

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 2008 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, including owned and managed loans, totaled \$13.5 billion at March 31, 2009, a \$48 million increase from December 31, 2008. Managed loans refer to a participation interest in real estate loans sold to AgriBank in 2008. Year over year loan volume is up 10%. We continue to make strides in penetrating farm and agri-consumer markets, although our business has slowed appreciably in the tightening economy. We have also seen an increase in loan paydowns due to strong farm income in 2008. We are experiencing a decline of residential loans due to lower rates now being offered through secondary market lenders.

Growth ending March 31, 2009 shows the following highlights:

- Loan volume to commercial sized farmers (Gross Farm Income (GFI) over \$250,000) remains a growing sector of the portfolio. Outstanding volume is now \$3.3 billion. Late year purchases by producers who optimized income in 2008 resulted in a number of new loans, as well as expansions. To date, prices for farmland have held relatively steady. We have seen significant price reductions on land in developmental areas. Most producers in this segment have been very profitable and see an ongoing opportunity to expand operations. Exceptions may be livestock producers who are still challenged by feed cost contracts they entered in 2008 and by declining prices for meat.
- The small, part-time farmer market has slowed significantly. Off-farm income is the driver for this market segment, and unemployment and fears of unemployment heavily impact our four state market. For those with GFI under \$100,000 annually, we now have \$5.9 billion in loans outstanding. This represents a reduction of \$15 million since year end, unusual compared to prior year trends. Although we continue to provide a niche product to rural property owners with very credit worthy positions, we are threatened by competitors using the low rates of Fannie Mae and Freddie Mac to refinance our customers. We'll continue to see more of that in the months ahead.
- From year end 2008 to the end of the first quarter, our rural home loan volume dropped slightly to \$1.0 billion. New residential sales, construction, and small farm financing had fueled much of our loan activity in this segment. Those markets are very slow today and are not expected to rebound soon. We are working to prevent loan paydowns,

which may be significant in the future due to secondary market rates, by offering customers conversion opportunities when they are available.

- Loan volume with full-time farmers (GFI of \$100,000 - \$250,000) also saw a slight decline during the first quarter. Outstanding volume is now \$1.0 billion, a decrease of \$34 million from year end 2008.
- Agribusiness volume is now \$3.4 billion, up by \$179 million from year end 2008. There is considerable demand for credit in this sector, but we are being more selective in taking on new credits. In addition, we've experienced stress and some loss on ethanol and poultry loans.

As of April 30, 2009, nearly 9,000 loans, or \$1.2 billion in volume, have been converted saving customers several million dollars in future interest costs.

The following table presents information concerning risk loans (in thousands):

	March 31	December 31
As of:	2009	2008
Loans:		
Accruing restructured	\$379	\$441
Past due 90 days or more still accruing	9,958	626
Nonaccrual	<u>177,244</u>	160,709
Total risk loans	<u>187,581</u>	161,776
Other property owned	<u>5,110</u>	4,325
Total risk assets	<u>\$192,691</u>	\$166,101
Risk loans as a % of total loans	1.5%	1.2%
Total delinquencies as a % of total loans	1.5%	1.3%

Our risk assets have increased from December 31, 2008, but remain at acceptable levels. Total risk assets increased \$27 million between year end and March 31, 2009 to \$193 million. The majority of this increase resulted from an increase in nonaccrual loans. These are typically loans where the customer has stopped making payments and the loan is more than 90 days delinquent. Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection.

The increase in nonaccrual loans was due to the continued stress in the agribusiness sector. Despite the increase in nonaccrual loans, total risk loans as a percentage of total loans remains well within our established risk management guidelines. The volume of nonaccrual loans remained at an acceptable level at March 31, 2009 and represented 1.5% of our total portfolio. At March 31, 2009, 59% of our nonaccrual loans were current.

In April 2009, we acquired a portion of our nonaccrual volume, representing our participation interest in certain ethanol loans. This nonaccrual volume at March 31, 2009 totaled \$22.8 million. The acquired properties are held in limited liability corporations formed by the lenders for that purpose.

The credit quality of our portfolio has declined slightly from December 31, 2008. Adversely classified assets increased from 3.1% of the portfolio at December 31, 2008 to 3.2% of the portfolio at March 31, 2009. Adversely classified assets are assets we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In some circumstances, we use various governmental guarantee programs to reduce the risk of loss. At March 31, 2009, \$84 million of our loans were, to some level, guaranteed under these governmental programs.

The general economy in our territory is experiencing the same adverse effects caused by the recession in the U.S economy. In fact unemployment in our four states is slightly higher than the national average of 8.5%. This is significant for our portfolio since a large portion of our loans are to customers who have gross farm income of less than \$100,000 and are dependent on off-farm employment to service their total debt. Unemployment is expected to continue to increase in future months and remain high through the rest of 2009.

Grain producers make up the largest agricultural commodity in our portfolio. In general, they have had several good years and have sound financial and liquidity positions as a result. The outlook for 2009 is not as positive as in past years, but in general we expect this segment of our portfolio to perform well. The pork, beef and poultry meat industries generally operated at a loss in 2008 and this has caused some deterioration in these segments of our portfolio. These industries are expected to return to profitability later in 2009. However, the dairy industry is now operating at below breakeven prices and it is not clear how quickly prices will rebound to a profitable level. Farm real estate prices have not dropped in our territory as they have in some other areas of the Midwest.

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:

	March 31	December 31
Allowance as a percentage of:	2009	2008
Loans	0.3%	0.3%
Nonaccrual loans	18.8%	20.3%
Total risk loans	<u>17.8%</u>	20.1%

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2009 totaled \$40.2 million compared to \$43.4 million for the same period of 2008. The following table illustrates profitability information:

As of March 31	2009	2008
Return on average assets	1.2%	1.3%
Return on average members' equity	7.7%	9.0%

The following table summarizes the changes in components of net income for the three months ended March 31, 2009 compared to March 31, 2008 (in thousands):

Increase (decrease) in net income	2009 vs 2008
Net interest income (a)	(\$1,827)
Provision for loan losses (b)	(2,727)
Patronage income (c)	3,956
Financially related services and miscellaneous income, net (d)	54
Operating expenses (e)	(3,308)
Provision for income taxes (f)	<u>705</u>
Total change in net income	<u><u>(\$3,147)</u></u>

^(a)Net interest income was \$59.1 million for the three months ended March 31, 2009. As a consequence of the sale of a participation interest in real estate loans to AgriBank, net interest income on managed assets was paid in the form of patronage. The following table quantifies changes in net interest income for the three months ended March 31, 2009 compared to March 31, 2008 (in thousands):

Change in net interest income	2009 vs 2008
Changes in volume	(\$465)
Changes in rates	(715)
Changes in nonaccrual income and other	<u>(647)</u>
Net change	<u><u>(\$1,827)</u></u>

^(b)The change in the provision for loan losses is primarily related to the continued stress in the agribusiness segment of our portfolio.

^(c)The increase in patronage income is related to the sale of a participation interest in real estate loans to AgriBank in 2008.

^(d)The slight increase in financially related services and miscellaneous income, net is primarily due to higher fee income.

^(e)The operating expense increases were primarily related to higher Farm Credit System insurance premiums on loans.

^(f)The change in the Provision for income taxes was due to lower 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, 2009, and was renewed for \$15.0 billion with a maturity date of April 30, 2010. 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 \$40 million from December 31, 2008, 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:

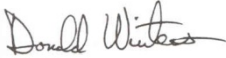
- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At March 31, 2009, our ratio was 13.4%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At March 31, 2009, our ratio was 12.8%.
- 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, 2009, 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 they have reviewed Farm Credit Services of Mid-America, ACA's March 31, 2009 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.



Matthew D. Walther
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

April 30, 2009

CONSOLIDATED STATEMENT OF CONDITION

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

	March 31 2009	December 31 2008
ASSETS		
Loans	\$12,126,966	\$11,995,738
Allowance for loan losses	33,384	32,571
Net loans	12,093,582	11,963,167
Investment in AgriBank	401,525	405,524
Investment securities	847,539	803,730
Accrued interest receivable	110,919	121,409
Premises and equipment, net	34,443	35,351
Other earning assets	295,951	353,345
Other property owned	5,110	4,325
Assets held for lease, net	202,998	207,165
Other assets	33,169	36,019
Total assets	\$14,025,236	\$13,930,035
LIABILITIES		
Note payable to AgriBank	\$11,730,382	\$11,648,640
Accrued interest payable	117,191	131,407
Net deferred income tax liability	40,614	39,344
Other liabilities	24,130	38,047
Total liabilities	11,912,317	11,857,438
MEMBERS' EQUITY		
Protected members' equity	11	11
Capital stock and participation certificates	76,122	76,035
Unallocated surplus	2,036,786	1,996,551
Total members' equity	2,112,919	2,072,597
Total liabilities and members' equity	\$14,025,236	\$13,930,035

CONSOLIDATED STATEMENT OF INCOME

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

Period ended March 31	2009	2008
Interest income	\$176,328	\$202,292
Interest expense	117,227	141,364
Net interest income	59,101	60,928
Provision for loan losses	3,945	1,218
Net interest income after provision for loan losses	55,156	59,710
Other income		
Patronage income	11,634	7,678
Financially related services and miscellaneous income, net	5,175	5,121
Total other income	16,809	12,799
Operating expense		
Salaries and employees benefits	14,132	12,919
Other operating	15,242	13,147
Total operating expenses	29,374	26,066
Income before income taxes	42,591	46,443
Provision for income taxes	2,356	3,061
Net income	\$40,235	\$43,382

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, 2007	\$13	\$72,778	\$1,834,509	\$1,907,300
Net income	--	--	43,382	43,382
distribution	--	--	--	--
certificates issued	--	2,461	--	2,461
certificates retired	(1)	(1,366)	--	(1,367)
Balance at March 31, 2008	\$12	\$73,873	\$1,877,891	\$1,951,776
Balance at December 31, 2008	\$11	\$76,035	\$1,996,551	\$2,072,597
Net income	--	--	40,235	40,235
distribution	--	--	--	--
certificates issued	--	1,727	--	1,727
certificates retired	--	(1,640)	--	(1,640)
Balance at March 31, 2009	\$11	\$76,122	\$2,036,786	\$2,112,919

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1: Organization and Significant Accounting Policies

Our 2008 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, 2008. You should read these unaudited first quarter 2009 consolidated financial statements in conjunction with the 2008 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, 2009 are not necessarily indicative of the results to be expected for the year ended December 31, 2009.

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 Developments

Effective January 1, 2009, we adopted FSP No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities. The impact of adoption resulted in additional fair value disclosures, but did not have an impact on our financial condition or results of operations.

NOTE 2: Allowance for Loan Losses

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

Three months ended March 31	2009	2008
Balance at beginning of year	\$32,571	\$17,775
Provision for loan losses	3,945	1,218
Loan recoveries	385	444
Loan chargeoffs	(3,517)	(796)
Balance at end of period	\$33,384	\$18,641

The following table presents information concerning risk loans:

As of March 31	2009	2008
Volume with specific reserves	\$55,645	\$10,937
Volume without specific reserves	131,936	54,783
Total risk loans	\$187,581	\$65,720
Total specific reserves	\$13,383	\$5,791

The majority of this increase resulted from an increase in nonaccrual loans. These are typically loans where the customer has stopped making payments and the loan is more than 90 days delinquent.

The following table represents information concerning income on our risk loans:

For the three months ended March 31	2009	2008
Income on accrual risk loans	\$87	\$1,165
Income on nonaccrual loans	649	148
Total income on risk loans	\$736	\$1,313
Average recorded investment	\$174,679	\$63,939

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: Fair Value Measurements

We do not have any assets or liabilities measured at fair value on a recurring basis. Assets measured at fair value on a non-recurring basis at March 31, 2009 for each of the fair value hierarchy levels are summarized below (in thousands):

	Fair Value Measurement Using			Total Fair Value	Total Gains (Losses)
	Level 1	Level 2	Level 3		
Assets:					
Loans *	--	\$23,870	\$16,248	\$40,118	(\$15,528)
Other property owned	--	5,110	--	5,110	--

*Represents the fair value of certain loans that were evaluated for impairment under SFAS No. 114. The fair value was based upon the underlying real estate collateral. The fair value market measurement process uses independent appraisals and other market-based information (see valuation techniques below). As a result, these fair value measurements fall within Level 2 of the hierarchy. However, in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Valuation Techniques

As more fully discussed in Note 2 to the 2008 Annual Report to Stockholders, SFAS No. 157 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for our assets. For a more complete description, see Notes 2 and 13 to the 2008 Annual Report.

Loans: For certain loans evaluated for impairment under SFAS No. 114, the fair value is based upon the underlying collateral since the loans were collateral dependent loans for which real estate is the collateral. These loans are generally classified as Level 3.

Other property owned is generally classified as Level 2. The fair value is based upon the collateral less estimated costs to sell.

Quarterly Report

March 31, 2009



Farm Credit Services of Mid-America, ACA

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