

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollars in thousands)

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of Mid-America, ACA and its subsidiaries. The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations. You should also read our 2004 annual report for a description of our organization, operations and significant accounting policies.

AgriBank FCB's financial condition and results of operations materially affect shareholders' investment in Farm Credit Services of Mid-America, ACA. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports or additional copies of our report contact us at P.O. Box 34390, Louisville, Kentucky 40232-4390, (800) 444-FARM, or e-mail to efcsales@e-farmcredit.com, or through our website at www.e-farmcredit.com. You may also contact AgriBank, FCB at 375 Jackson Street, St. Paul, Minnesota 55101-1810, (651) 282-8800, or via e-mail to AGRIBANKMN@farmcredit.com. The combined AgriBank, FCB and Affiliated Associations' financial reports are also available through AgriBank, FCB's website at www.agribank.com.

LOAN PORTFOLIO

Gross loans totaled \$8.7 billion at June 30, 2005, a \$445 million increase from December 31, 2004, up 5.4% compared to \$301 million or 4.0% for the same period last year. The growth is due to strong activity in real estate financing and refinancing. Along with this activity, we are continuing to experience an aggressive pace in the residential lending area. Lending in other farm activity has also continued to be steady. In addition, we have closed loans that are large participations with other lenders.

The following table summarizes risk asset and delinquency information:

	June 30 2005	December 31 2004
As of:		
Loans:		
Accruing restructured	\$1,051	\$1,700
Past due 90 days or more		
still accruing	596	730
Nonaccrual	<u>49,276</u>	<u>53,896</u>
Total risk loans	50,923	56,326
Other property owned	<u>1,221</u>	<u>1,839</u>
Total risk assets	<u>\$52,144</u>	<u>\$58,165</u>
Risk loans as a % of total loans	0.6%	0.7%
Total delinquencies as a % of total loans	0.6%	0.6%

Our risk assets have decreased from December 31, 2004, and remain at acceptable levels. At June 30, 2005, 66.8% of our nonaccrual loans were current.

The general economy is holding up in spite of high energy costs and is still expected to achieve a healthy level of growth for the year. Short term interest rates are expected to climb higher over the balance of the year and we expect to see some increase in long term rates by year end as well. Our consumer portfolio continues to perform well and we expect this to continue through the year.

The agricultural economy remains healthy overall and commodity prices for most ag enterprises continue to offer profit opportunities, especially for most protein related enterprises, with the exception of eggs.

Much of the crops in our four states are under stress due to a lack of moisture and this situation could become very serious. Quality of stand is also a concern in parts of our territory. Crop prices are currently reflecting a weather market, which will help offset some yield loss, but it is an expensive crop due to higher input costs and replanting of some crops. It is impossible to make a call at this time on the impact the crop situation will have on our crop customer's earnings. We don't however, expect material portfolio challenges even under the worst situation due to the financial strength of most of our crop farmers and because of risk mitigation practices of many of our farmers through crop insurance.

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, portfolio quality and current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

	June 30 2005	December 31 2004
As of:		
Allowance as a percentage of:		
Loans	0.24%	0.26%
Nonaccrual loans	42.0%	39.2%
Total risk loans	<u>40.6%</u>	<u>37.5%</u>

In our opinion, the allowance for loan losses was reasonable in relation to the risk in the loan portfolio at June 30, 2005.

RESULTS OF OPERATIONS

Net income for the six months ended June 30, 2005, totaled \$58.2 million compared to \$55.2 million for the same period of 2004. The following table illustrates profitability information:

As of June 30:	2005	2004
Return on average assets	1.3%	1.4%
Return on average members' equity	7.8%	8.5%

The following table summarizes the changes in components of net income for the six months ended June 30, 2005 compared to June 30, 2004:

Increase (decrease) in net income	2005 vs. 2004
Net interest income	\$7,408
Provision for loan losses	(1,549)
Patronage income	874
Financially related services and miscellaneous income, net	512
Operating expenses	(2,802)
Provision for income taxes	(1,502)
Total change in net income	<u>\$2,941</u>

Net interest income was \$90.7 million for the six months ended June 30, 2005. The following table quantifies changes in net interest income for the six months ended June 30, 2005 compared to June 30, 2004:

Change in net interest income	2005 vs. 2004
Changes in accrual volume	\$8,847
Changes in net accrual rates	(290)
Changes in nonaccrual income and other	(1,149)
Net change	<u>\$7,408</u>

The change in the provision for loan losses is related to the refinement in our methodology for the allowance for loan losses as well as growth in the portfolio.

The operating expense increases were primarily related to higher salary and benefit expenses from general salary increases, additional headcount, and increased retirement benefit expense, as well as lower fee income.

The increase in the provision for income taxes is related to increased net interest income of the PCA, the taxable subsidiary.

Changes in our return on average assets and return on average members' equity 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

We borrow from AgriBank, FCB in the form of a line of credit. Our promissory note matured on December 31, 2004, and was renewed for \$8.8 billion with a maturity date of February 28, 2006. The note will be renegotiated at that time. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk.

Total members' equity increased \$59.8 million from December 31, 2004, due to net income for the period and an increase in capital stock and participation certificates.

Farm Credit Administration Regulations require us to maintain a permanent capital ratio of at least 7%, a total surplus ratio of at least 7% and a core surplus ratio of at least 3.5%. The calculation of these ratios according to Farm Credit Administration Regulations is discussed below:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At June 30, 2005, our ratio was 14.9%.
- 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, 2005, our ratio was 14.2%.
- The core surplus ratio is average unallocated surplus less our investment in AgriBank, FCB divided by average risk-adjusted assets. At June 30, 2005, our ratio was 13.6%.

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained above and the changes in assets as discussed in the Loan Portfolio section.

The undersigned certify that Farm Credit Services of Mid-America, ACA's June 30, 2005 quarterly report has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Robert Barton
Chairperson of the Board
Farm Credit Services of Mid-America, ACA



Donald Winters
Chief Executive Officer
Farm Credit Services of Mid-America, ACA

July 31, 2005

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

	June 30	December 31
	2005	2004
ASSETS		
Loans	\$8,659,229	\$8,214,335
Allowance for loan losses	20,684	21,139
Net loans	8,638,545	8,193,196
Investment in AgriBank	220,225	220,225
Accrued interest receivable	81,013	75,691
Premises and equipment, net	33,503	33,958
Other property owned	1,221	1,839
Assets held for lease, net	118,300	124,889
Other assets	15,810	19,059
Total assets	\$9,108,617	\$8,668,857
LIABILITIES		
Note payable to AgriBank	\$7,448,817	\$7,071,693
Accrued interest payable	79,115	71,698
Net deferred income tax liability	21,600	21,524
Other liabilities	31,950	36,592
Total liabilities	7,581,482	7,201,507
Contingent liabilities		
MEMBERS' EQUITY		
Protected members' equity	25	31
Capital stock and participation certificates	62,565	60,937
Unallocated surplus	1,464,545	1,406,382
Total members' equity	1,527,135	1,467,350
Total liabilities and members' equity	\$9,108,617	\$8,668,857

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	
	2005	2004	2005	2004
Interest income	\$125,776	\$106,368	\$243,596	\$212,571
Interest expense	78,851	65,013	152,907	129,290
Net interest income	46,925	41,355	90,689	83,281
Provision for loan losses	2,135	341	1,930	381
Net interest income after provision for loan losses	44,790	41,014	88,759	82,900
Other income				
Patronage income	5,134	4,669	10,157	9,283
Financially related services and miscellaneous income, net	2,398	2,453	4,948	4,436
Total other income	7,532	7,122	15,105	13,719
Operating expense				
Salaries and employees benefits	11,188	9,969	22,657	19,614
Other operating	9,511	9,531	18,720	18,961
Total operating expenses	20,699	19,500	41,377	38,575
Income before income taxes	31,623	28,636	62,487	58,044
Provision for income taxes	2,230	1,231	4,324	2,822
Net income	\$29,393	\$27,405	\$58,163	\$55,222

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
				Equity
Balance at				
December 31, 2003	\$43	\$58,596	\$1,214,768	\$1,273,407
Net income	--	--	55,222	55,222
Capital stock/participation certificates issued	--	4,052	--	4,052
Capital stock/participation certificates retired	(7)	(3,005)	--	(3,012)
Balance at June 30, 2004	\$36	\$59,643	\$1,269,990	\$1,329,669
Balance at				
December 31, 2004	\$31	\$60,937	\$1,406,382	\$1,467,350
Net income	--	--	58,163	58,163
Capital stock/participation certificates issued	--	4,178	--	4,178
Capital stock/participation certificates retired	(6)	(2,550)	--	(2,556)
Balance at June 30, 2005	\$25	\$62,565	\$1,464,545	\$1,527,135

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

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands)

NOTE 1: Organization and Significant Accounting Policies

Our 2004 annual report contains a description of our organization and operations, significant accounting policies followed, and financial condition and results of operations as of and for the year ended December 31, 2004. You should read these unaudited second quarter 2005 consolidated financial statements in conjunction with the 2004 annual report.

The accompanying consolidated financial statements contain all information necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America and the prevailing practices within the financial services industry. The results for the six months ended June 30, 2005 are not necessarily indicative of the results to be expected for the year ended December 31, 2005.

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 and balances have been 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	2005	2004
Balance at beginning of year	\$21,139	\$119,105
Provision for loan losses	1,930	381
Loan recoveries	1,546	1,656
Loan chargeoffs	(3,931)	(2,065)
Balance at end of period	\$20,684	\$119,077

As discussed in our 2004 annual report, we significantly reduced our allowance for loan losses during the fourth quarter of 2004 as a result of a refinement of our allowance methodology.

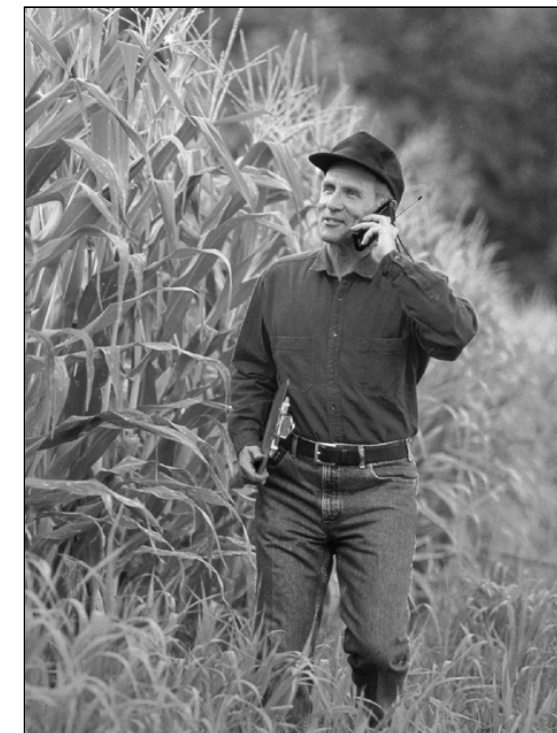
NOTE 3: Contingencies

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which are not reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, we may 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, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

Quarterly Report

June 30, 2005



Farm Credit Services
OF MID-AMERICA

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