

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 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, 375 Jackson Street, St. Paul, Minnesota 55101, (651) 282-8800, or through AgriBank's website at www.agribank.com.

LOAN PORTFOLIO

The Association's loan volume totaled \$8.0 billion at September 30, 2004, a \$463.5 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: | September 30 2004 | December 31 2003 |
|---|----------------------|---------------------|
| Loans: | | |
| Accruing restructured | \$1,805 | \$2,975 |
| Past due 90 days or more still accruing | 949 | 43 |
| Nonaccrual | 50,359 | 54,587 |
| Total risk loans | 53,113 | 57,605 |
| Other property owned | 1,867 | 999 |
| Total risk assets | \$54,980 | \$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 assets have not changed significantly from December 31, 2003, and remain at acceptable levels. At September 30, 2004, 64.2% of the Association's nonaccrual loans were current in payment.

The general economic situation in the Association's four states is healthy. There are however, isolated areas where unemployment is a concern, but the Association is not seeing much impact in the loan portfolio.

It is expected that the majority of farm customers will have good earnings in 2004. Crop yields are much better than expected and livestock and milk prices have remained strong.

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:

| Allowance as a percentage of: | September 30 2004 | December 31 2003 |
|-------------------------------|----------------------|---------------------|
| Loans | 1.5% | 1.6% |
| Nonaccrual loans | 236.6% | 218.2% |
| Total risk loans | 224.4% | 206.8% |

Management considers the allowance for loan losses at September 30, 2004 to be reasonable in relation to the inherent risk in the Association's loan portfolio.

However, in June 2003, the American Institute of Certified Public Accountants' (AICPA) 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 abandoned its proposed Statement of Position and announced that it would focus instead on improving financial statement disclosures regarding the allowance for loan losses.

System institutions have initiated studies to further refine their methodologies for calculating their respective allowance for loan losses, taking into account generally accepted accounting principles and applicable Farm Credit Administration requirements, as well as the Securities and Exchange Commission and Federal Financial Institutions Examination Council guidelines. These studies are likely to be completed by the fourth quarter of 2004 with any appropriate reductions to the allowance for loan losses implemented at that time. The resulting reductions in the allowance for loan losses may be significant.

In April 2004, the Farm Credit Administration, the System's regulator, issued an "Informational Memorandum" to System institutions regarding the allowance for loan losses. The memorandum addresses the status of the AICPA's project and the Securities and Exchange Commission and the Federal Financial Institutions Examination Council guidance on the subject. The objective of the Farm Credit Administration's memorandum was to clarify its expectations regarding the analysis and related documentation for the allowance for loan losses. The Farm Credit Administration endorsed the direction provided by these other regulatory agencies and will include the conceptual framework addressed in this guidance in their examination process.

RESULTS OF OPERATIONS

The Association's net income for the nine months ended September 30, 2004, totaled \$82.4 million compared to \$89.1 million for the same period of 2003. The following table illustrates profitability information:

| As of September 30 | 2004 | 2003 |
|-----------------------------------|------|------|
| Return on average assets | 1.4% | 1.6% |
| Return on average members' equity | 8.4% | 9.8% |

The major components of the changes in net income for the nine months ended September 30, 2004 compared to September 30, 2003 are presented below:

| Increase (decrease) in net income | 2004 vs. 2003 |
|--|---------------|
| Net interest income | \$3,735 |
| Provision for loan losses | 3,914 |
| Patronage income | (385) |
| Financially related services and miscellaneous income, net | (88) |
| Operating expenses | (6,756) |
| Provision for income taxes | (7,105) |
| Total change in net income | (\$6,685) |

Net interest income for the Association was \$124.0 million for the nine months ended September 30, 2004. The following table quantifies changes in net interest income for the nine months ended September 30, 2004 compared to September 30, 2003:

| Change in net interest income | 2004 vs. 2003 |
|--|---------------|
| Changes in volume | \$12,210 |
| Changes in rates | (6,855) |
| Changes in nonaccrual income and other | (1,620) |
| Net change | \$3,735 |

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 patronage income is related to changes in the patronage rate set by the AgriBank Board of Directors, in the amount of the Association's note payable to AgriBank, and in the amount of investment in AgriBank held over the required investment amount.

The increase in Association operating expenses is primarily due to increased salaries, benefits expense and decreased loan fees. These increases were offset by significantly lower system insurance premiums.

The increase in the provision for income taxes is related to the increased income in the taxable entity.

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

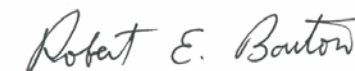
The Association receives external funding from AgriBank. Effective January 1, 2004, the line of credit was renegotiated with AgriBank totaling \$7.8 million. The new maturity date is December 31, 2004, at which time the note will be renegotiated. Under the terms of its general financing agreement, the 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 \$ 84.1 million from December 31, 2003, reflecting net income and an increase in capital stock and participation certificates.

At September 30, 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 September 30, 2004, 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, 2004, the Association's ratio was 14.5%.
- The core surplus ratio is average unallocated surplus less the Association's investment in AgriBank divided by average risk-adjusted assets. At September 30, 2004, the Association's ratio was 13.6%.

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.



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

October 31, 2004

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

| | September 30 2004 | December 31 2003 |
|--|----------------------|---------------------|
| ASSETS | | |
| Loans | \$7,957,192 | \$7,493,738 |
| Allowance for loan losses | 119,170 | 119,105 |
| Net loans | 7,838,022 | 7,374,633 |
| Investment in AgriBank | 220,225 | 220,225 |
| Accrued interest receivable | 92,425 | 73,625 |
| Premises and equipment, net | 33,846 | 34,672 |
| Other property owned | 1,867 | 999 |
| Assets held for lease, net | 121,561 | 120,238 |
| Net deferred income tax asset | -- | 135 |
| Other assets | 16,477 | 17,933 |
| Total assets | \$8,324,423 | \$7,842,460 |
| LIABILITIES | | |
| Note payable to AgriBank | \$6,862,949 | \$6,459,007 |
| Accrued interest payable | 68,483 | 64,830 |
| Net deferred income tax liability | 1,379 | -- |
| Other liabilities | 34,153 | 45,216 |
| Total liabilities | 6,966,964 | 6,569,053 |
| Contingent liabilities | | |
| MEMBERS' EQUITY | | |
| Protected members' equity | 33 | 43 |
| Capital stock and participation certificates | 60,233 | 58,596 |
| Unallocated surplus | 1,297,193 | 1,214,768 |
| Total members' equity | 1,357,459 | 1,273,407 |
| Total liabilities and members' equity | \$8,324,423 | \$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 September 30 | Three months | | Nine months | |
|--|------------------|-----------|------------------|-----------|
| | 2004 | 2003 | 2004 | 2003 |
| Interest income | \$109,531 | \$103,454 | \$322,102 | \$314,837 |
| Interest expense | 68,849 | 64,184 | 198,139 | 194,609 |
| Net interest income | 40,682 | 39,270 | 123,963 | 120,228 |
| Provision for loan losses | 272 | -- | 653 | 4,567 |
| Net interest income after provision for loan losses | 40,410 | 39,270 | 123,310 | 115,661 |
| Other income | | | | |
| Patronage income | 4,806 | 4,597 | 14,089 | 14,474 |
| Financially related services and miscellaneous income, net | 2,250 | 2,421 | 6,686 | 6,774 |
| Total other income | 7,056 | 7,018 | 20,775 | 21,248 |
| Operating expense | | | | |
| Salaries and employees benefits | 10,717 | 9,725 | 30,331 | 22,745 |
| Other operating | 7,931 | 9,193 | 26,892 | 27,722 |
| Total operating expenses | 18,648 | 18,918 | 57,223 | 50,467 |
| Income before income taxes | 28,818 | 27,370 | 66,862 | 86,442 |
| Provision for income taxes | 1,615 | (590) | 4,437 | (2,668) |
| Net income | \$27,203 | \$27,960 | \$82,425 | \$89,110 |

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 |
|--|---------------------------|--|--------------|---------------------|-----------------------|
| | | Participation | Certificates | | |
| 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 | |
| Balance at December 31, 2003 | \$43 | \$58,596 | \$1,214,768 | \$1,273,407 | |
| Net income | -- | -- | 82,425 | 82,425 | |
| Capital stock/participation certificates issued | -- | 5,930 | -- | 5,930 | |
| Capital stock/participation certificates retired | (10) | (4,293) | -- | (4,303) | |
| Balance at September 30, 2004 | \$33 | \$60,233 | \$1,297,193 | \$1,357,459 | |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

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 third 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 nine months ended September 30, 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:

| | Nine months ended September 30 2004 | 2003 |
|------------------------------|--|-----------|
| Balance at beginning of year | \$119,105 | \$113,683 |
| Provision for loan losses | 653 | 4,567 |
| Loan recoveries | 2,187 | 2,382 |
| Loan chargeoffs | (2,775) | (3,259) |
| Balance at end of period | \$119,170 | \$117,373 |

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, 2004

**Farm Credit Services
Of Mid-America, ACA**