

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

Loan volume totaled \$9.8 billion at June 30, 2006, a \$700 million increase from December 31, 2005, up 7.7% compared to an increase of \$445 million or 5.4% for the same period last year.

Association loan growth is due to continued strong marketing and sales to all four major market segments. Land sales and livestock expansion fueled much of the growth through the second quarter of 2006. Particularly strong were land acquisitions made by current customers. Pork and poultry expansions were also a contributing factor during the first half of 2006. The Association's growth in the full-time farm market reached 8% ending June 2006.

Equally important to our growth has been the continued demand for financing of mini- and small farm properties. Loan business to part-time farmers continues to grow at a rate above 12% and FCS of Mid-America is particularly well-positioned to serve this market. Our strength has been the availability of long-term fixed rate loans during a time of rising short-term interest rates.

Through June, FCS of Mid-America grew rural home loans another \$109 million, reflecting a 6% growth in this market segment. Again, FCS wins business based on the value of local service and understanding the rural market. Interest rate is not an advantage we have to this segment, but people elect their lender on more than just interest rate alone.

Finally, our Ag Business segment continues to be a strong engine for growth. Through June of 2006, AgriBusiness volume is up more than 26% based on the strength of new business created through our alliance partners.

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

	June 30 2006	December 31 2005
As of:		
Loans:		
Accruing restructured	\$627	\$893
Past due 90 days or more still accruing	1,090	303
Nonaccrual	47,880	51,160
Total risk loans	49,597	52,356
Other property owned	746	1,389
Total risk assets	\$50,343	\$53,745
Risk loans as a % of total loans	0.5%	0.6%
Total delinquencies as a % of total loans	0.7%	0.6%

Our risk assets have decreased from December 31, 2005, and remain at acceptable levels. At June 30, 2006, 65.0% of our nonaccrual loans were current.

General economic conditions have become more difficult to anticipate due to inflationary pressures, rising interest rates and continued record-high energy prices. However, GDP growth is still expected to be 3.4% in 2006, but is expected to fall to 2.6% in 2007, which is below trend. GDP growth is expected to strengthen in 2008 and 2009 to 3.1% and 3.2%, respectively, with both years being slightly higher than the average GDP for years 1999 through 2005.

Net farm income in 2006 is expected to decline significantly from the record farm earnings of the past few years, to a more traditional level of income. Net farm income in 2007 and 2008 is expected to follow this trend. The decrease in net farm income is due to weaker livestock, milk and crop prices, lower government payments and higher production expenses.

Even with the more challenging economic conditions in the general and ag economies, we don't expect to see material challenges in our loan portfolio. Our loan portfolio is very strong and the financial position of farmers is the strongest that it has been since 1961.

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 2006	December 31 2005
As of:		
Allowance as a percentage of:		
Loans	0.17%	0.18%
Nonaccrual loans	35.0%	31.7%
Total risk loans	33.7%	31.0%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in the loan portfolio at June 30, 2006.

RESULTS OF OPERATIONS

Net income for the six months ended June 30, 2006, totaled \$62.6 million compared to \$58.2 million for the same period of 2005. The following table illustrates profitability information:

As of June 30:	2006	2005
Return on average assets	1.2%	1.3%
Return on average members' equity	7.7%	7.8%

The following table summarizes the changes in components of net income for the six months ended June 30, 2006 compared to June 30, 2005 (in thousands):

Increase (decrease) in net income	2006 vs. 2005
Net interest income	\$7,680
Provision for loan losses	1,115
Patronage income	909
Financially related services and miscellaneous income, net	1,109
Operating expenses	(6,314)
Provision for income taxes	(72)
Total change in net income	\$4,427

Net interest income was \$98.4 million for the six months ended June 30, 2006. The following table quantifies changes in net interest income for the six months ended June 30, 2006 compared to June 30, 2005 (in thousands):

Change in net interest income	2006 vs. 2005
Changes in accrual volume	\$11,619
Changes in net accrual rates	(3,272)
Changes in nonaccrual income and other	(667)
Net change	\$7,680

The change in the provision for loan losses is related to management's evaluation of the lower risk in the loan portfolio, and is partially offset by higher loan volume.

The increase in patronage income is related to an increase in our note payable amount to AgriBank, FCB offset by a decrease in equalization income.

The increase in financially related services and miscellaneous income, net is primarily due to increases in operating lease income, timing of multi-peril crop insurance income and prepayment fees collected.

The operating expense increases were primarily related to increased Farm Credit System Insurance Corporation 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 repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk.

Total members' equity increased \$64.6 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 June 30, 2006, our ratio was 13.8%.
- 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, 2006, our ratio was 13.2%.
- 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 June 30, 2006, our ratio was 12.9%.

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 June 30, 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

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Mid-America, ACA
(Dollars in thousands)
(Unaudited)

	June 30, 2006	December 31, 2005
ASSETS		
Loans	\$9,754,108	\$9,053,875
Allowance for loan losses	16,735	16,243
Net loans	9,737,373	9,037,632
Investment in AgriBank	220,225	220,225
Accrued interest receivable	97,471	92,822
Premises and equipment, net	32,122	33,039
Other earning assets	344,602	226,202
Other property owned	746	1,389
Assets held for lease, net	121,876	108,732
Other assets	27,921	35,284
Total assets	\$10,582,336	\$9,755,325
LIABILITIES		
Note payable to AgriBank	\$8,758,031	\$8,005,354
Accrued interest payable	104,165	91,234
Net deferred income tax liability	19,724	19,795
Other liabilities	38,690	41,844
Total liabilities	8,920,610	8,158,227
Contingent liabilities		
MEMBERS' EQUITY		
Protected members' equity	16	18
Capital stock and participation certificates	66,201	64,161
Unallocated surplus	1,595,509	1,532,919
Total members' equity	1,661,726	1,597,098
Total liabilities and members' equity	\$10,582,336	\$9,755,325

CONSOLIDATED STATEMENT OF INCOME

Farm Credit Services of Mid-America, ACA
(Dollars in thousands)
(Unaudited)

Period ended June 30	Three months		Six months	
	2006	2005	2006	2005
Interest income	\$154,006	\$125,776	\$297,366	\$243,596
Interest expense	104,230	78,851	198,997	152,907
Net interest income	49,776	46,925	98,369	90,689
Provision for loan losses	66	2,135	815	1,930
Net interest income after provision for losses	49,710	44,790	97,554	88,759
Other income				
Patronage income	5,632	5,134	11,066	10,157
Financially related services and miscellaneous income, net	2,925	2,398	6,057	4,948
Total other income	8,557	7,532	17,123	15,105
Operating expense				
Salaries and employees benefits	11,470	11,188	23,505	22,657
Other operating	12,275	9,511	24,186	18,720
Total operating expenses	23,745	20,699	47,691	41,377
Income before income taxes	34,522	31,623	66,986	62,487
Provision for income taxes	2,022	2,230	4,396	4,324
Net income	\$32,500	\$29,393	\$62,590	\$58,163

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

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, 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
Balance at				
December 31, 2005	\$18	\$64,161	\$1,532,919	\$1,597,098
Net income	--	--	62,590	62,590
Capital stock/participation certificates issued	--	4,618	--	4,618
Capital stock/participation certificates retired	(2)	(2,578)	--	(2,580)
Balance at				
June 30, 2006	\$16	\$66,201	\$1,595,509	\$1,661,726

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 second 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 six months ended June 30, 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 on the statement of condition an amount equal to the difference between a plan's projected benefit obligation and the assets of the plan 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 ended May 31, 2006 and it is expected to be issued in its final form in the fourth quarter of 2006.

NOTE 2: Allowance for Loan Losses

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

Six months ended June 30:	2006	2005
Balance at beginning of year	\$16,243	\$21,139
Provision for loan losses	815	1,930
Loan recoveries	620	1,546
Loan chargeoffs	(943)	(3,931)
Balance at end of period	\$16,735	\$20,684

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, 2006



Farm Credit Services
OF MID-AMERICA

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