

## 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 2007 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 report contact:

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## LOAN PORTFOLIO

Loan volume totaled \$11.4 billion at June 30, 2008, a \$416 million decrease from December 31, 2007. On May 27, 2008, we sold \$1.6 billion of a participation interest in real estate loans to AgriBank, FCB. AgriBank, FCB has established a separate patronage pool for these assets and intends to pay the net earnings back as patronage to us. We anticipate our net income after pool patronage will not be affected. We purchased additional common stock equal to 8% of the pool assets. The sale of the assets will have a positive effect on our regulatory capital ratios.

As we maintain servicing rights on participated loans, total loan volume owned and managed increased in the second quarter. We continue to make strides in serving and growing each of our key market segments. Higher commodity prices and higher land values are fueling borrowing needs in the farm sector. Similar demands are reflected in the fast growth of our AgriBusiness unit. And demand has continued to be steady in our ag consumer sector. Credit worthy customers with meaningful equity and a desire to live a rural lifestyle remain a strong part of our business.

Growth for owned and managed assets as of June 30, 2008 reflects the following highlights:

- Ag consumer segment (under \$99,000 gross farm income, GFI) increased \$370 million, or approximately 7% from year end. Year over year, this segment continues to grow at over 14%. New residential sales, construction and small farm financing drive this business.
- Mid-year results show FCS continues to be successful in providing long term fixed rate loans to landowners/rural residents whose homes and mini-farms do not meet secondary market guidelines for conforming properties.
- Loan volume to farmers with GFI of \$100,000 - \$250,000 is now \$1.0 billion, an increase of \$50 million during the first half of 2008 – 5% growth from year end. Year over year, the trend is up 12%.
- Commercial farmers (those with over \$500,000 GFI) have provided a large portion of our growth. Within that segment our loan volume is up 12% from year end.
- AgriBusiness volume is now \$3.0 billion, up by \$617 million from year end 2007. This represents a 25% growth rate over the first two quarters of 2008. We continue to see demand through our participation loan programs and have added significant volume through the purchase of loan

guarantees. AgriBusiness adds important diversification to our portfolio at rates that help us serve farmers in our four states.

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

	June 30 2008	December 31 2007
As of:		
Loans:		
Accruing restructured	\$431	\$511
Past due 90 days or more		
still accruing	5,408	2,675
Nonaccrual	62,488	58,971
Total risk loans	68,327	62,157
Other property owned	2,961	1,411
Total risk assets	\$71,288	\$63,568
Risk loans as a % of total loans	0.6%	0.5%
Total delinquencies as a % of total loans	1.0%	0.9%

Our risk assets have not changed significantly from December 31, 2007, and remain at acceptable levels. At June 30, 2008, 41.5% of our nonaccrual loans were current.

The U.S. Ag economy continues to be impacted by historically high grain prices. Less than ideal planting and growing conditions, followed by recent record flooding, will reduce the size of the 2008 corn and soybean crop. Grain prices are expected to remain high through 2008 and into 2009 because of high U.S. and World demand. While the dairy and egg industries are still experiencing profits, the beef, pork and broiler industries are incurring losses because of record high feed costs. Farm land has continued to appreciate in our territory.

Our portfolio continues to have minimal delinquencies and record high credit quality. Credit concerns created by residential lending issues, high feed costs for poultry and livestock producers, and weather may over time negatively impact our loan portfolio. However, because of the quality of our customer's loans and portfolio diversification, at this time we expect any potential deterioration to be minor.

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 2008	December 31 2007
As of:		
Allowance as a percentage of:		
Loans	0.17%	0.15%
Nonaccrual loans	30.3%	30.1%
Total risk loans	27.7%	28.6%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in the loan portfolio at June 30, 2008.

## RESULTS OF OPERATIONS

Net income for the six months ended June 30, 2008 totaled \$87.1 million compared to \$72.9 million for the same period of 2007. The following table illustrates profitability information:

As of June 30:	2008	2007
Return on average assets	1.3%	1.3%
Return on average members' equity	8.9%	8.2%

The following table summarizes the changes in components of net income for the six months ended June 30, 2008 compared to June 30, 2007 (in thousands):

Increase (decrease) in net income	2008 vs 2007
Net interest income (a)	\$12,019
Provision for loan losses (b)	1,346
Patronage income (c)	3,894
Financially related services and miscellaneous income, net (d)	1,794
Operating expenses (e)	(3,801)
Provision for income taxes	(976)
Total change in net income	\$14,276

<sup>(a)</sup>Net interest income was \$121.5 million for the six months ended June 30, 2008. The following table quantifies changes in net interest income for the six months ended June 30, 2008 compared to June 30, 2007 (in thousands):

Change in net interest income	2008 vs 2007
Changes in accrual volume	\$17,849
Changes in net accrual rates	(6,218)
Changes in nonaccrual income and other	388
Net change	\$12,019

<sup>(b)</sup>The change in the provision for loan losses is primarily due to a significant recovery from a previously charged off AgriBusiness loan, as well as our assessment of risk in the loan portfolio.

<sup>(c)</sup>The increase in patronage income is related to the increase in our note payable to Agribank, FCB and the patronage paid on the pool.

<sup>(d)</sup>The increase in financially related services and miscellaneous income, net is primarily due to operating lease income and multi-peril crop insurance income.

<sup>(e)</sup>The operating expense increase is primarily from additional employees, general salary and incentive increases, higher Farm Credit System Insurance Corporation expenses related to loan growth.

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 March 31, 2008, and was renewed for \$15.0 billion with a maturity date of April 30, 2009. 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.

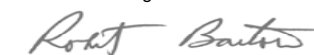
Total members' equity increased \$89 million from December 31, 2007, due to net income for the period and the increase in capital stock and participation certificates.

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, 2008, our ratio was 13.0%.
- 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, 2008, our ratio was 12.4%.
- 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, 2008, our ratio was 12.4%.

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 they have reviewed Farm Credit Services of Mid-America, ACA's June 30, 2008 quarterly report and that it 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



Paul Bruce  
Chief Financial Officer  
Farm Credit Services of Mid-America, ACA

July 31, 2008

**CONSOLIDATED STATEMENT OF CONDITION**

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

	June 30, 2008	December 31, 2007
<b>ASSETS</b>		
Loans	\$11,434,666	\$11,850,441
Allowance for loan losses	18,950	17,775
Net loans	11,415,716	11,832,666
Investment in AgriBank	419,810	270,463
Investment securities	621,266	483,874
Accrued interest receivable	113,480	137,344
Premises and equipment, net	34,638	34,671
Other earning assets	335,055	375,961
Other property owned	2,961	1,411
Assets held for lease, net	187,251	175,908
Other assets	24,189	32,846
Total assets	\$13,154,366	\$13,345,144
<b>LIABILITIES</b>		
Note payable to AgriBank	\$10,968,761	\$11,233,219
Accrued interest payable	133,428	142,204
Net deferred income tax liability	26,569	25,279
Other liabilities	28,899	37,142
Total liabilities	11,157,657	11,437,844
<b>MEMBERS' EQUITY</b>		
Protected members' equity	11	13
Capital stock and participation certificates	75,052	72,778
Unallocated surplus	1,921,646	1,834,509
Total members' equity	1,996,709	1,907,300
Total liabilities and members' equity	\$13,154,366	\$13,345,144

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	
	2008	2007	2008	2007
Interest income	\$194,066	\$183,102	\$396,358	\$358,990
Interest expense	133,447	128,060	274,811	249,462
Net interest income	60,619	55,042	121,547	109,528
Provision for loan losses	(837)	1,353	381	1,727
Net interest income after provision for loan losses	61,456	53,689	121,166	107,801
<b>Other income</b>				
Patronage income	9,285	6,651	16,963	13,069
Financially related services and miscellaneous income, net	3,717	3,370	8,853	7,059
Total other income	13,002	10,021	25,816	20,128
<b>Operating expense</b>				
Salaries and employees benefits	13,961	12,251	26,880	25,065
Other operating	13,857	13,499	27,019	25,033
Total operating expenses	27,818	25,750	53,899	50,098
Income before income taxes	46,640	37,960	93,083	77,831
Provision for income taxes	2,885	2,522	5,946	4,970
Net income	\$43,755	\$35,438	\$87,137	\$72,861

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)

	Capital			
	Protected Members' Equity	Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
<b>Balance at</b>				
December 31, 2006	\$14	\$68,202	\$1,676,568	\$1,744,784
Net income	--	--	72,861	72,861
Capital stock/participation certificates issued	--	4,759	--	4,759
Capital stock/participation certificates retired	--	(2,501)	--	(2,501)
<b>Balance at</b>				
June 30, 2007	\$14	\$70,460	\$1,749,429	\$1,819,903
<b>Balance at</b>				
December 31, 2007	\$12	\$72,778	\$1,834,509	\$1,907,299
Net income	--	--	87,137	87,137
Capital stock/participation certificates issued	--	5,057	--	5,057
Capital stock/participation certificates retired	(1)	(2,784)	--	(2,785)
<b>Balance at</b>				
June 30, 2008	\$11	\$75,051	\$1,921,646	\$1,996,708

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

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

Our 2007 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, 2007. You should read these unaudited second quarter 2008 consolidated financial statements in conjunction with the 2007 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, 2008 are not necessarily indicative of the results to be expected for the year ended December 31, 2008.

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 issued Statement of Financial Accounting Standards No. 157 – *Fair Value*

*Measurements.* This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement clarifies that the term fair value is intended to mean a market-based measure, not an entity-specific measure. In measuring fair value for a financial statement item, the Statement sets forth a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The highest priority is given to quoted prices in active markets and the lowest priority to unobservable inputs. Additional disclosure requirements will be required for the lowest priority level. The Statement became effective as of January 1, 2008. There is no material impact on our financial position resulting from the adoption of this Statement.

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159 – *Fair Value Option for Financial Assets and Financial Liabilities*. The Standard permits entities to choose on an instrument-by-instrument basis, at specified election dates, to measure financial assets and liabilities and certain other items at fair value (the "fair value option"). Unrealized gains and losses on items for which the fair value option has been elected must be reported in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. This Standard became effective as of January 1, 2008. We have not made any elections under the fair value option, thus there is no impact of the adoption of the Standard.

**NOTE 2: Allowance for Loan Losses**

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

Six months ended June 30:	2008	2007
Balance at beginning of year	\$17,775	\$16,990
Provision for loan losses	381	1,727
Loan recoveries	2,922	614
Loan chargeoffs	(2,128)	(1,546)
Balance at end of period	\$18,950	\$17,785

**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 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. In January 2008, the Board delayed the effective date of this Interpretation for nonpublic companies until the 2008 calendar year. Upon adoption of this Interpretation during the first quarter of 2008, we had no uncertain income tax positions to recognize.

**Quarterly Report**

June 30, 2008



Farm Credit Services of Mid-America, ACA

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