

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 2006 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 annual or quarterly reports, contact:

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LOAN PORTFOLIO

Loan volume totaled \$10.7 billion at March 31, 2007, a \$286 million increase from December 31, 2006. Our growth remains strong due to continued progress in penetrating the full-time farmer market; high levels of new loan volume in our Consumer segment; and very strong activity in our AgriBusiness group.

Growth within the first quarter reflects the following highlights:

- Agconsumer segment (under \$50,000 GFI) increased \$81 million or 1.9% from year end 2006. Year over year, this segment grew 13.6% fueled by new residential financing, which are made up of construction loans and home site properties. Our first quarter sales outperformed national mortgage trends that were hampered by issues with falling home prices, contraction of subprime lending, and some slowdown in the general economy. The rural residential market in our four states is seeing moderate increases in prices and our constructive lending philosophy minimizes involvement in subprime loans.
- Full-time farm loans (\$100,000 to \$250,000 GFI) saw an increase of nearly \$20 million in volume during the first quarter, representing 2.3% growth. Year over year this category has grown 9.7% driven by activity in both our operating and mortgage product lines.
- Commercial farm loans (over \$250,000 GFI) grew by \$56 million or 2.3% from year end. Our year over year growth is 14.7%. We continue to see investments and expansions from larger operators and our customer relationship programs have successfully attracted business with new customers.
- AgriBusiness volume grew from \$1.67 billion at year end 2006 to \$1.81 billion at quarter end March 2007, a \$135 million increase or 8.1% growth. Our year over

year growth for this segment is 41.1%. Much of this is due to continued progress in growing our existing relationships and alliances. Additionally, we have seen growth in purchased guaranteed loans.

Overall, our first quarter progress is due to continued gains in all segments we serve. We continue a strong calling effort on all segments, and continue to look for new opportunities to leverage success. This has included the opening of 2 new satellite offices (Marietta, OH, which opened late 2006 and Gallipolis, OH, which opened during the first quarter).

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

As of:	March 31 2007	December 31 2006
Loans:		
Accruing restructured	\$588	\$593
Past due 90 days or more still accruing	4,021	773
Nonaccrual	43,386	57,776
Total risk loans	47,995	59,142
Other property owned	729	1,142
Total risk assets	\$48,724	\$60,284
Risk loans as a % of total loans	0.4%	0.7%
Total delinquencies as a % of total loans	0.7%	0.6%

Our risk assets have decreased from December 31, 2006, and remain at acceptable levels. The significant reduction in nonaccrual loans is due to the payoff of a \$14 million energy participation loan. At March 31, 2007 54.9% of our nonaccrual loans were current.

The U.S. economy is showing weaker than expected growth due to greater than expected challenges with housing and a slow down in business spending. Consumer spending and exports are carrying the economy at present. Global Insight is now forecasting GDP for 2007 to be only 2.1%.

The U.S. Ag economy is in a unique period based on historically high grain prices due to mandated use of renewable energy. The outlook for grain operations is very positive for the next few years, while the livestock and dairy sectors will be challenged by higher feed costs. The livestock and dairy markets are expected to adjust to higher feed costs over time by reducing production or slowing growth of output.

The balance sheet of U.S. farm businesses continues to reflect a very strong position and is at the strongest position over the entire period for which USDA data is available, dating to 1960.

Overall, we don't expect to see material problems in our portfolio due to either the downturn in the general economy, housing situation, nor the challenges associated with the Ag economy. Our credit quality is expected to remain very strong and we expect minimal loan losses.

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:

As of:	March 31 2007	December 31 2006
Allowance as a percentage of:		
Loans	0.16%	0.16%
Nonaccrual loans	39.6%	29.4%
Total risk loans	35.8%	28.7%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in the loan portfolio at March 31, 2007.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2007 totaled \$37.4 million compared to \$30.1 million for the same period of 2006. The following table illustrates profitability information:

As of March 31:	2007	2006
Return on average assets	1.3%	1.2%
Return on average members' equity	8.5%	7.5%

The following table summarizes the changes in components of net income for the three months ended March 31, 2007 compared to March 31, 2006 (in thousands):

Increase (decrease) in net income	2007 vs 2006
Net interest income (a)	\$5,893
Provision for loan losses (b)	375
Patronage income (c)	984
Financially related services and miscellaneous income, net (d)	557
Operating expenses (e)	(402)
Provision for income taxes	(74)
Total change in net income	\$7,333

(a) Net interest income was \$54.5 million for the three months ended March 31, 2007. The following table quantifies changes in net interest income for the three months ended March 31, 2007 compared to March 31, 2006 (in thousands):

Change in net interest income	2007 vs 2006
Changes in accrual volume	\$6,379
Changes in net accrual rates	(498)
Changes in nonaccrual income and other	12
Net change	\$5,893

(b) 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.

(c) The increase in patronage income is related to an increase in our note payable amount to AgriBank, FCB.

(d) The increase in net financially related services and miscellaneous income is primarily due to increases in operating lease income, insurance refunds, and multi-peril crop insurance income, partially offset by a decrease in prepayment fees collected.

(e) Operating expenses increased primarily from additional employees, general salary increases, and higher Farm Credit System Insurance

Corporation expense related to more accruing loan volume. These increases were partially offset by lower purchased services expenses and more origination fees.

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 April 30, 2007, and was renewed for \$12.1 billion with a maturity date of April 30, 2008. 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 \$38.4 million from December 31, 2006, 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:

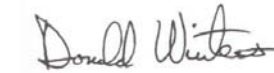
- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At March 31, 2007, our ratio was 13.76%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At March 31, 2007, our ratio was 13.15%.
- 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, 2007, our ratio was 13.15%.

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, 2007 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)

	March 31, 2007	December 31, 2006
ASSETS		
Loans	\$10,732,387	\$10,446,011
Allowance for loan losses	17,174	16,990
Net loans	10,715,213	10,429,021
Investment in AgriBank	237,716	231,524
Investment securities	38,327	13,636
Accrued interest receivable	104,714	117,649
Premises and equipment, net	32,235	32,566
Other earning assets	339,045	376,081
Other property owned	729	1,142
Assets held for lease, net	159,213	151,773
Other assets	26,292	32,079
Total assets	\$11,653,484	\$11,385,471
LIABILITIES		
Note payable to AgriBank	\$9,689,516	\$9,463,669
Accrued interest payable	121,348	119,542
Net deferred income tax liability	23,649	23,524
Other liabilities	35,746	33,952
Total liabilities	9,870,259	9,640,687
Contingent liabilities		
MEMBERS' EQUITY		
Protected members' equity	14	14
Capital stock and participation certificates	69,220	68,202
Unallocated surplus	1,713,991	1,676,568
Total members' equity	1,783,225	1,744,784
Total liabilities and members' equity	\$11,653,484	\$11,385,471

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 March 31	2007	2006
Interest income	\$175,888	\$143,360
Interest expense	121,402	94,767
Net interest income	54,486	48,593
Provision for loan losses	374	749
Net interest income after provision for (reversal of) loan losses	54,112	47,844
Other income		
Patronage income	6,418	5,434
Financially related services and miscellaneous income, net	3,689	3,132
Total other income	10,107	8,566
Operating expense		
Salaries and employees benefits	12,814	12,035
Other operating	11,534	11,911
Total operating expenses	24,348	23,946
Income before income taxes	39,871	32,464
Provision for income taxes	2,448	2,374
Net income	\$37,423	\$30,090

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, 2005	\$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)
Balance at				
March 31, 2006	\$17	\$65,005	\$1,563,009	\$1,628,031
Balance at				
December 31, 2006	\$14	\$68,202	\$1,676,568	\$1,744,784
Net income	--	--	37,423	37,423
Capital stock/participation certificates issued	--	2,232	--	2,232
Capital stock/participation certificates retired	--	(1,214)	--	(1,214)
Balance at				
March 31, 2007	\$14	\$69,220	\$1,713,991	\$1,783,225

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

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

Our 2006 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, 2006. You should read these unaudited first quarter 2007 consolidated financial statements in conjunction with the 2006 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, 2007 are not necessarily indicative of the results to be expected for the year ended December 31, 2007.

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

On September 30, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 158 – *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. The Standard requires an employer to recognize the overfunded or underfunded status of a defined benefit pension or other postretirement plan as an asset or liability in its statement of financial position and recognize changes in that funded status in the year in which the changes occur through other comprehensive income. The Standard is effective for employers

without publicly traded securities for the fiscal year ending after June 15, 2007. We will be required to implement the Standard for the year ended December 31, 2007. In addition, this Standard requires that the funded status of a plan be measured as of the date of the year end financial statements. Currently, we use a measurement date of September 30th. The requirement to measure the funded status as of the fiscal year end is effective for fiscal years ending after December 15, 2008. It is anticipated that the implementation of this Standard will have no impact on the Consolidated Statement of Income. Based on the current funded status of the defined benefit and other postretirement benefit plans, implementation of this Standard will reverse our prepaid pension asset and record a prepaid pension liability in the amount of our share of the underfunded status of the plans. The offset to this transaction will be a decrease to equity (through other comprehensive income) by approximately \$32 million at December 31, 2007. Our regulatory capital ratios will not be impacted by the implementation of this Standard as other comprehensive income does not impact the calculation of these ratios.

NOTE 2: Allowance for Loan Losses

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

Three months ended March 31:	2007	2006
Balance at beginning of year	\$16,990	\$16,243
Provision for loan losses	374	749
Loan recoveries	330	311
Loan chargeoffs	(520)	(359)
Balance at end of period	\$17,174	\$16,944

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.

NOTE 4: Income Taxes

In June 2006, the Financial Accounting Standards Board released Interpretation No. 48 – *Accounting for Uncertainty in Income Taxes*. This Interpretation clarifies the accounting for uncertainty in income tax positions recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standard No. 109 – *Accounting for Income Taxes*. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition of an uncertain tax position taken or expected to be taken in a tax return. This Interpretation is effective for the 2007 calendar year. Our election under this Interpretation is to recognize any interest and penalty accruals related to uncertain tax positions in the provision for income taxes. Upon adoption of this Interpretation during the first quarter of 2007, we had no uncertain income tax positions for which a contingency reserve had not already been established in our financial statements. Prior to adoption of this Interpretation we had recognized a \$1.6 million contingency reserve related to uncertainty around cost allocations.

*Q*uarterly Report

March 31, 2007



 **Farm Credit Services**
OF MID-AMERICA

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