

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 additional copies of our report by contacting:

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LOAN PORTFOLIO

Loan volume totaled \$10.1 billion at September 30, 2006, a \$1.0 billion increase from December 31, 2005 up 11.4% compared to an increase of \$682 million or 8.3% for the same period last year.

Association loan volume growth has been fueled by strong activity in the full-time farmer segment, particularly in new loans to commercial sized farming operations (those over \$250,000 gross farm income annually). Year-to-date, we show a 10% growth in this segment, much of it related to expansions as these farmers try to maximize their efficiencies. Large scale grain operations continue to purchase more land; select dairymen are expanding herd sizes and building new, more efficient facilities; and several hog operators are doing the same. This has increased the demand for credit and we are an attractive alternative to these producers because we can provide long term fixed rates, taking much of the financial risk out of the equation.

At the same time, our growth in the part-time farmer segment continues at a 13% rate. Again, our attractiveness lies in our ability to finance a home property with added acres. This continues to be a strong market niche for us because national (Fannie Mae backed) mortgage lenders do not readily accept rural property. Although our financing rates are higher than secondary market rates, the mix of all our loan characteristics (flexibility, product, price, understanding of rural property, and personal service) provide a value proposition that appeals to this market.

Finally, growth in 2006 has been greatly aided by success in the AgriBusiness market segment. Year-to-date, this portfolio has grown at a rate of 30% compared to one year ago. FCS of Mid-America continues to be a strong, attractive partner for participation credits. We have grown many existing relationships and continue to find new ones.

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

	September 2006	December 31 2005
As of:		
Loans:		
Accruing restructured	\$636	\$893
Past due 90 days or more still accruing	152	303
Nonaccrual	48,140	51,160
Total risk loans	48,928	52,356
Other property owned	1,148	1,389
Total risk assets	\$50,076	\$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 September 30, 2006, 63.7% of our nonaccrual loans were current.

The general economy is slowing down, but a soft landing is still expected. As forecasted by Global Insight, GDP is now projected to be only 2.4% for 2007, which is well below trend, but GDP is expected to be back above trend in 2008. We are experiencing some increase in delinquencies in our home loans, but we don't believe this to present material servicing challenges and our delinquencies are considerably less than the national home delinquency statistics.

Net farm income in 2006, as projected by Informa Economics, is estimated to decline significantly from the record farm earnings of the past few years, to a more traditional level of income. This decrease is due to a combination of lower commodity prices, lower government payments and higher production expenses.

Even with the more challenging economic conditions in the agricultural economy, we don't anticipate material challenges in our loan portfolio. The 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:

	September 2006	December 31 2005
As of:		
Allowance as a percentage of:		
Loans	0.16%	0.18%
Nonaccrual loans	34.5%	31.7%
Total risk loans	33.9%	31.0%

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

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2006, totaled \$93.8 million compared to \$86.2 million for the same period of 2005. The following table illustrates profitability information:

As of September 30:	2006	2005
Return on average assets	1.2%	1.3%
Return on average members' equity	7.6%	7.6%

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

Increase (decrease) in net income	2006 vs. 2005
Net interest income	\$13,291
Provision for loan losses	2,054
Patronage income	1,396
Financially related services and miscellaneous income, net	1,014
Operating expenses	(10,266)
Provision for income taxes	38
Total change in net income	\$7,527

Net interest income was \$149.0 million for the nine months ended September 30, 2006. The following table quantifies changes in net interest income for the nine months ended September 30, 2006 compared to September 30, 2005 (in thousands):

Change in net interest income	2006 vs. 2005
Changes in accrual volume	\$18,130
Changes in net accrual rates	(5,015)
Changes in nonaccrual income and other	176
Net change	\$13,291

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

The operating expense increases were primarily related to increased Farm Credit System Insurance Corporation expense from higher rates and volume and is also due to 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 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 \$96.8 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:

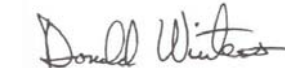
- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At September 30, 2006, our ratio was 13.5%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At September 30, 2006, our ratio was 12.9%.
- 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 September 30, 2006, our ratio was 12.8%.

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 September 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

October 31, 2006

CONSOLIDATED STATEMENT OF CONDITION

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

	September 30, 2006	December 31, 2005
ASSETS		
Loans	\$10,087,578	\$9,053,875
Allowance for loan losses	16,602	16,243
Net loans	10,070,976	9,037,632
Investment in AgriBank	221,503	220,225
Accrued interest receivable	131,026	92,822
Premises and equipment, net	31,817	33,039
Other earning assets	372,208	226,202
Other property owned	1,148	1,389
Assets held for lease, net	133,417	108,732
Other assets	26,834	35,284
Total assets	\$10,988,929	\$9,755,325
LIABILITIES		
Note payable to AgriBank	\$9,121,510	\$8,005,354
Accrued interest payable	113,081	91,234
Net deferred income tax liability	20,626	19,795
Other liabilities	40,859	41,844
Total liabilities	9,296,076	8,158,227
Contingent liabilities		
MEMBERS' EQUITY		
Protected members' equity	15	18
Capital stock and participation certificates	67,158	64,161
Unallocated surplus	1,626,680	1,532,919
Total members' equity	1,693,853	1,597,098
Total liabilities and members' equity	\$10,989,929	\$9,755,325

CONSOLIDATED STATEMENT OF INCOME

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

Period ended September 30	Three months		Nine months	
	2006	2005	2006	2005
Interest income	\$163,774	\$129,272	\$461,140	\$372,868
Interest expense	113,140	84,249	312,137	237,156
Net interest income	50,634	45,023	149,003	135,712
Provision for (reversal of) loan losses	(115)	824	700	2,754
Net interest income after provision for (reversal of) loan losses	50,749	44,199	148,303	132,958
Other income				
Patronage income	5,683	5,196	16,749	15,353
Financially related services and miscellaneous income, net	3,051	3,146	9,108	8,094
Total other income	8,734	8,342	25,857	23,447
Operating expense				
Salaries and employees benefits	13,414	11,446	36,919	34,103
Other operating	12,339	10,355	36,525	29,075
Total operating expenses	25,753	21,801	73,444	63,178
Income before income taxes	33,730	30,740	100,716	93,227
Provision for income taxes	2,559	2,669	6,955	6,993
Net income	\$31,171	\$28,071	\$93,761	\$86,234

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				
December 31, 2004	\$31	\$60,937	\$1,406,382	\$1,467,350
Net income	--	--	86,234	86,234
Capital stock/participation certificates issued	--	6,428	--	6,428
Capital stock/participation certificates retired	(8)	(3,909)	--	(3,917)
Balance at September 30, 2005				
September 30, 2005	\$23	\$63,456	\$1,492,616	\$1,556,095
Balance at December 31, 2005				
December 31, 2005	\$18	\$64,161	\$1,532,919	\$1,597,098
Net income	--	--	93,761	93,761
Capital stock/participation certificates issued	--	6,784	--	6,784
Capital stock/participation certificates retired	(3)	(3,787)	--	(3,790)
Balance at September 30, 2006				
September 30, 2006	\$15	\$67,158	\$1,626,680	\$1,693,853

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 third 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 nine months ended September 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

In September 2006, the Financial Accounting Standards Board released Statement of Financial Accounting Standard No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R). Statement No. 158 requires companies to fully recognize on the statement of condition a liability 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. Our projected benefit obligation represents approximately 19% of the pension plan and 2% of the other benefit plans total benefit obligation. The effective date of this statement for Farm Credit entities has been delayed from December 31, 2006 to December 31, 2007.

NOTE 2: Allowance for Loan Losses

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

Nine months ended September 30:	2006	2005
Balance at beginning of year	\$16,243	\$21,139
Provision for loan losses	700	2,754
Loan recoveries	1,340	2,065
Loan chargeoffs	(1,681)	(4,690)
Balance at end of period	\$16,602	\$21,268

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

September 30, 2006



 **Farm Credit Services**
OF MID-AMERICA

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