

SECOND QUARTER 2009

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CERTIFICATION

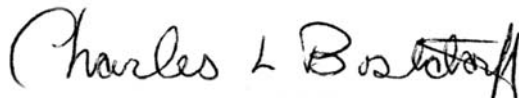
The undersigned certify that we have reviewed the June 30, 2009 quarterly report of Ag Credit Agricultural Credit Association, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Neil L. Jordan
Chief Executive Officer



Daniel E. Ebert
Chief Financial Officer



Charles L. Bostdorff
Chairman of the Board

July 23, 2009

AgCredit Agricultural Credit Association

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of June 30, 2009. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of June 30, 2009, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of June 30, 2009



Neil L. Jordan
Chief Executive Officer



Daniel Ebert
Chief Financial Officer

July 23, 2009

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Ag Credit Agricultural Credit Association (Association) for the six months ended June 30, 2009. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2008 Annual Report of the Association. The accompanying consolidated financial statements (financial statements) were prepared under the oversight of the Audit Committee of the Board of Directors, which includes Paul N. Aley, S. Jerry Layman and Keith L. Roberts. The results for the first six months of 2009 are not necessarily indicative of results to be expected for the year.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities, including general cash grain crops, livestock and horticultural products. These commodities totaled approximately \$738,958 or 78.77 percent of the loan portfolio as of June 30, 2009. The Association recognizes the commodity concentration risk exceeds normally accepted industry standards. This risk is partially offset by non-farm income sources for many borrowers, especially less than full-time farmers. More significant offsets to the commodity concentration risk are borrower participation in crop insurance programs and the Association's use of governmental loan guarantees. The loan guarantees are obtained through the U. S. Department of Agriculture (USDA) Farm Service Agency (FSA), and Rural Development Business and Industry (B&I) loan guarantee programs. As of June 30, 2009 the Association has \$276,863 of guaranteed loan volume, which is 29.51 percent of loans. Loan guarantees reduce the potential of loss in the Association's loan portfolio and help to leverage the Association's capital.

Gross loan volume of the Association as of June 30, 2009 was \$938,143, an increase of \$13,118 as compared to \$925,025 at December 31, 2008. The 1.42 percent increase in loan volume is related to an increase in real estate mortgage, processing and marketing and rural residential real estate loan volume offset by a decrease in production and intermediate term and farm related business loan volume. The increase in real estate mortgage loans is related to our efforts to earn the

business of those purchasing acreage during the first half of 2009. The increase in processing and marketing loan volume is related to borrowers using their lines of credit and establishment of new business. Farm related business and production and intermediate term loan volume decreased due to borrowers paying down their loans during the period. Net loans outstanding at June 30, 2009 were \$932,851 as compared to \$920,709 at December 31, 2008. Net loans accounted for 96.2 percent of total assets at June 30, 2009 as compared to 95.6 percent at December 31, 2008.

There is an inherent risk in the extension of any type of credit. There are no significant potential credit risks identified within the loan portfolio that could adversely impact the performance of the portfolio in the near future. Portfolio credit quality deteriorated slightly during the first half of 2009 but remains strong and credit administration is satisfactory. Nonaccrual loans increased by \$3,546 from \$2,971 at December 31, 2008 to \$6,517 at June 30, 2009. The increase resulted from the transfer of several large commercial loans to nonaccrual status during the second quarter of 2009.

Association management maintains an allowance for loan losses (allowance) sufficient to cover the possible losses in the loan portfolio based on current and expected future conditions. During the first six months of 2009 the Association recorded an increase in the allowance of \$956 and recognized net recoveries of \$20. For the same period of 2008, the Association recorded an increase in the allowance of \$309 and recognized net recoveries of \$13. The allowance was \$5,292 at June 30, 2009 compared to \$4,316 at December 31, 2008.

RESULTS OF OPERATIONS

For the three months ending June 30, 2009

Net income for the three months ended June 30, 2009 (Q2 2009) was \$5,180, which is an increase of \$418 or 8.78 percent when compared to the net income of \$4,762 for the same period in 2008 (Q2 2008). The increase in net income was primarily due to an increase in net interest income and non-interest income offset by an increase in provision for loan losses and operating expenses.

Net interest income for Q2 2009 increased by \$893 or 15.86 percent when compared to Q2 2008. The increase was mainly due to earnings generated on increased loan volume offset by the lower general market interest rates which reduced the income on the Association's own funds in loans.

The Association recorded a \$381 provision for loan losses (provision) for Q2 2009 as compared to an \$18 provision for Q2 2008. The increased provision resulted primarily from the significant increase in loan volume and the slight deterioration in loan quality.

Noninterest income is primarily comprised of loan fee income, fees for financially related services (FRS), equity in earnings from the AgFirst Farm Credit Bank (the Bank) and other noninterest income. The increase in noninterest income of \$316 or 19.94 percent is primarily a result of the \$251 increase in equity in earnings from the Bank and the \$55 increase in loan fee income. The equity in earnings from the Bank increased as a result of increased borrowing from the Bank to fund the increased loan activity over the past twelve months. Loan fee income increased due to a significant amount of loan re-pricing activity during Q2 2009 resulting from the low market interest rates.

Noninterest expense for Q2 2009 was \$2,824 as compared to \$2,387 for Q2 2008. The \$437 or 18.31 percent increase is primarily a result of increased expenses for additional employees, pensions, scheduled salary increases and related benefits, FCSIC insurance premiums, furniture, equipment and loan guarantee fee expenses.

The provision for income taxes was \$39 and \$48 for Q2 2009 and Q2 2008, respectively.

For the six months ending June 30, 2009

Net income for the six months ended June 30, 2009 was \$10,159, which is an increase of \$755 or 8.03 percent when compared to the net income of \$9,404 for the same period in 2008. The increase in net income was primarily due to an increase in net interest income and non-interest income offset by an increase in provision for loan losses and operating expenses.

Net interest income for first half of 2009 increased by \$1,439 or 12.53 percent when compared to the first half of 2008. The increase was mainly due to earnings generated on increased loan volume offset by the lower general market interest rates which reduced the income on the Association's own funds in loans.

The Association recorded a \$956 provision for loan losses (provision) for the first six months of 2009 as compared to a \$309 provision for the same period in 2008. The increased provision resulted primarily from the significant increase in loan volume and the slight deterioration in loan quality over the past twelve months.

Noninterest income is primarily comprised of loan fee income, fees for financially related services (FRS), equity in earnings from the AgFirst Farm Credit Bank (the Bank) and other noninterest income. The increase in noninterest income of \$778 or 24.84 percent is primarily a result of the \$545 increase

in equity in earnings from the Bank and the \$212 increase in loan fee income. The reasons for the changes in non-interest income are the same as previously stated.

Noninterest expenses for the first half of 2009 and 2008 were \$5,642 and \$4,814, respectively. The \$828 or 17.2 percent increase is related to the same reason previously discussed.

The provision for income taxes was \$72 and \$85 for the first half of 2009 and 2008, respectively.

The following table shows the key results of operations ratios for the six months ended June 30, 2009 and June 30, 2008, respectively.

	6/30/09	6/30/08
Return on average assets	2.16%	2.31%
Return on average equity	14.15%	14.21%
Net interest margin	2.85%	2.92%

The changes in these ratios are directly related to the changes in income discussed in the Results of Operations section, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Capital Resources section.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. Additional information on the GFA, liquidity and funding process and funding management is found on page 16 of the 2008 Annual Report. The total notes payable to the Bank at June 30, 2009 was \$812,086 as compared to \$808,479 at December 31, 2008. The \$3,607 or 0.45 percent increase is primarily attributed to the borrowing on the Association's loan with the Bank to fund the loan volume increase previously discussed and the cash portion of the 2008 patronage refund to the members offset by earnings, reduced interest receivable and the receipt of the Bank's 2008 patronage refund to the Association.

CAPITAL RESOURCES

Total members' equity increased by \$10,075 or 7.23 percent to \$149,427 at June 30, 2009 as compared to the December 31, 2008 total of \$139,352. The increase is primarily related to current year earnings, an increase in capital stock and participation certificates and an increase in allocated equities.

At June 30, 2009, the Association's permanent capital ratio, total surplus ratio and core surplus ratio exceeded the regulatory minimum requirements of 7 percent, 7 percent and 3.5 percent, respectively. These ratios are calculated in accordance with Farm Credit Administration (FCA) regulations and are defined below:

-
- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. As of June 30, 2009 our ratio was 17.70 percent.
 - The total surplus ratio is average unallocated and allocated surplus less any deductions made in the permanent capital divided by average risk-adjusted assets. As of June 30, 2009 our ratio was 16.11 percent.
 - The core surplus ratio is average unallocated surplus and eligible allocated surplus less the Association's average investment in the Bank divided by average risk-adjusted assets. As of June 30, 2009 our ratio was 14.67 percent.

Note: The Association obtains funding from AgFirst Farm Credit Bank (the Bank). The Association is materially affected and shareholder investment could be affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, www.agfirst.com or may be obtained at no charge by calling 1-800-845-1745, extension 378, or writing Stephen Gilbert, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202.

Copies of the Association's Quarterly and Annual Reports are available on the Association's website, www.agcredit.net, or may be obtained upon request free of charge by calling 1-800-837-3678, extension 1023, or writing Daniel Ebert, Chief Financial Officer, Ag Credit, ACA, 610 W Lytle Street, Fostoria, OH 44830. The Association prepares an electronic version of the Quarterly Report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

AgCredit Agricultural Credit Association

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	June 30, 2009 <i>(unaudited)</i>	December 31, 2008 <i>(audited)</i>
Assets		
Cash	\$ 2,640	\$ 4,165
Loans	938,143	925,025
Less: allowance for loan losses	5,292	4,316
Net loans	932,851	920,709
Accrued interest receivable	15,966	17,666
Investment in other Farm Credit institutions	11,857	11,857
Premises and equipment, net	1,666	1,735
Due from AgFirst Farm Credit Bank	3,125	5,553
Other assets	1,535	1,744
Total assets	<u>\$ 969,640</u>	<u>\$ 963,429</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 812,086	\$ 808,479
Accrued interest payable	2,196	2,754
Patronage refund payable	76	5,359
Other liabilities	5,855	7,485
Total liabilities	<u>820,213</u>	<u>824,077</u>
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	11,747	11,490
Retained earnings		
Allocated	73,382	73,039
Unallocated	64,298	54,823
Total members' equity	<u>149,427</u>	<u>139,352</u>
Total liabilities and members' equity	<u>\$ 969,640</u>	<u>\$ 963,429</u>

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

AgCredit Agricultural Credit Association

Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Interest Income				
Loans	\$ 13,286	\$ 13,715	\$ 26,866	\$ 27,801
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	6,763	8,082	13,947	16,313
Other	—	3	—	8
Total interest expense	<u>6,763</u>	<u>8,085</u>	<u>13,947</u>	<u>16,321</u>
Net interest income	6,523	5,630	12,919	11,480
Provision for loan losses	<u>381</u>	<u>18</u>	<u>956</u>	<u>309</u>
Net interest income after provision for loan losses	<u>6,142</u>	<u>5,612</u>	<u>11,963</u>	<u>11,171</u>
Noninterest Income				
Loan fees	279	224	634	422
Fees for financially related services	20	32	90	89
Equity in earnings of other Farm Credit institutions	1,580	1,329	3,125	2,580
Other noninterest income	<u>22</u>	<u>—</u>	<u>61</u>	<u>41</u>
Total noninterest income	<u>1,901</u>	<u>1,585</u>	<u>3,910</u>	<u>3,132</u>
Noninterest Expense				
Salaries and employee benefits	1,570	1,388	3,247	2,762
Occupancy and equipment	183	147	359	301
Insurance Fund premium	287	222	569	436
Other operating expenses	<u>784</u>	<u>630</u>	<u>1,467</u>	<u>1,315</u>
Total noninterest expense	<u>2,824</u>	<u>2,387</u>	<u>5,642</u>	<u>4,814</u>
Income before income taxes	5,219	4,810	10,231	9,489
Provision for income taxes	<u>39</u>	<u>48</u>	<u>72</u>	<u>85</u>
Net income	<u>\$ 5,180</u>	<u>\$ 4,762</u>	<u>\$ 10,159</u>	<u>\$ 9,404</u>

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

AgCredit Agricultural Credit Association
**Consolidated Statements of Changes in
Members' Equity**

(unaudited)

(dollars in thousands)

	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
		Allocated	Unallocated	
Balance at December 31, 2007	\$ 9,171	\$ 65,418	\$ 52,637	\$ 127,226
Net income			9,404	9,404
Capital stock/participation certificates issued/(retired), net	1,495			1,495
Dividends declared/paid	(2)		(82)	(84)
Retained earnings retired		(18)		(18)
Patronage distribution adjustment		3	(4)	(1)
Balance at June 30, 2008	\$ 10,664	\$ 65,403	\$ 61,955	\$ 138,022
Balance at December 31, 2008	\$ 11,490	\$ 73,039	\$ 54,823	\$ 139,352
Net income			10,159	10,159
Capital stock/participation certificates issued/(retired), net	251			251
Dividends declared/paid	6		(107)	(101)
Retained earnings retired		(13)		(13)
Patronage distribution adjustment		356	(577)	(221)
Balance at June 30, 2009	\$ 11,747	\$ 73,382	\$ 64,298	\$ 149,427

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

Ag Credit Agricultural Credit Association

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

NOTE 1 – ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The accompanying financial statements include the accounts of Ag Credit Agricultural Credit Association (the Association). A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2008, are contained in the 2008 Annual Report to Shareholders. These unaudited second quarter 2009 consolidated financial statements should be read in conjunction with the 2008 Annual Report to Shareholders.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP) and prevailing practices within the banking industry. The results for the six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the year ending December 31, 2009.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period's consolidated financial statement presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of June 30, 2009 the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In addition to the recently issued accounting pronouncements discussed in the 2008 Annual Report to Shareholders, effective January 1, 2009, the Association adopted Financial Accounting Standards Board (FASB) Statement of Position (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 until fiscal years beginning after November 15, 2008. The impact of adoption requires additional fair value disclosures, if applicable, but does not have an impact on the Association's financial condition or results of operations.

In April 2009, the FASB issued FSP No. 107-1 and Accounting Principles Board (APB) No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments." This FSP requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The FSP is effective for interim periods ending after June 15, 2009 (see Note 5).

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Recognized subsequent events should be recognized in the financial statements since the conditions existed at the date of the balance sheet. Nonrecognized subsequent events are not recognized in the financial statements since the conditions arose after the balance sheet date but before the financial statements are issued or are available to be issued. This Standard, which includes a required disclosure of the date through which an entity has evaluated subsequent events, is effective for interim or annual periods ending after June 15, 2009 (see Note 6).

NOTE 2 – ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

An analysis of the allowance for loan losses follows:

	For the six months ended June 30,	
	2009	2008
Balance at beginning of period	\$ 4,316	\$ 3,500
Provision for loan losses	956	309
Charge-offs	-	(6)
Recoveries	20	19
	\$ 5,292	\$ 3,822

The following table presents information concerning impaired loans as of June 30,

	2009	2008
Impaired loans with related allowance	\$ 4,094	\$ 489
Impaired loans with no related allowance	2,574	971
Total impaired loans	\$ 6,668	\$ 1,460
Allowance on impaired loans	\$ 1,173	\$ 170

The following table summarizes impaired loan information for the six months ended June 30,

	2009	2008
Average impaired loans	\$ 3,553	\$ 1,376
Interest income recognized on impaired loans	52	36

NOTE 3 – EMPLOYEE BENEFIT PLANS

The following is a table of retirement and other postretirement benefit expenses for the Association:

	For the six months ended June 30,	
	2009	2008
Pension	\$ 607	\$ 191
401(k)	128	114
Other postretirement benefits	150	141
Total	\$ 885	\$ 446

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 6/30/09	Projected Contributions For Remainder of 2009	Projected Total Contributions 2009
Pension	\$ -	\$1,340	\$1,340
Other postretirement benefits	62	53	115
Total	\$ 62	\$1,393	\$1,455

As of June 30, 2009, no contributions have been made to the pension plan for 2009. Actuarial calculations as of the last plan measurement date (December 31, 2008) projected contributions of \$3,751 to the pension plan for 2009. However, a new funding policy adopted during 2009 by the plan's Sponsor Committee resulted in a revised \$1,340 projected total contribution for 2009 as shown in the table above. Market conditions could impact discount rates and return on plan assets which could make additional contributions necessary before the next plan measurement date of December 31, 2009.

Further details regarding employee benefit plans are contained in the 2008 Annual Report to Shareholders.

NOTE 4 – FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Association adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements for certain assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities primarily consist of standby letters of credit and impaired loans.

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

SFAS No. 157 establishes a fair value hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs and the classification of the Association's financial instruments within the fair value hierarchy are as follows:

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. The Association has no Level 1 assets or liabilities measured at fair value on a recurring basis at June 30, 2009.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets or liabilities measured at fair value on a recurring basis at June 30, 2009.

Level 3

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could be instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

Level 3 assets at June 30, 2009 include impaired loans which represent the fair value of certain loans that were evaluated for impairment under SFAS No. 114. The fair value was based upon the underlying collateral since these were collateral-dependent loans. The fair value measurement process uses independent appraisals and other market-based information, but 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. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Level 3 liabilities at June 30, 2009 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis at June 30, 2009 for each of the fair value hierarchy levels:

	June 30, 2009			Total Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
Standby letters of credit	\$ -	\$ -	\$ 34	\$ 34
Total Liabilities	\$ -	\$ -	\$ 34	\$ 34

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis:

	Standby Letters Of Credit
Balance at January 1, 2009	\$ 54
Total gains or (losses) realized/unrealized:	
Included in earnings	-
Included in other comprehensive loss	-
Purchases, sales, issuances and settlements, net	(20)
Transfers in and/or out of level 3	-
Balance at June 30, 2009	\$ 34

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis at June 30, 2009 for each of the fair value hierarchy values are summarized below:

	June 30, 2009			Total Fair Value	YTD Total Gains (Losses)
	Level 1	Level 2	Level 3		
Assets:					
Impaired loans	\$ -	\$ -	\$ 2,921	\$ 2,921	\$ (882)

NOTE 5 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Association's financial instruments at June 30, 2009.

Quoted market prices are generally not available for certain System financial instruments, as described below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The estimated fair values of the Association's financial instruments are as follows:

	June 30, 2009	
	Carrying Amount	Estimated Fair Value
Financial assets:		
Cash	\$ 2,640	\$ 2,640
Loans, net of allowance	\$ 932,851	\$ 953,112
Financial liabilities:		
Notes payable to AgFirst Farm Credit Bank	\$ 812,086	\$ 819,755

A description of the methods and assumptions used to estimate the fair value of each class of the Association's financial instruments for which it is practicable to estimate that value follows:

- Cash:** The carrying value is a reasonable estimate of fair value.
- Loans:** Because no active market exists for the Association's loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. As the discount rates are based on the Bank's loan rates, as well as management estimates, management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale.

For purposes of determining fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics based upon repricing and credit risk. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

Fair value of loans in a nonaccrual status is estimated to be the carrying amount less specific reserves.

The carrying value of accrued interest approximates its fair value.

- Investment in AgFirst Farm Credit Bank:** Estimating the fair value of the Association's investment in the Bank is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheets. The Association owns 2.69 percent of the issued stock of the Bank as of June 30, 2009 net of any reciprocal investment. As of that date, the Bank's assets totaled \$30.0 billion and shareholders' equity totaled \$1.5 billion. The Bank's earnings were \$116 million during the first six months of 2009.
- Notes Payable to AgFirst Farm Credit Bank:** The notes payable are segregated into pricing pools according to the types

and terms of the loans (or other assets) which they fund. Fair value of the notes payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables plus accrued interest on the notes payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

- E. **Commitments to Extend Credit:** The estimated market value of off-balance-sheet commitments is minimal since the committed rate approximates current rates offered for commitments with similar rate and maturity characteristics and since the related credit risk is not significant.

NOTE 6 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through July 23, 2009, which is the date the financial statements were available to be issued.