

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 \$7.3 billion at September 30, 2003, a \$439.2 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:

	September 30	December 31
As of:	2003	2002
Loans:		
Accruing restructured	\$3,119	\$3,693
Past due 90 days or more still accruing	2,705	245
Nonaccrual	67,461	73,851
Total risk loans	73,285	77,789
Other property owned	987	663
Total risk assets	\$74,272	\$78,452
Risk loans as a % of total loans	1.0%	1.1%
Total delinquencies as a % of total loans	0.9%	0.7%

The Association's risk loans have not changed significantly from December 31, 2002, and remain at acceptable levels. At September 30, 2003, 71.0% 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.

We expect our ag customers to show a wide span of financial results, ranging from a loss in 2003 to record earnings. Overall, however, we expect most of our ag customers to be profitable in 2003 and the ag portfolio to continue to perform well and remain very strong.

Crop yields vary greatly in our four states and range from below average to record yields. An increase in soybean prices has helped to offset a loss of yield, and corn prices remain strong given an expected record crop. Most of our crop operations will be profitable in 2003.

Record beef prices in 2003 have set the stage for a very strong earnings period for this industry. Egg producers and broiler operations are also finding much better pricing opportunities in 2003. The hog sector has not found this same opportunity, and we expect many of our hog operations to show another year of loss, unless they have price protection through a contract.

2003 is proving to be another very challenging year for the dairy industry, and we expect most dairy producers to show a loss in 2003, due to low milk prices. Milk prices are expected to remain low over the next few years, as the supply of milk is adjusted down.

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 September 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:

	September 30	December 31
Allowance as a percentage of:	2003	2002
Loans	1.6%	1.7%
Nonaccrual loans	174.0%	153.9%
Total risk loans	160.2%	146.1%

Management considers the allowance for loan losses at September 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 nine months ended September 30, 2003, totaled \$89.1 million compared to \$79.6 million for the same period of 2002. The following table illustrates profitability information:

As of September 30	2003	2002
Return on average assets	1.6%	1.6%
Return on average members' equity	9.8%	10.1%

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

Increase (decrease) in net income	2003 vs.2002
Net interest income	\$9,662
Provision for loan losses	2,204
Patronage and dividend income	8,813
Financially related services and miscellaneous income, net	(450)
Operating expenses	(15,058)
Provision for income taxes	4,375
Total change in net income	\$9,546

Net interest income for the Association was \$120.2 million for the nine months ended September 30, 2003. The following table quantifies changes in net interest income for the nine months ended September 30, 2003 compared to September 30, 2002:

Change in net interest income	2003 vs.2002
Changes in volume	\$14,077
Changes in rates	(1,692)
Changes in nonaccrual and other income	(2,723)
Net change	\$9,662

The decrease in the Association's provision for loan losses is reflective of changes in the level of allowance for loan losses needed to be adequate to absorb the inherent risk in the portfolio.

The increase in patronage and dividend income is due primarily to changes in the calculation methodology between 2003 and 2002. Effective January 1, 2003, equalization, which is a component of AgriBank's patronage program, 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. Additional patronage which is based on the Association's note payable to AgriBank, 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 large gains received during the second and third quarter of 2002, which was somewhat offset by an increase in prepayment fees.

The increase in Association operating expenses is primarily due to a state tax refund received during the third quarter of 2002, increased System insurance and salaries and benefits expenses, with less effect from purchased service 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 \$91.8 million from December 31, 2002, reflecting an increase in capital stock and participation certificates and net income.

At September 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 September 30, 2003, 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 September 30, 2003, 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, 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

October 31, 2003

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

	September 30	December 31
	2003	2002
ASSETS		
Loans	\$7,317,655	\$6,878,426
Allowance for loan losses	117,373	113,683
Net loans	7,200,282	6,764,743
Investment in AgriBank	220,225	220,225
Accrued interest receivable	92,732	79,522
Premises and equipment, net	34,651	35,480
Other property owned	987	663
Assets held for lease, net	109,641	105,377
Net deferred income tax asset	2,504	6,406
Other assets	18,593	35,140
Total assets	\$7,679,615	\$7,247,556
LIABILITIES		
Note payable to AgriBank	\$6,331,014	\$5,980,033
Accrued interest payable	63,626	71,258
Other liabilities	30,310	33,396
Total liabilities	6,424,950	6,084,687
Contingent liabilities		
MEMBERS' EQUITY		
Protected members' equity	46	59
Capital stock and participation certificates	58,284	55,585
Unallocated surplus	1,196,335	1,107,225
Total members' equity	1,254,665	1,162,869
Total liabilities and members' equity	\$7,679,615	\$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 September 30	Three months		Nine months	
	2003	2002	2003	2002
Interest income	\$103,454	\$107,498	\$314,837	\$325,184
Interest expense	64,184	71,528	194,609	214,618
Net interest income	39,270	35,970	120,228	110,566
Provision for loan losses	--	2,627	4,567	6,771
Net interest income after provision for loan losses	39,270	33,343	115,661	103,795
Other income				
Patronage and dividend income	4,597	1,819	14,474	5,661
Financially related services and miscellaneous income, net	2,421	2,744	6,774	7,224
Total other income	7,018	4,563	21,248	12,885
Operating expense				
Salaries and employees benefits	9,725	5,113	22,745	18,339
Other operating	9,193	3,433	27,722	17,070
Total operating expenses	18,918	8,546	50,467	35,409
Income before income taxes	27,370	29,360	86,442	81,271
(Benefit from) provision for income taxes	(590)	591	(2,668)	1,707
Net income	\$27,960	\$28,769	\$89,110	\$79,564

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
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
Balance at				
December 31, 2002	\$59	\$55,585	\$1,107,225	\$1,162,869
Net income	--	--	89,110	89,110
Capital stock/participation certificates issued	--	7,104	--	7,104
Capital stock/participation certificates retired	(13)	(4,405)	--	(4,418)
Balance at				
September 30, 2003	\$46	\$58,284	\$1,196,335	\$1,254,665

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 third 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 nine months ended September 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:

Nine months ended September 30	2003	2002
Balance at beginning of year	\$113,683	\$106,570
Provision for loan losses	4,567	6,771
Loan recoveries	2,382	2,654
Loan chargeoffs	(3,259)	(3,230)
Balance at end of period	\$117,373	\$112,765

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, 2003



Farm Credit Services of Mid-America, ACA