SOUTHERN AGCREDIT

2018 ANNUAL REPORT

Begin. Grow. Improve. Hunt. Unwind.

RIDGELAND CORPORATE OFFICE
402 West Parkway Place
Ridgeland, MS 39157
(601) 499-2820
Fax (601) 510-9101
smsridgeland@southernagcredit.com

BROOKHAVEN OFFICE
130 South Whitworth Ave.
Brookhaven, MS 39601
(601) 833-1771
Fax (601) 833-1774
smsbrookhaven@southernagcredit.com

GREENVILLE OFFICE
2625 Highway 1 South
Greenville, MS 38701
(662) 335-5253
Fax (662) 378-8175
smsgreenville@southernagcredit.com

GREENWOOD OFFICE
2217 Highway 82 West
Greenwood, MS 38930
(662) 455-2545
Fax (662) 455-9387
smsgreenwood@southernagcredit.com

GULFPORT OFFICE
12196 Highway 49
Gulfport, MS 39503
(228) 832-5582
Fax (228) 832-7908
smsgulfport@southernagcredit.com

HATTIESBURG OFFICE
6580 US Highway 98
Hattiesburg, MS 39402
(601) 579-7800
Fax (601) 579-7550
smshattiesburg@southernagcredit.com

NEWTON OFFICE
197 Northside Drive
Newton, MS 39345
(601) 683-2018
Fax (601) 683-7052
smsnewton@southernagcredit.com

RIDGELAND OFFICE
402 West Parkway Place
Ridgeland, MS 39157
(601) 499-2850
Fax (601) 510-9101
smsridgeland@southernagcredit.com

RUSTON OFFICE
2025 Farmerville Highway
Ruston, LA 71270
(318) 255-6539
Fax (318) 255-6543
smsruston@southernagcredit.com

SHREVEPORT OFFICE
2042 East 70th St.
Shreveport, LA 71105
(318) 797-0140
Fax (318) 797-4530
smsshreveport@southernagcredit.com

TABLE OF CONTENTS

Message from the CEO

Dear Stockholder,

It is our pleasure to present the financial and operating results for 2018. We are proud to say that even in an environment of tight margins, slow growth, rising interest rates and tense global trade disputes, the Association ended the year in a very strong financial position with over 36% market share. Credit quality remained extremely high at over 99.5% performing, meaning adverse assets accounted for a very small fraction of the balance sheet. High credit quality and fiscal discipline directly impacted net income, which set a record at over $19.8 million. This, along with the adequate capital position, allowed the board to once again declare a record patronage distribution with over $9.8 million in cash, reducing the average loan interest rate by a full 1%!

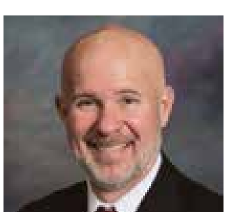
As a financial cooperative focused on agriculture and rural life in Mississippi and Louisiana, it is critical that we manage the operation in a way that not only meets the market needs today, but also ensures we invest in our business to meet the increasingly digital demands of many market segments. The board and management work in concert to develop strategies that guide all operational efforts related to information technology, business development, capital planning and staff development, so that the strategic objectives are realized. One specific effort that ramped up during 2018 was our commitment to modernize the customer experience, even though recent surveys indicated quite stellar results. The journey includes objectives to remove unnecessary friction from our processes and provide digital channels for customers to make and track requests, execute documents, and access funds 24/7. This effort will continue into 2019-2020 and we are excited to see those investments make a meaningful impact to both the customer and user experiences.

One of the greatest strengths of the cooperative structure is the diversity of our customer-owner group. It could be said that our member base is really just an extended family that participates in the rural economy by pooling together, to spread risk, manage cost and to secure dependable competitive financing solutions. From agribusinesses that further process timber or poultry, to the row crop farmer, or to the rural enthusiast who simply wants to enjoy the elbow room of life in the country, you are the sole reason Southern AgCredit exists!

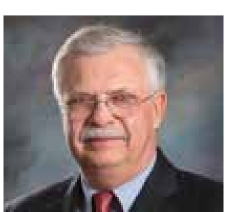
As you read through the following report, remember... behind every number, behind every statistic or graph, there is a face. There is the face of an individual, a family or an agribusiness that knows full well what it is like to live and/or work outside the city limits. To that point, on the next few pages you will see just a few of your fellow customers, and we are honored to highlight their story...our story.

We appreciate your business, we appreciate your continued referrals, and we appreciate the trust you have placed in us to be your financing partner!

Wishing you a successful 2019!



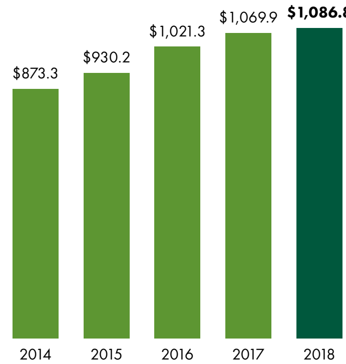
JOE H. HAYMAN
Chief Executive Officer



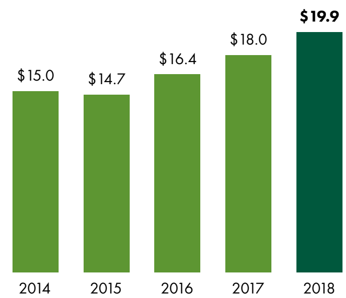
KEVIN RHODES
Board Chairman

FINANCIAL AND OTHER HIGHLIGHTS

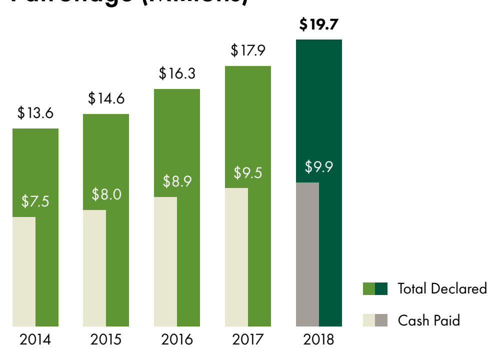
Total Assets (Millions)



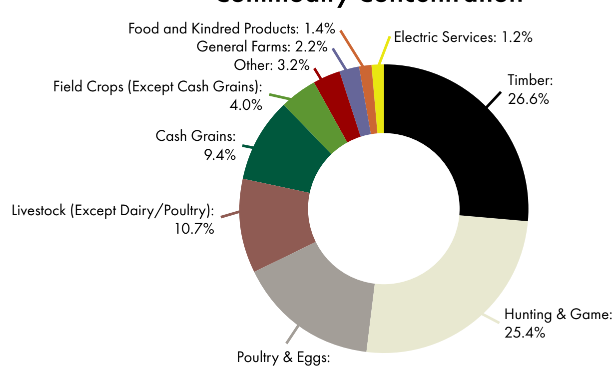
Net Income (Millions)



Patronage (Millions)



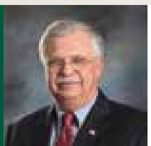
Commodity Concentration



MEMBER-OWNER LEADERSHIP

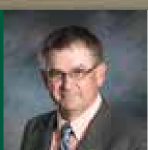
The board recognizes our customers' needs, because they are farmers and business people themselves. A combination of stockholder-elected and board-appointed directors have experience in agricultural financing, accounting, and farm and timber management. Together, they set the direction and policy for the cooperative and represent the best interests of the Southern AgCredit customer-stockholders, to whom they are accountable. For the full biographies of each director, see the Disclosure Information and Index section of this report.

BOARD OF DIRECTORS

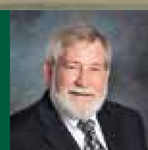


KEVIN RHODES
Chairman
Cattle & Poultry Farmer
Pelahatchie, MS

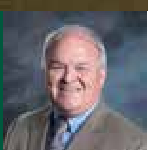
CHARLES "ALLEN" EUBANKS
Vegetable Producer
Lucedale, MS



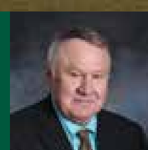
BRYAN "SCOTT" BELL
Vice Chairman
Cattle/Poultry/Row-Crop Farmer
Lena, MS



THOMAS "T.C." HALL
Timber & Cattle Farmer
Gloster, LA

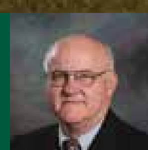


REGGIE ALLEN
Timber & Cattle Farmer
Brookhaven, MS

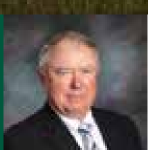


LARRY W. KILLEBREW
Cotton/Corn/Soybean/Cattle Farmer
Lexington, MS

JOHN "VAN" BENNETT
Timber & Cattle Farmer
Spearsville, LA



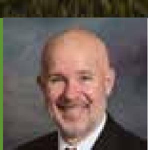
EMERY D. SKELTON
Retired Row-Crop Farmer
Winterville, MS



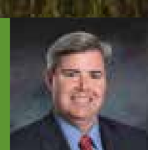
LONNIE "GENE" BOYKIN
Wheat/Soybean/Corn Farmer
Rolling Fork, MS

LINDA STANISZEWSKI, CPA
Retired Accounting Instructor
Hattiesburg, MS

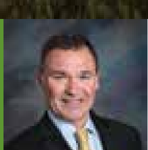
SENIOR MANAGEMENT TEAM



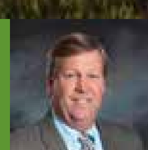
JOE HAYMAN
President
Chief Executive Officer



PHILLIP MORGAN, CPA
Senior Vice President
Chief Financial and Operations Officer



TED MURKERSON
Senior Vice President
Chief Credit Officer



KEN HOBART
Senior Vice President
Chief Collateral Risk Officer

2018 SCHOLARSHIP RECIPIENTS

Southern AgCredit offers annual scholarships to a variety of deserving high school seniors and college students. Each applicant must be a current Southern AgCredit borrower, or a current borrower's child, grandchild or spouse. The annual deadline for entry is April 1, and winners are typically notified in May. Visit ***SouthernAgCredit.com/scholarship*** for details.

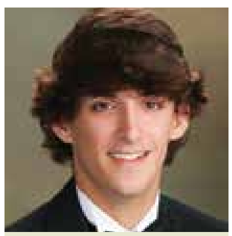
ADDISON CLINKSCALES

Jimmie Dick Carter Scholarship Winner

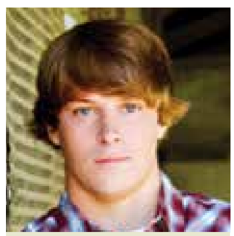
JENNIFER CASE

Southern AgCredit Scholarship Winner

Carson Branton
Greenville, MS

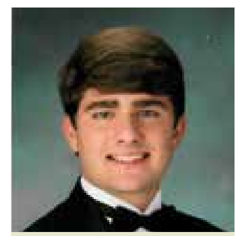


James Chandler
Benton, MS

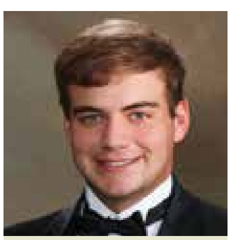


Luke Fondren
Cruger, MS

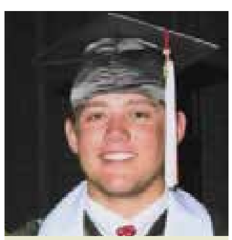
Joel Hill
Decatur, MS



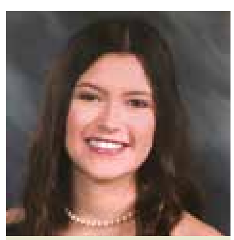
Walker Holcombe
Rolling Fork, MS



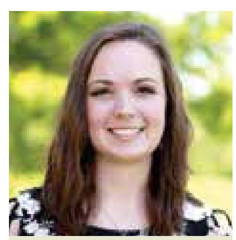
Jeremy Hunter
Glen Allan, MS



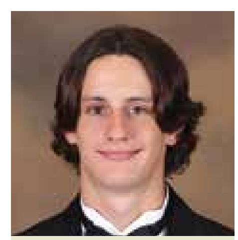
Tanner Hunter
Grace, MS



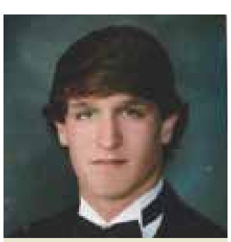
Sophia Meruvia
Philadelphia, MS



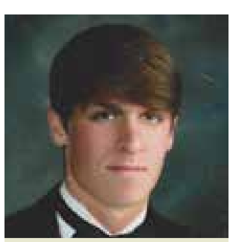
Jenna McConnell
Shreveport, LA



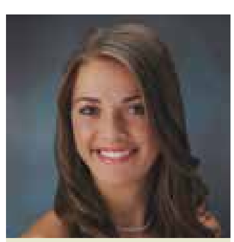
Aaron McCurdy
Poplarville, MS



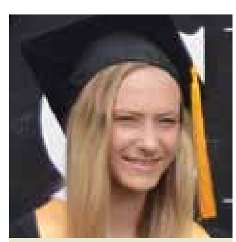
Taylor Nazary
Carthage, MS



Thomas Nazary
Carthage, MS



Emilee Tadlock
Forest, MS



Rayne Theunissen
Hollandale, MS

Kaleigh Williamson
Hattiesburg, MS

SANDY & DAVID TADLOCK, CHAR'LESA TADLOCK FAIRLEY, AND GREGGINA TADLOCK BROWN

Tadlock Stockyards Forest, MS

David Tadlock took over the family business in 1974, three years after his parents were tragically killed in a car accident. As a young 18-year-old, he petitioned the court to legally purchase it from his parents' estate. The business had been in the family for 50 years, since 1924. Today, it's the largest family-owned stockyard in Mississippi.

David and his wife, Sandy, run the day-to-day operations with the help of their daughters, Char'lesa and Greggina. Officially, David is manager of the stockyard, while Char'lesa serves as barn manager. Greggina and her mother share duties as office managers.

David and Sandy were thrilled when their daughters came back home to Forest, Miss., after earning their college degrees — making it a fourth-generation family business. They are excited about the upcoming arrival of the fifth generation in July. "Growing up, we considered the stockyard our backyard," Char'lesa said. "I would pretend to be sick at school so I could come home and be involved in all the action at the stockyard."

The stockyard business in Mississippi is highly competitive, especially in and around Forest. Each Monday during their weekly sale, Tadlock Stockyards has anywhere from 10 to15 bonded cattle buyers on site. "A competitive business makes a good business," David said. "We consider our customers family. We *have* to have them — *and have them happy* — or we don't succeed."

Tadlock Stockyards also operates two check-in stations in Bay Springs and Canton, Miss., to help sellers move their livestock to market — complete with trucks available for hauling, as well as plenty of hay and water on hand for their cattle.

The Tadlocks have been borrowers of Southern AgCredit since 2015.

Thank you, Sandy & David, and Char'lesa & Greggina, for putting your trust in Southern AgCredit.

Cattle Industry State Highlights

MISSISSIPPI

- Approximately 900,000 head
- Cattle inventory valued at $774,000,000
- Mississippi ranks 32nd in the U.S. for number of head of cattle
- 15,940 cattle farms

LOUISIANA

- Approximately 800,000 head
- Cattle inventory valued at $760,000,000
- Louisiana ranks 35th in the U.S. for number of head of cattle
- 11,600 cattle farms

HELEN & PAT THOMASSON

Thomasson Company
Philadelphia, MS

Pat Thomasson grew up working in her family's wood product business. Her parents, Hugh and Helen, started Thomasson Company in 1972. As a young girl, Pat ran the postage meter at the family business in Philadelphia, Miss. Upon earning her Certified Public Accountant license and working in several positions at other companies, Pat joined Thomasson Company in 1996. She went to work in the accounting department and learned about the business through the years while working in many roles before becoming chief executive officer. She worked alongside her parents until her father Hugh passed away in 2008.

Currently, Pat and Helen are CEO and treasurer, respectively, and Thomasson Company is a thriving business based in Mississippi and proudly certified as a Women's Business Enterprise. The company became a customer of Southern AgCredit in 2014, and now manufactures wood utility poles, pilings and mats for heavy equipment. "I love the people here, I love Mississippi, and I love going to work every day," Pat said.

Thank you, Helen and Pat, for trusting Southern AgCredit for your financing solutions!

Forestry Industry State Highlights

MISSISSIPPI

- 19.7 million acres
- Forest covers more than 60% of MS
- 125,000 forest landowners, 70% are private owners
- Out of Mississippi's 82 counties, 45 counties have timber as their most valuable agricultural crop

LOUISIANA

- Forestry is the #1 agriculture industry in Louisiana
- 13.8 million acres
- Forest covers 48% of the state
- 148,000 forest landowners, 81% are private owners

TERRY & STANLEY REDDEN, AND JOSIE & HEATH REDDEN

Poultry Farmers
Farmerville, LA

Terry and Stanley Redden have been poultry farming near Farmerville, Louisiana since 1992 — bringing up their three children at the same time. In 2005, and after several years of encouragement, their son Heath went into the poultry business as well. "I got tired of working for someone else and wanted to work for myself," he said. Even though Heath's wife, Josie, works full time with a local construction company, she also helps out with the chickens when she can. "We all pitch in when we have to," she said.

Heath and Josie have been borrowers of Southern AgCredit since 2015. Today, the couple operates 4 broiler houses on13 acres, and also supplies poultry litter to nearby row crop farmers.

Meanwhile, Terry and Stanley still manage their six broiler houses on their 38-acre homestead. They became Southern AgCredit borrowers in 2018.

Thank you so much for selecting Southern AgCredit to be the financing partner for your poultry operation!

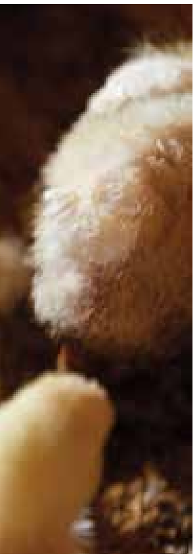
Poultry Industry State Highlights

MISSISSIPPI

- Mississippi's top agricultural commodity
- Home to the largest egg processor in the world
- Mississippi is among the top 5 broiler-producing states
- Processed 731 million broilers, or 4.6 million pounds

LOUISIANA

- Louisiana's largest animal industry
- Second largest in total income production for all agricultural commodities in LA — forestry is first
- Processed 187 million broilers, or 1.1 billion pounds



REPORT OF MANAGEMENT

The consolidated financial statements of Southern AgCredit, 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.

Joe H. Hayman
Chief Executive Officer
March 13, 2019

Kevin Rhodes
Chairman, Board of Directors
March 13, 2019

Phillip D. Morgan, CPA

Phillip D. Morgan, CPA, CGMA
Chief Financial and Operating Officer
March 13, 2019

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The association's chief executive officer and chief financial and operating officer are responsible for establishing and maintaining adequate internal control over financial reporting for the association's consolidated financial statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the association's principal executives and principal financial officers, or persons performing similar functions, and effected by its boards of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the association's assets that could have a material effect on its consolidated financial statements.

The association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2018. In making the assessment, management used the framework in Internal Control—Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the association concluded that as of December 31, 2018, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2018. A review of the assessment performed was reported to the association's Audit Committee.

Joe H. Hayman
Chief Executive Officer
March 13, 2019

Phillip D. Morgan, CPA
Phillip D. Morgan, CPA, CGMA
Chief Financial and Operating Officer
March 13, 2019

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of Linda Staniszewski, chair, Lonnie Gene Boykin and Bryan Scott Bell, board vice chairman. In 2018, eight Committee meetings were held. The Committee oversees the scope of Southern AgCredit, 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 Southern AgCredit, ACA's website. The Committee approved the appointment of PricewaterhouseCoopers LLP for 2018.

Management is responsible for Southern AgCredit, 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. PricewaterhouseCoopers LLP is responsible for performing an independent audit of Southern AgCredit, 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 Southern AgCredit, ACA's audited consolidated financial statements for the year ended December 31, 2018 (audited consolidated financial statements) with management and PricewaterhouseCoopers LLP. The Committee also reviews with PricewaterhouseCoopers LLP the matters required to be discussed by authoritative guidance "The Auditor's Communication with Those Charged with Governance," and both PricewaterhouseCoopers LLP's and Southern AgCredit, ACA's internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PricewaterhouseCoopers LLP its independence from Southern AgCredit, ACA. The Committee also reviewed the nonaudit services provided by PricewaterhouseCoopers LLP and concluded that these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and PricewaterhouseCoopers LLP 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 Southern AgCredit, ACA's Annual Report to Stockholders for the year ended December 31, 2018.

Audit Committee Members

Linda Staniszewski, Chair
Lonnie Gene Boykin
Bryan Scott Bell

March 13, 2019

`

SOUTHERN AGCREDIT, ACA

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

	2018	2017	2016	2015	2014
Balance Sheet Data					
Assets					
Cash	**$ 31**	$ 27	$ 36	$ 36	$ 11
Investments	**6,047**	6,675	10,291	11,714	15,281
Loans	**1,039,235**	1,023,299	969,583	877,149	817,259
Less: allowance for loan losses	**1,079**	893	753	1,069	1,255
Net loans	**1,038,156**	1,022,406	968,830	876,080	816,004
Investment in and receivable from the Farm Credit Bank of Texas	**19,466**	20,013	18,355	16,972	15,734
Other property owned, net	**5,077**	5,597	9,938	11,737	13,294
Other assets	**18,009**	15,151	13,834	13,654	13,019
Total assets	**$ 1,086,786**	$ 1,069,869	$ 1,021,284	$ 930,193	$ 873,343
Liabilities					
Obligations with maturities of one year or less	**$ 17,863**	$ 18,429	$ 17,513	$ 17,268	$ 16,833
Obligations with maturities greater than one year	**906,704**	899,778	860,382	777,084	727,934
Total liabilities	**924,567**	918,207	877,895	794,352	744,767
Members' Equity					
Capital stock and participation certificates	**4,378**	4,255	4,108	3,812	3,602
Additional paid-in capital	**10,239**	10,239	10,239	10,239	10,239
Unallocated retained earnings	**147,710**	137,716	129,182	121,928	115,163
Accumulated other comprehensive loss	**(108)**	(548)	(140)	(138)	(428)
Total members' equity	**162,219**	151,662	143,389	135,841	128,576
Total liabilities and members' equity	**$ 1,086,786**	$ 1,069,869	$ 1,021,284	$ 930,193	$ 873,343
Statement of Income Data					
Net interest income	**$ 26,436**	$ 25,499	$ 24,246	$ 22,713	$ 21,240
(Provision for loan losses) or loan loss reversal	**(204)**	(162)	333	(285)	(235)
Income from other Farm Credit Bank Institutions	**4,804**	4,011	3,919	3,752	3,486
Other noninterest income	**1,011**	328	161	248	1,586
Noninterest expense	**(12,182)**	(11,639)	(12,215)	(11,647)	(10,991)
Net income	**$ 19,865**	$ 18,037	$ 16,444	$ 14,781	$ 15,086
Key Financial Ratios for the Year					
Return on average assets	**1.8%**	1.7%	1.7%	1.7%	1.8%
Return on average members' equity	**13.0%**	12.5%	12.1%	10.8%	11.6%
Net interest income as a percentage of average earning assets	**2.6%**	2.6%	2.6%	2.7%	2.7%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.1%	0.1%

SOUTHERN AGCREDIT, ACA

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

	2018	2017	2016	2015	2014
Key Financial Ratios at Year End *					
Members' equity as a percentage of total assets	**14.9%**	14.2%	14.0%	14.6%	14.7%
Debt as a percentage of members' equity	**569.9%**	605.4%	612.2%	584.8%	579.2%
Allowance for loan losses as a percentage of loans	**0.1%**	0.1%	0.1%	0.1%	0.2%
Common equity tier 1 ratio	**14.8%**	14.5%	n/a	n/a	n/a
Tier 1 capital ratio	**14.8%**	14.5%	n/a	n/a	n/a
Total capital ratio	**14.9%**	14.6%	n/a	n/a	n/a
Permanent capital ratio	**14.8%**	14.5%	14.3%	15.0%	15.6%
Tier 1 leverage ratio	**14.1%**	13.7%	n/a	n/a	n/a
UREE leverage ratio	**10.9%**	10.6%	n/a	n/a	n/a
Total surplus ratio	n/a	n/a	13.9%	14.5%	15.1%
Core surplus ratio	n/a	n/a	13.9%	14.5%	15.1%
Net Income Distribution					
Cash dividends paid	**$ 9,502**	$ 8,883	$ 8,016	$ 7,569	$ 7,202
Cash patronage declared	**9,871**	9,502	8,883	8,016	7,569

* Effective January 1, 2017 the new regulatory capital ratios were implemented by the association. Regulatory ratios remained well above regulatory minimums, including the conservation and leverage buffers at December 31, 2018.

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

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Southern AgCredit, ACA, including its wholly-owned subsidiaries, Southern AgCredit, PCA and Southern AgCredit, FLCA (association) for the years ended December 31, 2018, 2017 and 2016, 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;
- weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- obsolete or disruptions to information technology systems and services;
- cyber security risks such as unauthorized access to sensitive information or disruption of business operations;
- changes in United States government support of the agricultural industry; and
- actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

In December 2018, the association's board of directors declared a patronage in the amount of $19,670,106 to stockholders, including $9,870,816 to be paid in cash, and $9,799,290 in the form of non-qualified allocated equities on behalf of the individual stockholders and retained by the association. Nonqualified allocated equities are not taxable to the stockholder. The cash patronage was disbursed to the association stockholders in February 2019. The 2018 cash patronage is a record return of earnings to the stockholders of the association, and represents on average a 1 percent reduction in borrowers loan interest rate. Patronage declarations from 2014-2017 also included cash disbursements and allocated equities retained by the association. Borrowers received total cash returns in the amounts of $9,502,359, $8,883,457, $8,015,743, and $7,569,183 in 2017, 2016, 2015 and 2014, respectively.

In December 2018, the association received a cash patronage of $3,671,632 from the Farm Credit Bank of Texas (bank), representing 41 basis points on the average daily balance of the association's direct loan with the bank. During 2018, the association received $445,090 in cash patronage payments from the bank, based on the association's stock investment in the bank. Also, the association received a capital markets patronage of $348,721 from the bank, representing 75 basis points on the association's average balance of participations in the bank's patronage pool program, a special one-time capital markets patronage of $88,088 from the bank, and $250,000 from other participation partners. Total patronage received in 2017, 2016, 2015, and 2014 was $4,010,801, $3,918,861, $3,752,160, and $3,485,707, respectively.

In an effort to improve the association's operating efficiency and customer service capacity, a new branch office is in the process of being constructed in Hattiesburg, Mississippi and will replace an existing building that will be sold. A new building was purchased in Ridgeland, Mississippi for the extension of the administrative services. The board and management of the association believe the purchase and construction of new office buildings improves upon the association's continuing commitment to provide its borrowers with the highest quality of customer service.

The association continues 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, LIBOR-based and prime-based interest rates. Loan maturities range from one to 30 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 association remains the premier lender for agriculture commodities produced in Mississippi and Louisiana. In addition to production loans, the association's portfolio is considerably strengthened by long-term loans for agriculture and recreational real estate throughout our territory. The association's largest commodities financed for each year end 2016-2018 continue to be related to timber, poultry and livestock. The timber portfolio also includes loans primarily for recreational purposes. The timber industry continues to improve as local and national housing demand improves, and the primary repayment sources for timber and recreational purposes continues to be off-farm income. Poultry production grew in 2018; domestically demand was consistent with 2017, however, exports increased, resulting in higher prices. The outlook for 2019 indicates poultry production will grow at a slower rate than previously seen and international demand will continue. Due to lackluster demand nationally, prices are likely to fall in 2019. The association expects a continued but very limited expansion of poultry production in certain parts of our lending territory. Livestock production within the association's territory increased through the end of 2018 as demand for beef was higher year over year, with cattle prices decreasing slightly due to oversupply. The 2019 outlook for livestock indicates demand is dependent on trade negotiations with several East Asia countries, Mexico, and Canada. There is optimism that the new and revised agreements will be beneficial for U.S. beef exports in the longer term.

The composition of the association's loan portfolio, including principal less funds held of $1,039,235,244, $1,023,298,902 and $969,582,924 as of December 31, 2018, 2017 and 2016, respectively, is described more fully in detailed tables in Note 4 to the consolidated financial statements, "Loans and Allowance for Loan Losses" included in this annual report.

Purchase and Sales of Loans:

During 2018, 2017 and 2016, the association was participating in loans with other lenders. As of December 31, 2018, 2017 and 2016, these participations totaled $62,468,291, $54,113,099 and $58,888,878, or 6.0 percent, 5.3 percent and 6.1 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the district of $454,771, $496,544 and $478,955, or 0.0 percent, 0.1 percent and 0.1 percent of loans, respectively. The association has also sold participations of $64,618,710, $70,843,702 and $46,636,378 as of December 31, 2018, 2017 and 2016, respectively.

The association also utilizes the Mississippi Development Authority's Agribusiness Enterprise Loan Program (ABE), which is designed to provide a percentage of low-cost state financing combined with private financial lending institutions' loan proceeds to encourage loans to the agribusiness industry in the state. ABE loans totaled $16,340,773, $16,573,976, and $13,391,041 as of December 31, 2018, 2017 and 2016, respectively.

During 2010, the association exchanged loans totaling $35,192,440 for Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agriculture mortgage-backed securities (AMBS). The loans were previously covered under the Long-Term Standby Commitment to Purchase Agreements with Farmer Mac. No gain or loss was recognized in the financial statements upon completion of the exchange transactions since the loans were at a market rate, guaranteed by Farmer Mac and the servicing fee adequately compensates the association for the cost to service the loans. These AMBS are included in the association's Consolidated Balance Sheet as held-to-maturity investments at an amortized cost balance of $6,046,842 at December 31, 2018. The association continues to service the loans included in those transactions.

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:

	2018		2017		2016	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 2,598,873**	**31.9%**	$ 3,283,762	34.9%	$ 2,497,465	19.6%
Formally restructured	**472,784**	**5.8%**	535,519	5.7%	303,223	2.4%
Other property owned, net	**5,076,652**	**62.3%**	5,597,118	59.4%	9,938,321	78.0%
Total	**$ 8,148,309**	**100.0%**	$ 9,416,399	100.0%	$ 12,739,009	100.0%

At December 31, 2018, 2017 and 2016, loans that were considered impaired were $3,071,657, $3,819,281 and $2,800,688, representing 0.3 percent, 0.4 percent and 0.3 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

The decrease in nonaccrual loan volume for the 12 months ended December 31, 2018, is primarily due to the payoff of four loans to one borrower with a balance of $1,141,088, secured by real estate and moved to nonaccrual in the third quarter of 2017.

Nonaccrual loan volume for the 12 months ended December 31, 2017, increased primarily due to the transfer of one borrower with a loan balance of $1,141,089 secured by real estate and moved to nonaccrual in third quarter of 2017. No additional specific allowance reserve was required on these loans.

The decrease in nonaccrual loan volume for the 12 months ended December 31, 2016, was primarily due to the foreclosure of one property and transferring to other property owned. The loans related to the foreclosed property had a balance of $4,107,627 at the time it was transferred to other property owned.

Acquired property as of December 31, 2018, 2017 and 2016 is primarily the cumulative result of a series of foreclosures in 2010 and 2011 of a large complex of loans to a group of borrowers originated in 2006, and recognized as nonperforming in the first quarter of 2008. A subsequent market valuation decrease was recognized on these properties in the amount of $524,966, $312,950, $488,428, $942,202, and $1,327,724 in years 2018, 2017, 2016, 2015, and 2014, respectively. The association, through its marketing and disposal efforts, has separated and sold numerous tracts from these properties at values primarily exceeding the current book values per acre. The association will continue its marketing plan of these properties and expects their disposal to accelerate as the local market continues to improve. These acquired properties are located in South Mississippi and have a remaining fair value of $5,022,150 as of December 31, 2018.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the association is not affected by any seasonal characteristics. The factors affecting the operations of the association are the same factors that would affect any agricultural real estate lender. To help mitigate and diversify credit risk, the association has employed practices including securitization of loans, obtaining credit guarantees and engaging in loan participations. Although management and the board develop underwriting standards that limit the risk of loss exposure to the association, management and the board understand that loan defaults and resulting losses are inherent to the lending industry.

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:

	2018	2017	2016
Allowance for loan losses	**$ 1,079,319**	$ 892,741	$ 752,957
Allowance for loan losses to total loans	**0.1%**	0.1%	0.1%
Allowance for loan losses to nonaccrual loans	**41.5%**	27.2%	30.1%
Allowance for loan losses to impaired loans	**35.1%**	23.4%	26.9%
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, 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 $1,079,319, $892,741 and $752,957 at December 31, 2018, 2017 and 2016, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates. Management considers the year-end amounts adequate based on their assessments of the evaluation criteria referenced above as of yearend.

Results of Operations:

The association's net income for the year ended December 31, 2018, was $19,864,834 as compared to $18,036,574 for the year ended December 31, 2017, reflecting an increase of $1,828,260, or 10.1 percent. The association's net income for the year ended December 31, 2016 was $16,444,194. Net income increased $1,592,380, or 9.7 percent, in 2017 versus 2016.

Net interest income for 2018, 2017 and 2016 was $26,436,499, $25,499,468 and $24,245,783, respectively, reflecting increases of $937,031, or 3.7 percent, for 2018 versus 2017 and $1,253,685, or 5.2 percent, for 2017 versus 2016. 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:

	2018		2017		2016	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 1,028,788,066**	**$ 49,434,098**	$ 989,446,824	$ 44,340,252	$ 921,084,974	$ 39,476,443
Investments	**6,236,385**	**295,453**	7,511,880	321,752	10,988,825	445,279
Total interest-earning assets	**1,035,024,451**	**49,729,551**	996,958,704	44,662,004	932,073,799	39,921,722
Interest-bearing liabilities	**887,606,500**	**23,293,052**	859,568,322	19,162,536	807,841,020	15,675,939
Impact of capital	**$ 147,417,951**		$ 137,390,382		$ 124,232,779	
Net interest income		**$ 26,436,499**		$ 25,499,468		$ 24,245,783

	2018	2017	2016
	Average Yield	Average Yield	Average Yield
Yield on loans	**4.81%**	4.48%	4.29%
Yield on investments	**4.74%**	4.28%	4.05%
Total yield on interest-earning assets	**4.80%**	4.48%	4.28%
Cost of interest-bearing liabilities	**2.62%**	2.23%	1.94%
Interest rate spread	**2.18%**	2.25%	2.34%

	2018 vs. 2017			2017 vs. 2016		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 1,762,999**	**$ 3,330,847**	**$ 5,093,846**	$ 2,929,921	$ 1,933,888	$ 4,863,809
Interest income - investments	**(54,632)**	**28,333**	**(26,299)**	(140,889)	17,362	(123,527)
Total interest income	**1,708,367**	**3,359,180**	**5,067,547**	2,789,032	1,951,250	4,740,282
Interest expense	**625,055**	**3,505,461**	**4,130,516**	1,003,768	2,482,829	3,486,597
Net interest income	**$ 1,083,312**	**$ (146,281)**	**$ 937,031**	$ 1,785,264	$ (531,579)	$ 1,253,685

Interest income for 2018 increased by $5,067,547, or 11.4 percent, compared to 2017, primarily due to a marginal increase in earning assets, and a considerable increase in loan yield. Interest expense for 2018 increased by $4,130,516, or 21.6 percent, compared to 2017 due to a marginal increase in interest-bearing liabilities, with a considerable increase in rates on interest-bearing liabilities. The interest rate spread decreased by 7 basis points to 2.18 percent in 2018 from 2.25 percent in 2017, primarily due to rapidly rising cost of funding as compared to borrower offering rates, competitive market conditions and longer term loan pricing in a rising rate environment. The interest rate spread decreased by 9 basis points to 2.25 percent in 2017 from 2.34 percent in 2016, primarily due to rapidly rising cost of funding as compared to borrower offering rates, competitive market conditions and longer term loan pricing in a rising rate environment.

Noninterest income for 2018 increased by $1,476,109, or 34.0 percent, compared to 2017, due primarily to due to a FCSIC insurance refund and an increase in bank patronage. Noninterest income for 2017 increased by $258,929, or 6.4 percent, compared to 2016, due primarily to an increase in bank patronage and net loan servicing fees.

Provisions for loan losses in 2018 increased by $42,402, or 26.2 percent, compared to 2017, due primarily to an allowance pool that was set up on specific commodities in regards to the impact of ongoing trade negotiations and tariffs as of the date of this report. Provisions for loan losses in 2017 were due primarily to increases in general reserves based on portfolio growth. A net recovery from prior year charge-offs was recognized in 2016.

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. Operating expenses increased by $542,478, or 4.7 percent for 2018 compared to 2017 due to an increase in salaries expense offset by a decrease in the premium rates from 15 basis points to 9 basis points on the insurance fund at the beginning of 2018. Operating expenses decreased by $574,745, or 4.7 percent for 2017 compared to 2016, primarily due to a decrease in acquired property acquisition and holding expenses and market valuation adjustments, as well as a decrease in the premium rates from 18 basis points to 15 basis points on the insurance fund at the beginning of 2017. In accordance with authoritative accounting guidance, loan origination fees and related loan origination costs (salaries and employee benefits) are netted and capitalized in the year occurring, and the net fee or cost is amortized over the life of the originated loans as an adjustment to loan yield.

The association’s return on average assets was 1.8 percent, as compared to 1.7 percent and 1.7 percent for the years ended December 31, 2018, 2017 and 2016, respectively. For the year ended December 31, 2018, the association’s return on average members’ equity was 13.0 percent, as compared to 12.5 percent and 12.1 percent for the years ended December 31, 2017 and 2016, 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.

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 $888,231,951, $881,449,875 and $845,207,678 as of December 31, 2018, 2017 and 2016, respectively, is recorded as a liability on the association’s balance sheet. The note carried a weighted average interest rate of 2.82 percent, 2.32 percent and 1.98 percent at December 31, 2018, 2017 and 2016, 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, 2017, is due to loan growth. The association’s own funds, which represent the amount of the association’s loan portfolio funded by the association’s equity, were $136,267,570, $128,569,000 and $118,318,251 at December 31, 2018, 2017 and 2016, respectively. The maximum amount the association may borrow from the bank as of December 31, 2018, was $1,036,637,554 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, 2020, 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 2019. 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 $162,218,972, $151,661,645 and $143,388,519 at December 31, 2018, 2017 and 2016, respectively. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations.

Risk-adjusted:	Regulatory Minimums	Conservation Buffer*	Total	As of December 31, 2018
Common equity tier 1 ratio	4.50%	2.50%	7.00%	14.82%
Tier 1 capital ratio	6.00%	2.50%	8.50%	14.82%
Total capital ratio	8.00%	2.50%	10.50%	14.93%
Permanent capital ratio	7.00%	0.00%	7.00%	14.84%
Non-risk-adjusted:				
Tier 1 leverage ratio**	4.00%	1.00%	5.00%	14.13%
UREE leverage ratio	1.50%	0.00%	1.50%	10.91%

Significant Recent Accounting Pronouncements:

In August 2018, the Financial Accounting Standards Board (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 becomes 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. Early adoption is permitted. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The association is evaluating the impact of adoption on the association's financial condition and 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 becomes effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance will not impact the association's financial condition or its results of operations, but will 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 becomes effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of this guidance will not impact the association's financial condition or its results of operations, but will impact the fair value measurements disclosures. The association early adopted the removal and modified disclosures during the fourth quarter of 2018.

In February 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled "Income Statement — Reporting Comprehensive Income — Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This guidance allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recently issued tax legislation, Tax Cuts and Jobs Act (TCJA) that lowered the federal corporate tax rate from 35% to 21%. The amount of the reclassification shall include the effect of the change in the tax rate on gross deferred tax amounts and related valuation allowances at the date of enactment of the TCJA related to items remaining in accumulated other comprehensive income. The guidance becomes effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. This standard is not relevant to the association.

In August 2017, the Financial Accounting Standards Board (FASB) issued guidance entitled "Targeted Improvements to Accounting for Hedging Activities." The guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. The association is evaluating the impact of adoption on the association's financial condition and its results of operations.

In March 2017, the FASB issued guidance entitled "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not materially impact the association's financial condition but did change the classification of certain items in the results of operations.

In August 2016, the FASB issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not materially impact the association's financial condition.

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 becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The association is evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The association has evaluated the impact of adoption on its financial condition and results of operations and determined it not to be material.

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not impact the association's financial condition or its results of operations.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The association determined the effect was not material to its financial condition or results of operations and will not change its current recognition practices.

Regulatory Matters:

On June 12, 2018, the Farm Credit Administration (FCA) published a final rule revising the requirements governing the eligibility of investments for System banks and associations. The stated objectives of the final rule are as follows:

- To strengthen investment practices at Farm Credit banks and associations to enhance their safety and soundness;
- To ensure that System bonds hold sufficient high quality liquid investments for liquidity purposes;
- To enhance the ability of the System banks to supply credit to agricultural and aquatic producers and their cooperatives in times of financial distress;
- To comply with the requirements of section 939A of the Dodd-Frank Act;
- To modernize the investment eligibility criteria for Farm Credit banks; and
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

The regulation became effective January 1, 2019. On July 3, 2018, a correction to a final rule on investment eligibility was published in the Federal Register.

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 102 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.

pwc

Report of Independent Auditors

To the Board of Directors of Southern AgCredit, ACA

We have audited the accompanying consolidated financial statements of Southern AgCredit, ACA and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018, December 31, 2017 and December 31, 2016, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern AgCredit, ACA and its subsidiaries as of December 31, 2018, December 31, 2017 and December 31, 2016, 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.

PricewaterhouseCoopers LLP

March 13, 2019

SOUTHERN AGCREDIT, ACA

CONSOLIDATED BALANCE SHEET

	December 31, 2018	2017	2016
Assets			
Cash	**$ 30,691**	$ 26,739	$ 36,051
Investments	**6,046,842**	6,674,806	10,290,580
Loans	**1,039,235,244**	1,023,298,902	969,582,924
Less: allowance for loan losses	**1,079,319**	892,741	752,957
Net loans	**1,038,155,925**	1,022,406,161	968,829,967
Accrued interest receivable	**9,074,131**	8,362,825	7,724,067
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**17,725,455**	17,142,040	16,028,085
Other	**1,740,666**	2,870,529	2,326,702
Other property owned, net	**5,076,652**	5,597,118	9,938,321
Premises and equipment	**7,904,333**	5,963,610	5,288,105
Other assets	**1,030,945**	825,099	822,241
Total assets	**$ 1,086,785,640**	$ 1,069,868,927	$ 1,021,284,119
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 888,231,951**	$ 881,449,875	$ 845,207,678
Guaranteed obligations to government entities	**16,340,773**	16,573,976	13,391,041
Advance conditional payments	**1,995**	78,653	101,229
Accrued interest payable	**2,147,612**	1,755,661	1,463,902
Drafts outstanding	**132,941**	586,124	1,190,827
Patronage distributions payable	**9,870,816**	9,502,359	8,883,457
Other liabilities	**7,840,580**	8,260,634	7,657,466
Total liabilities	**924,566,668**	918,207,282	877,895,600
Members' Equity			
Capital stock and participation certificates	**4,377,950**	4,255,070	4,107,855
Additional paid-in capital	**10,238,891**	10,238,891	10,238,891
Unallocated retained earnings	**147,710,148**	137,716,130	129,181,915
Accumulated other comprehensive loss	**(108,017)**	(548,446)	(140,142)
Total members' equity	**162,218,972**	151,661,645	143,388,519
Total liabilities and members' equity	**$ 1,086,785,640**	$ 1,069,868,927	$ 1,021,284,119

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

SOUTHERN AGCREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2018	2017	2016
Interest Income			
Loans	**$ 49,434,098**	$ 44,340,252	$ 39,476,443
Investments	**295,453**	321,752	445,279
Total interest income	**49,729,551**	44,662,004	39,921,722
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**23,292,792**	19,161,127	15,675,808
Advance conditional payments	**260**	1,409	131
Total interest expense	**23,293,052**	19,162,536	15,675,939
Net interest income	**26,436,499**	25,499,468	24,245,783
Provision for (reversal of) Loan Losses	**204,495**	162,093	(332,886)
Net interest income after provision for losses	**26,232,004**	25,337,375	24,578,669
Noninterest Income			
Patronage income from other Farm Credit Institutions	**4,803,531**	4,010,801	3,918,862
Loan fees	**373,523**	264,839	50,632
Financially related services income	**29,779**	20,973	35,254
Other noninterest income	**607,934**	42,045	74,981
Total noninterest income	**5,814,767**	4,338,658	4,079,729
Noninterest Expenses			
Salaries and employee benefits	**6,359,059**	5,863,289	5,859,001
Occupancy and equipment	**632,500**	586,212	542,745
Insurance Fund premiums	**679,484**	1,099,406	1,181,209
Other components of net periodic postretirement benefit cost	**192,384**	187,440	194,328
Other noninterest expense	**4,318,510**	3,903,112	4,436,921
Total noninterest expenses	**12,181,937**	11,639,459	12,214,204
Income before income taxes	**19,864,834**	18,036,574	16,444,194
Benefit from income taxes	**-**	-	-
NET INCOME	**19,864,834**	18,036,574	16,444,194
Other comprehensive income:			
Change in postretirement benefit plans	**440,429**	(408,304)	(2,421)
Income tax expense related to items of other comprehensive income	**-**	-	-
Other comprehensive income, net of tax	**440,429**	(408,304)	(2,421)
COMPREHENSIVE INCOME	**$ 20,305,263**	$ 17,628,270	$ 16,441,773

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

SOUTHERN AGCREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2015	$ 3,812,005	$ 10,238,891	$ 121,927,664	$ (137,721)	$ 135,840,839
Comprehensive income	-	-	16,444,194	(2,421)	16,441,773
Capital stock/participation certificates issued	794,715	-	-	-	794,715
Capital stock/participation certificates and allocated retained earnings retired	(498,865)	-	-	-	(498,865)
Equity retired or re-characterized upon merger	-	-	(306,486)	-	(306,486)
Patronage dividends:					
Cash	-	-	(8,883,457)	-	(8,883,457)
Balance at December 31, 2016	4,107,855	10,238,891	129,181,915	(140,142)	143,388,519
Comprehensive income	-	-	18,036,574	(408,304)	17,628,270
Capital stock/participation certificates issued	724,570	-	-	-	724,570
Capital stock/participation certificates and allocated retained earnings retired	(577,355)	-	-	-	(577,355)
Patronage dividends:					
Cash	-	-	(9,502,359)	-	(9,502,359)
Balance at December 31, 2017	4,255,070	10,238,891	137,716,130	(548,446)	151,661,645
Comprehensive income	-	-	19,864,834	440,429	20,305,263
Preferred stock issued					
Capital stock/participation certificates issued	633,635	-	-	-	633,635
Preferred stock retired					
Capital stock/participation certificates and allocated retained earnings retired	(510,755)	-	-	-	(510,755)
Patronage dividends:					
Cash	-	-	(9,870,816)	-	(9,870,816)
Balance at December 31, 2018	**$ 4,377,950**	**$ 10,238,891**	**$ 147,710,148**	**$ (108,017)**	**$ 162,218,972**

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

SOUTHERN AGCREDIT, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	**$ 19,864,834**	$ 18,036,574	$ 16,444,194
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses or (loan loss reversal)	**204,495**	162,093	(332,886)
Provision for other property owned	**524,966**	312,950	488,428
Loss (gain) on sale of other property owned, net	**-**	(194,381)	424,258
Depreciation and amortization	**833,524**	707,507	579,996
Accretion of net discounts on acquired assets	**(27,515)**	(27,515)	(27,515)
Gain on sale of premises and equipment, net	**(122)**	(6,039)	(98,773)
Increase in accrued interest receivable	**(711,306)**	(638,758)	(640,707)
Decrease (increase) in other receivables from the Farm Credit Bank of Texas	**1,129,863**	(543,827)	(35,943)
Increase in other assets	**(205,846)**	(2,858)	(1,931)
Increase in accrued interest payable	**391,951**	291,759	276,840
Increase in other liabilities	**2,458**	172,554	560,935
Net cash provided by operating activities	**22,007,302**	18,270,059	17,636,896
Cash flows from investing activities:			
Increase in loans, net	**(16,498,031)**	(54,162,578)	(97,018,481)
Cash recoveries of loans previously charged off	**-**	-	14,802
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(583,415)**	(1,113,955)	(1,347,415)
Investment securities held-to-maturity			
Proceeds from maturities, calls and prepayments	**627,964**	3,615,774	1,423,631
Purchases of premises and equipment	**(2,215,728)**	(932,279)	(99,970)
Proceeds from sales of premises and equipment	**26,307**	29,422	403,611
Proceeds from sales of other property owned	**-**	4,222,634	4,864,503
Net cash used in investing activities	**(18,642,903)**	(48,340,982)	(91,759,319)

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

SOUTHERN AGCREDIT, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2018	2017	2016
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**6,782,076**	36,242,197	80,933,726
Increase (decrease) in guaranteed obligations to government entities	**(233,203)**	3,182,935	1,764,654
Decrease in drafts outstanding	**(453,183)**	(604,703)	(586,409)
Decrease in advance conditional payments	**(76,658)**	(22,576)	(269,830)
Issuance of capital stock and participation certificates	**633,635**	724,570	794,715
Retirement of capital stock and participation certificates	**(510,755)**	(577,355)	(498,865)
Patronage distributions paid	**(9,502,359)**	(8,883,457)	(8,015,743)
Net cash (used in) provided by financing activities	**(3,360,447)**	30,061,611	74,122,248
Net increase (decrease) in cash	**3,952**	(9,312)	(175)
Cash at the beginning of the year	**26,739**	36,051	36,226
Cash at the end of the year	**$ 30,691**	$ 26,739	$ 36,051
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**$ 4,500**	$ -	$ 3,978,973
Loans charged off	**-**	-	310,468
Patronage distributions declared	**9,870,816**	9,502,359	8,873,457
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 22,901,101**	$ 18,870,777	$ 15,399,099

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

SOUTHERN AGCREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Southern AgCredit, ACA, including its wholly-owned subsidiaries, Southern AgCredit, PCA and Southern AgCredit, 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 the counties of Adams, Amite, Carroll, Claiborne, Clarke, Copiah, Covington, Forrest, Franklin, George, Greene, Grenada, Hancock, Harrison, Hinds, Holmes, Humphreys, Issaquena, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Leflore, Lincoln, Madison, Marion, Montgomery, Neshoba, Newton, Pearl River, Perry, Pike, Rankin, Scott, Sharkey, Simpson, Smith, Stone, Walthall, Warren, Washington, Wayne, Wilkinson and Yazoo in the state of Mississippi, as well as the parishes of Bienville, Bossier, Caddo, Claiborne, DeSoto, Jackson, Lincoln, Ouachita (west of Ouachita River), Red River, Union and Webster in the state of Louisiana. In addition, the association is the single owner of Parkway Place Investments, LLC, which was organized for the purpose of holding and managing foreclosed property for which the assets, liabilities and results of operation have been consolidated in the association's financial statements.

   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, 2018, 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, 2018, 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 2.0 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 FCSIC in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums as necessary to maintain the Insurance Fund at the 2 percent level. As required by the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System institutions.

   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.

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:

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 statements 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 Southern AgCredit, PCA and Southern AgCredit, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In August 2018, the Financial Accounting Standards Board (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 becomes 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. Early adoption is permitted. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The association is evaluating the impact of adoption on the association's financial condition and 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 becomes effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance will not impact the association's financial condition or its results of operations, but will 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 becomes effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of this guidance will not impact the association's financial condition or its results of operations, but will impact the fair value measurements disclosures. The association early adopted the removal and modified disclosures during the fourth quarter of 2018.

In February 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled "Income Statement — Reporting Comprehensive Income — Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This guidance allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recently issued tax legislation, Tax Cuts and Jobs Act (TCJA) that lowered the federal corporate tax rate from 35% to 21%. The amount of the reclassification shall include the effect of the change in the tax rate on gross deferred tax amounts and related valuation allowances at the date of enactment of the TCJA related to items remaining in accumulated other comprehensive income. The guidance becomes effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. This standard is not relevant to the association.

In August 2017, the FASB issued guidance entitled "Targeted Improvements to Accounting for Hedging Activities." The guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. The association is evaluating the impact of adoption on the association's financial condition and its results of operations.

In March 2017, the FASB issued guidance entitled "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not materially impact the association's financial condition but did change the classification of certain items in the results of operations.

In August 2016, the FASB issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not materially impact the association's financial condition.

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 becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The association is evaluating the impact of adoption on the association's financial condition and its results of operations.

In February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. In July 2018, the FASB issued an update entitled "Leases – Targeted Improvements," which provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. An entity that elects this additional transition method must provide the required disclosures of the now current standard for all prior periods presented. The guidance and related amendments in this update become effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The association has evaluated the impact of adoption on its financial condition and results of operations and determined it not to be material.

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not impact the association's financial condition or its results of operations but did impact the association's fair value disclosures.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. The guidance sets forth the requirement for new and enhanced disclosures. The association adopted the new standard effective January 1, 2018, using the modified retrospective approach. As the majority of the association's revenues are not subject to the new guidance, the adoption of the guidance did not have a material impact on the financial position, results of operations, equity or cash flows.

B. Cash: Cash, as included in the statement of cash flows, represents cash on hand and on deposit at local banks.

C. Investments: The association's investments include mortgage-backed securities issued by Federal Agricultural Mortgage Corporation (Farmer Mac) for which the association has the intent and ability to hold to maturity and which are consequently classified as held-to-maturity. Held-to-maturity investments are carried at cost, adjusted for the amortization of premiums and accretion of discounts. Changes in the fair value of these investments are not recorded unless the investment is deemed to be other-than-temporarily impaired. Impairment is considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security (any such shortfall is referred to as a "credit loss"). If an entity intends to sell an impaired debt security or is more likely than not to be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment is other-than-temporary and should be recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and should be separated into (i) the estimated amount relating to credit loss and (ii) the amount relating to all other factors. Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss amount recognized in other comprehensive income.

Gains and losses on the sales of investments available for sale are determined using the specific identification method. Premiums and discounts are amortized or accreted into interest income over the term of the respective issues. The association does not hold investments for trading purposes.

The association may also hold additional investments in accordance with mission-related investment and other investment programs, approved by the Farm Credit Administration. These programs allow the association to make investments that further the System's mission to serve rural America. Mission-related investments for which the association has the intent and ability to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for the amortization of premiums and accretion of discounts.

D. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. 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. Loans acquired in a business combination are initially recognized at fair value, and therefore, no "carryover" of the allowance for loan losses is permitted. Those loans with evidence of credit quality deterioration at purchase are required to follow the authoritative accounting guidance on "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." This guidance addresses accounting for differences between contractual cash flows and cash flows expected to be collected from the initial investment in loans if those differences are attributable, at least in part, to credit quality. The initial fair values for these types of loans are determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value. Subsequent decreases to expected principal cash flows will result in a charge to the provision for loan losses and a corresponding increase to allowance for loan losses. Subsequent increases in expected principal cash flows will result in recovery of any previously recorded allowance for loan losses, to the extent applicable, and a reclassification from non-accretable difference to accretable yield for any remaining increase. For variable rate loans, expected future cash flows were initially based on the rate in effect at acquisition; expected future cash flows are recalculated as rates change over the lives of the loans.

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.

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) or circumstances indicate that collection of principal and/or interest is in doubt. Additionally, all loans over 180 days past due are placed in nonaccrual status. 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.

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.

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, there are no unrecovered prior charge-offs 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 (nonviable) 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 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. 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”.

E. 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.

F. 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 consolidated statements of comprehensive income.

G. 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.

H. Guaranteed Obligations to Government Entities: These obligations represent the association’s guarantee of repayment of loans made to borrowers of the association from the Mississippi Development Authority (MDA). The MDA provides these loans to the respective borrower at no interest and must be included with the association’s primary loan to the borrower for the production of certain commodities encouraged within the MDA loan assistance program. The association guarantees the full repayment of the loan provided by MDA, but maintains a first lien on related loan collateral.

I. 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 is generally paid by the association on such accounts at rates established by the board of directors.

J. 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. Also, the association sponsors a nonqualified defined contribution 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, 5.0 percent of eligible pay for the year ended December 31, 2018, 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 DB plan of $59,060, $191,558 and $361,275 for the years ended December 31, 2018, 2017 and 2016, respectively. For the DC plan, the association recognized pension costs of $293,110, $281,351 and $254,921 for the years ended December 31, 2018, 2017 and 2016, 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 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The association's contributions to the 401(k) plan were $207,561, $194,406 and $187,177 for the years ended December 31, 2018, 2017 and 2016, respectively.

In addition to the DB plan, the DC plan and the Farm Credit Benefits Alliance 401(k) plan above, the association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the association's consolidated balance sheet in other liabilities.

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.

K. 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.

Deferred income taxes have not been provided by the association on patronage stock distributions from the bank prior to January 1, 1993, the adoption date of the FASB guidance on income taxes. Management's intent is (1) to permanently invest these and other undistributed earnings in the bank, thereby indefinitely postponing their conversion to cash, or (2) to pass through any distribution related to pre-1993 earnings to association borrowers through qualified patronage allocations.

The association has not provided deferred income taxes on amounts allocated to the association which relate to the bank's post-1992 earnings to the extent that such earnings will be passed through to association borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on the bank's post-1992 unallocated earnings. The bank currently has no plans to distribute unallocated bank earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the association level.

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

M. 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."

N. 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 — INVESTMENTS:

The association may hold mission-related and other investments. The Farm Credit Administration approves mission-related programs and other mission-related investments. In January 2010, $35,192,440 of agricultural mortgage loans previously covered under a Long-Term Standby Commitment to Purchase agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac) were securitized. No gain or loss was recognized in the financial statements upon completion of the securitization. Terms of the agreement call for a guarantee fee of 20-50 basis points to be paid to Farmer Mac, and for the association to receive a 30-basis-point fee for servicing the underlying loans.

The following is a summary of Farmer Mac agricultural mortgage-backed securities:

December 31, 2018				
Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
$6,046,842	**$ -**	**$ 84,019**	**$5,962,823**	**4.95 %**

December 31, 2017				
Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
$ 6,674,806	$ -	$ 172,661	$ 6,502,145	4.40 %

December 31, 2016				
Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
$ 10,290,580	$ -	$ 129,945	$ 10,160,635	4.12 %

The association's Farmer Mac agricultural mortgage-based securities have a contractual maturity of five to ten years.

NOTE 4 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2018		2017		2016	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 911,436,406**	**87.7%**	$ 902,008,489	88.1%	$ 849,553,534	87.6%
Production and intermediate term	**71,454,037**	**6.9%**	69,807,416	6.8%	66,893,453	6.9%
Agribusiness:						
Loans to cooperatives	**2,287,400**	**0.2%**	3,346,691	0.3%	3,175,763	0.3%
Processing and marketing	**35,133,760**	**3.4%**	28,541,849	2.8%	26,543,441	2.7%
Farm-related business	**276,141**	**0.0%**	748,698	0.1%	970,000	0.1%
Communication	**3,849,662**	**0.4%**	3,862,552	0.4%	4,526,909	0.5%
Energy	**12,119,153**	**1.2%**	12,072,909	1.2%	13,125,356	1.4%
Water and waste water	**-**	**0.0%**	-	0.0%	166,891	0.0%
Rural residential real estate	**2,678,685**	**0.2%**	2,910,298	0.3%	4,627,577	0.5%
Total	**$1,039,235,244**	**100.0%**	$ 1,023,298,902	100.0%	$ 969,582,924	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, 2018:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 4,886,215	$ 42,255,087	$ 398,503	$ -	$ 5,284,718	$ 42,255,087
Production and intermediate term	3,737,330	22,363,623	56,268	-	3,793,598	22,363,623
Agribusiness	37,421,160	-	-	-	37,421,160	-
Communication	3,849,662	-	-	-	3,849,662	-
Energy	12,119,153	-	-	-	12,119,153	-
Total	$ 62,013,520	$ 64,618,710	$ 454,771	$ -	$ 62,468,291	$ 64,618,710

The association also utilizes the Mississippi Development Authority's Agribusiness Enterprise Loan Program (ABE), which is designed to provide a percentage of low-cost state financing combined with private financial lending institutions' loan proceeds to encourage loans to the agribusiness industry in the state. ABE loans totaled $16,340,773, $16,573,976 and $13,391,041 as of December 31, 2018, December 31, 2017 and December 31, 2016, respectively.

Geographic Distribution:

State	**2018**	2017	2016
Mississippi	**90.0%**	88.5%	88.8%
Louisiana	**6.3%**	7.0%	6.7%
Other	**3.7%**	4.5%	4.5%

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.

	2018		2017		2016	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Timber	**$ 276,726,391**	**26.6%**	$ 293,268,572	28.7%	$ 271,835,494	28.0%
Hunting, trapping and game propagation	**263,914,361**	**25.4%**	239,818,049	23.4%	$ 214,487,116	22.1%
Poultry and eggs	**165,069,535**	**15.9%**	163,919,584	16.0%	$ 147,130,748	15.2%
Livestock, except dairy and poultry	**110,819,980**	**10.7%**	111,479,257	10.9%	$ 103,322,719	10.6%
Cash grains	**97,998,380**	**9.4%**	91,115,436	8.9%	$ 88,304,030	9.1%
Field crops except cash grains	**41,791,645**	**4.0%**	41,082,771	4.0%	$ 44,873,264	4.6%
Other	**33,367,087**	**3.2%**	33,250,005	3.2%	$ 54,067,737	5.6%
General farms, primarily crops	**22,889,763**	**2.2%**	23,913,059	2.3%	$ 19,288,758	2.0%
Food and kindred products	**14,538,949**	**1.4%**	13,379,260	1.3%	$ 13,147,702	1.4%
Electric services	**12,119,153**	**1.2%**	12,072,909	1.2%	$ 13,125,356	1.4%
Total	**$ 1,039,235,244**	**100.0%**	$ 1,023,298,902	100.0%	$ 969,582,924	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, 2018, 2017 and 2016, loans totaling $76,651,926, $80,154,381 and $72,129,225, respectively, were guaranteed by these commitments. Fees paid for these guarantees totaled $95,633, $103,162 and $117,804 in 2018, 2017 and 2016, respectively, and are included in "other noninterest expense."

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

	December 31, 2018	December 31, 2017	December 31, 2016
Nonaccrual loans:			
Real estate mortgage	**$ 1,798,190**	$ 2,581,318	$ 2,497,465
Production and intermediate term	**800,683**	702,444	-
Total nonaccrual loans	**2,598,873**	3,283,762	2,497,465
Accruing restructured loans:			
Real estate mortgage	**392,792**	455,491	224,064
Production and intermediate term	**79,992**	80,028	79,159
Total accruing restructured loans	**472,784**	535,519	303,223
Total nonperforming loans	**3,071,657**	3,819,281	2,800,688
Other property owned	**5,076,652**	5,597,118	9,938,321
Total nonperforming assets	**$ 8,148,309**	$ 9,416,399	$ 12,739,009

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:

	2018	2017	2016
Real estate mortgage			
Acceptable	**98.44** %	98.18 %	98.70 %
OAEM	**1.04**	1.18	0.88
Substandard/doubtful	**0.52**	0.64	0.42
	100.00	100.00	100.00
Production and intermediate term			
Acceptable	**98.77**	98.31	97.48
OAEM	**0.11**	0.13	2.40
Substandard/doubtful	**1.12**	1.56	0.12
	100.00	100.00	100.00
Loans to cooperatives			
Acceptable	**100.00**	100.00	100.00
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.00	100.00	100.00
Processing and marketing			
Acceptable	**100.00**	100.00	100.00
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.00	100.00	100.00
Farm-related business			
Acceptable	**100.00**	100.00	96.64
OAEM	**-**	-	3.36
Substandard/doubtful	**-**	-	-
	100.00	100.00	100.00
Communication			
Acceptable	**100.00**	100.00	100.00
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.00	100.00	100.00
Energy			
Acceptable	**100.00**	100.00	100.00
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.00	100.00	100.00
Water and waste water			
Acceptable	**-**	-	100.00
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	-	-	100.00
Rural residential real estate			
Acceptable	**100.00**	100.00	100.00
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.00	100.00	100.00
Total Loans			
Acceptable	**98.54%**	98.28%	98.68%
OAEM	**0.92%**	1.05%	0.94%
Substandard/doubtful	**0.54%**	0.67%	0.38%
	100.00% %	100.00% %	100.00% %

There were no loans and related interest in the loss category.

The following tables provide an age analysis of past due loans (including accrued interest) as of December 31, 2018, 2017 and 2016:

December 31, 2018:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**
Real estate mortgage	**$ 4,661,284**	**$ 1,095,404**	**$ 5,756,688**	**$ 913,574,769**	**$ 919,331,457**
Production and intermediate term	**-**	**243,797**	**243,797**	**72,052,156**	**72,295,953**
Loans to cooperatives	**-**	**-**	**-**	**2,286,708**	**2,286,708**
Processing and marketing	**-**	**-**	**-**	**35,162,728**	**35,162,728**
Farm-related business	**-**	**-**	**-**	**276,449**	**276,449**
Communication	**-**	**-**	**-**	**3,850,420**	**3,850,420**
Energy	**-**	**-**	**-**	**12,289,411**	**12,289,411**
Water and waste water	**-**	**-**	**-**	**-**	**-**
Rural residential real estate	**-**	**-**	**-**	**2,687,678**	**2,687,678**
Total	**$ 4,661,284**	**$ 1,339,201**	**$ 6,000,485**	**$ 1,042,180,319**	**$ 1,048,180,804**

December 31, 2017:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans
Real estate mortgage	$ 7,291,228	$ 768,612	$ 8,059,840	$ 901,186,020	$ 909,245,860
Production and intermediate term	12,324	-	12,324	70,579,134	70,591,458
Loans to cooperatives	-	-	-	3,347,965	3,347,965
Processing and marketing	-	-	-	28,567,925	28,567,925
Farm-related business	-	-	-	749,582	749,582
Communication	-	-	-	3,872,601	3,872,601
Energy	-	-	-	12,247,322	12,247,322
Water and waste water	-	-	-	-	-
Rural residential real estate	-	-	-	2,919,330	2,919,330
Total	$ 7,303,552	$ 768,612	$ 8,072,164	$ 1,023,469,879	$ 1,031,542,043

December 31, 2016:	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
Real estate mortgage	$ 2,918,392	$ 105,956	$ 3,024,348	$ 853,220,076	$ 856,244,424
Production and intermediate term	1,478,420	-	1,478,420	66,081,855	67,560,275
Loans to cooperatives	-	-	-	3,176,621	3,176,621
Processing and marketing	-	-	-	26,554,374	26,554,374
Farm-related business	32,708	-	32,708	941,319	974,027
Communication	-	-	-	4,527,647	4,527,647
Energy	-	-	-	13,303,478	13,303,478
Water and waste water	-	-	-	167,283	167,283
Rural residential real estate	-	-	-	4,639,199	4,639,199
Total	$ 4,429,520	$ 105,956	$ 4,535,476	$ 972,611,852	$ 977,147,328

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, 2018, the total recorded investment of troubled debt restructured loans was $826,385, including $353,600 classified as nonaccrual and $472,784 classified as accrual, with no specific allowance for loan losses. As of December 31, 2018, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the years ended December 31, 2018, 2017 and 2016. The pre-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The post-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

December 31, 2018:	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**
Troubled debt restructurings:		
Real estate mortgage	**$ 353,539**	**$ 353,600**
Production and intermediate term	**79,904**	**79,766**
Total	**$ 433,443**	**$ 433,366**

December 31, 2017:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 443,320	$ 432,027
Production and intermediate term	-	-
Total	$ 443,320	$ 432,027

December 31, 2016:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 42,247	$ 40,660
Production and intermediate term	-	-
Total	$ 42,247	$ 40,660

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). There were no charge-offs recorded at the modification date for the year ending December 31, 2018.

The predominant form of concession granted for troubled debt restructuring includes extension of the term, 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, 2018	December 31, 2017	December 31, 2016
Troubled debt restructurings:			
Real estate mortgage	**$ 746,393**	$ 648,135	$ 224,064
Production and intermediate term	**79,992**	80,028	79,160
Total	**$ 826,385**	$ 728,163	$ 303,224

	TDRs on Nonaccrual Status*		
	December 31, 2018	December 31, 2017	December 31, 2016
Troubled debt restructurings:			
Real estate mortgage	**$ 353,600**	$ 192,643	$ -
Total	**$ 353,600**	$ 192,643	$ -

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

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2018	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 103,122	$ 103,122	$ 24,208	$ 109,209	$ -
Total	$ 103,122	$ 103,122	$ 24,208	$ 109,209	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$2,087,860	$2,086,614	$ -	$1,789,134	$ 159,085
Production and intermediate term	880,675	880,983	-	609,866	21,333
Total	$2,968,535	$2,967,597	$ -	$2,399,000	$ 180,418
Total impaired loans:					
Real estate mortgage	$2,190,982	$2,189,736	$ 24,208	$1,898,343	$ 159,085
Production and intermediate term	880,675	880,983	-	609,866	21,333
Total	$3,071,657	$3,070,719	$ 24,208	$2,508,209	$ 180,418

	Recorded Investment at 12/31/2017	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 114,944	$ 114,944	$ 23,262	$ 120,665	$ -
Total	$ 114,944	$ 114,944	$ 23,262	$ 120,665	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$2,921,865	$2,913,580	$ -	$2,554,465	$ 34,870
Production and intermediate term	782,472	782,154	-	565,824	49,164
Total	$3,704,337	$3,695,734	$ -	$3,120,289	$ 84,034
Total impaired loans:					
Real estate mortgage	$3,036,809	$3,028,524	$ 23,262	$2,675,130	$ 34,870
Production and intermediate term	782,472	782,154	-	565,824	49,164
Total	$3,819,281	$3,810,678	$ 23,262	$3,240,954	$ 84,034

	Recorded Investment at 12/31/2016	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 125,769	$ 125,769	$ 31,005	$ 132,638	$ -
Total	$ 125,769	$ 125,769	$ 31,005	$ 132,638	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$2,595,760	$2,612,663	$ -	$1,779,277	$ 26,206
Production and intermediate term	79,159	79,036	-	82,769	7,329
Total	$2,674,919	$2,691,699	$ -	$1,862,046	$ 33,535
Total impaired loans:					
Real estate mortgage	$2,721,529	$2,738,432	$ 31,005	$1,911,915	$ 26,206
Production and intermediate term	79,159	79,036	-	82,769	7,329
Total	$2,800,688	$2,817,468	$ 31,005	$1,994,684	$ 33,535

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

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2018, 2017 and 2016.

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

	2018	2017	2016
Interest income which would have been recognized under the original terms	**$ 281,108**	$ 217,588	$ 141,488
Less: interest income recognized	**(180,418)**	(84,034)	(33,535)
Foregone interest income	**$ 100,690**	$ 133,554	$ 107,953

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2017	$ 759,757	$ 76,000	$ 36,074	$ 8,969	$ 9,334	$ 2,607	$ 892,741
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	157,696	14,144	33,334	(942)	461	(198)	204,495
Other	22	6,264	(23,990)	113	(326)	-	(17,917)
Balance at December 31, 2018	$ 917,475	$ 96,408	$ 45,418	$ 8,140	$ 9,469	$ 2,409	$ 1,079,319
Ending Balance: individually evaluated for impairment	$ 24,208	$ -	$ -	$ -	$ -	$ -	$ 24,208
Ending Balance: collectively evaluated for impairment	$ 893,267	$ 96,408	$ 45,418	$ 8,140	$ 9,469	$ 2,409	$ 1,055,111
Recorded Investment in Loans Outstanding:							
Ending Balance at December 31, 2018	$ 919,331,457	$ 72,295,953	$ 37,725,885	$ 3,850,420	$12,289,411	$ 2,687,678	$1,048,180,804
Ending balance for loans individually evaluated for impairment	$ 2,190,982	$ 880,675	$ -	$ -	$ -	$ -	$ 3,071,657
Ending balance for loans collectively evaluated for impairment	$ 917,140,475	$ 71,415,278	$ 37,725,885	$ 3,850,420	$12,289,411	$ 2,687,678	$1,045,109,147

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2016	$ 621,167	$ 69,216	$ 24,537	$ 21,864	$ 12,278	$ 3,895	$ 752,957
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	138,543	16,241	18,232	(14,112)	4,517	(1,328)	162,093
Other	47	(9,457)	(6,695)	1,217	(7,461)	40	(22,309)
Balance at December 31, 2017	$ 759,757	$ 76,000	$ 36,074	$ 8,969	$ 9,334	$ 2,607	$ 892,741
Ending Balance: individually evaluated for impairment	$ 23,262	$ -	$ -	$ -	$ -	$ -	$ 23,262
Ending Balance: collectively evaluated for impairment	$ 736,495	$ 76,000	$ 36,074	$ 8,969	$ 9,334	$ 2,607	$ 869,479
Recorded Investment in Loans Outstanding:							
Ending Balance at December 31, 2017	$ 909,245,860	$ 70,591,458	$ 32,665,472	$ 3,872,601	$12,247,322	$ 2,919,330	$1,031,542,043
Ending balance for loans individually evaluated for impairment	$ 3,036,810	$ 782,114	$ -	$ -	$ -	$ -	$ 3,818,924
Ending balance for loans collectively evaluated for impairment	$ 906,209,050	$ 69,809,344	$ 32,665,472	$ 3,872,601	$12,247,322	$ 2,919,330	$1,027,723,119

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2015	$ 931,817	$ 79,542	$ 19,524	$ 22,551	$ 8,251	$ 6,998	$ 1,068,683
Charge-offs	(304,070)	(6,398)	-	-	-	-	(310,468)
Recoveries	314,890	6,398	-	-	-	-	321,288
Provision for loan losses	(321,311)	(3,870)	5,205	(301)	(9,545)	(3,064)	(332,886)
Other	(159)	(6,456)	(192)	(386)	13,572	(39)	6,340
Balance at December 31, 2016	$ 621,167	$ 69,216	$ 24,537	$ 21,864	$ 12,278	$ 3,895	$ 752,957
Ending Balance: individually evaluated for impairment	$ 31,005	$ -	$ -	$ -	$ -	$ -	$ 31,005
Ending Balance: collectively evaluated for impairment	$ 590,162	$ 69,216	$ 24,537	$ 21,864	$ 12,278	$ 3,895	$ 721,952
Recorded Investment in Loans Outstanding:							
Ending Balance at December 31, 2016	$ 856,244,424	$ 67,560,275	$ 30,705,022	$ 4,527,647	$13,470,761	$ 4,639,199	$ 977,147,328
Ending balance for loans individually evaluated for impairment	$ 2,738,432	$ 78,996	$ -	$ -	$ -	$ -	$ 2,817,428
Ending balance for loans collectively evaluated for impairment	$ 853,505,992	$ 67,481,279	$ 30,705,022	$ 4,527,647	$13,470,761	$ 4,639,199	$ 974,329,900

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 5.60%, 5.69%, and 5.64% of the issued stock of the bank as of December 31, 2018, 2017, and 2016. As of those dates, the bank's assets totaled $24.5 billion, $22.8 billion, and $21.2 billion and members' equity totaled $1.8 billion, $1.7 billion, and $1.6 billion. The bank's earnings were $190.5 million, $196.0 million, and $192.4 million during 2018, 2017, and 2016.

NOTE 6 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2018	2017	2016
Land and improvements	**$ 2,487,694**	$ 2,368,694	$ 1,665,431
Building and improvements	**4,782,055**	4,028,032	3,917,088
Furniture and equipment	**642,131**	624,779	597,656
Computer equipment and software	**409,224**	307,436	334,317
Automobiles	**43,285**	77,172	135,622
Construction in progress	**1,140,389**	23,810	-
	9,504,778	7,429,923	6,650,114
Accumulated depreciation	**(1,600,445)**	(1,466,313)	(1,362,009)
Total	**$ 7,904,333**	$ 5,963,610	$ 5,288,105

The association leases office space in Brookhaven and Ruston. The association also has various leases for postage machines. Lease expense was $76,345, $86,214 and $86,550 for 2018, 2017 and 2016, respectively. Minimum annual lease payments for the next five years are as follows:

	Operating
2019	$ 34,990
2020	35,453
2021	35,741
2022	32,838
2023	7,201
Thereafter	210
Total	$ 146,433

NOTE 7 — OTHER PROPERTY OWNED, NET:

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

	2018	2017	2016
Gain (loss) on sale, net	**$ -**	$ 194,381	$ (424,258)
Operating income (expense), net	**(14,060)**	(61,741)	(274,990)
Net gain (loss) on other property owned	**$ (14,060)**	$ 132,640	$ (699,248)

During 2016, the association sold acquired property with a book value of $5,075,550, and recognized $365,637 in loss and selling costs. The remaining net loss in acquired property in 2016 is related to the write-off of a remaining balance in equity ownership related to an ethanol facility acquired in 2013. The 2016 and 2017 net operating expenses are primarily related to the costs of repair and maintenance to a property acquired in the second quarter of 2016. The gain on sale in 2017 was primarily recognized on the disposal of the aforementioned property acquired in 2016.

NOTE 8 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2018	2017	2016
Captive insurance receivable	**$ 401,754**	$ 413,744	$ 388,017
Accounts receivable	**271,308**	29,915	25,860
Prepaid and other assets	**357,883**	381,440	408,364
Total	**$ 1,030,945**	$ 825,099	$ 822,241

Other liabilities comprised the following at December 31:

	2018	2017	2016
Accumulated postretirement benefit obligation	**$ 3,402,081**	$ 3,817,780	$ 3,398,116
Payroll and benefits payable	**3,131,064**	2,854,736	2,583,080
Accounts payable	**1,307,435**	1,588,118	1,676,270
Total	**$ 7,840,580**	$ 8,260,634	$ 7,657,466

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, 2020, 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, 2018, 2017 and 2016, was $888,231,951 at 2.82 percent, $881,449,875 at 2.32 percent and $845,207,678 at 1.98 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, 2018, 2017 and 2016, the association's note payable was within the specified limitations. The maximum amount the association may borrow from the bank as of December 31, 2018, was $1,036,637,554, 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, 2018, 2017 and 2016, 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.

Capital Stock

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 A capital stock (for farm loans) or participation certificates (for rural home and farm-related business loans) 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 11 percent of the loan amount.

Each owner of Class A 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 A to Class C stock. Class C 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 Class C shares is made solely at the discretion of the association's board of directors. At December 31, 2018, 2017 and 2016, the association had no Class C stock.

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 C 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.

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

	2018	2017	2016
Class A stock	**868,570**	843,244	813,470
Participation certificates	**7,020**	7,770	8,101
Total	**875,590**	851,014	821,571

Dividend and Patronage

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2018, 2017 and 2016, respectively:

Date Declared	Date Paid	Patronage
December 2018	**February 2019**	**$9,870,816**
December 2017	February 2018	9,502,359
December 2016	February 2017	8,883,457

Regulatory Capital Requirements

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-adjusted assets are calculated differently than in the past. As of December 31, 2018, 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, 2018:

Risk-adjusted:	Regulatory Minimums	Conservation Buffer*	Total	As of December 31, 2018
Common equity tier 1 ratio	4.50%	2.50%	7.00%	14.82%
Tier 1 capital ratio	6.00%	2.50%	8.50%	14.82%
Total capital ratio	8.00%	2.50%	10.50%	14.93%
Permanent capital ratio	7.00%	0.00%	7.00%	14.84%
Non-risk-adjusted:				
Tier 1 leverage ratio**	4.00%	1.00%	5.00%	14.13%
UREE leverage ratio	1.50%	0.00%	1.50%	10.91%

*The 2.5% capital conservation buffer for the risk-adjusted ratios will be phased in over a three year period ending on December 31, 2019. There is no phase-in of the leverage buffer.

**Must include the regulatory minimum requirement for the URE and UREE Leverage ratio

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

- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required 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-adjusted 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-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- 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-adjusted capital, based on 90 average balances, were as follows at December 31, 2018:

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**90,672,437**	**90,672,437**	**90,672,437**	**90,672,437**
Paid-in capital	**10,238,891**	**10,238,891**	**10,238,891**	**10,238,891**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**4,348,608**	**4,348,608**	**4,348,608**	**4,348,608**
Other required member purchased stock held <5 years				
Other required member purchased stock held ≥ 5 years but < 7 years				
Other required member purchased stock held ≥7 years				
Allocated equities:				
Allocated equities held <5 years	`			
Allocated equities held ≥5 years but < 7 years				
Allocated equities held ≥7	**44,948,353**	**44,948,353**	**44,948,353**	**44,948,353**
Nonqualified allocated equities not subject to retirement	**17,467,456**	**17,467,456**	**17,467,456**	**17,467,456**
Non-cumulative perpetual preferred stock		**-**	**-**	**-**
Other preferred stock subject to certain limitations			**-**	**-**
Subordinated debt subject to certain limitation				
Allowance for loan losses and reserve for credit losses subject to certain limitations*			**1,116,180**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(17,148,522)**	**(17,148,522)**	**(17,148,522)**	**(17,148,522)**
Other regulatory required deductions	**-**	**-**	**-**	**-**
	150,527,223	150,527,223	151,643,403	150,527,223
Denominator:				
Risk-adjusted assets excluding allowance	**1,032,630,062**	**1,032,630,062**	**1,032,630,062**	**1,032,630,062**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(17,148,522)**	**(17,148,522)**	**(17,148,522)**	**(17,148,522)**
Allowance for loan losses				**(1,072,194)**
	1,015,481,540	1,015,481,540	1,015,481,540	1,014,409,346

*Capped at 1.25% of risk-adjusted assets

The components of the association's non-risk-adjusted capital, based on 90 average balances, were as follows at December 31, 2018:

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**90,672,437**	**90,672,437**
Paid-in capital	**10,238,891**	**10,238,891**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**4,348,608**	-
Other required member purchased stock held <5 years		
Other required member purchased stock held ≥ 5 years but < 7 years		
Other required member purchased stock held ≥7 years		
Allocated equities:		
Allocated equities held <5 years		
Allocated equities held ≥5 years but < 7 years		
Allocated equities held ≥7	**44,948,353**	-
Nonqualified allocated equities not subject to retirement	**17,467,456**	**17,467,456**
Non-cumulative perpetual preferred stock	-	
Other preferred stock subject to certain limitations		
Subordinated debt subject to certain limitation		
Allowance for loan losses and reserve for credit losses subject to certain limitations		
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(17,148,522)**	**(2,148,365)**
Other regulatory required deductions	-	-
	150,527,223	**116,230,419**
Denominator:		
Total Assets	**1,085,859,834**	**1,085,859,834**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(20,810,439)**	**(20,810,439)**
	1,065,049,395	**1,065,049,395**

The association’s board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution’s capital adequacy goals as well as the minimum permanent capital standard. The Plan monitors projected dividends, patronage distribution equity retirements and other actions that may decrease the association’s permanent capital, in addition to factors that must be considered in meeting the operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for loan losses to absorb potential loss within the loan and the lease portfolios; sufficiency of liquid funds; needs of an institution’s customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities and other conditions warranting additional capital. At least quarterly, management reviews the association’s goals and objectives with the board.

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.

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

	2018	2017	2016
Accumulated other comprehensive income (loss) at January 1	**$ (548,446)**	$(140,142)	$(137,721)
Actuarial gains(losses)	**353,776**	(362,846)	43,037
Prior service (cost) credit	**101,779**	(45,458)	(45,458)
Amortization of prior service (credit) costs included in salaries and employee benefits	-	-	-
Amortization of actuarial (gain) loss included in salaries and employee benefits	**(15,126)**	-	-
Income tax expense related to items of other comprehensive income	**-**	-	-
Other comprehensive income (loss), net of tax	**440,429**	(408,304)	(2,421)
Accumulated other comprehensive income at December 31	**$ (108,017)**	$(548,446)	$(140,142)

NOTE 11 — INCOME TAXES:

There has been no provision for (benefit from) income taxes for the years ended December 31, 2018, 2017, or 2016.

The provision for (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:

	2018	2017	2016
Federal tax at statutory rate	**$ 4,171,615**	$ 6,312,801	$ 5,755,468
State tax, net	**-**	-	-
Effect of nontaxable FLCA subsidiary	**(4,097,897)**	(6,240,830)	(5,625,344)
Tax rate change for deferred tax asset	**-**	291,195	-
Patronage distributions	**(101,453)**	(87,942)	(128,667)
Change in valuation allowance	**(1,513)**	(263,763)	(21,054)
Adjustment to net operating loss per tax return	**-**	(34,021)	-
Other	**29,248**	22,560	19,597
Provision for (benefit from) income taxes	**$ -**	$ -	$ -

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

	2018	2017	2016
Deferred Tax Assets			
Allowance for loan losses	**$ 33,863**	$ 26,045	$ 31,475
Premium on direct note	**1,526**	2,136	4,577
Loan discount	**(21)**	(21)	-
Loss carryforwards	**456,815**	456,815	727,303
Gross deferred tax assets	**492,183**	484,975	763,355
Deferred tax asset valuation allowance	**(435,280)**	(436,793)	(700,556)
Deferred Tax Liabilities			
Loan fees net of deferred tax cost	**(56,903)**	(48,182)	(62,799)
Gross deferred tax liabilities	**(56,903)**	(48,182)	(62,799)
Net deferred tax asset (liability)	**$ -**	$ -	$ -

As of December 31, 2018, the association has a net operating loss carryforward of $2,175,313 available to offset against future taxable income that will begin to expire in 2030. The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. At December 31, 2018, non-patronage income is expected to be 0 percent of total taxable income (before patronage) and patronage income retained is expected to be 0 percent of total patronage income on a tax basis. The expected future tax rates are based upon enacted tax laws.

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.

The association recorded valuation allowances of $435,280, $436,793 and $700,556 during 2018, 2017 and 2016, respectively. The association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

There were no uncertain tax positions identified related to the current year, and the association has no unrecognized tax benefits at December 31, 2018, for which liabilities have been established. The association recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense. The tax years that remain open for federal and major state income tax jurisdictions are 2015 and forward.

The enactment of federal tax legislation in late December 2017, among other things, lowered the federal corporate tax rate from 35 percent to 21 percent beginning January 2018. In accordance with GAAP, the change to the lower corporate tax rate led to a revaluation of our deferred tax liabilities and deferred tax assets in the period of enactment (2017). As a full valuation allowance is recorded, there was no income tax expense recognized in the income statement as a result of the revaluation of net deferred tax assets.

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 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

The association elected to participate in the Supplemental 401 (k) Plan. Contributions of $207,561, $194,406 and $187,177 were made to this plan for the years ended December 31, 2018, 2017 and 2016. There were no payments made from the Supplemental 401(k) Plan to active employees during 2018, 2017 and 2016.

The DB plan is noncontributory 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, 2018.

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, 2018, 2017 and 2016:

	2018	2017	2016
Funded status of plan	**68.0** %	69.7 %	66.4 %
Association's contribution	**$ 59,060**	$ 191,558	$ 361,275
Percentage of association's contribution to total contributions	**0.6** %	1.7 %	3.1 %

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 70.1 percent, 73.4 percent and 70.6 percent at December 31, 2018, 2017 and 2016, 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	**2018**	2017	2016
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 3,817,780**	$ 3,408,451	$ 3,398,116
Service cost	**42,680**	33,968	38,016
Interest cost	**149,693**	153,472	156,312
Plan participants' contributions	**32,531**	50,155	49,997
Plan amendments	**(101,779)**	-	-
Special termination benefits	**-**	-	-
Actuarial loss (gain)	**(353,776)**	362,846	(43,037)
Benefits paid	**(185,048)**	(191,112)	(190,953)
Accumulated postretirement benefit obligation, end of year	**$ 3,402,081**	$ 3,817,780	$ 3,408,451
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Actual return on plan assets	**-**	-	-
Association contributions	**152,517**	140,957	140,956
Plan participants' contributions	**32,531**	50,155	49,997
Benefits paid	**(185,048)**	(191,112)	(190,953)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (3,402,081)**	$ (3,817,780)	$ (3,408,451)
Amounts Recognized in Statement of Financial Position			
Other liabilities	**$ (3,402,081)**	$ (3,817,780)	$ (3,408,451)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ 209,796**	$ 582,538	$ 219,692
Prior service cost (credit)	**(101,779)**	(34,092)	(79,550)
Net transition obligation (asset)	**-**	-	-
Total	**$ 108,017**	$ 548,446	$ 140,142
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2018**	12/31/2017	12/31/2016
Discount rate	**4.75%**	4.00%	4.60%
Health care cost trend rate assumed for next year (pre-/post-65)	**7.30%/6.90%**	7.70%/6.90%	6.75%/6.50%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2026/2027**	2026/2026	2025/2024

Total Cost	**2018**	2017	2016
Service cost	**$ 42,680**	$ 33,968	$ 38,016
Interest cost	**149,693**	153,472	156,312
Expected return on plan assets	**-**	-	-
Amortization of:			
Unrecognized net transition obligation (asset)	**-**	-	-
Unrecognized prior service cost	**(15,126)**	(45,458)	(45,458)
Unrecognized net loss (gain)	**-**	-	-
Net postretirement benefit cost	**$ 177,247**	$ 141,982	$ 148,870
Accounting for settlements/curtailments/special termination benefits	**$ -**	$ -	$ -
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ (353,776)**	$ 362,846	$ (43,037)
Amortization of net actuarial loss (gain)	**-**	-	-
Prior service cost (credit)	**(101,779)**	-	-
Amortization of prior service cost	**-**	-	-
Recognition of prior service cost	**15,126**	45,458	45,458
Amortization of transition liability (asset)	**-**	-	-
Total recognized in other comprehensive income	**$ (440,429)**	$ 408,304	$ 2,421
AOCI Amounts Expected to be Amortized Into Expense in 2019			
Unrecognized net transition obligation (asset)	**$ -**	$ -	$ -
Unrecognized prior service cost	**(13,499)**	(34,092)	(45,458)
Unrecognized net loss (gain)	**-**	19,566	-
Total	**$ (13,499)**	$ (14,526)	$ (45,458)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2017**	12/31/2016	12/31/2015
Discount rate	**4.00%**	4.60%	4.70%
Health care cost trend rate assumed for next year (pre-/post-65)	**7.70%/6.90%**	6.75%/6.50%	7.00%/6.50%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2026/2026**	2024/2024	2025

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2019	**$ 159,051**
Fiscal 2020	**157,380**
Fiscal 2021	**173,227**
Fiscal 2022	**189,827**
Fiscal 2023	**191,908**
Fiscal 2024–2028	**942,220**
Expected Contributions	
Fiscal 2019	**$ 159,051**

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 for the association amounted to $16,392,471, $13,535,104 and $14,609,383 at December 31, 2018, 2017, and 2016, respectively. During 2018, $11,159,858 of new loans were made, and repayments totaled $8,217,856. In the opinion of management, no such loans outstanding at December 31, 2018, 2017 and 2016 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 $1,025,966, $1,354,154 and $1,414,248 in 2018, 2017 and 2016, respectively.

The association received patronage payments from the other Farm Credit institutions totaling $4,803,531, $4,010,801 and $3,918,862 during 2018, 2017 and 2016, 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 and liabilities measured at fair value on a recurring basis at December 31, 2018, 2017 and 2016 for each of the fair value hierarchy values are summarized below:

December 31, 2018	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets held in nonqualified benefit trusts	**$214,200**	**$ -**	**$ -**	**$ 214,200**

December 31, 2017	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets held in nonqualified benefit trusts	$ 239,159	$ -	$ -	$ 239,159

December 31, 2016	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets held in nonqualified benefit trusts	$ 204,010	$ -	$ -	$ 204,010

*Accounting guidance requires that the fair value measurement for investments be broken out by the different types of investments held.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

December 31, 2018	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 78,914**	**$ 78,914**
Other property owned	**-**	**-**	**5,076,652**	**5,076,652**

December 31, 2017	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 91,682	$ 91,682
Other property owned	-	-	5,597,118	5,597,118

December 31, 2016	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 94,764	$ 94,764
Other property owned	-	-	9,938,321	9,938,321

In the fourth quarter of 2018, 2017 and 2016, the association recognized a market valuation decrease in certain acquired properties acquired through foreclosure in years 2010 and 2011. A market valuation decrease was recognized on these properties in the amount of $524,966 in 2018, $312,950 in 2017, and $488,428 in 2016.

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, 2018				
	Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 30,691**	**$ 30,691**	**$ -**	**$ -**	**$ 30,691**
Mission-related and other investments held-to-maturity	**6,046,842**	**-**	**-**	**5,962,823**	**5,962,823**
Net loans	**1,038,155,925**	**-**	**-**	**1,012,613,728**	**1,012,613,728**
Total Assets	**$1,044,233,458**	**$ 30,691**	**$ -**	**$ 1,018,576,551**	**$ 1,018,607,242**
Liabilities:					
Guaranteed obligations to government entities	**$ 16,340,773**	**$ -**	**$ -**	**$ 15,939,151**	**$ 15,939,151**
Note payable to Farm Credit Bank of Texas	**888,231,951**	**-**	**-**	**866,401,094**	**866,401,094**
Total Liabilities	**$ 904,572,724**	**$ -**	**$ -**	**$ 882,340,245**	**$ 882,340,245**

	December 31, 2017				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 26,739	$ 26,739	$ -	$ -	$ 26,739
Mission-related and other investments held-to-maturity	6,674,806	-	-	6,502,145	6,502,145
Net loans	1,022,406,161	-	-	995,651,381	995,651,381
Total Assets	$ 1,029,107,706	$ 26,739	$ -	$ 1,002,153,526	$ 1,002,180,265
Liabilities:					
Guaranteed obligations to government entities	$ 16,573,976	$ -	$ -	$ 16,140,639	$ 16,140,639
Note payable to Farm Credit Bank of Texas	881,449,875	-	-	858,403,825	858,403,825
Total Liabilities	$ 898,023,851	$ -	$ -	$ 874,544,464	$ 874,544,464

	December 31, 2016				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 36,051	$ 36,051	$ -	$ -	$ 36,051
Mission-related and other investments held-to-maturity	10,290,580	-	-	10,160,635	10,160,635
Net loans	968,735,203	-	-	952,709,644	952,709,644
Total Assets	$ 979,061,834	$ 36,051	$ -	$ 962,870,279	$ 962,906,330
Liabilities:					
Guaranteed obligations to government entities	$ 13,391,041	$ -	$ -	$ 13,169,710	$ 13,169,710
Note payable to Farm Credit Bank of Texas	845,207,678	-	-	831,237,831	831,237,831
Total Liabilities	$ 858,598,719	$ -	$ -	$ 844,407,541	$ 844,407,541

Sensitivity to Changes in Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

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

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

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

Information about Other Financial Instrument Fair Value Measurements:

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Mission-related and other investments held-to-maturity	Discounted cash flow	Prepayment rates Probability of default Loss severity
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
Guaranteed obligations to government entities	Discounted cash flow	Prepayment rates Probability of default Loss severity

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:

Investments

Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using pricing models that utilize observable inputs, quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include certain mortgage-backed and asset-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified within Level 3 include asset-based securities and certain mortgage-backed securities, including private-label/FHA/VA securities and those issued by Farmer Mac.

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

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, these fair value measurements fall within Level 3 of the 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. 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, 2018, $73,310,741 of commitments and $352,667 of commercial letters of credit 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.

NOTE 16 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

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

	2018				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 6,607**	**$ 6,552**	**$ 6,723**	**$ 6,554**	**$ 26,436**
(Provision for) reversal of loan losses	**(129)**	**(16)**	**(28)**	**(31)**	**(204)**
Noninterest income (expense), net	**(1,074)**	**(1,496)**	**(1,481)**	**(2,316)**	**(6,367)**
Net income	**$ 5,404**	**$ 5,040**	**$ 5,214**	**$ 4,207**	**$ 19,865**

	2017				
	First	Second	Third	Fourth	Total
Net interest income	$ 6,280	$ 6,392	$ 6,454	$ 6,373	$ 25,499
(Provision for) reversal of loan losses	(61)	(95)	18	(24)	(162)
Noninterest income (expense), net	(1,773)	(1,703)	(1,621)	(2,204)	(7,301)
Net income	$ 4,446	$ 4,594	$ 4,851	$ 4,145	$ 18,036

	2016				
	First	Second	Third	Fourth	Total
Net interest income	$ 5,793	$ 5,921	$ 6,118	$ 6,414	$ 24,246
(Provision for) reversal of loan losses	(44)	(2)	5	374	333
Noninterest income (expense), net	(1,685)	(1,637)	(2,057)	(2,756)	(8,135)
Net income	$ 4,064	$ 4,282	$ 4,066	$ 4,032	$ 16,444

NOTE 17 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through March 13, 2019, 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

Southern AgCredit, ACA (association) serves its 50-county territory in the state of Mississippi and its 11-parish territory in the state of Louisiana through its main administrative and lending office at 402 West Parkway Place, Ridgeland, Mississippi 39157. The association owns the Mississippi office buildings in Gulfport, Greenville, Greenwood, Hattiesburg, Newton and Ridgeland, and the Louisiana office building in Shreveport free of debt. The association leases a Mississippi office building in Brookhaven and a Louisiana office in Ruston.

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, The Ag Agency, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 483-9204. Copies of the bank and district 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 Southern AgCredit ACA, 402 West Parkway Place, Ridgeland, MS 39157 or calling (601) 499-2820. Copies of the association's quarterly stockholder reports can also be requested by e-

mailing *dlsouthernagcreditadmin@farmcreditbank.com*. The association's annual stockholder report is available on its website at *www.southernagcredit.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, 2018, 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
Kevin Rhodes	Chairman	1998	2019
Bryan "Scott" Bell	Vice Chairman	2012	2021
Reggie Allen	Director	2013	2020
John "Van" Bennett	Director	2010	2019
Lonnie "Gene" Boykin	Director	2014	2020
Charles "Allen" Eubanks	Director	2013	2021
Thomas C. "T.C." Hall	Director	2010	2020
Larry W. Killebrew	Director	2010	2019
Emery D. Skelton	Director (Director-Elected)	2001	2019
Linda S. Staniszewski, CPA	Director (Director-Elected)	2005	2020
Joe H. Hayman	Chief Executive Officer	2008	-
Ted R. Murkerson	Chief Credit Officer	2008	-
Phillip D. Morgan, CPA, CGMA	Chief Financial and Operating Officer	2008	-
Ken D. Hobart	Chief Collateral Risk Officer	1989	-
L. Paul Landry, II	Senior Quality Assurance Analyst	2011	-
Clayton Davis	Regional Vice President	2006	-
Brent Barry	Regional Vice President	2003	-
James G. Nicholas	Regional Vice President	2011	-
Amanda R. Hudson	Vice President of Loan Operations	2006	-
Justin C. Morris	Branch Manager	2011	-
Cooper Stringer	Branch Manager	2011	-
Elliott Fancher	Branch Manager	2006	-
Austin Bean	Branch Manager	2010	-
Alex Riser	Branch Manager	2015	-
Devin Davis	Branch Manager	2015	-

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

Kevin Rhodes of Pelahatchie, Mississippi, age 55, owns KDR Farms, Inc., a 300-acre farming operation consisting of 80 head of beef cattle, two six-house poultry farms in Rankin County and a five-house poultry farm in Scott County. He is a contract grower with Koch Foods of Mississippi and has been in the poultry business for over 35 years. He graduated from Mississippi State University with a degree in agricultural business. He is married and his brothers and a son and their spouses are all stockholders of Southern AgCredit. Mr. Rhodes serves on the Farm Credit Bank of Texas' Stockholder's Advisory Committee and the Tenth District Farm Credit Council and Tenth District Nominating Committee. He serves as a director on the Rankin County Farm Bureau and is president of the ACL Water Association. He is a life-long member of Shiloh United Methodist Church, where he and his wife serve on various committees.

Bryan "Scott" Bell of Lena, Mississippi, age 46, is the owner/operator of Bell Livestock, Inc. and is general manager of Bell Farms, Inc. Both corporations are cattle, poultry, and row crop in Scott and Leake counties, Mississippi. He is a contract grower with Koch Foods of Mississippi and has been in farming for over 20 years. He farms with his father and brother, who are also stockholders of Southern AgCredit along with their spouses. Mr. Bell grazes cattle with other association stockholders. Mr. Bell received a degree in poultry science from Mississippi State University. He is a member of First Baptist Church of Carthage, Mississippi, where he currently serves on the finance committee. He is married with two children.

Reggie Allen of Brookhaven, Mississippi, age 67, owns 500 acres in Lincoln County consisting of 400 acres of timber and 100 acres of open pasture land for beef cattle. He has been a partner for the past 40 years in Southern Electric Works, Predictive Maintenance Consultants and Southern Welding Supply, all of which are industrial maintenance and service companies. He also owns an interest in CPR Properties, LLC and Allen Properties, LLC, which manage commercial and residential rental properties in the Brookhaven area. Mr. Allen majored in business and accounting at Co-Lin Junior College and the University of Southern Mississippi. He is married with two children and six grandchildren. His daughter and her spouse are also stockholders of the association. He is a member of Jackson Street United Methodist Church, where he and his wife have served on various committees.

John "Van" Bennett of Spearsville, Louisiana, age 68, and his family own a 300-acre cattle and timber farm that he and his wife operate under Rainbow Hill Farms. Mr. Bennett graduated from Louisiana Tech University in 1972 with a B.S. in agriculture education. He retired from Louisiana Ag Credit in 2006 after 30 years of service. Mr. Bennett's daughter and several other relatives are stockholders of Southern AgCredit. Mr. Bennett and his wife own and operate the Agriculture Publication Ag Trader USA. Advertisers in the publication include Southern AgCredit, Louisiana Land Bank, First South Farm Credit and Farm Credit Services of Western Arkansas. Also, many members of Southern AgCredit, Louisiana Land Bank, First South Farm Credit and Farm Credit of Western Arkansas subscribe to and advertise with Ag Trader USA. Mr. Bennett serves on several boards including Union Cattlemen's Association, Louisiana Department of Agriculture and Forestry Animal Health Board, Union Parish 4-H Foundation Board, Union Parish Farm Bureau Board, Louisiana Farm Bureau Poultry and Livestock Advisory Board, Louisiana Department of Agriculture and Forestry Poultry Task Force, LSU Ag Center Hill Farm Poultry Advisory Board, and Union Youth Livestock Board. He is a member of Antioch Church of Christ in Spearsville.

Lonnie "Gene" Boykin of Rolling Fork, Mississippi, age 64, farms soybeans, corn, timber and wildlife in Issaquena and Sharkey counties as a partner in B&R Farms with his wife, son and daughter-in-law, who are also stockholders. He owns an interest in Peckerwood Farms, Big Slough Hunting Club, B&R Farms and B&G Farms. He serves on the Board of Trustees of Sharkey-Issaquena Community Hospital. He is a past chairman of the FSA county committee and is a deacon at the First Baptist Church of Rolling Fork. He is married with two children and six grandchildren. He is a past commissioner for the Issaquena County Soil and Water Conservation District and past director of the Issaquena Farm Bureau. He is a graduate of Delta State University with a degree in business administration.

Charles "Allen" Eubanks of Lucedale, Mississippi, age 48, is the owner/operator, along with his wife, Janice, of Eubanks Produce, Inc., Melon Acres, LLC, Eubanks Logistics, LLC, Eubanks Land Company, LLC, Double AJ Packers, LLC, Charlie's U-Pik, LLC, and Farm Fresh Gourmet, LLC, a vegetable growing and shipping operation. His company was started in 1992 upon graduation from Mississippi State University, where he majored in agribusiness. He is on the board of directors of George County Co-op and the Alabama Watermelon Association. He is married with four children. He is an active member of Watermark Congregational Methodist Church in Lucedale.

Thomas C. "T.C." Hall of Gloster, Louisiana, age 65, owns a 600-acre farm with 75 head of commercial beef cattle and 92 acres of pine timber. Mr. Hall is married and was previously elected to serve on the board and as board chairman of Louisiana AgCredit, ACA. He is a former dairy farmer who also manages a family-owned property corporation that includes the development of a residential subdivision and the leasing of family row crop property, some of which to association stockholders. He owns an interest in Hall Family Enterprises, LLC and Pearl Street Ventures, LLC. Mr. Hall also serves as board member for the DeSoto Parish Farm Bureau and the Keatchie Water System.

Larry W. Killebrew of Lexington, Mississippi, age 66, is the owner/manager of Larry Killebrew Farms, a 3,000-acre farming operation consisting of row crops - cotton, corn and soybeans - and cattle. He and his wife have been farming for 47 years and have a son and other relatives who are also association stockholders. He serves as a director for Holmes County Gin and is a board member of Black Creek Drainage District. He is a member of Farmers Grain Terminal, Holmes County Soil and Water Conservation District, Holmes County Farm Bureau, and Mississippi Corn Promotion Board. He is a deacon at Oregon Memorial Church in Lexington, Mississippi.

Emery D. Skelton of Winterville, Mississippi, age 76, is a retired row crop farmer. He has served for 29 years as a director of Federal Land Bank of South Mississippi, Land Bank South and Southern AgCredit. He serves on the board of directors of Delta Electric Power Association. He is married with three sons, and two of his sons and their spouses are stockholders of the association. Mr. Skelton is active in numerous civic clubs and professional organizations and is an elder in his Presbyterian church. He graduated from Greenville High School, has a B.S. in agriculture and an M.S in entomology from Mississippi State University.

Linda Staniszewski of Hattiesburg, Mississippi, age 74, is a certified public accountant who retired from the University of Southern Mississippi in 2002, where she served for many years as an accounting instructor. Mrs. Staniszewski is a member of several professional and academic organizations: the American Institute of Certified Public Accountants, Mississippi Society of Certified Public Accountants, and the Southeast Chapter of Mississippi Society of CPAs. She holds a bachelor's degree in business administration and a master's degree in professional accountancy from the University of Southern Mississippi. She is an active members of the Episcopal Church of Ascension in Hattiesburg, Mississippi.

Joe H. Hayman, Chief Executive Officer, of Madison, Mississippi, age 47, has been with the Farm Credit System since 1994. He has worked in various capacities within the System and was the chief operating officer at Texas AgFinance, FCS until joining the association in January 2008. He is a graduate of Texas A&M University with a degree in agricultural economics and is a past member of the TAMU College of Agriculture and Life Sciences Development Council. He serves as a member of the Farm Credit System President's Planning Committee (PPC) and is a member of the PPC's Business Practices Committee. He is a member of the Dixie National Livestock Show & Rodeo Sale of Champions Committee, board member of the Mississippi 4-H Foundation and vice chairman of the Thad Cochran Agricultural Leadership Advisory Council. He and his wife, both stockholders of the association, have five children and own a family farm in Attala County, Mississippi. He is a native of Hattiesburg, Mississippi.

Ted R. Murkerson, Chief Credit Officer, of Brandon, Mississippi, age 51, began his Farm Credit career in 1992 working for Northwest Florida Farm Credit and later joined Southwest Georgia Farm Credit, both within the AgFirst District. He was formerly employed as a relationship manager at the Farm Credit Bank of Texas. Mr. Murkerson serves as a member of the Association Advisory Committee, aiding the Farm Credit Bank of Texas in constructing the new FarmView Platform. In addition, he has served on a number of steering committees for FCC Services designed to aid in the advancement of new and existing employees. Mr. Murkerson joined the association in June 2008. He is a member of Pinelake Church. He is a graduate of Troy State University, where he received bachelor's and master's degrees in business administration. He is a native of Bainbridge, Georgia, and continues to be active in the family farm operation.

Phillip D. Morgan, CPA, CGMA, CITP, Chief Financial and Operating Officer, of Madison Mississippi, age 45, joined the association in September 2008. He is a graduate of the University of Southern Mississippi with a bachelor of science in business administration and a master's in professional accountancy. Mr. Morgan was previously in public accounting, providing audit and consulting services to commercial and primarily Farm Credit System institutions throughout the U.S. Mr. Morgan is a member of numerous professional organizations including state and national public accounting and information technology societies. He is also a stockholder and board member of two recreational land management organizations in which stockholders of the association may also have ownership. He is also a member/owner and president of his neighborhood homeowners association in which other members may be stockholders of Southern AgCredit. Mr. Morgan is a native of Mt. Olive, Mississippi, where his family continues their farming operation.

Ken D. Hobart, Chief Collateral Risk Officer, of Hollandale, Mississippi, age 55, began working for Farm Credit in 1985 and this association in 1989. He is a graduate of Mississippi State University with a B.S. degree in ag economics. He is a state certified general real estate appraiser, licensed in Mississippi, Louisiana and Arkansas and a member of the American Society of Farm Managers and Rural Appraisers. He is married and a member of First Baptist Church in Greenville, Mississippi. His father is a stockholder of the association.

L. Paul Landry, II, Senior Quality Assurance Analyst, of Flowood, Mississippi, age 43, joined the association in September 2011. He was previously in public accounting, providing consulting services primarily to Farm Credit System institutions. He is a graduate of the University of Louisiana at Monroe with a B.A. in criminal justice and Mississippi College with a B.S.B.A. in accounting. He is a native of West Monroe, Louisiana, and is a member of Cathedral of Saint Peter the Apostle in Jackson, Mississippi.

Clayton Davis, Regional Vice President, of Greenville, Mississippi, age 36, began his Farm Credit career with the association in January 2006. He, his father, brothers and uncles are stockholders of the association. He is a graduate of Mississippi State University with a bachelor's degree in business administration. He and his wife have one child and reside in Avon, Mississippi, where they own a small farm. They are members of First Baptist Church of Greenville.

Brent Barry, Regional Vice President, of Hattiesburg, Mississippi, age 39, is a 2002 graduate of Mississippi State University with a degree in forest management. He has been with Farm Credit since May 2003. He and his wife have three children. They are members of Temple Baptist Church in Hattiesburg, Mississippi. He and his mom are stockholders of the association.

Amanda R. Hudson, Vice President of Loan Operations, of Wiggins, Mississippi, age 35, joined the association in December 2006. She is a graduate of Mississippi State University with a bachelor of science degree in food science and industry and a master's in agribusiness management. Mrs. Hudson is a member of numerous organizations including Pearl River/Stone County Mississippi Forestry Association, where she acts as treasurer, Cattlemen's Associations, and the MSU Extension Thad Cochran Agricultural Leadership Program. She and her husband, Matt, attend Big Level Baptist Church and reside in Wiggins, Mississippi. He owns and operates a farm supply store, a cattle farm, and a row crop operation. Her husband and her brother-in-law are association stockholders.

Justin C. Morris, M.S., Branch Manager, of Shreveport and Ruston, Louisiana, age 35, began his Farm Credit career working for the Farm Credit Administration as a bank examiner. In 2011, he joined Southern AgCredit, ACA. This is his 11th year in the Farm Credit System. He has a bachelor of science degree from Southern Arkansas University and a master of science degree from the University of Arkansas. He is a member of numerous organizations including Ducks Unlimited, National Wild Turkey Federation, the Louisiana Cattlemen's Association, the Louisiana Cotton and Grain Association, North Louisiana Financial Planners Association, National Association of Insurance and Financial Advisors, and in 2018 he served on the board of directors for the Louisiana Council of Farmer Cooperatives, Caddo Parish 4-H Foundation, the Louisiana Chapter of Realtors Land Institute, the Dead Duck Club, and the Cypress Bayou Corporation. He and his family reside in Benton, Louisiana.

James G. Nicholas, Regional Vice President, of Ridgeland, Mississippi, age 30, began his Farm Credit career as an intern with Mississippi Land Bank while at Mississippi State University. He was hired in 2011 as a loan officer and now has over five years of experience in the Farm Credit System. He is a graduate of Mississippi State University with a bachelor's degree in real estate and finance. He is a board member of the MS River Landowners Alliance and is a member of numerous organizations, including Ducks Unlimited, QDMA, and National Wild Turkey Federation. He and his wife reside in Jackson, Mississippi, and are members of First Presbyterian Church. His brother, father and uncles are association stockholders.

Cooper Stringer, Branch Manager, of Newton, Mississippi, age 32, is a 2008 graduate of the University of Alabama with a degree in finance. He has been with Farm Credit since October 2011. He is a board member of the Newton Chamber of Commerce and is a member of numerous organizations such as Ducks Unlimited, Whitetails Unlimited, QDMA, National Wild Turkey Federation, and Mississippi Poultry Association. He is a native of Newton, Mississippi, and is a member of St. Patrick Catholic Church in Meridian, Mississippi.

Elliott Fancher, Branch Manager, of Greenwood, Mississippi, age 38, began his Farm Credit career in September of 2006. He is a graduate of Mississippi State University with a bachelor's degree in animal science with a minor in agricultural business. He is a member of several organizations including Mississippi Cattlemen's Association, National Wild Turkey Federation, Ducks Unlimited, Greenwood Chamber of Commerce, Greenwood Farmers Club and he currently serves on the board of directors for Leflore County Farm Bureau. He and his wife have two children and are members of Duck Hill Baptist Church. His parents are stockholders of the association.

Austin L. Bean, Branch Manager, of Brookhaven, Mississippi, age 33, began his Farm Credit career in 2010 with First South Farm Credit, ACA. In 2013, he joined Southern AgCredit, ACA. He has a bachelor of business administration degree in risk management, insurance, and financial planning from Mississippi State University and a master of business administration degree from Mississippi College. He is a board member of the McComb Rotary Club, Lincoln County Forestry Association, and Lincoln County Cattlemen's Association. He is also a member of numerous other organizations, including the Realtor Land Institute, Southwest Mississippi Board of Realtors, and Mississippi Forestry Association. He also serves as associate pastor of education and young adults at Gillsburg Baptist Church. He and his wife have one daughter and reside in Liberty, Mississippi, where they are members of Gillsburg Baptist Church. His parents, grandfather, and aunt are association stockholders.

Alex Riser, Branch Manager of Gulfport, Mississippi, age 31, attended and played baseball at Belhaven University. After two conference championships and a College World Series appearance, he received his MBA from Belhaven University. He worked as a real estate broker for seven years prior to joining the association in 2015. He is a member of several wildlife conservations groups including QDMA, NWTF, Ducks Unlimited and Delta Waterfowl. As an active conservationist, he has completed his training in QDMA's Deer Steward I Course in Deer Research and Management and intends to complete Deer Steward II Course in Herd Management, Habitat Management, Hunter Management and Herd Monitoring in 2018. He and his wife Allison have one son and reside in Pearl River County and are members of New Palestine Baptist Church. His father is a current association stockholder.

Devin Davis, Branch Manager, of Ruston, Louisiana, age 31, is a 2011 graduate of Henderson State University with a degree in communications. He worked at a commercial bank for four years before joining Southern AgCredit, ACA in 2015.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the association in the form of an honorarium at the rate of $1,200 per month, the board chairman at the rate of $2,200 per month, and the Audit Committee chairman at the rate of $2,200 per month. In addition, directors were compensated for their service to the association in the form of an honorarium at the rate of $250 per day for director meetings and committee meetings, and a rate of $250 if committee meetings were the same day as scheduled board meetings. Directors were also reimbursed for certain expenses incurred while representing the association in an official capacity. Mileage for attending official meetings during 2018 was paid at the IRS-approved rate of 54.5 cents per mile. A copy of the travel policy is available to stockholders of the association upon request.

	Number of Days Served Associated With		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2018**
Reggie Allen	10	16	$ 20,900
Bryan "Scott" Bell	10	23	$ 22,650
John "Van" Bennett	8	9	$ 18,650
Lonnie "Gene" Boykin	10	19	$ 21,650
Charles "Allen" Eubanks	8	11	$ 19,150
Thomas C. "T.C." Hall	10	15	$ 20,650
Larry W. Killebrew	10	16	$ 20,900
Kevin Rhodes	10	28	$ 35,900
Emery D. Skelton	10	14	$ 20,400
Linda Staniszewski, CPA	10	20	$ 33,900
			$ 234,750

The aggregate compensation paid to directors in 2018, 2017 and 2016 was $234,750, $228,500 and $210,000, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2018:

	Committee		
Director	**Audit**	**Compensation**	**Other Meetings and Committees, if Any**
Reggie Allen	$ -	$ 250	$ 4,250
Bryan "Scott" Bell	2,000	-	4,250
John "Van" Bennett	-	-	2,500
Lonnie "Gene" Boykin	1,000	-	4,250
Charles "Allen" Eubanks	-		3,250
Thomas C. "T.C." Hall	-	250	4,000
Larry W. Killebrew	-	250	4,250
Kevin Rhodes	2,000	-	5,500
Emery D. Skelton	1,000	-	3,000
Linda Staniszewski, CPA	2,000	-	3,500
	$ 8,000	$ 750	$ 38,750

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $61,936, $59,037 and $57,996 in 2018, 2017 and 2016, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Overview

The association strives to be a progressive employer and desires to attract and retain superior employees to provide quality service at a profit for the benefit of all stockholders. The board of directors believes market-based salaries coupled with pay for performance or incentive compensation programs are critical to the success of the association, and are comparable with and promote the institutions goals and business strategies, and its chartered mission within the Farm Credit System. It is the desire of the board to provide a comprehensive plan that rewards profitability while ensuring the safety and soundness of the institution over a long period of time. Annually, the Compensation Committee and board obtain market data for similar financial institutions and approve the salary plan for all employees. This includes establishing salary ranges based on each employee's level of responsibility and job description. Base salaries for all employees, including the CEO and senior officers, are determined based upon position, performance and market compensation data.

Chief Executive Officer (CEO) Compensation Policy

Compensation for the CEO and other senior officers includes a base salary and participation in the association's Employee Incentive Plan (EIP). The CEO and senior officers of the association also participate in the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan ("the Plan"). The Plan is a defined contribution plan and is sponsored and maintained by the AgFirst/FCBT Plan Sponsor Committee for the benefit of the participating employers in the AgFirst Farm Credit Bank/Farm Credit Bank of Texas Agreement Regarding Employee Benefit Plans (the "Administrative Agreement") and their eligible employees. One of the purposes of the Plan is to allow a means for participating employers to restore benefits lost due to limitations under the Internal Revenue Code as it relates to the association's existing Pension Plan. The CEO does not participate in the defined benefit retirement plan described in Note 12 to the consolidated financial statements, "Employee Benefit Plans."

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the association during 2018, 2017 and 2016. 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)	Other(e)	Total
Joe H. Hayman, CEO	**2018**	**$ 350,013**	**$ 186,054**	**$ -**	**$ 11,667**	**$ 547,734**
	2017	340,000	171,744	-	11,608	523,352
	2016	325,000	174,357	-	10,240	509,597
5	**2018**	**$ 810,311**	**$ 467,144**	**(52,090)**	**$ 50,347**	**$1,275,712**
5	2017	791,619	408,577	197,028	43,996	1,441,220
5	2016	794,075	387,486	114,678	38,219	1,334,458

(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) Amounts in the "Other" column include contribution to supplemental 401 (k) and defined contribution plans, allowance and automobile program, HSA contributions, and group life insurance provided by employer.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to any senior officer or to any other officer included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

Pension Benefits Table

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to the CEO for the year ended December 31, 2018:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2018
Aggregate Number of Senior Officers & Other Highly Compensated Employees 1	Farm Credit Bank of Texas Pension Plan	21.4	$ 802,508	$ -

Pension Benefits Table Narrative Disclosure

One senior officer of the association participate in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the senior officers' accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

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 2018 at the IRS-approved rate of 54.5 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2018, 2017 and 2016.

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

None of the association's officers or directors has been involved in legal proceedings that are material to an evaluation of the ability of any person who served as director or senior officer on January 1, 2019, or at any time during that last five years.

RELATIONSHIP WITH INDEPENDENT AUDITOR

Audit fees related to the 2018 audit of the association's consolidated financial statements amounted to $66,560 compared to $54,628 for the 2017 audit. In 2018, $900 incurred were for nonaudit services.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers dated March 13, 2019, 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

The association is committed to meeting the needs of Young, Beginning and Small farmers and ranchers and producers or harvesters of aquatic products (YBS), and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of YBS lending activities is a priority in the association. Additional employee time and other resources are combined with the most liberal application of the association's underwriting standards possible to meet the credit needs of YBS farmers and ranchers. In addition, the association actively supports other programs, events, scholarships and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The association sets minimum standards and monitors its YBS performance on a regular basis. These results are also compared to the demographics of the territory it serves as reflected in the USDA Census of Agriculture.

Definitions for "young," "beginning" and "small" farmers and ranchers used by the association are:

- Young: Age 35 or younger as of the loan date
- Beginning: 10 years or less of farming, ranching or aquatic experience as of the loan date
- Small: Less than $250,000 in annual gross sales of agricultural products

The 2012 USDA Census of Agriculture for the association territory indicates that 6.5 percent of farm operators are "young," 21.9 percent are "beginning" and 89.8 percent of the farms are "small." The association's 2016 goals for YBS lending are:

YBS Class	**Percentage of Total Loans**	**Percentage of Loan Volume**
Young	>20%	>15%
Beginning	>45%	>45%
Small	>75%	>60%

The association's YBS loans, as a percentage of total loans outstanding on December 31, 2016, 2017 and 2018, respectively, are reflected in the table below for the past three years.

	2016		**2017**		**2018**	
	% of Total Loans	% of Loan Volume	% of Total Loans	% of Loan Volume	% of Total Loans	% of Loan Volume
Young	22.93%	15.85%	23.52%	16.39%	23.15%	16.02%
Beginning	49.92%	42.45%	51.27%	42.68%	52.08%	42.34%
Small	73.25%	55.58%	73.73%	55.78%	69.86%	35.58%

The association's YBS loans, as a percentage of all loans closed each year, are reflected in the table below for the past three years.

	2016		**2017**		**2018**	
	% of Total Loans	% of Loan Volume	% of Total Loans	% of Loan Volume	% of Total Loans	% of Loan Volume
Young	19.35%	12.27%	21.28%	12.27%	20.49%	15.83%
Beginning	42.49%	34.11%	44.90%	34.11%	46.62%	32.62%
Small	63.46%	49.14%	67.77%	49.14%	68.27%	77.34%

The association continues to provide credit to YBS farmers and ranchers at high levels as reflected by the above comparative data. Emphasis on this area of the association's lending business will continue to be a priority.

Southern AgCredit, ACA
402 West Parkway Place
Ridgeland, MS 39157

ADDRESS SERVICE REQUESTED

PRSRT STD
US POSTAGE
PAID
AUSTIN TEXAS
PERMIT #1845

SOUTHERN
AGCREDIT

SouthernAgCredit.com
(800) 449-5742