

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 \$11.1 billion at June 30, 2007. That is a \$681 million increase from December 31, 2006, and is up 6.5% year-to-date. We continue to make strides in serving the farm and agri-consumer markets. In addition, we are continuing our focus in creating greater wallet share with existing customers and to increase market penetration by serving new customers.

Growth ending June 30, 2007 reflects the following highlights:

- Ag consumer segment (under \$100,000 Gross Farm Income - GFI) increased \$258 million, or 5.3% from year end. Year over year, this segment continues to grow 13.0%. New residential sales, construction and small farm financing drive the business.
- The mid-year results show we have been very successful in providing long term fixed rate programs to many landowners and rural residents whose larger tract properties do not meet Fannie Mae guidelines (generally, too many acres). Our release of a rate saver program (which offers customers a lower rate in exchange for a partial restriction on prepayments) has helped, adding nearly \$20 million a month in this product.
- Loan volume to full-time farmers increased \$274 million during the first half of 2007 or 8.4% growth from year end. Year over year, the trend is up 13.2%. Commercial farmers (those with over \$250,000 GFI) have provided the largest portion of that growth. Within that segment our loan volume is up by 14.6% (year over year). By June month end, we had closed \$146 million in field-based loans that had a note amount of \$1 million or above. We continue to see larger farms growing, be they in grain, pork or other sectors.
- AgriBusiness volume is now \$1.9 billion, up by \$194 million from year end 2006. This represents an 11.6% growth rate over the first two quarters of 2007. We continue to see demand through our participation loan programs, and have added significant volume through the purchase of loan guarantees and similar investments.

Our progress through the first half of 2007 is related to a continued positive outlook for most farm commodities, particularly prices in grain markets and some sectors such as dairy and pork. Additionally, our ag consumer loan markets remain very active, not showing the stress that urban real estate and housing has suffered. The collapse of the sub-prime market in the housing industry has had virtually no impact on our Association because we were never involved in that sector.

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

	June 30 2007	December 31 2006
As of:		
Loans:		
Accruing restructured	\$688	\$593
Past due 90 days or more still accruing	4,705	773
Nonaccrual	45,307	57,776
Total risk loans	50,700	59,142
Other property owned	935	1,142
Total risk assets	\$51,635	\$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 June 30, 2007 53.6% of our nonaccrual loans were current.

The general economy remains resilient given significant challenges from the downturn in housing, high oil and gasoline prices and high consumer debt levels. GDP has slowed considerably from previous years, but is still expected to be 2.1% for 2007 and is expected to increase to 2.8% in 2008 based on improved housing conditions. Core inflation is decreasing and is now within the Federal Reserve's 1-2% comfort zone and is at the lowest pace since March 2004. Inflation remains, however, the Federal Reserve's main concern and because of this we don't expect any reduction in short term rates for the foreseeable future.

The ag economy is very good due to strong prices for livestock and crop enterprises. Farmers in our territory, however, have been hurt by a lack of rainfall. This is especially true in Tennessee where a high percentage of the state has been in a severe drought situation for most of the growing season to date. We also have many pockets in the other states of our territory where a lack of rainfall is a serious problem. Overall, the condition of crops in our territory at this time is well below the national average for the 18 major crop producing states.

The earnings outcome for our farmers in 2007 will be very mixed, but we don't expect material portfolio challenges or loan losses due to the financial strength farmers took into the year and due to 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 2007	December 31 2006
As of:		
Allowance as a percentage of:		
Loans	0.16%	0.16%
Nonaccrual loans	39.3%	29.4%
Total risk loans	35.1%	28.7%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in the loan portfolio at June 30, 2007.

RESULTS OF OPERATIONS

Net income for the six months ended June 30, 2007 totaled \$72.9 million compared to \$62.6 million for the same period of 2006. The following table illustrates profitability information:

As of June 30:	2007	2006
Return on average assets	1.3%	1.2%
Return on average members' equity	8.2%	7.7%

The following table summarizes the changes in components of net income for the six months ended June 30, 2007 compared to June 30, 2006 (in thousands):

Increase (decrease) in net income	2007 vs 2006
Net interest income (a)	\$11,159
Provision for loan losses (b)	(912)
Patronage income (c)	2,003
Financially related services and miscellaneous income, net (d)	1,002
Operating expenses (e)	(2,407)
Provision for income taxes	(574)
Total change in net income	\$10,271

(a) Net interest income was \$110 million for the six months ended June 30, 2007. The following table quantifies changes in net interest income for the six months ended June 30, 2007 compared to June 30, 2006 (in thousands):

Change in net interest income	2007 vs 2006
Changes in accrual volume	\$12,482
Changes in net accrual rates	(1,017)
Changes in nonaccrual income and other	(306)
Net change	\$11,159

(b) The change in the provision for loan losses is related to higher loan volume and increased charge-offs, partially offset by management's evaluation of the lower risk in the loan portfolio.

(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 from higher volume, Farm Credit System Captive Insurance income, and the timing of multi-peril crop insurance income, partially offset by a decrease in prepayment fees collected.

(e) Operating expenses increased primarily from additional employees, general salary and incentive increases, higher Farm Credit System Insurance Corporation expense related to more accruing loan volume, and the timing of advertising expenses. These increases were partially offset by lower AgriBank, FCB 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 \$75 million from December 31, 2006, due to net income for the period and a net 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:

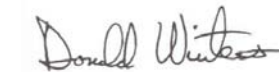
- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At June 30, 2007, our ratio was 13.70%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At June 30, 2007, our ratio was 13.09%.
- 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, 2007, our ratio was 13.09%.

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, 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

July 31, 2007

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Loans	\$11,127,322	\$10,446,011
Allowance for loan losses	17,785	16,990
Net loans	11,109,537	10,429,021
Investment in AgriBank	246,341	231,524
Investment securities	67,426	13,636
Accrued interest receivable	124,015	117,649
Premises and equipment, net	33,501	32,566
Other earning assets	354,632	376,081
Other property owned	935	1,142
Assets held for lease, net	167,128	151,773
Other assets	24,737	32,079
Total assets	\$12,128,252	\$11,385,471
LIABILITIES		
Note payable to AgriBank	\$10,125,904	\$9,463,669
Accrued interest payable	128,013	119,542
Net deferred income tax liability	24,837	23,524
Other liabilities	29,595	33,952
Total liabilities	10,308,349	9,640,687
Contingent liabilities		
MEMBERS' EQUITY		
Protected members' equity	14	14
Capital stock and participation certificates	70,460	68,202
Unallocated surplus	1,749,429	1,676,568
Total members' equity	1,819,903	1,744,784
Total liabilities and members' equity	\$12,128,252	\$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 June 30	Three months		Six months	
	2007	2006	2007	2006
Interest income	\$183,102	\$154,006	\$358,990	\$297,366
Interest expense	128,060	104,230	249,462	198,997
Net interest income	55,042	49,776	109,528	98,369
Provision for loan losses	1,353	66	1,727	815
Net interest income after provision for loan losses	53,689	49,710	107,801	97,554
Other income				
Patronage income	6,651	5,632	13,069	11,066
Financially related services and miscellaneous income, net	3,370	2,925	7,059	6,057
Total other income	10,021	8,557	20,128	17,123
Operating expense				
Salaries and employees benefits	12,251	11,470	25,065	23,505
Other operating	13,499	12,275	25,033	24,186
Total operating expenses	25,750	23,745	50,098	47,691
Income before income taxes	37,960	34,522	77,831	66,986
Provision for income taxes	2,522	2,022	4,970	4,396
Net income	\$35,438	\$32,500	\$72,861	\$62,590

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				
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				
Net income	--	--	72,861	72,861
Capital stock/participation certificates issued	--	4,759	--	4,759
Capital stock/participation certificates retired	--	(2,501)	--	(2,501)
Balance at June 30, 2007				
	\$14	\$70,460	\$1,749,429	\$1,819,903

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 second 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 six months ended June 30, 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 with publicly traded securities for the fiscal year ending after December 15, 2006 and 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 \$32.2 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):

Six months ended June 30:	2007	2006
Balance at beginning of year	\$16,990	\$16,243
Provision for loan losses	1,727	815
Loan recoveries	614	620
Loan chargeoffs	(1,546)	(943)
Balance at end of period	\$17,785	\$16,735

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.

Quarterly Report

June 30, 2007



Farm Credit Services
OF MID-AMERICA

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