

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. District 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 \$6.4 billion at June 30, 2002, a \$215,117 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:

	June 30	December 31
As of:	2002	2001
Loans:		
Accruing restructured	\$4,335	\$5,632
Past due 90 days or more still accruing	1,708	1,520
Nonaccrual	<u>82,619</u>	71,040
Total risk loans	<u>88,662</u>	78,192
Other property owned	<u>914</u>	2,454
Total risk assets	<u><u>\$89,576</u></u>	\$80,646
Risk loans as a % of total loans	1.4%	1.3%
Total delinquencies as a % of total loans	1.2%	0.8%

The Association's risk loans have not changed significantly from December 31, 2001, and remain at acceptable levels. At June 30, 2002, 65.6% of the Association's nonaccrual loans were paid current.

The second quarter brought a lull in the recovery. Spending moderated in almost every major sector, and annual growth was just 1.1%. The stumbling stock market and falling dollar are the last gasps from unwinding the excesses of the 1990's. Once these bubbles have fully deflated, the economy will be on firmer footing.

Overall, the outlook for the general economy remains positive, largely, due to continued strong spending by consumers. GDP is expected to average 2.5% in 2002 and 3.5% in 2003, the Federal Reserve is not expected to raise rates until late this year or early next year, inflation is expected to remain modest and unemployment will begin to decrease slowly after 2002.

The farm economy has become more challenging than expected due to lower than expected livestock and milk prices, along with prospects of low yields due to weather problems for many of our customers.

The new Farm Program doesn't provide a safety net for production shortfalls, especially when markets react to the production shortfalls, as the current markets are beginning to do. The new Farm Program does provide some protection for low prices to small dairy producers.

The expected reduction in net farm income for 2002 will pose additional renewal and repayment challenges. These challenges are expected to result in some deterioration in credit quality and increasing levels of nonaccrual volume and charge-offs over the next year. We do not, however, anticipate 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 \$4,335 at June 30, 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:

	June 30	December 31
Allowance as a percentage of:	2002	2001
Loans	1.7%	1.7%
Nonaccrual loans	134.3%	150.0%
Total risk loans	<u>125.2%</u>	127.1%

Management considers the allowance for loan losses at June 30, 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 six months ended June 30, 2002 totaled \$50,795 compared to \$46,904 for the same period of 2001. The following table illustrates profitability information:

As of June 30	2002	2001
Return on average assets	1.5%	1.6%
Return on average members' equity	<u>9.8%</u>	10.8%

The major components of the changes in net income for the six months ended June 30, 2002, compared to June 30, 2001, are presented in the following table:

Increase (decrease) in net income	2002 vs.2001
Net interest income	<u>\$8,334</u>
Provision for loan losses	(276)
Dividend income	(1,673)
Financially related services and miscellaneous income	(853)
Operating expenses	(1,521)
Provision for income taxes	<u>(120)</u>
Total change in net income	<u><u>\$3,891</u></u>

Net interest income for the Association was \$74,596 for the six months ended June 30, 2002. The following table quantifies changes in net interest income for the six months ended June 30, 2002, compared to June 30, 2001:

Changes in net interest income	2002 vs.2001
Changes in volume	<u>\$11,855</u>
Changes in rates	<u>(3,521)</u>
Net change	<u><u>\$8,334</u></u>

The increase in the provision for loan losses reflects an increase in loan volume.

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 six months ended June 30, 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 services and miscellaneous income relates primarily to gains recorded in the second quarter of 2001. Additionally, the decrease relates to a reduction in 2002 related services income (primarily multi-peril insurance), partially offset by an acquired property gain received during the second quarter of 2002.

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.

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 \$52,287 from December 31, 2001, reflecting net income and an increase in capital stock and participation certificates.

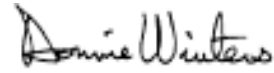
At June 30, 2002, the Association's permanent capital ratio, total surplus ratio and core surplus ratio exceeded the regulatory minimum requirements of 7%, 7% and 3.5%, respectively. These ratios are calculated in accordance with FCA Regulations and are discussed in the following paragraphs:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At June 30, 2002, the Association's ratio was 15.5%.
- 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 June 30, 2002, the Association's ratio was 14.6%.
- The core surplus ratio is average unallocated surplus less the Association's investment in AgriBank divided by average risk-adjusted assets. At June 30, 2002, the Association's ratio was 12.6%.

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

July 31, 2002

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

	June 30 2002	December 31 2001
ASSETS		
Loans	\$6,456,635	\$6,241,518
Allowance for loan losses	110,962	106,570
Net loans	6,345,673	6,134,948
Investment in AgriBank	188,817	188,817
Accrued interest receivable	78,798	84,051
Premises and equipment, net	35,529	36,722
Other property owned	914	2,454
Assets held for lease, net	104,181	115,460
Net deferred income tax asset	12,567	13,769
Other assets	17,907	105,272
Total assets	\$6,784,386	\$6,681,493
LIABILITIES		
Note payable to AgriBank	\$5,622,527	\$5,559,170
Accrued interest payable	72,959	78,709
Other liabilities	23,420	30,421
Total liabilities	5,718,906	5,668,300
Contingent liabilities (Note 3)		
MEMBERS' EQUITY		
Protected members' equity	75	86
Capital stock and participation certificates	53,641	52,138
Unallocated surplus	1,011,764	960,969
Total members' equity	1,065,480	1,013,193
Total liabilities and members' equity	\$6,784,386	\$6,681,493

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

CONSOLIDATED STATEMENT OF INCOME

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

Period ended June 30	Three months		Six months	
	2002	2001	2002	2001
Interest income	\$108,811	\$109,261	\$217,686	\$218,878
Interest expense	71,418	76,907	143,090	152,616
Net interest income	37,393	32,354	74,596	66,262
Provision for loan losses	3,699	1,935	4,144	3,868
Net interest income and provision for loan losses	33,694	30,419	70,452	62,394
Other income				
Dividend income	1,835	2,600	3,842	5,515
Financially related services and miscellaneous income	2,629	2,969	4,480	5,333
Total other income	4,464	5,569	8,322	10,848
Operating expense				
Salaries and employee benefits	6,695	6,386	13,226	11,884
Other operating	6,739	6,850	13,637	13,458
Total operating expenses	13,434	13,236	26,863	25,342
Income before income taxes	24,724	22,752	51,911	47,900
(Income from) provision for income taxes	(765)	(667)	1,116	996
Net income	\$25,489	\$23,419	\$50,795	\$46,904

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	--	--	46,904	46,904
Capital stock/participation certificates issued	--	5,502	--	5,502
Capital stock/participation certificates retired	(389)	(21,096)	--	(21,485)
Balance at June 30, 2001	\$102	\$48,986	\$843,787	\$892,875
Balance at December 31, 2001	\$86	\$52,138	\$960,969	\$1,013,193
Net income	--	--	50,795	50,795
Capital stock/participation certificates issued	--	4,066	--	4,066
Capital stock/participation certificates retired	(11)	(2,563)	--	(2,574)
Balance at June 30, 2002	\$75	\$53,641	\$1,011,764	\$1,065,480

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 second 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 six months ended June 30, 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:

Six months ended June 30	2002	2001
Balance at beginning of year	\$106,570	\$100,897
Provision for loan losses	4,144	3,868
Loan recoveries	2,217	1,963
Loan chargeoffs	(1,969)	(5,362)
Other	--	604
Balance at end of period	\$110,962	\$101,970

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

June 30, 2002



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