

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 2002 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.agribank.com.

LOAN PORTFOLIO

The Association's loan volume totaled over \$7.1 billion at June 30, 2003, a \$232.1 million increase from December 31, 2002. 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 the Association's loan portfolio. 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 2003	December 31 2002
As of:		
Loans:		
Accruing restructured	\$3,194	\$3,693
Past due 90 days or more still accruing	2,605	245
Nonaccrual	71,468	73,851
Total risk loans	77,267	77,789
Other property owned	1,172	663
Total risk assets	\$78,439	\$78,452
Risk loans as a % of total loans	1.1%	1.1%
Total delinquencies as a % of total loans	0.8%	0.7%

The Association's risk loans have not changed significantly from December 31, 2002, and remain at acceptable levels. At June 30, 2003, 62.9% of the Association's nonaccrual loans were current in payment.

A strong second half of the year is expected for the general economy, followed by a solid 2004, as investment and export demand gradually augment consumer spending.

2003 has turned out to be another year with challenging weather situations for many of our farm customers. Late crops, poor stands, drowned out crops and weakening prices, due to an above average national crop, are the challenges many of our crop customers are facing.

The beef and hog sectors have had strong price recovery in 2003, and prices are expected to remain strong over the next few years. Milk prices remain at 25-year lows, and prices are expected to remain low over the next few years, as the supply of milk is adjusted down.

We expect our ag customers to show a wide span of financial results in 2003, depending upon their enterprise, crop yields and risk management practices. Overall, however, we don't expect material challenges to our portfolio from their 2003 business results, due to financial strength most of them took into this year.

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 \$1.4 million at June 30, 2003 compared to \$1.6 million at December 31, 2002.

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 2003	December 31 2002
Allowance as a percentage of:		
Loans	1.6%	1.7%
Nonaccrual loans	164.1%	153.9%
Total risk loans	151.7%	146.1%

Management considers the allowance for loan losses at June 30, 2003 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, 2003, totaled \$61.1 million compared to \$50.8 million for the same period of 2002. The following table illustrates profitability information:

As of June 30	2003	2002
Return on average assets	1.7%	1.5%
Return on average members' equity	10.2%	9.8%

The major components of the changes in net income for the six months ended June 30, 2003 compared to June 30, 2002 are presented below:

Increase (decrease) in net income	2003 vs. 2002
Net interest income	\$6,362
Provision for loan losses	(423)
Equalization and patronage income	6,035
Financially related services and miscellaneous income, net	(127)
Operating expenses	(4,686)
Provision for income taxes	3,194
Total change in net income	\$10,355

Net interest income for the Association was \$80.9 million for the six months ended June 30, 2003. The following table quantifies changes in net interest income for the six months ended June 30, 2003 compared to June 30, 2002:

Change in net interest income	2003 vs. 2002
Changes in volume	\$9,495
Changes in rates	(761)
Changes in nonaccrual and other income	(2,372)
Net change	\$6,362

The increase in the Association's provision for loan losses is directly related to the increase in loan volume.

The increase in equalization and patronage income is due primarily to changes in the calculation methodology between 2003 and 2002. Effective January 1, 2003, equalization is based on the quarterly average balance of the amount of investment in AgriBank held over the required amount. Previously, the Association received dividends on both the excess and required AgriBank investment. Additionally, estimated patronage is being recorded monthly during 2003, while all 2002 patronage was reflected in December.

The decrease in financially related services and miscellaneous income, net is due to a large acquired property gain received during the second quarter of 2002, which was somewhat offset by an increase in prepayment fees.

The increase in Association operating expenses is primarily due to increased System insurance costs, with less effect from purchased service expense and advertising expense.

The variance in the provision for income taxes is due to a decrease in income subject to taxation.

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

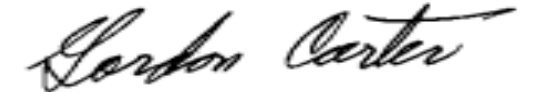
The Association receives external funding from AgriBank. Effective January 1, 2003, the line of credit was renegotiated with AgriBank totaling \$7 billion. The new maturity date is December 31, 2003, at which time the note will be renegotiated. Under the terms of its general financing agreement, the 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 \$62.8 million from December 31, 2002, reflecting an increase in capital stock and participation certificates and net income.

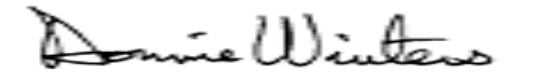
At June 30, 2003, the Association's permanent capital ratio, total surplus ratio and core surplus ratio exceeded the regulatory minimum requirements of 7%, 7% and 3.5%, respectively. These ratios are calculated in accordance with FCA Regulations and are discussed in the following paragraphs:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At June 30, 2003, 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, 2003, the Association's ratio was 14.7%.
- The core surplus ratio is average unallocated surplus less the Association's investment in AgriBank divided by average risk-adjusted assets. At June 30, 2003, the Association's ratio was 13.2%.

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
Farm Credit Services of Mid-America, ACA



Donald W. Winters
President and Chief Executive Officer
Farm Credit Services of Mid-America, ACA

July 31, 2003

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

	June 30	December 31
	2003	2002
ASSETS		
Loans	\$7,110,546	\$6,878,426
Allowance for loan losses	117,247	113,683
Net loans	6,993,299	6,764,743
Investment in AgriBank	220,225	220,225
Accrued interest receivable	72,000	79,522
Premises and equipment, net	34,867	35,480
Other property owned	1,172	663
Assets held for lease, net	110,205	105,377
Net deferred income tax asset	3,577	6,406
Other assets	19,191	35,140
Total assets	\$7,454,536	\$7,247,556
LIABILITIES		
Note payable to AgriBank	\$6,133,061	\$5,980,033
Accrued interest payable	66,325	71,258
Other liabilities	29,495	33,396
Total liabilities	6,228,881	6,084,687
Contingent liabilities		
MEMBERS' EQUITY		
Protected members' equity	49	59
Capital stock and participation certificates	57,231	55,585
Unallocated surplus	1,168,375	1,107,225
Total members' equity	1,225,655	1,162,869
Total liabilities and members' equity	\$7,454,536	\$7,247,556

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)

(Unaudited)

Period ended June 30	Three months		Six months	
	2003	2002	2003	2002
Interest income	\$105,274	\$108,811	\$211,383	\$217,686
Interest expense	64,794	71,418	130,425	143,090
Net interest income	40,480	37,393	80,958	74,596
Provision for loan losses	3,300	3,699	4,567	4,144
Net interest income after provision for loan losses	37,180	33,694	76,391	70,452
Other income				
Equalization and patronage income	4,928	1,835	9,877	3,842
Financially related services and miscellaneous income, net	1,646	2,629	4,353	4,480
Total other income	6,574	4,464	14,230	8,322
Operating expense				
Salaries and employees benefits	6,659	6,695	13,020	13,226
Other operating	9,893	6,739	18,529	13,637
Total operating expenses	16,552	13,434	31,549	26,863
Income before income taxes	27,202	24,724	59,072	51,911
(Benefit from) provision for income taxes	(2,696)	(765)	(2,078)	1,116
Net income	\$29,898	\$25,489	\$61,150	\$50,795

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

	Protected Members' Equity	Capital		Total Members' Equity
		Stock and Participation Certificates	Unallocated Surplus	
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
Balance at December 31, 2002	\$59	\$55,585	\$1,107,225	\$1,162,869
Net income	--	--	61,150	61,150
Capital stock/participation certificates issued	--	4,650	--	4,650
Capital stock/participation certificates retired	(10)	(3,004)	--	(3,014)
Balance at June 30, 2003	\$49	\$57,231	\$1,168,375	\$1,225,655

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, 2002 are contained in the 2002 annual report. These unaudited second quarter 2003 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 accounting principles generally accepted in the United States of America and prevailing practices within the financial services industry. The results of the six months ended June 30, 2003 are not necessarily indicative of the results to be expected for the year ended December 31, 2003.

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	2003	2002
Balance at beginning of year	\$113,683	\$106,570
Provision for loan losses	4,567	4,144
Loan recoveries	1,581	2,217
Loan chargeoffs	(2,584)	(1,969)
Balance at end of period	\$117,247	\$110,962

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, 2003


Farm Credit Services
OF MID-AMERICA

www.e-farmcredit.com
1-800-444-FARM