

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 \$11.7 billion at September 30, 2008, a \$137.5 million decrease from December 31, 2007. On May 27, 2008, we sold \$1.6 billion 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 had 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 third quarter. We continue to see demand from full and part-time farmers, as well as capital markets and country living segments. Highly volatile commodity prices, and higher land values, and rent, along with the need for farms to meet rising input costs remain key issues for producers. Many have already locked-in or made advance purchases for the 2009 season in an attempt to get in front of rising costs and fears of limited supplies. But chaotic energy prices and disastrous national economic news will likely slow fourth quarter growth. We already see slower results in our residential sector. Farm needs and borrowing demand is somewhat unpredictable. Late September and early October drops in most commodity prices could chill the market demand to some extent.

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

- Ag consumer segment (under \$100,000 gross farm income, GFI) increased \$483 million, or approximately 9% from year end. Year over year, this segment continues to grow at nearly 13%. New residential sales and small farm financing are driving the growth. Although we have seen some slackening demand, especially in construction and lot financing, there remains a strong small farm economy, untouched (so far) by events on Wall Street and in the broader housing market.
- The increase of loan volume to full-time farmers (GFI of \$100,000 - \$250,000) was \$100 million during the first three quarters of 2008. Year over year, the segment is up nearly 13%.
- Commercial farmers (those with over \$250,000 GFI) have provided \$385 million in growth since year end 2007. The producers with GFI over \$500K have grown 19% year over year.
- AgriBusiness volume is now \$3.1 billion, up by \$675 million from year end 2007. This represents a 28% growth rate over the first three

quarters of 2008. We have added significant volume through the purchase of loan guarantees and investments. However, we are restricting this growth to serve our core markets.

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

	September 30 2008	December 31 2007
As of:		
Loans:		
Accruing restructured	\$430	\$511
Past due 90 days or more		
still accruing	1,079	2,675
Nonaccrual	79,483	58,971
Total risk loans	80,992	62,157
Other property owned	2,938	1,411
Total risk assets	\$83,930	\$63,568
Risk loans as a % of total loans	0.7%	0.5%
Total delinquencies as a % of total loans	0.7%	0.9%

Our risk assets have increased from December 31, 2007, but still remain at acceptable levels. At September 30, 2008, 33.5% of our nonaccrual loans were current.

The financial crisis in the U.S. has created a great deal of uncertainty and the impact it may have on our customers cannot be determined at this time. Grain prices have moved significantly lower from record highs. The livestock and poultry industries have been negatively impacted by high feed costs. Still, the value of farmland throughout our four state service area continues to appreciate.

The credit quality of our portfolio is down from its record high earlier this year.

Although home delinquencies have trended up this year, home delinquencies as a percent of total loans were 1.51% at June 30, 2008 and 1.61% at September 30, 2008, less than half the most recent national home delinquency rate of 3.93% at June 30, 2008.

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 30 2008	December 31 2007
As of:		
Allowance as a percentage of:		
Loans	0.18%	0.15%
Nonaccrual loans	25.9%	30.1%
Total risk loans	25.4%	28.6%

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

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2008 totaled \$130.3 million compared to \$115.6 million for the same period of 2007. The following table illustrates profitability information:

As of September 30:	2008	2007
Return on average assets	1.3%	1.3%
Return on average members' equity	8.8%	8.5%

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

Increase (decrease) in net income	2008 vs 2007
Net interest income (a)	\$11,251
Provision for loan losses (b)	(1,116)
Patronage income (c)	11,374
Financially related services and miscellaneous income, net (d)	3,778
Operating expenses (e)	(7,553)
Provision for income taxes (f)	(3,050)
Total change in net income	\$14,684

^(a) Net interest income was \$11.3 million for the nine months ended September 30, 2008. The following table quantifies changes in net interest income for the nine months ended September 30, 2008 compared to September 30, 2007 (in thousands):

Change in net interest income	2008 vs 2007
Changes in accrual volume	\$23,064
Changes in net accrual rates	(12,129)
Changes in nonaccrual income and other	316
Net change	\$11,251

^(b) The change in the provision for loan losses is primarily due to our assessment of risk in the loan portfolio.

^(c) The increase in patronage income is related to patronage paid on the loan pool sold to AgriBank, FCB.

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

^(e) The operating expense increase is primarily from additional employees, general salary and incentive increases, higher Farm Credit System Insurance expense related to loan growth, and spending on systems and technology.

^(f) The increase in the provision for income taxes was due to higher taxable income.

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.

The volatility in the financial markets is affecting the Farm Credit System's access to debt markets, reducing its ability to issue debt on a timely basis, and restricting the variety of maturities and structures of bonds we have traditionally used to fund loans. However, with strong capital and credit quality as well as a spectrum of competitively priced products, we are well-positioned to withstand the effects of this volatility.

Total members' equity increased \$133.3 million from December 31, 2007, 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 in accordance with 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, 2008, our ratio was 13.1%.
- 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, 2008, our ratio was 12.5%.
- 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, 2008, our ratio was 12.5%.

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 they have reviewed Farm Credit Services of Mid-America, ACA's September 30, 2008 quarterly report and it has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements and 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

September 30, 2008

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

	September 30, 2008	December 31, 2007
ASSETS		
Loans	\$11,712,919	\$11,850,441
Allowance for loan losses	20,603	17,775
Net loans	11,692,316	11,832,666
Investment in AgriBank	402,946	270,463
Investment securities	723,804	483,874
Accrued interest receivable	138,144	137,344
Premises and equipment, net	34,718	34,671
Other earning assets	343,324	375,961
Other property owned	2,938	1,411
Assets held for lease, net	207,423	175,908
Other assets	29,402	32,846
Total assets	\$13,575,015	\$13,345,144
LIABILITIES		
Note payable to AgriBank	\$11,342,911	\$11,233,219
Accrued interest payable	128,232	142,204
Net deferred income tax liability	32,456	25,279
Other liabilities	30,801	37,142
Total liabilities	11,534,400	11,437,844
MEMBERS' EQUITY		
Protected members' equity	11	13
Capital stock and participation certificates	75,808	72,778
Unallocated surplus	1,964,796	1,834,509
Total members' equity	2,040,615	1,907,300
Total liabilities and members' equity	\$13,575,015	\$13,345,144

CONSOLIDATED STATEMENT OF INCOME

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

(Unaudited)

Period ended September 30,	Three months		Nine months	
	2008	2007	2008	2007
Interest income	\$183,556	\$192,419	\$579,914	\$551,409
Interest expense	128,239	136,334	403,050	385,796
Net interest income	55,317	56,085	176,864	165,613
Provision for loan losses	3,197	735	3,578	2,462
Net interest income after provision for loan losses	52,120	55,350	173,286	163,151
Other income				
Patronage income	14,421	6,941	31,384	20,010
Financially related services and miscellaneous income, net	8,462	6,478	17,315	13,537
Total other income	22,883	13,419	48,699	33,547
Operating expense				
Salaries and employees benefits	14,250	12,198	41,130	37,263
Other operating	14,524	12,824	41,543	37,857
Total operating expenses	28,774	25,022	82,673	75,120
Income before income taxes	46,229	43,747	139,312	121,578
Provision for income taxes	3,079	1,005	9,025	5,975
Net income	\$43,150	\$42,742	\$130,287	\$115,603

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			Total Members' Equity
	Protected Members' Equity	Stock and Participation Certificates	Unallocated Surplus	
Balance at				
December 31, 2006	\$14	\$68,202	\$1,676,568	\$1,744,784
Net income	--	--	115,603	115,603
Capital stock/participation certificates issued	--	7,033	--	7,033
Capital stock/participation certificates retired	(1)	(3,697)	--	(3,698)
Balance at				
September 30, 2007	\$13	\$71,538	\$1,792,171	\$1,863,722
Balance at				
December 31, 2007	\$12	\$72,778	\$1,834,509	\$1,907,299
Net income	--	--	130,287	130,287
Capital stock/participation certificates issued	--	7,015	--	7,015
Capital stock/participation certificates retired	(1)	(3,985)	--	(3,986)
Balance at				
September 30, 2008	\$11	\$75,808	\$1,964,796	\$2,040,615

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 third 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 nine months ended September 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):

Nine months ended September 30:	2008	2007
Balance at beginning of year	\$17,775	\$16,990
Provision for loan losses	3,578	2,462
Loan recoveries	3,222	1,136
Loan chargeoffs	(3,972)	(2,061)
Balance at end of period	\$20,603	\$18,527

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

September 30, 2008

**Farm Credit Services of Mid-America, ACA**

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