

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2005 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. You may request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports or our annual or quarterly reports by contacting:

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## LOAN PORTFOLIO

Gross loans totaled \$9.3 billion at March 31, 2006, a \$231 million increase from December 31, 2005 up 2.6% compared to an increase of \$189 million or 2.3% for the same period last year.

Our growth is due to strong activity in the full-time farm sector. During March 2006, we closed more than \$90 million in new mortgage loans to full-time farmers, and our business has been punctuated with a number of transactions well in excess of \$1 million. In fact, our March business activity reflected one of the strongest periods that we have experienced in more than 5 years. Expansions within the livestock sector (pork and poultry particularly) have been driving this growth. Additionally, we have seen growth in our operating loan segment. One factor contributing to that was a first quarter promotion which focused on creating brand new operating accounts. More than 500 new customers were added with commitments totaling over \$42 million.

Finally, we continue to see strong demand in our ag consumer sector as well. Mortgage loans for residential and small part-time farm tracts reached \$190 million during the first quarter, eclipsing 2005's pace.

The following table summarizes risk assets and delinquency information (in thousands):

	March 31 2006	December 31 2005
As of:		
Loans:		
Accruing restructured	\$779	\$893
Past due 90 days or more still accruing	2,521	303
Nonaccrual	48,572	51,160
Total risk loans	51,872	52,356
Other property owned	941	1,389
Total risk assets	\$52,813	\$53,745
Risk loans as a % of total loans	0.6%	0.6%
Total delinquencies as a % of total loans	0.5%	0.6%

Total risk assets have decreased since December 31, 2005, and remain at acceptable levels. At March 31, 2006, 66.5% of our nonaccrual loans were current.

We expect a slower general economy in 2006 based on an estimated GDP of 3.3%. A slower economy is due to the impact of rising interest rates on consumer spending including a projected slow down in the housing market. Further inflation pressure due to global growth is expected to push interest rates higher, but core inflation is expected to remain just above 2%.

Ag economic conditions are mixed and present a more challenging environment than farmers have seen for some time. This is due to higher expenses (energy related costs and higher interest rates), relatively low crop prices, some reduction in government program payments and much lower prices for dairy, hog, broiler and cattle operations. Concerns with food safety (BSE and avian influenza virus H5N1) are affecting global demand and are creating a glut of meat in the U.S.

The current financial health of farmers (strongest since 1961) will help ensure that we don't encounter material challenges in our portfolio in 2006, but it does create a stronger reliance on government programs to support land prices. In addition, tighter operating margins than in recent years will heighten the need for farmers to manage resources and adjust to economic conditions.

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:

	March 31 2006	December 31 2005
As of:		
Allowance as a percentage of:		
Loans	0.18%	0.18%
Nonaccrual loans	34.9%	31.7%
Total risk loans	32.7%	31.0%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in the loan portfolio at March 31, 2006.

## RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2006 totaled \$30.1 million compared to \$28.8 million for the same period of 2005. The following table illustrates profitability information:

As of March 31:	2006	2005
Return on average assets	1.2%	1.3%
Return on average members' equity	7.5%	7.8%

The following table summarizes the changes in components of net income for the three months ended March 31, 2006 compared to March 31, 2005 (in thousands):

Increase (decrease) in net income	2006 vs. 2005
Net interest income	\$4,829
Provision for loan losses	(954)
Patronage income	411
Financially related services and miscellaneous income, net	582
Operating expenses	(3,268)
Provision for income taxes	(280)
Total change in net income	\$1,320

Net interest income was \$48.6 million for the three months ended March 31, 2006. The following table quantifies changes in net interest income for the three months ended March 31, 2006 compared to March 31, 2005 (in thousands):

Change in net interest income	2006 vs. 2005
Changes in accrual volume	\$5,545
Changes in net accrual rates	(454)
Changes in nonaccrual income and other	(262)
Net change	\$4,829

The change in the provision for (reversal of) loan losses is related to management's evaluation of the risk in the loan portfolio and is primarily the affect of higher loan volume.

The increase in financially related services and miscellaneous income, net is primarily due to additional prepayment fees collected.

The operating expense increases were primarily related to increased FCS insurance expense from higher rates and volume, additional employees, and general salary increases.

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 below.

## FUNDING, LIQUIDITY AND CAPITAL

We borrow from AgriBank, FCB in the form of a line of credit. Our promissory note matured on February 28, 2006, and was renewed for \$10.5 billion with a maturity date of April 30, 2007. The note will be renegotiated at that time. The pricing attributes of our line of credit generally correspond to the pricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

Total members' equity increased \$30.9 million from December 31, 2005, 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:

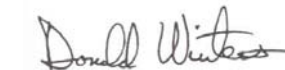
- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At March 31, 2006, our ratio was 14.2%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At March 31, 2006, our ratio was 13.6%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any preferred stock investment in AgriBank, FCB divided by average risk-adjusted assets. At March 31, 2006, our ratio was 13.2%.

The 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.

The undersigned certify that Farm Credit Services of Mid-America, ACA's March 31, 2006 quarterly report has been prepared under the oversight of the audit committee and 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

April 28, 2006

**CONSOLIDATED STATEMENT OF CONDITION**

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

	March 31, 2006	December 31, 2005
<b>ASSETS</b>		
Loans	\$9,285,012	\$9,053,875
Allowance for loan losses	16,944	16,243
Net loans	9,268,068	9,037,632
Investment in AgriBank	220,225	220,225
Accrued interest receivable	80,564	92,822
Premises and equipment, net	32,385	33,039
Other earning assets	315,799	226,202
Other property owned	941	1,389
Assets held for lease, net	107,574	108,732
Other assets	29,673	35,284
Total assets	\$10,055,229	\$9,755,325
<b>LIABILITIES</b>		
Note payable to AgriBank	\$8,276,359	\$8,005,354
Accrued interest payable	94,701	91,234
Net deferred income tax liability	19,201	19,795
Other liabilities	36,937	41,844
Total liabilities	8,427,198	8,158,227
Contingent liabilities		
<b>MEMBERS' EQUITY</b>		
Protected members' equity	17	18
Capital stock and participation certificates	65,005	64,161
Unallocated surplus	1,563,009	1,532,919
Total members' equity	1,628,031	1,597,098
Total liabilities and members' equity	\$10,055,229	\$9,755,325

**CONSOLIDATED STATEMENT OF INCOME**

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

Period ended March 31	2006	2005
<b>Interest income</b>	\$143,360	\$117,820
<b>Interest expense</b>	94,767	74,056
Net interest income	48,593	43,764
<b>Provision for (reversal of) loan losses</b>	749	(205)
Net interest income after provision for (reversal of) loan losses	47,844	43,969
<b>Other income</b>		
Patronage income	5,434	5,023
Financially related services and miscellaneous income, net	3,132	2,550
Total other income	8,566	7,573
<b>Operating expense</b>		
Salaries and employees benefits	12,035	11,469
Other operating	11,911	9,209
Total operating expenses	23,946	20,678
Income before income taxes	32,464	30,864
<b>Provision for income taxes</b>	2,374	2,094
Net income	\$30,090	\$28,770

**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
<b>Balance at December 31, 2004</b>				
	\$31	\$60,937	\$1,406,382	\$1,467,350
Net income	--	--	28,770	28,770
Capital stock/participation certificates issued	--	1,804	--	1,804
Capital stock/participation certificates retired	(3)	(1,189)	--	(1,192)
<b>Balance at March 31, 2005</b>				
	\$28	\$61,552	\$1,435,152	\$1,496,732
<b>Balance at December 31, 2005</b>				
	\$18	\$64,161	\$1,532,919	\$1,597,098
Net income	--	--	30,090	30,090
Capital stock/participation certificates issued	--	2,141	--	2,141
Capital stock/participation certificates retired	(1)	(1,297)	--	(1,298)
<b>Balance at March 31, 2006</b>				
	\$17	\$65,005	\$1,563,009	\$1,628,031

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

**NOTES TO FINANCIAL STATEMENTS****NOTE 1: Organization and Significant Accounting Policies**

Our 2005 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, 2005. You should read these unaudited first quarter 2006 consolidated financial statements in conjunction with the 2005 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 of the three months ended March 31, 2006 are not necessarily indicative of the results to be expected for the year ended December 31, 2006.

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.

**Recent Accounting Development**

The Financial Accounting Standards Board currently has a project that is reconsidering the accounting for pensions and other postretirement benefits. As part of this project, an exposure draft was issued on March 31, 2006. This exposure draft, if adopted as written, would require companies to fully recognize a plan's over or under funded status on the balance sheet by recording all unrecognized gains and losses, unrecognized prior service costs and credits, and any remaining transition obligation or asset. These items would be recognized with a corresponding offset to members' equity. As of December 31, 2005 the amount of unrecognized items at a District level for the plans that we participate in was \$227.8 million additional liability for pension benefits and \$4.1 million reduction in liability for other postretirement benefits. The comment period for this exposure draft ends May 31, 2006 and the anticipated effective date would be for the current year ending December 31, 2006.

**NOTE 2: Allowance for Loan Losses**

A summary of changes in the allowance for loan losses follows (in thousands):

Three months ended March 31:	2006	2005
Balance at beginning of year	\$16,243	\$21,139
Provision for (reversal of) loan losses	749	(205)
Loan recoveries	311	550
Loan chargeoffs	(359)	(404)
Balance at end of period	\$16,944	\$21,080

**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**

March 31, 2006



**Farm Credit Services**  
OF MID-AMERICA

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