,158
Patronage distributions declared	**700,000**	650,000	620,000
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 4,473,919**	$ 5,095,853	$ 6,780,460
Taxes	**5,790**	4,838	1,120

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Ag New Mexico Farm Credit Services, ACA, including its wholly-owned subsidiaries, Ag New Mexico, Farm Credit Services, PCA and Ag New Mexico, Farm Credit Services, FLCA (collectively called "the Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in all counties in the state of New Mexico with the exception of San Juan County and that portion of Rio Arriba County lying west of the Continental Divide. The PCA and FLCA subsidiaries are also authorized to operate in Cochran County, Texas. In addition, the Association and Farm Credit Services of New Mexico, ACA have entered into an agreement that allows the Association to make mortgage loans in New Mexico, on a statewide basis, without obtaining territorial approval.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2021, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the "District." The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2021, the District consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico, and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. Under the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System banks, which may be passed on to the Association.

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers, and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

The Association also serves as an intermediary in offering credit life insurance and multi-peril crop insurance, and providing additional services to borrowers, such as financial management services and an investment bond program.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. Upon request, stockholders of the Association will be provided with the Farm Credit Bank of Texas Annual Report to Stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In consolidation, all significant intercompany accounts and transactions are eliminated, and all material wholly owned and majority owned subsidiaries are consolidated unless GAAP requires otherwise.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, the determination of fair value of financial instruments and subsequent impairment analysis.

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statement and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. The consolidated financial statements include the accounts of Ag New Mexico, Farm Credit Services, PCA and Ag New Mexico, Farm Credit Services, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021 and the impact was not material to the Association's financial condition or its results of operations.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships 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 contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the Association's financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2021 and the impact of adoption was not material to the Association's financial condition or results of operations.

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act gives entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not need to be classified as TDRs. System entities have adopted this relief for qualifying loan modifications. In response to the CARES Act, the Farm Credit Administration issued guidance allowing for temporary relief from accounting and disclosure requirements for TDRs. This TDR guidance applied to modifications made beginning March 1, 2020 and terminated on December 31, 2020.

In December 2019, the FASB issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements, and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted, and the Association adopted this guidance on January 1, 2020. The adoption of this guidance did not impact the Association's financial condition or its results of operations; nor did the guidance impact the presentation of taxes for prior periods in the year 2021 interim or year-end financial statements.

In August 2018, the FASB issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance became effective for fiscal years ending after December 15, 2020. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying, or adding to the disclosures. This guidance became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted, and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the fair value measurements disclosures.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." 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. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of operations, with planned adoption for interim and reporting periods beginning after December 15, 2022.

B. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.

C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 30 years. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected, or otherwise discharged in full.

A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan.

Impaired loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and/or interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

The Bank and related associations use a two-dimensional loan rating model based on an internally generated combined system risk-rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk-rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowances for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations, and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations, and appraisals to change over time.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

Transfers of an entire financial asset, group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Association, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Association does not maintain effective control over the transferred assets.

The Association purchases loan and lease participations from other System and non-System entities to generate additional earnings and diversify risk related to existing commodities financed and the geographic area served. Additionally, the Association sells a portion of certain large loans to other System and non-System entities to reduce risk and comply with established lending limits. Loans are sold and the sale terms comply with requirements under ASC 860 "Transfers and Servicing."

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other District associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

   If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an Association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheet. 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. On at least an annual basis, revised estimates to the fair value less cost 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. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

G. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest may be paid by the Association on such accounts at rates established by the board of directors.

H. Employee Benefit Plans: Employees of the Association participate in either the District defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5 percent of eligible pay for the year ended December 31, 2021, made on their behalf into various investment alternatives.

The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of $176,317, $191,369, and $119,788 for the years ended December 31, 2021, 2020, and 2019 respectively. For the DB plan, the Association recognized pension costs of $319,997, $144,609, and $152,794 for the years ended December 31, 2021, 2020, and 2019, respectively.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3 percent of eligible earnings and to match 50 percent of employee contributions for the next 2 percent of employee contributions, up to a maximum employer contribution of 4 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $128,178, $111,159, and $107,875 for the years ended December 31, 2021, 2020, and 2019, respectively.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet. Medical and dental benefits are available to employees with a percentage of premium paid by the Association based on continuous service for employees hired prior to January 1, 2006. Employees hired on or after January 1, 2006 are eligible for medical and dental benefits, but are responsible for paying 100 percent of their associated medical and dental premiums at retirement.

I. Income Taxes: The ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through the wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock, or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the Association's taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

J. Patronage Refunds From the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

K. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and the supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

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 the following: (a) quoted prices for similar assets or liabilities in active markets; (b) 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, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

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 are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions 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. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 14, "Fair Value Measurements."

L. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2021		2020		2019	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 173,036,304**	**52.8%**	$ 127,731,209	43.7%	$ 114,009,592	42.9%
Production and intermediate term	**67,665,799**	**20.6%**	73,334,998	25.0%	68,952,935	26.0%
Agribusiness:						
Processing and marketing	**43,141,373**	**13.1%**	46,594,131	15.9%	43,938,011	16.5%
Farm-related business	**18,806,935**	**5.7%**	17,831,009	6.1%	9,953,739	3.7%
Loans to cooperatives	**4,985,423**	**1.5%**	4,462,937	1.5%	3,480,833	1.3%
Communication	**5,593,740**	**1.7%**	8,039,201	2.7%	6,628,636	2.5%
Energy	**4,493,222**	**1.4%**	5,052,291	1.7%	6,488,208	2.4%
Water and waste water	**3,297,345**	**1.0%**	3,038,933	1.0%	1,996,090	0.8%
Rural residential real estate	**3,106,164**	**0.9%**	4,991,761	1.7%	8,168,087	3.1%
International	**2,697,276**	**0.8%**	-	0.0%	-	0.0%
Lease receivables	**1,784,191**	**0.5%**	1,990,010	0.7%	2,185,527	0.8%
Total	**$ 328,607,772**	**100.0%**	$ 293,066,480	100.0%	$ 265,801,658	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of December 31, 2021:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 48,032,141	$ 13,040,440	$ -	$ -	$ 48,032,141	$ 13,040,440
Real estate mortgage	18,391,764	38,315,661	-	1,730,136	18,391,764	40,045,797
Production and intermediate term	16,009,172	44,469,557	-	-	16,009,172	44,469,557
Communication	5,593,740	-	-	-	5,593,740	-
Energy	4,493,222	-	-	-	4,493,222	-
Water and waste water	3,297,345	-	-	-	3,297,345	-
International	2,697,276	-	-	-	2,697,276	-
Lease receivables	1,784,191	-	-	-	1,784,191	-
Rural residential real estate	-	5,191,419	-	-	-	5,191,419
Total	$100,298,851	$101,017,077	$ -	$ 1,730,136	$100,298,851	$102,747,213

Geographic Distribution

The following percentages are based on the borrower's physical location, the borrower's headquarter location, or the physical location of the underlying collateral where applicable:

County	**2021**	2020	2019
Chaves	**8.5%**	6.8%	4.3%
Dona Ana	**7.6%**	9.9%	10.9%
Lincoln	**6.4%**	3.3%	3.9%
Roosevelt	**4.9%**	5.0%	5.4%
Curry	**3.8%**	4.3%	2.4%
Socorro	**3.3%**	2.9%	2.8%
Luna	**2.9%**	4.2%	3.4%
Colfax	**2.6%**	3.0%	2.1%
Sierra	**2.1%**	2.1%	2.2%
Torrance	**1.8%**	2.2%	3.9%
Quay	**1.7%**	1.8%	1.7%
Valencia	**1.5%**	2.3%	2.2%
De Baca	**1.3%**	1.8%	1.9%
Other Counties	**8.1%**	7.3%	8.5%
Other States	**43.5%**	43.1%	44.4%
Totals	**100.0%**	100.0%	100.0%

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized, and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

	2021		2020		2019	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Livestock, except dairy and poultry	**$ 101,238,065**	**30.8%**	$ 77,958,527	26.7%	$ 70,263,537	26.5%
General farms, primarily crops	**57,782,778**	**17.6%**	34,525,743	11.8%	26,273,216	9.9%
Dairy farms	**32,487,110**	**9.9%**	30,901,121	10.5%	34,506,178	13.0%
Food and kindred products	**21,815,577**	**6.6%**	24,007,709	8.2%	22,425,600	8.4%
Agricultural services	**16,587,693**	**5.0%**	18,865,491	6.4%	12,936,798	4.9%
Wholesale trade - nondurable goods	**15,941,965**	**4.9%**	11,774,377	4.0%	6,481,694	2.4%
Fruit and tree nuts	**14,207,057**	**4.3%**	10,309,228	3.5%	8,381,257	3.2%
Vegetables and melons	**9,354,562**	**2.8%**	13,067,084	4.5%	9,850,451	3.7%
Field crops except cash grains	**9,152,592**	**2.8%**	11,601,200	4.0%	16,264,277	6.1%
Electric services	**8,438,901**	**2.6%**	9,098,934	3.1%	10,195,118	3.8%
Rural home loans	**6,879,221**	**2.1%**	10,251,453	3.5%	18,965,191	7.1%
Communication	**5,593,740**	**1.7%**	8,039,201	2.7%	6,628,636	2.5%
Cash grains	**5,533,142**	**1.7%**	5,619,606	1.9%	4,084,403	1.5%
Chemical and allied products	**5,524,209**	**1.7%**	4,722,974	1.6%	2,182,908	0.8%
Timber	**3,717,391**	**1.1%**	7,112,111	2.4%	4,639,348	1.7%
Other	**14,353,769**	**4.4%**	15,211,721	5.2%	11,723,046	4.5%
Total	**$ 328,607,772**	**100.0%**	$ 293,066,480	100.0%	$ 265,801,658	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

To mitigate the risk of loan losses, the Association has obtained loan guarantees in the form of standby commitments to purchase qualifying loans from Farmer Mac through an arrangement with the Bank. The agreements, which will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of defaults (typically four months past due), subject to certain conditions. At December 31, 2021, 2020, and 2019, loans totaling $51,434,109, $29,886,405, and $31,204,029 respectively, were guaranteed by these commitments. Fees paid for these guarantees totaled $198,868, $142,721, and $142,035 in 2021, 2020, and 2019, respectively, and are included in "other noninterest expense."

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Nonaccrual loans:			
Production and intermediate term	**$ 1,023,104**	$ 1,024,083	$ -
Real estate mortgage	**739,510**	845,459	176,102
Rural residential real estate	**213,247**	228,113	-
Total nonaccrual loans	**1,975,861**	2,097,655	176,102
Accruing loans 90 days or more past due:			
Production and intermediate term	**236,366**	-	-
Real estate mortgage	**-**	-	37,880
Rural residential real estate	**-**	99,364	-
Total accruing loans 90 days or more past due	**236,366**	99,364	37,880
Total nonperforming loans	**2,212,227**	2,197,019	213,982
Other property owned	**2,775**	2,775	105,850
Total nonperforming assets	**$ 2,215,002**	$ 2,199,794	$ 319,832

One credit quality indicator utilized by the Bank and the Association is the Farm Credit Administration's Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan,
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

	2021		2020		2019	
Real estate mortgage						
Acceptable	**98.9**	%	98.1	%	90.0	%
OAEM	**0.1**		0.2		0.6	
Substandard/doubtful	**1.0**		1.7		9.4	
	100.0		100.0		100.0	
Production and intermediate term						
Acceptable	**97.6**		93.4		94.9	
OAEM	**0.6**		4.6		0.4	
Substandard/doubtful	**1.8**		2.0		4.7	
	100.0		100.0		100.0	
Processing and marketing						
Acceptable	**92.8**		89.7		94.5	
OAEM	**-**		10.3		5.5	
Substandard/doubtful	**7.2**		-		-	
	100.0		100.0		100.0	
Farm-related business						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Loans to cooperatives						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Communication						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Energy						
Acceptable	**55.9**		100.0		87.2	
OAEM	**-**		-		-	
Substandard/doubtful	**44.1**		-		12.8	
	100.0		100.0		100.0	
Water and waste water						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Rural residential real estate						
Acceptable	**93.2**		95.4		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**6.8**		4.6		-	
	100.0		100.0		100.0	
International						
Acceptable	**100.0**		-		-	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		-		-	
Lease receivables						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Total Loans						
Acceptable	**97.3**		95.8		93.1	
OAEM	**0.2**		2.9		1.3	
Substandard/doubtful	**2.5**		1.3		5.6	
	100.0	%	100.0	%	100.0	%

The following tables provide an aging analysis of past due loans (including accrued interest) as of December 31, 2021, 2020, and 2019:

December 31, 2021:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 1,177,568**	**$ 608,700**	**$ 1,786,268**	**$ 173,915,102**	**$ 175,701,370**	**$ -**
Production and intermediate term	**-**	**1,259,470**	**1,259,470**	**67,024,717**	**68,284,187**	**236,366**
Processing and marketing	**-**	**-**	**-**	**43,382,398**	**43,382,398**	**-**
Farm-related business	**-**	**-**	**-**	**18,863,768**	**18,863,768**	**-**
Loans to cooperatives	**-**	**-**	**-**	**4,992,725**	**4,992,725**	**-**
Communication	**-**	**-**	**-**	**5,594,054**	**5,594,054**	**-**
Energy	**-**	**-**	**-**	**4,504,301**	**4,504,301**	**-**
Water and waste water	**-**	**-**	**-**	**3,328,042**	**3,328,042**	**-**
Rural residential real estate	**143,660**	**213,247**	**356,907**	**2,762,084**	**3,118,991**	**-**
International	**-**	**-**	**-**	**2,701,685**	**2,701,685**	**-**
Lease receivables	**-**	**-**	**-**	**1,799,991**	**1,799,991**	**-**
Total	**$ 1,321,228**	**$ 2,081,417**	**$ 3,402,645**	**$ 328,868,867**	**$ 332,271,512**	**$ 236,366**

December 31, 2020:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 305,701	$ 169,436	$ 475,137	$ 129,207,733	$ 129,682,870	$ -
Production and intermediate term	44,340	-	44,340	73,965,172	74,009,512	-
Processing and marketing	-	-	-	46,830,792	46,830,792	-
Farm-related business	-	-	-	17,896,730	17,896,730	-
Loans to cooperatives	-	-	-	4,465,388	4,465,388	-
Communication	-	-	-	8,039,650	8,039,650	-
Energy	-	-	-	5,060,539	5,060,539	-
Water and waste water	-	-	-	3,069,217	3,069,217	-
Rural residential real estate	487,504	327,477	814,981	4,196,350	5,011,331	99,364
International	-	-	-	-	-	-
Lease receivables	-	-	-	2,008,451	2,008,451	-
Total	$ 837,545	$ 496,913	$ 1,334,458	$ 294,740,022	$ 296,074,480	$ 99,364

December 31, 2019:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 1,087,125	$ 213,982	$ 1,301,107	$ 115,217,224	$ 116,518,331	$ 37,880
Production and intermediate term	804,057	-	804,057	68,938,008	69,742,065	-
Processing and marketing	-	-	-	44,206,330	44,206,330	-
Farm-related business	-	-	-	10,030,240	10,030,240	-
Loans to cooperatives	-	-	-	3,496,429	3,496,429	-
Communication	-	-	-	6,628,988	6,628,988	-
Energy	-	-	-	6,499,561	6,499,561	-
Water and waste water	-	-	-	2,026,313	2,026,313	-
Rural residential real estate	-	-	-	8,195,842	8,195,842	-
International	-	-	-	-	-	-
Lease receivables	-	-	-	2,206,453	2,206,453	-
Total	$ 1,891,182	$ 213,982	$ 2,105,164	$ 267,445,388	$ 269,550,552	$ 37,880

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

A restructuring of a debt constitutes a troubled debt restructuring 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. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of December 31, 2021, the Association had no troubled debt restructured loans classified as nonaccrual with no specific allowance for loan losses.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). As of December 31, 2021, 2020, and 2019, the Association's troubled debt restructuring totaled $0, $169,436, and $176,102, respectively. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

The predominant form of concession granted for troubled debt restructuring includes extensions of terms. Other types of modifications include principal or accrued interest reductions, interest rate decreases and delayed payments, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

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

	Loans Modified as TDRs		
	December 31, 2021	December 31, 2020	December 31, 2019
Troubled debt restructurings:			
Real estate mortgage	**$ -**	$ 169,436	$ 176,102
Total	**$ -**	$ 169,436	$ 176,102

	TDRs in Nonaccrual Status*		
	December 31, 2021	December 31, 2020	December 31, 2019
Troubled debt restructurings:			
Real estate mortgage	**$ -**	$ 169,436	$ 176,102
Total	**$ -**	$ 169,436	$ 176,102

*Represents the portion of loans modified as TDRs that are in nonaccrual status.

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2021	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ -	$ -	$ -	$ -	$ -
Production and intermediate term	686,676	695,464	164,308	686,657	-
Rural residential real estate	-	-	-	-	-
Total	$ 686,676	$ 695,464	$ 164,308	$ 686,657	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 739,510	$ 739,619	$ -	$ 647,073	$ 3,999
Production and intermediate term	572,794	535,364	-	540,403	11,936
Rural residential real estate	213,247	213,247	-	218,044	-
Total	$ 1,525,551	$ 1,488,230	$ -	$ 1,405,520	$ 15,935
Total impaired loans:					
Real estate mortgage	$ 739,510	$ 739,619	$ -	$ 647,073	$ 3,999
Production and intermediate term	1,259,470	1,230,828	164,308	1,227,060	11,936
Rural residential real estate	213,247	213,247	-	218,044	-
Total	$ 2,212,227	$ 2,183,694	$ 164,308	$ 2,092,177	$ 15,935

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	Recorded Investment at 12/31/2020	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ -	$ -	$ -	$ -	$ -
Production and intermediate term	-	-	-	-	-
Rural residential real estate	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 845,459	$ 845,459	$ -	$ 653,220	$ 10,532
Production and intermediate term	1,024,083	1,054,593	-	1,054,752	21,860
Rural residential real estate	327,477	327,477	-	203,838	3,406
Total	$ 2,197,019	$ 2,227,529	$ -	$ 1,911,810	$ 35,798
Total impaired loans:					
Real estate mortgage	$ 845,459	$ 845,459	$ -	$ 653,220	$ 10,532
Production and intermediate term	1,024,083	1,054,593	-	1,054,752	21,860
Rural residential real estate	327,477	327,477	-	203,838	3,406
Total	$ 2,197,019	$ 2,227,529	$ -	$ 1,911,810	$ 35,798

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	Recorded Investment at 12/31/2019	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ -	$ -	$ -	$ -	$ -
Production and intermediate term	-	-	-	-	-
Rural residential real estate	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 213,982	$ 200,731	$ -	$ 225,750	$ 849
Production and intermediate term	-	21,724	-	10,149	616
Rural residential real estate	-	-	-	-	-
Total	$ 213,982	$ 222,455	$ -	$ 235,899	$ 1,465
Total impaired loans:					
Real estate mortgage	$ 213,982	$ 200,731	$ -	$ 225,750	$ 849
Production and intermediate term	-	21,724	-	10,149	616
Rural residential real estate	-	-	-	-	-
Total	$ 213,982	$ 222,455	$ -	$ 235,899	$ 1,465

[a] Unpaid principal balance represents the recorded principal balance of the loan.

There were no commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2021. There were $464,301, and $442,016 in commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2020 and 2019, respectively.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2021	2020	2019
Interest income which would have been recognized under the original terms	**$ 149,128**	$ 149,154	$ 1,240
Less: interest income recognized	**(15,935)**	-	-
Foregone interest income	**$ 133,193**	$ 149,154	$ 1,240

A summary of the changes in the allowance for loan losses and unfunded commitments and the ending balance of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	International	Lease Receivable	Total
Allowance for Credit Losses:										
Balance at December 31, 2020	$ 131,980	$ 281,178	$ 437,180	$ 8,477	$ 10,189	$ 4,812	$ 16,386	$ -	$ 1,292	$ 891,494
Charge-offs	(13,213)	-	-	-	-	-	-	-	-	(13,213)
Recoveries	-	-	-	-	-	-	-	-	-	-
(Reversal of) provision for loan losses	(22,294)	(38,194)	(91,606)	(5,182)	198,295	(383)	(8,708)	3,100	(896)	34,132
Other	3,256	3,749	8,924	202	2,536	95	263	43	20	19,088
Balance at December 31, 2021	$ 99,729	$ 246,733	$ 354,498	$ 3,497	$ 211,020	$ 4,524	$ 7,941	$ 3,143	$ 416	$ 931,501
Ending Balance: individually evaluated for impairment	$ -	$ 164,308	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 164,308
Ending Balance: collectively evaluated for impairment	$ 99,729	$ 82,425	$ 354,498	$ 3,497	$ 211,020	$ 4,524	$ 7,941	$ 3,143	$ 416	$ 767,193
Recorded Investment in Loans Outstanding:										
Ending Balance at December 31, 2021	$ 175,701,370	$ 68,284,187	$ 67,238,891	$ 5,594,054	$ 4,504,301	$ 3,328,042	$ 3,118,991	$ 2,701,685	$ 1,799,991	$ 332,271,512
Ending balance for loans individually evaluated for impairment	$ 739,510	$ 1,259,470	$ -	$ -	$ -	$ -	$ 213,247	$ -	$ -	$ 2,212,227
Ending balance for loans collectively evaluated for impairment	$ 174,961,860	$ 67,024,717	$ 67,238,891	$ 5,594,054	$ 4,504,301	$ 3,328,042	$ 2,905,744	$ 2,701,685	$ 1,799,991	$ 330,059,285

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	International	Lease Receivable	Total
Allowance for Credit Losses:										
Balance at December 31, 2019	$ 106,416	$ 271,389	$ 226,982	$ 6,278	$ 40,050	$ 2,786	$ 21,253	$ -	$ 1,272	$ 676,426
Charge-offs	(12,030)	-	-	-	-	-	-	-	-	(12,030)
Recoveries	12,030	1,000	-	-	-	-	-	-	-	13,030
(Reversal of) provision for loan losses	26,012	10,271	211,950	2,231	(29,910)	2,052	(4,798)	-	26	217,834
Other	(448)	(1,482)	(1,752)	(32)	49	(26)	(69)	-	(6)	(3,766)
Balance at December 31, 2020	$ 131,980	$ 281,178	$ 437,180	$ 8,477	$ 10,189	$ 4,812	$ 16,386	$ -	$ 1,292	$ 891,494
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: collectively evaluated for impairment	$ 131,980	$ 281,178	$ 437,180	$ 8,477	$ 10,189	$ 4,812	$ 16,386	$ -	$ 1,292	$ 891,494
Recorded Investment in Loans Outstanding:										
Ending Balance at December 31, 2020	$ 129,682,870	$ 74,009,512	$ 69,192,910	$ 8,039,650	$ 5,060,539	$ 3,069,217	$ 5,011,332	$ -	$ 2,008,450	$ 296,074,480
Ending balance for loans individually evaluated for impairment	$ 845,459	$ 1,024,083	$ -	$ -	$ -	$ -	$ 327,477	$ -	$ -	$ 2,197,019
Ending balance for loans collectively evaluated for impairment	$ 128,837,411	$ 72,985,429	$ 69,192,910	$ 8,039,650	$ 5,060,539	$ 3,069,217	$ 4,683,855	$ -	$ 2,008,450	$ 293,877,461

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	International	Lease Receivable	Total
Allowance for Credit Losses:										
Balance at December 31, 2018	$ 132,526	$ 257,012	$ 87,951	$ 6,508	$ 20,189	$ 8,064	$ 8,868	$ -	$ -	$ 521,118
Charge-offs	-	(26,158)	-	-	-	-	-	-	-	(26,158)
Recoveries	-	-	-	-	-	-	-	-	-	-
(Reversal of) provision for loan losses	(23,209)	47,932	145,218	(59)	20,953	(5,202)	12,964	-	1,307	199,904
Other	(2,901)	(7,397)	(6,187)	(171)	(1,092)	(76)	(579)	-	(35)	(18,438)
Balance at December 31, 2019	$ 106,416	$ 271,389	$ 226,982	$ 6,278	$ 40,050	$ 2,786	$ 21,253	$ -	$ 1,272	$ 676,426
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: collectively evaluated for impairment	$ 106,416	$ 271,389	$ 226,982	$ 6,278	$ 40,050	$ 2,786	$ 21,253	$ -	$ 1,272	$ 676,426
Recorded Investment in Loans Outstanding:										
Ending Balance at December 31, 2019	$ 116,518,331	$ 69,742,065	$ 57,732,999	$ 6,628,988	$ 6,499,561	$ 2,026,313	$ 8,195,842	$ -	$ 2,206,453	$ 269,550,552
Ending balance for loans individually evaluated for impairment	$ 213,982	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 213,982
Ending balance for loans collectively evaluated for impairment	$ 116,304,349	$ 69,742,065	$ 57,732,999	$ 6,628,988	$ 6,499,561	$ 2,026,313	$ 8,195,842	$ -	$ 2,206,453	$ 269,336,570

NOTE 4 — LEASES

The components of lease expense were as follows:

	2021	2020
Operating lease cost	**$ 125,200**	$ 129,519
Net lease cost	**$ 125,200**	$ 129,519

Other information related to leases was as follows:

	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	**$ 125,200**	$ 129,519
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	**$ 118,256**	$ 121,079

Lease term and discount rate are as follows:

	December 31, 2021
Weighted average remaining lease term in years	
Operating leases	1.5
Weighted average discount rate	
Operating leases	2.90%

Future minimum lease payments under non-cancellable leases as of December 31, 2021, were as follows:

2022	$ 95,195
2023	80,872
2024	28,553
2025	-
Thereafter	-
Total	$ 204,620

NOTE 5 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owned 2.14 percent of the issued stock of the Bank as of December 31, 2021. As of that date, the Bank's assets totaled $33.09 billion, and members' equity totaled $2.00 billion. The Bank's earnings were $254.6 million during 2021.

NOTE 6 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2021	2020	2019
Land and improvements	**$ 496,101**	$ 496,101	$ 599,601
Building and improvements	**2,345,172**	2,396,647	3,069,323
Furniture and equipment	**100,986**	93,583	180,461
Computer equipment and software	**276,809**	156,021	179,124
Automobiles	**559,278**	437,325	516,924
	3,778,346	3,579,677	4,545,433
Accumulated depreciation	**(1,297,310)**	(997,750)	(1,454,044)
Total	**$ 2,481,036**	$ 2,581,927	$ 3,091,389

The Association leases office space in Albuquerque, Las Cruces, and Roswell, New Mexico, as well as three copy machines. Lease expense was $140,656, $138,054, and $116,843 for 2021, 2020, and 2019, respectively.

NOTE 7 — OTHER PROPERTY OWNED, NET:

Net loss on other property owned, net consists of the following for the years ended December 31:

	2021	2020	2019
Loss on sale, net	**$ -**	$ (6,848)	$ -
Operating expense, net	**(1,929)**	(9,721)	(27,501)
Net loss on other property owned	**$ (1,929)**	$ (16,569)	$ (27,501)

NOTE 8 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2021	2020	2019
Accounts receivable	**$ 258,899**	$ 264,009	$ 229,298
Other	**263,051**	355,764	327,348
Total	**$ 521,950**	$ 619,773	$ 556,646

Other liabilities comprised the following at December 31:

	2021	2020	2019
Postretirement benefit liability	**$ 1,713,134**	$ 1,651,023	$ 1,443,549
Accounts payable	**1,174,747**	7,285,009	827,050
Accrued annual leave	**217,950**	230,486	176,968
Insurance premium payable	**411,636**	203,714	179,359
Other	**261,452**	475,301	439,611
Total	**$ 3,778,919**	$ 9,845,533	$ 3,066,537

NOTE 9 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2021, 2020, and 2019, was $288,391,354 at 1.49 percent, $248,320,942 at 1.69 percent, and $232,170,886 at 2.73 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2021, 2020, and 2019, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2021, was $330,016,115, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2021, 2020, and 2019, the Association was not subject to remedies associated with the covenants in the general financing agreement.

NOTE 10 — MEMBERS' EQUITY:

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an Association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class B capital stock is equal to 2 percent of the loan amount, up to a maximum amount of $1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class B capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class B to Class A stock. Class A stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of common stock is made solely at the discretion of the Association's board of directors.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A, Class B capital stock, and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

In 2021, 2020, and 2019 the Association declared patronage distributions of $700,000, $650,000, and $620,000, respectively. The Association paid patronage of $650,000 during 2021 and carried a $700,000 patronage payable as of December 31, 2021.

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital, and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-weighted assets are calculated differently than in the past. As of December 31, 2021, the Association is not prohibited from retiring stock or distributing earnings.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2021:

Risk-weighted:	**Regulatory Minimums**	**Regulatory Minimums with Buffer**	**As of December 31, 2021**
Common equity tier 1 ratio	4.50%	7.00%	12.50%
Tier 1 capital ratio	6.00%	8.50%	12.50%
Total capital ratio	8.00%	10.50%	12.80%
Permanent capital ratio	7.00%	7.00%	12.53%
Non-risk-weighted:			
Tier 1 leverage ratio	4.00%	5.00%	12.12%
UREE leverage ratio	1.50%	1.50%	13.34%

Risk-weighted assets have been defined by 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. The primary changes which generally have the impact of increasing risk-weighted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

Risk-weighted assets is calculated differently for the permanent capital ratio (referred to herein as PCR risk-weighted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan losses from risk-weighted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, 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-weighted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is tier 1 capital plus other required borrower 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 and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5 percent must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The components of the Association's risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2021:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**48,399,215**	**48,399,215**	**48,399,215**	**48,399,215**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**431,066**	**431,066**	**431,066**	**431,066**
Allowance for loan losses and reserve for credit losses subject to certain limitations*			**1,029,370**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(7,048,980)**	**(7,048,980)**	**(7,048,980)**	**(7,048,980)**
	41,781,301	**41,781,301**	**42,810,671**	**41,781,301**
Denominator:				
Risk-adjusted assets excluding allowance	**341,427,851**	**341,427,851**	**341,427,851**	**341,427,851**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(7,048,980)**	**(7,048,980)**	**(7,048,980)**	**(7,048,980)**
Allowance for loan losses				**(983,574)**
	334,378,871	**334,378,871**	**334,378,871**	**333,395,297**

*Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments.

The components of the Association's non-risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2021:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**48,399,215**	**48,399,215**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**431,066**	**-**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(7,048,980)**	**(2,409,200)**
	41,781,301	**45,990,015**
Denominator:		
Total Assets	**353,979,522**	**353,979,522**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(9,300,812)**	**(9,300,812)**
	344,678,710	**344,678,710**

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

At December 31, the Association had the following shares of Class A capital stock, Class B stock and participation certificates outstanding at a par value of $5 per share:

	2021	2020	2019
Class A stock	**-**	5,870	5,270
Class B stock	**69,249**	69,460	69,045
Participation certificates	**12,995**	14,198	15,617
Total	**82,244**	89,528	89,932

An additional component of equity is accumulated other comprehensive loss, which is reported net of taxes, which is as follows:

	Accumulated Other Comprehensive Loss		
	2021	2020	2019
Nonpension postretirement benefits	**$ (501,053)**	$ (479,053)	$ (326,340)

The Association's accumulated other comprehensive loss relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive loss and the location on the income statement for the year ended December 31:

	2021	2020	2019
Accumulated other comprehensive loss at January 1	**$ (479,053)**	$ (326,340)	$ (191,720)
Actuarial losses	**(45,063)**	(195,631)	(150,010)
Amortization of prior service credit included in salaries and employee benefits	**(4,485)**	(4,485)	(4,485)
Amortization of actuarial loss included in salaries and employee benefits	**27,548**	21,160	12,187
Income tax expense related to items of other comprehensive income	**-**	26,243	7,688
Other comprehensive loss, net of tax	**(22,000)**	(152,713)	(134,620)
Accumulated other comprehensive loss at December 31	**$ (501,053)**	$ (479,053)	$ (326,340)

NOTE 11 — INCOME TAXES:

The benefit from income taxes follows for the years ended December 31:

	2021	2020	2019
Current:			
Federal	**$ -**	$ -	$ 7,257
State	**100**	100	1,581
Total current	**100**	100	8,838
Deferred:			
Federal	**(18,093)**	(34,603)	(41,820)
State	**(3,670)**	(7,019)	(7,028)
Total deferred	**(21,763)**	(41,622)	(48,848)
Total benefit from income taxes	**$ (21,663)**	$ (41,522)	$ (40,010)

The benefit from income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2021	2020	2019
Federal tax at statutory rate	**$ 873,261**	$ 843,491	$ 743,002
State tax, net	**(3,570)**	(6,919)	(5,447)
Effect of nontaxable FLCA subsidiary	**(887,872)**	(838,611)	(628,219)
Patronage distributions	**(885)**	(5,595)	(130,200)
Other	**(2,597)**	(33,888)	(19,146)
Benefit from income taxes	**$ (21,663)**	$ (41,522)	$ (40,010)

Deferred tax assets and liabilities in accordance with accounting guidance, “Accounting for Income Taxes,” are comprised of the following at December 31:

	2021	2020	2019
Deferred Tax Assets			
Allowance for loan losses	**$ 73,562**	$ 59,945	$ 81,952
Postretirement benefits, other	**325,963**	313,947	284,489
Other	**10,563**	15,385	14,433
Gross deferred tax assets	**410,088**	389,277	380,874
Deferred Tax Liabilities			
Other	**-**	-	(34,494)
Gross deferred tax liabilities	**-**	-	(34,494)
Net deferred tax asset	**$ 410,088**	$ 389,277	$ 346,380

The ACA is required to maintain an investment in the Bank of 2 percent of the average direct note. This investment can be held by both the PCA and FLCA. A deferred tax liability is established for the PCA for any excess investment in the Bank over that allocated to the 2 percent investment requirement. Upon formation of the ACA, there were no additional amounts of excess investment previously held by the PCA over and above the calculation of the 2 percent requirement of the ACA. As a result, there was no effect on the related deferred tax.

NOTE 12 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB plan) or the defined contributions plan (DC plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section H of Note 2, “Summary of Significant Accounting Policies.” The structure of the District’s DB plan is characterized as multi-employer, since neither the assets, liabilities, nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets, and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB plan as an expense in the current year.

The CEO and certain executive or highly compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (supplemental 401(k) plan). This plan allows District employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow “make-up” contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee’s account in the plan, and to designate a vesting schedule

One employee participated in the plan for the years ended December 31, 2021, 2020, and 2019.

The DB plan is non-contributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB plan is not subject to any contractual expiration dates. The DB plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2021.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2021, 2020, and 2019:

	2021	2020	2019
Funded status of plan	**70.5** %	62.6 %	66.2 %
Association's contribution	**$ 319,997**	$ 144,609	$ 142,271
Percentage of Association's contribution to total contributions	**2.1** %	2.4 %	1.7 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 72.0 percent, 64.3 percent, and 68.0 percent at December 31, 2021, 2020, and 2019, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities.

The following table reflects the benefit obligation, cost, and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	**2021**	2020	2019
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 1,654,863**	$ 1,448,372	$ 1,280,484
Service cost	**25,289**	13,001	6,220
Interest cost	**45,538**	48,972	59,252
Plan participants' contributions	**31,816**	24,472	18,001
Actuarial loss	**45,063**	195,631	150,010
Benefits paid	**(83,870)**	(75,585)	(65,595)
Accumulated postretirement benefit obligation, end of year	**$ 1,718,699**	$ 1,654,863	$ 1,448,372
Change in Plan Assets			
Company contributions	**$ 52,054**	$ 51,113	$ 47,594
Plan participants' contributions	**31,816**	24,472	18,001
Benefits paid	**(83,870)**	(75,585)	(65,595)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (1,718,699)**	$ (1,654,863)	$ (1,448,372)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (1,718,699)**	$ (1,654,863)	$ (1,448,372)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss	**$ 538,901**	$ 521,386	$ 346,915
Prior service credit	**(37,848)**	(42,333)	(46,818)
Total	**$ 501,053**	$ 479,053	$ 300,097
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2021**	12/31/2020	12/31/2019
Discount rate	**3.15%**	2.80%	3.45%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**6.80%/6.00%**	6.90%/6.40%	6.90%/6.40%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2030**	2028/2029	2028/2029

Total Cost	**2021**	2020	2019
Service cost	**$ 25,289**	$ 13,001	$ 6,220
Interest cost	**45,538**	48,972	59,252
Amortization of:			
Unrecognized prior service credit	**(4,485)**	(4,485)	(4,485)
Unrecognized net loss	**27,548**	21,160	12,187
Net postretirement benefit cost	**$ 93,890**	$ 78,648	$ 73,174
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss	**$ 45,063**	$ 195,631	$ 150,010
Amortization of net actuarial gain	**(27,548)**	(21,160)	(12,187)
Amortization of prior service credit	**4,485**	4,485	4,485
Total recognized in other comprehensive income	**$ 22,000**	$ 178,956	$ 142,308
AOCI Amounts Expected to be Amortized Into Expense in 2022			
Unrecognized prior service credit	**$ (4,485)**		
Unrecognized net loss	**26,830**		
Total	**$ 22,345**		
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2020**	12/31/2019	12/31/2018
Discount rate	**2.80%**	3.45%	4.75%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**6.90%/6.40%**	6.90%/6.40%	7.30%/6.90%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2028/2029**	2028/2029	2026/2027

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2022	**$ 57,848**
Fiscal 2023	**52,909**
Fiscal 2024	**56,485**
Fiscal 2025	**50,342**
Fiscal 2026	**53,830**
Fiscal 2027–2031	**333,755**
Expected Contributions	
Fiscal 2022	**$ 57,848**

NOTE 13 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons at December 31, 2021, 2020, and 2019 for the Association amounted to $21,039,419, $15,008,511, and $15,975,669. During 2021, $23,067,431 of new loans were made, and repayments totaled $17,036,523. In the opinion of management, no such loans outstanding at December 31, 2021, 2020, and 2019 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services, and allocations of expenses incurred by the Bank and passed through to the associations, such as FCSIC expenses. The Bank charges the individual associations directly for these services based on each association's proportionate usage. These expenses totaled $435,557, $437,399, and $486,216 in 2021, 2020, and 2019, respectively.

The Association received patronage payments from the Bank totaling $3,282,876, $2,816,918, and $2,232,102 during 2021, 2020, and 2019, respectively.

NOTE 14 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value 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. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Assets measured at fair value on a nonrecurring basis, which are fair value measurements that are triggered by particular circumstances such as impaired assets, for each of the fair value hierarchy values are summarized below. The Association did not have any liabilities measured at fair value on a nonrecurring basis.

December 31, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 522,368**	**$ 522,368**
Other property owned	**-**	**-**	**2,775**	**2,775**

December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ -	$ -
Other property owned	-	-	2,775	2,775

December 31, 2019	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ -	$ -
Other property owned	-	-	105,850	105,850

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the consolidated balance sheets for each of the fair value hierarchy values are summarized as follows:

	December 31, 2021				
	Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Net loans	**$ 327,153,903**	**$ -**	**$ -**	**$ 325,259,401**	**$ 325,259,401**
Total Assets	**$ 327,153,903**	**$ -**	**$ -**	**$ 325,259,401**	**$ 325,259,401**
Liabilities:					
Note payable to Bank	**$ 288,391,354**	**$ -**	**$ -**	**$ 286,725,228**	**$ 286,725,228**
Total Liabilities	**$ 288,391,354**	**$ -**	**$ -**	**$ 286,725,228**	**$ 286,725,228**

	December 31, 2020				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Net loans	$ 292,174,986	$ -	$ -	$ 294,231,386	$ 294,231,386
Total Assets	$ 292,174,986	$ -	$ -	$ 294,231,386	$ 294,231,386
Liabilities:					
Note payable to Bank	$ 248,320,942	$ -	$ -	$ 250,063,369	$ 250,063,369
Total Liabilities	$ 248,320,942	$ -	$ -	$ 250,063,369	$ 250,063,369

	December 31, 2019				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Net loans	$ 265,152,232	$ -	$ -	$ 264,437,324	$ 264,437,324
Total Assets	$ 265,152,232	$ -	$ -	$ 264,437,324	$ 264,437,324
Liabilities:					
Note payable to Bank	$ 232,170,886	$ -	$ -	$ 231,570,016	$ 231,570,016
Total Liabilities	$ 232,170,886	$ -	$ -	$ 231,570,016	$ 231,570,016

Information about Other Financial Instrument 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 consider unobservable inputs such as income and expense, comparable sales, replacement cost, and comparability adjustments.

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Note payable to Bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk
Other property owned	Appraisal	Income and expense Comparable sales Replacement cost Comparability adjustments

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Loans

For certain loans evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 15 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount 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 contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2021, $101,062,695 of commitments were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance sheet credit risk because their amounts are not reflected on the consolidated balance sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financing obligations. Outstanding standby letters of credit have expiration dates ranging from January 1, 2022 to April 23, 2026 and that amounted to $510,280. The maximum potential amount of future payments the Association is required to make under the guarantees is minimal to the Association at December 31, 2021.

NOTE 16 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2021				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 1,714**	**$ 1,850**	**$ 1,919**	**$ 1,898**	**$ 7,381**
Reversal of (provision for) loan losses	**31**	**(48)**	**(61)**	**44**	**(34)**
Noninterest expense, net	**(624)**	**(744)**	**(920)**	**(879)**	**(3,167)**
Net income	**$ 1,121**	**$ 1,058**	**$ 938**	**$ 1,063**	**$ 4,180**

	2020				
	First	Second	Third	Fourth	Total
Net interest income	$ 2,040	$ 1,437	$ 1,563	$ 1,923	$ 6,963
Reversal of (provision for) loan losses	(65)	(66)	(74)	(13)	(218)
Noninterest expense, net	(614)	(712)	(454)	(903)	(2,683)
Net income	$ 1,361	$ 659	$ 1,035	$ 1,007	$ 4,062

	2019				
	First	Second	Third	Fourth	Total
Net interest income	$ 1,557	$ 1,616	$ 1,598	$ 1,622	$ 6,393
Reversal of (provision for) loan losses	(60)	(61)	(36)	(43)	(200)
Noninterest expense, net	(737)	(521)	(764)	(648)	(2,670)
Net income	$ 760	$ 1,034	$ 798	$ 931	$ 3,523

NOTE 17 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 11, 2022, which is the date the financial statements were issued or available to be issued and has determined that there were no other events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

The Ag New Mexico, Farm Credit Services, ACA (Association) serves its statewide territory through its main administrative and lending office at Clovis, New Mexico. Additionally, there are three service center lending offices located throughout the territory. The Association leases office space in Las Cruces, Roswell, and Albuquerque, New Mexico. The Association owns the office building in Clovis, New Mexico, free of debt.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the consolidated financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 10 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 9, "Note Payable to the Bank," Note 12, "Employee Benefit Plans," and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 15 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association's financial condition may be impacted by factors that affect the Farm Credit Bank of Texas (Bank), as discussed in Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 465-1881. Copies of the Bank annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*.

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Ag New Mexico, Farm Credit Services, ACA, 4501 N. Prince Street, Clovis, New Mexico or calling (575) 762-3828. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *will.fisher@agnewmexico.com*. The Association's annual stockholder report is available on its website at *www.agnewmexico.com* 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2021, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
Linda Miller Brown	Chairman	2013	2022
Larry Hammit	Appointed Director	2012	2024
Ted McCollum, III	Vice-Chairman	2017	2024
Dale Jones	Director	2019	2021
Billy Rucker	Director	2020	2023
TJ Runyan	Director	2018	2024
Dwayne "Butch" Vidlar	Director	2010	2022
Jerry Vaz	Director	2021	2022
Brett Valentine	President & Chief Executive Officer	2015	-
Douglas Defoor	Chief Credit Officer	2018	-
Will Fisher	Chief Financial Officer	2017	-
Shane Hall	Chief Lending Officer	2018	-
Frank Seley	Assistant Chief Credit Officer	2019	-

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

Linda Miller Brown was elected to the Board in 2013 and her current term will expire in 2022. She currently serves as chairman of the Board, member of the Audit Committee, and as member ex officio of the Compensation Committee. She also represents Ag New Mexico on the Farm Credit Bank of Texas' Stockholders Advisory Committee. Linda is a lifelong farmer and cattleman. She and her husband, Wesley, farm and ranch in Roosevelt and Guadalupe counties with the help of their son, daughters, and son-in-law. She is secretary and director of Traveling Water, Inc., a ranching/cattle operation, and Brown Farms, Inc., a farming operation, owned by her and her husband, and partners with her husband in W L Brown JV, a farming joint venture. Linda is a high school graduate of Floyd, New Mexico and has a bachelor's degree in computer science and a master's degree in mathematics. Past experience includes serving on the Roosevelt County FSA County Committee, National Peanut Growers Group Steering Committee, chairman of New Mexico Peanut Growers Association and New Mexico Peanut Commission, Nominating Committees of Roosevelt County FSA, and Ag New Mexico. She has been a stockholder since 1984.

Larry Hammit was appointed to the Board in 2012, and his term expires in 2024. Mr. Hammit was born and raised on a farm near Hale Center, Texas. He was employed by the Farm Credit System for 34 years and served as a director for the last nine years. Mr. Hammit spent 23 years at Plainview Production Credit Association, the first 10 years as a loan officer, six years as credit supervisor, and the last seven years as credit supervisor, CFO, and executive vice president. His most recent past employment was with Great Plains Ag Credit (an antecedent entity of AgTexas Farm Credit Services) as CFO, where he was employed for 11 years. Mr. Hammit received his Bachelor of Business Administration in 1973 from Baylor University with a concentration in management and marketing. He is chairman of the Association's Audit Committee. Mr. Hammit currently resides near Canyon, Texas, and owns and operates a small ranch near Memphis, Texas.

Ted McCollum, III, Vice-Chairman, initially joined the Board in January 2017, and was most recently re-elected in 2021 with his current term expiring in 2024. He has served on the Audit, Risk, and Compensation Committees for Ag New Mexico and currently he serves as Vice Chairman of the Board and Chairman of the Compensation Committee. Since the early 1990's, he has been co-owner of McCollum Cattle Co., along with his brother Mark and sister-in-law Kim McCollum, which manages cow-calf and stocker/backgrounder operations and feeds cattle. He also has ownership interest in the ranching company 4McC Cattle Co., LLC, and is a partner in FCC McCollum, LLC, which holds an interest in Frontera Cattle Co. II, LLC, a commercial cattle feeding operation in Muleshoe, Texas, where he is a member of the management team for feed yard operations. Raised in DeBaca County, New Mexico, Dr. McCollum earned a Bachelor of Arts degree from Baylor University and graduate degrees in Ruminant Nutrition from New Mexico State University. He was on the faculty at Oklahoma State University and recently retired from Texas A&M AgriLife Extension Service in Amarillo where he worked with the various production segments of the beef industry in northwestern Texas and eastern New Mexico for many years as a Beef Cattle Specialist. He now consults and oversees family business interests. The McCollums have been Ag New Mexico FCS, ACA stockholders since the late '70s.

Dale Jones was elected to the Board in 2019, and he resigned from the Board in August of 2021. Mr. Jones resides in Veguita, New Mexico, with his wife, Susie, and has been a stockholder since 2011. Mr. Jones and his family own and operate a large dairy in northern Socorro County along with a small beef cow herd that markets to local buyers. Mr. Jones is a third-generation dairy farmer, with experience that includes 12 years on the Dairy Max Promotion board and over five years as a director for the New Mexico Dairy Producers. Mr. Jones is an active member on his local church board.

Billy Rucker was elected to the Board in 2020, and his term will expire in 2023. Mr. Rucker is blessed to be able to do the job he believes is God's plan for his life. He, and his wife, Sherry, have been farming for 35 years. He partnered in a dairy operation for 16 years before realizing his true passion was farming. In 2015 Mr. Rucker converted all of his acreages to organic farming. Most recently they have invited their two daughters and sons-in-law to partner with them in a new operation of farming and ranching. He studied Accounting and Animal Science at WTSU. Billy served on the Board of Directors for Parmer County Cotton Gin for over 11 years. He also was the Director of the Finance Committee and is currently on the Missions Committee of his church, Central Baptist in Clovis.

TJ Runyan was elected to the Board in 2018, and was recently re-elected. His new term will expire in 2024. Mr. Runyan resides in Las Cruces, New Mexico, and is a lifelong New Mexico resident. Mr. Runyan has been involved in agriculture his entire life and is a produce marketer working with farmers across New Mexico and growers in Texas. His company, Mesilla Valley Produce, markets onions, watermelons, fresh green chilies, and pumpkins. He also has farm ground in Deming, New Mexico, and a small pecan farm. Mr. Runyan has served on several boards, including the National Onion Association and National Watermelon Association, and has also served as a past president of the National Watermelon Promotion Board.

Dwayne "Butch" Vidlar was elected to the Board in 2010. His current term will expire in 2022. He lives and farms near Floyd, New Mexico, and has been a stockholder of the Association since 1977. Mr. Vidlar is the president and secretary of Vidlar Inc., a farming operation. His main crops for the last five years were corn, alfalfa, sorghum, wheat, hay grazer, and some land in the CRP program. He also runs wheat cattle in the winter months. He graduated from New Mexico State University in 1973 and earned a Bachelor of Science degree in Agronomy. He currently serves on the Compensation Committee, is the Chairman of the Risk Committee, and represents Ag NM on the Farm Credit Bank of Texas's Farm Credit Council.

Jerry Vaz was appointed to the Board in 2021. He will seek election to his Board position in 2022. Jerry has lived in Roswell, New Mexico, since 1993. He co-owns Lost Pheasant Farm, LLC and Vaz Dairy. Jerry served three years as a Director for the New Mexico Dairy Producers. He is a member of Select Milk Producers. Jerry serves on the Berrendo Cooperative Water Users Board and the Chaves County Soil and Water Conservation Board. He also serves on the Eastern New Mexico State Fair Board. Jerry and the Vaz family are passionate about supporting youth agricultural programs. Jerry raises club and commercial beef cattle in addition to a growing herd of sheep. He enjoys cooking, fishing, and hunting. Jerry is a third-generation farmer and dairyman. His grandfather Evaristo Vaz, immigrated to the United States from the Portuguese Azore Islands. Jerry was born and raised on a dairy farm in Escalon, California. He studied Dairy Science at Cal Poly San Luis Obispo. He and his wife, Kathryn, a reading specialist, have been married for thirty years and have three adult children. Jarrett farms with Jerry and is a Roswell firefighter and EMT. Hannah, a graduate of NMSU, is an ICU nurse. Brennan, currently a senior at NMSU, studies ag business. Jerry has been a stockholder of Ag New Mexico Farm Credit since 2018.

Brett Valentine, President and Chief Executive Officer, joined the Association in August 2015 with over 20 years of credit experience. The majority of his experience is within the Farm Credit System, except for the period from November 2013 to August 2015. During that time, Mr. Valentine was with Rabo Ag Finance in Clovis, New Mexico. He brings a strong credit background along with experience in personnel management. Mr. Valentine holds a Bachelor of Science degree from New Mexico State University.

Douglas S. Defoor, MAI, AI-GRS, Chief Credit Officer, joined the Association in March of 2019. He brings over 20 years of agricultural lending, and real estate valuation experience to the Association. Mr. Defoor graduated from Eastern New Mexico University with a Bachelor of Science degree in Finance and Business Administration. Prior to joining the Association, he held senior and management positions with MetLife Ag Finance and Farm Credit of New Mexico, ACA. Mr. Defoor holds the MAI and AI-GRS designations from the Appraisal Institute, as well as New Mexico- and Texas-issued General Certified Appraiser licenses.

Will Fisher, Chief Financial Officer, joined the Association in November 2017 and is a Certified Public Accountant. He holds a Bachelor of Business Administration degree with majors in Accounting and Finance from the University of New Mexico and a Master of Business Administration, also from the University of New Mexico. His audit and accounting background started over 10 years ago. Prior to his Farm Credit experience, Mr. Fisher was an excise tax revenue agent with the Internal Revenue Service.

Shane Hall, Chief Lending Officer, has over 20 years of lending experience at Farm Credit of New Mexico, U.S. AgBank, and First American Bank. Mr. Hall graduated from New Mexico State University in 1993 with a Bachelor's degree in Agricultural Extension and Education. Prior to starting his lending career, he taught agricultural education and coached football. Hall started his lending career in Tucumcari, New Mexico, with Farm Credit of New Mexico. He then was offered, and took, an opportunity to work for U.S. AgBank in Wichita, Kansas, with their Quality Assurance team in 2003. He then came back to New Mexico and joined the Roswell branch of Farm Credit of New Mexico. Then in 2012, he took the opportunity to broaden his base of knowledge and went to work for First American Bank as the Bank Center President of Roswell, New Mexico. Mr. Hall has specialized in business development and has worked with all types of credit.

Frank Seley, Assistant Chief Credit Officer, joined the Association in March of 2019. He comes to Ag New Mexico with over 25 years of commercial banking experience in Southeastern New Mexico, having specialized in commercial lending, credit administration, and loan review. Mr. Seley was an honor graduate of McMurry University, having received a BBA while majoring in both Economics and Finance. Mr. Seley is a member of the 51st graduating class of the Southwest Graduate School of Banking at Southern Methodist University.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium. Directors receive $1,000 for board meetings, $150 for conference calls, and $425 a day for conferences. Monthly retainers are paid to the chairman of the board, vice-chairman of the board, and to the board member designated as the financial expert at a rate of $600, $200, and $600, respectively. In addition, all directors were reimbursed for certain expenses incurred while representing the Association in an official capacity. Mileage for attending official meetings during 2021 was paid at the IRS-approved rate of 56 cents per mile. A copy of the travel, subsistence, and other related expenses policy is available to stockholders of the Association upon request.

Director	Number of Days Served Associated With: Board Meetings	Other Official Activities	Total Compensation in 2021
Linda Miller Brown	12	22	$ 24,925
Larry Hammit	12	20	22,950
Ted McCollum, III	12	23	21,550
Dale Jones	6	12	10,000
Billy Rucker	12	20	17,425
TJ Runyan	10	20	13,300
Dwayne "Butch" Vidlar	12	27	13,175
Jerry Vaz	3	0	4,425
			$ 127,750

The aggregate compensation paid to directors in 2021, 2020, and 2019 was $127,750, $113,300, and $129,825, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2021:

Director	Committee: Audit	Compensation	Risk Management
Linda Miller Brown	$ 8,800	$ 4,100	$ -
Larry Hammit	7,700	-	3,300
Ted McCollum, III	5,800	2,900	800
Dale Jones	2,300	700	1,000
Billy Rucker	3,900	1,000	1,600
TJ Runyan	1,500	1,500	1,300
Dwayne "Butch" Vidlar	1,600	800	700
Jerry Vaz	-	-	-
	$ 31,600	$ 11,000	$ 8,700

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $41,599, $21,924, and $69,821 in 2021, 2020, and 2019, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

The objective of the Association's salary administration program is to attract, develop, retain, and motivate staff that are knowledgeable and efficient in the ability to support the Association in the execution of its strategic objectives and delivery of Association results that maximize the value received by the membership. The board and its compensation committee have utilized a philosophy of compensating the Association's employees, including senior officers, based upon market competitive data that provides the basis for equitable compensation to all employees. The Association administers a compensation program that focuses on the individual performance and contributions of its employees and senior officers in working to achieve the Association's financial and operational objectives, all for the ultimate benefit of its membership and fulfillment of its government sponsored enterprise mission.

The board fully recognizes the relationship between the financial performance of the Association and its ability to reward senior officers and other employees, thus no incentive or bonus plans are funded until the board is satisfied with year-end financial results. The board allows input from the compensation committee on any bonus plan structure that includes senior officers, but the responsibility for final decisions for the amount, if any, and the timing of the payment of a bonus reside with the board. The bonus plan is discretionary and based upon the Association's performance for the full year that includes accomplishment of strategic goals, financial expectations, credit administration, and regulatory compliance. All employees, including senior officers, are eligible for consideration of bonus award.

The board establishes a total dollar pool amount to be used exclusively to fund bonus award payments to Association employees, including senior officers. This pool of dollars is administratively assigned to the CEO for distribution to employees based upon the CEO's assessment of their individual contributions to the Association during the plan's year. Any award is discretionary in amount and recipient.

The board determines the amount, if any, of bonus award that will be paid to the chief executive officer. The amount of any bonus paid to the CEO is not included in the employees' bonus pool.

The Association's board of directors, through its compensation committee, establishes annual salary and bonus programs utilizing the services of the human resources compensation team at the Farm Credit Bank of Texas to compile "compensation market data" annually that is used by the compensation committee, the board, and management in establishing salary grades and ranges. The compensation market data reveals salary and bonus levels for similar sized institutions operating in our general geographic area.

The Association uses a structured Business Incentive Plan (the Plan) with the objective of increasing the Association's profitability, while maintaining high credit quality. The Plan is designed to focus each individual's energy and attention to the overall performance of the institution with respect to quality core loan growth and ROA growth. The Plan provides an annual award that is paid after the Association's operational results and strategic business plan objectives are reported and assessed by the compensation committee of the board. The compensation committee and board have the final authority to determine if a Plan award is to be paid.

Chief Executive Officer (CEO) Compensation Policy

The board reserves the right to establish compensation of the Association's CEO/President. The CEO/President had constructive receipt during the course of the year of salary, bonus, and perquisite. The perquisite is the personal use of an Association vehicle which is discussed in the following paragraphs.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2021, 2020, and 2019. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or number in group (a)	Year	Salary (b)	Bonus (c)	Change in Pension Value (d)	Deferred/ Perquisite (e)	Total
Brett Valentine						
President & CEO	2021	**$ 240,009**	**$ 67,200**	**$ -**	**$ 31,360**	**$ 338,569**
	2020	240,009	-	-	25,538	265,547
	2019	240,009	48,000	-	28,374	316,383
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)						
5	2021	**$ 916,661**	**$ 218,652**	**$ -**	**$ 125,977**	**$1,261,290**
5	2020	896,541	69,950	-	109,078	1,075,569
5	2019	793,820	59,038	296,399	90,005	1,239,262

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
(b) Gross salary, including retention plan compensation for certain senior officers.
(c) Bonuses paid within the first 30 days of the subsequent calendar year.
(d) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.
(e) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, automobile benefits and premiums paid for life insurance.

Disclosure of the compensation paid during 2021 to any senior officer or officer included in the table is available and will be disclosed to stockholders of the Association upon request.

Other Supplemental Retirement Plans Funded by the Association on Behalf of Senior Officers and Employees

Employees assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2021 at the IRS-approved rate of 56 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2021, 2020, and 2019.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence, and other related expenses while conducting Association business. A copy of the Association's travel policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 13 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors have been involved in legal proceedings, such as bankruptcy, conviction in criminal proceedings, or under order, or decree, that are material to an evaluation of the ability or integrity of any person who served as a director or senior officer on January 1, 2021, or any time during the fiscal year just ended.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association engaged the independent accounting firm of PricewaterhouseCoopers, LLP to perform the annual audit of the Association's consolidated financial statements included in this annual report. During 2021, the Association incurred audit fees totaling $181,470 to PricewaterhouseCoopers, LLP. In relation to 2021, the Association also incurred $946 in non-audit services which were also approved by the Association's Audit Committee.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association is the sole owner of an unincorporated business entity, ANMFCS, LLC, a limited liability company. This company is used for the purpose of acquiring and managing unusual or complex collateral associated with loan workouts.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers, LLP dated March 11, 2022, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

Consistent with FCA regulations, Ag New Mexico tracks data on loans and members who meet the definition of Young, Beginning, and Small Farmers. Furthermore, the Association's business plan sets out goals for loan volume and activities ascribed to said members. The definition of those groups is as follows:

- **Young Borrowers**—those who are ≤35 years old.
- **Small Borrowers**—those with gross agricultural sales of <$250,000.
- **Beginning Borrowers**—those who have been farming for ≤10 years.

Borrowers may qualify for a designation in more than one category dependent on the aforementioned definitions.

In order to quantify the number of these customers that the Association is servicing, data from the 2017 USDA Agricultural Census (most recent information available) was obtained and the percentage of total operators in the state of New Mexico who meet those definitions was calculated.

The USDA Ag Census categorizes data in the following ways, which do not exactly match our criteria:

1. **Young**: The census captures data for operators who are "under 25 years", "25-34 years", and "35 to 44 years". Our methodology (and FCA's policy) is to monitor operators who are age 35 and less; however, the census data captured will only be up to 34 years.

2. **Beginning**: The census categorizes operators who have been farming for "2 years or less", "3 or 4 years", "5 to 9 years" and "10 years or more" (in addition to many other categories). This is not consistent with the Association's (and FCA's) methodology since the definition of a beginning farmer is one who has been in business for 10 years or less. For the purpose of this analysis, data for 9 years and less will be utilized.

3. **Small**: The census captures various "operation sizes" in *multiple categories* up to $249k in gross revenue or as the census describes, "Market value of agricultural products sold and government payments" whereas the Association and FCA categorizes "small" operations as <$250k. Data up to $249k will be used.

4. The Association percentages are based on loans while the census data is based on number of farms.

Although these slight variations exist, the USDA census data is the most reliable and sound data to compare to. It is the custom of many, if not all, Farm Credit institutions to utilize this data.

The following chart demonstrates the number of farms in the U.S., New Mexico, and Ag New Mexico who fall in the Young, Beginning, and Small demographic groups. There is also a comparison to Ag New Mexico's market share:

	2017 (Most Recent) USDA Census Data National		New Mexico		2021 YE Ag New Mexico		% of State Ag New Mexico Served
	# of Farms	% of Farms	# of Farms	% of Farms	# of Farms	% of Farms	Market Share
Total	2,042,220		25,044		432		
Young	240,121	11.8%	2,188	8.7%	92	17.2%	4.2%
Beginning	597,377	29.3%	7,295	29.1%	118	25.6%	1.6%
Small	1,802,337	88.3%	24,041	96.0%	222	44.9%	7.4%

Market Share: According to the 2017 Ag Census (this is the latest Ag Census that USDA has conducted as it is only performed every 5 years), there were a total of 24,041 "small" farms in New Mexico with total agricultural sales of <$250,000. Of those, only 2,996 had total agricultural sales of ≥$25,000. The farms with less than $25,000 in gross sales were excluded from the Market Share analysis for the following reasons:

- Even with gross profit margins approaching 100 percent, farms with less than $25,000 in sales do not represent an operation that can be viable above a hobby or supplementary role. This includes 4-H'ers and FFA'ers as they do not file taxes on these items.
- It is not typical for operators in this category of sales to access traditional credit sources.

Please Note These calculations are the percentage of operators within the respective categories that Ag New Mexico is financing. The territory in which Ag New Mexico operates is shared by another FCS Association and other commercial and local financing institutions. In order to fully quantify the penetration that the Farm Credit System has in providing service to YBS borrowers in our trade area, the data from both of the respective institutions would have to be considered together.

As previously stated, Ag New Mexico sets goals in its annual business plan relative to YBS volume and growth. Illustrated in the following chart is the Association's loan volume for 2020, the results compared to goals in 2021, as well as its goals for 2022.

	FYE 2020		FYE 2021						FYE 2022	
$'s in '000s	Actual Results		Actual Results		Goal (↑ 5%)		#/$ to Goal		Goal (↑ 5%)	
	# of Loans	*Loan Volume*	*# of Loans*	*Loan Volume*	*# of Loans*	*Loan Volume*	*# of Loans*	*Loan Volume*	*# of Loans*	*Loan Volume*
Young	94	$ 28,830	92	$ 35,021	99	$ 30,272	(7)	$ 4,750	97	$ 36,772
Beginning	140	$ 50,085	118	$ 58,789	147	$ 52,589	(29)	$ 6,200	124	$ 61,728
Small	245	$ 43,684	222	$ 45,034	257	$ 45,868	(35)	$ (834)	233	$ 47,289
Total	479	$ 122,599	432	$ 138,844	503	$ 128,729	(71)	$ 10,115	454	$ 145,789

YBS statistics are dynamic and ever changing, as there is a constant rate of attrition of qualified borrowers becoming ineligible through age, growth, or experience. If an association's emphasis upon YBS is not maintained, the overall YBS portfolio will tend to stagnate and even decline through the impact of attrition alone. The Association's year-end report for YBS loans shows that the Association was able to increase the number of loans made, but the volume remained low due to the commodity prices that the borrowers received was such that they were able to fund many of their expenses from cash on hand. While the pool of YBS candidates in New Mexico and the United States continues to decline due to high capital investment requirements and economies of scale challenges, we believe that our outreach efforts and commitment to serving this segment of New Mexico agriculture will support continued growth in future years.