

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollars in thousands)

The commentary which follows reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of Mid-America, ACA and its subsidiaries (the Association). This discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto and the Association's 2001 annual report.

The financial condition and results of operations of AgriBank, FCB materially affect shareholders' investments in the Association. A copy of the Combined AgriBank and Seventh District Associations' financial reports or additional copies of the Association's report are available by contacting the Association at 1601 UPS Drive, P.O. Box 34390, Louisville, Kentucky 40232, (800) 444-FARM, or through the Association's website at www.e-farmcredit.com or via electronic mail to efcsales@e-farmcredit.com. Reports are also available by contacting AgriBank, Post Office Box 64949, St. Paul, Minnesota 55164-0949, (651) 282-8800. The report is also available through AgriBank's website at www.agri-connection.com.

LOAN PORTFOLIO

The Association's loan volume totaled over \$6 billion at March 31, 2002, a \$44,822 increase from December 31, 2001. Competitive interest rates, aggressive marketing, increased participation activity and a strong off-farm economy in the Association's territory have all contributed to the growth in both the mortgage and commercial portfolios. The commercial portfolio tends to follow seasonal trends with volume increasing through the growing season and decreasing as crops are harvested and sold.

The following table presents risk asset information:

	March 31 2002	December 31 2001
Loans:		
Accruing restructured	\$4,852	\$5,632
Past due 90 days or more still accruing	1,412	1,520
Nonaccrual	<u>85,345</u>	<u>71,040</u>
Total risk loans	91,609	78,192
Other property owned	<u>2,601</u>	<u>2,454</u>
Total risk assets	<u>\$94,210</u>	<u>\$80,646</u>
Risk loans as a % of total loans	1.4%	1.3%
Total delinquencies as a % of total loans	1.1%	0.8%

The Association's risk loans have not changed significantly from December 31, 2001, and remain at acceptable levels. At March 31, 2002, 58.3% of the Association's nonaccrual loans were paid current.

The recession has ended and the economy is showing surprising strength. It does, however, remain very fragile and recovery will be slow and highly influenced by global events.

The outlook for the general economy is for continued low inflation, higher interest rates, decreasing unemployment and GDP of 1.4% in 2002 and 3.7% in 2003.

Consumer spending has been the strength of the economy in recent months. We expect this to continue in 2002.

Housing was one of the strongest areas of the economy in 2001, aided by a significant decline in interest rates. We expect housing to slow moderately in 2002, as demand weakens and interest rates rise.

The automobile industry slowed through much of 2001, though incentives late in the year buoyed sales. We expect sales to be slow in early 2002, but to improve through the remainder of the year.

Agricultural economic conditions, exclusive of government payments, remain challenging. Generally, crop producers have experienced relatively low to negative levels of net farm income, excluding direct government support payments. Weak export demand combined with generally strong production trends has resulted in rising stocks for most commodities and has led to low prices. With large domestic stocks, commodity prices are not expected to improve in the near term. Low commodity prices have been largely mitigated by continued government support of agriculture. Additionally, livestock producers have generally benefited from inexpensive feed.

The livestock sector was challenged by low prices during the latter part of 2001. We do, however, expect to see prices move back to profitable levels as the general economy rebounds in 2002.

The current Farm Program expires after 2002, and while this is a concern, we do expect the new Program to maintain a responsive level of financial support for agriculture.

We expect to see some deterioration in credit quality and increasing levels of nonaccrual volume and charge-offs over the next year. This is not, however, anticipated to pose any serious portfolio problems.

Included in the Association's formally restructured loans are loans purchased from the former Farm Credit Bank of Louisville, FCB (the Bank) which the Bank had restructured. Such loans totaled \$4,852 at March 31, 2002 compared to \$5,632 at December 31, 2001.

The Association's allowance for loan losses is maintained at a level consistent with the loss potential inherent in the loan portfolio. Management determines the appropriate level by considering such factors as loan loss experience, portfolio quality, portfolio concentrations and economic and environmental factors.

Comparative allowance coverage of various loan categories follows:

	March 31 2002	December 31 2001
Allowance as a percentage of:		
Loans	1.7%	1.7%
Nonaccrual loans	126.3%	150.0%
Total risk loans	117.6%	127.1%

Management considers the allowance for loan losses at March 31, 2002, to be reasonable in relation to the inherent risk in the Association's loan portfolio.

RESULTS OF OPERATIONS

The Association's net income for the three months ended March 31, 2002 totaled \$25,306 compared to \$23,485 for the same period of 2001. The following table illustrates profitability information:

As of March 31	2002	2001
Return on average assets	1.5%	1.6%
Return on average members' equity	9.9%	11.0%

The major components of the changes in net income for the three months ended March 31, 2002, compared to March 31, 2001, are presented in the following table:

Increase (decrease) in net income	2002 vs.2001
Net interest income	\$3,295
Provision for loan losses	1,488
Dividend income	(908)
Financially related services and miscellaneous income	(513)
Operating expenses	(1,323)
Provision for income taxes	<u>(218)</u>
Total change in net income	<u>\$1,821</u>

Net interest income for the Association was \$37,203 for the three months ended March 31, 2002. The following table quantifies changes in net interest income for the three months ended March 31, 2002, compared to March 31, 2001:

Changes in net interest income	2002 vs.2001
Changes in volume	\$5,964
Changes in rates	<u>(2,669)</u>
Net change	<u>\$3,295</u>

The decrease in the provision for loan losses reflects an adequate allowance position and minimal loan losses.

The Association's dividend income represents earnings on its investment in AgriBank. The dividend rate is set by AgriBank's Board of Directors and is calculated to be equal to the average district-wide interest rate on the associations note payable to AgriBank. The decrease in dividend income for the three months ended March 31, 2002 compared to 2001 is due in part to a decrease in the 2002 dividend rate resulting from the declining interest rate environment.

The decrease in financially related service and miscellaneous income is due to a decrease in prepayment fees collected.

The increase in Association operating expenses is primarily due to an increase in employee salary and benefit expense as well as higher System insurance expense.

The changes in the Association's return on average assets and return on average capital are directly related to the changes in income discussed above, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Capital section below.

FUNDING, LIQUIDITY AND CAPITAL

The Association receives external funding from AgriBank. Effective January 1, 2002, the line of credit was renegotiated with AgriBank totaling \$6,600,000. The new maturity date is December 31, 2002, for the Association's note payable at which time the note will be renegotiated. Under the terms of its general financing agreement, the repricing attributes of the Association's note payable corresponds to the repricing attributes of its loan portfolio. Accordingly, market interest rate risk is significantly reduced.

Total capital increased \$26,057 from December 31, 2001, reflecting net income and an increase in capital stock and participation certificates.

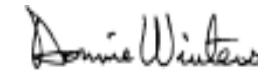
At March 31, 2002, the Association's permanent capital ratio, total surplus ratio and core surplus ratio exceeded the regulatory minimum requirements of 7%, 7% and 3.5%, respectively. These ratios are calculated in accordance with FCA Regulations and are discussed in the following paragraphs:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At March 31, 2002, the Association's ratio was 15.3%.
- 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 March 31, 2002, the Association's ratio was 14.4%.
- The core surplus ratio is average unallocated surplus less the Association's investment in AgriBank divided by average risk-adjusted assets. At March 31, 2002, the Association's ratio was 12.4%.

The Association's capital adequacy ratios are directly impacted by the changes in capital as more fully explained above and the changes in assets as further discussed in the Loan Portfolio section.



Gordon E. Carter
Chairperson of the Board
FCS of Mid-America, ACA



Donald W. Winters
President and Chief Executive Officer
FCS of Mid-America, ACA

April 30, 2002

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Mid-America, ACA
(Dollars in thousands)

	March 31 2002	December 31 2001
ASSETS		
Loans	\$6,286,340	\$6,241,518
Allowance for loan losses	107,761	106,570
Net loans	6,178,579	6,134,948
Investment in AgriBank	188,817	188,817
Accrued interest receivable	71,709	84,051
Premises and equipment, net	36,101	36,722
Other property owned	2,601	2,454
Assets held for lease, net	105,711	115,460
Net deferred income tax asset	12,308	13,769
Other assets	21,064	105,272
Total assets	\$6,616,890	\$6,681,493
LIABILITIES		
Note payable to AgriBank	\$5,479,922	\$5,559,170
Accrued interest payable	73,234	78,709
Other liabilities	24,484	30,421
Total liabilities	5,577,640	5,668,300
Contingent liabilities (Note 3)		
MEMBERS' EQUITY		
Protected members' equity	79	86
Capital stock and participation certificates	52,896	52,138
Unallocated surplus	986,275	960,969
Total members' equity	1,039,250	1,013,193
Total liabilities and members' equity	\$6,616,890	\$6,681,493

CONSOLIDATED STATEMENT OF INCOME

Farm Credit Services of Mid-America, ACA
(Dollars in thousands)

Period ended March 31	2002	2001
Interest income	\$108,875	\$109,617
Interest expense	71,672	75,709
Net interest income	37,203	33,908
Provision for loan losses	445	1,933
Net interest income and provision for loan losses	36,758	31,975
Other income		
Dividend income	2,007	2,915
Financially related services and miscellaneous income	1,851	2,364
Total other income	3,858	5,279
Operating expense		
Salaries and employee benefits	6,531	5,498
Other operating	6,898	6,608
Total operating expenses	13,429	12,106
Income before income taxes	27,187	25,148
Provision for income taxes	1,881	1,663
Net income	\$25,306	\$23,485

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Mid-America, ACA
(Dollars in thousands)

	Capital			Total Members' Equity
	Protected Members' Equity	Stock and Participation Certificates	Surplus	
Balance at December 31, 2000	\$491	\$64,580	\$796,883	\$861,954
Net income	--	--	23,485	23,485
Capital stock/participation certificates issued	--	2,387	--	2,387
Capital stock/participation certificates retired	(379)	(19,935)	--	(20,314)
Balance at March 31, 2001	\$112	\$47,032	\$820,368	\$867,512
Balance at December 31, 2001	\$86	\$52,138	\$960,969	\$1,013,193
Net income	--	--	25,306	25,306
Capital stock/participation certificates issued	--	2,123	--	2,123
Capital stock/participation certificates retired	(7)	(1,365)	--	(1,372)
Balance at March 31, 2002	\$79	\$52,896	\$986,275	\$1,039,250

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

NOTES TO FINANCIAL STATEMENTS**NOTE 1:****ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

A description of the organization and operations of the Association, significant accounting policies followed, and financial condition and results of operations as of and for the year ended December 31, 2001 are contained in the 2001 annual report. These unaudited first quarter 2002 consolidated financial statements should be read in conjunction therewith.

The accompanying consolidated financial statements contain all information necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations and conform to generally accepted accounting principles in the United States of America and prevailing practices within the financial services industry. The results of the three months ended March 31, 2002, are not necessarily indicative of the results to be expected for the year ended December 31, 2002.

The consolidated financial statements present the consolidated financial results of Farm Credit Services of Mid-America, ACA (the parent) and Farm Credit Services of Mid-America, FLCA and Farm Credit Services of Mid-America, PCA (the subsidiaries). All material intercompany transactions were eliminated in consolidation.

NOTE 2:**ALLOWANCE FOR LOAN LOSSES**

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

Three months ended March 31	2002	2001
Balance at beginning of year	\$106,570	\$100,897
Provision for loan losses	445	1,933
Loan recoveries	1,285	1,045
Loan chargeoffs	(539)	(1,217)
Other	--	604
Balance at end of period	\$107,761	\$103,262

The change in allowance as reflected in other is related to the sale of trade credit loans from the Association to AgriBank.

NOTE 3:**CONTINGENCIES**

In the normal course of business, the Association has outstanding various commitments and contingent liabilities, primarily commitments to extend credit, which are not reflected in the accompanying consolidated financial statements. No material losses are anticipated as a result of these commitments or contingencies.

The Association may, from time to time, be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, management is not aware of any such actions that would have a material impact upon the Association's consolidated financial condition. However, management cannot ensure that such actions will not arise in the future.

Quarterly Report

March 31, 2002