*Ag***Choice** *Farm Credit, ACA*

FIRST QUARTER 2012

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2012 quarterly report of *Ag***Choice** Farm Credit, ACA, 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.

Allyn L. Lamb
Chief Executive Officer

Darrell L. Curtis
Chief Operating Officer
& Chief Financial Officer

William K. Jackson
Chairman of the Board

May 9, 2012

*Ag*Choice *Farm Credit, ACA*

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 March 31, 2012. 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 March 31, 2012, 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 March 31, 2012.

Allyn L. Lamb
Chief Executive Officer

Darrell L. Curtis
Chief Financial Officer &
Chief Operating Officer

May 9, 2012

*Ag*Choice *Farm Credit, ACA*

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***Choice** Farm Credit ACA, (Association) for the period ended March 31, 2012. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements, and the 2011 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. Information in any part of this Quarterly Report may be incorporated by reference in answer or partial answer to any other item of the Quarterly Report.

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 dairy, livestock, poultry, forest products, and various crops, and also includes part-time farm and rural home loans. Farm size varies, and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, impacts the level of dependency on a given commodity.

The gross loan volume of the Association as of March 31, 2012, was $1,317,777, an increase of $19,221 as compared to $1,298,556 at December 31, 2011. Net loans outstanding at March 31, 2012, were $1,310,397 as compared to $1,290,468 at December 31, 2011. Net loans accounted for 96.4 percent of total assets at March 31, 2012, as compared to 95.4 percent of total assets at December 31, 2011.

The 1.5 percent increase in both gross and net loan volume during the reporting period is the result of new loan volume outpacing principal payments and payoffs.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, and credit administration remains satisfactory. Nonaccrual volume increased from $37,376 at December 31, 2011, to $37,603 at March 31, 2012. The Association continues efforts to work out of nonaccrual accounts or to assist such operations to return to accrual status.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses was $7,380 and $8,088 at March 31, 2012 and December 31, 2011, respectively. These reserves were considered by management to be adequate to cover possible losses. As a further means to reduce credit risk, as of March 31, 2012, the Association had loans amounting to $29,299 under a long-term standby commitment from Farmer Mac to purchase these loans in the event of loan defaults.

RESULTS OF OPERATIONS

For the three months ended March 31, 2012

Net income for the three months ended March 31, 2012, totaled $9,030, as compared to $6,803 for the same period in 2011. Net interest income increased by $591 for the three months ended March 31, 2012, as compared to the first quarter in 2011.

At March 31, 2012, interest income on accruing loans decreased $420 compared to a year ago. Nonaccrual interest income was $622 for the three months ended March 31, 2012, as compared to $86 for the same period in 2011. Interest expense decreased $475 for the three months ended March 31, 2012, as compared to the same period of 2011. The decrease in interest income and expense on accruing loans is mainly due to the decrease in rates seen in the market place.

A large decrease in one specific reserve contributed to a $731 provision for loan losses reversal in the first quarter of 2012.

Noninterest income for the three months ended March 31, 2012, totaled $3,948, as compared to $3,026 for the same period of 2011, an increase of $922. This increase primarily resulted from a large writedown of an acquired property during the first quarter of 2011 that was not repeated in 2012.

Noninterest expense for the three months ended March 31, 2012, increased $199 or 3.3 percent, compared to the same period of 2011. This increase is primarily due to higher personnel expense.

The provision for income taxes was $70 for the first quarter of 2012 as compared to a $48 provision in the same period last year.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2012, was $1,074,975 as compared to $1,075,338 at December 31, 2011. Despite a slight increase in gross loan volume, notes payable remained relatively consistent compared to the prior year end due to the receipt of the 2011 Equity in earnings of other Farm Credit institutions and cash generated from Association year-to-date 2012 earnings.

CAPITAL RESOURCES

Total members' equity at March 31, 2012, increased to $256,439 from the December 31, 2011, total of $247,495. The increase is primarily attributed to year-to-date 2012 net income.

Total capital stock and participation certificates were $10,869 on March 31, 2012, compared to $10,924 on December 31, 2011.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus, as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2012, the Association's permanent capital and total surplus ratios were 16.75 percent and 15.94 percent, respectively, and the core surplus ratio was 14.03 percent. All three ratios were well above the minimum regulatory requirements of 7.00 percent for the permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

For the three months ended March 31, 2012, the FCA took no enforcement action against the Association.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *"Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements",* in the Notes to the Financial Statements, and the 2011 Annual Report to Shareholders for recently issued accounting pronouncements.

Note: Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745 ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-349-3568 or writing AgChoice Farm Credit, ACA, 900 Bent Creek Blvd., Mechanicsburg, PA, 17050, or accessing the website *www.agchoice.com*. The Association prepares a 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 institution.

AgChoice Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2012	December 31, 2011
	(unaudited)	*(audited)*
Assets		
Cash	$ 176	$ 334
Investment securities:		
Held to maturity (fair value of $2,548 and $2,565 respectively)	2,392	2,392
Loans	1,317,777	1,298,556
Less: allowance for loan losses	7,380	8,088
Net loans	1,310,397	1,290,468
Accrued interest receivable	5,896	5,539
Investments in other Farm Credit institutions	27,147	27,573
Premises and equipment, net	3,698	3,661
Other property owned	2,140	2,276
Due from AgFirst Farm Credit Bank	3,021	14,620
Other assets	4,830	5,474
Total assets	$ 1,359,697	$ 1,352,337
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 1,074,975	$ 1,075,338
Accrued interest payable	1,999	2,136
Patronage refunds payable	761	14,339
Other liabilities	25,523	13,029
Total liabilities	1,103,258	1,104,842
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	10,869	10,924
Surplus		
Allocated	129,471	128,951
Unallocated	116,120	107,637
Accumulated other comprehensive income (loss)	(21)	(17)
Total members' equity	256,439	247,495
Total liabilities and members' equity	$ 1,359,697	$ 1,352,337

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

AgChoice Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2012	2011
Interest Income		
Investment securities	$ 37	$ 37
Loans	17,018	16,902
Total interest income	17,055	16,939
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	6,446	6,921
Net interest income	10,609	10,018
Provision for (reversal of allowance for) loan losses	(731)	204
Net interest income after provision for (reversal of allowance for) loan losses	11,340	9,814
Noninterest Income		
Loan fees	483	478
Fees for financially related services	297	199
Patronage refunds from other Farm Credit institutions	3,021	3,261
Gains (losses) on other property owned, net	(59)	(997)
Gains (losses) on sales of rural home loans, net	40	82
Gains (losses) on sales of premises and equipment, net	30	13
Other noninterest income (expense)	136	(10)
Total noninterest income	3,948	3,026
Noninterest Expense		
Salaries and employee benefits	4,299	4,123
Occupancy and equipment	307	307
Insurance Fund premiums	133	158
Other operating expenses	1,449	1,401
Total noninterest expense	6,188	5,989
Income before income taxes	9,100	6,851
Provision for income taxes	70	48
Net income	$ 9,030	$ 6,803

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

AgChoice Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2012	2011
Net income	$ 9,030	$ 6,803
Other comprehensive income net of tax		
Employee benefit plans adjustments	(4)	(3)
Comprehensive income	$ 9,026	$ 6,800

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

AgChoice Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2010	$ 11,179	$ 121,535	$ 102,115	$ (5)	$ 234,824
Comprehensive income			6,803	(3)	6,800
Capital stock/participation certificates issued/(retired), net	(86)				(86)
Dividends declared/paid	5		(5)		–
Surplus retired		(151)			(151)
Patronage distribution adjustment		260	(261)		(1)
Balance at March 31, 2011	$ 11,098	$ 121,644	$ 108,652	$ (8)	$ 241,386
Balance at December 31, 2011	$ 10,924	$ 128,951	$ 107,637	$ (17)	$ 247,495
Comprehensive income			9,030	(4)	9,026
Capital stock/participation certificates issued/(retired), net	(60)				(60)
Dividends declared/paid	5		(5)		–
Surplus retired		(28)			(28)
Patronage distribution adjustment		548	(542)		6
Balance at March 31, 2012	$ 10,869	$ 129,471	$ 116,120	$ (21)	$ 256,439

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

*Ag***Choice** *Farm Credit, ACA*

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***Choice** Farm Credit, ACA (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, 2011, are contained in the 2011 Annual Report to Shareholders. These unaudited first quarter 2012 consolidated financial statements should be read in conjunction with the 2011 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 three months ended March 31, 2012, are not necessarily indicative of the results to be expected for the year ending December 31, 2012.

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 March 31, 2012 the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

Recently Issued Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." This amendment is intended to increase the prominence of other comprehensive income in financial statements. The current option that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The main provisions of the guidance provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements: (1) A single statement must present the components of net income and total net income, the components of other comprehensive income and total other comprehensive income and a total for comprehensive income or (2) In a two-statement approach, an entity must present the components of net income and total net income in the first statement. That statement must be immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income and a total for comprehensive income. With either approach, an entity is required to present reclassification adjustments for items reclassified from other comprehensive income to net income in the statement(s). This guidance is to be applied retrospectively. For public entities, it is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not impact the Association's financial condition or results of operations, but resulted in changes to the presentation of comprehensive income. In December 2011, the FASB issued guidance (ASU 2011-12; Topic 220) to defer the new requirement to present components of accumulated other comprehensive income reclassified as components of net income on the face of the financial statements. All other requirements in the guidance for comprehensive income are required to be adopted as set forth in the June 2011 guidance. The deferral is effective at the same time the new standard on comprehensive income is adopted.

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include the following: (1) application of the highest and best use and valuation premise is only relevant when measuring the fair value of nonfinancial assets (does not apply to financial assets and liabilities), (2) aligns the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities. As a result, an entity should measure the fair value of its own equity instruments from the perspective of a market participant that holds the instruments as assets, (3) clarifies that a reporting entity should disclose quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy, (4) an exception to the requirement for measuring fair value when a reporting entity manages its financial instruments on the basis of its net exposure, rather than its gross exposure, to those risks, (5) clarifies that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value. Premiums or discounts related to size as a characteristic of the entity's holding (that is, a blockage factor) instead of as a characteristic of the asset or liability (for example, a control premium), are not permitted. A fair value measurement that is not a Level 1 measurement may include premiums or discounts other than blockage factors when market participants would incorporate the premium or discount into the measurement at the level of the unit of account specified in other guidance, (6) expansion of the disclosures about fair value measurements. The most significant change will require entities, for their recurring Level 3 fair value measurements, to disclose quantitative information about unobservable inputs used, a description of the valuation processes used by the entity and a qualitative discussion about the sensitivity of the measurements. New disclosures are required about the use of a nonfinancial asset measured or disclosed at fair value if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed. The amendments are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted. The adoption of this guidance did not impact the Association's financial condition or results of operations, but resulted in additional disclosures.

In April 2011, the FASB issued ASU 2011-02, "Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which provides for clarification on whether a restructuring constitutes a troubled debt restructuring (TDR). In evaluating whether a restructuring is a TDR, a creditor must separately conclude that both of the following exist: (1) the restructuring constitutes a concession and (2) the debtor is experiencing financial difficulties. The guidance is effective for nonpublic entities, for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The guidance should be applied retrospectively to the beginning of the annual period of adoption. The new disclosures about TDR activity required by the guidance on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses," as discussed below, are effective for annual reporting periods ending after December 15, 2011.

In January 2011, the FASB issued ASU 2011-01, "Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings." This amendment temporarily delayed the effective date of the disclosures about TDRs required by the guidance previously issued on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." The effective date of the new disclosures about TDRs coincides with the guidance for determining what constitutes a TDR as described above. The adoption of this guidance had no material impact on the Association's financial condition and results of operations but resulted in significant additional disclosures.

Other recently issued accounting pronouncements are discussed in the 2011 Annual Report to Shareholders.

NOTE 2 — INVESTMENT SECURITIES

A summary of the amortized cost and fair value of investment securities held-to-maturity at March 31, 2012 and December 31, 2011 follows.

	March 31, 2012				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 2,392	$ 156	$ –	$ 2,548	6.23%

	December 31, 2011				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 2,392	$ 173	$ –	$ 2,565	6.23%

A summary of the expected maturity, amortized cost and estimated fair value of investment securities held-to-maturity at March 31, 2012 follows:

	March 31, 2012		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	–	–	–
After five years through ten years	–	–	–
After ten years	2,392	2,548	6.23
Total	$ 2,392	$ 2,548	6.23%

An investment is considered impaired if its fair value is less than its cost. A continuous unrealized loss position for an investment is based on the date the impairment was first identified. The Association had no investments that have been in a continuous unrealized loss position at March 31, 2012 or December 31, 2011.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify any future possible loss of principal or interest due on each security identified for additional analysis. Factors considered in determining whether an impairment is other-than-temporary include among others as applicable: 1) the length of time and the extent to which the fair value is less than cost, 2) adverse conditions specifically related to the industry, 3) geographic area and the condition of the underlying collateral, 4) payment structure of the security, 5) ratings by rating agencies, 6) the credit worthiness of bond insurers and 7) volatility of the fair value changes. Based on the results of all analyses, the Association has not recognized any other-than-temporary impairment in connection with its investment securities. The Association has the ability and intent to hold these investments until maturity and at this time expects to collect the full principal amount and interest due on these securities.

The Association does not intend to sell these investments and it is unlikely that the Association would be required to sell these investments before recovering its costs. All securities continue to perform and are in an unrealized gain position at March 31, 2012.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans outstanding at period end were as follows:

	March 31, 2012	December 31, 2011
Real estate mortgage	$ 564,140	$ 561,818
Production and intermediate-term	562,581	559,801
Agribusiness		
Loans to cooperatives	13,908	10,136
Processing and marketing	64,864	62,047
Farm-related business	30,579	24,673
Total agribusiness	109,351	96,856
Communication	39,404	38,473
Energy	17,536	16,267
Rural residential real estate	23,329	23,659
Lease receivables	1,436	1,682
Total loans	$ 1,317,777	$ 1,298,556

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. Participations purchased and sold balances at period end were as follows:

	March 31, 2012							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 5,250	$ 72,621	$ 17,300	$ 25	$ –	$ –	$ 22,550	$ 72,646
Production and intermediate-term	66,915	61,299	17,622	9,931	16,729	–	101,266	71,230
Agribusiness								
Loans to cooperatives	–	–	13,947	–	–	–	13,947	–
Processing and marketing	6,502	667	41,799	–	12,774	–	61,075	667
Farm-related business	–	3,295	–	–	4,966	–	4,966	3,295
Total agribusiness	6,502	3,962	55,746	–	17,740	–	79,988	3,962
Communication	1,329	–	38,242	–	–	–	39,571	–
Energy	2,434	–	15,141	–	–	–	17,575	–
Rural residential real estate	–	426	–	–	–	–	–	426
Lease receivables	–	–	1,354	–	–	–	1,354	–
Total	$ 82,430	$ 138,308	$ 145,405	$ 9,956	$ 34,469	$ –	$ 262,304	$ 148,264

	December 31, 2011							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 7,323	$ 73,960	$ 17,300	$ –	$ –	$ –	$ 24,623	$ 73,960
Production and intermediate-term	62,240	62,083	17,208	9,041	17,644	–	97,092	71,124
Agribusiness								
Loans to cooperatives	549	–	9,632	–	–	–	10,181	–
Processing and marketing	8,266	696	36,913	–	13,451	–	58,630	696
Farm-related business	–	3,520	–	–	680	–	680	3,520
Total agribusiness	8,815	4,216	46,545	–	14,131	–	69,491	4,216
Communication	1,329	–	37,333	–	–	–	38,662	–
Energy	2,435	–	13,878	–	–	–	16,313	–
Rural residential real estate	–	429	–	–	–	–	–	429
Lease receivables	–	–	1,709	–	–	–	1,709	–
Total	$ 82,142	$ 140,688	$ 133,973	$ 9,041	$ 31,775	$ –	$ 247,890	$ 149,729

A significant source of liquidity for the Association is the repayments and maturities of loans. The following table presents the contractual maturity distribution of loans by loan type at March 31, 2012 and indicates that approximately 28.69 percent of loans had maturities of less than one year:

	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 17,815	$ 138,563	$ 407,762	$ 564,140
Production and intermediate-term	220,300	217,593	124,688	562,581
Agribusiness				
Loans to cooperatives	11,351	2,262	295	13,908
Processing and marketing	60,419	2,843	1,602	64,864
Farm-related business	11,481	9,590	9,508	30,579
Total agribusiness	83,251	14,695	11,405	109,351
Communication	39,251	153	–	39,404
Energy	15,687	315	1,534	17,536
Rural residential real estate	1,065	5,348	16,916	23,329
Lease receivables	693	578	165	1,436
Total Loans	$ 378,062	$ 377,245	$ 562,470	$ 1,317,777

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type.

	March 31, 2012	December 31, 2011
Real estate mortgage:		
Acceptable	91.03%	90.78%
OAEM	4.50	4.69
Substandard/doubtful/loss	4.47	4.53
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	85.18%	84.52%
OAEM	8.49	10.28
Substandard/doubtful/loss	6.33	5.20
	100.00%	100.00%
Agribusiness:		
Loans to cooperatives:		
Acceptable	94.84%	85.40%
OAEM	5.16	14.60
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	92.58%	91.15%
OAEM	4.32	5.46
Substandard/doubtful/loss	3.10	3.39
	100.00%	100.00%
Farm-related business:		
Acceptable	82.10%	77.66%
OAEM	1.32	1.82
Substandard/doubtful/loss	16.58	20.52
	100.00%	100.00%
Total agribusiness:		
Acceptable	89.93%	87.09%
OAEM	3.59	5.48
Substandard/doubtful/loss	6.48	7.43
	100.00%	100.00%

	March 31, 2012	December 31, 2011
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Energy and water/waste disposal:		
Acceptable	87.49%	86.53%
OAEM	12.51	13.47
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	91.73%	92.65%
OAEM	3.69	3.68
Substandard/doubtful/loss	4.58	3.67
	100.00%	100.00%
Lease receivables:		
Acceptable	79.42%	81.09%
OAEM	6.63	6.67
Substandard/doubtful/loss	13.95	12.24
	100.00%	100.00%
Total loans:		
Acceptable	88.66%	88.05%
OAEM	6.09	7.11
Substandard/doubtful/loss	5.25	4.84
	100.00%	100.00%

The following tables provide an aging analysis of past due loans and related accrued interest.

	March 31, 2012					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 2,473	$ 5,885	$ 8,358	$ 558,987	$ 567,345	$ 524
Production and intermediate-term	10,736	9,213	19,949	544,768	564,717	–
Agribusiness						
Loans to cooperatives	–	–	–	13,933	13,933	–
Processing and marketing	–	–	–	65,018	65,018	–
Farm-related business	25	33	58	30,605	30,663	–
Total agribusiness	25	33	58	109,556	109,614	–
Communication	–	–	–	39,475	39,475	–
Energy and water/waste disposal	–	–	–	17,577	17,577	–
Rural residential real estate	574	50	624	22,826	23,450	–
Lease receivables	–	36	36	1,409	1,445	–
Total	$ 13,808	$ 15,217	$ 29,025	$ 1,294,598	$ 1,323,623	$ 524

	December 31, 2011					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 4,292	$ 6,669	$ 10,961	$ 553,591	$ 564,552	$ 134
Production and intermediate-term	2,895	8,729	11,624	550,391	562,015	20
Agribusiness						
Loans to cooperatives	–	–	–	10,154	10,154	–
Processing and marketing	–	–	–	62,158	62,158	–
Farm-related business	175	35	210	24,667	24,877	–
Total agribusiness	175	35	210	96,979	97,189	–
Communication	–	–	–	38,544	38,544	–
Energy and water/waste disposal	–	–	–	16,323	16,323	–
Rural residential real estate	190	65	255	23,512	23,767	–
Lease receivables	–	37	37	1,655	1,692	–
Total	$ 7,552	$ 15,535	$ 23,087	$ 1,280,995	$ 1,304,082	$ 154

The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs and may also reflect a previous direct write-down of the investment.

Nonperforming assets (including related accrued interest) and related credit quality statistics at period end were as follows:

	March 31, 2012	December 31, 2011
Nonaccrual loans:		
Real estate mortgage	$ 11,636	$ 13,832
Production and intermediate-term	21,298	22,740
Agribusiness		
Processing and marketing	76	82
Farm-related business	4,172	210
Total agribusiness	4,248	292
Rural residential real estate	220	305
Lease receivables	201	207
Total nonaccrual loans	$ 37,603	$ 37,376
Accruing restructured loans:		
Real estate mortgage	$ 514	$ 516
Production and intermediate-term	2,839	2,925
Agribusiness		
Processing and marketing	–	–
Farm-related business	–	–
Total agribusiness	–	–
Rural residential real estate	–	–
Lease receivables	–	–
Total accruing restructured loans	$ 3,353	$ 3,441
Accruing loans 90 days or more past due:		
Real estate mortgage	$ 524	$ 134
Production and intermediate-term	–	20
Agribusiness		
Processing and marketing	–	–
Farm-related business	–	–
Total agribusiness	–	–
Rural residential real estate	–	–
Lease receivables	–	–
Total accruing loans 90 days or more past due	$ 524	$ 154
Total nonperforming loans	$ 41,480	$ 40,971
Other property owned	2,140	2,276
Total nonperforming assets	$ 43,620	$ 43,247
Nonaccrual loans as a percentage of total loans	2.85%	2.88%
Nonperforming assets as a percentage of total loans and other property owned	3.30%	3.32%
Nonperforming assets as a percentage of capital	17.01%	17.47%

The following table presents information relating to impaired loans (including accrued interest) at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	March 31, 2012	December 31, 2011
Impaired nonaccrual loans:		
Current as to principal and interest	$ 15,324	$ 18,178
Past due	22,279	19,198
Total impaired nonaccrual loans	37,603	37,376
Impaired accrual loans:		
Restructured	3,353	3,441
90 days or more past due	524	154
Total impaired accrual loans	3,877	3,595
Total impaired loans	$ 41,480	$ 40,971

The following tables present additional information concerning impaired loans and related allowance by loan type at period end.

	March 31, 2012			Quarter Ended March 31, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 158	$ 154	$ 34	$ 155	$ 2
Production and intermediate-term	11,716	13,025	1,858	11,512	177
Agribusiness					
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Total agribusiness	–	–	–	–	–
Rural residential real estate	50	70	22	49	1
Lease receivables	–	–	–	–	–
Total	$ 11,924	$ 13,249	$ 1,914	$ 11,716	$ 180
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 12,516	$ 13,586	$ –	$ 12,299	$ 190
Production and intermediate-term	12,421	17,347	–	12,205	188
Agribusiness					
Processing and marketing	76	76	–	75	1
Farm-related business	4,172	4,061	–	4,099	63
Total agribusiness	4,248	4,137	–	4,174	64
Rural residential real estate	170	332	–	167	2
Lease receivables	201	272	–	198	3
Total	$ 29,556	$ 35,674	$ –	$ 29,043	$ 447
Total impaired loans:					
Real estate mortgage	$ 12,674	$ 13,740	$ 34	$ 12,454	$ 192
Production and intermediate-term	24,137	30,372	1,858	23,717	365
Agribusiness					
Processing and marketing	76	76	–	75	1
Farm-related business	4,172	4,061	–	4,099	63
Total agribusiness	4,248	4,137	–	4,174	64
Rural residential real estate	220	402	22	216	3
Lease receivables	201	272	–	198	3
Total	$ 41,480	$ 48,923	$ 1,914	$ 40,759	$ 627

	December 31, 2011			Year Ended December 31, 2011	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 286	$ 284	$ 21	$ 320	$ 13
Production and intermediate-term	14,251	17,328	2,830	15,949	641
Rural residential real estate	65	70	26	73	3
Lease receivables	37	87	7	42	2
Total	$ 14,639	$ 17,769	$ 2,884	$ 16,384	$ 659
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 14,196	$ 15,441	$ –	$ 15,888	$ 639
Production and intermediate-term	11,434	17,223	–	12,797	515
Agribusiness					
Processing and marketing	82	82	–	92	4
Farm-related business	210	211	–	235	9
Total agribusiness	292	293	–	327	13
Rural residential real estate	240	408	–	269	11
Lease receivables	170	190	–	189	7
Total	$ 26,332	$ 33,555	$ –	$ 29,470	$ 1,185
Total impaired loans:					
Real estate mortgage	$ 14,482	$ 15,725	$ 21	$ 16,208	$ 652
Production and intermediate-term	25,685	34,551	2,830	28,746	1,156
Agribusiness					
Processing and marketing	82	82	–	92	4
Farm-related business	210	211	–	235	9
Total agribusiness	292	293	–	327	13
Rural residential real estate	305	478	26	342	14
Lease receivables	207	277	7	231	9
Total	$ 40,971	$ 51,324	$ 2,884	$ 45,854	$ 1,844

Unpaid principal balance represents the contractual principal balance of the loan.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at March 31, 2012.

A summary of changes in the allowance for loan losses and recorded investment in loans at period end were as follows:

March 31, 2012	Real Estate Mortgage	Production and Intermediate -term	Agribusiness	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Lease Receivables	Total
Allowance for credit losses:								
Balance at December 31, 2011	$ 1,380	$ 5,566	$ 543	$ 176	$ 271	$ 136	$ 16	$ 8,088
Charge-offs	(4)	(6)	–	–	–	(15)	–	(25)
Recoveries	4	44	–	–	–	–	–	48
Provision for loan losses	106	(961)	(1)	16	15	100	(6)	(731)
Balance at March 31, 2012	$ 1,486	$ 4,643	$ 542	$ 192	$ 286	$ 221	$ 10	$ 7,380
March 31, 2012 allowance ending balance:								
Loans individually evaluated for impairment	$ 34	$ 1,858	$ –	$ –	$ –	$ 22	$ –	$ 1,914
Loans collectively evaluated for impairment	$ 1,452	$ 2,785	$ 542	$ 192	$ 286	$ 199	$ 10	$ 5,466
Recorded investment in loans outstanding:								
Ending Balance at March 31, 2012	$ 567,345	$ 564,717	$ 109,614	$ 39,475	$ 17,577	$ 23,450	$ 1,445	$ 1,323,623
March 31, 2012 recorded investment ending balance:								
Loans individually evaluated for impairment	$ 9,606	$ 19,199	$ 4,175	$ –	$ –	$ 151	$ 202	$ 33,333
Loans collectively evaluated for impairment	$ 557,739	$ 545,518	$ 105,439	$ 39,475	$ 17,577	$ 23,299	$ 1,243	$ 1,290,290

December 31, 2011	Real Estate Mortgage	Production and Intermediate -term	Agribusiness	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Lease Receivables	Total
Allowance for credit losses:								
Balance at December 31, 2010	$ 1,713	$ 5,938	$ 398	$ 72	$ 143	$ 144	$ 64	$ 8,472
Charge-offs	(394)	(2,205)	–	–	–	(162)	(69)	(2,830)
Recoveries	19	84	4	–	–	–	20	127
Provision for loan losses	42	1,749	141	104	128	154	1	2,319
Balance at December 31, 2011	$ 1,380	$ 5,566	$ 543	$ 176	$ 271	$ 136	$ 16	$ 8,088
December 31, 2011 allowance ending balance:								
Loans individually evaluated for impairment	$ 21	$ 2,830	$ –	$ –	$ –	$ 26	$ 7	$ 2,884
Loans collectively evaluated for impairment	$ 1,359	$ 2,736	$ 543	$ 176	$ 271	$ 110	$ 9	$ 5,204
Recorded investment in loans outstanding:								
Ending Balance at December 31, 2011	$ 564,552	$ 562,015	$ 97,189	$ 38,544	$ 16,323	$ 23,767	$ 1,692	$ 1,304,082
December 31, 2011 recorded investment ending balance:								
Loans individually evaluated for impairment	$ 11,100	$ 20,578	$ 35	$ –	$ –	$ 171	$ 207	$ 32,091
Loans collectively evaluated for impairment	$ 553,452	$ 541,437	$ 97,154	$ 38,544	$ 16,323	$ 23,596	$ 1,485	$ 1,271,991

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about activity that occurred during the period presented, related to TDRs. The table does not include purchased credit impaired loans. There were no TDRs for the quarter ended March 31, 2011.

	Three months ended March 31, 2012			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 1,006	$ –	$ 1,006
Production and intermediate-term	–	533	–	533
Agribusiness				
Farm-related business	–	233	–	233
Total	$ –	$ 1,772	$ –	$ 1,772

	Three months ended March 31, 2012					
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Real estate mortgage	$ –	$ 1,006	$ –	$ 1,006	$ –	$ –
Production and intermediate-term	–	533	–	533	–	–
Agribusiness						
Farm-related business	–	233	–	233	–	–
Total	$ –	$ 1,772	$ –	$ 1,772	$ –	$ –

Interest concessions include interest forgiveness and interest deferment. Principal concessions include principal forgiveness, principal deferment, and maturity extension. Other concessions include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the first quarter of 2012. Payment default is defined as a payment that was thirty days or more past due.

TDRs outstanding at period end totaled $17,220, of which $13,867 were in nonaccrual status.

NOTE 4 — COMMITMENTS AND CONTINGENT LIABILITIES

Actions are pending against the Association in which money damages are sought. However, on the basis of information now at hand, management and legal counsel are of the opinion that the ultimate liability, if any, resulting therefrom, would not be material in relation to the overall financial position of the Association.

NOTE 5 — EMPLOYEE BENEFIT PLANS

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

	For the three months ended March 31, 2012	2011
Pension	$ 794	$ 767
401(k)	115	119
Other postretirement benefits	103	130
Total	$ 1,012	$ 1,016

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

	Actual YTD Through 3/31/12	Projected Contributions For Remainder of 2012	Projected Total Contributions 2012
Pension	$ 5	$ 2,491	$ 2,496
Other postretirement benefits	102	298	400
Total	$ 107	$ 2,789	$ 2,896

Contributions in the above table include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2012.

Further details regarding employee benefit plans are contained in the 2011 Annual Report to Shareholders.

NOTE 6 — FAIR VALUE MEASUREMENT

FASB guidance defines fair value, establishes a framework for measuring fair value and requires fair value disclosures for certain assets and liabilities measured at fair value on a recurring and nonrecurring basis. These assets and liabilities consist primarily of assets held in trust funds, standby letters of credit, impaired loans, and other property owned.

This guidance 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.

This guidance 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.

Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions 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 7.75 percent of the issued stock of the Bank as of March 31, 2012 net of any reciprocal investment. As of that date, the Bank's assets totaled $28.1 billion and shareholders' equity totaled $2.2 billion. The Bank's earnings were $123 million for the first three months of 2012. In addition, the Association has an investment of $103 related to other Farm Credit institutions.

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

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's Level 1 assets at March 31, 2012 consist of assets held in trust funds related to deferred compensation and supplemental retirement plans. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace. For cash, the carrying value is primarily utilized as a reasonable estimate of fair value.

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 and liabilities measured at fair value on a recurring basis at March 31, 2012.

The carrying value of accrued interest approximates its fair value.

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 include 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 March 31, 2012 include impaired loans that represent the fair value of certain loans that were evaluated for impairment under FASB guidance. 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.

Because no active market exists for the Association's accruing loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans currently would be made to borrowers with similar credit risk. 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 values of loans in a nonaccrual status are estimated to be the carrying amount of the loan less specific reserves (see Level 3 below).

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. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

For investment securities, the fair value is determined by discounting the expected future cash flows using extrapolated interest rates for similar assets.

Other property owned is classified as a level 3 asset at March 31, 2012. The fair value is based upon the collateral value. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. Other property owned consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure and is carried as an asset held for sale, which is generally not its highest and best use. These properties are part of the Association's credit risk mitigation efforts, not its ongoing business. In addition, FCA regulations require that these types of property be disposed of within a reasonable period of time.

For 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; therefore, the related credit risk is not significant.

Information about Sensitivity to Changes in Significant Unobservable Inputs

For certain recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Other fair value measurements may use contractual payments and a risk adjusted discount rate, which is generated using the Association's 14-point risk rating scale. An increase in risk rating will generally produce a lower fair value measurement.

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended March 31, 2012 and 2011. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the first three months of 2012 and 2011.

	Standby Letters Of Credit
Balance at January 1, 2012	$ 293
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income (loss)	–
Purchases	–
Sales	–
Issuances	–
Settlements	(67)
Transfers in and/or out of level 3	–
Balance at March 31, 2012	$ 226

	Standby Letters Of Credit
Balance at January 1, 2011	$ 262
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income (loss)	–
Purchases	–
Sales	–
Issuances	89
Settlements	–
Transfers in and/or out of level 3	–
Balance at March 31, 2011	$ 351

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	Appraisal	Income and expense	*
		Comparable sales	*
		Replacement costs	*
		Comparability adjustments	*

** Ranges for this type of input are not useful because each collateral property is unique.*

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment rates Probability of default Loss severity Annualized volatility
Investment securities, held-to-maturity	Discounted cash flow	Probability of default Risk adjusted discount rate
Accrued interest	Carrying value	Coupon interest rates
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment rates Probability of default Loss severity Annualized volatility

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 following table presents the carrying amounts and fair values of assets and liabilities that are measured at fair value on a recurring and nonrecurring basis, as well as, those financial instruments not measured at fair value, for each of the hierarchy levels at the period ended:

	March 31, 2012					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Comprehensive Income
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 342	$ 342	$ –	$ –	$ 342	$ 2
Recurring Assets	$ 342	$ 342	$ –	$ –	$ 342	$ 2
Liabilities:						
Standby letters of credit	$ 226	$ –	$ –	$ 226	$ 226	$ –
Recurring Liabilities	$ 226	$ –	$ –	$ 226	$ 226	$ –
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 39,566	$ –	$ –	$ 39,566	$ 39,566	$ 992
Other property owned	2,140	–	–	2,436	2,436	–
Nonrecurring Assets	$ 41,706	$ –	$ –	$ 42,002	$ 42,002	$ 992
Other Financial Instruments						
Assets:						
Cash	$ 176	$ 176	$ –	$ –	$ 176	
Investment securities, held-to-maturity	2,392	–	–	2,548	2,548	
Loans	1,270,831	–	–	1,280,452	1,280,452	
Accrued interest receivable	5,896	–	5,896	–	5,896	
Other Assets	$ 1,279,295	$ 176	$ 5,896	$ 1,283,000	$ 1,289,072	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,074,975	$ –	$ –	$ 1,077,923	$ 1,077,923	
Accrued interest payable	1,999	–	1,999	–	1,999	
Other Liabilities	$ 1,076,974	$ –	$ 1,999	$ 1,077,923	$ 1,079,922	

The following tables present the assets and liabilities that are measured at fair value on a recurring basis at December 31, 2011 for each of the fair value hierarchy levels:

	December 31, 2011			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Assets held in trust funds	$ 314	$ –	$ –	$ 314
Total assets	$ 314	$ –	$ –	$ 314
Liabilities:				
Standby letters of credit	$ –	$ –	$ 293	$ 293
Total liabilities	$ –	$ –	$ 293	$ 293

Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2011 for each of the fair value hierarchy values are summarized below.

	December 31, 2011				
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	$ –	$ –	$ 11,697	$ 11,697	$ (3,673)
Other property owned	$ –	$ –	$ 2,604	$ 2,604	$ (851)

The estimated fair values of the Association's financial instruments at December 31, 2011 are as follows:

	December 31, 2011	
	Carrying Amount	Estimated Fair Value
Financial assets:		
Cash	$ 334	$ 334
Loans, net of allowance	$ 1,290,468	$ 1,304,609
Accrued interest receivable	$ 5,539	$ 5,539
Investment securities	$ 2,392	$ 2,565
Assets held in trust funds	$ 314	$ 314
Financial liabilities:		
Notes payable to AgFirst Farm Credit Bank	$ 1,077,474	$ 1,082,372

NOTE 7 - ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in components of Accumulated Other Comprehensive Income are as follows:

	Employee Benefit Plans	
Balance at December 31, 2010	$	(5)
Other comprehensive income		(3)
Balance at March 31, 2011	$	(8)
Balance at December 31, 2011	$	(17)
Other comprehensive income		(4)
Balance at March 31, 2012	$	(21)

	For the three months ended March 31,			
	2012		2011	
Other Comprehensive Income and Reclassification Amounts:				
Net gain (loss) during period	$	(4)	$	(3)
Defined benefit post retirement plans, net	$	(4)	$	(3)

NOTE 8 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined that, except as described below, there are none requiring disclosure through May 9, 2012, which is the date the financial statements were issued.

In April 2012, the Association accrued $1.6 million due to an insurance premium refund from the Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations. This payment is nonrecurring and resulted from the assets of the Farm Credit Insurance Fund exceeding the secure base amount as defined by the Farm Credit Act. In addition, the Association accrued in April a $143 thousand patronage distribution from AgFirst for insurance premium refunds on certain loan pools sold to the Bank.