

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, or through AgriBank's website at www.agri-connection.com.

LOAN PORTFOLIO

The Association's loan volume totaled over \$6.6 billion at September 30, 2002, a \$446,359 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:

	September 30	December 31
As of:	2002	2001
Loans:		
Accruing restructured	\$4,129	\$5,632
Past due 90 days or more still accruing	1,600	1,520
Nonaccrual	<u>80,553</u>	<u>71,040</u>
Total risk loans	86,282	78,192
Other property owned	<u>682</u>	2,454
Total risk assets	<u>\$86,964</u>	<u>\$80,646</u>
Risk loans as a % of total loans	1.3%	1.3%
Total delinquencies as a % of total loans	0.9%	0.8%

The Association's risk loans have not changed significantly from December 31, 2001, and remain at acceptable levels. At September 30, 2002, 64.1% of the Association's nonaccrual loans were paid current.

The general economy is plodding along and will gather steam slowly. Growth is expected to come in around 2.4% this year and 3.0% next. Spending for equipment is beginning to recover and consumers are still hanging in. The weak sectors are non-residential construction and state government, where little improvement is seen before late next year.

Low livestock and milk prices along with a short crop due to the drought have created a more challenging year than expected. The overall farm sector, however, remains financially sound, with assets continuing to grow and debt is under control.

Most of our farmers will be able to work through the challenges of this year, but we do expect to see some deterioration in credit quality and increases in non-accrual volume and loan losses. We do not, however, expect 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 \$4,129 at September 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:

	September 30	December 31
Allowance as a percentage of:	2002	2001
Loans	1.7%	1.7%
Nonaccrual loans	140.0%	150.0%
Total risk loans	130.7%	127.1%

Management considers the allowance for loan losses at September 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 nine months ended September 30, 2002 totaled \$79,564 compared to \$66,412 for the same period of 2001. The following table illustrates profitability information:

As of September 30	2002	2001
Return on average assets	1.6%	1.5%
Return on average members' equity	10.1%	10.1%

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

Increase (decrease) in net income	2002 vs.2001
Net interest income	\$13,241
Provision for loan losses	(520)
Dividend income	(2,262)
Financially related services and miscellaneous income, net	(415)
Operating expenses	3,628
Provision for income taxes	<u>(520)</u>
Total change in net income	<u><u>\$13,152</u></u>

Net interest income for the Association was \$110,566 for the nine months ended September 30, 2002. The following table quantifies changes in net interest income for the nine months ended September 30, 2002, compared to September 30, 2001:

Changes in net interest income	2002 vs.2001
Changes in volume	\$16,852
Changes in rates	<u>(3,611)</u>
Net change	<u><u>\$13,241</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 AgiBank. The decrease in dividend income for the nine months ended September 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, net 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 decrease in Association operating expenses relates primarily to a state tax refund received during the third quarter of 2002, partially offset by an increase in 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 \$81,879 from December 31, 2001, reflecting net income and an increase in capital stock and participation certificates.

At September 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 September 30, 2002, the Association's ratio was 15.4%.
- 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 September 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 September 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

October 31, 2002

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

	September 30 2002	December 31 2001
ASSETS		
Loans	\$6,687,877	\$6,241,518
Allowance for loan losses	112,765	106,570
Net loans	6,575,112	6,134,948
Investment in AgriBank	188,817	188,817
Accrued interest receivable	98,589	84,051
Premises and equipment, net	35,089	36,722
Other property owned	682	2,454
Assets held for lease, net	106,881	115,460
Net deferred income tax asset	12,052	13,769
Other assets	16,751	105,272
Total assets	\$7,033,973	\$6,681,493
LIABILITIES		
Note payable to AgriBank	\$5,841,340	\$5,559,170
Accrued interest payable	73,065	78,709
Other liabilities	24,496	30,421
Total liabilities	5,938,901	5,668,300
Contingent liabilities (Note 3)		
MEMBERS' EQUITY		
Protected members' equity	68	86
Capital stock and participation certificates	54,471	52,138
Unallocated surplus	1,040,533	960,969
Total members' equity	1,095,072	1,013,193
Total liabilities and members' equity	\$7,033,973	\$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 September 30	Three months		Nine months	
	2002	2001	2002	2001
Interest income	\$107,498	\$110,656	\$325,184	\$329,534
Interest expense	71,528	79,593	214,618	232,209
Net interest income	35,970	31,063	110,566	97,325
Provision for loan losses	2,627	2,383	6,771	6,251
Net interest income and provision for loan losses	33,343	28,680	103,795	91,074
Other income				
Dividend income	1,819	2,408	5,661	7,923
Financially related services and miscellaneous income, net	2,744	2,306	7,224	7,639
Total other income	4,563	4,714	12,885	15,562
Operating expense				
Salaries and employee benefits	5,113	7,448	18,339	19,332
Other operating	3,433	6,247	17,070	19,705
Total operating expenses	8,546	13,695	35,409	39,037
Income before income taxes	29,360	19,699	81,271	67,599
Provision for income taxes	591	191	1,707	1,187
Net income	\$28,769	\$19,508	\$79,564	\$66,412

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	--	--	66,412		66,412
Capital stock/participation certificates issued	--	8,135	--		8,135
Capital stock/participation certificates retired	(394)	(21,990)	--		(22,384)
Balance at September 30, 2001	\$97	\$50,725	\$863,295		\$914,117
Balance at December 31, 2001	\$86	\$52,138	\$960,969		\$1,013,193
Net income	--	--	79,564		79,564
Capital stock/participation certificates issued	--	6,009	--		6,009
Capital stock/participation certificates retired	(18)	(3,676)	--		(3,694)
Balance at September 30, 2002	\$68	\$54,471	\$1,040,533		\$1,095,072

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 third 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 nine months ended September 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:

	Nine months ended September 30 2002	2001
Balance at beginning of year	\$106,570	\$100,897
Provision for loan losses	6,771	6,251
Loan recoveries	2,654	2,785
Loan chargeoffs	(3,230)	(6,911)
Other	--	604
Balance at end of period	\$112,765	\$103,626

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

September 30, 2002



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