2014
Annual Report

Progressive Farm Credit Services, ACA

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Progressive Farm Credit Services, ACA

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in Progressive Farm Credit Services, ACA. To request free copies of the AgriBank and combined AgriBank and Affiliated Associations' financial reports contact us at 1116 N. Main Street, Sikeston, Missouri 63801, (573) 471-0342, or via e-mail at progressivefcs@progressivefcs.com. You may also contact AgriBank at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or by e-mail at financialreporting@agribank.com. The AgriBank and combined AgriBank and Affiliated Associations' financial reports are also available through AgriBank's website at www.agribank.com.

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

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Progressive Farm Credit Services, ACA

(Dollars in thousands)

	2014	2013	2012	2011	2010
Statement of Condition Data					
Loans	**$ 573,994**	$ 551,478	$ 527,074	$ 463,973	$ 468,065
Allowance for loan losses	**457**	382	517	768	660
Net loans	**573,537**	551,096	526,557	463,205	467,405
Investment in AgriBank, FCB	**11,409**	11,726	11,673	11,090	11,963
Investment securities	**4,272**	5,472	6,764	8,183	10,083
Other property owned	**--**	--	--	--	260
Other assets	**13,175**	12,350	12,217	12,911	13,655
Total assets	**$ 602,393**	$ 580,644	$ 557,211	$ 495,389	$ 503,366
Obligations with maturities of one year or less	**$ 482,244**	$ 469,089	$ 453,843	$ 400,490	$ 416,653
Total liabilities	**482,244**	469,089	453,843	400,490	416,653
Protected members' equity	**1**	1	1	2	2
Capital stock and participation certificates	**1,756**	1,811	1,818	1,792	1,910
Unallocated surplus	**118,392**	109,743	101,549	93,105	84,801
Total members' equity	**120,149**	111,555	103,368	94,899	86,713
Total liabilities and members' equity	**$ 602,393**	$ 580,644	$ 557,211	$ 495,389	$ 503,366
Statement of Income Data					
Net interest income	**$ 17,891**	$ 16,727	$ 15,622	$ 15,163	$ 14,271
Provision for (reversal of) loan losses	**83**	(136)	(242)	110	181
Patronage income	**1,572**	1,530	1,362	1,307	1,746
Other expenses, net	**5,636**	6,061	4,847	4,395	3,710
(Benefit from) Provision for income taxes	**(5)**	41	(49)	(89)	683
Net income	**$ 13,749**	$ 12,291	$ 12,428	$ 12,054	$ 11,443
Key Financial Ratios					
Return on average assets	**2.3%**	2.2%	2.4%	2.4%	2.3%
Return on average members' equity	**11.9%**	11.5%	12.6%	13.3%	14.1%
Net interest income as a percentage of average earning assets	**3.2%**	3.2%	3.1%	3.2%	3.1%
Members' equity as a percentage of total assets	**19.9%**	19.2%	18.6%	19.2%	17.2%
Net charge-offs as a percentage of average loans	**--**	--	--	--	0.1%
Allowance for loan losses as a percentage of loans	**0.1%**	0.1%	0.1%	0.2%	0.1%
Permanent capital ratio	**17.8%**	17.2%	16.3%	16.3%	14.5%
Total surplus ratio	**17.5%**	16.9%	16.0%	16.0%	14.1%
Core surplus ratio	**17.5%**	16.9%	16.0%	16.0%	14.1%
Other					
Patronage distribution payable to members	**$ 5,100**	$ 4,100	$ 4,000	$ 3,750	$ 1,500

The patronage distribution to members accrued for the year ended December 31, 2014 is distributed in cash during the first quarter of 2015. The patronage distributions accrued for the years ended December 31, 2013, 2012, 2011, and 2010 were distributed in cash during the first quarter of each subsequent year. No income was distributed to members in the form of dividends, stock, or allocated surplus during these periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Progressive Farm Credit Services, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of Progressive Farm Credit Services, ACA (the Association) and its subsidiaries, Progressive Farm Credit Services, FLCA and Progressive Farm Credit Services, PCA (the subsidiaries) and provides additional specific information. The accompanying consolidated financial statements and notes to the consolidated financial statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2015, the System consisted of three Farm Credit Banks (FCB), one Agricultural Credit Bank (ACB), and 76 customer-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the System serves.

AgriBank, FCB (AgriBank), a System bank, and its affiliated associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). Progressive Farm Credit Services, ACA is one of the affiliated associations in the District.

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

FORWARD-LOOKING INFORMATION

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

- political, legal, regulatory, financial markets, international, and economic conditions and developments in the United States (U.S.) and abroad,
- economic fluctuations in the agricultural and farm-related business sectors,
- unfavorable weather, disease, and other adverse climatic or biological conditions that periodically occur and impact agricultural productivity and income,
- changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency actions relating to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions,
- actions taken by the Federal Reserve System in implementing monetary policy,
- credit, interest rate, and liquidity risks inherent in our lending activities, and
- changes in our assumptions for determining the allowance for loan losses, other-than-temporary impairment, and fair value measurements.

AGRICULTURAL AND ECONOMIC CONDITIONS

A wet spring delayed planting, while a somewhat wet fall delayed harvesting even later. Yields were not enough to make up for the significantly lower fall commodity prices and many farmers experienced some level of working capital deterioration. We expect farmers to shift acres from cotton and corn to beans, since the outlook for higher commodity prices in 2015 is not promising. Overall credit quality of the portfolio is expected to weaken in 2015 from the very strong levels of the past several years.

Equipment values have declined sharply. Demand for new equipment is projected to be significantly lower in 2015.

Benchmark land values did increase 12% in 2014, although not as much of as the 27% increase in 2013.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $574.0 million at December 31, 2014, an increase of $22.5 million from December 31, 2013. The components of loans are presented in the following table (in thousands):

As of December 31	**2014**	2013	2012
Accrual loans:			
Real estate mortgage	**$ 311,439**	$ 310,668	$ 279,710
Production and intermediate term	**220,253**	205,010	212,805
Agribusiness	**11,297**	10,307	7,231
Rural residential real estate	**544**	781	873
Other	**29,871**	24,694	25,819
Nonaccrual loans	**590**	18	636
Total loans	**$ 573,994**	$ 551,478	$ 527,074

The other category is comprised of loans originated under our mission related investment authority.

The increase in total loans from December 31, 2013 resulted primarily from a $20.3 million increase in our commercial loan portfolio as a result of corn farmers holding their grain into 2015 and lower overall commodity prices that have reduced loan repayments through December 31, 2014.

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

Portfolio Distribution

We are chartered to serve certain counties in Missouri. Approximately 84.1% of our total loan portfolio was in Stoddard, Butler, Scott, Dunklin, New Madrid, Mississippi, and Cape Girardeau counties at December 31, 2014.

Agricultural concentrations exceeding 5.0% of our portfolio at December 31, 2014 included: cotton 23%, corn 21%, rice 17%, and soybeans 16%. Additional commodity concentration information is included in Note 3.

Our production and intermediate term loan portfolio shows some seasonality. Borrowings increase throughout the planting and growing seasons to meet farmers' operating and capital needs. These loans are normally at their lowest levels during the winter months because of operating repayments following harvest.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2013, but remains strong with 99.3% of the portfolio classified as Acceptable and Other assets especially mentioned (OAEM). Adversely classified loans increased to 0.7% of the portfolio at December 31, 2014, from 0.4% at December 31, 2013. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. As of December 31, 2014, $46.0 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

The following table summarizes risk information (accruing loans include accrued interest receivable) (dollars in thousands):

As of December 31	**2014**	2013	2012
Loans:			
Nonaccrual	**$ 590**	$ 18	$ 636
Accruing restructured	**--**	--	--
Accruing loans 90 days or more past due	**--**	--	--
Total risk loans	**590**	18	636
Other property owned	**--**	--	--
Total risk assets	**$ 590**	$ 18	$ 636
Risk loans as a percentage of total loans	**0.1%**	--	0.1%
Nonaccrual loans as a percentage of total loans	**0.1%**	--	0.1%
Total delinquencies as a percentage of total loans	**0.2%**	0.3%	0.1%

Our risk assets have increased from December 31, 2013, but remain at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans remains well within our established risk management guidelines.

The increase in nonaccrual loans was due to a classification downgrade of a local poultry credit during the first quarter of 2014. Nonaccrual loans remained at an acceptable level at December 31, 2014 and all of our nonaccrual loans were current.

There were no loans accruing 90 days or more past due as of December 31, 2014, 2013, and 2012.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

The following table presents allowance coverage, charge-off, and adverse asset information:

As of December 31	**2014**	2013	2012
Allowance as a percentage of:			
Loans	**0.1%**	0.1%	0.1%
Nonaccrual loans	**77.5%**	2,122.2%	81.3%
Total risk loans	**77.5%**	2,122.2%	81.3%
Adverse assets to risk funds	**3.8%**	2.0%	2.3%

Net charge-offs as a percentage of average loans was less than 0.01% for 2014, 2013, and 2012.

Allowance for loan losses was $457 thousand as of December 31, 2014; a $75 thousand increase from December 31, 2013. This increase resulted from a specific reserve on a local poultry credit transferred to nonaccrual status in the first quarter of 2014. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2014.

INVESTMENT SECURITIES

In addition to loans, we hold investment securities. Investments include our share of securities made up of loans guaranteed by the Small Business Administration. Investment securities totaled $4.3 million, $5.5 million, and $6.8 million at December 31, 2014, 2013, and 2012, respectively.

The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

RESULTS OF OPERATIONS

The following table presents profitability information (dollars in thousands):

For the year ended December 31	**2014**	2013	2012
Net income	**$ 13,749**	$ 12,291	$ 12,428
Return on average assets	**2.3%**	2.2%	2.4%
Return on average members' equity	**11.9%**	11.5%	12.6%

Changes in these ratios relate directly to:

- changes in income as discussed below,
- changes in assets as discussed in the Loan Portfolio and Investment Securities, and
- changes in members' equity as discussed in the Capital Adequacy section.

The following table summarizes the changes in components of net income (in thousands):

	For the year ended December 31			Increase (decrease) in net income	
	2014	2013	2012	**2014 vs 2013**	2013 vs 2012
Net interest income	**$ 17,891**	$ 16,727	$ 15,622	**$ 1,164**	$ 1,105
Provision for (reversal of) loan losses	**83**	(136)	(242)	**(219)**	(106)
Patronage income	**1,572**	1,530	1,362	**42**	168
Other income, net	**1,484**	1,326	1,883	**158**	(557)
Operating expenses	**7,120**	7,387	6,730	**267**	(657)
(Benefit from) provision for income taxes	**(5)**	41	(49)	**46**	(90)
Net income	**$ 13,749**	$ 12,291	$ 12,428	**$ 1,458**	$ (137)

Net Interest Income

The following table quantifies changes in net interest income (in thousands):

	2014 vs 2013	2013 vs 2012
Changes in volume	**$ 1,107**	$ 1,046
Changes in interest rates	**72**	65
Changes in nonaccrual income and other	**(15)**	(6)
Net change	**$ 1,164**	$ 1,105

Net interest income included income on nonaccrual loans that totaled $25 thousand, $40 thousand, and $47 thousand in 2014, 2013, and 2012, respectively. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 3.2%, 3.2%, and 3.1% in 2014, 2013, and 2012, respectively. We expect margins to compress in the future if interest rates rise and competition increases.

Provision for (Reversal of) Loan Losses

The 2014 provision for loan losses consisted of a $75 thousand specific reserve placed on a nonaccrual loan in the first quarter of 2014 and a $17 thousand charge-off on a commercial loan, partially offset by miscellaneous recoveries of $9 thousand.

Patronage Income

We received patronage income based on the average balance of our note payable to AgriBank. AgriBank's Board of Directors sets the patronage rate. The patronage rates were 33.5 basis points, 34.5 basis points, and 32 basis points in 2014, 2013, and 2012, respectively. We recorded patronage income of $1.6 million, $1.5 million, and $1.3 million in 2014, 2013, and 2012, respectively.

We received another component of patronage, referred to as equalization income, from AgriBank. The quarterly average balance of any excess stock investment in AgriBank is used to determine this amount. Additionally, we earn equalization on any stock investment in AgriBank required to be held when our growth exceeds a targeted growth rate. The equalization rate is set by AgriBank's Board of Directors and is targeted at the average cost of funds for all affiliated associations as a group. Equalization income totaled $13 thousand, $8 thousand, and $18 thousand for 2014, 2013, and 2012, respectively.

Other Income

The increase in other income from 2013 was primarily due to a $117 thousand increase in related services income. Additionally, during 2013 a nonrecurring loss of $86 thousand was recognized on the sale of other property owned.

Operating Expenses

The following presents a comparison of operating expenses by major category and the operating rate (operating expenses as a percentage of average earning assets) for the past three years (dollars in thousands):

For the year ended December 31	**2014**	2013	2012
Salaries and employee benefits	**$ 4,592**	$ 4,843	$ 4,522
Purchased and vendor services	**760**	778	790
Communications	**62**	57	57
Occupancy and equipment	**432**	451	443
Advertising and promotion	**190**	308	178
Examination	**185**	179	188
Farm Credit System insurance	**543**	419	198
Other	**356**	352	354
Total operating expenses	**$ 7,120**	$ 7,387	$ 6,730
Operating rate	**1.3%**	1.4%	1.3%

The decrease in operating expenses was primarily related to decreased employee incentive accruals of $127 thousand, a reduction in pension expense of $201 thousand, and during 2013 a nonrecurring building donation expense of $140 thousand was recognized.

FCSIC insurance expense increased in 2014 primarily due to an increase in the premium rate charged on accrual loans by FCSIC from 10 basis points in 2013 to 12 basis points in 2014.

(Benefit from) Provision for Income Taxes

The variance in (benefit from) provision for income taxes is related to our estimate of taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2014, 2013, and 2012. Refer to Note 9 for additional discussion.

FUNDING AND LIQUIDITY

Funding

We borrow from AgriBank under a note payable, in the form of a line of credit, as described in Note 6. The following table summarizes note payable information (dollars in thousands):

For the year ended December 31	**2014**	2013	2012
Average balance	**$ 464,528**	$ 439,102	$ 417,855
Average interest rate	**1.4%**	1.3%	1.4%

Our other source of lendable funds is from unallocated surplus. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

Liquidity

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with AgriBank. At December 31, 2014, we had $125.6 million available under our line of credit. We generally apply excess cash to this line of credit.

We have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac), a System institution, to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, we have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed volume of loans subject to the purchase agreement was $8.6 million, $3.8 million, and $3.8 million at December 31, 2014, 2013, and 2012, respectively. We paid Farmer Mac commitment fees totaling $30 thousand, $14 thousand, and $13 thousand in 2014, 2013, and 2012, respectively. These amounts are included in “Other operating expenses” in the Consolidated Statements of Income. As of December 31, 2014, no loans have been sold to Farmer Mac under this agreement.

CAPITAL ADEQUACY

Total members’ equity increased $8.6 million from December 31, 2013 primarily due to net income for the year partially offset by patronage distribution accruals**.**

Members’ equity position information is as follows (dollars in thousands):

As of December 31	**2014**	2013	2012
Members' equity	**$ 120,149**	$ 111,555	$ 103,368
Surplus as a percentage of members' equity	**98.5%**	98.4%	98.2%
Permanent capital ratio	**17.8%**	17.2%	16.3%
Total surplus ratio	**17.5%**	16.9%	16.0%
Core surplus ratio	**17.5%**	16.9%	16.0%

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

At December 31, 2014, our permanent capital, total surplus, and core surplus ratios exceeded the regulatory minimum requirements. Additional discussion of these regulatory ratios is included in Note 7.

In addition to these regulatory requirements, we establish an optimum permanent capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. As of December 31, 2014, our optimum permanent capital target was 13%.

The changes in our capital ratios reflect changes in capital and assets. Refer to the Loan Portfolio and Investment Securities sections for further discussion of the changes in assets. Additional members’ equity information is included in Note 7.

RELATIONSHIP WITH AGRIBANK

Borrowing

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

Cost of funds under the GFA includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, in the periods presented, we were not subject to the risk premium component.

The marginal cost of debt approach simulates matching the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk.

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing previously distributed AgriBank surplus. On March 5, 2014, the AgriBank Board of Directors approved an amendment to the AgriBank capital plan which reduced the base required stock investment for all affiliated associations, including Progressive Farm Credit Services, ACA from 2.5% to 2.25% effective March 31, 2014. As of December 31, 2014, we were required to maintain a stock investment equal to 2.25% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate. AgriBank’s current bylaws allow AgriBank to increase the required investment to 4.0%. However, AgriBank currently has not communicated a plan to increase the required investment.

At December 31, 2014, $11.1 million of our investment in AgriBank consisted of stock representing distributed AgriBank surplus and $319 thousand consisted of purchased investment. For the periods presented in this report, we have received no dividend income on this stock investment and we do not anticipate any in future years.

Patronage

We receive different types of discretionary patronage from AgriBank. AgriBank's Board of Directors sets the level of patronage for each of the following:

- patronage on our note payable with AgriBank,
- equalization income based on our excess stock or growth required stock investment in AgriBank.

Patronage income for 2012 and 2013 on our note payable with AgriBank was paid in the form of cash and AgriBank stock. Beginning in 2014, patronage income earned on our note payable with AgriBank is paid in cash.

Purchased Services

We purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, insurance services, and internal audit services.

The total cost of services we purchased from AgriBank was $466 thousand, $476 thousand, and $475 thousand in 2014, 2013, and 2012, respectively.

Impact on Members' Investment

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of the AgriBank and the combined AgriBank and Affiliated Associations' financial reports contact us at 1116 N. Main Street, Sikeston, Missouri 63801, (573) 471-0342, or via e-mail at progressivefcs@progressivefcs.com. You may also contact AgriBank at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or by e-mail at financialreporting@agribank.com. The AgriBank and combined AgriBank and Affiliated Associations' financial reports are also available through AgriBank's website at www.agribank.com.

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

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

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

Insight Technology Unit: We participate in the Insight Technology Unit (Insight) with certain other AgriBank District associations to facilitate the development and maintenance of certain retail technology systems essential to providing credit to our borrowers. Insight is governed by representatives of each participating association. The expenses are shared pro rata based on the number of loans and leases of each participant.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing or selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $1 thousand at December 31, 2014, 2013, and 2012. CoBank provides direct loan funds to associations in its chartered territory and makes loans to cooperatives and other eligible borrowers.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations) which involves purchasing human resource information systems, benefit, payroll, and workforce management services. As of December 31, 2014, 2013, and 2012, our investment in Foundations was $11 thousand. The total cost of services we purchased from Foundations was $64 thousand, $68 thousand, and $68 thousand in 2014, 2013, and 2012, respectively.

Programs

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

Agriculture and Rural Community Bond Program: We participate in the Agriculture and Rural Community (ARC) Bond Program authorized during 2006 by the FCA in order to meet the changing needs of agriculture and rural America by making investments that support farmers, ranchers, agribusinesses, and their rural communities and businesses. The ARC Bond Program is part of our mission related investments. These investments will help to increase rural communities' and businesses' well-being and prosperity by providing an adequate flow of capital into rural areas. We had $69 thousand, $173 thousand, and $310 thousand of volume under this program at December 31, 2014, 2013, and 2012, respectively.

Unincorporated Business Entities (UBEs)

Choice Ethanol Holdings, LLC: Choice Ethanol Holdings, LLC (Choice) was created to own the assets of an ethanol plant acquired from a troubled borrower in 2013. All membership interests in Choice were sold in a stock sale in June 2013. After the sale, Choice was subsequently dissolved.

REGULATORY MATTERS

Effective June 18, 2014, the FCA Board adopted a final rule to remove all requirements related to advisory votes at Farm Credit Institutions. This rule eliminates the requirement for advisory votes on CEO and/or senior officer compensation.

REPORT OF MANAGEMENT

Progressive Farm Credit Services, ACA

We prepare the consolidated financial statements of Progressive Farm Credit Services, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the consolidated financial statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the consolidated financial statements. They also conduct a review of internal controls to the extent necessary to comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

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

Markel D. Yarbro
Chairperson of the Board
Progressive Farm Credit Services, ACA

Ronald C. Milbach
Chief Executive Officer
Progressive Farm Credit Services, ACA

Vernon D. Griffith
Chief Financial Officer
Progressive Farm Credit Services, ACA

March, 12, 2015

REPORT OF AUDIT COMMITTEE

Progressive Farm Credit Services, ACA

The consolidated financial statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of the entire Board of Directors of Progressive Farm Credit Services, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval, and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2014, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Annual Report for the year ended December 31, 2014.

Phillip M. Showmaker
Chairperson of the Audit Committee
Progressive Farm Credit Services, ACA

Audit Committee Members:
Phillip M. Showmaker, Chairperson
Michael Aufdenberg
Jennifer Hendrickson
Edward C. Marshall III
Darrell Nichols
James Priggel
John Robinson
Marty Vancil
Markel D. Yarbro

March 12, 2015

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Progressive Farm Credit Services, ACA (the Association) and its subsidiaries, which comprise the consolidated statements of condition as of December 31, 2014, 2013 and 2012, and the related consolidated statements of income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Progressive Farm Credit Services, ACA and its subsidiaries at December 31, 2014, 2013 and 2012, 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 12, 2015

PricewaterhouseCoopers LLP, 225 South Sixth Street, Suite 1400, Minneapolis, MN 55402
T: (612) 596 6000, www.pwc.com/us

CONSOLIDATED STATEMENTS OF CONDITION

Progressive Farm Credit Services, ACA

(in thousands)

As of December 31	**2014**	2013	2012
ASSETS			
Loans	**$ 573,994**	$ 551,478	$ 527,074
Allowance for loan losses	**457**	382	517
Net loans	**573,537**	551,096	526,557
Investment in AgriBank, FCB	**11,409**	11,726	11,673
Investment securities	**4,272**	5,472	6,764
Accrued interest receivable	**8,708**	7,773	7,555
Deferred tax assets, net	**277**	272	305
Other assets	**4,190**	4,305	4,357
Total assets	**$ 602,393**	$ 580,644	$ 557,211
LIABILITIES			
Note payable to AgriBank, FCB	**$ 472,701**	$ 460,631	$ 445,971
Accrued interest payable	**1,735**	1,570	1,510
Patronage distribution payable	**5,100**	4,100	4,000
Other liabilities	**2,708**	2,788	2,362
Total liabilities	**482,244**	469,089	453,843
Contingencies and commitments	**--**	--	--
MEMBERS' EQUITY			
Protected members' equity	**1**	1	1
Capital stock and participation certificates	**1,756**	1,811	1,818
Unallocated surplus	**118,392**	109,743	101,549
Total members' equity	**120,149**	111,555	103,368
Total liabilities and members' equity	**$ 602,393**	$ 580,644	$ 557,211

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

CONSOLIDATED STATEMENTS OF INCOME

Progressive Farm Credit Services, ACA

(in thousands)

For the year ended December 31	**2014**	2013	2012
Interest income	**$ 24,477**	$ 22,568	$ 21,386
Interest expense	**6,586**	5,841	5,764
Net interest income	**17,891**	16,727	15,622
Provision for (reversal of) loan losses	**83**	(136)	(242)
Net interest income after provision for (reversal of) loan losses	**17,808**	16,863	15,864
Other income			
Patronage income	**1,572**	1,530	1,362
Financially related services income	**1,400**	1,283	1,433
Fee income, net	**4**	(2)	19
Allocated Insurance Reserve Accounts distribution	**--**	--	478
Miscellaneous income (loss), net	**80**	45	(47)
Total other income	**3,056**	2,856	3,245
Operating expenses			
Salaries and employee benefits	**4,592**	4,843	4,522
Other operating expenses	**2,528**	2,544	2,208
Total operating expenses	**7,120**	7,387	6,730
Income before income taxes	**13,744**	12,332	12,379
(Benefit from) provision for income taxes	**(5)**	41	(49)
Net income	**$ 13,749**	$ 12,291	$ 12,428

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Progressive Farm Credit Services, ACA

(in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance as of December 31, 2011	$ 2	$ 1,792	$ 93,105	$ 94,899
Net income	--	--	12,428	12,428
Unallocated surplus designated for patronage distributions	--	--	(3,984)	(3,984)
Capital stock and participation certificates issued	--	167	--	167
Capital stock and participation certificates retired	(1)	(141)	--	(142)
Balance as of December 31, 2012	1	1,818	101,549	103,368
Net income	--	--	12,291	12,291
Unallocated surplus designated for patronage distributions	--	--	(4,097)	(4,097)
Capital stock and participation certificates issued	--	139	--	139
Capital stock and participation certificates retired	--	(146)	--	(146)
Balance as of December 31, 2013	1	1,811	109,743	111,555
Net income	**--**	**--**	**13,749**	**13,749**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(5,100)**	**(5,100)**
Capital stock and participation certificates issued	**--**	**91**	**--**	**91**
Capital stock and participation certificates retired	**--**	**(146)**	**--**	**(146)**
Balance as of December 31, 2014	**$ 1**	**$ 1,756**	**$ 118,392**	**$ 120,149**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Progressive Farm Credit Services, ACA

(in thousands)

For the year ended December 31		2014		2013		2012
Cash flows from operating activities						
Net income	**$**	**13,749**	$	12,291	$	12,428
Depreciation on premises and equipment		**194**		201		196
(Gain) loss on sale of premises and equipment		**(3)**		(112)		2
Amortization of premiums on investment securities and loans		**545**		552		707
Provision for (reversal of) loan losses		**83**		(136)		(242)
Stock patronage received from AgriBank, FCB		**(839)**		(9)		(756)
Loss on other property owned		**--**		86		--
Changes in operating assets and liabilities:						
(Increase) decrease accrued interest receivable		**(935)**		(218)		468
(Increase) decrease other assets		**(8)**		36		102
Increase (decrease) accrued interest payable		**165**		60		(78)
(Decrease) increase other liabilities		**(80)**		426		120
Net cash provided by operating activities		**12,871**		13,177		12,947
Cash flows from investing activities						
Increase in loans, net		**(23,037)**		(25,162)		(63,705)
Redemptions (purchases) of investment in AgriBank, FCB, net		**1,156**		(44)		173
Purchases of investment in other Farm Credit Institutions, net		**--**		--		(11)
Decrease in investment securities, net		**1,200**		1,291		1,376
Proceeds from sales of other property owned		**--**		180		--
Purchases of premises and equipment, net		**(72)**		(40)		(64)
Net cash used in investing activities		**(20,753)**		(23,775)		(62,231)
Cash flows from financing activities						
Increase in note payable to AgriBank, FCB, net		**12,070**		14,660		53,061
Patronage distributions paid		**(4,100)**		(3,997)		(3,734)
Capital stock and participation retired, net		**(88)**		(65)		(43)
Net cash provided by financing activities		**7,882**		10,598		49,284
Net change in cash		**--**		--		--
Cash at beginning of year		**--**		--		--
Cash at end of year	**$**	**--**	$	--	$	--
Supplemental schedule of non-cash activities						
Stock financed by loan activities	**$**	**70**	$	104	$	123
Stock applied against loan principal		**37**		46		54
Stock applied against interest		**--**		--		1
Loans transferred to other property owned		**--**		266		--
Patronage distributions payable to members		**5,100**		4,100		4,000
Supplemental information						
Interest paid	**$**	**6,421**	$	5,781	$	5,842
Taxes paid (received)		**3**		6		(179)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Progressive Farm Credit Services, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2015, the System consisted of three Farm Credit Banks (FCB), one Agricultural Credit Bank (ACB), and 76 customer-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System bank, and its affiliated associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At January 1, 2015, the District consisted of 17 Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

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

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Farm Credit Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

Association

Progressive Farm Credit Services, ACA (the Association) and its subsidiaries, Progressive Farm Credit Services, FLCA and Progressive Farm Credit Services, PCA (the subsidiaries) are lending institutions of the System. We are a member-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties Bolinger, Butler, Cape Girardeau, Carter, Dunklin, Mississippi, New Madrid, Pemiscot, Ripley, Scott, Stoddard, and Wayne in the state of Missouri.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries.

We offer credit life, term life, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Certain amounts in prior years' financial statements have been reclassified to conform to the current year's presentation.

Principles of Consolidation

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

Significant Accounting Policies

Loans: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. The net amount of fees and related origination costs are not material to the consolidated financial statements taken as a whole.

We place loans in nonaccrual status when:

- principal or interest is delinquent for 90 days or more (unless the loan is well secured and in the process of collection) or
- circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when:

- principal and interest are current,
- prior charge-offs have been recovered,
- the ability of the borrower to fulfill the contractual repayment terms is fully expected,
- the borrower has demonstrated payment performance, and
- the loan is not classified as doubtful or loss.

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans (as defined below).

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets or participating interests have been surrendered and that all of the conditions have been met to be accounted for as a sale.

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses in our loan portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as:

- loan loss history,
- estimated probability of default,
- estimated loss severity,
- portfolio quality, and
- current economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. All risk loans are considered to be impaired loans. Risk loans include:

- nonaccrual loans,
- accruing restructured loans, and
- accruing loans 90 days or more past due.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in "Provision for (reversal of) loan losses" in the Consolidated Statements of Income, recoveries, and charge-offs.

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

Investment Securities: We are authorized to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at cost adjusted for the amortization of premiums and accretion of discounts. If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit related and non-credit related components. The credit related component is expensed through "Miscellaneous income (loss), net" in the Consolidated Statements of Income in the period of impairment. The non-credit related component is recognized in other comprehensive income. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities. Realized gains and losses are determined using specific identification method and are recognized in current operations.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in "Other assets" in the Consolidated Statements of Condition. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in "Miscellaneous income (loss), net" in the Consolidated Statements of Income. Depreciation and maintenance and repair expenses are included in "Other operating expenses" in the Consolidated Statements of Income and improvements are capitalized.

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

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

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

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

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

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

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

Statements of Cash Flows: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The accounting guidance 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 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:

- quoted prices for similar assets or liabilities in active markets,
- quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly,
- inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates, and
- inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own 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.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued, but are not yet effective, and have determined that no such standards are expected to have a material impact to our consolidated financial statements. In addition, no accounting pronouncements were adopted during 2014.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following (dollars in thousands):

	2014		2013		2012	
As of December 31	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 312,029**	**54.4%**	$ 310,668	56.3%	$ 280,032	53.1%
Production and intermediate term	**220,253**	**38.4%**	205,028	37.2%	212,869	40.4%
Agribusiness	**11,297**	**2.0%**	10,307	1.9%	7,482	1.4%
Rural residential real estate	**544**	**0.1%**	781	0.1%	873	0.2%
Other	**29,871**	**5.1%**	24,694	4.5%	25,818	4.9%
Total	**$ 573,994**	**100.0%**	$ 551,478	100.0%	$ 527,074	100.0%

The other category is comprised of loans originated under our mission related investment authority.

Portfolio Concentrations

We have individual borrower, agricultural, and territorial concentrations.

As of December 31, 2014, volume plus commitments to our ten largest borrowers totaled 11.7% of total loans and commitments.

Agricultural concentrations were as follows:

As of December 31	2014	2013	2012
Cotton	**23.0%**	27.0%	24.0%
Corn	**21.0%**	22.0%	22.0%
Rice	**17.0%**	18.0%	17.0%
Soybeans	**16.0%**	17.0%	17.0%
Beef	**4.0%**	4.0%	4.0%
Landlords	**3.0%**	3.0%	2.0%
Processing and marketing	**3.0%**	3.0%	3.0%
Other	**13.0%**	6.0%	11.0%
Total	**100.0%**	100.0%	100.0%

We are chartered to operate in certain counties in Missouri. Approximately 84.1% of our total loan portfolio was in Stoddard, Butler, Scott, Dunklin, New Madrid, Mississippi, and Cape Girardeau counties at December 31, 2014.

While these concentrations represent our maximum potential credit risk as it relates to recorded loan principal, a substantial portion of our lending activities are collateralized. This reduces our exposure to credit loss associated with our lending activities. We consider credit risk exposure in establishing the allowance for loan losses.

Participations

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, or comply with the FCA Regulations or General Financing Agreement (GFA) limitations. The following table presents information regarding participations purchased and sold (in thousands):

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2014	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	**$ --**	**$ --**	**$ 175**	**$ (2,746)**	**$ --**	**$ --**	**$ 175**	**$ (2,746)**
Production and intermediate term	**--**	**(3,497)**	**--**	**(1,033)**	**--**	**--**	**--**	**(4,530)**
Agribusiness	**--**	**(3,084)**	**1,752**	**--**	**--**	**--**	**1,752**	**(3,084)**
Total	**$ --**	**$ (6,581)**	**$ 1,927**	**$ (3,779)**	**$ --**	**$ --**	**$ 1,927**	**$ (10,360)**

As of December 31, 2013	AgriBank Participations Purchased	AgriBank Participations Sold	Other Farm Credit Institutions Participations Purchased	Other Farm Credit Institutions Participations Sold	Non-Farm Credit Institutions Participations Purchased	Non-Farm Credit Institutions Participations Sold	Total Participations Purchased	Total Participations Sold
Real estate mortgage	$ --	$ --	$ 511	$ (3,890)	$ --	$ --	$ 511	$ (3,890)
Production and intermediate term	--	(1,636)	--	(1,536)	--	--	--	(3,172)
Agribusiness	--	(2,709)	3,931	--	--	--	3,931	(2,709)
Total	$ --	$ (4,345)	$ 4,442	$ (5,426)	$ --	$ --	$ 4,442	$ (9,771)

As of December 31, 2012	AgriBank Participations Purchased	AgriBank Participations Sold	Other Farm Credit Institutions Participations Purchased	Other Farm Credit Institutions Participations Sold	Non-Farm Credit Institutions Participations Purchased	Non-Farm Credit Institutions Participations Sold	Total Participations Purchased	Total Participations Sold
Real estate mortgage	$ --	$ --	$ 568	$ (4,208)	$ 118	$ --	$ 686	$ (4,208)
Production and intermediate term	--	--	--	(2,175)	--	--	--	(2,175)
Agribusiness	--	(3,630)	3,499	--	2	--	3,501	(3,630)
Total	$ --	$ (3,630)	$ 4,067	$ (6,383)	$ 120	$ --	$ 4,187	$ (10,013)

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

Credit Quality and Delinquency

One credit quality indicator we utilize is the FCA Uniform Classification System that categorizes loans into five categories. The categories are defined as follows:

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

We had no loans categorized as loss at December 31, 2014, 2013, or 2012.

The following table summarizes loans and related accrued interest receivable classified under the FCA Uniform Classification System by loan type (dollars in thousands):

As of December 31, 2014	Acceptable Amount	Acceptable %	OAEM Amount	OAEM %	Substandard/ Doubtful Amount	Substandard/ Doubtful %	Total Amount
Real estate mortgage	**$ 308,835**	**97.6%**	**$ 5,479**	**1.7%**	**$ 2,254**	**0.7%**	**$ 316,568**
Production and intermediate term	**217,229**	**97.0%**	**4,972**	**2.2%**	**1,856**	**0.8%**	**224,057**
Agribusiness	**11,509**	**100.0%**	**--**	**--**	**--**	**--**	**11,509**
Rural residential real estate	**545**	**100.0%**	**--**	**--**	**--**	**--**	**545**
Other	**29,999**	**100.0%**	**--**	**--**	**--**	**--**	**29,999**
Total	**$ 568,117**	**97.5%**	**$ 10,451**	**1.8%**	**$ 4,110**	**0.7%**	**$ 582,678**

As of December 31, 2013	Acceptable Amount	Acceptable %	OAEM Amount	OAEM %	Substandard/ Doubtful Amount	Substandard/ Doubtful %	Total Amount
Real estate mortgage	$ 311,716	99.0%	$ 1,332	0.4%	$ 1,751	0.6%	$ 314,799
Production and intermediate term	205,068	98.4%	3,186	1.5%	140	0.1%	208,394
Agribusiness	10,416	100.0%	--	--	--	--	10,416
Rural residential real estate	604	77.1%	134	17.1%	45	5.8%	783
Other	24,828	100.0%	--	--	--	--	24,828
Total	$ 552,632	98.8%	$ 4,652	0.8%	$ 1,936	0.4%	$ 559,220

As of December 31, 2012	Acceptable Amount	%	OAEM Amount	%	Substandard/ Doubtful Amount	%	Total Amount
Real estate mortgage	$ 277,632	97.7%	$ 5,006	1.8%	$ 1,469	0.5%	$ 284,107
Production and intermediate term	209,570	97.0%	6,159	2.9%	319	0.1%	216,048
Agribusiness	7,204	94.7%	149	2.0%	251	3.3%	7,604
Rural residential real estate	681	77.8%	139	15.9%	55	6.3%	875
Other	25,956	100.0%	--	--	--	--	25,956
Total	$ 521,043	97.5%	$ 11,453	2.1%	$ 2,094	0.4%	$ 534,590

The following table provides an aging analysis of past due loans and related accrued interest receivable by loan type (in thousands):

As of December 31, 2014	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	**$ 280**	**$ --**	**$ 280**	**$ 316,288**	**$ 316,568**
Production and intermediate term	**2**	**--**	**2**	**224,055**	**224,057**
Agribusiness	**--**	**--**	**--**	**11,509**	**11,509**
Rural residential real estate	**--**	**--**	**--**	**545**	**545**
Other	**1,001**	**--**	**1,001**	**28,998**	**29,999**
Total	**$ 1,283**	**$ --**	**$ 1,283**	**$ 581,395**	**$ 582,678**

As of December 31, 2013	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	$ 587	$ --	$ 587	$ 314,212	$ 314,799
Production and intermediate term	83	--	83	208,311	208,394
Agribusiness	--	--	--	10,416	10,416
Rural residential real estate	--	--	--	783	783
Other	1,116	--	1,116	23,712	24,828
Total	$ 1,786	$ --	$ 1,786	$ 557,434	$ 559,220

As of December 31, 2012	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	$ 255	$ --	$ 255	$ 283,852	$ 284,107
Production and intermediate term	189	--	189	215,859	216,048
Agribusiness	--	250	250	7,354	7,604
Rural residential real estate	--	--	--	875	875
Other	--	--	--	25,956	25,956
Total	$ 444	$ 250	$ 694	$ 533,896	$ 534,590

There were no loans 90 days or more past due and still accruing interest at December 31, 2014, 2013, and 2012.

Risk Loans

The following table presents risk loan information (accruing loans include accrued interest receivable) (in thousands):

As of December 31	**2014**	2013	2012
Nonaccrual loans:			
Current	**$ 590**	$ 18	$ 268
Past due	**--**	--	368
Total nonaccrual loans	**590**	18	636
Accruing restructured loans	**--**	--	--
Accruing loans 90 days or more past due	**--**	--	--
Total risk loans	**$ 590**	$ 18	$ 636
Volume with specific reserves	**$ 590**	$ 4	$ --
Volume without specific reserves	**--**	14	636
Total risk loans	**$ 590**	$ 18	$ 636
Total specific reserves	**$ 75**	$ 1	$ --

For the year ended December 31	**2014**	2013	2012
Income on accrual risk loans	**$ 13**	$ 6	$ 18
Income on nonaccrual loans	**25**	40	47
Total income on risk loans	**$ 38**	$ 46	$ 65
Average risk loans	**$ 786**	$ 331	$ 903

The increase in nonaccrual loans was due to a classification downgrade of a local poultry credit during the first quarter of 2014.

To mitigate credit risk, we have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac). In the event of default, subject to certain conditions, we have the right to sell the loans identified in the agreement to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed volume of loans subject to the purchase agreement was $8.6 million, $3.8 million, and $3.8 million at December 31, 2014, 2013, and 2012, respectively. Fees paid to Farmer Mac for these commitments totaled $30 thousand, $14 thousand, and $13 thousand in 2014, 2013, and 2012, respectively. These amounts are included in "Other operating expenses" in the Consolidated Statements of Income. As of December 31, 2014, no loans have been sold to Farmer Mac under this agreement.

Nonaccrual loans by loan type were as follows (in thousands):

As of December 31	**2014**	2013	2012
Real estate mortgage	**$ 590**	$ --	$ 322
Production and intermediate term	**--**	18	63
Agribusiness	**--**	--	251
Total	**$ 590**	$ 18	$ 636

All risk loans are considered to be impaired loans. The following table provides additional impaired loan information (in thousands):

	As of December 31, 2014			For the year ended December 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 590	$ 640	$ 75	$ 523	$ --
Production and intermediate term	--	--	--	--	--
Other	--	--	--	--	--
Total	$ 590	$ 640	$ 75	$ 523	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ 18
Production and intermediate term	--	534	--	7	8
Other	--	--	--	256	12
Total	$ --	$ 534	$ --	$ 263	$ 38
Total impaired loans:					
Real estate mortgage	$ 590	$ 640	$ 75	$ 523	$ 18
Production and intermediate term	--	534	--	7	8
Other	--	--	--	256	12
Total	$ 590	$ 1,174	$ 75	$ 786	$ 38

	As of December 31, 2013			For the year ended December 31, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate term	4	4	1	9	--
Agribusiness	--	--	--	--	--
Other	--	--	--	--	--
Total	$ 4	$ 4	$ 1	$ 9	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ 111	$ 25
Production and intermediate term	14	533	--	27	7
Agribusiness	--	--	--	73	9
Other	--	--	--	111	5
Total	$ 14	$ 533	$ --	$ 322	$ 46
Total impaired loans:					
Real estate mortgage	$ --	$ --	$ --	$ 111	$ 25
Production and intermediate term	18	537	1	36	7
Agribusiness	--	--	--	73	9
Other	--	--	--	111	5
Total	$ 18	$ 537	$ 1	$ 331	$ 46

	As of December 31, 2012			For the year ended December 31, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate term	--	--	--	--	--
Agribusiness	--	--	--	238	--
Other	--	--	--	--	--
Total	$ --	$ --	$ --	$ 238	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 322	$ 322	$ --	$ 218	$ 20
Production and intermediate term	63	584	--	97	11
Agribusiness	251	309	--	2	17
Other	--	--	--	348	17
Total	$ 636	$ 1,215	$ --	$ 665	$ 65
Total impaired loans:					
Real estate mortgage	$ 322	$ 322	$ --	$ 218	$ 20
Production and intermediate term	63	584	--	97	11
Agribusiness	251	309	--	240	17
Other	--	--	--	348	17
Total	$ 636	$ 1,215	$ --	$ 903	$ 65

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

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

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at December 31, 2014.

Troubled Debt Restructurings

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

There was a TDR of a certain real estate mortgage loan during the year ended December 31, 2014. This modification was an interest rate reduction below market. Our recorded investment in this loan just prior to and immediately following the restructuring was $629 thousand. The recorded investment of the loan is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off. There were no TDRs that occurred during the years ended December 31, 2013 or 2012.

There were no TDRs that defaulted during the years ended December 31, 2014, 2013, or 2012 in which the modification was within 12 months of the respective reporting period.

TDRs outstanding within the real estate mortgage loan category totaled $590 thousand, all of which were in nonaccrual status at December 31, 2014. There were no TDRs outstanding at December 31, 2013, and 2012.

There were no additional commitments to lend to borrowers whose loans have been modified in a TDR at December 31, 2014.

Allowance for Loan Losses

A summary of the changes in the allowance for loan losses follows (in thousands):

For the year ended December 31	2014	2013	2012
Balance at beginning of year	**$ 382**	$ 517	$ 768
Provision for (reversal of) loan losses	**83**	(136)	(242)
Loan recoveries	**9**	5	5
Loan charge-offs	**(17)**	(4)	(14)
Balance at end of year	**$ 457**	$ 382	$ 517

The increase in allowance for loan losses was primarily related to a specific reserve on a local poultry credit transferred to nonaccrual status in the first quarter of 2014.

A summary of changes in the allowance for loan losses and period end recorded investment in loans by loan type follows (in thousands):

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Rural Residential Real Estate	Other	Total
Allowance for loan losses:						
Balance as of December 31, 2013	**$ 77**	**$ 281**	**$ 24**	**$ --**	**$ --**	**$ 382**
Provision for (reversal of) loan losses	**82**	**13**	**(12)**	**--**	**--**	**83**
Loan recoveries	**5**	**4**	**--**	**--**	**--**	**9**
Loan charge-offs	**--**	**(17)**	**--**	**--**	**--**	**(17)**
Balance as of December 31, 2014	**$ 164**	**$ 281**	**$ 12**	**$ --**	**$ --**	**$ 457**
Ending balance: individually evaluated for impairment	**$ 75**	**$ --**	**$ --**	**$ --**	**$ --**	**$ 75**
Ending balance: collectively evaluated for impairment	**$ 89**	**$ 281**	**$ 12**	**$ --**	**$ --**	**$ 382**
Recorded investment in loans outstanding:						
Ending balance as of December 31, 2014	**$ 316,568**	**$ 224,057**	**$ 11,509**	**$ 545**	**$ 29,999**	**$ 582,678**
Ending balance: individually evaluated for impairment	**$ 590**	**$ --**	**$ --**	**$ --**	**$ --**	**$ 590**
Ending balance: collectively evaluated for impairment	**$ 315,978**	**$ 224,057**	**$ 11,509**	**$ 545**	**$ 29,999**	**$ 582,088**

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Rural Residential Real Estate	Other	Total
Allowance for loan losses:						
Balance as of December 31, 2012	$ 97	$ 400	$ 19	$ 1	$ --	$ 517
Provision for (reversal of) loan losses	(25)	(115)	5	(1)	--	(136)
Loan recoveries	5	--	--	--	--	5
Loan charge-offs	--	(4)	--	--	--	(4)
Balance as of December 31, 2013	$ 77	$ 281	$ 24	$ --	$ --	$ 382
Ending balance: individually evaluated for impairment	$ --	$ 1	$ --	$ --	$ --	$ 1
Ending balance: collectively evaluated for impairment	$ 77	$ 280	$ 24	$ --	$ --	$ 381
Recorded investment in loans outstanding:						
Ending balance as of December 31, 2013	$ 314,799	$ 208,394	$ 10,416	$ 783	$ 24,828	$ 559,220
Ending balance: individually evaluated for impairment	$ --	$ 18	$ --	$ --	$ --	$ 18
Ending balance: collectively evaluated for impairment	$ 314,799	$ 208,376	$ 10,416	$ 783	$ 24,828	$ 559,202

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Rural Residential Real Estate	Other	Total
Allowance for loan losses:						
Balance as of December 31, 2011	$ 68	$ 290	$ 409	$ 1	$ --	$ 768
Provision for (reversal of) loan losses	24	124	(390)	--	--	(242)
Loan recoveries	5	--	--	--	--	5
Loan charge-offs	--	(14)	--	--	--	(14)
Balance as of December 31, 2012	$ 97	$ 400	$ 19	$ 1	$ --	$ 517
Ending balance: individually evaluated for impairment	$ --	$ --	$ --	$ --	$ --	$ --
Ending balance: collectively evaluated for impairment	$ 97	$ 400	$ 19	$ 1	$ --	$ 517
Recorded investment in loans outstanding:						
Ending balance as of December 31, 2012	$ 284,107	$ 216,048	$ 7,604	$ 875	$ 25,956	$ 534,590
Ending balance: individually evaluated for impairment	$ 322	$ 63	$ 251	$ --	$ --	$ 636
Ending balance: collectively evaluated for impairment	$ 283,785	$ 215,985	$ 7,353	$ 875	$ 25,956	$ 533,954

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

NOTE 4: INVESTMENT IN AGRIBANK

Effective March 31, 2014, we were required by AgriBank to maintain an investment equal to 2.25% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate. Prior to March 31, 2014, the required investment was equal to 2.5%.

The balance of our investment in AgriBank, all required stock, was $11.4 million, $11.7 million, and $11.7 million at December 31, 2014, 2013, and 2012, respectively.

NOTE 5: INVESTMENT SECURITIES

We held investment securities of $4.3 million, $5.5 million, and $6.8 million at December 31, 2014, 2013, and 2012, respectively. Our investment securities consisted of loans guaranteed by the Small Business Administration.

The investment securities are classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

The following table presents further information on investment securities (dollars in thousands):

As of December 31	**2014**	2013	2012
Amortized cost	**$ 4,272**	$ 5,472	$ 6,764
Unrealized gains	**211**	302	621
Unrealized losses	**(4)**	(24)	--
Fair value	**$ 4,479**	$ 5,750	$ 7,385
Weighted average yield	**3.3%**	3.3%	2.8%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $159 thousand, $203 thousand, and $209 thousand in 2014, 2013, and 2012, respectively.

NOTE 6: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and our assets serve as collateral. The following table summarizes note payable information (dollars in thousands):

As of December 31	**2014**	2013	2012
Line of credit	**$ 600,000**	$ 600,000	$ 575,000
Outstanding principal under the line of credit	**472,701**	460,631	445,971
Interest rate	**1.4%**	1.4%	1.3%

Our note payable matures June 30, 2015, at which time the note will be renegotiated.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. At December 31, 2014, and throughout the year, we were within the specified limitations and in compliance with all debt covenants.

NOTE 7: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all customers to whom a lease is issued and of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan or lease is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Protection Mechanisms

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

Regulatory Capitalization Requirements

Under current capital adequacy regulations, we are required to maintain a permanent capital ratio of at least 7.0%, a total surplus ratio of at least 7.0%, and a core surplus ratio of at least 3.5%. The calculation of these ratios in accordance with the FCA Regulations is discussed as follows:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At December 31, 2014, our ratio was 17.8%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At December 31, 2014, our ratio was 17.5%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any excess stock investment in AgriBank divided by average risk-adjusted assets. At December 31, 2014, our ratio was 17.5%.

Regulatory capital includes all of our investment in AgriBank that is in excess of the required investment under an allotment agreement with AgriBank. However, we no longer have any excess stock at December 31, 2014, 2013, or 2012.

Description of Equities

The following table presents information regarding classes and number of shares of stock and participation certificates outstanding as of December 31, 2014. All shares and participation certificates are stated at a $5.00 par value.

	Shares Outstanding
Class A common stock (protected)	**199**
Class B common stock (at-risk)	**1,919**
Class C common stock (at-risk)	**343,645**
Series 2 participation certificates (at-risk)	**5,610**

Under our bylaws, we are also authorized to issue Class D common stock, Class E common stock, and Class F preferred stock. Each of these classes of stock is at-risk and nonvoting with a $5.00 par value per share.

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

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2014, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed first, to holders of preferred stock, and second, pro rata to holders of all classes of common stock and participation certificates.

In the event of impairment, losses will be absorbed first by concurrent impairment of all classes of common stock and participation certificates, then by holders of preferred stock; however, protected stock will be retired at par value regardless of impairment.

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

Patronage Distributions

We accrued patronage distributions of $5.1 million, $4.1 million, and $4.0 million at December 31, 2014, 2013, and 2012, respectively. Generally, the patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

The FCA Regulations prohibit patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. We do not foresee any events that would result in this prohibition in 2015.

NOTE 8: INCOME TAXES

(Benefit from) Provision for Income Taxes

Our (benefit from) provision for income taxes follows (dollars in thousands):

For the year ended December 31	**2014**	2013	2012
Current:			
Federal	**$ (1)**	$ 7	$ (26)
State	**1**	1	--
Total current	**--**	8	(26)
Deferred:			
Federal	**(5)**	33	(50)
State	**--**	--	27
Total deferred	**(5)**	33	(23)
(Benefit from) provision for income taxes	**$ (5)**	$ 41	$ (49)
Effective tax rate	**(0.0%)**	0.3%	(0.4%)

The following table quantifies the differences between the (benefit from) provision for income taxes and income taxes at the statutory rates (in thousands):

For the year ended December 31	**2014**	2013	2012
Federal tax at statutory rates	**$ 4,673**	$ 4,314	$ 4,209
Patronage distributions	**(1,239)**	(1,148)	(1,247)
Effect of non-taxable entity	**(3,388)**	(3,102)	(2,991)
Other	**(51)**	(23)	(20)
(Benefit from) provision for income taxes	**$ (5)**	$ 41	$ (49)

Deferred Income Taxes

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

As of December 31	**2014**	2013	2012
Allowance for loan losses	**$ 103**	$ 103	$ 137
Postretirement benefit accrual	**246**	252	258
Accrued incentive	**102**	130	130
Accrued pension asset	**(212)**	(202)	(209)
Other assets	**48**	--	--
Other liabilities	**(10)**	(11)	(11)
Deferred tax assets, net	**$ 277**	$ 272	$ 305
Gross deferred tax assets	**$ 499**	$ 485	$ 525
Gross deferred tax liabilities	**$ (222)**	$ (213)	$ (220)

A valuation allowance for deferred tax assets was not necessary at December 31, 2014, 2013, or 2012.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $10.0 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $86.4 million as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2014. In addition, we believe we are no longer subject to income tax examinations for years prior to 2011.

NOTE 9: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the Combined AgriBank and Affiliated Associations 2014 Annual Report (District financial statements).

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Coordinating Committee (a subset of the Plan Sponsor Committee comprised of AgriBank District representatives) is responsible for decisions regarding retirement benefits at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

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

As disclosed in the District financial statements, the defined benefit pension plan reflects an unfunded liability totaling $423.9 million at December 31, 2014. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The projected benefit obligation of the District-wide plan was $1.2 billion, $1.0 billion, and $1.1 billion at December 31, 2014, 2013, and 2012, respectively. The fair value of the plan assets was $811.1 million, $759.5 million, and $640.1 million at December 31, 2014, 2013, and 2012, respectively. The accumulated benefit obligation, which is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation, exceeds pension plan assets. The accumulated benefit obligation for the District-wide plan was $1.052 billion, $864.2 million, and $908.2 million at December 31, 2014, 2013, and 2012, respectively. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Total plan expense for participating employers was $45.8 million, $63.3 million, and $52.7 million for 2014, 2013, and 2012, respectively. Our allocated share of plan expenses included in "Salaries and employee benefits" in the Consolidated Statements of Income was $503 thousand, $704 thousand, and $587 thousand for 2014, 2013, and 2012, respectively. The plan expense for participating employers in 2015 is expected to increase to levels more consistent with 2013 primarily due to changes in discount rate and mortality assumptions. Participating employers contributed $52 million, $59.0 million, and $51.3 million to the plan in 2014, 2013, and 2012, respectively. Our allocated share of these pension contributions was $573 thousand, $656 thousand, and $571 thousand for 2014, 2013, and 2012, respectively. Benefits paid to participants in the District were $42.6 million in 2014, none of which were paid to our senior officers who were actively employed during the year. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plans during 2015 is $57.9 million. Our allocated share of these pension contributions is expected to be $686 thousand. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plan. The anticipated costs of these benefits are accrued during the period of the employee's active status. Postretirement benefit costs included in "Salaries and employee benefits" in the Consolidated Statements of Income were $20 thousand, $20 thousand, and $22 thousand for 2014, 2013, and 2012, respectively. Our cash contributions, equal to the benefits paid, were $54 thousand, $60 thousand, and $60 thousand for 2014, 2013, and 2012, respectively.

Defined Contribution Plans

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

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

Employer contribution expenses for the retirement savings plans, included in “Salaries and employee benefits” in the Consolidated Statements of Income, were $150 thousand, $155 thousand, and $142 thousand in 2014, 2013, and 2012, respectively. These expenses were equal to our cash contributions for each year.

NOTE 10: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions are subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2014 involved more than a normal risk of collectability.

The following table presents information on loans to related parties (in thousands):

	2014	2013	2012
As of December 31:			
Total related party loans	**$ 5,930**	$ 4,880	$ 5,722
For the year ended December 31:			
Advances to related parties	**$ 5,758**	$ 4,552	$ 4,232
Repayments by related parties	**4,961**	5,446	4,108

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors. Advances and repayments to related parties at the end of each year are included in the preceding chart.

As discussed in Note 6, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio.

We purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, insurance services, and internal audit services. The total cost of services we purchased from AgriBank was $466 thousand, $476 thousand, and $475 thousand in 2014, 2013, and 2012, respectively.

We also purchase human resource information systems, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). As of December 31, 2014, 2013, and 2012, our investment in Foundations was $11 thousand. The total cost of services purchased from Foundations was $64 thousand, $68 thousand, and $68 thousand in 2014, 2013, and 2012, respectively.

NOTE 11: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have contingent liabilities and outstanding commitments which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk that may be recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. At December 31, 2014, we had commitments to extend credit of $140 million.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements.

NOTE 12: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 for a more complete description of the three input levels.

We did not have any assets measured at fair value on a recurring basis at December 31, 2014, 2013, or 2012.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis follows (in thousands):

As of December 31, 2014	Fair Value Measurement Using				Total Gains
	Level 1	Level 2	Level 3	Total Fair Value	(Losses)
Loans	**$ --**	**$ 541**	**$ --**	**$ 541**	**$ (91)**
Other property owned	**--**	**--**	**--**	**--**	**--**

As of December 31, 2013	Fair Value Measurement Using				Total Gains
	Level 1	Level 2	Level 3	Total Fair Value	(Losses)
Loans	$ --	$ --	$ 4	$ 4	$ (5)
Other property owned	--	--	--	--	(86)

As of December 31, 2012	Fair Value Measurement Using				Total Gains
	Level 1	Level 2	Level 3	Total Fair Value	(Losses)
Loans	$ --	$ --	$ --	$ --	$ 238
Other property owned	--	--	--	--	--

Valuation Techniques

Loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of all our financial instruments is as follows (in thousands):

	2014		2013		2012	
As of December 31	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:						
Net loans	**$ 573,537**	**$ 574,472**	$ 551,096	$ 545,204	$ 526,557	$ 530,736
Investment securities	**4,272**	**4,479**	5,472	5,750	6,764	7,385
Financial liabilities:						
Note payable to AgriBank, FCB	**$ 472,701**	**$ 473,078**	$ 460,631	$ 455,508	$ 445,971	$ 449,115
Unrecognized financial instruments:						
Commitments to extend credit		**$ (175)**		$ (184)		$ (177)

Quoted market prices are generally not available for our financial instruments. Accordingly, we base fair values on:

- judgments regarding future expected losses,
- current economic conditions,
- risk characteristics of various financial instruments,
- credit risk, and
- other factors.

These estimates involve uncertainties, matters of judgment, and cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimating the fair value of our investment in AgriBank is not practical because the stock is not traded. As discussed in Notes 2 and 4, the investment is a requirement of borrowing from AgriBank.

A description of the methods and assumptions used to estimate the fair value of each class of our financial instruments, for which it is practical to estimate that value, follows:

Net loans: Because no active market exists for our loans, fair value is estimated by discounting the expected future cash flows using current interest rates at which similar loans would be made or repriced to borrowers with similar credit risk. In addition, loans are valued using the Farm Credit interest rate yield curve, prepayment rates, contractual loan information, credit classification, and collateral values. As the discount rates are based upon internal pricing mechanisms and other management estimates, management has no basis to determine whether the fair values presented would be indicative of the exit price negotiated in an actual sale. Furthermore, certain statutory or regulatory factors not considered in the valuation, such as the unique statutory rights of System borrowers, could render our portfolio less marketable outside the System.

For fair value of loans individually impaired, we assume collection will result only from the sale of the underlying collateral. Fair value is estimated to equal the total net realizable value of the underlying collateral. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Investment securities: If an active market exists, the fair value is based on currently quoted market prices. For those securities for which an active market does not exist, we estimate the fair value of these investments by discounting the expected future cash flows using current interest rates adjusted for credit risk.

Note payable to AgriBank: Estimating the fair value of the note payable to AgriBank is determined by segregating the note into pricing pools according to the types and terms of the underlying loans funded. We discount the estimated cash flows from these pools using the current rate charged by AgriBank for additional borrowings with similar characteristics.

Commitments to extend credit: Estimating the fair value of commitments and letters of credit is determined by the inherent credit loss in such instruments.

NOTE 14: QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly consolidated results of operations for the year ended December 31 follows (in thousands):

2014	First	Second	Third	Fourth	Total
Net interest income	**$ 3,969**	**$ 4,133**	**$ 4,959**	**$ 4,830**	**$ 17,891**
Provision for (reversal of) loan losses	**73**	**12**	**(1)**	**(1)**	**83**
Patronage income	**307**	**324**	**393**	**548**	**1,572**
Other expense, net	**1,564**	**1,606**	**1,139**	**1,327**	**5,636**
Provision for (benefit from) income taxes	**113**	**18**	**(18)**	**(118)**	**(5)**
Net income	**$ 2,526**	**$ 2,821**	**$ 4,232**	**$ 4,170**	**$ 13,749**

2013	First	Second	Third	Fourth	Total
Net interest income	$ 3,658	$ 3,923	$ 4,684	$ 4,462	$ 16,727
(Reversal of) provision for loan losses	(1)	(1)	2	(136)	(136)
Patronage income	250	272	321	687	1,530
Other expense, net	1,568	1,826	1,101	1,566	6,061
Provision for (benefit from) income taxes	106	14	(5)	(74)	41
Net income	$ 2,235	$ 2,356	$ 3,907	$ 3,793	$ 12,291

2012	First	Second	Third	Fourth	Total
Net interest income	$ 3,255	$ 3,656	$ 4,444	$ 4,267	$ 15,622
(Reversal of) provision for loan losses	(127)	(1)	57	(171)	(242)
Patronage income	211	251	307	593	1,362
Other expense, net	1,531	1,061	935	1,320	4,847
(Benefit from) provision for income taxes	(215)	9	244	(87)	(49)
Net income	$ 2,277	$ 2,838	$ 3,515	$ 3,798	$ 12,428

NOTE 15: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 12, 2015, which is the date the consolidated financial statements were available to be issued. There have been no material subsequent events that would require recognition in our 2014 consolidated financial statements or disclosures in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Progressive Farm Credit Services, ACA
(Unaudited)

Description of Business

General information regarding the business is discussed in Note 1 of this Annual Report.

The description of significant business developments, if any, is discussed in the "Management's Discussion and Analysis" section of this Annual Report.

Description of Property

The following table sets forth certain information regarding our properties:

Location	Description	Usage
Sikeston, MO	Owned	Headquarters
Sikeston, MO	Owned	Branch
Mississippi County, MO	Owned	Branch
Dexter, MO	Owned	Branch
Jackson, MO	Owned	Branch
Kennett, MO	Owned	Branch
Portageville, MO	Owned	Branch
Poplar Bluff, MO	Owned	Branch

Legal Proceedings

Information regarding legal proceedings is discussed in Note 11 of this Annual Report. We were not subject to any enforcement actions as of December 31, 2014.

Description of Capital Structure

Information regarding our capital structure is discussed in Note 7 of this Annual Report.

Description of Liabilities

Information regarding liabilities is discussed in Notes 6, 7, 8, 9, 11, and 13 of this Annual Report.

Selected Financial Data

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

Management's Discussion and Analysis

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

Board of Directors

Information regarding directors who served as of December 31, 2014, including business experience in the last five years and any other business interest where a director serves on the Board of Directors or as a senior officer follows:

Michael Aufdenberg is a self-employed grain and livestock farmer. His current term on the board began in August 2012 and expires in August 2015.

Jennifer Hendrickson, outside director, is owner and president of Hendrickson Business Advisors, LLC, a business consulting firm and Hendrickson Business Brokers, LLC a brokerage company. She also serves as advisory director for the Center for Innovation and Entrepreneurship, a business support entity located in Cape Girardeau, Missouri. Her current term on the board began in April, 2013 and expires in August, 2015.

Edward C. Marshall III is a self-employed grain farmer. He also serves as president for Levee District #3, a special levee maintenance taxing entity located in Mississippi County. His current term on the board began in August, 2014 and expires in August, 2017.

Darrell Nichols, Vice-Chairperson of the Board, is a self-employed grain and rice farmer. His current term on the board began in August, 2014 and expires in August, 2017.

James Priggel is a self-employed farmer. His current term on the board began in August, 2013 and expires in August, 2016.

John Robinson is a self-employed grain and cotton farmer. He also serves as a board member of Ditch #37, a special drainage ditch taxing entity located in Dexter, MO. His current term on the board began in August, 2014 and expires in August, 2017.

Phillip M. Showmaker, Chairperson of the Audit Committee and Outside Director, is a partner in a CPA firm, Clay, Showmaker and Clay, which provides farm business and individual tax planning along with farm family wealth transfer planning, located in Sikeston, MO. He is also a partner of Clay & Showmaker, a financial services company. His current term on the board began in August, 2014 and expires in August, 2016.

Marty Vancil is a self-employed grain and cotton farmer. His current term on the board began in August, 2012 and expires in August, 2015.

Markel D. Yarbro, Chairperson of the Board, is a self-employed grain farmer. He also serves on the Ozark Border Electric Coop Board and M&A Electric Coop Board, rural electric cooperatives, in Poplar Bluff, MO. His current term on the board began in August, 2013 and expires in August, 2016.

Pursuant to our bylaws, directors are paid a reasonable amount for attendance at board meetings, committee meetings or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors has adopted a rate of $420 per day and a per diem rate of $175 per conference call.

Information regarding compensation paid to each director who served during 2014 follows:

	Number of Days Served		Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2014
	Board Meetings	Other Official Activities			
Michael Aufdenberg	11	4	$ 175	Audit	$ 6,055
Jennifer Hendrickson	11	4	175	Audit	6,055
Edward C. Marshall III	9	1	175	Audit	3,955
Darrell Nichols	11	2	350	Audit	4,970
James Priggel	11	1	175	Audit	4,795
John Robinson	11	0	--	Audit	4,620
Phillip M. Showmaker	11	4	350	Audit	5,810
Marty Vancil	11	1	175	Audit	4,795
Markel D. Yarbro	11	1	175	Audit	4,795
					$ 45,850

Senior Officers

The senior officers (and the date each began his current position) who served as of December 31, 2014, include:

Ronald C. Milbach, Chief Executive Officer (April 1991)
Robert E. Smith, Chief Credit Officer (April 1982)
Vernon D. Griffith, Chief Financial Officer (November 1991)

All of the senior officers have held their current positions for the past five years.

Information related to compensation paid to senior officers is provided in our Annual Meeting Information Statement (AMIS). The AMIS is available for public inspection at our office.

Transactions with Senior Officers and Directors

Information regarding related party transactions is discussed in Note 10 of this Annual Report.

Travel, Subsistence, and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at 1116 N. Main Street, Sikeston, Missouri 63801, (573) 471-0342, or via e-mail at progressivefcs@progressivefcs.com.

The total directors' travel, subsistence, and other related expenses were $5 thousand, $4 thousand, and $6 thousand in 2014, 2013, and 2012, respectively.

Involvement in Certain Legal Proceedings

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2015 or at any time during 2014.

Member Privacy

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

Relationship with Qualified Public Accountant

There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total fees paid during 2014 were $21 thousand. The fees paid were for audit services.

Financial Statements

The "Report of Management", "Report of Audit Committee", "Independent Auditor's Report", "Consolidated Financial Statements", and "Notes to Consolidated Financial Statements" are presented prior to this portion of the Annual Report.

Young, Beginning, and Small Farmers and Ranchers

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

Equal Employment Opportunity

We are an equal opportunity employer. It is our policy to provide equal employment opportunity to all persons regardless of race, color, religion, national origin, sex, age, disability, veteran status, genetic information, sexual orientation, creed, marital status, status with regard to public assistance, membership or activity involving a local human rights commission, or any other characteristic protected by law. We comply with all state and local equal employment opportunity regulations. We conduct all personnel decisions and processes relating to our employees and job applicants in an environment free of discrimination and harassment.

Progressive Farm Credit Services, ACA
Young, Beginning and Small Farmers and Ranchers
(Unaudited)

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

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
  - A loan to a "young" or "beginning" borrower qualifies if the young or beginning borrower is obligated on the note or is an owner of the closely held entity financed. A loan to a publicly held entity or other entity that is not closely held does not qualify.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

Demographics

Based on the United States Department of Agriculture (USDA) 2012 Census of Agriculture, 6.17% of the farmers in our 12 county territory are young farmers (up to age 34); 16.46% of the farmers in the territory are beginning farmers (up to 9 years 'on the present farm'); and 76.70% of the farms are small farms ($1,000 to $249,000 gross farm income).

The USDA Census definitions are in parentheses above. Please note that the USDA Census definitions do not exactly match the accepted YBS definitions widely used in the Farm Credit System as listed in the previous section and therefore the Census percentages are not necessarily comparable to the associations' percentages.

Mission Statement

Young, beginning and small farmers, ranchers and producers or harvesters of aquatic products are valued customers of our Association. It is our mission to provide sound and constructive credit and services to young, beginning and small farmers, ranchers and producers or harvesters of aquatic products to the maximum extent possible consistent with safe and sound business practices and within our risk-bearing capacity.

Quantitative Goals and Results

Below are the 2014 targets and actual results for our young, beginning and small farmers and ranchers program:

2014 Target	2014 Actual Results
15% by Number	18.8% Young Farmers (all existing)
15% by Number	19.5% Young Farmers (new loans in 2014)
10% by Volume	16.1% Young Farmers (all existing)
10% by Volume	16.8% Young Farmers (new loans in 2014)
15% by Number	22.7% Beginning Farmers (all existing)
15% by Number	24.3% Beginning Farmers (new loans in 2014)
10% by Volume	21.3% Beginning Farmers (all existing)
10% by Volume	25.2% Beginning Farmers (new loans in 2014
15% by Number	38.8% Small Farmers (all existing)
15% by Number	34.0% Small Farmers (new loans in 2014)
10% by Volume	14.4% Small Farmers (all existing)
10% by Volume	6.8% Small Farmers (new loans in 2014)

The following tables detail the level of new business generated in 2014 plus the level of business outstanding as of December 31, 2014, both by number of loans and by volume for young and beginning farmers and ranchers:

Young and Beginning Farmers and Ranchers – Gross New Business During 2014				
Category	Number Of Loans	Percent of Total	Volume Outstanding ($000's)	Percent of Total
Total gross new loans and commitments made during the year	1,100	100.00%	$295,299	100.00%
Total loans and commitments made to young farmers and ranchers	214	19.45%	$49,623	16.80%
Total loans and commitments made to beginning farmers and ranchers	267	24.27%	$74,366	25.18%

Young and Beginning Farmers and Ranchers – Number/Volume of Loans Outstanding at December 31, 2014				
Category	Number Of Loans	Percent of Total	Volume Outstanding ($000's)	Percent of Total
Total loans and commitments outstanding at year end	4,167	100.00%	$714,303	100.00%
Young farmers and ranchers	784	18.81%	$114,903	16.09%
Beginning farmers and ranchers	944	22.65%	$152,430	21.34%

The following tables detail the level of new business generated in 2014 plus the level of business outstanding as of December 31, 2014, both by number of loans and by volume for small farmers and ranchers:

Small Farmers and Ranchers - Gross New Business by Loan Size During 2014				
Number/Volume	$0 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 and greater
Total number of new loans and commitments made during the year	419	159	233	289
Total number of loans made to small farmers and ranchers during the year	256	68	40	10
Number of loans to small farmers and ranchers as a % of total number of loans	61.10%	42.77%	17.17%	3.46%
Total gross loan volume of all new loans and commitments made during the year ($000's)	$10,132	$12,084	$39,291	$233,792
Total gross loan volume to small farmers and ranchers ($000's)	$5,337	$5,049	$6,063	$3.657
Loan volume to small farmers and ranchers as a % of total gross new loan volume	52.67%	41.78%	15.43%	1.56%

Small Farmers and Ranchers - Number/Volume of Loans Outstanding by Loan Size at December 31, 2014				
Number/Volume Outstanding	$0 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 and greater
Total loans and commitments outstanding at year end	1,876	714	839	738
Total number of loans to small farmers and ranchers	1,022	289	238	67
Number of loans to small farmers and ranchers as a % of total number of loans	54.48%	40.48%	28.37%	9.08%
Total loan volume outstanding at year end ($000's)	$39,558	$51,760	$134,272	$488,713
Total loan volume to small farmers and ranchers ($000's)	$18,982	$20,794	$36,615	$26,136
Loan volume to small farmers and ranchers as a % of total loan volume	47.99%	40.17%	27.27%	5.35%

Qualitative Goals and Outreach Programs

We set the following six qualitative goals for 2014:

- Offer credit and related services in coordination with FSA and State programs.
- Offer differential loan underwriting standards.
- Make use of loan guarantees, subordinations and co-signers.
- Offer business and financial skills training.
- Offer insurance products.
- Promote use of Missouri Linked Deposit Program funding with lower customer interest rates.

Based on our goals for the young, beginning and small farmers and ranchers program, the results were as follows:

- Sponsored meetings to educate YBS farmers on crop marketing techniques including futures and options.
- Sponsored meetings to educate YBS farmers on crop insurance services.
- Sponsored meetings tailored to educate YBS farmers on how to join marketing techniques with crop insurance services.
- Offered crop protection insurance and life insurance to YBS farmers and discussed the benefits with them individually, in meetings and via radio advertising.
- Met with YBS farmers to show them the support that could be made by using FSA 90/10 guarantees.
- Helped YBS farmers obtain lower interest loans using the Missouri Linked Deposit Program.
- Shared Farm Financial Checkup results with borrowers.
- Met with FSA to obtain information to provide to young farmers on programs that would benefit them, including guarantee and subordination programs.
- Counseled YBS farmers in the office on good financial practices.
- Ran ads on radio stations pertaining to YBS programs.
- Attended semi-annual meetings on the Three Rivers Junior College Ag Committee to discuss educational needs of Ag students.
- Offered a streamlined scorecard approval service for small farmers to significantly reduce paperwork.
- Met with Ag business students from Arkansas State University to conduct a job interview which is a requirement for their class.
- Encouraged YBS farmers to use marketing consultants, scouting services and financial guidance counselors.
- Encouraged YBS farmers to keep adequate financial records and for their accountant to prepare full disclosure yearend financial statements including a Statement of Cash Flows to better analyze and manage their finances.
- Member of Kennett Chamber of Commerce Agriculture committee.
- Met with FSA officials to identify YBS farmers that may be able to graduate from FSA and qualify for loans from Progressive FCS.
- Invited FSA loan officer to be special guest speaker at meeting to discuss farm programs and opportunities for YBS farmers.
- Made FSA guaranteed loans with YBS farmers.
- Made FSA subordinated loans to YBS farmers and continued to work with the FSA loan officer on possible new loans for them.
- Served as a judge for District FFA Speech contest.
- Met with SEMO University students to help with class assignments on marketing.
- Purchased highway billboard specifically seeking YBS farmers.
- Participated in Campbell Jr. High and High School career day.

PARTICIPATED IN VARIOUS SPONSORSHIPS:

- MO Rice Research Field Day
- MO Delta Center Field Day
- Missouri Farm Bureau Foundation for YBS farmers
- Farmers Recognition Banquet for the Charleston & Kelly High School Districts
- Meal for SEMO District Ag Teachers meeting
- Missouri Farm Bureau Foundation golf tournament
- Several high school athletic teams and events
- SEMO district fair 4H & FFA livestock show
- Local FFA Chapters for awards
- University of MO corn production meeting
- Stoddard County 4H livestock auction
- Missouri Young Farmer/Young Farmer Wives Tour
- Farmers Recognition Banquet at Sikeston

Safety and Soundness of the Program

In order to provide for extension of sound and constructive credit to young, beginning, and small farmers and ranchers, consistent with our mission statement and business objectives, we set standards and guidelines related to character, capacity, capital and collateral.
The following standards and guidelines applied to our young, beginning and small farmers and ranchers:

YBS Standards and Guidelines		
Character:	Must be satisfactory	(same as regular standard)
Capacity:	115% Capital debt repayment capacity	(same as regular standard)
Capital:	Liquidity: 0% adjusted working capital divided by average gross income	(vs 15% regular standard)
	Solvency: 40% owners' equity	(vs 50% regular standard)
Collateral:	85% Loan to appraised value (PCA)	(vs 75% regular standard)
	75% Loan to appraised value (FLCA)	(vs 65% regular standard)

As indicated by these standards, primary emphasis will be on the character and capacity standards. Exceptions may be granted if there are offsetting strengths. All terms of repayment or advances will be consistent with our existing lending standards and policy. Obtaining co-signers or guarantors will be encouraged where applicable in order to maintain credit standards, but is not necessarily a requirement. Whenever possible, maximum coordination will occur between us and with governmental and other private sources of credit to provide the best credit package for the customer. Applicants are expected to have the capability to manage and perform at or above average enterprise standards of earnings.

To minimize credit and profit risk exposure when less restrictive minimum credit criteria are required than for other customers, supplemental services or incentives not offered to other customers are available, or qualifying farmers receive preferred interest rates, we have set a maximum portfolio concentration not to exceed 200% of our risk funds. This maximum portfolio concentration is the total outstanding principal balances of loans to young, beginning and small farmers and ranchers which have one or more exceptions to the core underwriting standards for regular loans (ie, 50% owners' equity, 15% working capital divided by average gross income, 115% capital debt repayment capacity, and 75% loan to appraised value for the PCA or 65% loan to appraised value for the FLCA – as traditionally analyzed, or loans scoring less than 200 if scorecard processed).

Management will ensure that loans made under these programs are identified and reported to the Board quarterly and to AgriBank, FCB annually, or more frequently as required. Such reports will provide a summary of actual results compared to the quantitative and qualitative program targets and goals as set forth in our operational and strategic business plan. Reports on these programs will also be provided to regulatory agencies, as required.

FUNDS HELD PROGRAM

Progressive Farm Credit Services, ACA

(Unaudited)

The Association offers a Funds Held Program ("Funds Held") that provides for customers to make advance payments on designated real estate loans and intermediate term loans. The following terms and conditions apply to all Funds Held unless the loan agreement, or related documents, between the Association and customer provide for other limitations.

Payment Application

Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment due. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any. Funds received in excess of the billed amount will be placed into Funds Held unless the customer has specified the funds to be applied as a special or early prepayment of principal.

When a loan installment becomes due, monies in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the customer must pay the difference by the installment due date.

Account Maximum

The amount in Funds Held may not exceed 50% of the unpaid principal balance of the loan.

Interest Rate

Interest will accrue on Funds Held at a simple rate of interest determined by the Association, but may never exceed the interest rate charged on the related loan. The Association may change the interest rate from time to time, and may provide for different rates for different categories of loans. The current interest rate paid on all Funds Held accounts is equal to the interest rate accruing on the related loan.

Interest rates are currently reported on each customer's year end loan statement.

Withdrawals

The Association may permit borrowers to withdraw funds from a voluntary Funds Held account, on an exception basis, up to four times per year. The minimum amount that may be withdrawn at any one time is limited to the lesser of $500 or the balance remaining in the Funds Held account.

Any requests for withdrawal of funds must be submitted for Association approval.

Association Options

In the event of default on any loan, or if Funds Held exceeds the maximum limit as established above, or if the Association discontinues its Funds Held Program, the Association may apply funds in the account to the unpaid loan balance and other amounts due, and shall return any excess funds to the customer.

Uninsured Account

Funds Held is not a depository account and is not insured. In the event of Association liquidation, customers having balances in Funds Held shall be notified according to FCA regulations.

Questions

Please direct any questions regarding Funds Held to your local branch representative.

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