How Cooperative Returns Benefit You

Capital Farm Credit is a cooperative, meaning as a borrower you are also a member-owner who shares in our profits. Profits are returned to you through our cooperative returns program, and since 2006, Capital Farm Credit's combined cash returned and allocated equities for members is more than $2.5 billion.

In Spring 2023, we returned $127.6 million cash to our members based on our 2022 strong financial performance. In addition, the association set aside $142.4 million in allocated equities for future distribution to our members, for a record, $270 million total.

We have a long tradition of strong earnings, which benefits our members. As our earnings are returned through our cooperative returns program, the association lowers the cost of doing business for our members, and in turn helps to strengthen the agricultural economy and rural communities we serve. The following Q&A will help explain our cooperative returns program and how it benefits you.

What are cooperative returns?

A cooperative return is a return of a cooperative's earnings back to patrons like you who use the cooperative's services. All members who have a loan relationship in good standing with Capital Farm Credit are eligible for a cooperative return.

What determines how much a borrower receives?

Our board of directors makes an annual decision regarding our cooperative returns program based on a number of factors, including the association's financial performance. A borrower's share of the return is determined by the total earnings generated by the association, and is allocated based upon the interest accrued on his or her loan. Each individual borrower's cooperative returns amount will depend on that borrower's interest rate and loan volume. Simply put, the return is based on the amount of business the borrower does with Capital Farm Credit.

How do cooperative returns benefit customers?

The cooperative return results in a return of a portion of interest the member paid, which ultimately lowers the effective rate and reduces their borrowing cost. Capital Farm Credit charges a market interest rate on loans, but our customers get money back through our cooperative returns program, which reduces their cost of financing.

How do cooperative returns benefit the cooperative?

Earnings that are not returned to members are reinvested in the cooperative to capitalize the association. In addition, unlike most corporate earnings, Capital Farm Credit's earnings distributed as non-qualified equities are taxed only once — to the member when they are distributed in the form of a cash payment.

Is the cooperative returns program sustainable?

Capital Farm Credit runs long-term financial projections and plans accordingly to ensure our philosophy is sustainable. Continuing our patronage philosophy is important and we manage our business with this in mind. We've paid cash and allocated non-qualified equities since 2006.

What sets Capital Farm Credit's cooperative returns program apart?

We're one of few Farm Credit Associations that allocates nearly all of our earnings to members. Since 2006, the total cooperative return represents more than 90% of the earnings during this period. Regulations prevent allocating 100% of earnings, but by and large, we distribute nearly all of our member-sourced income in cooperative returns.

Based on our solid financial results in 2022, our board of directors approved a record $270 million in cooperative returns to our members. We distributed $127.6 million in cash this spring — our highest cash distribution yet — and set aside an additional $142.4 million in allocated equities for members until it is eligible for disbursement.

Cooperatives are formed by members to offer services that benefit or enhance their operations. As an extension of their operation, Capital Farm Credit puts the resources our members give us — their capital, which is their member stock, plus the interest they pay on their loans — to use for their benefit. We return some of that capital in a cash distribution each year, and allocate some as non-qualified equities to retain for a period of time to capitalize the association. As a healthy cooperative grows, it generates new capital and is able to retire older capital from previous years.

Capital Farm Credit allocates (or puts a name on) its earnings, and they are called non-qualified allocated equities. By allocating these earnings, when a borrower pays off his or her loan, those allocated earnings rightfully belong to that member, and we will make every effort to pay it to them in the future.

Not every cooperative allocates its earnings. If earnings aren't allocated, then a cooperative can use that capital, and never rightfully return it to the patron who contributed to those earnings. We believe customers shouldn't have to capitalize the association after they cease to be members. That's why we retire allocated equities as we are able, and distribute to members in cash.

How it Works:

Loan = $500,000

Interest = 8.25%
With the loan scenerio above, a member would receive the following cooperative returns based on the 2022 declaration:

Cash = $9,047
(represents 22% of total interest paid)

Effective Interest Rate = 6.44%
(based on cooperative returns paid)

Allocated Equities = $12,493
(with future distribution consideration, represents over 30% of total interest paid)

**Calculations based on as if the loan was made January 1, 2022. Loan amount and interest rate are theoretical for example purposed only. CFC has consistently made cooperative returns in each of the last several years and is our intention to continue this practice in the future. Each year, the board of directors make a decision regarding capital distributions after evaluating the association's overall financial condition. Example is provided for informational purposes only. Actual cooperative returns may vary.*