

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 2003 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 Affiliated 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. The combined AgriBank and Affiliated Associations' 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 \$7.5 billion at March 31, 2004, a \$57.7 million increase from December 31, 2003. 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:

As of:	March 31 2004	December 31 2003
Loans:		
Accruing restructured	\$2,908	\$2,975
Past due 90 days or more still accruing	392	43
Nonaccrual	51,001	54,587
Total risk loans	54,301	57,605
Other property owned	1,402	999
Total risk assets	\$55,703	\$58,604
Risk loans as a % of total loans	0.7%	0.8%
Total delinquencies as a % of total loans	0.6%	0.6%

The Association's risk loans have decreased from December 31, 2003, and remain at acceptable levels. At March 31, 2004, 64.1% of the Association's nonaccrual loans were current in payment.

The general economy is on very solid footing and we expect to see strong growth in 2004. Inflation is expected to remain low and a potential increase in interest rates has been lessened by a slow upturn in employment.

The agricultural economy is very encouraging for most types of agricultural enterprises. Strong pricing opportunities exist for most enterprises for 2004 and low world stocks of crops and an improving global economy may support current pricing opportunities beyond 2004. Overall, 2004 should be a very positive earnings year for most of our farm customers.

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 \$1.2 million at March 31, 2004 compared to \$1.3 million at December 31, 2003.

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 2004	December 31 2003
Loans	1.6%	1.6%
Nonaccrual loans	233.7%	218.2%
Total risk loans	219.5%	206.8%

Management considers the allowance for loan losses at March 31, 2004 to be reasonable in relation to the inherent risk in the Association's loan portfolio. In June 2003, the American Institute of Certified Public Accountants' Accounting Standards Executive Committee (AcSEC) issued a proposed Statement of Position – Allowance for Credit Losses, which was intended to clarify the methodology for estimating the allowance for credit losses and to enhance financial statement disclosures related to the allowance for credit losses. In January 2004, AcSEC withdrew its proposed Statement of Position and announced that it would focus instead on improving financial statement disclosures in this area.

System institutions plan to conduct studies to further refine their allowance methodologies, including what is currently acceptable and permissible under generally accepted accounting principles, focusing specifically on the Securities and Exchange Commission and Federal Financial Institutions Examination Council guidelines. Such a study would likely be completed by the fourth quarter of 2004 with any appropriate changes to the allowance for loan losses implemented at that time.

RESULTS OF OPERATIONS

The Association's net income for the three months ended March 31, 2004, totaled \$27.8 million compared to \$31.3 million for the same period of 2003. The following table illustrates profitability information:

As of March 31	2004	2003
Return on average assets	1.4%	1.7%
Return on average members' equity	8.6%	10.6%

The major components of the changes in net income for the three months ended March 31, 2004 compared to March 31, 2003 are presented below:

Increase (decrease) in net income	2004 vs. 2003
Net interest income	\$1,448
Provision for loan losses	1,227
Patronage income	(335)
Financially related services and miscellaneous income, net	(724)
Operating expenses	(4,078)
Provision for income taxes	(973)
Total change in net income	\$(3,435)

Net interest income for the Association was \$41.9 million for the three months ended March 31, 2004. The following table quantifies changes in net interest income for the three months ended March 31, 2004 compared to March 31, 2003:

Change in net interest income	2004 vs. 2003
Changes in volume	\$4,219
Changes in rates	(2,299)
Changes in nonaccrual income and other	(472)
Net change	\$1,448

The decrease in the Association's provision for loan losses was related to the decrease in nonaccrual loans, the improvement in credit quality and management's overall determination regarding the level of provision necessary to maintain an adequate allowance.

The decrease in financially related services and miscellaneous income, net relates to lower loan prepayment fee income and higher liability insurance costs.

The increase in Association operating expenses is primarily due to an increase in salaries and employees benefits expense, as well as advertising 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, 2004, the line of credit was renegotiated with AgriBank totaling \$7.8 million. The new maturity date is December 31, 2004, 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 \$28.1 million from December 31, 2003, reflecting net income and an increase in capital stock and participation certificates.

At March 31, 2004, 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, 2004, 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 March 31, 2004, 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 March 31, 2004, the Association's ratio was 13.5%.

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.



Robert E. Barton
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

April 30, 2004

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

	March 31 2004	December 31 2003
ASSETS		
Loans	\$7,551,457	\$7,493,738
Allowance for loan losses	119,208	119,105
Net loans	7,432,249	7,374,633
Investment in AgriBank	220,225	220,225
Accrued interest receivable	62,813	73,625
Premises and equipment, net	34,270	34,672
Other property owned	1,402	999
Assets held for lease, net	125,569	120,238
Net deferred income tax asset	217	135
Other assets	18,151	17,933
Total assets	\$7,894,896	\$7,842,460
LIABILITIES		
Note payable to AgriBank	\$6,496,533	\$6,459,007
Accrued interest payable	64,000	64,830
Other liabilities	32,809	45,216
Total liabilities	6,593,342	6,569,053
Contingent liabilities		
MEMBERS' EQUITY		
Protected members' equity	38	43
Capital stock and participation certificates	58,931	58,596
Unallocated surplus	1,242,585	1,214,768
Total members' equity	1,301,554	1,273,407
Total liabilities and members' equity	\$7,894,896	\$7,842,460

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 March 31	Three months	
	2004	2003
Interest income	\$106,203	\$106,109
Interest expense	64,277	65,631
Net interest income	41,926	40,478
Provision for loan losses	40	1,267
Net interest income after provision for loan losses	41,886	39,211
Other income		
Patronage income	4,614	4,949
Financially related services and miscellaneous income, net	1,983	2,707
Total other income	6,597	7,656
Operating expense		
Salaries and employees benefits	9,645	6,361
Other operating	9,430	8,636
Total operating expenses	19,075	14,997
Income before income taxes	29,408	31,870
Provision for income taxes	1,591	618
Net income	\$27,817	\$31,252

CONSOLIDATED STATEMENT OF CHANGES**IN MEMBERS' EQUITY**

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

	Capital			Total Members' Equity
	Protected Members' Equity	Stock and Participation Certificates	Unallocated Surplus	
Balance at				
December 31, 2002	\$59	\$55,585	\$1,107,225	\$1,162,869
Net income	--	--	31,252	31,252
Capital stock/participation certificates issued	--	2,116	--	2,116
Capital stock/participation certificates retired	(7)	(1,459)	--	(1,466)
Balance at				
March 31, 2003	\$52	\$56,242	\$1,138,477	\$1,194,771
Balance at				
December 31, 2003	\$43	\$58,596	\$1,214,768	\$1,273,407
Net income	--	--	27,817	27,817
Capital stock/participation certificates issued	--	1,709	--	1,709
Capital stock/participation certificates retired	(5)	(1,374)	--	(1,379)
Balance at				
March 31, 2004	\$38	\$58,931	\$1,242,585	\$1,301,554

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, 2003 are contained in the 2003 annual report. These unaudited first quarter 2004 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 three months ended March 31, 2004 are not necessarily indicative of the results to be expected for the year ended December 31, 2004.

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 2004	2003
Balance at beginning of year	\$119,105	\$113,683
Provision for loan losses	40	1,267
Loan recoveries	883	735
Loan chargeoffs	(820)	(987)
Balance at end of period	\$119,208	\$114,698

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.



March 31, 2004

Farm Credit Services of Mid-America, ACA