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

FIRST QUARTER 2013

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2013 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.

Darrell L. Curtis
Chief Executive Officer

Robert J. Kobzowicz, Jr.
Chief Financial Officer

Dennis B. Spangler
Chairman of the Board

May 9, 2013

*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, 2013. 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, 2013, 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, 2013.

Darrell L. Curtis
Chief Executive Officer

Robert J. Kobzowicz, Jr.
Chief Financial Officer

May 9, 2013

*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, 2013. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements, and the 2012 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, 2013, was $1,409,256, an increase of $170 as compared to $1,409,086 at December 31, 2012. Net loans outstanding at March 31, 2013, were $1,398,046 as compared to $1,398,382 at December 31, 2012. Net loans accounted for 97.0 percent of total assets at March 31, 2013, as compared to 96.2 percent of total assets at December 31, 2012.

Both gross and net loan volume remained relatively flat during the reporting period as payoffs and paydowns kept pace with new loan volume.

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 decreased from $28,396 at December 31, 2012, to $27,809 at March 31, 2013 as a result of payments received and reinstatements to accruing status. 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 $11,210 and $10,704 at March 31, 2013 and December 31, 2012, respectively. Also at March 31, 2013, the Association maintained a reserve for unfunded commitments of $775 related to a participation account. 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, 2013, the Association had loans amounting to $21,877 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, 2013

Net income for the three months ended March 31, 2013, totaled $7,525, as compared to $9,030 for the same period in 2012. Net interest income decreased by $64 for the three months ended March 31, 2013, as compared to the same period in 2012.

At March 31, 2013, interest income on accruing loans increased $80 compared to a year ago as loan volume increased. Nonaccrual interest income was only $85 for the three months ended March 31, 2013, as compared to $430 for the same period in 2012. Interest expense decreased $201 for the three months ended March 31, 2013, as compared to the same period of 2012. The decrease in interest expense is mainly due to the decrease in rates seen in the market place.

The provision for loan losses was $513 in the first quarter of 2013, largely due to transferring $345 of a 2012 reserve on unfunded commitments to the allowance for loan losses. This provision for loan losses expense is offset by a gain in other noninterest income. The provision for loan losses was a reversal of $731 in the first quarter of 2012, due to a large decrease in one specific reserve.

Noninterest income for the three months ended March 31, 2013, totaled $4,078, as compared to $3,948 for the same period of 2012, an increase of $130. This increase resulted primarily from the reversal of $345 of reserves for unfunded commitments, offset by lower loan fees and patronage refunds from other Farm Credit institutions.

Noninterest expense for the three months ended March 31, 2013, increased $337 or 5.4 percent, compared to the same period of 2012. This increase is primarily due to higher personnel costs associated with increased staffing levels, along with increased purchased services and other costs.

The provision for income taxes was $60 for the first quarter of 2013 as compared to a $70 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, 2013, was $1,143,512 as compared to $1,160,477 at December 31, 2012. This decrease resulted from limited growth in gross loan volume compared to the prior year end, offset by the receipt of the 2012 Equity in earnings of other Farm Credit institutions and cash generated from Association year-to-date 2013 earnings.

CAPITAL RESOURCES

Total members' equity at March 31, 2013, increased to $271,641 from the December 31, 2012, total of $264,229. The increase is primarily attributed to year-to-date 2013 net income.

Total capital stock and participation certificates were $10,787 on March 31, 2013, compared to $10,895 on December 31, 2012.

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, 2013, the Association's permanent capital and total surplus ratios were 16.97 percent and 16.23 percent, respectively, and the core surplus ratio was 14.66 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, 2013, 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 2012 Annual Report to Shareholders for recently issued accounting pronouncements.

Note: Shareholder investment in the Association is materially 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, 2013 *(unaudited)*	December 31, 2012 *(audited)*
Assets		
Cash	$ 95	$ 642
Investment securities:		
Held to maturity (fair value of $2,653 and $2,642, respectively)	2,392	2,392
Loans	1,409,256	1,409,086
Less: allowance for loan losses	11,210	10,704
Net loans	1,398,046	1,398,382
Accrued interest receivable	5,969	5,110
Investments in other Farm Credit institutions	22,154	22,401
Premises and equipment, net	3,732	3,697
Other property owned	697	1,055
Due from AgFirst Farm Credit Bank	2,964	14,382
Other assets	4,766	5,169
Total assets	$ 1,440,815	$ 1,453,230
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 1,143,512	$ 1,160,477
Accrued interest payable	1,659	1,788
Patronage refunds payable	840	12,485
Other liabilities	23,163	14,251
Total liabilities	1,169,174	1,189,001
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	10,787	10,895
Surplus		
Allocated	137,909	137,817
Unallocated	122,986	115,558
Accumulated other comprehensive income (loss)	(41)	(41)
Total members' equity	271,641	264,229
Total liabilities and members' equity	$ 1,440,815	$ 1,453,230

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, 2013	2012
Interest Income		
Investment securities	$ 37	$ 37
Loans	16,753	17,018
Total interest income	16,790	17,055
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	6,245	6,446
Net interest income	10,545	10,609
Provision for (reversal of allowance for) loan losses	513	(731)
Net interest income after provision for (reversal of allowance for) loan losses	10,032	11,340
Noninterest Income		
Loan fees	326	483
Fees for financially related services	294	297
Patronage refunds from other Farm Credit institutions	2,966	3,021
Gains (losses) on other property owned, net	(86)	(59)
Gains (losses) on sales of rural home loans, net	43	40
Gains (losses) on sales of premises and equipment, net	14	30
Other noninterest income	521	136
Total noninterest income	4,078	3,948
Noninterest Expense		
Salaries and employee benefits	4,422	4,299
Occupancy and equipment	318	307
Insurance Fund premiums	270	133
Other operating expenses	1,515	1,449
Total noninterest expense	6,525	6,188
Income before income taxes	7,585	9,100
Provision for income taxes	60	70
Net income	$ 7,525	$ 9,030

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, 2013	2012
Net income	$ 7,525	$ 9,030
Other comprehensive income net of tax		
Employee benefit plans adjustments	–	(4)
Comprehensive income	$ 7,525	$ 9,026

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, 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
Balance at December 31, 2012	$ 10,895	$ 137,817	$ 115,558	$ (41)	$ 264,229
Comprehensive income			7,525	–	7,525
Capital stock/participation certificates issued/(retired), net	(113)				(113)
Dividends declared/paid	5		(5)		–
Patronage distribution adjustment		92	(92)		–
Balance at March 31, 2013	$ 10,787	$ 137,909	$ 122,986	$ (41)	$ 271,641

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

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, 2012, are contained in the 2012 Annual Report to Shareholders. These unaudited first quarter 2013 consolidated financial statements should be read in conjunction with the 2012 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, 2013, are not necessarily indicative of the results to be expected for the year ending December 31, 2013.

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, 2013 the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

Recently Issued Accounting Pronouncements

In February 2013 the FASB issued Accounting Standards Update (ASU) 2013-04, "Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation Is Fixed at the Reporting Date," which addresses the recognition, measurement and disclosure of certain obligations including debt arrangements, other contractual obligations, and settled litigation and judicial rulings. The amendments are to be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the Update's scope that exist at the beginning of an entity's fiscal year of adoption. An entity may elect to use hindsight for the comparative periods (if it changed its accounting as a result of adopting the amendments in the Update) and should disclose that fact. The amendments are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2014, and interim periods and annual periods thereafter. Early application is permitted. It is not anticipated the adoption of this guidance will have a material impact on the Association's financial condition or results of operations but will result in additional disclosures.

In February 2013 the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The update is intended to improve the transparency of reporting reclassifications out of accumulated other comprehensive income. The amendments do not change the requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2013. Early application is permitted.

In January 2013, the FASB issued ASU 2013-01 "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." The Update clarifies that ordinary trade receivables and payables are not in the scope of ASU 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities." Specifically, ASU 2011-11 applies only to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria or subject to a master netting arrangement or similar agreement. The effective date is the same as that for ASU 2011-11 below.

In December 2011, the FASB issued ASU 2011-11, "Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities." The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. This guidance is to be applied retrospectively for all comparative periods and is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance, in conjunction with ASU 2013-01 above, will not impact the Association's financial condition or its results of operations, but will result in additional disclosures.

Other recently issued accounting pronouncements are discussed in the 2012 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, 2013 and December 31, 2012 follows.

	March 31, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 2,392	$ 261	$ –	$ 2,653	6.23%

	December 31, 2012				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 2,392	$ 250	$ –	$ 2,642	6.23%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity at March 31, 2013 follows:

	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	2,653	6.23
Total	$ 2,392	$ 2,653	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, 2013 or December 31, 2012.

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, 2013.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES

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

	March 31, 2013	December 31, 2012
Real estate mortgage	$ 618,893	$ 614,995
Production and intermediate-term	531,598	550,412
Agribusiness		
Loans to cooperatives	19,195	11,903
Processing and marketing	81,773	86,647
Farm-related business	26,727	23,796
Total agribusiness	127,695	122,346
Communication	64,954	55,318
Energy	26,772	26,418
Rural residential real estate	22,231	22,579
International	12,270	12,262
Lease receivables	548	786
Other (including mission-related)	4,295	3,970
Total loans	$ 1,409,256	$ 1,409,086

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. Participation loan balances at period end were as follows:

	March 31, 2013							
	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	$ 10,181	$ 63,298	$ 17,100	$ –	$ –	$ –	$ 27,281	$ 63,298
Production and intermediate-term	28,172	79,985	31,091	2,777	7,025	–	66,288	82,762
Agribusiness								
Loans to cooperatives	8,422	–	10,684	–	–	–	19,106	–
Processing and marketing	16,976	–	40,157	–	22,498	–	79,631	–
Farm-related business	–	1,132	–	–	3,401	–	3,401	1,132
Total agribusiness	25,398	1,132	50,841	–	25,899	–	102,138	1,132
Communication	6,329	–	58,728	–	–	–	65,057	–
Energy	8,556	–	18,228	–	–	–	26,784	–
Rural residential real estate	–	626	–	–	–	–	–	626
Lease receivables	–	–	497	–	–	–	497	–
International	2,273	–	10,000	–	–	–	12,273	–
Total	$ 80,909	$ 145,041	$ 186,485	$ 2,777	$ 32,924	$ –	$ 300,318	$ 147,818

	December 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	$ 66,210	$ 17,100	$ –	$ –	$ –	$ 22,350	$ 66,210
Production and intermediate-term	55,504	80,513	45,579	2,790	14,211	–	115,294	83,303
Agribusiness								
Loans to cooperatives	–	–	9,648	–	–	–	9,648	–
Processing and marketing	1,165	–	42,383	–	18,567	–	62,115	–
Farm-related business	–	1,303	–	–	272	–	272	1,303
Total agribusiness	1,165	1,303	52,031	–	18,839	–	72,035	1,303
Communication	1,329	–	44,510	–	–	–	45,839	–
Energy	2,434	–	17,581	–	–	–	20,015	–
Rural residential real estate	–	631	–	–	–	–	–	631
International	2,273	–	10,000	–	–	–	12,273	–
Lease receivables	–	–	764	–	–	–	764	–
Total	$ 67,955	$ 148,657	$ 187,565	$ 2,790	$ 33,050	$ –	$ 288,570	$ 151,447

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, 2013 and indicates that approximately 28.46 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	$ 20,294	$ 143,374	$ 455,225	$ 618,893
Production and intermediate-term	181,216	216,282	134,100	531,598
Agribusiness				
Loans to cooperatives	17,697	1,145	353	19,195
Processing and marketing	75,078	1,103	5,592	81,773
Farm-related business	10,078	9,895	6,754	26,727
Total agribusiness	102,853	12,143	12,699	127,695
Communication	63,335	1,619	–	64,954
Energy	24,698	517	1,557	26,772
Rural residential real estate	1,094	4,663	16,474	22,231
International	7,273	4,997	–	12,270
Lease receivables	251	130	167	548
Other (including mission-related)	–	928	3,367	4,295
Total Loans	$ 401,014	$ 384,653	$ 623,589	$ 1,409,256

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, 2013	December 31, 2012
Real estate mortgage:		
Acceptable	94.51%	94.26%
OAEM	1.97	2.00
Substandard/doubtful/loss	3.52	3.74
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	89.50%	89.01%
OAEM	1.98	3.54
Substandard/doubtful/loss	8.52	7.45
	100.00%	100.00%
Agribusiness:		
Loans to cooperatives:		
Acceptable	97.75%	97.59%
OAEM	2.25	2.41
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	99.81%	97.79%
OAEM	0.12	2.15
Substandard/doubtful/loss	0.07	0.06
	100.00%	100.00%
Farm-related business:		
Acceptable	94.07%	93.28%
OAEM	1.19	1.31
Substandard/doubtful/loss	4.74	5.41
	100.00%	100.00%
Total agribusiness:		
Acceptable	98.30%	96.89%
OAEM	0.66	2.01
Substandard/doubtful/loss	1.04	1.10
	100.00%	100.00%

	March 31, 2013	December 31, 2012
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Energy and water/waste disposal:		
Acceptable	98.71%	100.00%
OAEM	–	–
Substandard/doubtful/loss	1.29	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	92.78%	93.25%
OAEM	2.43	2.44
Substandard/doubtful/loss	4.79	4.31
	100.00%	100.00%
International:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Lease receivables:		
Acceptable	62.83%	68.55%
OAEM	31.58	27.37
Substandard/doubtful/loss	5.59	4.08
	100.00%	100.00%
Other (including mission-related)		
Acceptable	7.53%	–%
OAEM	–	–
Substandard/doubtful/loss	92.47	100.00
	100.00%	100.00%
Total loans:		
Acceptable	93.04%	92.52%
OAEM	1.72	2.49
Substandard/doubtful/loss	5.24	4.99
	100.00%	100.00%

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

	March 31, 2013					
	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 and Accrued Interest	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 2,565	$ 2,905	$ 5,470	$ 616,796	$ 622,266	$ –
Production and intermediate-term	3,993	4,036	8,029	525,613	533,642	–
Agribusiness						
Loans to cooperatives	–	–	–	19,224	19,224	–
Processing and marketing	–	–	–	81,897	81,897	–
Farm-related business	–	32	32	26,780	26,812	–
Total agribusiness	–	32	32	127,901	127,933	–
Communication	–	–	–	65,008	65,008	–
Energy and water/waste disposal	–	–	–	26,816	26,816	–
Rural residential real estate	342	198	540	21,794	22,334	–
International	–	–	–	12,333	12,333	–
Lease receivables	–	31	31	516	547	–
Other (including mission-related)	–	3,973	3,973	323	4,296	–
Total	$ 6,900	$ 11,175	$ 18,075	$ 1,397,100	$ 1,415,175	$ –

	December 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 and Accrued Interest	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,804	$ 4,051	$ 5,855	$ 611,691	$ 617,546	$ –
Production and intermediate-term	1,199	4,564	5,763	546,673	552,436	–
Agribusiness						
Loans to cooperatives	–	–	–	11,926	11,926	–
Processing and marketing	–	–	–	86,847	86,847	–
Farm-related business	–	32	32	23,845	23,877	–
Total agribusiness	–	32	32	122,618	122,650	–
Communication	–	–	–	55,404	55,404	–
Energy and water/waste disposal	–	–	–	26,435	26,435	–
Rural residential real estate	240	205	445	22,220	22,665	–
International	–	–	–	12,291	12,291	–
Lease receivables	40	32	72	715	787	–
Other (including mission-related)	–	3,970	3,970	–	3,970	–
Total	$ 3,283	$ 12,854	$ 16,137	$ 1,398,047	$ 1,414,184	$ –

The recorded investment in a 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, 2013	December 31, 2012
Nonaccrual loans:		
Real estate mortgage	$ 6,833	$ 7,964
Production and intermediate-term	16,253	16,030
Agribusiness		
Processing and marketing	58	58
Farm-related business	32	32
Total agribusiness	90	90
Energy and water/waste disposal	345	–
Rural residential real estate	311	332
Lease receivables	30	32
Other (including mission-related)	3,947	3,948
Total nonaccrual loans	$ 27,809	$ 28,396
Accruing restructured loans:		
Real estate mortgage	$ 3,756	$ 3,896
Production and intermediate-term	7,175	7,411
Total accruing restructured loans	$ 10,931	$ 11,307
Accruing loans 90 days or more past due:		
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 38,740	$ 39,703
Other property owned	697	1,055
Total nonperforming assets	$ 39,437	$ 40,758
Nonaccrual loans as a percentage of total loans	1.97%	2.02%
Nonperforming assets as a percentage of total loans and other property owned	2.80%	2.89%
Nonperforming assets as a percentage of capital	14.52%	15.43%

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, 2013	December 31, 2012
Impaired nonaccrual loans:		
Current as to principal and interest	$ 13,693	$ 14,984
Past due	14,116	13,412
Total impaired nonaccrual loans	27,809	28,396
Impaired accrual loans:		
Restructured	10,931	11,307
90 days or more past due	–	–
Total impaired accrual loans	10,931	11,307
Total impaired loans	$ 38,740	$ 39,703

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

	March 31, 2013			Quarter Ended March 31, 2013	
	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	$ 774	$ 769	$ 127	$ 777	$ 2
Production and intermediate-term	7,099	7,931	1,632	7,130	16
Agribusiness					
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Total agribusiness	–	–	–	–	–
Energy and water/waste disposal	345	345	345	347	1
Rural residential real estate	132	207	26	133	–
Other (including mission-related)	3,366	3,262	180	3,382	7
Total	$ 11,716	$ 12,514	$ 2,310	$ 11,769	$ 26
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 9,815	$ 10,640	$ –	$ 9,860	$ 21
Production and intermediate-term	16,329	17,744	–	16,404	35
Agribusiness					
Processing and marketing	58	58	–	58	–
Farm-related business	32	34	–	32	–
Total agribusiness	90	92	–	90	–
Rural residential real estate	179	299	–	180	1
Lease receivables	30	81	–	30	–
Other (including mission-related)	581	590	–	583	2
Total	$ 27,024	$ 29,446	$ –	$ 27,147	$ 59
Total impaired loans:					
Real estate mortgage	$ 10,589	$ 11,409	$ 127	$ 10,637	$ 23
Production and intermediate-term	23,428	25,675	1,632	23,534	51
Agribusiness					
Processing and marketing	58	58	–	58	–
Farm-related business	32	34	–	32	–
Total agribusiness	90	92	–	90	–
Energy and water/waste disposal	345	345	345	347	1
Rural residential real estate	311	506	26	313	1
Lease receivables	30	81	–	30	–
Other (including mission-related)	3,947	3,852	180	3,965	9
Total	$ 38,740	$ 41,960	$ 2,310	$ 38,916	$ 85

	December 31, 2012			Year Ended December 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	$ 764	$ 747	$ 102	$ 809	$ 33
Production and intermediate-term	7,241	7,964	1,529	7,660	315
Rural residential real estate	132	207	22	140	6
Other (including mission-related)	3,366	3,262	180	3,561	147
Total	$ 11,503	$ 12,180	$ 1,833	$ 12,170	$ 501
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 11,096	$ 11,844	$ –	$ 11,739	$ 483
Production and intermediate-term	16,200	17,736	–	17,141	705
Agribusiness					
Processing and marketing	58	58	–	61	3
Farm-related business	32	34	–	34	1
Total agribusiness	90	92	–	95	4
Rural residential real estate	200	389	–	212	9
Lease receivables	32	83	–	33	1
Other (including mission-related)	582	589	–	616	25
Total	$ 28,200	$ 30,733	$ –	$ 29,836	$ 1,227
Total impaired loans:					
Real estate mortgage	$ 11,860	$ 12,591	$ 102	$ 12,548	$ 516
Production and intermediate-term	23,441	25,700	1,529	24,801	1,020
Agribusiness					
Processing and marketing	58	58	–	61	3
Farm-related business	32	34	–	34	1
Total agribusiness	90	92	–	95	4
Rural residential real estate	332	596	22	352	15
Lease receivables	32	83	–	33	1
Other (including mission-related)	3,948	3,851	180	4,177	172
Total	$ 39,703	$ 42,913	$ 1,833	$ 42,006	$ 1,728

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, 2013.

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

	Real Estate Mortgage	Production and Intermediate -term	Agribusiness	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Lease Receivables	Other (Including Mission Related)	Total
Allowance for credit losses:										
Balance at December 31, 2012	$ 1,926	$ 6,533	$ 810	$ 288	$ 487	$ 417	$ 25	$ 37	$ 181	$ 10,704
Charge-offs	(11)	(15)	–	–	–	–	–	–	–	(26)
Recoveries	5	14	–	–	–	–	–	–	–	19
Provision for loan losses	(52)	93	(7)	58	399	24	1	(3)	–	513
Balance at March 31, 2013	$ 1,868	$ 6,625	$ 803	$ 346	$ 886	$ 441	$ 26	$ 34	$ 181	$ 11,210
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
Loans individually evaluated for impairment	$ 127	$ 1,632	$ –	$ –	$ 345	$ 26	$ –	$ –	$ 180	$ 2,310
Loans collectively evaluated for impairment	1,742	4,992	803	346	541	415	26	34	1	8,900
Balance at March 31, 2013	$ 1,869	$ 6,624	$ 803	$ 346	$ 886	$ 441	$ 26	$ 34	$ 181	$ 11,210
Loans individually evaluated for impairment	$ 102	$ 1,529	$ –	$ –	$ –	$ 22	$ –	$ –	$ 180	$ 1,833
Loans collectively evaluated for impairment	1,824	5,004	810	288	487	395	25	37	1	8,871
Balance at December 31, 2012	$ 1,926	$ 6,533	$ 810	$ 288	$ 487	$ 417	$ 25	$ 37	$ 181	$ 10,704
Recorded investment in loans outstanding:										
Loans individually evaluated for impairment	$ 4,361	$ 12,488	$ 3,973	$ –	$ 345	$ 132	$ –	$ –	$ –	$ 21,299
Loans collectively evaluated for impairment	617,906	521,154	123,960	65,008	26,471	22,202	12,333	547	4,296	1,393,877
Ending balance at March 31, 2013	$ 622,267	$ 533,642	$ 127,933	$ 65,008	$ 26,816	$ 22,334	$ 12,333	$ 547	$ 4,296	$ 1,415,176
Loans individually evaluated for impairment	$ 6,100	$ 13,037	$ 32	$ –	$ –	$ 132	$ –	$ –	$ 3,971	$ 23,272
Loans collectively evaluated for impairment	611,445	539,399	122,618	55,404	26,435	22,533	12,291	787	–	1,390,912
Ending balance at December 31, 2012	$ 617,545	$ 552,436	$ 122,650	$ 55,404	$ 26,435	$ 22,665	$ 12,291	$ 787	$ 3,971	$ 1,414,184

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 regarding TDRs as of the restructuring date that occurred during the period presented. There were no TDRs that occurred during the three months ended March 31, 2013.

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

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended March 31,	
	2013	2012
Defaulted troubled debt restructurings:		
Real estate mortgage	$ 127	$ –
Production and intermediate-term	103	–
Total	$ 230	$ –

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

	Total TDRs		Nonaccrual TDRs	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Real estate mortgage	$ 6,181	$ 5,401	$ 2,425	$ 1,505
Production and intermediate-term	15,575	15,935	8,400	8,524
Total Loans	$ 21,756	$ 21,336	$ 10,825	$ 10,029

Additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings was $1,201 and $1,604 at March 31, 2013 and December 31, 2012, respectively.

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,	
	2013	2012
Pension	$ 804	$ 794
401(k)	125	115
Other postretirement benefits	125	103
Total	$ 1,054	$ 1,012

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

	Actual YTD Through 3/31/13	Projected Contributions For Remainder of 2013	Projected Total Contributions 2013
Pension	$ 5	$ 3,122	$ 3,127
Other postretirement benefits	109	355	464
Total	$ 114	$ 3,477	$ 3,591

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, 2013.

Further details regarding employee benefit plans are contained in the 2012 Annual Report to Shareholders.

NOTE 6 – FAIR VALUE MEASUREMENT

Fair value is defined 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.

Accounting 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 8.06 percent of the issued stock of the Bank as of March 31, 2013 net of any reciprocal investment. As of that date, the Bank's assets totaled $27.7 billion and shareholders' equity totaled $2.4 billion. The Bank's earnings were $121 million for the first three months of 2013. In addition, the Association has an investment of $132 related to other Farm Credit institutions.

The classifications 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, 2013 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, 2013.

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.

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. Level 3 assets 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. 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. 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.

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. The fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. 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.

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

	Standby Letters Of Credit
Balance at January 1, 2013	$ 228
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income	–
Purchases	–
Sales	–
Issuances	–
Settlements	(45)
Transfers in and/or out of level 3	–
Balance at March 31, 2013	$ 183

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

INFORMATION ABOUT SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Investment Securities

The fair values of predominantly all level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these level 3 assets.

Other Property Owned/Impaired Loans

Other property owned and impaired loans are valued using appraisals, market comparable sales, replacement costs and income and expense (cash flow) techniques. Certain unobservable inputs are used within these techniques to determine the level 3 fair value of these properties. The significant unobservable inputs are primarily sensitive only to industry, geographic and overall economic conditions, and/or specific attributes of each property.

Inputs to Valuation Techniques

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. 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.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Mission Related Investments	$ 2,653	Discounted cash flow	Risk adjusted spread	2.00% - 8.25%
Impaired loans and other property owned	$ 37,195	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
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment rates Probability of default Loss severity Annualized volatility

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:

	At or for the Three Months Ended March 31, 2013					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 400	$ 400	$ –	$ –	$ 400	
Recurring Assets	$ 400	$ 400	$ –	$ –	$ 400	
Liabilities:						
Standby letters of credit	$ 183	$ –	$ –	$ 183	$ 183	
Recurring Liabilities	$ 183	$ –	$ –	$ 183	$ 183	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 36,430	$ –	$ –	$ 36,430	$ 36,430	$ (483)
Other property owned	697	–	–	765	765	(50)
Nonrecurring Assets	$ 37,127	$ –	$ –	$ 37,195	$ 37,195	$ (533)
Other Financial Instruments						
Assets:						
Cash	$ 95	$ 95	$ –	$ –	$ 95	
Investment securities, held-to-maturity	2,392	–	–	2,653	2,653	
Loans	1,361,616	–	–	1,367,092	1,367,092	
Other Assets	$ 1,364,103	$ 95	$ –	$ 1,369,745	$ 1,369,840	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,143,512	$ –	$ –	$ 1,143,855	$ 1,143,855	
Other Liabilities	$ 1,143,512	$ –	$ –	$ 1,143,855	$ 1,143,855	

	At or for the Year Ended December 31, 2012					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 333	$ 333	$ –	$ –	$ 333	
Recurring Assets	$ 333	$ 333	$ –	$ –	$ 333	
Liabilities:						
Standby letters of credit	$ 228	$ –	$ –	$ 228	$ 228	
Recurring Liabilities	$ 228	$ –	$ –	$ 228	$ 228	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 37,870	$ –	$ –	$ 37,870	$ 37,870	$ 2,566
Other property owned	1,055	–	–	1,142	1,142	127
Nonrecurring Assets	$ 38,925	$ –	$ –	$ 39,012	$ 39,012	$ 2,693
Other Financial Instruments						
Assets:						
Cash	$ 642	$ 642	$ –	$ –	$ 642	
Investment securities, held-to-maturity	2,392	–	–	2,642	2,642	
Loans	1,360,512	–	–	1,366,984	1,366,984	
Other Assets	$ 1,363,546	$ 642	$ –	$ 1,369,626	$ 1,370,268	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,160,477	$ –	$ –	$ 1,161,397	$ 1,161,397	
Other Liabilities	$ 1,160,477	$ –	$ –	$ 1,161,397	$ 1,161,397	

NOTE 7 - ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in Accumulated Other Comprehensive income by Component *(a)*

	Employee Benefit Plans
Balance at December 31, 2012	$ (41)
Other comprehensive income before reclassifications	–
Amounts reclassified from AOCI	–
Net current period other comprehensive income	–
Balance at March 31, 2013	$ (41)
Balance at December 31, 2011	$ (17)
Other comprehensive income before reclassifications	(4)
Amounts reclassified from AOCI	–
Net current period other comprehensive income	(4)
Balance at March 31, 2012	$ (21)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	For the three months ended March 31,		
	2013	**2012**	**Income Statement Line Item**
Defined Benefit Pension Plans:			
Periodic pension costs	$ –	$ –	See footnote 5.
Net amounts reclassified	$ –	$ –	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

NOTE 8 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined there are none requiring disclosure through May 9, 2013, which is the date the financial statements were issued.